

Strong performance across the group with 16% organic revenue growth in Q2. Guidance upgraded for GN Audio

GN Store Nord

16%

organic growth

- GN delivered 16% organic revenue growth in Q2 2019. Revenue growth was 19% including around 3% impact from the development in foreign exchange rates
- EBITA increased 16% compared to Q2 2018 driven by strong operational leverage on top of headwinds from the development in foreign exchange rates
- EPS increased 9% compared to Q2 2018 and reached DKK 2.29
- Strong cash conversion of 90% in Q2 2019
- The financial guidance for 2019 – upgraded on August 21, 2019 – is confirmed

GN Hearing

8%

organic growth

- GN Hearing delivered a strong 8% organic revenue growth in Q2 2019 driven by the continued strong performance by ReSound LiNX Quattro. Revenue growth was 11% including around 2% impact from the development in foreign exchange rates
- EBITA increased 8% to DKK 299 million in Q2 2019. The EBITA margin reached 18.9%, slightly lower than Q2 2018 as a result of an adverse development in foreign exchange rates and ongoing infrastructure investments
- Free cash flow excl. M&A was DKK 290 million in Q2 2019 translating into a cash conversion of 97%

GN Audio

26%

organic growth

- GN Audio delivered an outstanding performance with 26% organic revenue growth in Q2 2019 driven by very strong performance across the business. Revenue growth was 30%, including around 3% impact from the development in foreign exchange rates and around 1% impact from M&A
- EBITA increased 29% to DKK 268 million in Q2 2019, including transaction related costs of DKK (7) million associated with the acquisition of Altia Systems. The reported EBITA margin of 18.3% reflects continuous leverage in the business offset by an adverse development in foreign exchange rates and investments in future growth opportunities
- Free cash flow excl. M&A was DKK 232 million in Q2 2019, translating into a cash conversion of 87%
- GN Audio upgraded the full year guidance on August 21, 2019

Financial overview Q2 2019

	GN Hearing			GN Audio			GN Store Nord*		
	Q2 2019	Q2 2018	Growth	Q2 2019	Q2 2018	Growth	Q2 2019	Q2 2018	Growth
DKK million									
Revenue	1,585	1,433	11%	1,466	1,131	30%	3,051	2,564	19%
Organic growth	8%	6%		26%	19%		16%	11%	
Gross profit	1,090	988	10%	745	609	22%	1,835	1,597	15%
Gross profit margin	68.8%	68.9%	(0.1)%p	50.8%	53.8%	(3.0)%p	60.1%	62.3%	(2.2)%p
EBITA	299	278	8%	268**	207	29%	523	452	16%
EBITA margin	18.9%	19.4%	(0.5)%p	18.3%	18.3%	+0.0%p	17.1%	17.6%	(0.5)%p
Earnings per share (EPS)							2.29	2.11	9%
Free cash flow excl. M&A	290	106	+184	232	289	(57)	472	338	+134

* Including "Other"

** After DKK (7) million of transaction related costs associated with the Altia Systems acquisition

Financial highlights

DKK million	Q2 2019 (unaud.)	Q2 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full year 2018 (aud.)
GN Hearing					
Revenue	1,585	1,433	3,092	2,798	5,833
Revenue growth	11%	1%	11%	0%	4%
Organic growth	8%	6%	8%	5%	7%
Gross profit margin	68.8%	68.9%	69.1%	68.5%	69.2%
EBITA*	299	278	581	540	1,194
EBITA margin	18.9%	19.4%	18.8%	19.3%	20.5%
ROIC (EBITA/Average invested capital)	18%	19%	18%	19%	19%
Free cash flow excl. M&A	290	106	253	209	574
Cash conversion (Free cash flow excl. M&A/EBITA)	97%	38%	44%	39%	48%
GN Audio					
Revenue	1,466	1,131	2,799	2,062	4,774
Revenue growth	30%	16%	36%	12%	20%
Organic growth	26%	19%	30%	18%	21%
Gross profit margin	50.8%	53.8%	51.9%	53.6%	53.2%
EBITA*	268	207	461	333	905
EBITA margin	18.3%	18.3%	16.5%	16.1%	19.0%
ROIC (EBITA/Average invested capital)	51%	51%	51%	51%	59%
Free cash flow excl. M&A	232	289	310	388	798
Cash conversion (Free cash flow excl. M&A/EBITA)	87%	140%	67%	117%	88%
GN Store Nord					
Revenue	3,051	2,564	5,891	4,860	10,607
Revenue growth	19%	7%	21%	5%	11%
Organic growth	16%	11%	17%	10%	13%
Gross profit margin	60.1%	62.3%	60.9%	62.2%	62.0%
EBITA*	523	452	962	806	1,956
EBITA margin	17.1%	17.6%	16.3%	16.6%	18.4%
Profit (loss) before tax	398	366	740	640	1,606
Effective tax rate	23.4%	22.4%	23.4%	22.3%	22.4%
ROIC (EBITA/Average invested capital)	23%	22%	23%	22%	24%
Earnings per share (EPS)	2.29	2.11	4.25	3.68	9.25
Earnings per share, fully diluted (EPS diluted)	2.26	2.09	4.18	3.65	9.13
Free cash flow excl. M&A	472	338	459	515	1,110
Cash conversion (Free cash flow excl. M&A/EBITA)	90%	75%	48%	64%	57%
Equity ratio	31.5%	38.8%	31.5%	38.8%	39.1%
Net interest-bearing debt	5,378	3,392	5,378	3,392	3,234
Net interest-bearing debt (period-end)/EBITDA	2.3	1.7	2.3	1.7	1.5
Share buybacks**	248	243	991	619	1,061
Outstanding shares, end of period (thousand)	131,001	134,023	131,001	134,023	132,576
Average number of outstanding shares (thousand)	131,441	134,607	131,651	135,019	134,114
Average number of outstanding shares, fully diluted (thousand)	133,253	136,129	133,682	136,169	135,864
Treasury shares, end of period (thousand)	11,267	11,661	11,267	11,661	13,108
Share price at the end of the period	306.3	290.8	306.3	290.8	243.3
Market capitalization	40,126	38,974	40,126	38,974	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 Q2 2019, GN Hearing delivered a strong 8% organic revenue growth driven by the continued strong performance of ReSound LiNX Quattro

Highlights Q2 2019

- In Q2 2019, GN Hearing delivered a strong 8% organic revenue growth driven by the continued strong performance of ReSound LiNX Quattro. Revenue growth was 11%, including around 2% impact from the development in foreign exchange rates
- EBITA increased 8% to DKK 299 million in Q2 2019. The EBITA margin reached 18.9%, slightly lower than Q2 2018 as a result of an adverse development in foreign exchange rates and ongoing infrastructure investments
- Free cash flow excl. M&A was DKK 290 million in Q2 2019 translating into a cash conversion of 97%
- Financial guidance for 2019 is confirmed

Revenue

GN Hearing delivered a strong 8% organic revenue growth in Q2 2019. Revenue growth was 11% including around 2% impact from the development in foreign exchange rates and an insignificant impact from M&A. GN Hearing has delivered an organic growth of 8% in H1 2019.

In Q2 2019, GN Hearing continued to perform strongly across regions. In North America, GN Hearing continued to perform strongly across channels, partly off-set by the loss of one larger customer in 2018. GN Hearing experienced a significant organic revenue growth in the Veterans Affairs (VA) and is now the second largest manufacturer in this channel, underpinning GN Hearing's strong product offering. In APAC and Emerging Markets, GN Hearing continued to deliver strong organic revenue growth, among other with double digit growth in important markets like China and Japan. Continued strong growth in Europe, which was broad based across channels and countries, but with particularly strong performance in Germany, Spain and the UK.

Earnings and other financial highlights

Gross profit reached DKK 1,090 million in Q2 2019, which is an increase of 10% compared to Q2 2018. The gross margin was 68.8%, which is broadly in line with Q2 2018. In H1 2019, the gross profit increased 11% to DKK 2,137 million compared to H1 2018, leading to a gross margin of 69.1%, which is 0.6 percentage points higher than H1 2018, due to improved mix.

GN Hearing's EBITA reached DKK 299 million in Q2 2019, an increase of 8% compared to Q2 2018. The EBITA margin was 18.9%, compared to 19.4% in Q2 2018, driven by an adverse development in foreign exchange rates and ongoing infrastructure investments. In H1 2019, EBITA increased 8%, leading to an EBITA margin of 18.8% compared to 19.3% in H1 2018. The EBITA margin development was driven by an

adverse development in foreign exchange rates and ongoing infrastructure investments.

The return on invested capital (ROIC) was 18% in Q2 2019, compared to 19% in Q2 2018. ROIC was negatively impacted by the implementation of IFRS 16 (Leasing).

Free cash flow excl. M&A was DKK 290 million in Q2 2019, corresponding to an increase of 174% compared to Q2 2018. The strong cash flow in Q2 2019 was primarily driven by relatively lower FSA activity and a strong development in net working capital; leading to a cash conversion of 97% in Q2 2019 compared to 38% in Q2 2018. In H1 2019, free cash flow excl. M&A was DKK 253 million compared to DKK 209 million in H1 2018, corresponding to an increase of 21%. In H1 2019, cash conversion was 44% compared to 39% in H1 2018.

Business highlights

During Q2 2019, GN Hearing has continued to execute on the global 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 aid offers: 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 available in more than 50 countries worldwide.

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. 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. The new technology partnership was singled out at the Google I/O conference in May 2019. As part of the theme "Accessible Audio: Android Hearing Aid Support and the Audio Framework", Google used the opportunity to celebrate the important relationship allowing a full spectrum of direct audio streaming from Android devices to hearing aids.

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 Q2 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%”.

“Our continued strong momentum in Q2 2019 demonstrates that GN Hearing delivers the kind of user-friendly and innovative solutions that meet the true needs of people with hearing loss across the globe. With 8% organic revenue growth the groundbreaking technology developed for ReSound LiNX Quattro continues to be well received in the market.”

Jakob Gudbrand, CEO of GN Hearing

GN Audio

GN Audio delivered an outstanding performance again in Q2 2019, with 26% organic revenue growth and an EBITA increase of 29%. Guidance upgraded

Highlights Q2 2019

- GN Audio delivered an outstanding performance with 26% organic revenue growth in Q2 2019 driven by very strong performance across the business. Revenue growth was 30%, including around 3% impact from the development in foreign exchange rates and around 1% impact from M&A
- EBITA increased strongly with 29% to DKK 268 million in Q2 2019, including transaction related costs of DKK (7) million associated with the acquisition of Altia Systems. The reported EBITA margin of 18.3% reflects continuous leverage in the business, but off-set by an adverse development in foreign exchange rates and investments in future growth opportunities
- Free cash flow excl. M&A was DKK 232 million in Q2 2019, translating into a cash conversion of 87%
- GN Audio's financial guidance for 2019 was upgraded on August 21, 2019

Revenue

GN Audio delivered an outstanding performance with 26% organic revenue growth in Q2 2019. Revenue growth was 30% including around 3% impact from the development in foreign exchange rates and around 1% impact from M&A. In H1 2019, GN Audio has delivered an organic growth of 30%.

In Q2 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 with significant market share gains.

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. The initial feedback from the spring launch of Jabra Elite 85h is also encouraging.

Earnings and other financial highlights

GN Audio's gross profit reached DKK 745 million in Q2 2019, an increase of 22% compared to Q2 2018. The gross margin decreased 3 percentage points compared to Q2 2018, among other driven by a negative impact from foreign exchange rates as well as mix effects in the quarter. In H1 2019, the

gross profit has increased 31% to DKK 1,452 million compared to H1 2018.

GN Audio's EBITA grew strongly with 29% in Q2 2019 and reached DKK 268 million, including transaction related costs of DKK (7) million associated with the Altia Systems acquisition. The EBITA margin was 18.3% in Q2 2019, in line with Q2 2018. Adjusting for the transaction related costs and the adverse development in foreign exchange rates, the underlying business has seen solid leverage on top of continued investments in future growth opportunities. In H1 2019, EBITA has increased 38% including transaction related costs; as a result, the reported EBITA margin has increased to 16.5% compared to 16.1% in H1 2018.

The return on invested capital (ROIC) was 51% in Q2 2019, in line with Q2 2018. Q2 2019 ROIC was positively impacted by the strong growth in EBITA, but negatively impacted by the Altia Systems acquisition and to some extent by the implementation of IFRS 16 (Leasing).

In Q2 2019, the free cash flow excl. M&A was DKK 232 million, compared to DKK 289 million in Q2 2018. Cash conversion ended at 87% in the quarter. In H1 2019, free cash flow excl. M&A was DKK 310 million compared to DKK 388 million in H1 2018. In H1 2019, cash conversion was 67% compared to 117% in H1 2018.

Business highlights

In June 2019, Jabra announced Jabra PanaCast with shipment starting in August 2019. Jabra PanaCast is engineered to be the world's first smart Panoramic-4k Plug-and-Play video solution. Jabra PanaCast's leading-edge cameras and microphones, fourth-generation stitching technology and Intelligent Vision software work as one to ensure optimal performance. This real-time immersive intelligent vision system offers 180-degree panoramic vision which ensures everyone in the room is seen. Jabra PanaCast provides unique value for huddle rooms, delivering wall-to-wall video, audio and data, which is desired for modern video collaboration.

During Q2 2019, GN Audio started shipment of the Jabra Elite 85h headphones, which was announced at CES in January 2019. 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 strong competitive position in a highly attractive part of the market. The initial feedback, including the important product reviews, is encouraging.

Market development

In Q2 2019, the market addressed by GN Audio developed favorably. GN Audio expects that the favorable trends in the CC&O market and the consumer market will continue. However, the potential risk of a recession or an escalation of a trade war is not reflected in the expected market development.

Outlook 2019

GN Audio confirms its financial guidance for 2019, which was upgraded on August 21, 2019. The financial guidance is organic revenue growth of “around 24%” and EBITA margin of “around 20%” before transaction related costs associated with the Altia Systems acquisition.

“With 26% organic revenue growth in Q2, GN Audio continued to take market share. Our continued focus on constantly launching highly relevant, innovative and market leading products backed by flawless marketing and sales execution has once again proven successful in both the professional and the consumer segment. We are looking forward to utilize this well-oiled engine to support businesses’ productivity further with our newly launched Jabra PanaCast for modern video collaboration.”

René Svendsen-Tune, CEO of GN Audio

GN Store Nord

In Q2 2019, GN Store Nord revenue ended at DKK 3,051 million compared to DKK 2,564 million in Q2 2018. Organic revenue growth in Q2 2019 was 16%, while the development in foreign exchange rates impacted revenue by around 3%. The quarter included an insignificant impact from M&A. GN Store Nord has delivered an organic growth of 17% in H1 2019, while revenue growth was 21%.

EBITA in Other amounted to DKK (44) million in Q2 2019, compared to DKK (33) million in Q2 2018. GN Store Nord's EBITA reached DKK 523 million in Q2 2019 compared to DKK 452 million in Q2 2018, reflecting an increase of 16% compared to Q2 2018. The EBITA margin was 17.1% (including transaction related costs associated with the Altia acquisition), compared to 17.6% in Q2 2018. In H1 2019, EBITA has increased 19% to DKK 962 million leading to an EBITA margin of 16.3% (compared to 16.6% in H1 2018). The negative impact on the EBITA margin is driven by transaction related costs and an adverse development from the changes in foreign exchange rates.

In Q2 2019, amortization of acquired intangible assets amounted to DKK (57) million, compared to DKK (37) million in Q2 2018. The increase is driven by amortization associated with the Altia Systems acquisition. In Q2 2019, Financial items was DKK (64) million compared to DKK (49) million in Q2 2018 among other driven by the repurchase of the Convertible Bond, issued in 2017, and IFRS 16 (Leasing).

The profit before tax was DKK 398 million in Q2 2019, and the effective tax rate was 23.4%, translating into a net profit of DKK 305 million compared to DKK 284 million in Q2 2018. In H1 2019, net profit has increased 14% compared to H1 2018.

The free cash flow excl. M&A reached DKK 472 million in Q2 2019, equal to a cash conversion of 90%, compared to 75% in Q2 2018. In H1 2019, free cash flow excl. M&A decreased by DKK (56) million compared to H1 2018.

Earnings per share (EPS) was DKK 2.29 in Q2 2019, an increase of 9% compared to Q2 2018. The increase is driven by the strong growth in net profit as well as the ongoing share buyback program. In H1 2019, EPS increased 15% to DKK 4.25 compared to H1 2019.

By the end of Q2 2019, equity in GN Store Nord amounted to DKK 4,466 million compared to DKK 4,695 million in Q2 2018. The decrease is driven by the continued execution of the share buyback programs on top of strong net profits during the period.

Capital structure

In H1 2019, GN has in total distributed DKK 767 million back to shareholders through share buybacks and dividends. 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 Q2 2019, the net interest-bearing debt was DKK 5,378 million corresponding to 2.3x EBITDA where EBITDA is based on the last four rolling quarters. Excluding the changes from the IFRS 16 implementation the NIBD / EBITDA would have been 2.1x, which is slightly higher than the target primarily driven by timing effects. The leverage is expected to decrease during the remainder of the year driven by the strong performance across the businesses.

Claim against Plantronics Inc.

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

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	~ 24%	~ 20%*	
Other		~ (150)	
GN Store Nord			~ 23%

* 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 11.00 am CEST today. Please visit 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 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.

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

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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 1st 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.

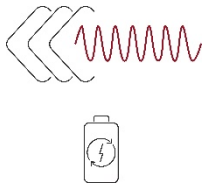


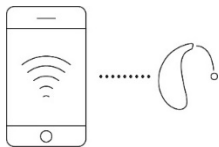


Financial target 2017-2019

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>6th generation ReSound LiNX Quattro</p>		<p>GN Hearing's 6th 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>5th generation ReSound LiNX 3D</p>		<p>The 5th 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>4th generation ReSound LiNX²</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>3rd 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>2nd 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>1st 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.)	Q2 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	Full year 2018 (aud.)
Income statement									
Revenue									
GN Hearing	1,365	1,433	1,391	1,644	1,507	1,585	2,798	3,092	5,833
GN Audio	931	1,131	1,169	1,543	1,333	1,466	2,062	2,799	4,774
Total	2,296	2,564	2,560	3,187	2,840	3,051	4,860	5,891	10,607
Organic growth									
GN Hearing	5%	6%	6%	10%	8%	8%	5%	8%	7%
GN Audio	17%	19%	20%	28%	36%	26%	18%	30%	21%
Total	10%	11%	12%	18%	19%	16%	10%	17%	13%
Gross profit									
GN Hearing	929	988	968	1,149	1,047	1,090	1,917	2,137	4,034
GN Audio	496	609	619	816	707	745	1,105	1,452	2,540
Total	1,425	1,597	1,587	1,965	1,754	1,835	3,022	3,589	6,574
Gross profit margin									
GN Hearing	68.1%	68.9%	69.6%	69.9%	69.5%	68.8%	68.5%	69.1%	69.2%
GN Audio	53.3%	53.8%	53.0%	52.9%	53.0%	50.8%	53.6%	51.9%	53.2%
Total	62.1%	62.3%	62.0%	61.7%	61.8%	60.1%	62.2%	60.9%	62.0%
Development costs									
GN Hearing	(97)	(108)	(122)	(147)	(134)	(130)	(205)	(264)	(474)
GN Audio	(61)	(79)	(90)	(100)	(91)	(92)	(140)	(183)	(330)
Other *	(13)	(15)	(11)	(18)	(16)	(19)	(28)	(35)	(57)
Total	(171)	(202)	(223)	(265)	(241)	(241)	(373)	(482)	(861)
Selling and distribution costs and administrative expenses etc.									
GN Hearing	(570)	(602)	(577)	(617)	(631)	(661)	(1,172)	(1,292)	(2,366)
GN Audio	(309)	(323)	(305)	(368)	(423)	(385)	(632)	(808)	(1,305)
Other *	(21)	(18)	(20)	(27)	(20)	(25)	(39)	(45)	(86)
Total	(900)	(943)	(902)	(1,012)	(1,074)	(1,071)	(1,843)	(2,145)	(3,757)
EBITA									
GN Hearing	262	278	269	385	282	299	540	581	1,194
GN Audio	126	207	224	348	193	268	333	461	905
Other *	(34)	(33)	(31)	(45)	(36)	(44)	(67)	(80)	(143)
Total	354	452	462	688	439	523	806	962	1,956
EBITA margin									
GN Hearing	19.2%	19.4%	19.3%	23.4%	18.7%	18.9%	19.3%	18.8%	20.5%
GN Audio	13.5%	18.3%	19.2%	22.6%	14.5%	18.3%	16.1%	16.5%	19.0%
Total	15.4%	17.6%	18.0%	21.6%	15.5%	17.1%	16.6%	16.3%	18.4%
Depreciation and software amortization									
GN Hearing	(25)	(24)	(24)	(25)	(46)	(47)	(49)	(93)	(98)
GN Audio	(7)	(13)	(11)	(12)	(23)	(24)	(20)	(47)	(43)
Other *	(11)	(12)	(13)	(15)	(17)	(20)	(23)	(37)	(51)
Total	(43)	(49)	(48)	(52)	(86)	(91)	(92)	(177)	(192)
EBITDA									
GN Hearing	287	302	293	410	328	346	589	674	1,292
GN Audio	133	220	235	360	216	292	353	508	948
Other *	(23)	(21)	(18)	(30)	(19)	(24)	(44)	(43)	(92)
Total	397	501	510	740	525	614	898	1,139	2,148
EBITA									
Amortization of acquired intangible assets	(37)	(37)	(40)	(41)	(42)	(57)	(74)	(99)	(155)
Gain (loss) on divestment of operations etc.	(1)	-	(5)	1	-	1	(1)	1	(5)
Operating profit (loss)	316	415	417	648	397	467	731	864	1,796
Share of profit (loss) in associates									
Financial items, net	(42)	(49)	(31)	(81)	(53)	(64)	(91)	(117)	(203)
Profit (loss) before tax	274	366	386	580	342	398	640	740	1,606
Tax on profit (loss)									
Profit (loss)	(61)	(82)	(85)	(131)	(80)	(93)	(143)	(173)	(359)
Profit (loss)	213	284	301	449	262	305	497	567	1,247
Balance sheet									
Development projects									
GN Hearing	868	925	931	937	948	967	925	967	937
GN Audio	309	322	322	315	319	324	322	324	315
Other *	-	(30)	(30)	(30)	(25)	(24)	(30)	(24)	(30)
Total	1,177	1,217	1,223	1,222	1,242	1,267	1,217	1,267	1,222
Inventories									
GN Hearing	376	411	457	460	509	541	411	541	460
GN Audio	274	308	400	492	493	539	308	539	492
Total	650	719	857	952	1,002	1,080	719	1,080	952
Trade receivables									
GN Hearing	1,119	1,096	1,144	1,276	1,294	1,254	1,096	1,254	1,276
GN Audio	816	1,020	1,022	1,118	1,014	1,174	1,020	1,174	1,118
Total	1,935	2,116	2,166	2,394	2,308	2,428	2,116	2,428	2,394
Net working capital									
GN Hearing	742	704	742	785	940	886	704	886	785
GN Audio	431	396	377	425	592	578	396	578	425
Other *	(75)	(84)	(77)	(98)	(110)	(110)	(84)	(110)	(98)
Total	1,098	1,016	1,042	1,112	1,422	1,354	1,016	1,354	1,112
Free cash flow excl. M&A									
GN Hearing	103	106	182	183	(37)	290	209	253	574
GN Audio	99	289	226	184	78	232	388	310	798
Other *	(25)	(57)	(59)	(121)	(54)	(50)	(82)	(104)	(262)
Total	177	338	349	246	(13)	472	515	459	1,110
Acquisitions and divestments of companies									
	(28)	(69)	-	-	(653)	(37)	(97)	(690)	(97)
Free cash flow									
	149	269	349	246	(666)	435	418	(231)	1,013

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

Consolidated income statement

(DKK million)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full Year 2018 (aud.)
Revenue	3,051	2,564	5,891	4,860	10,607
Production costs	(1,216)	(967)	(2,302)	(1,838)	(4,033)
Gross profit	1,835	1,597	3,589	3,022	6,574
Development costs	(241)	(202)	(482)	(373)	(861)
Selling and distribution costs	(857)	(758)	(1,669)	(1,485)	(3,050)
Management and administrative expenses	(218)	(185)	(482)	(361)	(706)
Other operating income and costs, net	4	-	6	3	(1)
EBITA*	523	452	962	806	1,956
Amortization of acquired intangible assets	(57)	(37)	(99)	(74)	(155)
Gain (loss) on divestment of operations etc.	1	-	1	(1)	(5)
Operating profit (loss)	467	415	864	731	1,796
Share of profit (loss) in associates	(5)	-	(7)	-	13
Financial income	6	8	61	50	71
Financial expenses	(70)	(57)	(178)	(141)	(274)
Profit (loss) before tax	398	366	740	640	1,606
Tax on profit (loss)	(93)	(82)	(173)	(143)	(359)
Profit (loss) for the period	305	284	567	497	1,247
Attributable to:					
Non-controlling interests	4	-	8	-	6
Shareholders in GN Store Nord A/S	301	284	559	497	1,241
Earnings per share (EPS):					
Earnings per share (EPS)	2.29	2.11	4.25	3.68	9.25
Earnings per share, fully diluted (EPS diluted)	2.26	2.09	4.18	3.65	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)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full Year 2018 (aud.)
Profit (loss) for the period	305	284	567	497	1,247
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains (losses)	-	-	2	-	(11)
Tax relating to this item of other comprehensive income	-	-	-	-	3
Items that may be reclassified subsequently to profit or loss					
Adjustment of cash flow hedges	6	(53)	10	(62)	(68)
Foreign exchange adjustments, etc.	(92)	344	49	170	256
Tax relating to these items of other comprehensive income	-	1	(5)	8	5
Other comprehensive income for the period, net of tax	(86)	292	56	116	185
Total comprehensive income for the period	219	576	623	613	1,432
Attributable to:					
Non-controlling interests	4	-	8	-	6
Shareholders in GN Store Nord A/S	215	576	615	613	1,426

Consolidated balance sheet at June 30

(DKK million)	Jun. 30 2019 (unaud.)	Mar. 31 2019 (unaud.)	Dec. 31 2018 (aud.)	Sep. 30 2018 (unaud.)
Assets				
Intangible assets	7,446	7,504	6,594	6,543
Property, plant and equipment	1,039	1,032	514	504
Deferred tax assets	372	374	368	352
Other non-current assets	1,263	1,269	1,260	1,208
Total non-current assets	10,120	10,179	8,736	8,607
Inventories	1,080	1,002	952	857
Trade receivables	2,428	2,308	2,394	2,166
Tax receivables	55	35	29	22
Other receivables	240	255	270	218
Cash and cash equivalents	268	273	636	639
Total current assets	4,071	3,873	4,281	3,902
Total assets	14,191	14,052	13,017	12,509
Equity and liabilities				
Equity	4,466	4,869	5,096	4,761
Bank loans and issued bonds	3,919	3,248	3,842	3,952
Lease liabilities, non-current	354	364	-	-
Pension obligations	55	54	54	41
Provisions, non-current	253	273	262	192
Deferred tax liabilities	490	497	399	454
Other non-current liabilities	444	382	306	307
Total non-current liabilities	5,515	4,818	4,863	4,946
Bank loans	1,236	1,691	28	8
Lease liabilities, current	137	132	-	-
Trade payables	810	699	934	773
Tax payables	82	6	148	175
Provisions, current	361	393	378	420
Other current liabilities	1,584	1,444	1,570	1,426
Total current liabilities	4,210	4,365	3,058	2,802
Total equity and liabilities	14,191	14,052	13,017	12,509

Consolidated statement of cash flow

(DKK million)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full Year 2018 (aud.)
Operating activities					
Operating profit (loss)	467	415	864	731	1,796
Depreciation, amortization and impairment	247	165	468	328	690
Other non-cash adjustments	26	48	63	99	107
Cash flow from operating activities before changes in working capital	740	628	1,395	1,158	2,593
Changes in working capital	(1)	49	(261)	(4)	(95)
Cash flow from operating activities before financial items and tax	739	677	1,134	1,154	2,498
Financial items, net	(20)	(12)	(43)	(51)	(113)
Tax paid, net	(41)	(25)	(228)	(81)	(313)
Cash flow from operating activities	678	640	863	1,022	2,072
Investing activities					
Development projects	(127)	(120)	(237)	(221)	(408)
Investments in other intangible assets, net	(37)	(34)	(58)	(50)	(156)
Investments in property, plant and equipment, net	(53)	(37)	(107)	(76)	(160)
Investments in other non-current assets, net	11	(111)	(2)	(160)	(238)
Company acquisitions	(37)	(69)	(690)	(97)	(97)
Cash flow from investing activities	(243)	(371)	(1,094)	(604)	(1,059)
Cash flow from operating and investing activities (free cash flow)	435	269	(231)	418	1,013
Financing activities					
Paid dividends	-	-	(178)	(169)	(169)
Share-based payment (exercised)	50	12	259	53	65
Purchase/sale of treasury shares and other equity instruments	(248)	(243)	(991)	(619)	(1,061)
Net proceeds from issue of bonds (bond-with-warrant units)	2,272	-	2,272	-	-
Net proceeds from issue of warrants (bond-with-warrant units)	204	-	204	-	-
Repurchase of bonds issued in 2017	(1,628)	-	(1,628)	-	-
Repurchase of warrants issued in 2017	(604)	-	(604)	-	-
Increase/decrease in bank loans and other adjustments	(483)	(64)	526	186	263
Cash flow from financing activities	(437)	(295)	(140)	(549)	(902)
Net cash flow	(2)	(26)	(371)	(131)	111
Cash and cash equivalents beginning of period	273	417	636	526	526
Adjustment foreign currency, cash and cash equivalents	(3)	4	3	-	(1)
Cash and cash equivalents, end of period	268	395	268	395	636

Consolidated statement of equity

Q2 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					
Balance at December 31, 2017	583	(1,311)	26	(1,586)	182	6,889	4,783	-	4,783
Effect of implementing IFRS 9	-	-	-	-	-	12	12	-	12
Balance at January 1, 2018	583	(1,311)	26	(1,586)	182	6,901	4,795	-	4,795
Profit (loss) for the period	-	-	-	-	-	497	497	-	497
Adjustment of cash flow hedges	-	-	(62)	-	-	-	(62)	-	(62)
Foreign exchange adjustments, etc.	-	170	-	-	-	-	170	-	170
Tax relating to other comprehensive income	-	(6)	14	-	-	-	8	-	8
Total comprehensive income for the period	-	164	(48)	-	-	497	613	-	613
Share-based payment (granted)	-	-	-	-	-	16	16	-	16
Share based payment (exercised)	-	-	-	50	-	3	53	-	53
Tax related to share-based incentive plans	-	-	-	-	-	6	6	-	6
Purchase/sale of treasury shares	-	-	-	(619)	-	-	(619)	-	(619)
Paid dividends	-	-	-	-	(169)	-	(169)	-	(169)
Dividends, treasury shares	-	-	-	-	(13)	13	-	-	-
Balance at June 30, 2018	583	(1,147)	(22)	(2,155)	-	7,436	4,695	-	4,695
Q2 2019 (DKK million)									
Balance at December 31, 2018	583	(1,065)	(27)	(2,585)	197	7,993	5,096	-	5,096
Profit (loss) for the period	-	-	-	-	-	559	559	8	567
Actuarial gains (losses)	-	-	-	-	-	2	2	-	2
Adjustment of cash flow hedges	-	-	10	-	-	-	10	-	10
Foreign exchange adjustments, etc.	-	49	-	-	-	-	49	-	49
Tax relating to other comprehensive income	-	(3)	(2)	-	-	-	(5)	-	(5)
Total comprehensive income for the period	-	46	8	-	-	561	615	8	623
Reduction of the share capital	(14)	-	-	536	-	(522)	-	-	-
Fair value of warrants issued with bonds	-	-	-	-	-	204	204	-	204
Repurchase of warrants issued with bonds in 2017	-	-	-	-	-	(604)	(604)	-	(604)
Share-based payment (granted)	-	-	-	-	-	19	19	-	19
Share-based payment (exercised)	-	-	-	238	-	21	259	-	259
Tax related to share-based incentive plans	-	-	-	-	-	44	44	-	44
Purchase/sale of treasury shares	-	-	-	(991)	-	-	(991)	-	(991)
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	2	2	(8)	(6)
Paid dividends	-	-	-	-	(178)	-	(178)	-	(178)
Dividends, treasury shares	-	-	-	-	(19)	19	-	-	-
Balance at June 30, 2019	569	(1,019)	(19)	(2,802)	-	7,737	4,466	-	4,466

* 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.

Addition to accounting policies for Financial Liabilities

Due to the repurchase of the 2017 bond-with-warrant units the following addition is made to accounting policies for financial liabilities:

§ Accounting policies

Financial Liabilities

In case the bond-with-warrant units are repurchased the consideration paid and the related transaction costs are allocated to the bonds and warrants, respectively based on the relative fair value of these at the time of repurchase. The difference between the carrying amount at amortized cost of the bonds and the repurchase consideration for the bonds is recognized as a loss in financial expenses. The repurchase consideration for the warrants is recognized in equity.

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
Assets			
Property, plant and equipment	514	527	1,041
Total assets	13,017	527	13,544
Equity and Liabilities			
Equity	5,096	-	5,096
Lease liabilities, non-current	-	389	389
Lease liabilities, current	-	138	138
Total equity and liabilities	13,017	527	13,544

Note 1 – Accounting policies (continued)

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

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

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

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

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 Q2 2019

Income statements	GN Hearing		GN Audio		Other**		Consolidated total	
	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)
(DKK million)								
Revenue	1,585	1,433	1,466	1,131	-	-	3,051	2,564
Production costs	(495)	(445)	(721)	(522)	-	-	(1,216)	(967)
Gross profit	1,090	988	745	609	-	-	1,835	1,597
Development costs	(130)	(108)	(92)	(79)	(19)	(15)	(241)	(202)
Selling and distribution costs	(521)	(493)	(336)	(265)	-	-	(857)	(758)
Management and administrative expenses	(143)	(109)	(50)	(58)	(25)	(18)	(218)	(185)
Other operating income and costs, net	3	-	1	-	-	-	4	-
EBITA*	299	278	268	207	(44)	(33)	523	452
Amortization of acquired intangible assets	(35)	(32)	(22)	(5)	-	-	(57)	(37)
Gain (loss) on divestment of operations etc.	1	-	-	-	-	-	1	-
Operating profit (loss)	265	246	246	202	(44)	(33)	467	415
Share of profit (loss) in associates	(5)	-	-	-	-	-	(5)	-
Financial items	(39)	15	14	14	(39)	(78)	(64)	(49)
Profit (loss) before tax	221	261	260	216	(83)	(111)	398	366
Tax on profit (loss)	(49)	(62)	(61)	(42)	17	22	(93)	(82)
Profit (loss) for the period	172	199	199	174	(66)	(89)	305	284

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)
(DKK million)								
Operating activities before changes in working capital	427	379	340	271	(27)	(22)	740	628
Cash flow from changes in working capital	23	(27)	(20)	77	(4)	(1)	(1)	49
Cash flow from operating activities excluding financial items and tax	450	352	320	348	(31)	(23)	739	677
Cash flow from investing activities:								
Development projects	(81)	(71)	(46)	(49)	-	-	(127)	(120)
Other	(74)	(164)	(17)	(67)	(25)	(20)	(116)	(251)
Cash flow from operating and investing activities before financial items and tax	295	117	257	232	(56)	(43)	496	306
Tax and financial items	(51)	(22)	(16)	(1)	6	(14)	(61)	(37)
Cash flow from operating and investing activities (free cash flow)	244	95	241	231	(50)	(57)	435	269
Cash flow from M&A activities	(46)	(11)	9	(58)	-	-	(37)	(69)
Free cash flow excl. M&A	290	106	232	289	(50)	(57)	472	338

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)	Q2 2019 (unaud.)	Q2 2018 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	38	35	42	22	-	-	80	57
Europe	361	325	588	456	-	-	949	781
North America	852	771	593	440	-	-	1,445	1,211
Rest of World	334	302	243	213	-	-	577	515
Revenue	1,585	1,433	1,466	1,131	-	-	3,051	2,564
Incurred development costs	(150)	(135)	(97)	(91)	(21)	(15)	(268)	(241)
Capitalized development costs	81	71	46	49	-	-	127	120
Amortization, impairment and depreciation of development projects***	(61)	(44)	(41)	(37)	2	-	(100)	(81)
Expensed development costs	(130)	(108)	(92)	(79)	(19)	(15)	(241)	(202)
EBITDA	346	302	292	220	(24)	(21)	614	501
Depreciation and software amortization	(47)	(24)	(24)	(13)	(20)	(12)	(91)	(49)
EBITA*	299	278	268	207	(44)	(33)	523	452
EBITA margin	18.9%	19.4%	18.3%	18.3%	N/A	N/A	17.1%	17.6%
Number of employees, end of period	~4,575	~4,325	~1,500	~1,250	~175	~150	~6,250	~5,725

* 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 Q2 2019 (Continued)

Balance sheet	GN Hearing		GN Audio		Other**		Consolidated total	
	Jun. 30 2019 (unaud.)	Jun. 30 2018 (unaud.)	Jun. 30 2019 (unaud.)	Jun. 30 2018 (unaud.)	Jun. 30 2019 (unaud.)	Jun. 30 2018 (unaud.)	Jun. 30 2019 (unaud.)	Jun. 30 2018 (unaud.)
(DKK million)								
ASSETS								
Goodwill	3,497	3,420	1,218	738	-	-	4,715	4,158
Development projects	967	925	324	322	(24)	(30)	1,267	1,217
Other intangible assets	729	785	496	146	239	193	1,464	1,124
Property, plant and equipment	613	237	194	84	232	182	1,039	503
Investments in associates	80	78	-	-	30	30	110	108
Deferred tax assets	272	250	122	102	(22)	-	372	352
Loans to dispensers and ownership interests	878	857	-	-	-	-	878	857
Other financial assets	275	232	-	-	-	-	275	232
Total non-current assets	7,311	6,784	2,354	1,392	455	375	10,120	8,551
Inventories	541	411	539	308	-	-	1,080	719
Trade receivables	1,254	1,096	1,174	1,020	-	-	2,428	2,116
Receivables from group companies***	-	-	151	989	(151)	(989)	-	-
Tax receivables	54	78	15	9	(14)	-	55	87
Other receivables	148	152	41	45	51	28	240	225
Cash and cash equivalents	165	236	81	77	22	82	268	395
Total current assets	2,162	1,973	2,001	2,448	(92)	(879)	4,071	3,542
Total assets	9,473	8,757	4,355	3,840	363	(504)	14,191	12,093
EQUITY AND LIABILITIES								
Equity	5,779	5,715	2,517	2,584	(3,830)	(3,604)	4,466	4,695
Bank loans and issued bonds	-	-	-	-	3,919	3,747	3,919	3,747
Lease liabilities, non-current	269	-	45	-	40	-	354	-
Pension obligations	55	47	-	-	-	-	55	47
Provisions, non-current	158	174	95	22	-	-	253	196
Deferred tax liabilities	191	188	162	77	137	177	490	442
Other non-current liabilities	321	292	123	-	-	-	444	292
Total non-current liabilities	994	701	425	99	4,096	3,924	5,515	4,724
Bank loans	-	6	9	4	1,227	30	1,236	40
Lease liabilities, current	93	-	37	-	7	-	137	-
Trade payables	239	224	532	442	39	25	810	691
Amounts owed to group companies***	1,194	975	-	-	(1,194)	(975)	-	-
Tax payables	131	143	55	9	(104)	9	82	161
Provisions, current	225	262	136	167	-	-	361	429
Other current liabilities	818	731	644	535	122	87	1,584	1,353
Total current liabilities	2,700	2,341	1,413	1,157	97	(824)	4,210	2,674
Total equity and liabilities	9,473	8,757	4,355	3,840	363	(504)	14,191	12,093
Invested capital****	7,187	6,492	2,579	1,497	337	261	10,103	8,250
Average invested capital	6,840	6,449	2,038	1,528	299	240	9,177	8,216

* 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 2 – Segment disclosures YTD 2019

Income statement	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)
(DKK million)								
Revenue	3,092	2,798	2,799	2,062	-	-	5,891	4,860
Production costs	(955)	(881)	(1,347)	(957)	-	-	(2,302)	(1,838)
Gross profit	2,137	1,917	1,452	1,105	-	-	3,589	3,022
Development costs	(264)	(205)	(183)	(140)	(35)	(28)	(482)	(373)
Selling and distribution costs	(1,014)	(962)	(655)	(523)	-	-	(1,669)	(1,485)
Management and administrative expenses	(285)	(213)	(152)	(109)	(45)	(39)	(482)	(361)
Other operating income and costs, net	7	3	(1)	-	-	-	6	3
EBITA*	581	540	461	333	(80)	(67)	962	806
Amortization of acquired intangible assets	(72)	(65)	(27)	(9)	-	-	(99)	(74)
Gain (loss) on divestment of operations etc.	1	(1)	-	-	-	-	1	(1)
Operating profit (loss)	510	474	434	324	(80)	(67)	864	731
Share of profit (loss) in associates	(7)	-	-	-	-	-	(7)	-
Financial items	(60)	(9)	10	7	(67)	(89)	(117)	(91)
Profit (loss) before tax	443	465	444	331	(147)	(156)	740	640
Tax on profit (loss)	(98)	(110)	(104)	(65)	29	32	(173)	(143)
Profit (loss) for the period	345	355	340	266	(118)	(124)	567	497

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)
(DKK million)								
Operating activities before changes in working capital	824	745	621	458	(50)	(45)	1,395	1,158
Cash flow from changes in working capital	(111)	(129)	(160)	88	10	37	(261)	(4)
Cash flow from operating activities excluding financial items and tax	713	616	461	546	(40)	(8)	1,134	1,154
Cash flow from investing activities:								
Development projects, investment	(153)	(130)	(84)	(91)	-	-	(237)	(221)
Other investing activities	(139)	(237)	(668)	(82)	(50)	(64)	(857)	(383)
Cash flow from operating and investing activities before financial items and tax	421	249	(291)	373	(90)	(72)	40	550
Tax and financial items	(226)	(79)	(31)	(43)	(14)	(10)	(271)	(132)
Cash flow from operating and investing activities (free cash flow)	195	170	(322)	330	(104)	(82)	(231)	418
Cash flow from M&A activities	(58)	(39)	(632)	(58)	-	-	(690)	(97)
Free cash flow excl. M&A	253	209	310	388	(104)	(82)	459	515

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	75	68	84	52	-	-	159	120
Europe	703	639	1,215	894	-	-	1,918	1,533
North America	1,656	1,499	1,001	728	-	-	2,657	2,227
Rest of World	658	592	499	388	-	-	1,157	980
Revenue	3,092	2,798	2,799	2,062	-	-	5,891	4,860
Incurred development costs	(290)	(239)	(190)	(160)	(41)	(28)	(521)	(427)
Capitalized development costs	153	130	84	91	-	-	237	221
Amortization, impairment and depreciation of development projects	(127)	(96)	(77)	(71)	6	-	(198)	(167)
Expensed development costs	(264)	(205)	(183)	(140)	(35)	(28)	(482)	(373)
EBITDA	674	589	508	353	(43)	(44)	1,139	898
Depreciation and software amortization	(93)	(49)	(47)	(20)	(37)	(23)	(177)	(92)
EBITA*	581	540	461	333	(80)	(67)	962	806
EBITA margin	18.8%	19.3%	16.5%	16.1%	N/A	N/A	16.3%	16.6%
Number of employees, end of period	~4,575	~4,325	~1,500	~1,250	~175	~150	~6,250	~5,725

* 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 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
Identifiable assets acquired, liabilities assumed and consideration transferred	
Intangible assets	392
Property, plant and equipment	1
Current assets	23
Deferred tax liabilities	(91)
Current liabilities	(7)
Fair value of identified net assets	318
Goodwill	447
Consideration transferred	765
Payable consideration	(124)
Acquired cash and cash equivalents	(9)
Cash consideration paid	632

The goodwill of DKK 447 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 incurred costs of DKK (52) million which was expensed in management and administrative expenses in H1 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 Q2 2019 to DKK 5,378 million of which DKK 1,373 million are classified as current debt. The increase in the current portion of the debt compared to December 31, 2018 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. In Q2 2019, GN utilized attractive market conditions and launched a refinancing of convertible bonds, consisting of bond-with-warrant units. The refinancing was made through issuance of new bond-with-warrant units and a repurchase of the bonds-with-warrant units issued in 2017. As of June 30, 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 June 30, 2019, the total number of outstanding warrants in GN Hearing was 8,397 (1.3% of the shares issued in GN Hearing). The total number of outstanding warrants in GN Audio was 7,343 (2.1% of the shares issued in GN Audio). The total number of outstanding options in GN Store Nord is 805,923 (0.6% of the shares issued in GN Store Nord)

Note 6 – Shareholdings

On June 30, 2019, members of the board of directors and the executive management, respectively, own 448,986 and 81,000 shares in GN Store Nord.

On June 30, 2019, GN owns 11,267,000 treasury shares, equivalent to 7.9% of the 142,268,100 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.

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 – June 30, 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

June 30, 2019 and of the results of the group's operations and cash flows for the period January 1 – June 30, 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, August 22, 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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