



Brønnøysundregistrene

Brønnøysundregistrene

Postadresse: 8910 Brønnøysund

Telefoner: Opplysningstelefonen 75 00 75 00 Telefaks 75 00 75 05

E-post: firmapost@brreg.no Internett: www.brreg.no

Organisasjonsnummer: 974 760 673



Resultatregnskap

Beløp i: DKK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2.1,2.4 ,2.5	8 700 686 000	8 582 494 000
Sum inntekter		8 700 686 000	8 582 494 000
Kostnader			
Varekostnad	2.1, 2.4, 2.5, 3.6	5 883 599 000	5 250 730 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	2.2.,2. 4,3.1	85 315 000	84 908 000
Development costs		670 108 000	692 204 000
Selling and distribution		644 721 000	678 384 000
Management and administrative expense		600 409 000	429 872 000
Other operating income and costs,		-113 315 000	-160 997 000
Sum kostnader		7 770 837 000	6 975 101 000
Driftsresultat		929 849 000	1 607 393 000
Finansinntekter og finanskostnader			
Annen finansinntekt	4.2	223 481 000	85 187 000
Sum finansinntekter		223 481 000	85 187 000
Annen finanskostnad	4.2	95 470 000	33 503 000
Sum finanskostnader		95 470 000	33 503 000
Netto finans		128 011 000	51 684 000
Ordinært resultat før skattekostnad		1 057 860 000	1 659 077 000
Skattekostnad på ordinært resultat	2.3	155 161 000	336 424 000
Ordinært resultat etter skattekostnad		902 699 000	1 322 653 000
Årsresultat		902 699 000	1 322 653 000



Resultatregnskap

Beløp i: DKK	Note	2022	2021
Overføringer og disponeringer			
Retained earnings		717 762 000	133 732 000
Transfer to reserve for capitalized de		184 937 000	188 921 000
Proposed dividennds for the year		0	1 000 000 000
Sum overføringer og disponeringer		902 699 000	1 322 653 000



Balanse

Beløp i: DKK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	3.1	1 279 179 000	1 129 903 000
Utsatt skattefordel	2.3	0	0
Sum immaterielle eiendeler		1 279 179 000	1 129 903 000
Varige driftsmidler			
Maskiner og anlegg	3.2,3.3 ,3.4	240 444 000	279 217 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	3,4,4.2	6 110 000	
Sum varige driftsmidler		246 554 000	279 217 000
Finansielle anleggsmidler			
Investering i datterselskap	3.4	8 721 081 000	1 403 313 000
Sum finansielle anleggsmidler		8 721 081 000	1 403 313 000
Sum anleggsmidler		10 246 814 000	2 812 433 000
Omløpsmidler			
Varer			
Varer	3.5	1 294 791 000	1 147 251 000
Sum varer		1 294 791 000	1 147 251 000
Fordringer			
Kundefordringer	3.6,4.1	285 686 000	311 251 000
Amounts owed by subsidiaries and	4.1	384 027 000	2 829 900 000
Andre fordringer		191 806 000	135 780 000
Sum fordringer		861 519 000	3 276 931 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		222 000	605 000
Sum bankinnskudd, kontanter og lignende		222 000	605 000
Sum omløpsmidler		2 156 532 000	4 424 787 000



Balanse

Beløp i: DKK	Note	2022	2021
SUM EIENDELER		12 403 346 000	7 237 220 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		34 772 000	35 109 000
Sum innskutt egenkapital		34 772 000	35 109 000
Opptjent egenkapital			
Other reserves		-80 566 000	3 736 000
Reserve for capitalized development		706 237 000	521 300 000
Avsatt utbytte		0	1 000 000 000
Annen egenkapital		4 203 614 000	3 408 898 000
Sum opptjent egenkapital		4 829 285 000	4 933 934 000
Sum egenkapital		4 864 057 000	4 969 043 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	2.3	181 430 000	159 742 000
Andre avsetninger for forpliktelser	3.5	73 062 000	68 580 000
Lease liabilities, non-current	5.4	15 780 000	30 698 000
Sum avsetninger for forpliktelser		270 272 000	259 020 000
Annen langsiktig gjeld			
Sum langsiktig gjeld		270 272 000	259 020 000
Kortsiktig gjeld			
Lease liabilities, current	4.1	15 822 000	15 887 000
Leverandørgjeld	4.1	707 361 000	875 666 000
Betalbar skatt		143 116 000	360 000
Kortsiktig konserngjeld	4.1	5 240 801 000	199 357 000
Provisions, current	3.6	14 241 000	123 889 000
Other current liabilities	4.1	1 147 676 000	793 998 000
Sum kortsiktig gjeld		7 269 017 000	2 009 157 000



Balanse

Beløp i: DKK	Note	2022	2021
Sum gjeld		7 539 289 000	2 268 177 000
SUM EGENKAPITAL OG GJELD		12 403 346 000	7 237 220 000



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GN Audio A/S Annual Report 2022

Approved at the annual general meeting 15 / 03 / 2023

Chairman:

DocuSigned by:

Anders Kjølsgaard Dybro

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Anders Dybro

CVR-no. 15 06 95 11

GN Audio A/S, Lautrupbjerg 7, 2750 Ballerup



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3 Financial statements – Statement by the Executive Management and the Board of Directors

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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 2022.

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 2022 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2022.

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, 14 March 2023

Executive management

DocuSigned by:

Peter Karstømmer
CEO

DocuSigned by:

Peter La Cour Gormsen
CFO

Board of directors

DocuSigned by:

Per Wold-Olsen
Chairman

DocuSigned by:

Jukka Pekka Pertola
Deputy chairman

DocuSigned by:

Helle Barnekow

DocuSigned by:

Montserrat Maresch Pascual

DocuSigned by:

Ronica Wang

DocuSigned by:

Anette Weber

DocuSigned by:

Mikkel Sørling

DocuSigned by:

Steen Bay Smidt

DocuSigned by:

Tove Wamster



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 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 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 2022, 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.

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.



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5 Management's report – Independent Auditor's Report

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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, 14 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31


DocuSigned by:
Søren Lijan Jensen
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State Authorised Public Accountant
mne33226


DocuSigned by:
Philip Rjæl
8891EDFF302476...
State Authorised Public Accountant
mne47826



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6 Management's report - Company details

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Management's report

Company details

Company	GN Audio A/S Lautrupbjerg 7 2750 Ballerup
Phone:	45 75 88 88
E-mail:	info@gnresound.com
Webpage:	www.gn.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 (Deputy Chairman) Hélène Barnekow Montserrat Maresch Pascual Ronica Wang Anette Weber Mikkel Salling (Employee elected) Steen Bay Smidt (Employee elected) Tove Wamsler (Employee elected)
Executive management	Peter Karlstromer, 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



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7 Management's report – Financial highlights

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Financial highlights

DKK thousand	2022	2021	2020	2019	2018
Revenue	8,700,686	8,582,494	7,198,755	4,900,805	3,781,406
Gross Profit	2,817,087	3,331,764	2,908,823	1,900,201	1,622,629
EBITA *	1,015,164	1,692,301	1,577,253	913,822	751,322
Operating profit (loss)	929,849	1,607,393	1,492,607	871,092	748,550
Result from financial items	128,011	51,684	1,083,108	140,710	(28,171)
Profit (loss) for the year	902,699	1,322,653	2,259,008	804,648	557,161
Non-current assets	10,246,814	2,812,433	2,410,228	2,389,259	1,778,359
Current assets	2,156,532	4,424,787	3,355,555	1,409,615	2,280,830
Total assets	12,403,346	7,237,220	5,765,783	3,798,874	4,059,189
Share capital	34,772	35,109	34,874	34,545	34,238
Total equity	4,864,057	4,969,043	3,504,355	2,111,896	2,209,418
Non-current liabilities	270,272	259,020	244,979	219,980	856,547
Current liabilities	7,269,017	2,009,157	2,016,449	1,466,998	993,224
Cash flow from operating activities	1,424,479	1,760,909	1,787,021	1,378,194	832,622
Investment in tangible assets	89,608	142,601	111,805	102,688	53,299
Key ratios in percent					
Operating Margin	10.7	18.7	20.7	17.8	19.8
Gross Margin	32.4	38.8	40.4	38.8	42.9
Return on Invested Capital	19.5	31.1	42.2	32.9	30.9
Equity Ratio	39.2	68.7	60.8	55.6	54.5
Return on Equity	21.6	31.2	80.4	37.2	29.4

*) Please refer to Key Ratio Definitions on page 12

Note: Amounts for 2018 are not adjusted for changes related to IFRS 16.



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8 Management's report – Management's review

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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 subsuppliers.

In January 2022, all regulatory approvals in relation to the acquisition of SteelSeries 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 2022 reached DKK 8,701 million, compared to DKK 8,582 million in 2021, corresponding to an increase of 1%.

GN Audio continues to deliver market share gains in soft markets, driven by the world-leading product portfolio and strong channel execution, and despite an improving yet challenging global supply situation. The business was significantly constrained by the global supply situation primarily in the first half of the year. In the second half of 2022, the global supply situation saw an improving trend and was close to fully resolved by the end of the year. As a result, the order backlog at the end of 2022 was limited.

The outcome also reflects GN's decision to suspend all sales to Russia.

GN Audio's gross profit reached DKK 2,817 in 2022 compared to DKK 3,332 million in 2021. The gross margin was 32.4% in 2022.

GN Audio's OPEX was DKK 1,915 million in 2022, reflecting an increase of 5% compared to 2021 (excluding non-recurring items of DKK 45 million in 2021 associated with the acquisition of SteelSeries and DKK 68 million in 2022 associated with proactive and significant actions taken to reduce the cost base). Selling, distribution and marketing costs increased by 11% compared to 2021 (excluding non-recurring items), mainly driven by an increase of 38% in management and administrative expenses.

GN Audio's EBITA ended at DKK 1,015 million in 2022 compared to DKK 1,692 million in 2021. The EBITA margin ended at 11.7%

Business highlights

In 2022, GN Audio had multiple successful product launches under the Jabra brand. All new product families have received stellar reviews. With these new innovations, GN Audio now offers enterprises and consumers, the strongest product portfolio yet.

The Company has received a letter of support from GN Store Nord A/S. We refer to note 5.5 for further information.

New products under the Jabra brand

Jabra Connect 5t

True wireless earbuds engineered for remote working.

Jabra Evolve2 Buds

Professional, pocketable true wireless earbuds engineered for hybrid and remote working.

Jabra Perform 45

Wireless headset designed to keep frontline workers connected wherever they are.

Jabra Engage 50 and Jabra Engage 40

A new generation of contact centre headsets to the Engage line.

Jabra Engage 55

A portable professional headset, designed for ultimate call security and quality.



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Jabra Engage A

New Software-as-a-Service (SaaS) solution improving customer and agent experience in contact centres.

Jabra Elite 4 Active

True wireless earbuds made for an active lifestyle.

Jabra Elite 5

True wireless earbuds designed for calls anywhere and perfect for enjoying media during leisure.

Jabra PanaCast 50 Room System

Plug-and-play full meeting room system allowing all participants to be seen, included, and have equal presence and impact.

Events after the balance sheet date

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

Financial guidance 2023

The financial guidance is prepared at segment level at GN Store Nord.

In 2023 GN Audio expects to continue to grow faster than the market. The uncertainties arising from the current macroeconomic environment are expected to negatively impact the market growth. GN Audio is expecting organic revenue growth between -10% to +5%. The EBITA margin is expected to be 10% to 15% for 2023, excluding non-recurring items. This reflects an expectation of gaining market share in a challenging market environment and continued cost prudence.

GN Audio is expecting non-recurring items of expenditure in 2023 in order to further reduce the cost base.

The GN Audio financial guidance is based on the following assumptions for Q1 2023:

- Revenue: Q1 2023 organic revenue growth is assumed to be negative due to challenged market conditions
- EBITA: Q1 2023 EBITA margin assumed to be mid-single digit (excluding non-recurring items) due to the topline development and investment in launch activities. The EBITA margin is expected to improve in H2 2023 due to improvement in operating leverage)
- Non-recurring items: In order to further reduce the cost base, GN Audio is expecting non-recurring items of DKK ~-150 million in 2023 in relation to cost reduction measures.

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 200+ risks. The management teams of the respective businesses prioritize the risks to a number of top risks for each business and assign formal risk owners to each top risk. The risk owner is also responsible for the mitigation of the risk.

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

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

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.



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Mitigating actions

GN's unwavering commitment to innovation excellence continued in 2022. 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 continued to create some supply chain disruptions in the first half of 2022. GN's supply chains, including component sourcing, remain heavily dependent on availability of components and manufacturing capacity in China and Asia. Escalating local and geopolitical instability and deteriorating trade relations may impact key suppliers and GN's operations. Additionally, GN depends on global free trade regimes for the optimal application of its value chains.

Mitigating actions

GN's supply chain teams have undertaken several resilience measures within sourcing of components, assembly of products and transportation. GN will continue long-term global sourcing and production diversification efforts in line with the industry in general.

Marketing and sales

Characteristics

Inflationary pressures and general economic uncertainty decrease households' discretionary spending. Similarly, companies faced with increasing input costs and uncertain demand patterns tighten operational expenses. This may result in declining demand for GN's products, or temporarily lower than expected growth.

GN Audio saw 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 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.

The shifts in work models seen since 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.

The Jabra PanaCast 50 Room System is a big growth opportunity for GN. The shift to hybrid work – which began long before COVID-19 and expanded rapidly during the pandemic – continues to grow for productivity and cost reasons. It has led to an increased demand for video-enabled conference rooms, but also for better hybrid experiences than most video-enabled conference rooms offered at the onset of the pandemic.

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.



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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. 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 2022 Sustainability - ESG report (available for download here: www.gn.com) provides a full overview of our progress across all areas (GN Store Nord A/S, CVR no. 24257843).

The 2022 Sustainability – ESG report forms part of the 2022 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.

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/nvestor/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/CorporateGovernance2022). 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.

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. We continue to have focus on representation and gender diversity in our recruitment process and through global inclusion surveys.

By the end of 2022, GN Audio's GMT comprised 16% female leaders and 68% non-Danes. At the end of 2022 women filled 23% 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 six members elected by the General Meeting, of which four are women. Thus, we exceeded our target of 50% women in the Board.

Review GN's Diversity Policy: www.gn.com/diversitypolicy



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12 Financial statements - Key ratio definitions

Contents

Key Ratio Definitions

In this annual report the following financial terms (non-IFRS measures) are used:

Operating profit (loss)	Profit (loss) before tax and financial items.
EBITDA	Operating profit (loss) before depreciation and impairment of property, plant and equipment, amortization and impairment of intangible assets, except development projects, impairment of goodwill and gains (losses) on divestment of operations etc. EBITDA therefore include amortization of development projects.
EBITA	Operating profit (loss) before amortization and impairment of acquired intangible assets, impairment of goodwill and gains (losses) on divestment of operations etc. EBITA therefore include amortization of development projects and software developed in-house.

Key Ratio Definitions

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	=	$\frac{\text{Operating profit (loss)} * 100}{\text{Average invested capital}}$
Return on equity (ROE)	=	$\frac{\text{Profit (loss)} * 100}{\text{Average equity}}$
Equity ratio	=	$\frac{\text{Total equity}}{\text{Total assets}}$



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13 Financial statements – Income statement

Contents

Income statement

DKK thousand	Note	2022	2021
Revenue	2.1, 2.4, 2.5	8,700,686	8,582,494
Production costs	2.1, 2.4, 2.5, 3.6	-5,883,599	-5,250,730
Gross profit		2,817,087	3,331,764
Development costs	2.2, 2.4, 3.4	-670,108	-692,204
Selling and distribution costs	2.2, 2.4, 3.4	-644,721	-678,384
Management and administrative expenses	2.2, 2.4, 3.3, 3.4	-600,409	-429,872
Other operating income and costs, net		113,315	160,997
EBITA*		1,015,164	1,692,301
Amortization of acquired intangible assets	2.2, 2.4, 3.1	-85,315	-84,908
Operating profit (loss)		929,849	1,607,393
Financial income	4.2	223,481	85,187
Financial expenses	4.2	-95,470	-33,503
Profit (loss) before tax		1,057,860	1,659,077
Tax on profit (loss)		-155,161	-336,424
Profit (loss) for the year		902,699	1,322,653
Proposed profit appropriation/distribution of loss			
Retained earnings		717,762	133,732
Transfer to reserve for capitalized development projects		184,937	188,921
Proposed dividends for the year		0	1,000,000
Profit (loss) for the year		902,699	1,322,653

* Please refer to Key Ratio Definitions on page 12

Statement of comprehensive income

DKK thousand	Note	2022	2021
Profit (loss) for the year		902,699	1,322,653
Items that may be reclassified subsequently to the income statement			
Adjustment of cash flow hedges	4.3	-108,079	37,764
Foreign exchange adjustments, etc.		3,142	-175
Tax relating to these items of other comprehensive income	2.4	23,777	-8,308
Other comprehensive income for the year, net of tax		-81,160	29,281
Total comprehensive income for the year		821,539	1,351,934

* Excluding amortization of acquired intangible assets but including amortization of development projects and software developed in-house.



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14 Financial statements – Balance sheet

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Balance sheet at December 31

DKK thousand	Note	2022	2021
Assets			
Intangible assets	3.1	1,279,179	1,129,903
Property, plant and equipment	3.2	240,444	279,217
Other non-current assets	3.4, 4.2	6,110	0
Investments in subsidiaries	3.4	8,721,081	1,403,313
Total non-current assets		10,246,814	2,812,433
Inventories	3.5	1,294,791	1,147,251
Trade receivables	3.6, 4.1	285,686	311,251
Amounts owed by subsidiaries and group companies	4.1	384,027	2,829,900
Other receivables	4.1	191,806	135,780
Cash and cash equivalents	4.1	222	605
Total current assets		2,156,532	4,424,787
Total assets		12,403,346	7,237,220
Equity and Liabilities			
Share capital		34,772	35,109
Other reserves		-80,566	3,736
Reserve for capitalized development projects		706,237	521,300
Proposed dividends for the year		0	1,000,000
Retained earnings		4,203,614	3,408,898
Total equity		4,864,057	4,969,043
Lease liabilities, non-current	5.4	15,780	30,698
Provisions, non-current	3.5	73,062	68,580
Deferred tax liabilities	2.3	181,430	159,742
Total non-current liabilities		270,272	259,020
Lease liabilities, current	4.1	15,822	15,887
Trade payables	4.1	707,361	875,666
Tax payables		143,116	360
Amounts owed to subsidiaries and group companies	4.1	5,240,801	199,357
Provisions, current	3.6	14,241	123,889
Other payables		1,147,676	793,998
Total current liabilities		7,269,017	2,009,157
Total equity and liabilities		12,403,346	7,237,220



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15 Financial statements – Statement of cash flow

Contents

Statement of cash flow

DKK thousand	Note	2022	2021
Operating activities			
Operating profit (loss)		929,849	1,607,393
Depreciation, amortization and impairment	3.4	497,872	377,427
Other non-cash adjustments	5.3	-170,825	109,203
Cash flow from operating activities before changes in working capital		1,256,895	2,094,023
Change in inventories	3.5	-151,642	-109,813
Change in receivables	3.7	-29,782	-65,123
Change in trade payables and other payables		216,440	109,452
Total changes in working capital		35,016	-65,484
Cash flow from operating activities before financial items and tax		1,291,911	2,028,539
Interest and dividends received		177,178	67,599
Interest paid		-81,361	-6,958
Tax paid, net		36,751	-209,428
Cash flow from operating activities		1,424,479	1,879,752
Investing activities			
Investments in intangible assets, excluding development projects		-15,757	-21,192
Development projects	3.1	-517,211	-426,015
Investments in property, plant and equipment	3.2	-89,608	-142,601
Amounts owed by subsidiaries, net		2,445,873	-1,012,924
Acquisition of companies/operations	3.8	-7,317,768	-174,736
Cash flow from investing activities		-5,494,471	-1,777,468
Cash flow from operating and investing activities (free cash flow)		-4,069,992	102,284
Financing activities			
Paid dividends	1.4	-1,000,000	0
Share-based payment (exercised)	1.4	17,897	75,075
Exchange rate adjustments	4.2	10,268	-8,957
Amounts owed to subsidiaries		5,041,444	-191,553
Cash flow from financing activities		4,069,609	-125,435
Net cash flow		-383	-23,151
Cash and cash equivalents, beginning of period		605	23,756
Cash and cash equivalents, end of period		222	605



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16 Financial statements – Statement of equity

Contents

Statement of equity

DKK thousand	Share capital	Hedging reserve	Reserve for capitalized development projects	Proposed dividends for the year	Retained earnings	Total equity
2021						
Balance at January 1, 2021	34,874	-25,720	332,379	0	3,162,822	3,504,355
Profit (loss) for the period	0	0	188,921	1,000,000	133,732	1,322,653
Adjustment of cash flow hedges	0	37,764	0	0	-175	37,589
Tax relating to other comprehensive income	0	-8,308	0	0	0	-8,308
Total comprehensive income for the year	0	29,456	188,921	1,000,000	133,557	1,351,934
Increase of share capital	235	0	0	0	74,840	75,075
Share-based payment (granted)	0	0	0	0	21,544	21,544
Tax related to share-based incentive plans	0	0	0	0	16,135	16,135
Balance at December 31, 2021	35,109	3,736	521,300	1,000,000	3,408,898	4,969,043
Profit (loss) for the period	0	0	184,937	0	717,762	902,699
Adjustment of cash flow hedges	0	-108,079	0	0	3,142	-104,937
Tax relating to other comprehensive income	0	23,777	0	0	0	23,777
Total comprehensive income for the year	0	-84,302	184,937	0	720,904	821,539
Increase of share capital	-337	0	0	0	18,234	17,897
Share-based payment (granted)	0	0	0	0	51,887	51,887
Tax related to share-based incentive plans	0	0	0	0	3,691	3,691
Paid dividends	0	0	0	-1,000,000	0	-1,000,000
Balance at December 31, 2022	34,772	-80,566	706,237	0	4,203,614	4,864,057

The share capital has increased by 135 kDKK in 2018, 307 kDKK i 2019, 329 kDKK in 2020, 235 kDKK in 2021 and 337 kDKK in 2022.

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 ●



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 is part of GN Store Nord's consolidated Annual Report and pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared for GN Audio Group. The financial statements of GN Audio A/S and group entities are included in the consolidated financial statements of GN Store Nord A/S, Lautrupbjerg 7, 2750 Ballerup, CVR no. 24257843.

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, 2022, GN Audio A/S adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2022 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, 2022 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.

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 typical payment term for customers are 30-60 days.

The amount of revenue recognized varies with discounts and rebates offered to customers. Discounts and rebates are estimated based on the expected amount to be provided to the customers and reduce revenues recognized. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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.



1.1 General accounting policies (Continued)

GN Audio A/S does not expect to have contracts with payment terms exceeding one year. Consequently, 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 writedowns, 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 writedown 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 interestbearing 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.



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19 Financial statements – Basis of preparation

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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.

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 12 for a definition of the measures.

Note	Key accounting estimates and judgements	Estimate/judgement
2.1 Revenue	Revenue recognition	Estimate Judgement
2.3 Tax	Measurement of deferred tax	Estimate
3.1 Intangible assets	Recognition and measurement of development projects	Estimate Judgement



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20 Financial statements – Results for the year

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Section 2 Results for the year

2.1 Revenue and geographical information

DKK thousand	Revenue	
	2022	2021
Denmark	853,164	257,689
Europe	4,500,475	4,633,816
North America	2,156,413	2,474,520
Asia and rest of world	1,190,634	1,216,469
Total revenue from customer contracts	8,700,686	8,582,494

Geographical information on assets

DKK thousand	Intangible and PP&E	
	2022	2021
Denmark	1,323,292	1,187,299
Asia and rest of world	196,331	221,821
Total	1,519,623	1,409,120

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 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 ●



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21 Financial statements – Results for the year

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2.2 Staff Costs

DKK thousand	2022	2021
Wages, salaries and remuneration	-540,138	-615,554
Pensions, defined contribution plans	-48,564	-44,196
Other social security costs	-5,393	-4,461
Share-based payments	-51,887	-21,544
Total	-645,982	-685,755
Included in:		
Production costs and change in payroll costs included in inventories	-36,826	-55,970
Development costs	-303,485	-330,671
Selling and distribution costs	-185,677	-231,960
Management and administrative expenses	-119,994	-67,154
Total	-645,982	-685,755
Average number of employees	605	648
Number of employees, year-end	678	701

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

DKK million	2022				2021			
	Fixed salary	Bonus	Share-based payment	Total	Fixed salary	Bonus	Share-based payment	Total
René Svendsen-Tune, CEO, GN Audio & GN Store Nord (retired in 2022 and Peter Karlstromer started 02.01.2023)	9.1	3.6	4.3	17.0	8.3	7.5	4.7	20.5
Peter Gormsen, CFO, GN Audio & GN Store Nord	4.0	1.1	2.2	7.3	3.8	3.2	1.6	8.6
Total	13.1	4.7	6.5	24.3	12.1	10.7	6.3	29.1
Separation agreements expensed in 2022 re. Executive Management	10.4	7.0	-	17.4	-	-	-	-
Board of Directors remuneration	1.4	-	-	1.4	1.4	-	-	1.4
Total	11.8	7.0	-	18.8	1.4	-	-	1.4
Total Executive Management and Board of Directors remuneration	24.9	11.7	6.5	43.1	13.0	10.7	6.3	30.5

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

Incentive plans

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

Executive Management and Board of Directors Remuneration

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

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 considering 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.



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22 Financial statements – Results for the year

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2.3 Tax

DKK thousand	2022	2021
Tax on profit (loss)		
Current tax for the year	-117,736	-277,764
Deferred tax for the year	-62,175	-33,917
Withholding tax	-1,662	0
Adjustment to current tax with respect to prior years	8,454	-36,794
Adjustment to deferred tax with respect to prior years	17,958	12,051
Total	-155,161	-336,424
Reconciliation of effective tax rate		
Danish tax rate	22.00%	22.00%
Non-taxable income	-3.31%	-2.31%
Non-deductible expenses	2.36%	0.90%
Adjustment of tax with respect to prior years	-4.04%	1.47%
Other, including provisions for uncertain tax positions	-2.50%	-1.78%
Effective tax rate	14.67%	20.28%
Deferred tax, net		
Deferred tax at January 1, net	-159,742	-129,479
Adjustment to deferred tax with respect to prior years	17,958	12,051
Deferred tax for the year recognized in profit (loss) for the year	-62,175	-34,006
Deferred tax related to share-based incentive plans	-1,248	0
Deferred tax for the year recognized in other comprehensive income for the year	23,777	-8,308
Deferred tax at December 31, net	-181,430	-159,742
Deferred tax, net relates to:		
Intangibles	-278,026	-242,039
Property, plant and equipment	19,381	2,407
Provisions	11,503	50,083
Other	65,712	29,807
Total	-181,430	-159,742

Deferred tax, net includes DKK 27 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 17 million (2021: DKK 35 million).



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23 Financial statements – Results for the year

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2.3 Tax (Continued)

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 ●

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	2022	2021
Revenue	8,700,686	8,582,494
Production costs	-5,883,599	-5,250,730
Gross profit	2,817,087	3,331,764
Development costs	-751,134	-772,827
Selling and distribution costs	-649,009	-682,669
Management and administrative expenses	-600,409	-429,872
Other operating income and costs, net	113,315	160,997
Operating profit (loss)	929,850	1,607,393
In the above income statement amortization of acquired intangible assets has been allocated to functions as follows:		
Development costs	-81,026	-80,623
Selling and distribution costs	-4,288	-4,285
Amortization of acquired intangible assets	-85,314	-84,908

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



Section 3 Operating assets and liabilities

3.1 Intangible assets

DKK thousand	Goodwill	In-house development projects	Software	Patents and rights	Trademarks	Other	Total
Cost at January 1	106,369	1,856,705	58,803	543,516	50,280	686	2,616,359
Additions	0	517,211	1,616	14,141	0	0	532,968
Disposals	0	0	0	-3,336	0	0	-3,336
Cost at December 31	106,369	2,373,916	60,419	554,321	50,280	686	3,145,991
Amortization and impairment at January 1	-37,418	-1,188,371	-39,443	-208,963	-12,124	-137	-1,486,456
Amortization	0	-253,577	-3,015	-81,026	-4,151	-137	-341,906
Disposals	0	0	-15,251	3,336	0	0	-11,915
Impairment	0	-26,535	0	0	0	0	-26,535
Amortization and impairment at December 31	-37,418	-1,468,483	-57,709	-286,653	-16,275	-274	-1,866,812
Carrying amount at December 31, 2022	68,951	905,433	2,710	267,668	34,005	412	1,279,179
Cost at January 1	106,369	1,430,690	38,990	543,216	49,887	0	2,169,152
Additions	0	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	0	-1,214,461
Amortization	0	-183,808	-3,279	-80,623	-4,148	-137	-271,995
Amortization and impairment at December 31	-37,418	-1,188,371	-39,443	-208,963	-12,124	-137	-1,486,456
Carrying amount at December 31, 2021	68,951	668,334	19,360	334,553	38,156	549	1,129,903

Accounting policies

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.

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.



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3.1 Intangible assets (Continued)

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

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 assesses the useful lives of its products to ensure that amortization of development projects reflects the useful lives ●



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3.2 Property, plant and equipment

DKK thousand	Plant and machinery	Operating assets and equipment	Assets under construction	Total
Cost at January 1	540,918	36,760	18,061	595,739
Additions	0	6,199	83,409	89,608
Transfers	87,743	0	-87,743	0
Cost at December 31	628,661	42,959	13,727	685,347
Depreciation and impairment at January 1	-338,055	-24,482	0	-362,537
Depreciation	-107,596	-4,960	0	-112,556
Disposals	-854	0	0	-854
Depreciation and impairment at December 31	-446,505	-29,442	0	-475,947
Carrying amount at December 31, 2022	182,156	13,517	13,727	209,400
Leased assets, c.f. note 3.3	0	1,276	0	31,044
Total carrying amount at December 31, 2022	182,156	14,793	13,727	240,444
Cost at January 1	396,899	26,588	29,651	453,138
Additions	0	10,172	132,429	142,601
Transfers	144,019	0	-144,019	0
Cost at December 31	540,918	36,760	18,061	595,739
Depreciation and impairment at January 1	-252,399	-20,817	0	-273,216
Depreciation	-88,666	-3,665	0	-92,331
Disposals	3,010	0	0	3,010
Depreciation and impairment at December 31	-338,055	-24,482	0	-362,537
Carrying amount at December 31, 2021	202,863	12,278	18,061	233,202
Leased assets, c.f. note 3.3	0	1,153	0	46,015
Total carrying amount at December 31, 2021	202,863	13,431	18,061	279,217

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:

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.



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3.3 Leases

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

Leased assets

DKK thousand	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	44,862	1,153	46,015
Additions	0	1,050	1,050
Depreciation	-15,094	-927	-16,021
Carrying amount at December 31, 2022	29,768	1,276	31,044
Carrying amount at January 1	44,968	2,070	47,038
Additions	0	100	100
Remeasurements	14,988	0	14,988
Depreciation	-15,094	-1,017	-16,111
Carrying amount at December 31, 2021	44,862	1,153	46,015

Lease liabilities

DKK thousand	2022	2021
Contractual maturity analysis of lease liabilities:		
Less than one year	16,120	16,335
Between one and three years	15,903	31,070
Total	32,023	47,405

Amounts expensed in the income statement and total cash outflow

DKK thousand	2022	2021
Interest expense on lease liabilities	386	540
Total cash outflow for leases	16,493	16,556

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.



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3.3 Leases (Continued)

Accounting policies

Leases

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

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

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

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

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

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

Extension and termination options

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



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3.4 Depreciation, amortization and impairment

DKK thousand	2022	2021
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	-109,579	-86,095
Development costs	-286,209	-188,533
Selling and distribution costs	-844	-1,479
Management and administrative expenses	-15,925	-16,412
Amortization and impairment of acquired intangible assets	-85,315	-84,908
Total	-497,872	-377,427

Depreciation of property, plant and equipment (inc. leased assets) is recognized in the income statement as follows:

Production costs	-109,633	-89,001
Development costs	-4,278	-3,291
Selling and distribution costs	-100	-488
Management and administrative expenses	-15,525	-15,662
Total	-129,536	-108,442

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

Production costs	-51	-104
Development costs	-255,396	-185,242
Selling and distribution costs	-744	-991
Management and administrative expenses	-400	-750
Amortization and impairment of acquired intangible assets	-85,315	-84,908
Total	-341,906	-271,995

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

Production costs	105	3,010
Development costs	-26,535	-
Total	-26,430	3,010



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3.5 Inventories

DKK thousand	2022	2021
Raw materials and consumables	154,842	223,414
Finished goods and merchandise	1,139,949	923,837
Total	1,294,791	1,147,251
The above includes write-downs amounting to	96,110	92,007
Costs of goods sold included in Production Costs	5,621,729	5,001,134

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.



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3.6 Provisions

DKK thousand	Warranty provisions	Other provisions	Total
Provisions at January 1	27,396	165,072	192,468
Additions	13,292	9,743	23,035
Reversed	0	-128,200	-128,200
Provisions at December 31, 2022	40,688	46,615	87,303

Which is presented in the balance sheet as:

Non-current liabilities	26,447	46,615	73,062
Current liabilities	14,241	0	14,241
Provisions at December 31, 2022	40,688	46,615	87,303

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. 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

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●



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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	254,631	27,900	769	359	1,115	1,545	286,319
Write-downs at December 31	-458	-168	-1	-1	-2	-3	-633
Trade receivables at December 31, 2022	254,173	27,732	768	358	1,113	1,542	285,686
Expected loss rate	-0.2%	-0.6%	-0.1%	-0.3%	-0.2%	-0.2%	-0.2%
Gross carrying amount - Trade receivables	274,768	30,577	2,079	1,780	2,412	947	312,563
Write-downs at December 31	-659	-29	-5	-20	-233	-366	-1,312
Trade receivables at December 31, 2021	274,109	30,548	2,074	1,760	2,179	581	311,251
Expected loss rate	-0.2%	-0.1%	-0.2%	-1.1%	-9.7%	-38.6%	-0.4%

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

DKK thousand	2022	2021
Write-downs at January 1		-999
Decrease in loss allowance during the year	382	-1,313
Written off as uncollectible	-106	0
Reversal of unused loss allowance	403	1,000
Write-downs at December 31	-633	-1,312

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.



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3.8 Investment in subsidiaries

DKK thousand	2022	2021
Cost at January 1	1,403,313	1,228,577
Additions, capital contribution	7,317,768	174,736
Cost at December 31	8,721,081	1,403,313

Subsidiaries 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.



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, 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.

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	
	2022	2021	2022	2021
Income statement	-53,328	93,556	2,797	7,906
Other Comprehensive Income	202,194	10,166	-27,878	-6,202

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

Interest rate risk

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

Liquidity risk and funding

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

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.



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4.2 Financial income and expenses

DKK thousand	2022	2021
Financial income:		
Interest income*	0	1
Intercompany Interest income*	0	100
Dividends received	177,178	67,498
Financial income, other	0	33
Fair value adjustments of derivative financial instruments	21,926	0
Foreign exchange gain	24,377	17,555
Total	223,481	85,187
Financial expenses:		
Interest expenses*	-134	-419
Intercompany Interest expense*	-75,191	-4,972
Financial expenses, other	-6,036	-1,600
Foreign exchange loss	-14,109	-26,512
Total	-95,470	-33,503

*Interest income and expenses from financial assets and liabilities.

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.



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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
2022				
Amounts owed to subsidiaries and group companies	5,240,801	0	0	5,240,801
Trade payables	707,361	0	0	707,361
Total non-derivative financial liabilities	5,948,162	0	0	5,948,162
Derivative financial liabilities	136,242	0	0	136,242
Total financial liabilities	6,084,404	0	0	6,084,404
2021				
Amounts owed to subsidiaries and group companies	199,357	0	0	199,357
Trade payables	875,666	0	0	875,666
Total non-derivative financial liabilities	1,075,023	0	0	1,075,023
Derivative financial liabilities	8,164	0	0	8,164
Total financial liabilities	1,083,187	0	0	1,083,187

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

Derivative financial instruments

Exchange rate instruments

DKK thousand	2022				2021			
	Average rate (DKK)	Contract amount, net*	Fair value, assets	Fair value, liabilities	Average rate (DKK)	Contract amount, net*	Fair value, assets	Fair value, liabilities
AUD / DKK	475	278,080	2,514	0				
BRL / DKK	133	55,946	4,027	0				
CAD / DKK	542	54,228	3,357	0				
CNY / DKK	103	-159,647	0	2,712				
GBP / DKK	839	558,006	6,756	0				
HKD / DKK	93	-108,862	0	5,875				
INR / DKK	9	323,877	16,924	0				
JPY / DKK	5	103,496	0	4,074				
USD / DKK	729	-2,113,626	0	119,139	639	-1,469,174	36,073	551
USD / EUR					642	-321,248	6,196	0
GBP / EUR					872	435,782	0	4,007
EUR / DKK					743	1,486,395	0	2,435
JPY / EUR					6	69,074	826	0
Other currency pairs		-64,909	0	4,442		661,783	6,797	1,171
Total			33,578	136,242			49,892	8,164

* 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	2022	2021
Fair value adjustment for the year recognized in Other comprehensive income	-89,505	32,892
Reclassified from equity to revenue during the year	1,239	4,412
Reclassified from equity to production costs during the year	-19,813	460
Adjustment of cash flow hedges in Other comprehensive income	-108,079	37,764
Fair value adjustment of cash flow hedges recognized in Other operating income and costs, net	109,185	51,163



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4.3 Financial Instruments (Continued)

Categories of financial assets and liabilities

DKK thousand	2022	2021
Financial assets		
Trade receivables	285,686	311,251
Amounts owed by subsidiaries and group companies	384,027	2,829,900
Other receivables	158,227	85,888
Cash or cash equivalents	222	605
Financial assets at amortized cost	828,162	3,227,644
Derivative financial instruments included in Other receivables	0	43,513
Financial assets at fair value through profit or loss	0	43,513
Derivative financial instruments included in Other receivables	33,579	6,379
Financial assets at fair value through Other comprehensive income	33,579	6,379
Financial liabilities		
Lease liabilities	31,602	46,585
Amounts owed by subsidiaries and group companies	5,240,801	199,357
Other current liabilities	1,011,435	783,626
Trade payables	707,361	875,666
Financial liabilities at amortized cost	6,991,199	1,905,234
Derivative financial instruments included in Other liabilities	0	6,651
Financial liabilities at fair value through profit or loss	0	6,651
Derivative financial instruments included in Other liabilities	136,241	1,513
Financial liabilities at fair value through Other comprehensive income	136,241	1,513

* 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.



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Section 5 Other disclosures

5.1 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 – 2022 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 – 2022 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:

	2022		2021	
	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	62,500	268,451	40,000	148,818
Share price GN Store Nord at ordinary grant date	351	351	548	548
Vesting period	3 years	3 years	3 years	3 years
Life of option / warrant	6 years	6 years	6 years	6 years
Volatility*	34%	34%	32%	32%
Expected dividend	0.3%	0.4%	0.3%	0.3%
Risk-free interest rate**	0.00%	0.00%	0.00%	0.00%
Fair Value per option / warrant at ordinary grant (DKK) ***	81	100	127	143
Total market value at grant (DKK million)	5	27	5	21
Amortization period of the program	2022 - 2025	2022 - 2025	2021 - 2024	2021 - 2024

* 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

*** 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

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



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5.1 Share-based incentive plans (Continued)

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

Exercise of warrants

When employees exercise their warrants, they are exchanged with shares in GN Store Nord A/S based on relationship between the value of the warrant in GN 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

	GN Audio A/S			
	DKK	Number		
	Average exercise price	Executive Management	Other employees	Total
Outstanding warrants at January 1, 2021	31,865	1,676	2,162	3,838
Warrants exercised during the year	31,920	-526	-1,826	-2,352
Outstanding warrants at December 31, 2021	31,777	1,150	336	1,486
Warrants exercised during the year	29,227	-494	-132	-626
Warrants forfeited during the year		0	-47	-47
Outstanding warrants at December 31, 2022	33,913	656	157	813
Weighted average term to maturity		0.9	0.9	0.9
Number of exercisable warrants at December 31, 2021		1,150	336	1,486
Number of exercisable warrants at December 31, 2022		656	157	813

Recognition of expenses on warrants granted are accelerated for participants not forfeiting the vesting conditions in connection with terminations (good leavers) unless a service is provided in the remaining vesting period. The recognised expenses in 2022 include acceleration of 171,718 and 13,922 warrants granted to Executive Management and Other employees, respectively for GN Audio A/S.

	GN Store Nord A/S			
	DKK	Number		
	Average exercise price	Executive Management	Other employees	Total
Outstanding options at January 1, 2021	344	157,922	505,809	663,731
Options transferred during the year*	343	-23,458	0	-23,458
options granted during the year	550	40,000	148,818	188,818
options forfeited during the year	386	0	-28,119	-28,119
Outstanding options at December 31, 2021	391	174,464	626,508	800,972
Options granted during the year	340	62,500	268,451	330,951
Options increased from multiplier of vesting	313	53,625	188,089	241,714
Options forfeited during the year	369	0	-65,744	-65,744
Outstanding options at December 31, 2022	370	290,589	1,017,304	1,307,893
* Transfers relate to options transferred between GN Group companies due to changes in executive management				
Weighted average term to maturity (Years)		2.2	2.1	2.1
Number of exercisable options at December 31, 2022		129,153	414,077	543,230



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5.1 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
February 2018	33,913	656	157	813
Outstanding warrants at December 31, 2022		656	157	813

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

Grant date	GN Store Nord A/S			
	DKK price	Management	employees	Total
April 2019 **	313	129,153	414,077	543,230
February 2020	381	58,936	205,226	264,162
February 2021	550	40,000	133,379	173,379
February 2022	313	62,500	245,115	307,615
March 2022	307		3,944	3,944
May 2022	224		6,708	6,708
September 2022	209		8,855	8,855
Outstanding options at December 31, 2022		290,589	1,017,304	1,307,893

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

** For the 2019 program number of options increased by multiplier of 1.71

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 ●



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5.2 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.

5.3 Other non-cash adjustments

DKK thousand	2022	2021
Share-based payment (granted)	51,887	21,544
Provision for bad debt and inventory write-downs	3,424	6,931
Adjustment of provisions	-105,166	59,094
Fair value adjustments of cash flow hedges	-104,937	37,589
Remeasurements of IFRS 16 leases	0	-14,988
Other adjustments	-16,033	-967
Total	-170,825	109,203

5.4 Fees to statutory auditors

DKK thousand	2022	2021
Statutory audit	1,145	966
Other assurance related service	86	12
Other services	583	1,793
Fee to statutory auditors	1,814	2,771



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5.5 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 over which GN Audio A/S exercises control or significant influence.

Group enterprises 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 comprised:

DKK million	2022	2021
GN Store Nord A/S		
Sale of services	470	300
Purchase of services	-4	-3
Subsidiaries		
Purchase of services	-482	-412
Sale of goods to group enterprises, revenue	7,567	7,480

The company's balances with group enterprises on December 31, 2022 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. The Company has received a letter of support from the parent company GN Store Nord A/S. The letter is effective until 1 January 2024.

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.



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Companies in GN Audio Group

	Domicile	Currency	Ownership %	Share capital
GN Audio A/S	Denmark	DKK	100	35,171,600
Falcom A/S	Denmark	DKK	100	88,501,000
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Áudio Brasil Importação & Comércio Ltda.	Brazil	BRL	100	407,821
GN Audio Canada Inc.	Canada	CAD	100	409,800
GN Audio (China) Ltd.	China	CNY	100	65,116,155
GN Audio (Shanghai) Co., Ltd.	China	CNY	100	15,481,000
GN Audio Logistic (Xiamen) Ltd.	China	CNY	100	4,133,738
GN Audio France SA	France	EUR	100	80,000
GN Audio Germany GmbH	Germany	EUR	100	51,100
GN Audio Hong Kong Limited	Hong Kong	HKD	100	33,500,000
GN Audio India Private Limited	India	INR	100	40,000,000
Jabra Connect India Private Limited	India	INR	51	20,000,000
GN Audio Italy s.r.l.	Italy	EUR	100	10,200
GN Audio Japan Ltd.	Japan	JPY	100	10,000,000
GN Audio Benelux B.V.**	Netherlands	EUR	100	18,000
GN Audio Philippines, Inc.	Philippines	PHP	100	10,000,000
GN Audio Poland Sp. Z.o.o.	Poland	PLN	100	50,000
GN Audio Singapore Pte. Ltd.	Singapore	SGD	100	700,000
Jabra Connect Singapore Pte.Ltd.	Singapore	USD	51	12,000
GN Audio Spain, S.A.	Spain	EUR	100	66,111
GN Audio Sweden AB	Sweden	SEK	100	5,100,000
GN Audio UK Ltd.***	United Kingdom	GBP	100	100,000
GN Audio USA Inc.	USA	USD	100	82,500,000
Falcom US, LLC*	USA	USD	100	-
SteelSeries APS	Denmark	DKK	100	160,000
SteelSeries Japan K.K.	Japan	JPY	100	1,000,000
SteelSeries Canada Corporation	Canada	CAD	100	50,000
SteelSeries France S.A.S	France	EUR	100	2,363,600
SteelSeries North America Corporation	USA	USD	100	35,000
Nahimic	Singapore	SGD	100	341,001
GN Audio Finland Oy/Ab	Finland	EUR	100	-
GN Audio Norway AS	Norway	NOK	100	30,000
3D Aim Trainer BV	Belgium	EUR	100	2,079,502
Associates				
Louqe AB Corporation	Sweden	SEK	26	-

* Without par value

** GN Audio Benelux B.V. (registration number 20113074) and GN Hearing Benelux B.V. (registration number 09033081) applies the group exemption of article 2:403 of the Dutch Civil Code and does not prepare individual financial statements.

Note: Minor companies have been omitted from the list.



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GN Audio A/S

Lautrupbjerg 7
2750 Ballerup
Denmark

Co.reg. no 15 06 95 11

+45 45 75 88 88
info@gnresound.com
gn.com

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