



Brønnøysundregistrene

Brønnøysundregistrene

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Organisasjonsnummer: 974 760 673



Resultatregnskap

Beløp i: DKK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	2, 1, 2.4, 5.5	7 198 755 000	4 900 805 000
Sum inntekter		7 198 755 000	4 900 805 000
Kostnader			
Varekostnad	24, 3.4, 3.5, 5.5	4 289 932 000	3 000 604 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	2.4, 3.1	84 646 000	44 220 000
Gain/Loss on divestment of operations etc		0	-1 490 000
Development costs	2.2, 2.4, 3.4	559 934 000	388 499 000
Selling and distribution costs	2.2, 2.4, 3.4	510 844 000	430 600 000
Management and administrative expenses	2.2, 2.4, 3.3, 3.4	290 860 000	182 070 000
Other operating income and costs, net	4.3	-30 068 000	-14 790 000
Sum kostnader		5 706 148 000	4 029 713 000
Driftsresultat		1 492 607 000	871 092 000
Finansinntekter og finanskostnader			
Annen finansinntekt	4.2	1 113 988 000	180 541 000
Sum finansinntekter		1 113 988 000	180 541 000
Annen finanskostnad	4.2	30 880 000	39 831 000
Sum finanskostnader		30 880 000	39 831 000



Resultatregnskap

Beløp i: DKK	Note	2020	2019
Netto finans		1 083 108 000	140 710 000
Ordinært resultat før skattekostnad		2 575 715 000	1 011 802 000
Skattekostnad på ordinært resultat	2.3	316 707 000	207 154 000
Ordinært resultat etter skattekostnad		2 259 008 000	804 648 000
Årsresultat		2 259 008 000	804 648 000
Overføringer og disponeringer			
Ordinært utbytte		0	1 000 000 000
Transfer to reserve for capitalized development projects		50 847 000	35 559 000
Retained earnings		2 208 161 000	-230 911 000
Sum overføringer og disponeringer		2 259 008 000	804 648 000



Balanse

Beløp i: DKK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Intangible assets	3.1	954 691 000	974 754 000
Utsatt skattefordel	2.3	88 546 000	0
Sum immaterielle eiendeler		1 043 237 000	974 754 000
Varige driftsmidler			
Maskiner og anlegg	3.2, 3.3, 3.4	226 960 000	183 594 000
Sum varige driftsmidler		226 960 000	183 594 000
Finansielle anleggsmidler			
Investering i datterselskap	3.8	1 228 577 000	1 228 494 000
Lån til foretak i samme konsern	4.3	0	2 417 000
Sum finansielle anleggsmidler		1 228 577 000	1 230 911 000
Sum anleggsmidler		2 498 774 000	2 389 259 000
Omløpsmidler			
Varer			
Varer	3.5	1 044 056 000	747 613 000
Sum varer		1 044 056 000	747 613 000
Fordringer			
Kundefordringer	3.7, 4.3	313 115 000	131 854 000
Amounts owed bu subsidiaries and group companies, current	4.3	1 816 976 000	488 885 000
Other receivables		69 106 000	35 655 000
Sum fordringer		2 199 197 000	656 394 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		23 756 000	5 608 000
Sum bankinnskudd, kontanter og lignende		23 756 000	5 608 000



Balanse

Beløp i: DKK	Note	2020	2019
Sum omløpsmidler		3 267 009 000	1 409 615 000
SUM EIENDELER		5 765 783 000	3 798 874 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		34 874 000	34 545 000
Other reserves		-25 720 000	-5 717 000
Reserve for capitalized development projects		332 379 000	281 532 000
Annen innskutt egenkapital		3 162 822 000	801 536 000
Sum innskutt egenkapital		3 504 355 000	1 111 896 000
Opptjent egenkapital			
Avsatt utbytte		0	1 000 000 000
Sum opptjent egenkapital		0	1 000 000 000
Sum egenkapital		3 504 355 000	2 111 896 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	2.3	129 479 000	164 888 000
Andre avsetninger for forpliktelser	3.3, 4.3	35 191 000	31 268 000
Provision, non current	3.6	80 309 000	23 824 000
Sum avsetninger for forpliktelser		244 979 000	219 980 000
Annen langsiktig gjeld			
Sum langsiktig gjeld		244 979 000	219 980 000
Kortsiktig gjeld			
Leverandørgjeld	4.3	851 451 000	714 680 000
Betalbar skatt	2.3	0	46 904 000
Kortsiktig konserngjeld	4.3	390 910 000	300 753 000
Provision, current	3.6	53 066 000	8 401 000
Other current liabilities	4.3	708 759 000	386 196 000



Balanse

Beløp i: DKK	Note	2020	2019
Lease liabilities, current	3.3, 4.3	12 263 000	10 064 000
Sum kortsiktig gjeld		2 016 449 000	1 466 998 000
Sum gjeld		2 261 428 000	1 686 978 000
SUM EGENKAPITAL OG GJELD		5 765 783 000	3 798 874 000



GN Audio A/S Annual Report 2020

Approved at the annual general meeting 17/03/2021

Chairman of the meeting

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Daniel Boda

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

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 2020.

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 2020 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2020.

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, 17 March 2021

Executive Management

René Svendsen-Tune
CEO

Peter la Cour Gormsen
CFO

Board of Directors

Per Wold-Olsen
Chairman

Jukka Pekka Pertola
Deputy chairman

Hélène Barnekow

Montserrat Maresch Pascual

Wolfgang Reim

Ronica Wang

Anette Weber

Mikkel Salling

Steen Bay Smidt

Tove Wamster



4 Management's report – Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of GN Audio A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of cash flow, statement of equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

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



5 Management's report – Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Hellerup, 17 March 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Melgaard
State Authorised Public Accountant
mne34354



6 Management's report – Company details

Management's report

Company details

Company	GN Audio A/S Lautrupbjerg 7 2750 Ballerup
Phone:	45 75 88 88
Fax:	45 75 88 89
Webpage:	www.jabra.com
CVR.no.:	15 06 95 11
Started:	30 August 1967
Location:	Ballerup
Accounting year:	1 January – 31 December
Board of Directors	Per Wold-Olsen (Chairman) Jukka Pekka Pertola Hélène Barnekow Montserrat Maresch Pascual Wolfgang Reim Ronica Wang Anette Weber Mikkel Salling (Employee elected) Steen Bay Smidt (Employee elected) Tove Wamsler (Employee elected)
Executive management	René Svendsen-Tune, CEO Peter la Cour Gormsen, CFO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Ownership	The company is 100% owned by GN Store Nord A/S, Lautrupbjerg 7, 2750 Ballerup, Denmark.



7 Management's report – Financial highlights

Financial highlights

DKK thousand	2020	2019	2018	2017	2016
Revenue	7,198,755	4,900,805	3,781,406	3,075,930	2,787,771
Gross Profit	2,908,823	1,900,201	1,622,629	1,331,367	1,234,877
EBITA *	1,577,253	913,822	751,322	578,763	563,648
Operating profit (loss)	1,492,607	871,092	748,550	577,481	563,648
Result from financial items	1,083,108	140,710	-28,171	369	-10,269
Profit (loss) for the year	2,259,008	804,648	557,161	457,203	431,652
Non-current assets	2,410,228	2,389,259	1,778,359	1,638,009	1,608,191
Current assets	3,355,555	1,409,615	2,280,830	1,738,089	3,052,923
Total assets	5,765,783	3,798,874	4,059,189	3,376,098	4,661,114
Share capital	34,874	34,545	34,238	34,103	34,006
Total equity	3,504,355	2,111,896	2,209,418	1,586,306	3,103,763
Non-current liabilities	244,979	219,980	856,547	913,000	912,090
Current liabilities	2,016,449	1,466,998	993,224	876,792	645,261
Cash flow from operating activities	1,787,021	1,378,194	832,622	548,822	635,097
Investment in PP&E	111,805	102,688	53,299	36,524	22,346
Key ratios %					
Operating Margin	20.7	17.8	19.8	18.8	20.2
Gross Margin	40.4	38.8	42.9	43.3	44.3
Return on Investment	42.2	32.9	30.9	20.6	17.0
Equity Ratio	60.8	55.6	54.4	47.0	66.6
Return on Equity	80.4	37.2	29.4	19.5	15.0

*) Please refer to Key Ratio Definitions on page 12

Note: Amounts for period 2016-2017 are not adjusted for changes related to IFRS 9 and IFRS 15. Moreover, amounts for the period 2016-2018 are not adjusted for changes related to IFRS 16.



8 Management's report – Review

Management's review of GN Audio A/S

Principal activities of the Company

Through its Jabra brand, GN Audio is a world leader in the development, manufacturing and marketing of headsets and smartphones. With a reputation for innovation, reliability, and ease of use that goes back almost three decades, GN Audio manufactures and sells corded and wireless communication and audio solutions that empower individuals and businesses through increased freedom of movement, comfort and functionality.

DEVELOPMENT IN ACTIVITIES AND FINANCIAL MATTERS

GN Audio has in 2020 taken significant market share and delivered exceptional growth in both revenue and EBITA, driven by its leading product portfolio and continued strong execution across the organization. As enterprises invested in employees working from home due to the ongoing pandemic, demand for GN Audio's enterprise products increased further. Despite a challenged supply chain in the beginning of 2020 following COVID-19, GN Audio demonstrated a strong ability to significantly increase production capacity to meet the strong demand, drive exceptional growth, and gain significant market share.

The revenue in 2020 reached DKK 7,199 million, compared to DKK 4,901 million in 2019, corresponding to a growth of 47%.

GN Audio's Enterprise business – the world's leading supplier in this segment – continued in 2020 to deliver strong double-digit organic growth across Europe, North America and Rest of World accelerated by the pandemic.

The Consumer business was in H1 2020 negatively impacted by COVID-19, as consumers for a large part were not able to purchase products in certain channels and markets, due to retailers being closed. In H2 2020, the Consumer business returned to strong double-digit growth driven by the strong product portfolio combined with the reopening of offline retailers following the lockdowns in Q2 2020.

The continued strong performance reflects the strength of GN Audio's innovative world-leading product portfolio as well as strong execution in its supply chain and commercial excellence initiatives across all three regions and across the enterprise and consumer categories. Operating in a market with attractive conditions accelerated by the pandemic, GN Audio has continued with new product introductions and strong execution to strengthen its leading position across the attractive enterprise market.

In 2020, gross profit increased by 53% to DKK 2,909 million compared to DKK 1,900 million in 2019. The gross margin was 40,4% in 2020, which was above the level of 38,8% achieved in 2019.

Operating expenses were DKK 1,332 million compared to DKK 986 million in 2019. The increase in reported operating expenses was primarily related to investments in future growth opportunities.

GN Audio's EBITA of DKK 1,577 million in 2020 represents an increase of 73%, compared to DKK 914 million in 2019. The strong development reflects continuous leverage and was achieved on top of investments in future growth opportunities, increased freight, and production costs due to COVID-19 and tariffs.

Events after the balance sheet date

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

Market projections

GN Audio expects that the favorable global enterprise market trend will continue in 2021, creating a solid foundation for continued strong performance. For the coming years, GN Audio expects its markets to grow at around 10% in value when assuming a stable macro environment. GN Audio's mid-term targets of growing faster than the market and delivering EBITA-margin of more than 20% are fully intact.

Outlook 2021

The outlook is not prepared for GN Audio A/S stand-alone. The financial outlook is prepared at segment level at GN Store Nord. The fundamental assumption behind the financial guidance for the GN Audio segment is that the demand for collaboration solutions from enterprises and organizations will continue in 2021 and beyond. It is expected that the GN Audio organic revenue growth will be significantly higher in H1 2021 than in H2 2021, mainly due to difference in comparison base. GN Audio will continuously aim to outgrow the market and invest in future growth opportunities. For full year 2021, the GN Audio segment expects organic revenue growth to be more than 20% and an EBITA margin of more than 21%.



9 Management's report – Review

Due to the ongoing COVID-19 pandemic – which impacts GN in many ways – it must be stressed that the basic assumptions behind the guidance remain significantly more uncertain than normal. The COVID-19 situation has and will not only strongly impact GN's operational performance in 2021, but it will also impact predictability and visibility across GN's markets, channels, and supply chain. The financial guidance is contingent on a gradual reopening of society.

RISK MANAGEMENT

Operating in business environments characterized by increasingly fast-paced innovation and change – not least in a highly unpredictable COVID-19 environment – our proactive and systematic approach to risk management is a valuable tool in our continuous efforts to stay ahead of new developments and win in tomorrow's marketplace.

In 2020, the COVID-19 pandemic was the overshadowing risk that impacted the world and business and highlighted, more than anything, the need for an agile and solid risk management approach in a world where changes can happen swiftly and with force. In GN, the risk management process continuously identifies new business risks. These are assessed by key employees and management teams across the entire value chain, and this allows us to react swiftly as it was the case at the outbreak of COVID-19.

Subsequently the most significant risks are evaluated in order to determine what actions should be taken to reduce the risk or potentially turn it into opportunities.

At least once a year, the risks considered the most material are reported to and discussed with the Audit Committee and subsequently the Board of Directors. The process is linked to and informs other key planning processes, such as strategy planning, budgeting, and ongoing business reviews, in order to ensure that identified key risks as well as opportunities are proactively managed by relevant risk owners.

The overall aim of this integrated and proactive approach to risk management is to enable GN to reap the rewards of more coordinated, informed, and intelligent risk-taking.

The main types of risk the main initiatives taken to manage them are outlined in the following.

Research and development

With the rapid development of exciting new technologies, such as voice computing, artificial intelligence, augmented and virtual reality, 5G networks and more, the potential for disruptive innovation and transformation within our playing field is greater than ever.

While this entails previously unthinkable opportunities for development of new GN products and solutions, it also entails a key competitive risk in case we fail to turn the application of new technologies into better customer experiences and tangible benefits for the users of our offerings. The accelerating pace of technology development makes it paramount for GN to be able to shorten time-to-market even further in the years ahead.

With our continuous and relentless focus on innovation excellence we invest significantly in research and innovation and have continued to improve our product innovation and development processes during 2020. These improvements enable faster time-to-market as well as making us more efficient, agile, and adaptable during the development process, without compromising on high-quality standards.

During the past years, we have also increasingly focused on exploring and leveraging the increasing and unique technology synergies between GN Hearing and GN Audio, to the benefit of the customers of both businesses.

Operations

GN Audio rely on global supply chains for the timely delivery of critical materials and components, which must meet high-quality standards.

At the outbreak of COVID-19 in Q1 GN Audio's subcontractors extended holidays following the Chinese New Year in line with recommendations by local authorities. As for most technology companies in general, GN has a high dependency on Chinese suppliers. When key suppliers are unable to provide agreed deliverables this negatively affects our ability to accommodate demand for GN products.

COVID-19 or other specific events could lead to shunning of Chinese products, or protectionist sentiment, which could escalate into new tariffs or other forms of trade barriers affecting the supply and cost of GN products or components.



10 Management's report – Review

Where possible and feasible, GN therefore targets to pursue a dual sourcing strategy to ensure that GN is able to source the same type of component from at least two different suppliers.

For some unique suppliers, other measures are taken to reduce the risk, such as higher inventory buffers, dual sets of production equipment or other specific measures.

Further, GN closely monitors the risk of increasing barriers to trade and takes this into account in our ongoing production and supply chain planning in order to proactively mitigate any potential impact. GN engages with global manufacturing partners with production capacity in different geographies.

Marketing and sales

GN Audio entered 2020 with a strong track-record of growth in attractive enterprise markets. The already high demand rose sharply as enterprises and organizations increased investments in collaboration solutions allowing employees to work effectively from home. The underlying business is very strong and GN Audio took significant market share and further consolidated its position as the world's leading supplier of peripherals for enterprise collaboration.

While attractive growth rates are also expected for the years to come, a global economic slowdown due to the pandemic could potentially constrain the demand for consumer headsets and professional audio and video collaboration peripherals. The attractive growth rates also entail a risk that new competition enters the market and challenges GN Audio's leading position.

GN Audio continually works to expand its world-leading position by developing new, innovative, relevant, and unique solutions based on deep insights into new trends and developments in user preferences, purchasing patterns, technology and other key factors shaping user needs and demands. The enterprise business operates in a consolidated industry with high barriers to entry and complex eco-systems.

GN Audio is well positioned to withstand the effects of a potential economic slowdown. Our enterprise product portfolio is fundamentally designed to support more flexible and hybrid working patterns. The portfolio further helps companies realize efficiency gains and productivity enhancements, reduce travel cost and climate footprint, all of which are attractive value propositions also in an economic downturn. Furthermore, our consumer headsets and true wireless earbuds address a strongly growing market.

GN Audio's scalable contract manufacturing and distribution model allows us to adjust volumes swiftly on an ongoing basis to mitigate fluctuating demand.

Other risks

Due to the nature of the 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.

The financial risks of GN Audio can be outlined as follows:

Interest rate risk

GN Audio has no interest-bearing debt but net positive cash positions. Changes in interest rates are not expected to have any material effect on earnings.

Currency exposure risk

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



11 Management's report – Review

CORPORATE SOCIAL RESPONSIBILITY

For the statutory Statement on Corporate Social Responsibility for 2020, cf. §99a of the Danish Financial Statement Act, please refer to the Sustainability I ESG report 2020 by GN Store Nord A/S available on <https://www.gn.com/About/Corporate-sustainability>.

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 <https://www.gn.com/Investor/Financial-reports>.

On its website GN provides a statutory report on corporate governance, including an explanation of how GN complies with each recommendation (<https://www.gn.com/CorporateGovernance2020>). 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 diversity in senior management positions (§99b)

To continue to foster a diverse organization to support the innovation excellence, commercial excellence and people excellence, GN has adopted a diversity policy which applies to all Group companies and may be supplemented by local diversity policies.

GN's diversity policy is available here: <https://www.gn.com/DiversityPolicy>

Board of Directors

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

At the 2020 Annual General Meeting, the Board of Directors in GN Audio was expanded from five to seven shareholder-elected members. Of the current seven members, four are women.

Senior management

GN's current diversity focus is to advance stronger international representation and gender diversity in our senior management. The Global Management Teams (GMT) in GN Audio end of 2020 comprised 14 % female leaders and 64% non-Danes.

When GN's diversity policy was established in 2014, women filled 14% of the company's senior management positions in the GN Group. As a result of dedicated efforts women by the end of 2020 filled 21% of senior management positions across the GN Group. By 2025, we aim to have above 25% women in senior management positions.

GN will continue to strengthen efforts to build a pipeline of future female candidates for senior positions. We have a constant focus to ensure that we attract female candidates for both internal job rotations and for new positions. By the end of 2020, 43% of the newly appointed members of senior management across GN Group were women.

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

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



12 Financial statements – Key ratio definitions

Key ratio definitions

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



13 Financial statements – Income statement

Income statement

DKK thousand	Note	2020	2019
Revenue	2.1, 2.4, 5.5	7,198,755	4,900,805
Production costs	2.4, 3.4, 3.5, 5.5	-4,289,932	-3,000,604
Gross profit		2,908,823	1,900,201
Development costs	2.2, 2.4, 3.4	-559,934	-388,499
Selling and distribution costs	2.2, 2.4, 3.4	-510,844	-430,600
Management and administrative expenses	2.2, 2.4, 3.3, 3.4	-290,860	-182,070
Other operating income and costs, net	4.3	30,068	14,790
EBITA*		1,577,253	913,822
Amortization of acquired intangible assets	2.4, 3.1	-84,646	-44,220
Gain (loss) on divestment of operations etc.		-	1,490
Operating profit (loss)		1,492,607	871,092
Financial income	4.2	1,113,988	180,541
Financial expenses	4.2	-30,880	-39,831
Profit (loss) before tax		2,575,715	1,011,802
Tax on profit (loss)	2.3	-316,707	-207,154
Profit (loss) for the year		2,259,008	804,648
Proposed profit appropriation/distribution of loss			
Retained earnings		2,208,161	-230,911
Transfer to reserve for capitalized development projects		50,847	35,559
Proposed dividends for the year		-	1,000,000
Profit (loss) for the year		2,259,008	804,648

Please refer to Key Ratio definitions on page 12

Statement of comprehensive income

DKK thousand	Note	2020	2019
Profit (loss) for the year		2,259,008	804,648
Items that may be reclassified subsequently to the income statement			
Adjustment of cash flow hedges	4.3	-25,645	-4,269
Foreign exchange adjustments, etc.		-269	225
Tax relating to these items of other comprehensive income	2.3	5,642	939
Other comprehensive income for the year, net of tax		-20,272	-3,105
Total comprehensive income for the year		2,238,736	801,543



14 Financial statements – Balance sheet

Balance sheet at December 31

DKK thousand	Note	2020	2019
Assets			
Intangible assets	3.1	954,691	974,754
Property, plant and equipment	3.2, 3.3, 3.4	226,960	183,594
Investments in subsidiaries	3.8	1,228,577	1,228,494
Amounts owed by subsidiaries and group companies	4.3	-	2,417
Total non-current assets		2,410,228	2,389,259
Inventories	3.5	1,044,056	747,613
Trade receivables	3.7, 4.3	313,115	131,854
Amounts owed by subsidiaries and group companies, current	4.3	1,816,976	488,885
Tax receivables	2.3	88,546	-
Other receivables		69,106	35,655
Cash and cash equivalents		23,756	5,608
Total current assets		3,355,555	1,409,615
Total assets		5,765,783	3,798,874
Equity and Liabilities			
Share capital		34,874	34,545
Other reserves		-25,720	-5,717
Reserve for capitalized development projects		332,379	281,532
Proposed dividends for the year		-	1,000,000
Retained earnings		3,162,822	801,536
Total equity		3,504,355	2,111,896
Lease liabilities, non-current	3.3, 4.3	35,191	31,268
Provisions, non-current	3.6	80,309	23,824
Deferred tax liabilities	2.3	129,479	164,888
Total non-current liabilities		244,979	219,980
Lease liabilities, current	3.3, 4.3	12,263	10,064
Trade payables	4.3	851,451	714,680
Tax payables	2.3	-	46,904
Amounts owed to subsidiaries and group companies, current	4.3	390,910	300,753
Provisions, current	3.6	53,066	8,401
Other current liabilities	4.3	708,759	386,196
Total current liabilities		2,016,449	1,466,998
Total equity and liabilities		5,765,783	3,798,874



15 Financial statements – Statement of cash flow

Statement of cash flow

DKK thousand	Note	2020	2019
Operating activities			
Operating profit (loss)		1,492,607	871,092
Depreciation, amortization and impairment	3.4	403,768	275,372
Other non-cash adjustments	5.3	154,238	13,783
Cash flow from operating activities before changes in working capital		2,050,613	1,160,247
Change in inventories		-316,957	-275,403
Change in receivables		-215,819	12,172
Change in trade payables and other payables		433,946	344,706
Total changes in working capital		98,830	81,475
Cash flow from operating activities before financial items and tax		1,951,783	1,241,722
Interest and dividends received		290,341	151,453
Interest paid		-1,708	-17,952
Tax paid, net		-453,395	2,971
Cash flow from operating activities		1,787,021	1,378,194
Investing activities			
Investments in intangible assets, excluding development projects		-2,097	-537,144
Development projects	3.1	-293,116	-198,903
Investments in property, plant and equipment	3.2	-111,805	-102,688
Increase/(Decrease) of amount owed by and to subsidiaries		-366,682	-224,920
Divestment of companies/operations		-	1,490
Cash flow from investing activities		-773,700	-1,062,165
Cash flow from operating and investing activities (free cash flow)		1,031,321	316,029
Financing activities			
Increase of short-term loans		-13,929	-29,300
Paid dividends		-1,000,000	-1,000,000
Share-based payments, exercised (capital increase)		93,430	71,771
Increase/(decrease) of amounts owed by and to subsidiaries		-114,243	584,823
Exchange rate adjustments		39,569	-19,675
Cash flow from financing activities		-995,173	-392,381
Net cash flow		18,148	-76,352
Cash and cash equivalents, beginning of period		5,608	81,960
Cash and cash equivalents, end of period		23,756	5,608



16 Financial statements – Statement of equity

Statement of equity

DKK thousand	Share Capital	Hedging Reserve	Reserve for capitalized development projects	Proposed dividends for the year	Retained earnings	Total equity
Balance at January 1, 2019	34,238	-2,387	245,973	1,000,000	931,594	2,209,418
Profit (loss) for the period	-	-	35,559	1,000,000	-230,911	804,648
Adjustment of cash flow hedges	-	-4,269	-	-	225	-4,044
Tax relating to other comprehensive income	-	939	-	-	-	939
Total comprehensive income for the year	-	-3,330	35,559	1,000,000	-230,686	801,543
Increase of share capital*	307	-	-	-	71,464	71,771
Share-based payment (granted)	-	-	-	-	18,212	18,212
Tax related to share-based incentive plans	-	-	-	-	10,952	10,952
Paid dividends	-	-	-	-1,000,000	-	-1,000,000
Balance at December 31, 2019	34,545	-5,717	281,532	1,000,000	801,536	2,111,896
Profit (loss) for the period	-	-	50,847	-	2,208,161	2,259,008
Adjustment of cash flow hedges	-	-25,645	-	-	-269	-25,914
Tax relating to other comprehensive income	-	5,642	-	-	-	5,642
Total comprehensive income for the year	-	-20,003	50,847	-	2,207,892	2,238,736
Increase of share capital*	329	-	-	-	93,100	93,429
Share-based payment (granted)	-	-	-	-	31,854	31,854
Tax related to share-based incentive plans	-	-	-	-	28,440	28,440
Paid dividends	-	-	-	-1,000,000	-	-1,000,000
Balance at December 31, 2020	34,874	-25,720	332,379	-	3,162,823	3,504,355

*The share capital has increased by tDKK 238 in 2015, tDKK 120 in 2016, tDKK 97 in 2017, 135 tDKK in 2018, 307 tDKK in 2019 and 329 tDKK in 2020.

Accounting policies

Reserve for capitalized development projects

The reserve for development costs comprise 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. ●



17 Financial statements – Basis of preparation

Section 1 Basis of preparation

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

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

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

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

1.1 General accounting policies

The annual report of GN Audio A/S for 2020 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, 2020, GN Audio A/S adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2020 or earlier. 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, 2020 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 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



18 Financial statements – Basis of preparation

assurance-type warranties are accounted for as described in the accounting policies for warranty provisions.

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

Production Costs

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

Development Costs

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

Selling and Distribution Costs

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

Management and Administrative Expenses

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

Other Operating Income and Costs, net

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

Foreign Currency Translation

Translation of Transactions and Balances

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

Cash Flow Statement

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

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

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

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

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

1.2 Significant accounting estimates and judgments

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

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



19 Financial statements – Basis of preparation

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.



20 Financial statements – Results for the year

Section 2

Results for the year

2.1 Revenue and geographical information

Geographical information on revenue

DKK thousand	Revenue	
	2020	2019
Denmark	235,709	161,644
Europe	3,932,319	2,443,855
North America	1,993,876	1,635,783
Rest of world	1,036,851	659,523
Total	7,198,755	4,900,805

Geographical information on assets

DKK thousand	Intangible and PP&E	
	2020	2019
Denmark	1,007,447	1,022,455
Europe	-	-
North America	-	-
Rest of world	174,204	135,893
Total	1,181,651	1,158,348

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 are 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

Revenue and Geographical recognition

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

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



21 Financial statements – Results for the year

2.2 Staff Costs

DKK thousand	2020	2019
Wages, salaries and remuneration	385,102	373,582
Pensions, defined contribution plans	29,858	27,350
Other social security costs	3,068	3,075
Share-based payments	31,854	18,212
Total	449,882	422,219
Included in:		
Production costs and change in payroll costs included in inventories	49,437	45,319
Development costs	175,795	170,222
Selling and distribution costs	155,993	148,282
Management and administrative expenses	68,657	58,396
Total	449,882	422,219
Average number of employees	486	431
Number of employees, year-end	537	473
Full-year remuneration of the Board of Directors	1,281	1,210

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

DKK million	2020					2019				
	Fixed salary	Other benefits*	Bonus	Share-based payment	Total	Fixed salary	Other benefits*	Bonus	Share-based payment	Total
René Svendsen-Tune, CEO	7.0	0.2	7.3	6.6	21.1	6.7	0.2	6.5	3.8	17.2
Peter Gormsen, CFO	2.4	0.4	1.4	1.2	5.4	2.2	0.3	1.2	0.4	4.1
Total	9.4	0.6	8.7	7.8	26.5	8.9	0.5	7.7	4.2	21.3
Board of Directors remuneration	1.3	-	-	-	1.3	1.2	-	-	-	1.2
Total	1.3	-	-	-	1.3	1.2	-	-	-	1.2
Total Executive Management and Board of Directors remuneration	10.7	0.6	8.7	7.8	27.8	10.1	0.5	7.7	4.2	22.5

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

Incentive plans

GN Audio's share-based long-term incentive program is specified and described in note 5.1 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 in light of GN's focus areas:

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

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



22 Financial statements – Results for the year

2.3 Tax

DKK thousand	2020	2019
Tax on profit (loss)		
Current tax for the year	-343,303	-84,644
Deferred tax for the year	30,422	-124,597
Withholding tax	-1,056	-
Adjustment to current tax with respect to prior years	2,051	2,059
Adjustment to deferred tax with respect to prior years	-4,821	28
Total	-316,707	-207,154
Reconciliation of effective tax rate		
Danish tax rate	22%	22%
Non-taxable income	-9.45%	-3.95%
Non-deductible expenses	0.31%	0.45%
Adjustment of tax with respect to prior years	0.11%	-0.21%
Other, including provisions for uncertain tax positions	-0.67%	2.18%
Effective tax rate	12.30%	20.47%
Deferred tax, net		
Deferred tax at January 1, net	-164,888	-43,475
Adjustment to deferred tax with respect to prior years	-4,821	28
Deferred tax for the year recognized in profit (loss) for the year	30,511	-124,597
Deferred tax related to share-based incentive plans	4,077	2,217
Deferred tax for the year recognized in other comprehensive income for the year	5,642	939
Deferred tax at December 31, net	-129,479	-164,888
Deferred tax, net relates to:		
Intangible assets	-200,706	-202,139
Property, plant and equipment	10,862	9,154
Provisions	44,736	1,204
Other	15,629	26,893
Total	-129,479	-164,888

Deferred tax includes DKK 8 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 15 million (2019 DKK 7 million)

S 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. ●



23 Financial statements – Results for the year

2.3 Tax (Continued)

Significant accounting estimates

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	2020	2019
Revenue	7,198,755	4,900,805
Production costs	-4,289,932	-3,000,604
Gross profit	2,908,823	1,900,201
Development costs	-640,507	-428,816
Selling and distribution costs	-514,917	-434,503
Management and administrative expenses	-290,860	-182,070
Other operating income and costs, net	30,068	14,790
Gain (loss) on divestment of operations etc.	-	1,490
Operating profit (loss)	1,492,607	871,092
In the above income statement amortization of acquired intangible assets has been allocated to functions as follows:		
Development costs	-80,573	-40,317
Selling and distribution costs	-4,073	-3,903
Amortization of acquired intangible assets	-84,646	-44,220

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



24 Financial statements – Operating assets and liabilities

Section 3

Operating assets and liabilities

3.1 Intangible assets

DKK thousand	Goodwill	In-house development projects	Software	Patents and rights	Trademarks	Total
Cost at January 1	106,369	1,137,574	36,893	543,216	49,887	1,873,939
Additions	-	293,116	2,097	-	-	295,213
Cost at December 31	106,369	1,430,690	38,990	543,216	49,887	2,169,152
Amortization and impairment at January 1	-37,418	-776,635	-33,462	-47,767	-3,903	-899,185
Amortization	-	-138,716	-2,702	-80,573	-4,073	-226,064
Impairment	-	-89,212	-	-	-	-89,212
Amortization and impairment at December 31	-37,418	-1,004,563	-36,164	-128,340	-7,976	-1,214,461
Carrying amount at December 31, 2020	68,951	426,127	2,826	414,876	41,911	954,691
Cost at January 1	106,369	938,671	36,528	8,732	47,592	1,137,892
Additions	-	198,903	365	534,484	2,295	736,047
Cost at December 31	106,369	1,137,574	36,893	543,216	49,887	1,873,939
Amortization and impairment at January 1	-37,418	-623,321	-30,068	-7,450	-	-698,257
Amortization	-	-149,900	-3,394	-40,317	-3,903	-197,514
Impairment	-	-3,414	-	-	-	-3,414
Amortization and impairment at December 31	-37,418	-776,635	-33,462	-47,767	-3,903	-899,185
Carrying amount at December 31, 2019	68,951	360,939	3,431	495,449	45,984	974,754

Accounting policies

Goodwill

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

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

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

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

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



25 Financial statements – Operating assets and liabilities

3.1 Intangible assets (Continued)

Impairment of Goodwill, trademarks and in-process development projects

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

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

Recognition of impairment losses in the income statement

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

Significant accounting estimates

Goodwill

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

Development projects

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

Trademarks

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



26 Financial statements – Operating assets and liabilities

3.2 Property, plant and equipment

DKK thousand	Factory and office building	Plant and machinery	Operating assets and equipment	Assets under construction	Total
Cost at January 1,	-	281,865	25,040	34,428	341,333
Additions	-	-	1,548	110,257	111,805
Transfers	-	115,034	-	-115,034	-
Cost at December 31	-	396,899	26,588	29,651	453,138
Depreciation and impairment at January 1	-	-180,581	-18,274	-	-198,855
Depreciation	-	-71,818	-2,543	-	-74,361
Depreciation and impairment at December 31	-	-252,399	-20,817	-	-273,216
Carrying amount at December 31	-	144,500	5,771	29,651	179,922
Leased assets, c.f. note 3.3	44,968	-	2,070	-	47,038
Total carrying amount at December 31	44,968	144,500	7,841	29,651	226,960
Cost at January 1	-	203,670	22,097	12,878	238,645
Additions	-	-	2,943	99,745	102,688
Transfers	-	78,195	-	-78,195	-
Cost at December 31	-	281,865	25,040	34,428	341,333
Depreciation and impairment at January 1	-	-138,103	-15,824	-	-153,927
Depreciation	-	-42,478	-2,450	-	-44,928
Depreciation and impairment at December 31	-	-180,581	-18,274	-	-198,855
Carrying amount at December 31	-	101,284	6,766	34,428	142,478
Leased assets, c.f. note 3.3	38,687	-	2,429	-	41,116
Total carrying amount at December 31, 2019	38,687	101,284	9,195	34,428	183,594

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

Accounting policies

Property, plant and Equipment

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

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

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

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

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



27 Financial statements – Operating assets and liabilities

3.3 Leases

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

Leased assets

DKK thousand	2020			2019		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	38,687	2,429	41,116	67,237	2,179	69,416
Additions	236	694	930	-	1,344	1,344
Remeasurements	19,121	-	19,121	-	-129	-129
Depreciation	-13,076	-1,053	-14,129	-28,550	-965	-29,515
Carrying amount at December 31	44,968	2,070	47,038	38,687	2,429	41,116

Lease liabilities

DKK thousand	2020	2019
Contractual maturity analysis of lease liabilities:		
Less than one year	12,689	10,431
Between one and three years	35,692	24,643
More than three years	28	7,250
Total	48,409	42,324

Amounts expensed in the income statement

DKK thousand	2020	2019
Interest expense on lease liabilities	551	570
Expense relating to low-value assets and short-term leases	-	289
Total cash outflow for leases	14,480	30,159

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.

§ 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.



28 Financial statements – Operating assets and liabilities

3.3 Leases (Continued)

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

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

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

Extension and termination options

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

Significant accounting estimates

Leases

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



29 Financial statements – Operating assets and liabilities

3.4 Depreciation, amortization and impairment

DKK thousand	2020	2019
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	68,882	42,607
Development costs	231,004	156,439
Selling and distribution costs	931	931
Management and administrative expenses*	15,190	31,175
Amortization of acquired intangible assets	84,646	44,220
Total	400,653	275,372

*Includes depreciation of leases assets as per note 3.3

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

Production costs	166	128
Development costs	139,292	150,610
Selling and distribution costs	931	931
Management and administrative expenses	1,030	1,625
Amortization of acquired intangible assets	84,645	44,220
Total	226,064	197,514

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

Development costs	89,212	3,414
Total	89,212	3,414

3.5 Inventories

DKK thousand	2020	2019
Raw materials and consumables	57,073	46,617
Finished goods and merchandise	986,983	700,996
Total	1,044,056	747,613
The above includes write-downs amounting to	85,389	47,950
Net write-downs recognized in the income statement under production cost	6,699	1,877
Costs of goods sold included in Production Costs	4,030,012	2,799,424

Accounting policies

Inventories

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

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

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

Significant accounting estimates and judgments

Measurement of inventories

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



30 Financial statements – Operating assets and liabilities

3.6 Provisions

DKK thousand	Warranty provisions	Other provisions	Total
Provisions at January 1	27,359	4,866	32,225
Additions	714	102,411	103,125
Consumed	-1,975	-	-1,975
Provisions at December 31, 2020	26,098	107,277	133,375
Which is presented in the balance sheet as:			
Non-current liabilities	7,709	72,600	80,309
Current liabilities	18,389	34,677	53,066
Provisions at December 31, 2020	26,098	107,277	133,375

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

Accounting policies

Provisions

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

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

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

Significant accounting estimates and judgments

Provisions

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

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

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



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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	273,017	39,663	101	374	682	277	314,114
Loss allowance at December 31	-137	-20	-25	-191	-391	-236	-999
Trade receivables at December 31, 2020	272,880	39,643	76	183	291	41	313,115
Expected loss rate	0,1%	0,1%	25%	51%	57%	85%	0,3%
Gross carrying amount - Trade receivables	116,985	15,174	564	-	1,304	368	134,395
Loss allowance at December 31	-1,194	-149	-297	-	-769	-132	-2,541
Trade receivables at December 31, 2019	115,791	15,025	267	-	535	236	131,854

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

DKK thousand	2020	2019
Loss allowance at January 1		-2,541
Increase in loss allowance during the year		-713
Trade receivables written off as uncollectible		2,255
Reversal of unused loss allowance		-
Loss allowance at December 31	-999	-2,541

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

Measurement of trade receivables

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

Significant accounting estimates

Measurement of trade receivables

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



32 Financial statements – Operating assets and liabilities

3.8 Investment in subsidiaries

DKK thousand	2020	2019
Cost at January 1	1,228,494	1,247,518
Additions, capital contribution	83	-
Disposals	-	-19,024
Cost at December 31	1,228,577	1,228,494

Group companies are listed at the end of this report.

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

Accounting policies

Measurement of trade receivables

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

Significant accounting estimates and judgments

Measurement of trade receivables

Management performs an annual test for indications of impairment of investments in subsidiaries. It is Management's assessment that no indications of impairment existed at year-end 2020. Impairment test have therefore not been made of subsidiaries. ●



33 Financial statements – Financing items

Section 4 Financing items

4.1 Financial risks

GN Audio is exposed to several financial risks arising from its operating, investing and financing activities, comprising currency risk, interest rate risk, liquidity risk and credit risk. For information regarding liquidity risk and credit risk. Financial risks are managed centrally by Group Treasury, except for commercial credit risk which is managed decentralized by GN Audio A/S's operating businesses. GN Audio A/S's Treasury Policy has been reviewed by the Audit Committee and approved by the Board of Directors.

Cash flow, liquid funds and debt are coordinated centrally to ensure the solvency and liquidity of GN Audio A/S. Material financial risks are identified, managed and reported adequately. Financial transactions are entered into only to mitigate risks from business activities or financing of GN Audio A/S.

The areas exposed to financial risks are mainly cash and cash equivalents as well as loans and other financial indebtedness, GN Audio A/S's Income Statement in Financial income and expenses, GN Audio A/S's cash flow through Cash flow from financing activities and GN Audio A/S's Equity in Other Comprehensive Income. GN's objectives, policies and process for measuring and managing the risk exposure to these items are summarized in the table and further explained in the notes below.

Foreign currency risk

GN 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 GN Audio A/S's currency exposure through natural matching of in- and out-flows to mitigate the impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results. Additionally, the Group uses approved hedging instruments, including currency derivatives such as FX Spot, FX Forward, FX Swaps and FX Option contracts, to protect the Group's EBITA and Free Cash Flow from adverse currency movements by determining the aggregate of the expected net cash flow 12 months forward and monetary balance sheet items.

Sensitivity analysis for foreign currency risk

Change in GN 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	2020	2019
Income statement	-32,795	10,732
Other Comprehensive Income	32,305	-

For information regarding interest rate risk, liquidity risk and credit risk, please see GN Store Nord Annual Report 2020.



34 Financial statements – Financing items

4.2 Financial income and expenses

DKK thousand	2020	2019
Financial income:		
Interest income*	33	64
Intercompany Interest income*	1,096	11,994
Gain related to sale of GN Audio Germany	-	128,911
Dividends received	1,048,312	30,702
Financial income, other	4	812
Foreign exchange gain	64,543	8,058
Total	1,113,988	180,541
Financial expenses:		
Interest expenses*	-108	-608
Intercompany Interest expense*	-7,342	-13,645
Financial expenses, other	-1,308	-1,999
Foreign exchange loss	-22,122	-23,579
Total	-30,880	-39,831

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

Accounting policies

Financial income and expenses

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

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



35 Financial statements – Financing items

4.3 Financial Instruments

Contractual maturity analysis for financial liabilities

DKK thousand	Less than one year	Between one and three years	More than three years	Total
2020				
Amounts owed to subsidiaries and group companies	390,910	-	-	390,910
Trade payables	851,451	-	-	851,451
Total non-derivative financial liabilities	1,242,361	-	-	1,242,361
Derivative financial liabilities	47,903	-	-	47,903
Total financial liabilities	1,290,264	-	-	1,290,264
2019				
Amounts owed to subsidiaries and group companies	300,753	-	-	300,753
Trade payables	714,680	-	-	714,680
Total non-derivative financial liabilities	1,015,433	-	-	1,015,433
Derivative financial liabilities	11,212	-	-	11,212
Total financial liabilities	1,026,645	-	-	1,026,645

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

Derivative financial instruments

Exchange rate instruments and interest rate swaps

	2020				2019			
	Average rate (DKK)	Contract amount, net*	Fair value, assets	Fair value, liabilities	Average rate (DKK)	Contract amount, net	Fair value, assets	Fair value, liabilities
EUR / DKK	743	2,490,120	98	5,902	745	1,117,179	-	2,646
USD / DKK	632	-758,397	-	33,033	653	-130,594	168	-
JPY **	6.03	102,488	2,779	-	6.29	62,949	1,997	-
GBP / DKK	823	98,742	133	518	836	116,986	-	4,869
Other currency pairs		253,403	3,356	8,450		395,797	168	3,697
Total			6,366	47,903			2,165	11,212

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

** Includes exchange rate instruments vs. DKK and EUR.

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

Fair value adjustments of cash flow hedges

DKK thousand	2020	2019
Fair value adjustment for the year recognized in Other comprehensive income	-15,901	-10,000
Reclassified from equity to revenue during the year	-9,744	5,731
Adjustment of cash flow hedges in Other comprehensive income	-25,645	-4,269
Fair value adjustment of cash flow hedges recognized in Other operating income and costs, net	-28,516	-7,472
Fair value adjustment of cash flow hedges recognized in financial items	-	-



36 Financial statements – Financing items

4.3 Financial Instruments (Continued)

Categories of financial assets and liabilities

DKK thousand	2020	2019
Trade receivables	313,115	131,854
Amounts owed by subsidiaries and group companies	1,816,976	491,302
Other receivables	62,740	33,490
Cash or cash equivalents	23,756	5,608
Financial assets at amortized cost	2,216,587	662,254
Derivative financial instruments included in Other receivables	1,132	168
Financial assets at fair value through profit or loss	1,132	168
Derivative financial instruments included in Other receivables	5,234	1,997
Financial assets at fair value through Other comprehensive income	5,234	1,997
Lease liabilities	47,454	41,332
Amounts owed to subsidiaries and group companies	390,910	300,753
Other current liabilities	660,855	374,984
Trade payables	851,451	714,680
Financial liabilities at amortized cost	1,950,670	1,431,749
Derivative financial instruments included in Other payables	10,321	2,512
Financial liabilities at fair value through profit or loss	10,321	2,512
Derivative financial instruments included in Other liabilities	37,581	8,700
Financial liabilities at fair value through Other comprehensive income	37,581	8,700

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 ●



37 Financial statements – Other disclosures

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 and 2020 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 and 2020 programs are long-term incentive programs with a three-year vesting period from the grant date. The program includes a performance multiplier, based on revenue growth and EBITDA improvement relative to a broad peer group of comparable companies. This means that after the three-year vesting period, the initial share option grant can either increase, decrease or stay the same, depending on GN's performance relative to a peer group. The maximum effect of the performance multiplier is to increase the number of options by a factor of 2. For executive management the gross return on each annual grant is capped at a value equal to four times the annual base salary at the time of grant. Vested options may be exercised at any time outside black-out periods for a three-year period after vesting.

Valuation model and assumptions

The market value of the warrants and options are calculated using the principles of the Black-Scholes option pricing model. For 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:

	2020		2019	
	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****	69,218	232,605	88,704	276,843
Share price GN Store Nord at ordinary grant date	390	390	312	312
Vesting period	3 years	3 years	3 years	3 years
Life of option / warrant	6 years	6 years	6 years	6 years
Volatility*	29%	29%	27%	27%
Expected dividend**	0.4%	0.4%	0.4%	0.4%
Risk-free interest rate***	0.00%	0.00%	0.00%	0.00%
Fair Value per option / warrant at ordinary grant (DKK)	83	87	62	68
Total market value at grant (DKK million)	6	20	5	19
Amortization period of the program	2020 - 2023	2020 - 2023	2019 - 2022	2019 - 2022

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

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

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



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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

	DKK	GN Audio A/S		
		Number		
	Average exercise price	Executive Management*	Other employees	Total
Outstanding warrants at January 1, 2019	28,273	3,410	6,983	10,393
Warrants exercised during the year	23,401	-588	-2,479	-3,067
Warrants forfeited during the year	32,919	-	-103	-103
Outstanding warrants at December 31, 2019	30,275	2,822	4,401	7,223
Warrants exercised during the year	28,381	-1,146	-2,146	-3,292
Warrants forfeited during the year	32,491	-	-93	-93
Outstanding warrants at December 31, 2020	31,865	1,676	2,162	3,838
Weighted average term to maturity		2.3	2.9	2.6
Number of exercisable warrants at December 31, 2019		1,234	430	1,664
Number of exercisable warrants at December 31, 2020		840	236	1,076

	DKK	GN Store Nord A/S		
		Number*		
	Average exercise price	Executive Management	Other employees	Total
Outstanding options at January 1, 2019	-	-	-	-
Options granted during the year	313	88,704	276,843	365,860
Options forfeited during the year	-	-	-3,639	-3,639
Outstanding options at December 31, 2019	313	88,704	273,204	361,908
Options granted during the year	381	69,218	232,605	301,823
Options forfeited during the year	-	-	-	-
Outstanding options at December 31, 2020	344	157,922	505,809	663,731
Weighted average term to maturity (Years)		4,6	4,7	4,7
Number of exercisable options at December 31, 2020		-	-	-

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



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5.1 Share-based incentive plans (Continued)

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

Grant date	DKK	GN Audio A/S		Total
		Exercise price	Number	
March 2016	22,495	Executive Management	Other employees	411
March 2017	28,794	494	171	665
February 2018	33,913	836	1,898	2,734
May 2018	42,338	-	28	28
Outstanding warrants at December 31, 2020		1,676	2,162	3,838

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

Grant date	DKK	GN Store Nord A/S		Total
		Exercise price	Number*	
April 2019	313	Executive Management	Other employees	361,908
February 2020	381	69,218	232,605	301,823
Outstanding options at December 31, 2020		157,922	505,809	663,731

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

§ Accounting policies

Incentive plans

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



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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.

Significant accounting estimates and judgments

Provisions, Contingencies and Litigations

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

5.3 Other non-cash adjustments

DKK thousand	2020	2019
Share-based payment (granted)	31,854	18,212
Provision for bad debt, inventory write-downs, etc.	21,234	2,192
Adjustment of provisions	101,150	-5,067
Gain/loss on sale of fixed assets	-	-65
Other non-cash adjustments	-	-1,489
Total	154,238	13,783

5.4 Fees to statutory auditors

DKK thousand	2020	2019
Statutory audit	995	641
Other assurance related services	25	-
Other services	854	521
Fee to statutory auditors	1,874	1,162



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5.5 Related parties

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

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

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

Board of Directors, Executive Management and Senior Employees

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

Group enterprises and associates

Trade with group enterprises and associates comprised:

DKK million	2020	2019
GN Store Nord A/S		
Sale of services to group enterprises	161	137
Purchase of services from group enterprises	10	4
Subsidiaries		
Purchase of intangible assets	-	527
Purchase of services	312	319
Internal sale of subsidiaries	-	148
Sale of goods to group enterprises, revenue	6,338	4,220

The company's balances with group enterprises at December 31, 2020 are shown separately in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 4.2. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

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

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



42 Financial statements – Companies in GN Audio Group

Companies in the GN Audio Group

	Domicile	Currency	Ownership %*	Share capital
GN Audio A/S	Denmark	DKK	100	34,873,800
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Audio Brasil Importação & Comércio Ltda.	Brazil	BRL	100	407,821
GN Audio Canada Inc.	Canada	CAD	100	409,800
GN Audio (China) Ltd.	China	CNY	100	65,116,155
GN Audio (Shanghai) Co., Ltd.	China	CNY	100	15,481,000
GN Audio Logistic (Xiamen) Ltd.	China	CNY	100	4,133,738
GN Audio France SA	France	EUR	100	80,000
GN Audio Germany GmbH	Germany	EUR	100	51,000
GN Audio Hong Kong Limited	Hong Kong	HKD	100	33,500,000
GN Audio India Private Limited	India	INR	100	40,000,000
Jabra Connect India Private Limited	India	INR	51	20,000,000
GN Audio Italy s.r.l.	Italy	EUR	100	10,200
GN Audio Japan Ltd.	Japan	JPY	100	10,000,000
GN Audio Benelux B.V.**	Netherlands	EUR	100	18,000
GN Audio Poland Sp. z o.o.	Poland	PLN	100	50,000
GN Audio Singapore Pte. Ltd.	Singapore	SGD	100	700,000
Jabra Connect Singapore Pte.Ltd.	Singapore	USD	100	12,000
GN Audio Spain, S.A.	Spain	EUR	100	66,111
GN Audio Sweden AB	Sweden	SEK	100	5,100,000
GN Audio UK Ltd.**	United Kingdom	GBP	100	100,000
GN Audio USA Inc.	USA	USD	100	45,900,000
Altia Systems, Inc.	USA	USD	100	22,980,067

* Ownership stake by GN Store Nord A/S

** GN Audio UK Ltd. with UK company registration number 02230550, is exempt from audit of its financial statements under s479A of the UK Companies Act 2006.

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



GN

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