



# Brønnøysundregistrene

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## **Brønnøysundregistrene**

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Organisasjonsnummer: 974 760 673



## Resultatregnskap

Beløp i: DKK	Note	2021	2020
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	2.1,2.4 ,5.5	8 582 494 000	7 198 755 000
<b>Sum inntekter</b>		<b>8 582 494 000</b>	<b>7 198 755 000</b>
<b>Kostnader</b>			
Varekostnad	2.4,3.4 ,3.5,5. 5	5 250 730 000	4 289 932 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	2.4,3.1	84 908 000	84 646 000
Development costs	2.2,2.4 ,3.4	692 204 000	559 934 000
Selling and distribution costs	2.2,2.4 ,3.4	678 384 000	510 844 000
Management and administrative expenses	2.2,2.4 ,3.3,3. 4,4.3	429 872 000	290 860 000
Other operating income and costs, net	4.3	-160 997 000	-30 068 000
<b>Sum kostnader</b>		<b>6 975 101 000</b>	<b>5 706 148 000</b>
<b>Driftsresultat</b>		<b>1 607 393 000</b>	<b>1 492 607 000</b>
<b>Finansinntekter og finanskostnader</b>			
Annen finansinntekt	4.2	85 187 000	1 113 988 000
<b>Sum finansinntekter</b>		<b>85 187 000</b>	<b>1 113 988 000</b>
Annen finanskostnad	4.2	33 503 000	30 880 000
<b>Sum finanskostnader</b>		<b>33 503 000</b>	<b>30 880 000</b>
<b>Netto finans</b>		<b>51 684 000</b>	<b>1 083 108 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>1 659 077 000</b>	<b>2 575 715 000</b>
Skattekostnad på ordinært resultat	2.3	336 424 000	316 707 000
<b>Ordinært resultat etter skattekostnad</b>		<b>1 322 653 000</b>	<b>2 259 008 000</b>
<b>Årsresultat</b>		<b>1 322 653 000</b>	<b>2 259 008 000</b>



## Resultatregnskap

Beløp i: DKK	Note	2021	2020
<b>Overføringer og disponeringer</b>			
Retained earnings		133 732 000	2 208 161 000
Transfer to reserve for capitalized development projects		188 921 000	50 847 000
Proposed dividends for the year		1 000 000 000	0
<b>Sum overføringer og disponeringer</b>		<b>1 322 653 000</b>	<b>2 259 008 000</b>



### Balanse

Beløp i: DKK	Note	2021	2020
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Intangible Assets	3.1,3.4	1 129 903 000	954 691 000
Utsatt skattefordel	2.3	0	88 546 000
<b>Sum immaterielle eiendeler</b>		<b>1 129 903 000</b>	<b>1 043 237 000</b>
<b>Varige driftsmidler</b>			
Maskiner og anlegg	3.2,3.3 ,3.4	279 217 000	226 960 000
<b>Sum varige driftsmidler</b>		<b>279 217 000</b>	<b>226 960 000</b>
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	3.8	1 403 313 000	1 228 577 000
<b>Sum finansielle anleggsmidler</b>		<b>1 403 313 000</b>	<b>1 228 577 000</b>
<b>Sum anleggsmidler</b>		<b>2 812 433 000</b>	<b>2 498 774 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Varer	3.5	1 147 251 000	1 044 056 000
<b>Sum varer</b>		<b>1 147 251 000</b>	<b>1 044 056 000</b>
<b>Fordringer</b>			
Kundefordringer	3.7,4.3	311 251 000	313 115 000
Amounts owed by subsidiaries and group companies, current	4.3	2 829 900 000	1 816 976 000
Andre fordringer		135 780 000	69 106 000
<b>Sum fordringer</b>		<b>3 276 931 000</b>	<b>2 199 197 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende		605 000	23 756 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>605 000</b>	<b>23 756 000</b>
<b>Sum omløpsmidler</b>		<b>4 424 787 000</b>	<b>3 267 009 000</b>
<b>SUM EIENDELER</b>		<b>7 237 220 000</b>	<b>5 765 783 000</b>



### Balanse

Beløp i: DKK	Note	2021	2020
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital		35 109 000	34 874 000
<b>Sum innskutt egenkapital</b>		<b>35 109 000</b>	<b>34 874 000</b>
<b>Opptjent egenkapital</b>			
Other reserves		3 736 000	-25 720 000
Reserve for capitalized development projects		521 300 000	332 379 000
Avsatt utbytte		1 000 000 000	0
Annen egenkapital		3 408 898 000	3 162 822 000
<b>Sum opptjent egenkapital</b>		<b>4 933 934 000</b>	<b>3 469 481 000</b>
<b>Sum egenkapital</b>		<b>4 969 043 000</b>	<b>3 504 355 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	2.3	159 742 000	129 479 000
Andre avsetninger for forpliktelser	3.6	68 580 000	80 309 000
Lease liabilities, non-current	3.3,4.3	30 698 000	35 191 000
<b>Sum avsetninger for forpliktelser</b>		<b>259 020 000</b>	<b>244 979 000</b>
<b>Annen langsiktig gjeld</b>			
<b>Sum langsiktig gjeld</b>		<b>259 020 000</b>	<b>244 979 000</b>
<b>Kortsiktig gjeld</b>			
Lease liabilities, current	3.3,4.3	15 887 000	12 263 000
Leverandørgjeld	4.3	875 666 000	851 451 000
Betalbar skatt	2.3	360 000	0
Kortsiktig konserngjeld	4.3	199 357 000	390 910 000
Provisions, current	3.6	123 889 000	53 066 000
Other current liabilities	4.3	793 998 000	708 759 000
<b>Sum kortsiktig gjeld</b>		<b>2 009 157 000</b>	<b>2 016 449 000</b>
<b>Sum gjeld</b>		<b>2 268 177 000</b>	<b>2 261 428 000</b>



## Balanse

<b>Beløp i: DKK</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>7 237 220 000</b>	<b>5 765 783 000</b>



# GN Audio A/S Annual Report 2021

**Approved at the annual general meeting 09/03/2022**

Chairman of the meeting

.....  
Lise Ladegaard von Rosen

CVR-no. 15 06 95 11

GN Audio A/S, Lautrupbjerg 7, 2750 Ballerup



# Contents

## Statements

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

## Management's report

Company Details	6
Financial highlights	7
Management review of GN Audio	8
Key ratio definitions	13

## Financial Statements

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

## Notes to the financial statements

### Section 1 Basis of Preparation

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

### Section 2 Results for the year

2.1 Revenue and geographical information	21
2.2 Staff Costs	22
2.3 Tax	23
2.4 Income statement classified by function	24

### Section 3 Operating assets and liabilities

3.1 Intangible assets	25
3.2 Property, plant and equipment	27
3.3 Leases	28
3.4 Depreciation, amortization and impairment	30
3.5 Inventories	30
3.6 Provisions	31

### Section 3 Operating assets and liabilities (continued)

3.7 Trade receivables	32
3.8 Investment in subsidiaries	33

### Section 4 Financing Items

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

### Section 5 Other disclosures

5.1 Events after the reporting period	38
5.2 Share-based incentive plans	39
5.3 Contingent assets and liabilities	42
5.4 Other non-cash adjustments	42
5.5 Fees to statutory auditors	42
5.6 Related parties	43

Companies in GN Audio Group	44
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## 3 Financial Statements - Statement by the Executive Management and the Board of Directors

# Statement by the Executive Management and the Board of Directors

Today, the Executive Management and the Board of Directors have discussed and approved the GN Audio A/S (from here on forward 'GN Audio' or 'the Company') Annual Report 2021.

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

It is our opinion that the financial statements give a true and fair view of the financial position of GN Audio as of 31 December 2021 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's report gives a fair review of the development in GN Audio's activities and financial matters, results of operations, cash flows and financial position as well as a description of material risks and uncertainties that the company faces.

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

Ballerup, 9 March 2022

### Executive Management

**René Svendsen-Tune**  
CEO

**Peter la Cour Gormsen**  
CFO

### Board of Directors

**Per Wold-Olsen**  
Chairman

**Jukka Pekka Pertola**  
Deputy chairman

**Hélène Barnekow**

**Montserrat Maresch Pascual**

**Wolfgang Reim**

**Ronica Wang**

**Anette Weber**

**Mikkel Salling**

**Steen Bay Smidt**

**Tove Wamster**



## 4 Management's report – Independent Auditor's Report

# Independent Auditor's Report

## To the Shareholders of GN Audio A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of GN Audio A/S for the financial year 1 January - 31 December 2021, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



## 5 Management's report – Independent Auditor's Report

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 9 March 2022  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31

Mads Melgaard  
State Authorised Public Accountant  
mne34354

Philip Kjær  
State Authorised Public Accountant  
mne47826



6 Management's report – Company details

# Management's report

## Company details

Company	GN Audio A/S Lautrupbjerg 7 2750 Ballerup
Phone:	45 75 88 88
E-mail:	info@gn.com
Webpage:	www.jabra.com
CVR.no.:	15 06 95 11
Started:	30 August 1967
Location:	Ballerup
Accounting year:	1 January – 31 December
Board of Directors	Per Wold-Olsen (Chairman) Jukka Pekka Pertola Hélène Barnekow Montserrat Maresch Pascual Wolfgang Reim Ronica Wang Anette Weber Mikkel Salling (Employee elected) Steen Bay Smidt (Employee elected) Tove Wamsler (Employee elected)
Executive management	René Svendsen-Tune, CEO Peter la Cour Gormsen, CFO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Ownership	The company is 100% owned by GN Store Nord A/S, Lautrupbjerg 7, 2750 Ballerup, Denmark.



## 7 Management's report – Financial highlights

### Financial highlights

DKK thousand	2021	2020	2019	2018	2017
Revenue	8,582,494	7,198,755	4,900,805	3,781,406	3,075,930
Gross Profit	3,331,764	2,908,823	1,900,201	1,622,629	1,331,367
EBITA*	1,692,301	1,577,253	913,822	751,322	578,763
Operating profit (loss)	1,607,393	1,492,607	871,092	748,550	577,481
Result from financial items	51,684	1,083,108	140,710	-28,171	369
Profit (loss) for the year	1,322,653	2,259,008	804,648	557,161	457,203
Non-current assets	2,812,433	2,410,228	2,389,259	1,778,359	1,638,009
Current assets	4,424,787	3,355,555	1,409,615	2,280,830	1,738,089
Total assets	7,237,220	5,765,783	3,798,874	4,059,189	3,376,098
Share capital	35,109	34,874	34,545	34,238	34,103
Total equity	4,969,043	3,504,355	2,111,896	2,209,418	1,586,306
Non-current liabilities	259,020	244,979	219,980	856,547	913,000
Current liabilities	2,009,158	2,016,449	1,466,998	993,224	876,792
Cash flow from operating activities	1,879,752	1,787,021	1,378,194	832,622	548,822
Investment in PP&E	142,601	111,805	102,688	53,299	36,524
Key ratios %					
Operating Margin	18.7	20.7	17.8	19.8	18.8
Gross Margin	38.8	40.4	38.8	42.9	43.3
Return on Investment	31.1	42.2	32.9	30.9	20.6
Equity Ratio	68.7	60.8	55.6	54.4	47.0
Return on Equity	31.2	80.4	37.2	29.4	19.5

\*) Please refer to Key Ratio Definitions on page 13

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



## 8 Management's report – Review

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

#### Principal activities of the Company

GN Audio is developing cutting-edge headsets, speakerphones, and video solutions. The product brands include Jabra and Blueparrott. GN's audio and video products are sold via distributors and retailers in around 80+ countries across the world. Partners are responsible for logistics, local customization, and final packaging to optimize lead-time to the final customer, delivering from four regional centers in Mexico, Poland, China, and Hong Kong.

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

In October 2021 GN announced the acquisition of SteelSeries and in January 2022 all regulatory approvals were finalized, and the deal was closed. SteelSeries offers premium software-enabled and system-integrated gaming gear.

#### DEVELOPMENT IN ACTIVITIES AND FINANCIAL MATTERS

The revenue in 2021 reached DKK 8,582 million, compared to DKK 7,199 million in 2020, corresponding to a growth of 19%.

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

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

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

GN Audio's gross profit reached DKK 3,332 in 2021 compared to DKK 2,909 million in 2020. The gross margin was 38.8% in 2021 and was negatively impacted by increased freight and production costs due to COVID-19. GN Audio continues to be impacted by tariffs.

GN Audio's OPEX was DKK 1,755 million in 2021 (excluding transaction related costs of DKK 45 million associated with the acquisition of SteelSeries), reflecting an increase of 29% compared to 2020. Selling, distribution and administrative costs (excluding transaction related costs) increased by 33% compared to 2020, mainly driven by continued investments in future growth opportunities while investments in R&D increased by 24%.

GN Audio's EBITA ended at DKK 1,692 million in 2021 compared to DKK 1,577 million in 2020. The result is as expected.

#### Business highlights

##### *New Jabra PanaCast camera line-up*

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

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

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

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



## 9 Management's report – Review

### *Jabra Evolve2 30 and Jabra Evolve2 75*

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

### Events after the balance sheet date

In October 2021, GN announced a signed agreement to acquire SteelSeries – a global innovation driven pioneer in premium software-enabled gaming gear. The transaction was closed on January 12, 2022, for a total purchase price of DKK 8.0 billion on a cash and debt free basis (see note 5.1 for more details on SteelSeries).

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

### Financial guidance 2022

For 2022 GN Audio A/S expects an EBITA on the same level as in 2021.

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

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

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

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

### RISK MANAGEMENT

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

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

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



## 10 Management's report – Review

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

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

### Research and development

#### *Characteristics*

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

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

#### *Mitigating actions*

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

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

### Operations

#### *Characteristics*

COVID-19 triggered unprecedented demand and supply challenges. GN Audio experiences significant demand while the supply chain has been challenged by global shortage of certain components, manufacturing friction, and logistical bottlenecks.

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

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

#### *Mitigating actions*

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

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

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

### Marketing and sales

#### *Characteristics*

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

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

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



## 11 Management's report – Review

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

### *Mitigating actions*

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

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

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

### **Integration of SteelSeries**

#### *Characteristics*

In December 2021, GN closed an agreement to acquire SteelSeries. It is critical that GN is able to successfully build on this acquisition as multipliers of GN and catalysts for continued growth across GN's businesses and GN as a whole.

#### *Mitigating actions*

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

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

### **Human resources**

#### *Characteristics*

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

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

#### *Mitigating actions*

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



## 12 Management's report – Review

### Other risks

#### Characteristics

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

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

#### Mitigating actions

GN has hedged a substantial part of the expected net cash-flow in foreign currencies to secure the EBITA contribution of the material trading currencies for the next 12 months across both GN Hearing and GN Audio. GN is also monitoring the combined impact of minor trading currencies and hedges those on a case-by-case basis.

Please refer to note 4.1 in the Financial statements for further information about financial risks.

### SUSTAINABILITY – ESG REPORT

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

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

### CORPORATE GOVERNANCE

Corporate governance refers to the way a company is managed and controlled through ownership, management structure, incentive schemes, etc. GN strives to build trusted relationships with customers, shareholders, suppliers, employees, and the community. We also aim for a high degree of transparency and active ownership, including sharing information and engaging in a regular dialogue with all our stakeholders.

Please consult the annual report for GN Store Nord A/S to find the complete description of the Corporate governance [www.gn.com/Investor/Financial-reports](http://www.gn.com/Investor/Financial-reports).

On its website GN provides a statutory report on corporate governance, including an explanation of how GN complies with each recommendation ([www.gn.com/corporategovernance2021](http://www.gn.com/corporategovernance2021)). This overview, as well as the risk management and internal control systems related to financial reporting described in the risk management section in this report, form the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act. It also forms the statutory report on diversity statement required under section 99b of the Danish Financial Statements Act.

### GENDER AND DIVERSITY REPRESENTATION IN MANAGEMENT

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

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

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

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



## 13 Financial statements – Key ratio definitions

### Key ratio definitions

Operating profit (loss)	Profit (loss) before tax and financial items.
EBITDA	Operating profit (loss) before depreciation and impairment of property, plant and equipment, amortization and impairment of intangible assets, except development projects, impairment of goodwill and gains (losses) on divestment of operations etc. EBITDA therefore include amortization of development projects.
EBITA	Operating profit (loss) before amortization and impairment of acquired intangible assets, impairment of goodwill and gains (losses) on divestment of operations etc. EBITA therefore include amortization of development projects and software developed in-house.
Operating Margin	= $\frac{\text{Operating profit (loss)} * 100}{\text{Revenue}}$
Gross margin	= $\frac{\text{Gross profit(loss)} * 100}{\text{Revenue}}$
EBITA margin	= $\frac{\text{EBITA}}{\text{Revenue}}$
Return on Investment	= $\frac{\text{Operating profit (loss)} * 100}{\text{Average invested capital}}$
Invested capital	= NWC + property, plant and equipment and intangible assets + loans to dispensers of GN Audio products + pre-paid discounts + ownership interests – provisions
Return on equity (ROE)	= $\frac{\text{Profit (loss)} * 100}{\text{Average equity}}$
Equity ratio	= $\frac{\text{Total equity}}{\text{Total assets}}$



## 14 Financial statements – Income statement

### Income statement

DKK thousand	Note	2021	2020
Revenue	2.1, 2.4, 5.5	8,582,494	7,198,755
Production costs	2.4, 3.4, 3.5, 5.5	-5,250,730	-4,289,932
<b>Gross profit</b>		<b>3,331,764</b>	<b>2,908,823</b>
Development costs	2.2, 2.4, 3.4	-692,204	-559,934
Selling and distribution costs	2.2, 2.4, 3.4	-678,384	-510,844
Management and administrative expenses	2.2, 2.4, 3.3, 3.4	-429,872	-290,860
Other operating income and costs, net	4.3	160,997	30,068
<b>EBITA*</b>		<b>1,692,301</b>	<b>1,577,253</b>
Amortization of acquired intangible assets	2.4, 3.1	-84,908	-84,646
Gain (loss) on divestment of operations etc.		-	-
<b>Operating profit (loss)</b>		<b>1,607,393</b>	<b>1,492,607</b>
Financial income	4.2	85,187	1,113,988
Financial expenses	4.2	-33,503	-30,880
<b>Profit (loss) before tax</b>		<b>1,659,077</b>	<b>2,575,715</b>
Tax on profit (loss)	2.3	-336,424	-316,707
<b>Profit (loss) for the year</b>		<b>1,322,653</b>	<b>2,259,008</b>
<b>Proposed profit appropriation/distribution of loss</b>			
Retained earnings		133,732	2,208,161
Transfer to reserve for capitalized development projects		188,921	50,847
Proposed dividends for the year		1,000,000	-
<b>Profit (loss) for the year</b>		<b>1,322,653</b>	<b>2,259,008</b>

\*Please refer to Key Ratio definitions on page 13

### Statement of comprehensive income

DKK thousand	Note	2021	2020
<b>Profit (loss) for the year</b>		<b>1,322,653</b>	<b>2,259,008</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Adjustment of cash flow hedges	4.3	37,764	-25,645
Foreign exchange adjustments, etc.		-175	-269
Tax relating to these items of other comprehensive income	2.3	-8,308	5,642
<b>Other comprehensive income for the year, net of tax</b>		<b>29,281</b>	<b>-20,272</b>
<b>Total comprehensive income for the year</b>		<b>1,351,934</b>	<b>2,238,736</b>



## 15 Financial statements – Balance sheet

### Balance sheet at December 31

DKK thousand	Note	2021	2020
<b>Assets</b>			
Intangible assets	3.1, 3.4	1,129,903	954,691
Property, plant and equipment	3.2, 3.3, 3.4	279,217	226,960
Investments in subsidiaries	3.8	1,403,313	1,228,577
<b>Total non-current assets</b>		<b>2,812,433</b>	<b>2,410,228</b>
Inventories	3.5	1,147,251	1,044,056
Trade receivables	3.7, 4.3	311,251	313,115
Amounts owed by subsidiaries and group companies, current	4.3	2,829,900	1,816,976
Tax receivables	2.3	-	88,546
Other receivables		135,780	69,106
Cash and cash equivalents		605	23,756
<b>Total current assets</b>		<b>4,424,787</b>	<b>3,355,555</b>
<b>Total assets</b>		<b>7,237,220</b>	<b>5,765,783</b>
<b>Equity and Liabilities</b>			
Share capital		35,109	34,874
Other reserves		3,736	-25,720
Reserve for capitalized development projects		521,300	332,379
Proposed dividends for the year		1,000,000	-
Retained earnings		3,408,898	3,162,822
<b>Total equity</b>		<b>4,969,043</b>	<b>3,504,355</b>
Lease liabilities, non-current	3.3, 4.3	30,698	35,191
Provisions, non-current	3.6	68,580	80,309
Deferred tax liabilities	2.3	159,742	129,479
<b>Total non-current liabilities</b>		<b>259,020</b>	<b>244,979</b>
Lease liabilities, current	3.3, 4.3	15,887	12,263
Trade payables	4.3	875,666	851,451
Tax payables	2.3	360	-
Amounts owed to subsidiaries and group companies, current	4.3	199,357	390,910
Provisions, current	3.6	123,889	53,066
Other current liabilities	4.3	793,998	708,759
<b>Total current liabilities</b>		<b>2,009,158</b>	<b>2,016,449</b>
<b>Total equity and liabilities</b>		<b>7,237,220</b>	<b>5,765,783</b>



## 16 Financial statements – Statement of cash flow

### Statement of cash flow

DKK thousand	Note	2021	2020
<b>Operating activities</b>			
Operating profit (loss)		1,607,393	1,492,607
Depreciation, amortization and impairment	3.4	377,427	403,768
Other non-cash adjustments	5.4	109,203	128,850
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,094,023</b>	<b>2,025,225</b>
Change in inventories	3.5	-109,813	-316,957
Change in receivables		-65,123	-215,819
Change in trade payables and other payables		109,452	459,334
<b>Total changes in working capital</b>		<b>-65,484</b>	<b>-73,442</b>
<b>Cash flow from operating activities before financial items and tax</b>		<b>2,028,539</b>	<b>1,951,783</b>
Interest and dividends received		67,599	290,341
Interest paid		-6,958	-1,708
Tax paid, net		-209,428	-453,395
<b>Cash flow from operating activities</b>		<b>1,879,752</b>	<b>1,787,021</b>
<b>Investing activities</b>			
Investments in intangible assets, excluding development projects	3.1	-21,192	-2,097
Development projects	3.1	-426,015	-293,116
Investments in property, plant and equipment	3.2	-142,601	-111,805
Increase/(Decrease) of amount owed by and to subsidiaries		-1,012,924	-366,682
Investment in companies/operations	3.8	-174,736	-
<b>Cash flow from investing activities</b>		<b>-1,777,468</b>	<b>-773,700</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>		<b>102,284</b>	<b>1,031,321</b>
<b>Financing activities</b>			
Decrease of short-term loans		-	-13,929
Paid dividends		-	-1,000,000
Share-based payments, exercised (capital increase)		75,075	93,430
Increase/decrease of amounts owed by and to subsidiaries		-191,553	-114,243
Exchange rate adjustments		-8,957	39,569
<b>Cash flow from financing activities</b>		<b>-125,435</b>	<b>-995,173</b>
<b>Net cash flow</b>		<b>-23,151</b>	<b>18,148</b>
Cash and cash equivalents, beginning of period		23,756	5,608
<b>Cash and cash equivalents, end of period</b>		<b>605</b>	<b>23,756</b>



## 17 Financial statements – Statement of equity

### Statement of equity

DKK thousand	Share Capital	Hedging Reserve	Reserve for capitalized development projects	Proposed dividends for the year	Retained earnings	Total equity
<b>Balance at January 1, 2020</b>	<b>34,545</b>	<b>-5,717</b>	<b>281,532</b>	<b>1,000,000</b>	<b>801,536</b>	<b>2,111,896</b>
Profit (loss) for the period	-	-	50,847	-	2,208,161	2,259,008
Adjustment of cash flow hedges	-	-25,645	-	-	-269	-25,914
Tax relating to other comprehensive income	-	5,642	-	-	-	5,642
Total comprehensive income for the year	-	-20,003	50,847	-	2,207,892	2,238,736
Increase of share capital*	329	-	-	-	93,100	93,429
Share-based payment (granted)	-	-	-	-	31,854	31,854
Tax related to share-based incentive plans	-	-	-	-	28,440	28,440
Paid dividends	-	-	-	-1,000,000	-	-1,000,000
<b>Balance at December 31, 2020</b>	<b>34,874</b>	<b>-25,720</b>	<b>332,379</b>	<b>-</b>	<b>3,162,823</b>	<b>3,504,355</b>
Profit (loss) for the period	-	-	188,921	1,000,000	133,732	1,322,653
Adjustment of cash flow hedges	-	37,764	-	-	-175	37,589
Tax relating to other comprehensive income	-	-8,308	-	-	-	-8,308
Total comprehensive income for the year	-	29,456	188,921	1,000,000	133,557	1,351,934
Increase of share capital*	235	-	-	-	74,840	75,075
Share-based payment (granted)	-	-	-	-	21,544	21,544
Tax related to share-based incentive plans	-	-	-	-	16,135	16,135
<b>Balance at December 31, 2021</b>	<b>35,109</b>	<b>3,736</b>	<b>521,300</b>	<b>1,000,000</b>	<b>3,408,898</b>	<b>4,969,043</b>

\*The share capital has increased by 120 tDKK in 2016, 97 tDKK in 2017, 135 tDKK in 2018, 307 tDKK in 2019, 329 tDKK in 2020 and 235 tDKK in 2021.

Proposed dividend for the year amounts to 2.8 tDKK per share.

### Accounting policies

#### Reserve for capitalized development projects

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



## 18 Financial statements – Basis of preparation

# Section 1 Basis of preparation

In the annual report the notes are grouped in sections. Each note includes the accounting policies and significant accounting estimates applicable to the relevant notes. The description of the accounting policies in the notes is part of the complete description of GN Audio A/S's accounting policies. The notes are grouped in these five sections:

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

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

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

### 1.1 General accounting policies

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

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

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

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

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

#### **Accounting standards not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing this annual report. None of these new standards, amendments to standards and interpretations are expected to have significant impact on the financial statements of GN Audio A/S.

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

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

#### **Revenue**

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

- GN Audio A/S has a present right to payment for the goods.
- The customer has legal title to the goods.
- The customer has physical possession of the goods.
- The customer has the significant risks and rewards of ownership of the goods.
- The customer has accepted the goods.

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

The amount of revenue recognized varies with discounts and rebates offered to customers. Discounts and rebates are estimated based on



## 19 Financial statements – Basis of preparation

the expected amount to be provided to the customers and reduce revenues recognized. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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

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

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

### Production Costs

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

### Development Costs

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

### Selling and Distribution Costs

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

### Management and Administrative Expenses

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

### Other Operating Income and Costs, net

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

## Foreign Currency Translation

### Translation of Transactions and Balances

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

### Cash Flow Statement

The cash flow statement is presented using the indirect method based on the operating profit (loss). The cash flow statement shows the cash flow from operating, investing and financing activities for the year and the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flow from acquired enterprises is recognized in the cash flow statement from the acquisition date. Cash flow from disposed of enterprises is recognized up until the disposal date.

Cash flow from operating activities comprises cash flow from the year's operations adjusted for non-cash operating items and changes in working capital. Working capital comprises current assets excluding items stated as cash and cash equivalents and excluding tax receivable, as well as current liabilities excluding bank loans, tax payable and provisions.

Cash flow from investing activities comprises payments in connection with acquisitions and disposals of enterprises and activities, acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets and acquisitions and disposals of securities that are not included in cash and cash equivalents.

Cash flow from financing activities comprises changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, payment of the principal portion of lease liabilities, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less and are subject to an insignificant risk of changes in value.



## 20 Financial statements – Basis of preparation

### 1.2 Significant accounting estimates and judgments

The recognition of certain items of income and expenses and the determination of the carrying amount of certain assets and liabilities implies making accounting estimates and judgments. Significant accounting estimates and judgments comprise revenue recognition, deferred tax, computation of amortization, depreciation and impairment, useful lives and remaining useful lives of non-current assets. Furthermore, recognition of inventories, provisions, trade receivables, investment in subsidiaries, contingent assets and liabilities as well as the estimates used are based on assumptions, which by Management are deemed reliable, but by nature are associated with uncertainty.

The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Accordingly, the Company is subject to risks and uncertainties that may lead to a situation where actual results differ from estimates.

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

### 1.3 Non-IFRS measures

This Annual Report includes financial measures which are not defined by IFRS. These measures are included because they are used by GN Audio A/S's Management to analyze and manage the business and to provide stakeholders with useful information on the company's financial position, performance and development. Please refer to the Key Ratio Definitions on page 13 for a definition of the measures.



## 21 Financial statements – Results for the year

# Section 2 Results for the year

## 2.1 Revenue and geographical information

### Geographical information on revenue

DKK thousand	Revenue	
	2021	2020
Denmark	257,689	235,709
Europe	4,633,816	3,932,319
North America	2,474,520	1,993,876
Rest of world	1,216,469	1,036,851
<b>Total</b>	<b>8,582,494</b>	<b>7,198,755</b>

### Geographical information on assets

DKK thousand	Intangible and PP&E	
	2021	2020
Denmark	1,187,299	1,007,447
Europe	-	-
North America	-	-
Rest of world	221,821	174,204
<b>Total</b>	<b>1,409,120</b>	<b>1,181,651</b>

### Revenue disaggregation

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenue is attributed to countries on the basis of the customer's location. Only the US represents a material single country and constitutes the vast majority of revenue in North America. Revenue is in all material aspects related to sale of goods; headsets and other audio solutions which primarily are recognized as revenue at a point in time. ●

### Significant accounting estimates and judgments

#### Revenue and Geographical recognition

Certain contracts with customers include a volume rebates that give rise to variable consideration. In estimating the variable consideration GN Audio A/S is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. Significant accounting estimates and judgments involve the amount of discounts and rebates.

In sales, where the customer obtains control of the goods upon delivery to the customer, the significant judgments made in determining when the customer obtains control of promised goods involve determining when a customer has physical possession of the goods and when the customer has accepted the goods due to uncertainty in transportation time. ●



## 22 Financial statements – Results for the year

### 2.2 Staff Costs

DKK thousand	2021	2020*
Wages, salaries and remuneration	615,554	444,995
Pensions, defined contribution plans	44,196	32,839
Other social security costs	4,461	3,255
Share-based payments	21,544	31,854
<b>Total</b>	<b>685,755</b>	<b>512,943</b>
Included in:		
Production costs and change in payroll costs included in inventories	55,970	54,537
Development costs	330,671	217,545
Selling and distribution costs	231,960	169,657
Management and administrative expenses	67,154	71,204
<b>Total</b>	<b>685,755</b>	<b>512,943</b>
Average number of employees	648	486
Number of employees, year-end	701	537

\* 2020 figures have been updated in order to include salary related costs of DKK 63 million which was included in the income statement but not include in note 2.2

The full-year remuneration of the Board of Directors and Executive Management of GN Audio A/S is shown below.

DKK million	2021					2020				
	Fixed salary	Other benefits*	Bonus	Share-based payment	Total	Fixed salary	Other benefits*	Bonus	Share-based payment	Total
René Svendsen-Tune, CEO, GN Audio & GN Store Nord	8.1	0.2	7.5	4.7	20.5	7.0	0.2	7.3	6.6	21.1
Peter Gormsen, CFO, GN Audio & GN Store Nord from January 1, 2021	3.5	0.3	3.2	1.6	8.6	2.4	0.4	1.4	1.2	5.4
<b>Total</b>	<b>11.6</b>	<b>0.5</b>	<b>10.7</b>	<b>6.3</b>	<b>29.1</b>	<b>9.4</b>	<b>0.6</b>	<b>8.7</b>	<b>7.8</b>	<b>26.5</b>
Board of Directors remuneration	1.4	-	-	-	1.4	1.3	-	-	-	1.3
<b>Total</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.4</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.3</b>
<b>Total Executive Management and Board of Directors remuneration</b>	<b>13.0</b>	<b>0.5</b>	<b>10.7</b>	<b>6.3</b>	<b>30.5</b>	<b>10.7</b>	<b>0.6</b>	<b>8.7</b>	<b>7.8</b>	<b>27.8</b>

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

#### Incentive plans

GN Audio's share-based long-term incentive program is specified and described in note 5.2 Share-based Incentive plans.

#### Executive Management and Board of Directors Remuneration

The total remuneration of the Executive Management is based on the "General Guidelines for Incentive Pay to Management", as adopted at GN's Annual General Meeting.

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

- René Svendsen-Tune's bonus is subject to the performance of GN Audio's EBITA, GN Audio's revenue and individual performance targets.
- Peter Gormsen's bonus is subject to the performance of GN Audio's EBITA, GN Audio's revenue and individual performance targets.

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



## 23 Financial statements – Results for the year

### 2.3 Tax

DKK thousand	2021	2020
<b>Tax on profit (loss)</b>		
Current tax for the year	-277,764	-343,303
Deferred tax for the year	-33,917	30,422
Withholding tax	-	-1,056
Adjustment to current tax with respect to prior years	-36,794	2,051
Adjustment to deferred tax with respect to prior years	12,051	-4,821
<b>Total</b>	<b>-336,424</b>	<b>-316,707</b>
<b>Reconciliation of effective tax rate</b>		
Danish tax rate	22.00%	22.00%
Non-taxable income	-2.31%	-9.45%
Non-deductible expenses	0.90%	0.31%
Adjustment of tax with respect to prior years	1.47%	0.11%
Other, including provisions for uncertain tax positions	-1.78%	-0.67%
<b>Effective tax rate</b>	<b>20.28%</b>	<b>12.30%</b>
<b>Deferred tax, net</b>		
Deferred tax at January 1, net	-129,479	-164,888
Adjustment to deferred tax with respect to prior years	12,051	-4,821
Deferred tax for the year recognized in profit (loss) for the year	-34,006	30,511
Deferred tax related to share-based incentive plans	-	4,077
Deferred tax for the year recognized in other comprehensive income for the year	-8,308	5,642
<b>Deferred tax at December 31, net</b>	<b>-159,742</b>	<b>-129,479</b>
<b>Deferred tax, net relates to:</b>		
Intangible assets	-242,039	-200,706
Property, plant and equipment	2,407	10,862
Provisions	50,083	44,736
Other	29,807	15,629
<b>Total</b>	<b>-159,742</b>	<b>-129,479</b>

Deferred tax includes DKK 22 million expected to be utilized within 12 months.

Repatriation of retained earnings from certain foreign subsidiaries, however not planned or expected in the foreseeable future, may trigger withholding tax liabilities up to DKK 35 million (2020 DKK 15 million).

#### Accounting policies

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

GN Audio A/S is jointly taxed with the parent company GN Store Nord A/S and all its Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme. Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit (loss) for the year is recognized in the income statement, and the tax expense relating to amounts recognized in other comprehensive income is recognized in other comprehensive income. Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

##### **Deferred tax**

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



## 24 Financial statements – Results for the year

### 2.3 Tax (Continued)

#### Significant accounting estimates and judgments

##### Deferred tax

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

### 2.4 Income statement classified by function

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

DKK thousand	2021	2020
Revenue	8,582,494	7,198,755
Production costs	-5,250,730	-4,289,932
<b>Gross profit</b>	<b>3,331,764</b>	<b>2,908,823</b>
Development costs	-772,827	-640,507
Selling and distribution costs	-682,669	-514,917
Management and administrative expenses	-429,872	-290,860
Other operating income and costs, net	160,997	30,068
Gain (loss) on divestment of operations etc.	-	-
<b>Operating profit (loss)</b>	<b>1,607,393</b>	<b>1,492,607</b>
<b>In the above income statement amortization of acquired intangible assets has been allocated to functions as follows:</b>		
Development costs	-80,623	-80,573
Selling and distribution costs	-4,285	-4,073
<b>Amortization of acquired intangible assets</b>	<b>-84,908</b>	<b>-84,646</b>

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



25 Financial statements – Operating assets and liabilities

## Section 3 Operating assets and liabilities

### 3.1 Intangible assets

DKK thousand	Goodwill	In-house development projects	Software	Patents and rights	Trademarks	Other	Total
Cost at January 1	106,369	1,430,690	38,990	543,216	49,887	-	2,169,152
Additions	-	426,015	19,813	300	393	686	447,207
Cost at December 31	106,369	1,856,705	58,803	543,516	50,280	686	2,616,359
Amortization and impairment at January 1	-37,418	-1,004,563	-36,164	-128,340	-7,976	-	-1,214,461
Amortization	-	-183,808	-3,279	-80,623	-4,148	-137	-271,995
Impairment	-	-	-	-	-	-	-
Amortization and impairment at December 31	-37,418	-1,188,371	-39,443	-208,963	-12,124	-137	-1,486,456
<b>Carrying amount at December 31, 2021</b>	<b>68,951</b>	<b>668,334</b>	<b>19,360</b>	<b>334,553</b>	<b>38,156</b>	<b>549</b>	<b>1,129,903</b>
Cost at January 1	106,369	1,137,574	36,893	543,216	49,887	-	1,873,939
Additions	-	293,116	2,097	-	-	-	295,213
Cost at December 31	106,369	1,430,690	38,990	543,216	49,887	-	2,169,152
Amortization and impairment at January 1	-37,418	-776,635	-33,462	-47,767	-3,903	-	-899,185
Amortization	-	-138,716	-2,702	-80,573	-4,073	-	-226,064
Impairment	-	-89,212	-	-	-	-	-89,212
Amortization and impairment at December 31	-37,418	-1,004,563	-36,164	-128,340	-7,976	-	-1,214,461
<b>Carrying amount at December 31, 2020</b>	<b>68,951</b>	<b>426,127</b>	<b>2,826</b>	<b>414,876</b>	<b>41,911</b>	<b>-</b>	<b>954,691</b>

### Accounting policies

#### Goodwill

At the acquisition date goodwill is recognized in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least once a year. The carrying amount of goodwill is allocated to the company's cash-generating units at the acquisition date. Identification of cash-generating units is based on how Management monitor the operation in the Management reporting. As a result of the integration of acquired enterprises in the existing group, Management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated is GN Audio A/S.

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

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

Completed development projects	1-5 years
Software	1-2 years
Patents, licenses, trademarks and other intellectual property rights.	Up to 20 years

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



## 26 Financial statements – Operating assets and liabilities

### 3.1 Intangible assets (Continued)

#### **Impairment of Goodwill, trademarks and in-process development projects**

Goodwill is subject to at least one annual impairment test, initially before the end of the acquisition year. Similarly, trademarks and in-progress development projects are tested for impairment at least annually.

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

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

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

### Significant accounting estimates and judgments

#### **Goodwill**

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

#### **Development projects**

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

#### **Trademarks**

Trademarks consists of acquired rights to usage of trademarks registered in USA. Trademarks are measured at cost less accumulated amortization. ●



## 27 Financial statements – Operating assets and liabilities

### 3.2 Property, plant and equipment

DKK thousand	Factory and office building	Plant and machinery	Operating assets and equipment	Assets under construction	Total
Cost at January 1,	-	396,899	26,588	29,651	453,138
Additions	-	-	10,172	132,429	142,601
Transfers	-	144,019	-	-144,019	-
<b>Cost at December 31</b>	-	<b>540,918</b>	<b>36,760</b>	<b>18,061</b>	<b>595,739</b>
Depreciation and impairment at January 1	-	-252,399	-20,817	-	-273,216
Depreciation	-	-88,666	-3,665	-	-92,331
Disposals	-	3,010	-	-	3,010
Depreciation and impairment at December 31	-	-338,055	-24,482	-	-362,537
<b>Carrying amount at December 31, 2021</b>	-	<b>202,863</b>	<b>12,278</b>	<b>18,061</b>	<b>233,202</b>
Leased assets, c.f. note 3.3	44,862	-	1,153	-	46,015
<b>Total carrying amount at December 31, 2021</b>	<b>44,862</b>	<b>202,863</b>	<b>13,431</b>	<b>18,061</b>	<b>279,217</b>
Cost at January 1	-	281,865	25,040	34,428	341,333
Additions	-	-	1,548	110,257	111,805
Transfers	-	115,034	-	-115,034	-
<b>Cost at December 31</b>	-	<b>396,899</b>	<b>26,588</b>	<b>29,651</b>	<b>453,138</b>
Depreciation and impairment at January 1	-	-180,581	-18,274	-	-198,855
Depreciation	-	-71,818	-2,543	-	-74,361
Depreciation and impairment at December 31	-	-252,399	-20,817	-	-273,216
<b>Carrying amount at December 31, 2020</b>	-	<b>144,500</b>	<b>5,771</b>	<b>29,651</b>	<b>179,922</b>
Leased assets, c.f. note 3.3	44,968	-	2,070	-	47,038
<b>Total carrying amount at December 31, 2020</b>	<b>44,968</b>	<b>144,500</b>	<b>7,841</b>	<b>29,651</b>	<b>226,960</b>

GN Audio A/S has not capitalized any borrowing costs in the current or preceding periods as non-current assets are not financed with debt

#### Accounting policies

##### Property, plant and Equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, suppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use. Liabilities related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of property, plant and equipment. The expected useful lives are as follows:

Buildings and installations (land is not depreciated)	10-50 years
Leasehold improvements	5-20 years
Plant and machinery	1-7 years
Operating assets and equipment	2-7 years

The basis of depreciation is calculated as the residual value of the asset less impairment losses. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Depreciation and impairment is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses.

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



## 28 Financial statements – Operating assets and liabilities

### 3.3 Leases

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

#### Leased assets

DKK thousand	2021			2020		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	44,968	2,070	47,038	38,687	2,429	41,116
Additions	-	100	100	236	694	930
Remeasurements	14,988	-	14,988	19,121	-	19,121
Depreciation	-15,094	-1,017	-16,111	-13,076	-1,053	-14,129
<b>Carrying amount at December 31</b>	<b>44,862</b>	<b>1,153</b>	<b>46,015</b>	<b>44,968</b>	<b>2,070</b>	<b>47,038</b>

#### Lease liabilities

DKK thousand	2021	2020
Contractual maturity analysis of lease liabilities:		
Less than one year	16,335	12,689
Between one and three years	31,070	35,692
More than three years	-	28
<b>Total</b>	<b>47,405</b>	<b>48,409</b>

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

DKK thousand	2021	2020
Interest expense on lease liabilities	599	551
<b>Total cash outflow for leases</b>	<b>16,556</b>	<b>14,480</b>

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

In 2021, the total amount recognized in the income statement related to leases was DKK 0.2 million (DKK 0.2 million in 2020).

## § 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.



## 29 Financial statements – Operating assets and liabilities

### 3.3 Leases (Continued)

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

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

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

#### Extension and termination options

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

#### Significant accounting estimates and judgments

##### Leases

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



## 30 Financial statements – Operating assets and liabilities

### 3.4 Depreciation, amortization and impairment

DKK thousand	2021	2020
Depreciation, amortization and impairment for the year of property, plant and equipment (incl. leased assets) and intangible assets are recognized in the income statement as follows:		
Production costs	-86,095	-68,882
Development costs	-188,533	-231,004
Selling and distribution costs	-1,479	-931
Management and administrative expenses*	-16,412	-15,190
Amortization of acquired intangible assets	-84,908	-84,646
<b>Total</b>	<b>-377,427</b>	<b>-400,653</b>

\*Includes depreciation of leases assets as per note 3.3

Amortization of intangible assets is recognized in the income statement as follows:

Production costs	-104	-166
Development costs	-185,242	-139,292
Selling and distribution costs	-991	-931
Management and administrative expenses	-750	-1,030
Amortization of acquired intangible assets	-84,908	-84,645
<b>Total</b>	<b>-271,995</b>	<b>-226,064</b>

Impairment of intangible assets is recognized in the income statement as follows:

Development costs	-	-89,212
<b>Total</b>	<b>-</b>	<b>-89,212</b>

### 3.5 Inventories

DKK thousand	2021	2020
Raw materials and consumables	223,414	57,073
Finished goods and merchandise	923,837	986,983
<b>Total</b>	<b>1,147,251</b>	<b>1,044,056</b>
The above includes write-downs amounting to	-92,007	-85,389
Net write-downs recognized in the income statement under production cost	-6,638	-6,699
Costs of goods sold included in Production Costs	-5,001,134	-4,030,012

## Accounting policies

### Inventories

Inventories are measured at cost in accordance with the FIFO-principle.

Raw materials and goods for resale are measured at cost, comprising purchase price plus delivery costs.

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale ●

### Significant accounting estimates and judgments

#### inventories

The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g., faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g., reduced demand or substituting products). GN Audio performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales from 6 to 24 months following the balance sheet date ●



## 31 Financial statements – Operating assets and liabilities

### 3.6 Provisions

DKK thousand	Warranty provisions	Other provisions	Total
Provisions at January 1	26,098	107,277	133,375
Additions	5,370	57,795	63,165
Consumed	-4,071	-	-4,071
<b>Provisions at December 31, 2021</b>	<b>27,397</b>	<b>165,072</b>	<b>192,469</b>
<b>Which is presented in the balance sheet as:</b>			
Non-current liabilities	17,808	50,772	68,580
Current liabilities	9,589	114,300	123,889
<b>Provisions at December 31, 2021</b>	<b>27,397</b>	<b>165,072</b>	<b>192,469</b>

Warranty provisions concern products sold. The warranty provision covers any defects in design, materials and workmanship for a period of 1-2 years from delivery and completion. Other provisions primarily consist of provisions for legal disputes and obligations regarding onerous contracts.

#### Accounting policies

##### Provisions

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

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

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

#### Significant accounting estimates and judgments

##### Provisions

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

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

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



## 32 Financial statements – Operating assets and liabilities

### 3.7 Trade receivables

DKK thousand	Current	1-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	More than 181 days past due	Total
Gross carrying amount - Trade receivables	274,768	30,577	2,079	1,780	2,412	947	312,563
Loss allowance at December 31	-659	-29	-5	-20	-233	-366	-1,312
<b>Trade receivables at December 31, 2021</b>	<b>274,109</b>	<b>30,548</b>	<b>2,074</b>	<b>1,760</b>	<b>2,179</b>	<b>581</b>	<b>311,251</b>
Expected loss rate	0,2%	0,1%	0,2%	1,1%	10%	39%	0,4%
Gross carrying amount - Trade receivables	273,017	39,663	101	374	682	277	314,114
Loss allowance at December 31	-137	-20	-25	-191	-391	-236	-999
<b>Trade receivables at December 31, 2020</b>	<b>272,880</b>	<b>39,643</b>	<b>76</b>	<b>183</b>	<b>291</b>	<b>41</b>	<b>313,115</b>
Expected loss rate	0,1%	0,1%	25%	51%	57%	85%	0,3%

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

DKK thousand	2021	2020
Loss allowance at January 1		-999
Increase in loss allowance during the year		-1,313
Trade receivables written off as uncollectible		-
Reversal of unused loss allowance		1,000
<b>Loss allowance at December 31</b>	<b>-1,312</b>	<b>-999</b>

GN Audio A/S's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions etc. as described in significant accounting estimates.

No security has been pledged to GN Audio A/S for trade receivables.

#### Accounting policies

##### Trade receivables

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

#### Significant accounting estimates and judgments

##### Trade receivables

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



## 33 Financial statements – Operating assets and liabilities

### 3.8 Investment in subsidiaries

DKK thousand	2021	2020
Cost at January 1	1,228,577	1,228,494
Additions, capital contribution	174,736	83
Disposals	-	-
<b>Cost at December 31</b>	<b>1,403,313</b>	<b>1,228,577</b>

Group companies are listed at the end of this report.

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

#### Accounting policies

##### Investment in subsidiaries

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

#### Significant accounting estimates and judgments

##### Investment in subsidiaries

An annual test for indications of impairment of investments in subsidiaries is performed. There have not been identified any indications of impairment for the year. ●



34 Financial statements – Financing items

# Section 4

## Financing items

### 4.1 Financial risks

GN Audio is exposed to financial risks arising from its operating, investing, and financing activities, comprising currency risk, interest rate risk, liquidity risk and credit risk. Financial risks are managed centrally and on group level by Group Treasury, except for commercial credit risk which is managed by GN Audio A/S's operating business. The Group's Treasury Policy has been reviewed by the group Audit Committee and approved by the Board of Directors in GN Store Nord.

Management has assessed the following key financial risks:

Type	Financial risk
Foreign currency risk	Moderate
Interest rate risk	Low
Liquidity risk, funding, and capital structure	Low
Financial credit risk	Low

#### Foreign currency risk

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

#### Sensitivity analysis for foreign currency risk

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

DKK thousand	USD		GBP	
	2021	2020	2021	2020
Income statement	93,556	-14,762	7,906	-18,033
Other Comprehensive Income	10,166	38,483	-6,202	-6,178

#### Interest rate risk

The exposure to interest rate risk is considered to be low due to the capital structure and low duration.

#### Liquidity risk, funding, and capital structure

Cash flow, liquid funds and debt are coordinated centrally by Group Treasury to ensure the solvency and liquidity of the Group including GN Audio A/S.

#### Financial credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligation in due time. GN Audio A/S may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to GN Audio. GN Audio's exposure to credit risk arises primarily from trade and other receivables. Assessment of credit risks related to customers is further described in note 3.7 Trade receivables.

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



## 35 Financial statements – Financing items

### 4.2 Financial income and expenses

DKK thousand	2021	2020
<b>Financial income:</b>		
Interest income*	1	33
Intercompany Interest income*	100	1,096
Dividends received	67,498	1,048,312
Financial income, other	33	4
Foreign exchange gain	17,555	64,543
<b>Total</b>	<b>85,187</b>	<b>1,113,988</b>
<b>Financial expenses:</b>		
Interest expenses*	-419	-108
Intercompany Interest expense*	-4,972	-7,342
Financial expenses, other	-1,600	-1,308
Foreign exchange loss	-26,512	-22,122
<b>Total</b>	<b>-33,503</b>	<b>-30,880</b>

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

### Accounting policies

#### Financial income and expenses

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

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



## 36 Financial statements – Financing items

### 4.3 Financial Instruments

#### Contractual maturity analysis for financial liabilities

DKK thousand	Less than one year	Between one and three years	More than three years	Total
<b>2021</b>				
Amounts owed to subsidiaries and group companies	199,357	-	-	199,357
Trade payables	875,666	-	-	875,666
Total non-derivative financial liabilities	1,075,023	-	-	1,075,023
Derivative financial liabilities	8,164	-	-	8,164
<b>Total financial liabilities</b>	<b>1,083,187</b>	-	-	<b>1,083,187</b>
<b>2020</b>				
Amounts owed to subsidiaries and group companies	390,910	-	-	390,910
Trade payables	851,451	-	-	851,451
Total non-derivative financial liabilities	1,242,361	-	-	1,242,361
Derivative financial liabilities	47,903	-	-	47,903
<b>Total financial liabilities</b>	<b>1,290,264</b>	-	-	<b>1,290,264</b>

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

#### Derivative financial instruments

##### Exchange rate instruments

	2021				2020			
	Average rate (DKK)	Contract amount, net*	Fair value, assets	Fair value, liabilities	Average rate (DKK)	Contract amount, net	Fair value, assets	Fair value, liabilities
USD / DKK	639	-1,469,174	36,073	551	632	-758,397	-	33,033
EUR / DKK	743	1,486,395	-	2,435	743	2,490,120	98	5,902
GBP / EUR	872	435,782	-	4,007	-	-	-	-
USD / EUR	642	-321,248	6,196	-	-	-	-	-
JPY / EUR	5.76	69,074	826	-	6.03	102,488	2,779	-
GBP / DKK	-	-	-	-	823	98,742	133	518
Other currency pairs	-	661,783	6,797	1,171	-	253,403	3,356	8,450
<b>Total</b>			<b>49,892</b>	<b>8,164</b>			<b>6,366</b>	<b>47,903</b>

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

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

#### Fair value adjustments of cash flow hedges

DKK thousand	2021	2020
Fair value adjustment for the year recognized in Other comprehensive income	32,892	-15,901
Reclassified from equity to revenue during the year	4,412	-9,744
Reclassified from equity to production costs during the year	460	-
<b>Adjustment of cash flow hedges in Other comprehensive income</b>	<b>37,764</b>	<b>-25,645</b>
Fair value adjustment of cash flow hedges recognized in Other operating income and costs, net	51,163	-28,516
Fair value adjustment of cash flow hedges recognized in financial items	-	-



## 37 Financial statements – Financing items

### 4.3 Financial Instruments (Continued)

#### Categories of financial assets and liabilities

DKK thousand	2021	2020
Trade receivables	311,251	313,115
Amounts owed by subsidiaries and group companies	2,829,900	1,816,976
Other receivables	85,888	62,740
Cash or cash equivalents	605	23,756
<b>Financial assets at amortized cost</b>	<b>3,227,644</b>	<b>2,216,587</b>
Derivative financial instruments included in Other receivables*	43,513	1,132
<b>Financial assets at fair value through profit or loss</b>	<b>43,513</b>	<b>1,132</b>
Derivative financial instruments included in Other receivables*	6,379	5,234
<b>Financial assets at fair value through Other comprehensive income</b>	<b>6,379</b>	<b>5,234</b>
Lease liabilities	46,585	47,454
Amounts owed to subsidiaries and group companies	199,357	390,910
Other current liabilities	783,626	660,855
Trade payables	875,666	851,451
<b>Financial liabilities at amortized cost</b>	<b>1,905,234</b>	<b>1,950,670</b>
Derivative financial instruments included in Other payables*	6,651	10,321
<b>Financial liabilities at fair value through profit or loss</b>	<b>6,651</b>	<b>10,321</b>
Derivative financial instruments included in Other liabilities*	1,513	37,581
<b>Financial liabilities at fair value through Other comprehensive income</b>	<b>1,513</b>	<b>37,581</b>

\* All Financial assets and liabilities are placed in the category "Directly or indirectly observable market data" (level 2) in the fair value measurement hierarchy.

#### Accounting policies

##### Derivative Financial Instruments

Derivative financial instruments are initially and subsequently recognized in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and payables, respectively. Fair values of derivative financial instruments are computed on the basis of market data and generally accepted valuation methods. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of the hedged item are recognized in other comprehensive income. If the hedged transaction results in gains or losses, amounts previously recognized in other comprehensive income are transferred from equity to the same item as the hedged item. When a hedging instrument expires, or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any gains or losses previously recognized in Other comprehensive income remains in Equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that were reported in equity are immediately reclassified to the income statement. For derivative financial instruments, where hedge accounting is not applied (economic hedges), changes in fair value are recognized in the Income statement as either Other operating income and costs, net or Financial items.

##### Financial Liabilities

Amounts owed to credit institutions and banks are recognized at the date of borrowing at fair value of the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

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



38 Financial statements – Other disclosures

## Section 5 Other disclosures

### 5.1 Events after the reporting period

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

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

Goodwill of DKK 0 million has provisionally been determined to be deductible for tax purposes. In order to effect the acquisition GN has incurred direct acquisition-related costs of DKK 45 million in professional and consulting fees etc. These are expensed in management and administrative expenses in 2021.

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

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

DKK million

#### Estimated unaudited stand-alone financials for SteelSeries for 2021

Revenue	2,697
Profit for the year*	199

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



## 39 Financial statements – Other disclosures

### 5.2 Share-based incentive plans

#### Warrant and option programs

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

#### Calculation of share price

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

#### Vesting conditions and exercise of warrants

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

#### Vesting conditions and exercise of options

The 2019-2021 programs are long-term incentive programs with a three-year vesting period from the grant date. The programs include a performance multiplier, based on revenue growth and EBITDA improvement relative to a broad peer group of comparable companies. This means, that after the three-year vesting period, the initial share option grant can either increase, decrease or stay the same, depending on GN's performance relative to a peer group. The maximum effect of the performance multiplier is to decrease the number of options to 0 or increase the number of options by a factor of 2. For executive management the gross return on each annual grant is capped at a value equal to four times the annual base salary at the time of grant. Vested options may be exercised at any time outside black-out periods for a three-year period after vesting.

#### Valuation model and assumptions

The market value of the warrants and options are calculated using the principles of the Black-Scholes option pricing model. For the 2015-2018 warrants the model has taken the overperformance criteria into account using Monte Carlo simulation. The market values of options granted during the year are based on the underlying market prices at the grant dates.

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

	2021		2020	
	GN Store Nord A/S		GN Store Nord A/S	
	Executive Management	Other employees	Executive Management	Other employees
Number of options / warrants granted in the year	40,000	148,818	69,218	232,605
Share price GN Store Nord at ordinary grant date	548	548	390	390
Vesting period	3 years	3 years	3 years	3 years
Life of option / warrant	6 years	6 years	6 years	6 years
Volatility*	32%	32%	29%	29%
Expected dividend**	0.3%	0.3%	0.4%	0.4%
Risk-free interest rate***	0.00%	0.00%	0.00%	0.00%
Fair Value per option / warrant at ordinary grant (DKK)	127	143	83	87
Total market value at grant (DKK million)	5	21	6	20
Amortization period of the program	2021 - 2024	2021 - 2024	2020 - 2023	2020 - 2023

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

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

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



## 40 Financial statements – Other disclosures

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

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

#### Exercise of warrants

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

#### Warrant and option programs

	DKK	GN Audio A/S		
		Number		
	Average exercise price	Executive Management*	Other employees	Total
<b>Outstanding warrants at January 1, 2020</b>	<b>30,275</b>	<b>2,822</b>	<b>4,401</b>	<b>7,223</b>
Warrants exercised during the year	28,381	-1,146	-2,146	-3,292
Warrants forfeited during the year	32,491	-	-93	-93
<b>Outstanding warrants at December 31, 2020</b>	<b>31,865</b>	<b>1,676</b>	<b>2,162</b>	<b>3,838</b>
Warrants exercised during the year	31,920	-526	-1,826	-2,352
Warrants forfeited during the year	-	-	-	-
<b>Outstanding warrants at December 31, 2021</b>	<b>31,777</b>	<b>1,150</b>	<b>336</b>	<b>1,486</b>
Weighted average term to maturity		1.5	1.6	1.5
Number of exercisable warrants at December 31, 2020		840	236	1,076
Number of exercisable warrants at December 31, 2021		1,150	336	1,486

	DKK	GN Store Nord A/S		
		Number*		
	Average exercise price	Executive Management	Other employees	Total
<b>Outstanding options at January 1, 2020</b>	<b>313</b>	<b>88,704</b>	<b>273,204</b>	<b>361,908</b>
Options granted during the year	381	69,218	232,605	301,823
Options forfeited during the year	-	-	-	-
<b>Outstanding options at December 31, 2020</b>	<b>344</b>	<b>157,922</b>	<b>505,809</b>	<b>663,731</b>
Options transferred during the year* **	343	-23,458	-	-23,458
Options granted during the year	550	40,000	148,818	188,818
Options forfeited during the year	386	-	-28,119	-28,119
<b>Outstanding options at December 31, 2021</b>	<b>391</b>	<b>174,464</b>	<b>626,508</b>	<b>800,972</b>
Weighted average term to maturity (Years)		4.0	4.0	4.0
Number of exercisable options at December 31, 2020		-	-	-
Number of exercisable options at December 31, 2021		-	-	-

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

\*\* Transfers relate to options transferred between GN Group companies due to changes in executive management



## 41 Financial statements – Other disclosures

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

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

Grant date	GN Audio A/S			
	DKK	Number		
	Exercise price	Executive Management	Other employees	Total
March 2017	28,794	494	126	620
February 2018	33,913	656	210	866
<b>Outstanding warrants at December 31, 2021</b>		<b>1,150</b>	<b>336</b>	<b>1,486</b>

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

Grant date	GN Store Nord A/S			
	DKK	Number*		
	Exercise price	Executive Management	Other employees	Total
April 2019	313	75,528	261,016	336,544
February 2020	381	58,936	222,498	281,434
February 2021	550	40,000	142,994	182,994
<b>Outstanding options at December 31, 2021</b>		<b>174,464</b>	<b>626,508</b>	<b>800,972</b>

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

### Accounting policies

#### Incentive plans

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



## 42 Financial statements – Other disclosures

### 5.3 Contingent assets and liabilities

#### Security

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

#### Purchase obligations

GN Audio A/S has agreed with some suppliers that they will purchase components for the production of headsets based on sales estimates prepared by GN. To the extent that GN's sales estimates exceed actual purchases from suppliers, GN Audio A/S is under an obligation to purchase any remaining components from the suppliers.

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

#### Pending litigations and disputes

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

### Significant accounting estimates and judgments

#### Provisions, Contingencies and Litigations

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

### 5.4 Other non-cash adjustments

DKK thousand	2021	2020
Share-based payment (granted)	21,544	31,854
Provision for bad debt, inventory write-downs	6,931	35,897
Adjustment of provisions	59,094	101,150
Fair value adjustments of cash flow hedges	37,589	-25,914
Remeasurements of IFRS 16 leases	-14,988	-19,121
Other non-cash adjustments	-967	4,984
<b>Total</b>	<b>109,203</b>	<b>128,850</b>

### 5.5 Fees to statutory auditors

DKK thousand	2021	2020
Statutory audit	966	995
Other assurance related services	12	25
Other services	1,793	854
<b>Fee to statutory auditors</b>	<b>2,771</b>	<b>1,874</b>



## 43 Financial statements – Other disclosures

### 5.6 Related parties

GN Audio A/S is controlled by GN Store Nord A/S. The related parties exercising significant influence comprise GN Store Nord A/S's subsidiaries, members of the Board of Directors and the Executive Management and senior employees and their family members.

In addition, related parties comprise group enterprises and associates over which GN Audio exercises control or significant influence.

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

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

Management remuneration and incentive plans are described in note 2.2 and 5.2.

#### Group enterprises and associates

Trade with group enterprises and associates comprised:

DKK million	2021	2020
<b>GN Store Nord A/S</b>		
Purchase of services	-300	-161
Sale of services	3	10
<b>Subsidiaries</b>		
Purchase of services	-412	-312
Sale of goods to group enterprises, revenue	7,480	6,338

The company's balances with group enterprises at December 31, 2021 are shown separately in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 4.2. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

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

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



## 44 Financial statements – Companies in GN Audio Group

# Companies in the GN Audio Group

	Domicile	Currency	Ownership %	Share capital
<b>GN Audio A/S</b>	Denmark	DKK	*100	35,109,000
FalCom A/S	Denmark	DKK	100	88,501,000
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Audio Brasil Importação & Comércio Ltda.	Brazil	BRL	100	407,821
GN Audio Canada Inc.	Canada	CAD	100	409,800
GN Audio (China) Ltd.	China	CNY	100	65,116,155
GN Audio (Shanghai) Co., Ltd.	China	CNY	100	15,481,000
GN Audio Logistic (Xiamen) Ltd.	China	CNY	100	4,133,738
GN Audio France SA	France	EUR	100	80,000
GN Audio Germany GmbH	Germany	EUR	100	51,000
GN Audio Hong Kong Limited	Hong Kong	HKD	100	33,500,000
GN Audio India Private Limited	India	INR	100	40,000,000
Jabra Connect India Private Limited	India	INR	51	20,000,000
GN Audio Italy s.r.l.	Italy	EUR	100	10,200
GN Audio Japan Ltd.	Japan	JPY	100	10,000,000
GN Audio Benelux B.V.**	Netherlands	EUR	100	18,000
GN Audio Philippines, Inc.	Philippines	PHP	100	10,000,000
GN Audio Poland Sp. z o.o.	Poland	PLN	100	50,000
GN Audio Singapore Pte. Ltd.	Singapore	SGD	100	700,000
Jabra Connect Singapore Pte.Ltd.	Singapore	USD	100	12,000
GN Audio Spain, S.A.	Spain	EUR	100	66,111
GN Audio Sweden AB	Sweden	SEK	100	5,100,000
GN Audio UK Ltd.	United Kingdom	GBP	100	100,000
GN Audio USA Inc.	USA	USD	100	45,900,000
FalCom US, LLC***	USA	USD	100	-

\* Ownership stake by GN Store Nord A/S

\*\* GN Audio Benelux B.V. (registration number 20113074) applies the group exemption of article 2:403 of the Dutch Civil Code and does not prepare individual financial statements.

\*\*\* Without par value



**GN**

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