

# Strong start to 2019 with 19% organic revenue growth and 25% EPS increase in Q1

## GN Store Nord

# 19%

organic growth

- GN delivered 19% organic revenue growth in Q1 2019. Revenue growth was 24% including around 3% impact from the development in foreign exchange rates and around 1% impact from M&A
- EBITA margin increased to 15.5% driven by strong operational execution
- EPS increased 25% compared to Q1 2018 and reached DKK 1.96
- The financial guidance for 2019 – upgraded on April 12, 2019 – is confirmed

## GN Hearing

# 8%

organic growth

- GN Hearing is off to a strong start to 2019 and delivered 8% organic revenue growth in Q1 2019. Revenue growth was 10% including around 2% impact from the development in foreign exchange rates
- EBITA increased 8% to DKK 282 million. The EBITA margin reached 18.7%, slightly lower than Q1 2018 driven by the strong gross margin increase but more than offset by the development in foreign exchange rates
- Free cash flow excl. M&A was DKK (37) million in Q1 2019 impacted by traditional seasonality and higher level of trade receivables and inventories due to the successful ReSound LiNX Quattro

## GN Audio

# 36%

organic growth

- As earlier reported, GN Audio delivered 36% organic revenue growth in Q1 2019 driven by very strong performance across the business. Revenue growth was 43% including around 5% impact from the development in foreign exchange rates and around 2% impact from M&A
- EBITA increased 53% to DKK 193 million – after transaction related costs of DKK (45) million associated with the acquisition of Altia Systems. The EBITA margin increased 1.0 percentage points vs Q1 2018 and reached 14.5%, or 17.9% before transaction related costs
- Free cash flow excl. M&A was DKK 78 million in Q1 2019, translating into a cash conversion of 40%
- GN Audio upgraded the full year guidance on April 12, 2019

## Financial overview Q1 2019

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	Q1 2019	Q1 2018	Growth	Q1 2019	Q1 2018	Growth	Q1 2019	Q1 2018	Growth
<b>Revenue</b>	<b>1,507</b>	<b>1,365</b>	<b>10%</b>	<b>1,333</b>	<b>931</b>	<b>43%</b>	<b>2,840</b>	<b>2,296</b>	<b>24%</b>
Organic growth	8%	5%		36%	17%		19%	10%	
<b>Gross profit</b>	<b>1,047</b>	<b>929</b>	<b>13%</b>	<b>707</b>	<b>496</b>	<b>43%</b>	<b>1,754</b>	<b>1,425</b>	<b>23%</b>
Gross profit margin	69.5%	68.1%	+1.4%p	53.0%	53.3%	(0.3)%p	61.8%	62.1%	(0.3)%p
<b>EBITA</b>	<b>282</b>	<b>262</b>	<b>8%</b>	<b>193**</b>	<b>126</b>	<b>53%</b>	<b>439</b>	<b>354</b>	<b>24%</b>
EBITA margin	18.7%	19.2%	(0.5)%p	14.5%	13.5%	+1.0%p	15.5%	15.4%	+0.1%p
<b>Earnings per share (EPS)</b>							<b>1.96</b>	<b>1.57</b>	<b>25%</b>
Free cash flow excl. M&A	(37)	103	(140)	78	99	(21)	(13)	177	(190)

\* Including "Other"

\*\* After DKK (45) million of transaction related costs associated with the Altia Systems acquisition

# Financial highlights

DKK million	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Full year 2018 (aud.)
<b>GN Hearing</b>			
Revenue	1,507	1,365	5,833
Revenue growth	10%	(1)%	4%
Organic growth	8%	5%	7%
Gross profit margin	69.5%	68.1%	69.2%
EBITA*	282	262	1,194
EBITA margin	18.7%	19.2%	20.5%
ROIC (EBITA/Average invested capital)	18%	18%	19%
Free cash flow excl. M&A	(37)	103	574
Cash conversion (Free cash flow excl. M&A/EBITA)	(13)%	39%	48%
<b>GN Audio</b>			
Revenue	1,333	931	4,774
Revenue growth	43%	9%	20%
Organic growth	36%	17%	21%
Gross profit margin	53.0%	53.3%	53.2%
EBITA*	193	126	905
EBITA margin	14.5%	13.5%	19.0%
ROIC (EBITA/Average invested capital)	48%	49%	59%
Free cash flow excl. M&A	78	99	798
Cash conversion (Free cash flow excl. M&A/EBITA)	40%	79%	88%
<b>GN Store Nord</b>			
Revenue	2,840	2,296	10,607
Revenue growth	24%	3%	11%
Organic growth	19%	10%	13%
Gross profit margin	61.8%	62.1%	62.0%
EBITA*	439	354	1,956
EBITA margin	15.5%	15.4%	18.4%
Profit (loss) before tax	342	274	1,606
Effective tax rate	23.4%	22.3%	22.4%
ROIC (EBITA/Average invested capital)	22%	22%	24%
Earnings per share (EPS)	1.96	1.57	9.25
Earnings per share, fully diluted (EPS diluted)	1.92	1.56	9.13
Free cash flow excl. M&A	(13)	177	1,110
Cash conversion (Free cash flow excl. M&A/EBITA)	(3)%	50%	57%
Equity ratio	34.6%	38.4%	39.1%
Net interest-bearing debt	5,162	3,429	3,234
Net interest-bearing debt (period-end)/EBITDA	2.3	1.8	1.5
Share buybacks**	743	376	1,061
Outstanding shares, end of period (thousand)	131,679	134,878	132,576
Average number of outstanding shares (thousand)	131,861	135,432	134,114
Average number of outstanding shares, fully diluted (thousand)	134,112	136,210	135,864
Treasury shares, end of period (thousand)	14,005	10,806	13,108
Share price at the end of the period	309.0	213.4	243.3
Market capitalization	40,689	28,783	32,256

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

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

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

# GN Hearing

In Q1 2019, GN Hearing delivered 8% organic revenue growth driven by ReSound LiNX Quattro and strong performance across regions

## Highlights Q1 2019

- GN Hearing delivered 8% organic revenue growth in Q1 2019
- Strong performance across regions driven by ReSound LiNX Quattro, and the ReSound LiNX 3D product family
- EBITA increased 8% to DKK 282 million. The EBITA margin reached 18.7%, slightly lower than Q1 2018 driven by the strong gross margin increase but more than off-set by the development in foreign exchange rates
- Free cash flow excl. M&A was DKK (37) million in Q1 2019 impacted by traditional seasonality and higher level of trade receivables and inventories due to the successful ReSound LiNX Quattro
- The financial guidance for 2019 is confirmed

## Revenue

GN Hearing delivered 8% organic revenue growth in Q1 2019. Revenue growth was 10% including around 2% impact from the development in foreign exchange rates and an insignificant impact from M&A.

In Q1 2019, GN Hearing performed strongly across regions. In North America, GN Hearing continued to perform strongly in the independent market, partly off-set by the loss of one larger customer. In VA, GN Hearing continued to take significant market share during the quarter and is now the largest supplier to VA with a market share of 28%. In APAC and Emerging Markets, GN Hearing continued to deliver strong growth, among other with double digit growth in important markets like China and Japan. In Europe, GN Hearing continued the strong momentum from Q4 2018 in several important markets, including Italy, Spain and the Nordic countries.

## Earnings and other financial highlights

Gross profit reached DKK 1,047 million in Q1 2019, which is an increase of 13% compared to Q1 2018. The gross margin was 69.5%, which is an increase of 1.4 percentage points compared to Q1 2018. The increase in gross margin reflects among other mix effects in the quarter.

GN Hearing's EBITA reached DKK 282 million in Q1 2019, an increase of 8%. The EBITA margin was 18.7%, compared to 19.2% in Q1 2018, driven by the strong gross margin increase but more than off-set by the development in foreign exchange rates.

The return on invested capital (ROIC) ended at 18% in Q1 2019, same as in Q1 2018. The flat development is a result of

the EBITA growth, but off-set by an increase in the invested capital primarily driven by the implementation of IFRS 16 (Leasing).

Free cash flow excl. M&A was DKK (37) million in Q1 2019, impacted by traditional seasonality and higher level of trade receivables and inventories due to the successful ReSound LiNX Quattro. The first quarter of the year is traditionally impacted by payment of corporate tax as well as bonus payouts.

## Business highlights

On December 17, 2018, GN appointed Jakob Gudbrand new CEO of GN Hearing and member of GN Store Nord's Executive Management, effective as of February 18, 2019. Jakob Gudbrand comes to GN from a position as President of the Chromatography and Mass Spectrometry division, a large division of Thermo Fisher Scientific, a US-based Fortune 500 company listed on the New York Stock Exchange. He has more than 15 years of broad-based international leadership experience from his diverse career at Thermo Fisher, including a strong mindset for growth and innovation from a high technology science company.

In Q1 2019, GN Hearing continued the commercial roll-out of the world's first Premium-Plus hearing aid: ReSound LiNX Quattro, launched in August 2018. ReSound LiNX Quattro offers a combination of benefits that no other hearing aids offer: a brilliant sound experience, with unprecedented Layers of Sound™, and the world's most advanced rechargeable solution. ReSound LiNX Quattro offers a new category of hearing solutions and enlarges GN Hearing's product portfolio, which already includes the premium ReSound LiNX 3D product family. ReSound LiNX Quattro is now launched in slightly more than 50 countries world-wide.

In early January 2019, GN Hearing announced the world's first hearing solutions with artificial intelligence (AI) intuitively adapting to the hearing aid user's personal preferences in any given sound environment. GN Hearing's AI solution works in tandem with Apple's Siri virtual assistant. The new offering is an added benefit to the latest and innovative 2.4 GHz product portfolio under the ReSound and Beltone brands. Using AI, GN Hearing will deliver a continuous stream of new user benefits in future software releases. This will enable users to always be at the forefront of innovation by updating existing GN Hearing instruments with new features.

In late February 2019, Apple recognized ReSound as one of six showcased apps in the overall health category based on GN Hearing's competitive edge in the industry.

In March, during the annual hearing aid conference (AAA) in North America, GN Hearing conducted a live demo of direct audio streaming from an Android device to ReSound LiNX Quattro hearing aids. In August 2018, GN Hearing and Google announced a new technology partnership that will enable a full spectrum of direct audio streaming from Android devices to hearing aids, and GN Hearing is expected to be the first manufacturer to take advantage of the new Android connection, which will be fully compatible with ReSound LiNX Quattro and Beltone Amaze.

#### **Market development**

The market growth expectation is unchanged. For 2019, GN Hearing expects a global unit growth of 4-6%, with an ASP development of (1)-(2)%. The market growth specifically observed in Q1 2019 was in line herewith.

#### **Outlook 2019**

GN Hearing confirms its financial guidance for 2019 of organic revenue growth of "around 7%" and EBITA margin of "more than 20%".

*"With 8% organic revenue growth in Q1 2019, we see that GN Hearing's innovation strategy is working as planned. Audiologists and users really appreciate what they can accomplish with our new Premium-Plus hearing aid ReSound LiNX Quattro, and we also see continued strong performance by the full product family in ReSound LiNX 3D."*

Jakob Gudbrand, CEO of GN Hearing

# GN Audio

In Q1 2019, GN Audio delivered 36% organic revenue growth with very strong performance across the business. Altia Systems acquisition completed. EBITA increased 53% after transaction related costs

## Highlights Q1 2019

- GN Audio delivered 36% organic revenue growth in Q1 2019, driven by continued exceptionally strong performance across the business
- EBITA increased 53% to DKK 193 million – after transaction related costs of DKK (45) million associated with the acquisition of Altia Systems – compared to DKK 126 million in Q1 2018. The EBITA margin increased 1.0 percentage points vs Q1 2018 and reached 14.5%, or 17.9% before transaction related costs
- Free cash flow excl. M&A was DKK 78 million in Q1 2019, translating into a cash conversion of 40%
- GN Audio's financial guidance for 2019 was upgraded on April 12, 2019

## Revenue

GN Audio delivered 36% organic revenue growth in Q1 2019. Revenue growth was 43% including an impact from the development in foreign exchange rates of around 5%, while M&A had a positive contribution of around 2% primarily related to the Innova investment announced in May 2018.

In Q1 2019, GN Audio's CC&O business continued to deliver strong double-digit organic revenue growth. The continued strong growth reflects GN Audio's innovative world leading product portfolio as well as strong execution on its commercial excellence initiatives. As a result of the strong performance, GN Audio continues to strengthen its leading position across the entire CC&O market.

GN Audio's ongoing repositioning of the consumer business resulted in another quarter with significant organic revenue growth, driven among other by the very successful Jabra Elite family, which continues to receive outstanding reviews and feedback.

## Earnings and other financial highlights

GN Audio's gross profit reached DKK 707 million in Q1 2019, an increase of 43% compared to Q1 2018. The gross margin decreased 0.3 percentage points compared to Q1 2018, among other driven by mix effects in the quarter.

GN Audio's EBITA continued to grow significantly in Q1 2019 and reached DKK 193 million – after transaction related costs of DKK (45) million associated with the Altia Systems acquisition – an increase of 53% compared to Q1 2018. The EBITA margin was 14.5% in Q1 2019, compared to 13.5% in

Q1 2018. Before the transaction related costs associated with the Altia Systems acquisition the EBITA margin would have increased 4.4 percentage points. The margin expansion reflects the strong operational leverage, partly off-set by continued investments in the business to fuel the current momentum and by the development in foreign exchange rates.

The return on invested capital (ROIC) ended at 48% in Q1 2019 compared to 49% in Q1 2018. The flat development in ROIC is driven by increased earnings level as well as strict focus on balance sheet during the last years, but off-set primarily by the Altia Systems acquisition and to some extent the implementation of IFRS 16 (Leasing).

In Q1 2019, the free cash flow excl. M&A was DKK 78 million, compared to DKK 99 million in Q1 2018. Cash conversion ended at 40% in the quarter. The first quarter of the year is traditionally impacted by payment of corporate tax as well as bonus payouts. During the quarter, DKK 641 million was paid out as part of the acquisition of Altia Systems, which was finalized in March 2019.

## Business highlights

In January 2019, GN Audio announced the Jabra Elite 85h in connection with the yearly consumer electronics show (CES) in Las Vegas. The new headphones are engineered with Jabra SmartSound, based on audEERING context intelligence technology and include Jabra's Active Noise Cancellation (ANC) and Jabra's HearThrough technology, which enables users to decide how much of the outside world penetrates through to the listener. The Jabra Elite 85h headphones set new standards across the board, with up to 36-hour battery life (with ANC activated), crystal-clear sound with advanced 6-microphone call technology, 40mm custom-engineered distortion-reducing speakers for top-quality acoustic experience and industry-leading durability. Together, these product attributes provide Jabra Elite 85h with a very competitive position in a highly attractive part of the market. The global launch of Jabra Elite 85h started at the end of April 2019.

In March 2019, GN Audio launched the Jabra Evolve 65e – a second generation of wireless earbuds with UC-certification for professional sound on the go. The Jabra Evolve 65e is engineered to deliver professional, UC-certified sound and Skype for Business certification, ensuring that users enjoy

crystal-clear call or music quality for work and life on the go. And, with a battery that supports eight hours of talk and 13 hours of music, the Jabra Evolve 65e will keep going as long as you do, making them ideal for the mobile worker.

On February 19, 2019, GN Audio announced a conditional agreement to acquire Altia Systems Inc. ("Altia Systems"). Altia Systems, based in Cupertino, California (USA), is a leading innovative developer of premium video communications solutions utilizing digital multi-camera array technology. On March 11, 2019 all necessary conditions were met and GN Audio completed the acquisition of Altia Systems and immediately started the integration process. With the acquisition of Altia Systems, GN Audio has taken a major step towards bringing best-in-class audiovisual systems to support plug-and-play video conferencing for the rapidly growing segment of small meeting rooms, so-called huddle-rooms. GN Audio expects to see meaningful positive financial impact of the Altia Systems acquisition in 2020.

#### **Market development**

In Q1 2019, the global CC&O market continued to develop favorably, particularly in Europe. GN Audio expects that the market trend will continue, creating a solid foundation for continued strong performance.

The part of the consumer market addressed by GN Audio is expected to develop favorably in 2019, among other with strong growth in the true wireless market.

#### **Outlook 2019**

GN Audio confirms its financial guidance for 2019, which was upgraded in a separate company announcement on April 12, 2019. The financial guidance is organic revenue growth of "more than 19%" and EBITA margin of "around 20%" before transaction related costs associated with the Altia Systems acquisition.

*"With 36% organic revenue growth in Q1, GN Audio started 2019 with continued very strong momentum. Our success formula for growth – constantly launching highly relevant, innovative and market leading products backed by flawless marketing and sales execution – has proven to be sustainable in both the professional and the consumer segment. With our upgraded guidance for the full year, we express our confidence that this positive development will continue."*

René Svendsen-Tune, CEO of GN Audio

# GN Store Nord

In Q1 2019, GN Store Nord revenue ended at DKK 2,840 million compared to DKK 2,296 million in Q1 2018. Organic revenue growth in Q1 2019 was 19%, while the development in foreign exchange rates impacted revenue by around 3%. M&A had an impact of around 1% in the quarter.

EBITA in Other amounted to DKK (36) million in Q1 2019, compared to DKK (34) million in Q1 2018. GN Store Nord's EBITA reached DKK 439 million in Q1 2019 (compared to DKK 354 million in Q1 2018), an increase of 24% compared to Q1 2018, driven by strong execution across GN Hearing and GN Audio, which translated into an EBITA margin of 15.5%, vs 15.4% in Q1 2018 (excluding transaction related costs associated with the Altia Systems acquisition the EBITA margin would have been 17.0%).

In Q1 2019, amortization of acquired intangible assets amounted to DKK (42) million, compared to DKK (37) million in Q1 2018. Financial items ended at DKK (53) million compared to DKK (42) million in Q1 2018, primarily explained by a negative non-cash contribution from foreign exchange adjustments of certain balance sheet items from the appreciating USD.

The profit before tax was DKK 342 million in Q1 2019, and the effective tax rate was 23%, translating into a net profit of DKK 262 million compared to DKK 213 million in Q1 2018.

The free cash flow excl. M&A reached DKK (13) million, equal to a cash conversion of (3)% compared to 50% in Q1 2018. During the last three years the average cash conversion has been 65%.

Earnings per share (EPS) was DKK 1.96, an increase of 25% compared to Q1 2018. The increase is driven by the strong growth in net profit as well as the share buyback program.

By the end of Q1 2019, equity in GN Store Nord amounted to DKK 4,869 million compared to DKK 5,096 million in Q4 2018. The decrease is primarily driven by strong net profits during the period, but off-set by the share buyback programs as well as the ordinary dividend payment.

## Capital structure

In Q1 2019, GN has in total distributed DKK 542 million back to shareholders through share buybacks and dividend. In March 2019, GN paid out DKK 197 million in dividends (DKK 1.35 per share) in respect of the fiscal year 2018 as approved at the Annual General Meeting in 2019.

GN's long-term capital structure policy is to have net interest-bearing debt of up to a maximum of two times EBITDA. GN targets a net interest-bearing debt between one and two times EBITDA for the coming years, based on the solid financial development in GN, the favorable capital markets as well as the relentless focus on maximizing shareholder value. By the end of Q1 2019, the net interest-bearing debt was DKK 5,162 million corresponding to 2.3 times EBITDA where EBITDA is based on the last four rolling quarters. As of January 1, 2019, IFRS 16 Leasing has been implemented which has an impact of DKK 496 million on net interest-bearing debt as of March 31, 2019. Excluding the changes from the IFRS implementation the NIBD / EBITDA would have been 2.05x, which is slightly higher than the target primarily driven by timing including the Altia Systems acquisition.

## New share buyback program

Earlier today, GN initiated a new DKK 1 billion share buyback program – the third and last part of the announced DKK 3 billion program. The announced share buyback program is scheduled to finish no later than March 10, 2020.

## Claim against Plantronics Inc.

In 2012, GN Audio filed suit against Plantronics for attempted monopolization of the distributors' market in the United States. On October 18, 2017, a jury in the Federal District Court of Delaware ruled in favor of Plantronics as the jury did not find that Plantronics' behavior in the market had been unlawful. GN has appealed the ruling and the case was argued before the Court of Appeals on December 11, 2018. A ruling is expected in the first half of 2019.

## Foreign exchange exposure

GN has hedged a substantial part of the expected net cash-flow in foreign currencies to secure the EBITA contribution of the material trading currencies for the next 12 months across both GN Hearing and GN Audio.

## Financial guidance 2019\*

DKK million	Organic revenue growth	EBITA	Effective tax rate
GN Hearing	~ 7%	> 20%	
GN Audio	> 19%	~ 20%**	
Other		~ (150)	
GN Store Nord			~ 23%

\* Upgraded on April 12, 2019

\*\* Before transaction related costs associated with the acquisition of Altia Systems Inc., which impact GN Audio's EBITA margin negatively by around 1 percentage point in 2019. The acquisition is expected to be accretive to GN Audio's financials from 2020

# Additional information

## Teleconference

GN will host a teleconference at 11.30 am CET today. Please visit [www.gn.com](http://www.gn.com) to access the teleconference. Presentation material will be available on the website approximately one hour prior to the start of the teleconference.

## Financial calendar for 2019

Interim Report Q2 2019: August 22, 2019  
Interim Report Q3 2019: November 7, 2019

## Forward-looking statements

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

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# Strategy 2017 – 2019

GN Store Nord's 2017 – 2019 strategy is organized around three fundamental building blocks: Innovation, Commercial and People Excellence

In September 2016, GN launched its 2017 – 2019 strategy Hear More, Do More, Be More. The Group's declared purpose is Making Life Sound Better with a vision to become the leader in intelligent audio solutions that transform people's lives through the power of sound.

Building on the group's highly specialized sound processing know-how, GN offers an exceptional portfolio of medical, professional and consumer audio solutions. This combination of expertise – all under the same roof and taking advantage of hearing aid and headset technologies – is unique.

## GN Hearing's strategic focus

GN Hearing has been an industry pioneer in Sound Quality and connectivity since the 2010 launch of the 1<sup>st</sup> generation hearing aids based on 2.4 GHz wireless technology. Innovation has constantly improved user benefits over the years, and today GN's hearing aids offer a hearing impaired person – almost – more opportunities than a person with fully intact hearing. GN Hearing's focus for 2017 - 2019 will be to reinforce the strategic fundamentals Innovation, Commercial, and People Excellence.

### Leadership in innovation

The Innovation Excellence approach will focus on three areas:

1. Bringing the user even more in focus in product innovation
2. Focusing even more on the core hearing aid technologies and the actual sound experience for the user – getting closer to natural hearing
3. Consistently delivering new and improved products to the market with true user benefits and features

### Lead in Commercial Excellence

It is a core strategic objective to further improve commercial execution, partner with – and not acquire – retail, and share best practices. Expanding footprint in the open market is key to capture further market share along with the continuation of GN Hearing's successful partnership with leading channels across the globe, which will be further strengthened.

## GN Audio's strategic focus

GN Audio is a market leader in different headset segments. An important driver is a strong ability to deliver innovative products to the market segments with a particular focus on the importance of high-quality conversations.

During 2017 - 2019, GN Audio will further build on Jabra's market-leading Unified Communications (UC) headset platform and on its market-leading UC/smartphone speaker. In both segments, the platforms will be expanded with new features to capture an increasing share of this growing market.

In the contact center and office market, GN Audio is a world leader. The increasing digitalization of user interaction makes calls more complex, which increases the need for a good call quality. Also, wireless solutions that enable hands-free productivity is in increasing demand as is also the case for high-quality audio solutions as noise and distractions in open offices impacts conversation quality.

In the consumer segment, focus is to grow in a profitable and disciplined manner as an add on business to the professional headset business, particularly within multi-function devices using wireless technology.

## People Excellence across the Group

It is an integral element of GN's 2017 – 2019 strategy to ensure that all managers and employees across the group thoroughly understand what the company's strategic focus and leadership principles mean for their teams and daily work. Within the 2017 – 2019 strategy a series of programs are initiated to strengthen execution, leadership and people development.

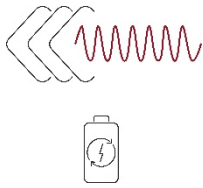


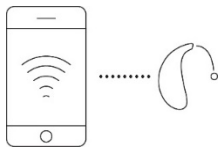

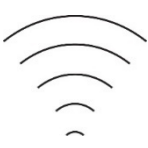
## Financial target 2017-2019

DKK million	Organic revenue growth (CAGR)	EBITA	Effective tax rate
GN Hearing	6-8%*	20-22%	
GN Audio	6-9%	17-19%	
GN Store Nord**			~ 22%

\* Market assumptions: 4-6% volume growth and (1-2)% ASP development per year \*\* Including "other"

# GN Hearing's journey towards more natural hearing

Mastering the game changing 2.4 GHz technology and connectivity through six generations of hearing aid families has given GN Hearing the innovative lead in the hearing aid industry offering users convenience and a brilliant sound experience

<p>2018</p> <p>6<sup>th</sup> generation ReSound LiNX Quattro</p>		<p>GN Hearing's 6<sup>th</sup> generation 2.4 GHz hearing aids define a new category, Premium-Plus, with a combination of benefits that no other hearing aids offer: a brilliant sound experience, with unprecedented Layers of Sound™, and the world's most advanced rechargeable solution. The new generation allows an even deeper cooperation with Apple and a new partnership with Google, with GN Hearing expected to be first to take advantage of the new Android connection.</p>
<p>2017</p> <p>5<sup>th</sup> generation ReSound LiNX 3D</p>		<p>The 5<sup>th</sup> generation 2.4 GHz wireless technology from GN Hearing offers unprecedented benefits to hearing aid users and to hearing care professionals across three key dimensions – Sound Quality, efficient and convenient fitting and groundbreaking remote fine-tuning - all leading to better restoration of natural hearing.</p>
<p>2015</p> <p>4<sup>th</sup> generation ReSound LiNX<sup>2</sup></p>		<p>Surround Sound by ReSound is upgraded with Spatial Sense, which helps the user hear what and where sounds are coming from. It allows users to focus on the sounds they are most interested in – even when noise levels are high. Offering four times faster connection with Apple devices and now also connects with Apple Watch.</p>
<p>2014</p> <p>3<sup>rd</sup> generation ReSound LiNX</p>		<p>The world's first Made for iPhone hearing aid (Bluetooth Smart device) makes hearing aids work like wireless stereo headphones with iPhone, iPad or iPod touch. The ReSound Smart app enables people to control and personalize their hearing aids where ever they are.</p>
<p>2012</p> <p>2<sup>nd</sup> generation ReSound Verso</p>		<p>The first 2.4 GHz based ear-to-ear data exchange, Binaural Directionality, enables users to decide which sound to focus on in any environment.</p>
<p>2010</p> <p>1<sup>st</sup> generation ReSound Alera</p>		<p>The world's first 2.4 GHz wireless system for high quality sound streaming does away with the stigmatizing necklace. New feedback reduction system removes feedback without reducing amplification.</p>

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## Quarterly reporting by segment

DKK million	Q1 2018 (unaud.)	Q2 2018 (unaud.)	Q3 2018 (unaud.)	Q4 2018 (unaud.)	Q1 2019 (unaud.)	Full year 2018 (aud.)
<b>Income statement</b>						
<b>Revenue</b>						
GN Hearing	1,365	1,433	1,391	1,644	1,507	5,833
GN Audio	931	1,131	1,169	1,543	1,333	4,774
<b>Total</b>	<b>2,296</b>	<b>2,564</b>	<b>2,560</b>	<b>3,187</b>	<b>2,840</b>	<b>10,607</b>
<b>Organic growth</b>						
GN Hearing	5%	6%	6%	10%	8%	7%
GN Audio	17%	19%	20%	28%	36%	21%
<b>Total</b>	<b>10%</b>	<b>11%</b>	<b>12%</b>	<b>18%</b>	<b>19%</b>	<b>13%</b>
<b>Gross profit</b>						
GN Hearing	929	988	968	1,149	1,047	4,034
GN Audio	496	609	619	816	707	2,540
<b>Total</b>	<b>1,425</b>	<b>1,597</b>	<b>1,587</b>	<b>1,965</b>	<b>1,754</b>	<b>6,574</b>
<b>Gross profit margin</b>						
GN Hearing	68.1%	68.9%	69.6%	69.9%	69.5%	69.2%
GN Audio	53.3%	53.8%	53.0%	52.9%	53.0%	53.2%
<b>Total</b>	<b>62.1%</b>	<b>62.3%</b>	<b>62.0%</b>	<b>61.7%</b>	<b>61.8%</b>	<b>62.0%</b>
<b>Development costs</b>						
GN Hearing	(97)	(108)	(122)	(147)	(134)	(474)
GN Audio	(61)	(79)	(90)	(100)	(91)	(330)
Other *	(13)	(15)	(11)	(18)	(16)	(57)
<b>Total</b>	<b>(171)</b>	<b>(202)</b>	<b>(223)</b>	<b>(265)</b>	<b>(241)</b>	<b>(861)</b>
<b>Selling and distribution costs and administrative expenses etc.</b>						
GN Hearing	(570)	(602)	(577)	(617)	(631)	(2,366)
GN Audio	(309)	(323)	(305)	(368)	(423)	(1,305)
Other *	(21)	(18)	(20)	(27)	(20)	(86)
<b>Total</b>	<b>(900)</b>	<b>(943)</b>	<b>(902)</b>	<b>(1,012)</b>	<b>(1,074)</b>	<b>(3,757)</b>
<b>EBITA</b>						
GN Hearing	262	278	269	385	282	1,194
GN Audio	126	207	224	348	193	905
Other *	(34)	(33)	(31)	(45)	(36)	(143)
<b>Total</b>	<b>354</b>	<b>452</b>	<b>462</b>	<b>688</b>	<b>439</b>	<b>1,956</b>
<b>EBITA margin</b>						
GN Hearing	19.2%	19.4%	19.3%	23.4%	18.7%	20.5%
GN Audio	13.5%	18.3%	19.2%	22.6%	14.5%	19.0%
<b>Total</b>	<b>15.4%</b>	<b>17.6%</b>	<b>18.0%</b>	<b>21.6%</b>	<b>15.5%</b>	<b>18.4%</b>
<b>Depreciation and software amortization</b>						
GN Hearing	(25)	(24)	(24)	(25)	(46)	(98)
GN Audio	(7)	(13)	(11)	(12)	(23)	(43)
Other *	(11)	(12)	(13)	(15)	(17)	(51)
<b>Total</b>	<b>(43)</b>	<b>(49)</b>	<b>(48)</b>	<b>(52)</b>	<b>(86)</b>	<b>(192)</b>
<b>EBITDA</b>						
GN Hearing	287	302	293	410	328	1,292
GN Audio	133	220	235	360	216	948
Other *	(23)	(21)	(18)	(30)	(19)	(92)
<b>Total</b>	<b>397</b>	<b>501</b>	<b>510</b>	<b>740</b>	<b>525</b>	<b>2,148</b>
<b>EBITA</b>	<b>354</b>	<b>452</b>	<b>462</b>	<b>688</b>	<b>439</b>	<b>1,956</b>
Amortization of acquired intangible assets	(37)	(37)	(40)	(41)	(42)	(155)
Gain (loss) on divestment of operations etc.	(1)	-	(5)	1	-	(5)
<b>Operating profit (loss)</b>	<b>316</b>	<b>415</b>	<b>417</b>	<b>648</b>	<b>397</b>	<b>1,796</b>
Share of profit (loss) in associates	-	-	-	13	(2)	13
Financial items, net	(42)	(49)	(31)	(81)	(53)	(203)
<b>Profit (loss) before tax</b>	<b>274</b>	<b>366</b>	<b>386</b>	<b>580</b>	<b>342</b>	<b>1,606</b>
Tax on profit (loss)	(61)	(82)	(85)	(131)	(80)	(359)
<b>Profit (loss)</b>	<b>213</b>	<b>284</b>	<b>301</b>	<b>449</b>	<b>262</b>	<b>1,247</b>
<b>Balance sheet Development projects</b>						
GN Hearing	868	925	931	937	948	937
GN Audio	309	322	322	315	319	315
Other *	-	(30)	(30)	(30)	(25)	(30)
<b>Total</b>	<b>1,177</b>	<b>1,217</b>	<b>1,223</b>	<b>1,222</b>	<b>1,242</b>	<b>1,222</b>
<b>Inventories</b>						
GN Hearing	376	411	457	460	509	460
GN Audio	274	308	400	492	493	492
<b>Total</b>	<b>650</b>	<b>719</b>	<b>857</b>	<b>952</b>	<b>1,002</b>	<b>952</b>
<b>Trade receivables</b>						
GN Hearing	1,119	1,096	1,144	1,276	1,294	1,276
GN Audio	816	1,020	1,022	1,118	1,014	1,118
<b>Total</b>	<b>1,935</b>	<b>2,116</b>	<b>2,166</b>	<b>2,394</b>	<b>2,308</b>	<b>2,394</b>
<b>Net working capital</b>						
GN Hearing	742	704	742	785	940	785
GN Audio	431	396	377	425	592	425
Other *	(75)	(84)	(77)	(98)	(110)	(98)
<b>Total</b>	<b>1,098</b>	<b>1,016</b>	<b>1,042</b>	<b>1,112</b>	<b>1,422</b>	<b>1,112</b>
<b>Free cash flow excl. M&amp;A</b>						
GN Hearing	103	106	182	183	(37)	574
GN Audio	99	289	226	184	78	798
Other *	(25)	(57)	(59)	(121)	(54)	(262)
<b>Total</b>	<b>177</b>	<b>338</b>	<b>349</b>	<b>246</b>	<b>(13)</b>	<b>1,110</b>
<b>Acquisitions and divestments of companies</b>	<b>(28)</b>	<b>(69)</b>	<b>-</b>	<b>-</b>	<b>(653)</b>	<b>(97)</b>
<b>Free cash flow</b>	<b>149</b>	<b>269</b>	<b>349</b>	<b>246</b>	<b>(666)</b>	<b>1,013</b>

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

## Consolidated income statement

(DKK million)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Full Year 2018 (aud.)
Revenue	2,840	2,296	10,607
Production costs	(1,086)	(871)	(4,033)
<b>Gross profit</b>	<b>1,754</b>	<b>1,425</b>	<b>6,574</b>
Development costs	(241)	(171)	(861)
Selling and distribution costs	(812)	(727)	(3,050)
Management and administrative expenses	(264)	(176)	(706)
Other operating income and costs, net	2	3	(1)
<b>EBITA*</b>	<b>439</b>	<b>354</b>	<b>1,956</b>
Amortization of acquired intangible assets	(42)	(37)	(155)
Gain (loss) on divestment of operations etc.	-	(1)	(5)
<b>Operating profit (loss)</b>	<b>397</b>	<b>316</b>	<b>1,796</b>
Share of profit (loss) in associates	(2)	-	13
Financial income	55	42	71
Financial expenses	(108)	(84)	(274)
<b>Profit (loss) before tax</b>	<b>342</b>	<b>274</b>	<b>1,606</b>
Tax on profit (loss)	(80)	(61)	(359)
<b>Profit (loss) for the period</b>	<b>262</b>	<b>213</b>	<b>1,247</b>
<b>Attributable to:</b>			
Non-controlling interests	4	-	6
Shareholders in GN Store Nord A/S	258	213	1,241
<b>Earnings per share (EPS):</b>			
Earnings per share (EPS)	1.96	1.57	9.25
Earnings per share, fully diluted (EPS diluted)	1.92	1.56	9.13

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

## Consolidated statement of comprehensive income

(DKK million)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Full Year 2018 (aud.)
<b>Profit (loss) for the period</b>	<b>262</b>	<b>213</b>	<b>1,247</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains (losses)	2	-	(11)
Tax relating to this item of other comprehensive income	-	-	3
<b>Items that may be reclassified subsequently to profit or loss</b>			
Adjustment of cash flow hedges	4	(9)	(68)
Foreign exchange adjustments, etc.	141	(174)	256
Tax relating to these items of other comprehensive income	(5)	7	5
<b>Other comprehensive income for the period, net of tax</b>	<b>142</b>	<b>(176)</b>	<b>185</b>
<b>Total comprehensive income for the period</b>	<b>404</b>	<b>37</b>	<b>1,432</b>
<b>Attributable to:</b>			
Non-controlling interests	4	-	6
Shareholders in GN Store Nord A/S	400	37	1,426

## Consolidated balance sheet at March 31

(DKK million)	Mar. 31 2019 (unaud.)	Dec. 31 2018 (aud.)	Sep. 30 2018 (unaud.)	Jun. 30 2018 (unaud.)
<b>Assets</b>				
Intangible assets	7,504	6,594	6,543	6,499
Property, plant and equipment	1,032	514	504	503
Deferred tax assets	374	368	352	352
Other non-current assets	1,269	1,260	1,208	1,197
<b>Total non-current assets</b>	<b>10,179</b>	<b>8,736</b>	<b>8,607</b>	<b>8,551</b>
Inventories	1,002	952	857	719
Trade receivables	2,308	2,394	2,166	2,116
Tax receivable	35	29	22	87
Other receivables	255	270	218	225
Cash and cash equivalents	273	636	639	395
<b>Total current assets</b>	<b>3,873</b>	<b>4,281</b>	<b>3,902</b>	<b>3,542</b>
<b>Total assets</b>	<b>14,052</b>	<b>13,017</b>	<b>12,509</b>	<b>12,093</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>4,869</b>	<b>5,096</b>	<b>4,761</b>	<b>4,695</b>
Bank loans and issued bonds	3,248	3,842	3,952	3,747
Lease liabilities, non-current	364	-	-	-
Pension obligations	54	54	41	48
Provisions, non-current	273	262	192	197
Deferred tax liabilities	497	399	454	441
Other non-current liabilities	382	306	307	292
<b>Total non-current liabilities</b>	<b>4,818</b>	<b>4,863</b>	<b>4,946</b>	<b>4,725</b>
Bank loans	1,691	28	8	40
Lease liabilities, current	132	-	-	-
Trade payables	699	934	773	691
Tax payable	6	148	175	161
Provisions, current	393	378	420	428
Other current liabilities	1,444	1,570	1,426	1,353
<b>Total current liabilities</b>	<b>4,365</b>	<b>3,058</b>	<b>2,802</b>	<b>2,673</b>
<b>Total equity and liabilities</b>	<b>14,052</b>	<b>13,017</b>	<b>12,509</b>	<b>12,093</b>

## Consolidated statement of cash flow

(DKK million)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Full Year 2018 (aud.)
<b>Operating activities</b>			
Operating profit (loss)	397	316	1,796
Depreciation, amortization and impairment	221	163	690
Other non-cash adjustments	37	51	107
<b>Cash flow from operating activities before changes in working capital</b>	<b>655</b>	<b>530</b>	<b>2,593</b>
Changes in working capital	(260)	(53)	(95)
<b>Cash flow from operating activities before financial items and tax</b>	<b>395</b>	<b>477</b>	<b>2,498</b>
Financial items, net	(23)	(39)	(113)
Tax paid, net	(187)	(56)	(313)
<b>Cash flow from operating activities</b>	<b>185</b>	<b>382</b>	<b>2,072</b>
<b>Investing activities</b>			
Development projects	(110)	(101)	(408)
Investments in other intangible assets, net	(21)	(16)	(156)
Investments in property, plant and equipment, net	(54)	(39)	(160)
Investments in other non-current assets, net	(13)	(49)	(238)
Company acquisitions	(653)	(28)	(97)
<b>Cash flow from investing activities</b>	<b>(851)</b>	<b>(233)</b>	<b>(1,059)</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>(666)</b>	<b>149</b>	<b>1,013</b>
<b>Financing activities</b>			
Paid dividends	(178)	(169)	(169)
Share-based payment (exercised)	209	41	65
Purchase/sale of treasury shares and other equity instruments	(743)	(376)	(1,061)
Increase/decrease in bank loans and other adjustments	1,009	250	263
<b>Cash flow from financing activities</b>	<b>297</b>	<b>(254)</b>	<b>(902)</b>
<b>Net cash flow</b>	<b>(369)</b>	<b>(105)</b>	<b>111</b>
Cash and cash equivalents beginning of period	636	526	526
Adjustment foreign currency, cash and cash equivalents	6	(4)	(1)
<b>Cash and cash equivalents, end of period</b>	<b>273</b>	<b>417</b>	<b>636</b>

## Consolidated statement of equity

Q1 2018 (DKK million)	Other reserves				Proposed dividends for the year	Retained earnings	Equity, shareholders in GN Store Nord A/S	Non-controlling interests	Total equity
	Share capital*	Foreign exchange adjustments	Hedging reserve	Treasury shares					
<b>Balance at December 31, 2017</b>	<b>583</b>	<b>(1,311)</b>	<b>26</b>	<b>(1,586)</b>	<b>182</b>	<b>6,889</b>	<b>4,783</b>	<b>-</b>	<b>4,783</b>
Effect of implementing IFRS 9	-	-	-	-	-	12	12	-	12
<b>Balance at January 1, 2018</b>	<b>583</b>	<b>(1,311)</b>	<b>26</b>	<b>(1,586)</b>	<b>182</b>	<b>6,901</b>	<b>4,795</b>	<b>-</b>	<b>4,795</b>
Profit (loss) for the period	-	-	-	-	-	213	213	-	213
Adjustment of cash flow hedges	-	-	(9)	-	-	-	(9)	-	(9)
Foreign exchange adjustments, etc.	-	(174)	-	-	-	-	(174)	-	(174)
Tax relating to other comprehensive income	-	5	2	-	-	-	7	-	7
Total comprehensive income for the period	-	(169)	(7)	-	-	213	37	-	37
Share-based payment (granted)	-	-	-	-	-	7	7	-	7
Share based payment (exercised)	-	-	-	38	-	3	41	-	41
Tax related to share-based incentive plans	-	-	-	-	-	2	2	-	2
Purchase/sale of treasury shares	-	-	-	(376)	-	-	(376)	-	(376)
Paid dividends	-	-	-	-	(169)	-	(169)	-	(169)
Dividends, treasury shares	-	-	-	-	(13)	13	-	-	-
<b>Balance at March 31, 2018</b>	<b>583</b>	<b>(1,480)</b>	<b>19</b>	<b>(1,924)</b>	<b>-</b>	<b>7,139</b>	<b>4,337</b>	<b>-</b>	<b>4,337</b>

Q1 2019 (DKK million)

<b>Balance at December 31, 2018</b>	<b>583</b>	<b>(1,065)</b>	<b>(27)</b>	<b>(2,585)</b>	<b>197</b>	<b>7,993</b>	<b>5,096</b>	<b>-</b>	<b>5,096</b>
Profit (loss) for the period	-	-	-	-	-	258	258	4	262
Actuarial gains (losses)	-	-	-	-	-	2	2	-	2
Adjustment of cash flow hedges	-	-	4	-	-	-	4	-	4
Foreign exchange adjustments, etc.	-	141	-	-	-	-	141	-	141
Tax relating to other comprehensive income	-	(4)	(1)	-	-	-	(5)	-	(5)
Total comprehensive income for the period	-	137	3	-	-	260	400	4	404
Share-based payment (granted)	-	-	-	-	-	7	7	-	7
Share-based payment (exercised)	-	-	-	223	-	22	245	-	245
Tax related to share-based incentive plans	-	-	-	-	-	41	41	-	41
Purchase/sale of treasury shares	-	-	-	(743)	-	-	(743)	-	(743)
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	1	1	(4)	(3)
Paid dividends	-	-	-	-	(178)	-	(178)	-	(178)
Dividends, treasury shares	-	-	-	-	(19)	19	-	-	-
<b>Balance at March 31, 2019</b>	<b>583</b>	<b>(928)</b>	<b>(24)</b>	<b>(3,105)</b>	<b>-</b>	<b>8,343</b>	<b>4,869</b>	<b>-</b>	<b>4,869</b>

\* shares of DKK 4 each



## Note 1 – Accounting policies

This interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and Danish interim financial reporting requirements for listed companies.

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

As of January 1, 2019, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2019 or earlier, including IFRS 16 Leases. Apart from this, the accounting policies applied are unchanged from those applied in the Annual Report 2018.

### 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. When calculating Key Ratios such as ROIC and NIBD/EBITDA, the 2018 figures included are reported 2018 figures in accordance with the previous accounting policy (IAS 17), whereas the 2019 figures included are reported 2019 figures in accordance with the new accounting policy (IFRS 16).

GN 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.

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

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

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

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

DKK million	January 1, 2019
Properties	492
Cars	30
Other assets	5
<b>Total right-of-use assets</b>	<b>527</b>

## Note 1 – Accounting policies (continued)

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

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

## § Accounting policies

### Leases

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

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

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

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

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

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

### Extension and termination options

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

## ! Significant accounting estimates

### 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.

## Note 2 – Segment disclosures Q1 2019

Income statements	GN Hearing		GN Audio		Other**		Consolidated total	
	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)
(DKK million)								
Revenue	1,507	1,365	1,333	931	-	-	2,840	2,296
Production costs	(460)	(436)	(626)	(435)	-	-	(1,086)	(871)
<b>Gross profit</b>	<b>1,047</b>	<b>929</b>	<b>707</b>	<b>496</b>	<b>-</b>	<b>-</b>	<b>1,754</b>	<b>1,425</b>
Development costs	(134)	(97)	(91)	(61)	(16)	(13)	(241)	(171)
Selling and distribution costs	(493)	(469)	(319)	(258)	-	-	(812)	(727)
Management and administrative expenses	(142)	(104)	(102)	(51)	(20)	(21)	(264)	(176)
Other operating income and costs, net	4	3	(2)	-	-	-	2	3
<b>EBITA*</b>	<b>282</b>	<b>262</b>	<b>193</b>	<b>126</b>	<b>(36)</b>	<b>(34)</b>	<b>439</b>	<b>354</b>
Amortization of acquired intangible assets	(37)	(33)	(5)	(4)	-	-	(42)	(37)
Gain (loss) on divestment of operations etc.	-	(1)	-	-	-	-	-	(1)
<b>Operating profit (loss)</b>	<b>245</b>	<b>228</b>	<b>188</b>	<b>122</b>	<b>(36)</b>	<b>(34)</b>	<b>397</b>	<b>316</b>
Share of profit (loss) in associates	(2)	-	-	-	-	-	(2)	-
Financial items	(21)	(24)	(4)	(7)	(28)	(11)	(53)	(42)
<b>Profit (loss) before tax</b>	<b>222</b>	<b>204</b>	<b>184</b>	<b>115</b>	<b>(64)</b>	<b>(45)</b>	<b>342</b>	<b>274</b>
Tax on profit (loss)	(49)	(48)	(43)	(23)	12	10	(80)	(61)
<b>Profit (loss) for the period</b>	<b>173</b>	<b>156</b>	<b>141</b>	<b>92</b>	<b>(52)</b>	<b>(35)</b>	<b>262</b>	<b>213</b>

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)
(DKK million)								
<b>Operating activities before changes in working capital</b>	<b>397</b>	<b>366</b>	<b>281</b>	<b>187</b>	<b>(23)</b>	<b>(23)</b>	<b>655</b>	<b>530</b>
Cash flow from changes in working capital	(134)	(102)	(140)	11	14	38	(260)	(53)
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>263</b>	<b>264</b>	<b>141</b>	<b>198</b>	<b>(9)</b>	<b>15</b>	<b>395</b>	<b>477</b>
Cash flow from investing activities:								
Development projects	(72)	(59)	(38)	(42)	-	-	(110)	(101)
Other	(65)	(73)	(651)	(15)	(25)	(44)	(741)	(132)
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>126</b>	<b>132</b>	<b>(548)</b>	<b>141</b>	<b>(34)</b>	<b>(29)</b>	<b>(456)</b>	<b>244</b>
Tax and financial items	(175)	(57)	(15)	(42)	(20)	4	(210)	(95)
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>(49)</b>	<b>75</b>	<b>(563)</b>	<b>99</b>	<b>(54)</b>	<b>(25)</b>	<b>(666)</b>	<b>149</b>
Cash flow from M&A activities	(12)	(28)	(641)	-	-	-	(653)	(28)
<b>Free cash flow excl. M&amp;A</b>	<b>(37)</b>	<b>103</b>	<b>78</b>	<b>99</b>	<b>(54)</b>	<b>(25)</b>	<b>(13)</b>	<b>177</b>

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)	Q1 2019 (unaud.)	Q1 2018 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	37	33	42	30	-	-	79	63
Europe	342	314	627	438	-	-	969	752
North America	804	728	408	288	-	-	1,212	1,016
Rest of World	324	290	256	175	-	-	580	465
<b>Revenue</b>	<b>1,507</b>	<b>1,365</b>	<b>1,333</b>	<b>931</b>	<b>-</b>	<b>-</b>	<b>2,840</b>	<b>2,296</b>
Incurred development costs	(140)	(104)	(93)	(69)	(20)	(13)	(253)	(186)
Capitalized development costs	72	59	38	42	-	-	110	101
Amortization, impairment and depreciation of development projects***	(66)	(52)	(36)	(34)	4	-	(98)	(86)
<b>Expensed development costs</b>	<b>(134)</b>	<b>(97)</b>	<b>(91)</b>	<b>(61)</b>	<b>(16)</b>	<b>(13)</b>	<b>(241)</b>	<b>(171)</b>
EBITDA	328	287	216	133	(19)	(23)	525	397
Depreciation and software amortization	(46)	(25)	(23)	(7)	(17)	(11)	(86)	(43)
<b>EBITA*</b>	<b>282</b>	<b>262</b>	<b>193</b>	<b>126</b>	<b>(36)</b>	<b>(34)</b>	<b>439</b>	<b>354</b>
EBITA margin	18.7%	19.2%	14.5%	13.5%	N/A	N/A	15.5%	15.4%
Number of employees, end of period	~4,575	~4,325	~1,425	~1,075	~175	~150	~6,175	~5,550

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

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

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

## Note 2.1 – Segment disclosures Q1 2019 (Continued)

Balance sheet	GN Hearing		GN Audio		Other**		Consolidated total	
	Mar. 31 2019 (unaud.)	Mar. 31 2018 (unaud.)	Mar. 31 2019 (unaud.)	Mar. 31 2018 (unaud.)	Mar. 31 2019 (unaud.)	Mar. 31 2018 (unaud.)	Mar. 31 2019 (unaud.)	Mar. 31 2018 (unaud.)
(DKK million)								
<b>ASSETS</b>								
Goodwill	3,537	3,245	1,205	623	-	-	4,742	3,868
Development projects	948	868	319	309	(25)	-	1,242	1,177
Other intangible assets	768	754	520	109	232	188	1,520	1,051
Property, plant and equipment	618	228	185	85	229	180	1,032	493
Investments in associates	86	17	-	-	30	30	116	47
Deferred tax assets	275	241	121	96	(22)	-	374	337
Loans to dispensers and ownership interests	895	765	-	2	-	-	895	767
Other financial assets	258	219	-	-	-	-	258	219
<b>Total non-current assets</b>	<b>7,385</b>	<b>6,337</b>	<b>2,350</b>	<b>1,224</b>	<b>444</b>	<b>398</b>	<b>10,179</b>	<b>7,959</b>
Inventories	509	376	493	274	-	-	1,002	650
Trade receivables	1,294	1,119	1,014	816	-	-	2,308	1,935
Receivables from group companies***	-	-	870	694	(870)	(694)	-	-
Tax receivables	46	68	3	36	(14)	-	35	104
Other receivables	142	155	48	31	65	34	255	220
Cash and cash equivalents	132	213	83	77	58	127	273	417
<b>Total current assets</b>	<b>2,123</b>	<b>1,931</b>	<b>2,511</b>	<b>1,928</b>	<b>(761)</b>	<b>(533)</b>	<b>3,873</b>	<b>3,326</b>
<b>Total assets</b>	<b>9,508</b>	<b>8,268</b>	<b>4,861</b>	<b>3,152</b>	<b>(317)</b>	<b>(135)</b>	<b>14,052</b>	<b>11,285</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>6,651</b>	<b>5,320</b>	<b>3,335</b>	<b>2,294</b>	<b>(5,117)</b>	<b>(3,277)</b>	<b>4,869</b>	<b>4,337</b>
Bank loans and issued bonds	-	-	-	-	3,248	3,841	3,248	3,841
Lease liabilities, non-current	279	-	47	-	38	-	364	-
Pension obligations	54	46	-	-	-	-	54	46
Provisions, non-current	179	166	94	11	-	-	273	177
Deferred tax liabilities	196	188	164	77	137	177	497	442
Other non-current liabilities	308	273	74	-	-	-	382	273
<b>Total non-current liabilities</b>	<b>1,016</b>	<b>673</b>	<b>379</b>	<b>88</b>	<b>3,423</b>	<b>4,018</b>	<b>4,818</b>	<b>4,779</b>
Bank loans	-	2	4	3	1,687	-	1,691	5
Lease liabilities, current	86	-	40	-	6	-	132	-
Trade payables	217	163	429	254	53	21	699	438
Amounts owed to group companies***	403	1,019	-	-	(403)	(1,019)	-	-
Tax payables	88	98	6	1	(88)	34	6	133
Provisions, current	259	248	134	76	-	-	393	324
Other current liabilities	788	745	534	436	122	88	1,444	1,269
<b>Total current liabilities</b>	<b>1,841</b>	<b>2,275</b>	<b>1,147</b>	<b>770</b>	<b>1,377</b>	<b>(876)</b>	<b>4,365</b>	<b>2,169</b>
<b>Total equity and liabilities</b>	<b>9,508</b>	<b>8,268</b>	<b>4,861</b>	<b>3,152</b>	<b>(317)</b>	<b>(135)</b>	<b>14,052</b>	<b>11,285</b>
<b>Invested capital****</b>	<b>7,268</b>	<b>6,188</b>	<b>2,593</b>	<b>1,472</b>	<b>326</b>	<b>293</b>	<b>10,187</b>	<b>7,953</b>
<b>Average invested capital</b>	<b>6,728</b>	<b>6,449</b>	<b>2,033</b>	<b>1,525</b>	<b>310</b>	<b>254</b>	<b>9,071</b>	<b>8,228</b>

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

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

\*\*\*Net amount

\*\*\*\* Includes Net working capital (Inventories, Trade receivables, Other receivables, Trade payables and Other current liabilities), Goodwill, Development projects, Other intangible assets, Property, plant and equipment, Loans to dispensers and ownership interests and Provisions.

### Note 3 – Acquisition of companies and operations

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

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

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

DKK million	Altia
<b>Identifiable assets acquired, liabilities assumed and consideration transferred</b>	
Intangible assets	387
Current assets	-
Deferred tax liabilities	(92)
Current liabilities	-
<b>Fair value of identified net assets</b>	<b>295</b>
Goodwill	420
<b>Consideration transferred</b>	<b>715</b>
Payable consideration	(74)
Acquired cash and cash equivalents	-
<b>Cash consideration paid</b>	<b>641</b>

The goodwill of DKK 453 million relating to the above transaction will be allocated to the cash-generating unit GN Audio. The goodwill will not be deductible for tax purposes. In order to effect the acquisition GN has incurred costs of DKK (45) million which has been expensed in management and administrative expenses in Q1 2019. For 2019, transaction related costs related to the acquisition of Altia Systems Inc., will impact GN Audio's EBITA margin negatively by around 1 percentage point.

### Note 4 – Funding, liquidity and capital structure

GN's net interest-bearing debt has increased in Q1 2019 to DKK 5,162 million of which DKK 1,823 million are classified as current debt. The increase in the current portion of the debt is due to attractive short term financing through euro commercial papers and short-term uncommitted facilities from GN's main relationship banks as well as current lease liabilities. As of March 31, 2019, GN has immediate access to a long-term undrawn Revolving Credit Facility of DKK 2,000 million to mitigate potential liquidity and refinancing risks.

**Note 5 – Incentive plans**

As of March 31, 2019, the total number of outstanding warrants in GN Hearing was 9,022 (1.4% of the shares issued in GN Hearing). The total number of outstanding warrants in GN Audio was 7,712 (2.2% of the shares issued in GN Audio).

**Note 6 – Shareholdings**

On March 31, 2019, members of the board of directors and the executive management, respectively, own 448,986 and 81,000 shares in GN Store Nord.

On March 31, 2019, GN owns 14,005,462 treasury shares, equivalent to 9.6% of the 145,684,214 shares issued.

At GN Store Nord's annual general meeting on March 21, 2019, it was decided to reduce the company's share capital from nominally DKK 582,736,856 to nominally DKK 569,072,400 by cancelling treasury shares of a nominal value of DKK 13,664,456 divided into 3,416,114 shares of DKK 4 each. On April 23, 2019 the final implementation was registered with the Danish Business Authority. Following the capital reduction GN holds 10,589,348 treasury shares which are equal to 7.4% of the total share capital and the total voting rights.

The GN stock is 100% free float, and the company has no dominant shareholders. APG Asset Management N.V. and NN Group N.V. have reported an ownership interest in excess of 5% of GN's share capital. Foreign ownership of GN is estimated to be around 70%.

# Statement by the Executive Management and the Board of Directors

Today, the board of directors and the executive management have reviewed and approved the interim report for GN Store Nord A/S for the period January 1 - March 31, 2019.

The interim report, which has not been audited or reviewed by the company's auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the group's assets, liabilities and financial position at

March 31, 2019 and of the results of the group's operations and cash flows for the period January 1 – March 31, 2019.

Further, in our opinion the executive management's review gives a true and fair view of the development in the group's operations and financial matters, the results of the group for the period and the group's financial position as a whole, and describes the significant risks and uncertainties pertaining to the group.

Ballerup, May 1, 2019

## Executive Management

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

**Jakob Gudbrand**  
CEO, GN Store Nord & GN Hearing

**Marcus Desimoni**  
CFO, GN Store Nord & GN Hearing

## Board of Directors

**Per Wold-Olsen**  
Chairman

**William E. Hoover Jr.**  
Deputy chairman

**Wolfgang Reim**

**Ronica Wang**

**Hélène Barnekow**

**Gitte Pugholm Aabo**

**Leo Larsen**

**Marcus Stuhr Perathoner**

**Morten Andersen**



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