

13% organic revenue growth in Q3 driven by strong performance across the group

GN Store Nord

13%

organic growth

- GN delivered 13% organic revenue growth in Q3 2019. Revenue growth was 17% including about 3% impact from the development in foreign exchange rates and about 1% impact from M&A
- EBITA increased 16% compared to Q3 2018 driven by strong operational leverage on top of continued investments in future growth opportunities and ongoing infrastructure investments
- EPS increased 16% compared to Q3 2018 and reached DKK 2.60
- Strong cash conversion of 105% in Q3 2019
- The financial guidance for 2019 is confirmed

GN Hearing

8%

organic growth

- GN Hearing delivered a strong 8% organic revenue growth in Q3 2019 driven by the continued strong performance of ReSound LiNX Quattro. Revenue growth was 10% including about 2% impact from the development in foreign exchange rates
- EBITA increased 5% to DKK 283 million in Q3 2019. The EBITA margin reached 18.4%, lower than Q3 2018 as a result of a lower gross margin, increased R&D activity and ongoing infrastructure investments
- Free cash flow excl. M&A was DKK 289 million in Q3 2019 translating into a cash conversion of 102%. YTD cash conversion of 63%

GN Audio

20%

organic growth

- GN Audio delivered another quarter of outstanding performance with 20% organic revenue growth in Q3 2019 driven by very strong performance across the business. Revenue growth was 25%, including about 3% impact from the development in foreign exchange rates and about 2% impact from M&A
- EBITA increased 29% to DKK 290 million in Q3 2019. The EBITA margin of 19.8% reflects continuous leverage in the business off-set by investments in future growth opportunities and an adverse development in foreign exchange rates
- Free cash flow excl. M&A was DKK 329 million in Q3 2019, translating into a cash conversion of 113%. YTD cash conversion of 85%

Financial overview Q3 2019

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	Q3 2019	Q3 2018	Growth	Q3 2019	Q3 2018	Growth	Q3 2019	Q3 2018	Growth
Revenue	1,537	1,391	10%	1,462	1,169	25%	2,999	2,560	17%
Organic growth	8%	6%		20%	20%		13%	12%	
Gross profit	1,053	968	9%	775	619	25%	1,828	1,587	15%
Gross profit margin	68.5%	69.6%	(1.1)%p	53.0%	53.0%	+0.0%p	61.0%	62.0%	(1.0)%p
EBITA	283	269	5%	290	224	29%	538	462	16%
EBITA margin	18.4%	19.3%	(0.9)%p	19.8%	19.2%	+0.6%p	17.9%	18.0%	(0.1)%p
Earnings per share (EPS)							2.60	2.25	16%
Free cash flow excl. M&A	289	182	+107	329	226	+103	563	349	+214

*Including "Other"

Financial highlights

DKK million	Q3 2019 (unaud.)	Q3 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full year 2018 (aud.)
GN Hearing					
Revenue	1,537	1,391	4,629	4,189	5,833
Revenue growth	10%	5%	11%	2%	4%
Organic growth	8%	6%	8%	5%	7%
Gross profit margin	68.5%	69.6%	68.9%	68.9%	69.2%
EBITA*	283	269	864	809	1,194
EBITA margin	18.4%	19.3%	18.7%	19.3%	20.5%
ROIC (EBITA/Average invested capital)	18%	19%	18%	19%	19%
Free cash flow excl. M&A	289	182	542	391	574
Cash conversion (Free cash flow excl. M&A/EBITA)	102%	68%	63%	48%	48%
GN Audio					
Revenue	1,462	1,169	4,261	3,231	4,774
Revenue growth	25%	22%	32%	16%	20%
Organic growth	20%	20%	27%	19%	21%
Gross profit margin	53.0%	53.0%	52.3%	53.4%	53.2%
EBITA*	290	224	751	557	905
EBITA margin	19.8%	19.2%	17.6%	17.2%	19.0%
ROIC (EBITA/Average invested capital)	55%	55%	55%	55%	59%
Free cash flow excl. M&A	329	226	639	614	798
Cash conversion (Free cash flow excl. M&A/EBITA)	113%	101%	85%	110%	88%
GN Store Nord					
Revenue	2,999	2,560	8,890	7,420	10,607
Revenue growth	17%	12%	20%	7%	11%
Organic growth	13%	12%	16%	11%	13%
Gross profit margin	61.0%	62.0%	60.9%	62.1%	62.0%
EBITA*	538	462	1,500	1,268	1,956
EBITA margin	17.9%	18.0%	16.9%	17.1%	18.4%
Profit (loss) before tax	451	386	1,191	1,026	1,606
Effective tax rate	23.5%	22.0%	23.4%	22.2%	22.4%
ROIC (EBITA/Average invested capital)	24%	23%	24%	23%	24%
Earnings per share (EPS)	2.60	2.25	6.84	5.93	9.25
Earnings per share, fully diluted (EPS diluted)	2.58	2.20	6.75	5.85	9.13
Free cash flow excl. M&A	563	349	1,022	864	1,110
Cash conversion (Free cash flow excl. M&A/EBITA)	105%	76%	68%	68%	57%
Equity ratio	31.8%	38.1%	31.8%	38.1%	39.1%
Net interest-bearing debt	5,245	3,321	5,245	3,321	3,234
Net interest-bearing debt (period-end)/EBITDA	2.1	1.6	2.1	1.6	1.5
Share buybacks**	362	269	1,353	888	1,061
Outstanding shares, end of period (thousand)	129,805	133,215	129,805	133,215	132,576
Average number of outstanding shares (thousand)	130,406	133,532	131,236	134,523	134,114
Average number of outstanding shares, fully diluted (thousand)	131,536	136,610	132,967	136,316	135,864
Treasury shares, end of period (thousand)	12,463	12,470	12,463	12,470	13,108
Share price at the end of the period	278.1	312.9	278.1	312.9	243.3
Market capitalization	36,099	41,683	36,099	41,683	32,256

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

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

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

GN Hearing

In Q3 2019, GN Hearing delivered a strong 8% organic revenue growth driven by the continued strong performance of ReSound LiNX Quattro across regions

Highlights Q3 2019

- GN Hearing delivered a strong 8% organic revenue growth in Q3 2019 driven by the continued strong performance of ReSound LiNX Quattro. Revenue growth was 10% including around 2% impact from the development in foreign exchange rates
- EBITA increased 5% to DKK 283 million in Q3 2019. The EBITA margin reached 18.4%, slightly lower than Q3 2018 as a result of a lower gross margin, increased R&D activity and ongoing infrastructure investments
- Free cash flow excl. M&A was DKK 289 million in Q3 2019 translating into a cash conversion of 102%
- Financial guidance for 2019 is confirmed

Revenue

GN Hearing delivered a strong 8% organic revenue growth in Q3 2019, driven by, among other, strong performance of the technology flagship product ReSound LiNX Quattro based on brilliant sound experience with Layers of Sound and industry-leading rechargeable capabilities. Revenue growth was 10% including around 2% impact from the development in foreign exchange rates and an insignificant impact from M&A. In the first 9 months of 2019, GN Hearing delivered 8% organic growth, while revenue growth was 11%.

In Q3 2019, GN Hearing continued to perform strongly across regions. In North America, GN Hearing continued to perform strongly across channels, off-set by the loss of one larger customer in 2018. GN Hearing experienced strong organic revenue growth in the Veterans Affairs (VA) and continued to be the second largest manufacturer in this channel, underpinning GN Hearing's strong product offering. In Rest of World, GN Hearing continued to deliver strong organic revenue growth across the board with particularly strong performance in Japan, Brazil and India. Continued strong growth in Europe, which was broad-based across channels and countries, but with particularly strong performance in the UK and in the Nordic countries.

Earnings and other financial highlights

Gross profit reached DKK 1,053 million in Q3 2019, which was an increase of 9% compared to Q3 2018. The gross margin was 68.5%, which was lower than in Q3 2018, mainly due to mix effects. In the first nine months of 2019, GN Hearing delivered a gross margin of 68.9% on par with the same period last year.

GN Hearing's EBITA reached DKK 283 million in Q3 2019, an increase of 5% compared to Q3 2018. The EBITA margin was 18.4%, compared to 19.3% in Q3 2018, driven by a lower gross margin, increased R&D activity and ongoing infrastructure investments. In the first nine months of 2019, GN Hearing delivered an EBITA margin of 18.7% compared to 19.3% in the same period in 2018.

The return on invested capital (ROIC) was 18% in Q3 2019, compared to 19% in Q3 2018. ROIC was negatively impacted by the implementation of IFRS 16 (Leasing) and the development in foreign exchange rates.

Free cash flow excl. M&A was DKK 289 million in Q3 2019, corresponding to an increase of 59% compared to Q3 2018. The strong cash flow in Q3 2019 was primarily driven by strong operating cash flows and a positive contribution from investments in other non-current assets; leading to a cash conversion of 102% in Q3 2019 compared to 68% in Q3 2018. In the first nine months of 2019, cash conversion was 63% compared to 48% in the same period last year.

Business highlights

On August 30, GN Hearing launched ReSound LiNX Quattro custom hearing aids. The portfolio includes the world's first Completely-in-Canal (CIC) 2.4 GHz hearing aid with ear-to-ear connectivity and direct streaming to iOS and Android devices. Sitting subtly in the ear canal, the custom-crafted hearing aids present everything the industry-renowned ReSound LiNX Quattro technology has to offer: a brilliant sound experience with Layers of Sound, great speech intelligibility even in noisy situations, and excellent connectivity.

In September 2019, GN Hearing and Cochlear, the global leader in implantable hearing solutions, together with Google, announced the world-first support for direct streaming from Android™ devices to hearing devices using Bluetooth® Low Energy (BLE). With BLE, people can use technology designed for streaming all day while preserving the battery life of their hearing devices, which is a challenge for the traditional Classic Bluetooth streaming currently available. With the official release of Android 10, Google Pixel phones are the first devices to support direct streaming, where the broader Android market will follow as the Android 10 is adopted by other manufacturers worldwide.

On September 20, 2019, GN appointed member of the Board of Directors of GN Store Nord, Gitte Aabo as new CEO of GN

Hearing and member of GN Store Nord's Executive Management. Having joined GN Store Nord's Board in 2018, Gitte Aabo has solid knowledge of GN Hearing's business. She brings extensive global leadership experience and extensive knowledge within international management, finance, IT, sales and marketing as well as deep insights into building digital communities. Most recently, Gitte served as CEO of one of the leading Danish pharmaceutical companies, LEO Pharma for 11 years. Gitte replaced Jakob Gudbrand, who resigned for personal and family reasons.

Market development

The market growth expectation is unchanged. For 2019, GN Hearing expects a global unit growth of 4-6%, with an ASP development of (1)-(2)%. The market growth specifically observed in Q3 2019 was in line herewith.

Outlook 2019

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

"Q3 was an important quarter that delivered strong commercial execution with 8% organic growth and continued relentless focus on innovation as illustrated with the ReSound LiNX Quattro customs launch. I am very impressed and truly excited about our current products and our pipeline, which bodes well for the coming years."

Gitte Aabo, CEO of GN Hearing

GN Audio

With 20% organic revenue growth GN Audio delivered another outstanding quarter in Q3 2019

Highlights Q3 2019

- GN Audio delivered another quarter of outstanding performance with 20% organic revenue growth in Q3 2019 driven by very strong performance across the business. Revenue growth was 25%, including around 3% impact from the development in foreign exchange rates and around 2% impact from M&A
- EBITA increased 29% to DKK 290 million in Q3 2019. The EBITA margin of 19.8% reflects continuous leverage in the business off-set by investments in future growth opportunities and an adverse development in foreign exchange rates
- Free cash flow excl. M&A was DKK 329 million in Q3 2019, translating into a cash conversion of 113%. YTD cash conversion of 85%
- Financial guidance for 2019 is confirmed

Revenue

GN Audio delivered an outstanding 20% organic revenue growth in Q3 2019 driven by very strong performance across the business. Revenue growth was 25%, including around 3% impact from the development in foreign exchange rates and around 2% impact from M&A. In the first 9 months of 2019, GN Audio delivered an organic growth of 27%.

In Q3 2019, GN Audio's CC&O business continued to deliver strong double-digit organic revenue growth, reflecting GN Audio's innovative world leading product portfolio as well as strong execution on its commercial excellence initiatives. As a result, GN Audio continues to strengthen its leading position across the entire CC&O market with significant market share gains.

Earnings and other financial highlights

GN Audio's gross profit reached DKK 775 million in Q3 2019, an increase of 25% compared to Q3 2018. The gross margin was stable compared to Q3 2018, driven by positive mix on top of a negative impact from the development in foreign exchange rates. In the first 9 months of 2019, the gross margin was 52.3% compared to 53.4% in the same period last year, due to mix effects and an adverse development in foreign exchange rates.

GN Audio's EBITA increased 29% to DKK 290 million in Q3 2019. The EBITA margin of 19.8% reflects continuous leverage in the business off-set by investments in future

growth opportunities and adverse developments in foreign exchange rates. In the first 9 months of 2019, EBITA increased 44%, excluding transaction related costs associated with the Altia Systems acquisition, resulting in an EBITA margin of 18.8% compared to 17.2% in the same period last year. In reported terms, the EBITA margin increased 0.4 percentage points compared to the same period last year.

The return on invested capital (ROIC) was 55% in Q3 2019, in line with Q3 2018. Q3 2019 ROIC was positively impacted by the strong growth in EBITA, but negatively impacted by the Altia Systems acquisition and to some extent by the implementation of IFRS 16 (Leasing).

In Q3 2019, the free cash flow excl. M&A was DKK 329 million, compared to DKK 226 million in Q3 2018 primarily driven by strong development in net working capital. Cash conversion was 113% in the quarter. In the first nine months of 2019, cash conversion was 85% compared to 110% in the same period last year.

Business highlights

In Q3 2019, GN Audio started shipment of Jabra PanaCast. Jabra PanaCast is engineered to be the world's first smart panoramic 4k-pixel plug-and-play video solution. Jabra PanaCast's leading-edge cameras and microphones, fourth-generation stitching technology and Intelligent Vision software work as one to ensure optimal performance. This real-time immersive intelligent vision system offers 180-degree panoramic vision which ensures everyone in the room is seen. Jabra PanaCast provides unique value for small team and meeting rooms (huddle rooms), delivering wall-to-wall video, audio and data, which is desired for modern video collaboration. Distributors and resellers have welcomed the new product offering from GN Audio and sell-in has been as expected. GN Audio still expects the acquisition to be accretive to earnings already in 2020.

During Q3 2019, GN Audio presented its 4th generation in true wireless earbuds with Jabra Elite 75t. Shipment has started. Engineered to last longer and designed to fit even better, the Jabra Elite 75t pushes the limit for a true wireless product building on the strong success of Jabra Elite 65t. The Jabra Elite 75t offers up to 28 hours of battery life with the charging case and 7.5 hours without. The sleek design makes the Jabra Elite 75t ideal even for smaller ears, while the

ergonomic shape makes them so comfortable, users can enjoy their music and calls for extended periods of time.

Market development

In Q3 2019, the market addressed by GN Audio developed favorably. GN Audio expects that the favorable trends in the CC&O market and the consumer market to continue. However, the potential risk of a recession or an escalation of a trade war is not reflected in the expected market development.

Outlook 2019

GN Audio confirms its financial guidance for 2019 of organic revenue growth of “around 24%” and EBITA margin of “around 20%” before transaction related costs associated with the Altia Systems acquisition.

“With 20% organic revenue growth in Q3, GN Audio continued to take market share across regions and channels. I am very happy to see the strong focus on product innovation and commercialization paving the way for the strong quarter. We will continue to focus on areas, where we can do more in order to offer an even better value proposition to our customers around the world.”

René Svendsen-Tune, CEO of GN Audio

GN Store Nord

In Q3 2019, GN Store Nord revenue was DKK 2,999 million compared to DKK 2,560 million in Q3 2018. Organic revenue growth in Q3 2019 was 13%. Revenue growth was 17%, including around 3% impact from the development in foreign exchange rates and around 1% impact from M&A. In the first 9 months of 2019, GN Store Nord delivered an organic growth of 16%, while revenue growth was 20%.

EBITA in Other amounted to DKK (35) million in Q3 2019, compared to DKK (31) million in Q3 2018. GN Store Nord's EBITA reached DKK 538 million in Q3 2019 compared to DKK 462 million in Q3 2018, reflecting an increase of 16% compared to Q3 2018. As a result, the EBITA margin was 17.9% in Q3 2019 compared to 18.0% in Q3 2018. In the first 9 months of 2019, EBITA increased 18% to DKK 1,500 million leading to an EBITA margin of 16.9% (compared to 17.1% in first 9 months of 2018). The negative impact on the EBITA margin was driven by transaction related costs and an adverse development from the changes in foreign exchange rates.

In Q3 2019, gain (loss) on divestment of operations was DKK (3) million compared to DKK (5) million in Q3 2018.

In Q3 2019, amortization of acquired intangible assets amounted to DKK (151) million, compared to DKK (40) million in Q3 2018. The increase was driven by a DKK (98) million impairment loss in the Beltone retail in relation to the ongoing optimization of the portfolio.

In Q3 2019, financial items was DKK 62 million compared to DKK (31) million in Q3 2018. The development was largely driven by a realized gain on the sale of a non-controlling ownership interest as well as a fair value adjustment related to an existing ownership interest.

In Q3 2019, share of profit (loss) in associates was DKK 5 million compared to DKK 0 million in Q3 2018.

The profit before tax was DKK 451 million in Q3 2019, and the effective tax rate was 23.5%, translating into a net profit of DKK 345 million compared to DKK 301 million in Q3 2018. In the first 9 months of 2019, net profit increased 14% to DKK 912 million compared to DKK 798 million in the same period last year.

The free cash flow excl. M&A reached DKK 563 million in Q3 2019, equal to a cash conversion of 105%, which was slightly higher than Q3 2018 driven by, among other, a strong development in net working capital and a positive contribution from investments in other non-current assets. In the first nine months of 2019, the cash conversion was 68% compared to 68% in the same period last year.

Earnings per share (EPS) was DKK 2.60 in Q3 2019, an increase of 16% compared to Q3 2018. The increase was driven by the strong growth in net profit as well as the ongoing share buyback program. In the first nine month of 2019, reported EPS increased 15% to DKK 6.84 compared to DKK 5.93 in the same period last year.

By the end of Q3 2019, equity in GN Store Nord amounted to DKK 4,700 million compared to DKK 4,761 million in Q3 2018. The decrease was driven by the continued execution of the share buyback programs, the repurchase of the Convertible Bond as well as the ordinary dividend payment on top of strong net profits during the period.

Capital structure

In the first nine months of 2019, GN has in total distributed DKK 1,134 million back to shareholders through share buybacks and dividends. In March 2019, GN paid out DKK 197 million in dividends (DKK 1.35 per share) in respect of the fiscal year 2018 as approved at the Annual General Meeting in 2019.

GN's long-term capital structure policy is to have net interest-bearing debt of up to a maximum of two times EBITDA. GN targets a net interest-bearing debt between one and two times EBITDA for the coming years, based on the solid financial development in GN, the favorable capital markets as well as the relentless focus on maximizing shareholder value. By the end of Q3 2019, the net interest-bearing debt was DKK 5,245 million corresponding to 2.1x EBITDA, where EBITDA is based on the last four rolling quarters. Excluding the changes from the IFRS 16 implementation the NIBD / EBITDA would have been within the target. The leverage is expected to decrease further during the remainder of the year driven by the strong performance across the businesses.

Financial guidance 2019

DKK million	Organic revenue growth	EBITA	Effective tax rate
GN Hearing	~ 7%	> 20%	
GN Audio	~ 24%	~ 20%*	
Other		~ (150)	
GN Store Nord			~ 23%

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

Claim against Plantronics Inc.

In 2012, GN Audio filed suit against Plantronics for attempted monopolization of the distributors' market in the United States. On October 18, 2017, a jury in the Federal District Court of Delaware ruled in favor of Plantronics as the jury did not find that Plantronics' behavior in the market had been unlawful. GN appealed the ruling and won a re-trial in the US Court of Appeals for the Third Circuit on July 10, 2019. A subsequent petition by Plantronics for re-hearing of the appellate court decision was denied on August 8, 2019. GN is currently preparing the re-trial and the case is expected to be scheduled for trial in the Federal District Court of Delaware in 2020.

Foreign exchange exposure

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

Additional information

Teleconference

GN will host a teleconference at 11.00 am CET today. Please visit www.gn.com to access the teleconference. Presentation material will be available on the website approximately one hour prior to the start of the teleconference.

Financial calendar

Annual Report 2019: February 5, 2020

Forward-looking statements

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

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

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Strategy 2017 – 2019



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

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

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

GN Hearing's strategic focus

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

Leadership in innovation

The Innovation Excellence approach will focus on three areas:

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

Lead in Commercial Excellence

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

GN Audio's strategic focus

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

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

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

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

People Excellence across the Group

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

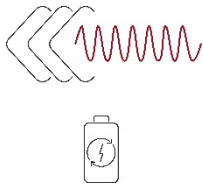


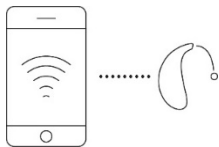

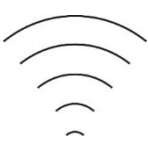
Financial target 2017-2019

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

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

GN Hearing's journey towards more natural hearing

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

<p>2018</p> <p>6th generation ReSound LiNX Quattro</p>		<p>GN Hearing's 6th generation 2.4 GHz hearing aids define a new category, Premium-Plus, with a combination of benefits that no other hearing aids offer: a brilliant sound experience, with unprecedented Layers of Sound™, and the world's most advanced rechargeable solution. The new generation allows an even deeper cooperation with Apple and a new partnership with Google, ensuring direct streaming from Android™ devices using Bluetooth® Low Energy.</p>
<p>2017</p> <p>5th generation ReSound LiNX 3D</p>		<p>The 5th generation 2.4 GHz wireless technology from GN Hearing offers unprecedented benefits to hearing aid users and to hearing care professionals across three key dimensions – Sound Quality, efficient and convenient fitting and groundbreaking remote fine-tuning - all leading to better restoration of natural hearing.</p>
<p>2015</p> <p>4th generation ReSound LiNX²</p>		<p>Surround Sound by ReSound is upgraded with Spatial Sense, which helps the user hear what and where sounds are coming from. It allows users to focus on the sounds they are most interested in – even when noise levels are high. Offering four times faster connection with Apple devices and now also connects with Apple Watch.</p>
<p>2014</p> <p>3rd generation ReSound LiNX</p>		<p>The world's first Made for iPhone hearing aid (Bluetooth Smart device) makes hearing aids work like wireless stereo headphones with iPhone, iPad or iPod touch. The ReSound Smart app enables people to control and personalize their hearing aids where ever they are.</p>
<p>2012</p> <p>2nd generation ReSound Verso</p>		<p>The first 2.4 GHz based ear-to-ear data exchange, Binaural Directionality, enables users to decide which sound to focus on in any environment.</p>
<p>2010</p> <p>1st generation ReSound Alera</p>		<p>The world's first 2.4 GHz wireless system for high quality sound streaming does away with the stigmatizing necklace. New feedback reduction system removes feedback without reducing amplification.</p>

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Quarterly reporting by segment

DKK million	Q1 2018 (unaud.)	Q2 2018 (unaud.)	Q3 2018 (unaud.)	Q4 2018 (unaud.)	Q1 2019 (unaud.)	Q2 2019 (unaud.)	Q3 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	Full year 2018 (aud.)
Income statement										
Revenue										
GN Hearing	1,365	1,433	1,391	1,644	1,507	1,585	1,537	4,189	4,629	5,833
GN Audio	931	1,131	1,169	1,543	1,333	1,466	1,462	3,231	4,261	4,774
Total	2,296	2,564	2,560	3,187	2,840	3,051	2,999	7,420	8,890	10,607
Organic growth										
GN Hearing	5%	6%	6%	10%	8%	8%	8%	5%	8%	7%
GN Audio	17%	19%	20%	28%	36%	26%	20%	19%	27%	21%
Total	10%	11%	12%	18%	19%	16%	13%	11%	16%	13%
Gross profit										
GN Hearing	929	988	968	1,149	1,047	1,090	1,053	2,885	3,190	4,034
GN Audio	496	609	619	816	707	745	775	1,724	2,227	2,540
Total	1,425	1,597	1,587	1,965	1,754	1,835	1,828	4,609	5,417	6,574
Gross profit margin										
GN Hearing	68.1%	68.9%	69.6%	69.9%	69.5%	68.8%	68.5%	68.9%	68.9%	69.2%
GN Audio	53.3%	53.8%	53.0%	52.9%	53.0%	50.8%	53.0%	53.4%	52.3%	53.2%
Total	62.1%	62.3%	62.0%	61.7%	61.8%	60.1%	61.0%	62.1%	60.9%	62.0%
Development costs										
GN Hearing	(97)	(108)	(122)	(147)	(134)	(130)	(132)	(327)	(396)	(474)
GN Audio	(61)	(79)	(90)	(100)	(91)	(92)	(96)	(230)	(279)	(330)
Other *	(13)	(15)	(11)	(18)	(16)	(19)	(14)	(39)	(49)	(57)
Total	(171)	(202)	(223)	(265)	(241)	(241)	(242)	(596)	(724)	(861)
Selling and distribution costs and administrative expenses etc.										
GN Hearing	(570)	(602)	(577)	(617)	(631)	(661)	(638)	(1,749)	(1,930)	(2,366)
GN Audio	(309)	(323)	(305)	(368)	(423)	(385)	(389)	(937)	(1,197)	(1,305)
Other *	(21)	(18)	(20)	(27)	(20)	(25)	(21)	(59)	(66)	(86)
Total	(900)	(943)	(902)	(1,012)	(1,071)	(1,071)	(1,048)	(2,745)	(3,193)	(3,757)
EBITA										
GN Hearing	262	278	269	385	282	299	283	809	864	1,194
GN Audio	126	207	224	348	193	268	290	557	751	905
Other *	(34)	(33)	(31)	(45)	(36)	(44)	(35)	(98)	(115)	(143)
Total	354	452	462	688	439	523	538	1,268	1,500	1,956
EBITA margin										
GN Hearing	19.2%	19.4%	19.3%	23.4%	18.7%	18.9%	18.4%	19.3%	18.7%	20.5%
GN Audio	13.5%	18.3%	19.2%	22.6%	14.5%	18.3%	19.8%	17.2%	17.6%	19.0%
Total	15.4%	17.6%	18.0%	21.6%	15.5%	17.1%	17.9%	17.1%	16.9%	18.4%
Depreciation and software amortization										
GN Hearing	(25)	(24)	(24)	(25)	(46)	(47)	(48)	(73)	(141)	(98)
GN Audio	(7)	(13)	(11)	(12)	(23)	(24)	(26)	(31)	(73)	(43)
Other *	(11)	(12)	(13)	(15)	(17)	(20)	(23)	(36)	(60)	(51)
Total	(43)	(49)	(48)	(52)	(86)	(91)	(97)	(140)	(274)	(192)
EBITDA										
GN Hearing	287	302	293	410	328	346	331	882	1,005	1,292
GN Audio	133	220	235	360	216	292	316	588	824	948
Other *	(23)	(21)	(18)	(30)	(19)	(24)	(12)	(62)	(55)	(92)
Total	397	501	510	740	525	614	635	1,408	1,774	2,148
EBITA	354	452	462	688	439	523	538	1,268	1,500	1,956
Amortization of acquired intangible assets	(37)	(37)	(40)	(41)	(42)	(57)	(151)	(114)	(250)	(155)
Gain (loss) on divestment of operations etc.	(1)	-	(5)	1	-	1	(3)	(6)	(2)	(5)
Operating profit (loss)	316	415	417	648	397	467	384	1,148	1,248	1,796
Share of profit (loss) in associates	-	-	-	13	(2)	(5)	5	-	(2)	13
Financial items, net	(42)	(49)	(31)	(81)	(53)	(64)	62	(122)	(55)	(203)
Profit (loss) before tax	274	366	386	580	342	398	451	1,026	1,191	1,606
Tax on profit (loss)	(61)	(82)	(85)	(131)	(80)	(93)	(106)	(228)	(279)	(359)
Profit (loss)	213	284	301	449	262	305	345	798	912	1,247
Balance sheet										
Development projects										
GN Hearing	868	925	931	937	948	967	987	931	987	937
GN Audio	309	322	322	315	319	324	333	322	333	315
Other *	-	(30)	(30)	(30)	(25)	(24)	(22)	(30)	(22)	(30)
Total	1,177	1,217	1,223	1,222	1,242	1,267	1,298	1,223	1,298	1,222
Inventories										
GN Hearing	376	411	457	460	509	541	562	457	562	460
GN Audio	274	308	400	492	493	539	611	400	611	492
Total	650	719	857	952	1,002	1,080	1,173	857	1,173	952
Trade receivables										
GN Hearing	1,119	1,096	1,144	1,276	1,294	1,254	1,235	1,144	1,235	1,276
GN Audio	816	1,020	1,022	1,118	1,014	1,174	1,056	1,022	1,056	1,118
Total	1,935	2,116	2,166	2,394	2,308	2,428	2,291	2,166	2,291	2,394
Net working capital										
GN Hearing	742	704	742	785	940	886	804	742	804	785
GN Audio	431	396	377	425	592	578	433	377	433	425
Other *	(75)	(84)	(77)	(98)	(110)	(110)	(160)	(77)	(160)	(98)
Total	1,098	1,016	1,042	1,112	1,422	1,354	1,077	1,042	1,077	1,112
Free cash flow excl. M&A										
GN Hearing	103	106	182	183	(37)	290	289	391	542	574
GN Audio	99	289	226	184	78	232	329	614	639	798
Other *	(25)	(57)	(59)	(121)	(54)	(50)	(55)	(141)	(159)	(262)
Total	177	338	349	246	(13)	472	563	864	1,022	1,110
Acquisitions and divestments of companies	(28)	(69)	-	-	(653)	(37)	(12)	(97)	(702)	(97)
Free cash flow	149	269	349	246	(666)	435	551	767	320	1,013

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

Consolidated income statement

(DKK million)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full Year 2018 (aud.)
Revenue	2,999	2,560	8,890	7,420	10,607
Production costs	(1,171)	(973)	(3,473)	(2,811)	(4,033)
Gross profit	1,828	1,587	5,417	4,609	6,574
Development costs	(242)	(223)	(724)	(596)	(861)
Selling and distribution costs	(827)	(754)	(2,496)	(2,239)	(3,050)
Management and administrative expenses	(218)	(147)	(700)	(508)	(706)
Other operating income and costs, net	(3)	(1)	3	2	(1)
EBITA*	538	462	1,500	1,268	1,956
Amortization of acquired intangible assets	(151)	(40)	(250)	(114)	(155)
Gain (loss) on divestment of operations etc.	(3)	(5)	(2)	(6)	(5)
Operating profit (loss)	384	417	1,248	1,148	1,796
Share of profit (loss) in associates	5	-	(2)	-	13
Financial income	297	12	358	62	71
Financial expenses	(235)	(43)	(413)	(184)	(274)
Profit (loss) before tax	451	386	1,191	1,026	1,606
Tax on profit (loss)	(106)	(85)	(279)	(228)	(359)
Profit (loss) for the period	345	301	912	798	1,247
Attributable to:					
Non-controlling interests	6	-	14	-	6
Shareholders in GN Store Nord A/S	339	301	898	798	1,241
Earnings per share (EPS):					
Earnings per share (EPS)	2.60	2.25	6.84	5.93	9.25
Earnings per share, fully diluted (EPS diluted)	2.58	2.20	6.75	5.85	9.13

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

Consolidated statement of comprehensive income

(DKK million)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full Year 2018 (aud.)
Profit (loss) for the period	345	301	912	798	1,247
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains (losses)	-	-	2	-	(11)
Tax relating to this item of other comprehensive income	-	-	-	-	3
Items that may be reclassified subsequently to profit or loss					
Adjustment of cash flow hedges	(10)	(4)	-	(66)	(68)
Foreign exchange adjustments, etc.	259	20	308	190	256
Tax relating to these items of other comprehensive income	(5)	(1)	(10)	7	5
Other comprehensive income for the period, net of tax	244	15	300	131	185
Total comprehensive income for the period	589	316	1,212	929	1,432
Attributable to:					
Non-controlling interests	6	-	14	-	6
Shareholders in GN Store Nord A/S	583	316	1,198	929	1,426

Consolidated balance sheet at September 30

(DKK million)	Sep. 30 2019 (unaud.)	Jun. 30 2019 (unaud.)	Mar. 31 2019 (unaud.)	Dec. 31 2018 (aud.)
Assets				
Intangible assets	7,536	7,446	7,504	6,594
Property, plant and equipment	1,050	1,039	1,032	514
Deferred tax assets	385	372	374	368
Other non-current assets	1,528	1,263	1,269	1,260
Total non-current assets	10,499	10,120	10,179	8,736
Inventories	1,173	1,080	1,002	952
Trade receivables	2,291	2,428	2,308	2,394
Tax receivables	102	55	35	29
Other receivables	234	240	255	270
Cash and cash equivalents	475	268	273	636
Total current assets	4,275	4,071	3,873	4,281
Total assets	14,774	14,191	14,052	13,017
Equity and liabilities				
Equity	4,700	4,466	4,869	5,096
Bank loans and issued bonds	3,926	3,919	3,248	3,842
Lease liabilities, non-current	355	354	364	-
Pension obligations	55	55	54	54
Provisions, non-current	259	253	273	262
Deferred tax liabilities	401	490	497	399
Other non-current liabilities	441	444	382	306
Total non-current liabilities	5,437	5,515	4,818	4,863
Bank loans	1,306	1,236	1,691	28
Lease liabilities, current	133	137	132	-
Trade payables	802	810	699	934
Tax payables	210	82	6	148
Provisions, current	367	361	393	378
Other current liabilities	1,819	1,584	1,444	1,570
Total current liabilities	4,637	4,210	4,365	3,058
Total equity and liabilities	14,774	14,191	14,052	13,017

Consolidated statement of cash flow

(DKK million)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	Full Year 2018 (aud.)
Operating activities					
Operating profit (loss)	384	417	1,248	1,148	1,796
Depreciation, amortization and impairment	347	168	815	496	690
Other non-cash adjustments	12	(9)	75	90	107
Cash flow from operating activities before changes in working capital	743	576	2,138	1,734	2,593
Changes in working capital	182	(29)	(79)	(33)	(95)
Cash flow from operating activities before financial items and tax	925	547	2,059	1,701	2,498
Financial items, net	(97)	(19)	(140)	(70)	(113)
Tax paid, net	(119)	(5)	(347)	(86)	(313)
Cash flow from operating activities	709	523	1,572	1,545	2,072
Investing activities					
Development projects	(126)	(80)	(363)	(301)	(408)
Investments in other intangible assets, net	(38)	(55)	(96)	(105)	(156)
Investments in property, plant and equipment, net	(55)	(37)	(162)	(113)	(160)
Investments in other non-current assets, net	73	(2)	71	(162)	(238)
Company acquisitions	(14)	-	(704)	(97)	(97)
Company divestments	2	-	2	-	-
Cash flow from investing activities	(158)	(174)	(1,252)	(778)	(1,059)
Cash flow from operating and investing activities (free cash flow)	551	349	320	767	1,013
Financing activities					
Paid dividends	-	-	(178)	(169)	(169)
Share-based payment (exercised)	4	9	263	62	65
Purchase/sale of treasury shares and other equity instruments	(362)	(269)	(1,353)	(888)	(1,061)
Net proceeds from issue of bonds (bond-with-warrant units)	-	-	2,272	-	-
Net proceeds from issue of warrants (bond-with-warrant units)	-	-	204	-	-
Repurchase of bonds issued in 2017	(4)	-	(1,632)	-	-
Repurchase of warrants issued in 2017	-	-	(604)	-	-
Increase/decrease in bank loans and other adjustments	13	161	539	347	263
Cash flow from financing activities	(349)	(99)	(489)	(648)	(902)
Net cash flow	202	250	(169)	119	111
Cash and cash equivalents beginning of period	268	395	636	526	526
Adjustment foreign currency, cash and cash equivalents	5	(6)	8	(6)	(1)
Cash and cash equivalents, end of period	475	639	475	639	636

Consolidated statement of equity

Q3 2018 (DKK million)	Other reserves				Proposed dividends for the year	Retained earnings	Equity, shareholders in GN Store Nord A/S	Non-controlling interests	Total equity
	Share capital*	Foreign exchange adjustments	Hedging reserve	Treasury shares					
Balance at December 31, 2017	583	(1,311)	26	(1,586)	182	6,889	4,783	-	4,783
Effect of implementing IFRS 9	-	-	-	-	-	12	12	-	12
Balance at January 1, 2018	583	(1,311)	26	(1,586)	182	6,901	4,795	-	4,795
Profit (loss) for the period	-	-	-	-	-	798	798	-	798
Adjustment of cash flow hedges	-	-	(66)	-	-	-	(66)	-	(66)
Foreign exchange adjustments, etc.	-	190	-	-	-	-	190	-	190
Tax relating to other comprehensive income	-	(7)	14	-	-	-	7	-	7
Total comprehensive income for the period	-	183	(52)	-	-	798	929	-	929
Share-based payment (granted)	-	-	-	-	-	25	25	-	25
Share based payment (exercised)	-	-	-	59	-	3	62	-	62
Tax related to share-based incentive plans	-	-	-	-	-	7	7	-	7
Purchase/sale of treasury shares	-	-	-	(888)	-	-	(888)	-	(888)
Paid dividends	-	-	-	-	(169)	-	(169)	-	(169)
Dividends, treasury shares	-	-	-	-	(13)	13	-	-	-
Balance at September 30, 2018	583	(1,128)	(26)	(2,415)	-	7,747	4,761	-	4,761
Q3 2019 (DKK million)									
Balance at December 31, 2018	583	(1,065)	(27)	(2,585)	197	7,993	5,096	-	5,096
Profit (loss) for the period	-	-	-	-	-	898	898	14	912
Actuarial gains (losses)	-	-	-	-	-	2	2	-	2
Adjustment of cash flow hedges	-	-	-	-	-	-	-	-	-
Foreign exchange adjustments, etc.	-	308	-	-	-	-	308	-	308
Tax relating to other comprehensive income	-	(10)	-	-	-	-	(10)	-	(10)
Total comprehensive income for the period	-	298	-	-	-	900	1,198	14	1,212
Reduction of the share capital	(14)	-	-	536	-	(522)	-	-	-
Fair value of warrants issued with bonds	-	-	-	-	-	204	204	-	204
Repurchase of warrants issued with bonds in 2017	-	-	-	-	-	(604)	(604)	-	(604)
Share-based payment (granted)	-	-	-	-	-	24	24	-	24
Share-based payment (exercised)	-	-	-	243	-	20	263	-	263
Tax related to share-based incentive plans	-	-	-	-	-	45	45	-	45
Purchase/sale of treasury shares	-	-	-	(1,353)	-	-	(1,353)	-	(1,353)
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	5	5	(14)	(9)
Paid dividends	-	-	-	-	(178)	-	(178)	-	(178)
Dividends, treasury shares	-	-	-	-	(19)	19	-	-	-
Balance at September 30, 2019	569	(767)	(27)	(3,159)	-	8,084	4,700	-	4,700

* shares of DKK 4 each

Note 1 – Accounting policies

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

New standards, interpretations and amendments adopted by GN Store Nord

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

Addition to accounting policies for Financial Liabilities

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

§ Accounting policies

Financial Liabilities

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

Effect from implementing IFRS 16 Leases

According to IFRS 16 Leases, a lease liability, for leases previously classified as operating leases, has been recognized in the balance sheet as of January 1, 2019. The lease liability is measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.5%. Likewise, at January 1, 2019 right-of-use assets, for leases previously classified as operating leases, has been recognized in the balance sheet. The right-of-use assets has been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments already recognized in the balance sheet.

IFRS 16 Leases has been applied using the simplified retrospective method. In accordance with the transitional provisions of the standard comparative information has not been restated. When calculating Key Ratios such as ROIC and NIBD/EBITDA, the 2018 figures included are reported 2018 figures in accordance with the previous accounting policy (IAS 17), whereas the 2019 figures included are reported 2019 figures in accordance with the new accounting policy (IFRS 16).

GN has used the following practical expedients from IFRS 16 when initially applying the standard:

- A single discount rate is applied to portfolios of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying assets in a similar economic environment.
- Leases, for which the lease term ends within 12 months after January 1, 2019, are accounted for in the same way as short-term leases and the lease payments associated with those leases are expensed on a straight-line basis over the lease term.
- Initial direct costs are excluded from the measurement of the right-of-use assets at the date of initial application.

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

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

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

Note 1 – Accounting policies (continued)

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

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

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

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

Leases

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

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

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

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

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

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

Extension and termination options

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

Significant accounting estimates

Leases

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

Note 2 – Segment disclosures Q3 2019

Income statements	GN Hearing		GN Audio		Other**		Consolidated total	
	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)
(DKK million)								
Revenue	1,537	1,391	1,462	1,169	-	-	2,999	2,560
Production costs	(484)	(423)	(687)	(550)	-	-	(1,171)	(973)
Gross profit	1,053	968	775	619	-	-	1,828	1,587
Development costs	(132)	(122)	(96)	(90)	(14)	(11)	(242)	(223)
Selling and distribution costs	(513)	(485)	(314)	(269)	-	-	(827)	(754)
Management and administrative expenses	(123)	(91)	(74)	(36)	(21)	(20)	(218)	(147)
Other operating income and costs, net	(2)	(1)	(1)	-	-	-	(3)	(1)
EBITA*	283	269	290	224	(35)	(31)	538	462
Amortization of acquired intangible assets	(132)	(35)	(19)	(5)	-	-	(151)	(40)
Gain (loss) on divestment of operations etc.	(3)	-	-	(5)	-	-	(3)	(5)
Operating profit (loss)	148	234	271	214	(35)	(31)	384	417
Share of profit (loss) in associates	5	-	-	-	-	-	5	-
Financial items	92	(13)	(27)	5	(3)	(23)	62	(31)
Profit (loss) before tax	245	221	244	219	(38)	(54)	451	386
Tax on profit (loss)	(55)	(52)	(57)	(43)	6	10	(106)	(85)
Profit (loss) for the period	190	169	187	176	(32)	(44)	345	301

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)
(DKK million)								
Operating activities before changes in working capital	383	325	373	269	(13)	(18)	743	576
Cash flow from changes in working capital	(20)	(27)	149	10	53	(12)	182	(29)
Cash flow from operating activities excluding financial items and tax	363	298	522	279	40	(30)	925	547
Cash flow from investing activities:								
Development projects	(81)	(44)	(45)	(36)	-	-	(126)	(80)
Other	59	(48)	(48)	(20)	(43)	(26)	(32)	(94)
Cash flow from operating and investing activities before financial items and tax	341	206	429	223	(3)	(56)	767	373
Tax and financial items	(50)	(24)	(114)	3	(52)	(3)	(216)	(24)
Cash flow from operating and investing activities (free cash flow)	291	182	315	226	(55)	(59)	551	349
Cash flow from M&A activities	2	-	(14)	-	-	-	(12)	-
Free cash flow excl. M&A	289	182	329	226	(55)	(59)	563	349

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)	Q3 2019 (unaud.)	Q3 2018 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	34	30	35	35	-	-	69	65
Europe	319	297	582	447	-	-	901	744
North America	844	763	546	455	-	-	1,390	1,218
Rest of World	340	301	299	232	-	-	639	533
Revenue	1,537	1,391	1,462	1,169	-	-	2,999	2,560
Incurring development costs	(151)	(121)	(103)	(89)	(15)	(11)	(269)	(221)
Capitalized development costs	81	44	45	36	-	-	126	80
Amortization, impairment and depreciation of development projects***	(62)	(45)	(38)	(37)	1	-	(99)	(82)
Expensed development costs	(132)	(122)	(96)	(90)	(14)	(11)	(242)	(223)
EBITDA	331	293	316	235	(12)	(18)	635	510
Depreciation and software amortization	(48)	(24)	(26)	(11)	(23)	(13)	(97)	(48)
EBITA*	283	269	290	224	(35)	(31)	538	462
EBITA margin	18.4%	19.3%	19.8%	19.2%	N/A	N/A	17.9%	18.0%
Number of employees, end of period	-4,525	-4,500	-1,600	-1,300	-175	-175	-6,300	-5,975

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

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

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

Note 2.1 – Segment disclosures Q3 2019 (Continued)

Balance sheet	GN Hearing		GN Audio		Other**		Consolidated total	
	Sep. 30 2019 (unaud.)	Sep. 30 2018 (unaud.)	Sep. 30 2019 (unaud.)	Sep. 30 2018 (unaud.)	Sep. 30 2019 (unaud.)	Sep. 30 2018 (unaud.)	Sep. 30 2019 (unaud.)	Sep. 30 2018 (unaud.)
(DKK million)								
ASSETS								
Goodwill	3,634	3,442	1,265	750	-	-	4,899	4,192
Development projects	987	931	333	322	(22)	(30)	1,298	1,223
Other intangible assets	603	782	480	139	256	207	1,339	1,128
Property, plant and equipment	601	230	207	93	242	181	1,050	504
Investments in associates	216	75	-	-	30	30	246	105
Deferred tax assets	280	250	127	102	(22)	-	385	352
Loans to dispensers and ownership interests	988	861	-	-	-	-	988	861
Other financial assets	294	241	-	1	-	-	294	242
Total non-current assets	7,603	6,812	2,412	1,407	484	388	10,499	8,607
Inventories	562	457	611	400	-	-	1,173	857
Trade receivables	1,235	1,144	1,056	1,022	-	-	2,291	2,166
Receivables from group companies*	-	-	479	1,214	(479)	(1,214)	-	-
Tax receivables	67	11	23	11	12	-	102	22
Other receivables	153	152	43	43	38	23	234	218
Cash and cash equivalents	121	272	73	94	281	273	475	639
Total current assets	2,138	2,036	2,285	2,784	(148)	(918)	4,275	3,902
Total assets	9,741	8,848	4,697	4,191	336	(530)	14,774	12,509
EQUITY AND LIABILITIES								
Equity	6,128	5,902	2,793	2,775	(4,221)	(3,916)	4,700	4,761
Bank loans and issued bonds	-	-	-	-	3,926	3,952	3,926	3,952
Lease liabilities, non-current	269	-	43	-	43	-	355	-
Pension obligations	55	41	-	-	-	-	55	41
Provisions, non-current	156	170	103	22	-	-	259	192
Deferred tax liabilities	191	188	167	89	43	177	401	454
Other non-current liabilities	326	307	115	-	-	-	441	307
Total non-current liabilities	997	706	428	111	4,012	4,129	5,437	4,946
Bank loans	-	1	11	1	1,295	6	1,306	8
Lease liabilities, current	93	-	31	-	9	-	133	-
Trade payables	216	246	520	492	66	35	802	773
Amounts owed to group companies*	967	861	-	-	(967)	(861)	-	-
Tax payables	189	112	11	51	10	12	210	175
Provisions, current	221	255	146	165	-	-	367	420
Other current liabilities	930	765	757	596	132	65	1,819	1,426
Total current liabilities	2,616	2,240	1,476	1,305	545	(743)	4,637	2,802
Total equity and liabilities	9,741	8,848	4,697	4,191	336	(530)	14,774	12,509
Invested capital***	7,240	6,563	2,469	1,494	316	281	10,025	8,338
Average invested capital	6,902	6,398	1,982	1,517	299	273	9,183	8,188

* Net amount

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

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

Note 2 – Segment disclosures YTD 2019

Income statement	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)
(DKK million)								
Revenue	4,629	4,189	4,261	3,231	-	-	8,890	7,420
Production costs	(1,439)	(1,304)	(2,034)	(1,507)	-	-	(3,473)	(2,811)
Gross profit	3,190	2,885	2,227	1,724	-	-	5,417	4,609
Development costs	(396)	(327)	(279)	(230)	(49)	(39)	(724)	(596)
Selling and distribution costs	(1,527)	(1,447)	(969)	(792)	-	-	(2,496)	(2,239)
Management and administrative expenses	(408)	(304)	(226)	(145)	(66)	(59)	(700)	(508)
Other operating income and costs, net	5	2	(2)	-	-	-	3	2
EBITA*	864	809	751	557	(115)	(98)	1,500	1,268
Amortization of acquired intangible assets	(204)	(100)	(46)	(14)	-	-	(250)	(114)
Gain (loss) on divestment of operations etc.	(2)	(1)	-	(5)	-	-	(2)	(6)
Operating profit (loss)	658	708	705	538	(115)	(98)	1,248	1,148
Share of profit (loss) in associates	(2)	-	-	-	-	-	(2)	-
Financial items	32	(22)	(17)	12	(70)	(112)	(55)	(122)
Profit (loss) before tax	688	686	688	550	(185)	(210)	1,191	1,026
Tax on profit (loss)	(153)	(162)	(161)	(108)	35	42	(279)	(228)
Profit (loss) for the period	535	524	527	442	(150)	(168)	912	798

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)
(DKK million)								
Operating activities before changes in working capital	1,207	1,070	994	727	(63)	(63)	2,138	1,734
Cash flow from changes in working capital	(131)	(156)	(11)	98	63	25	(79)	(33)
Cash flow from operating activities excluding financial items and tax	1,076	914	983	825	-	(38)	2,059	1,701
Cash flow from investing activities:								
Development projects, investment	(234)	(174)	(129)	(127)	-	-	(363)	(301)
Other investing activities	(80)	(285)	(716)	(102)	(93)	(90)	(889)	(477)
Cash flow from operating and investing activities before financial items and tax	762	455	138	596	(93)	(128)	807	923
Tax and financial items	(276)	(103)	(145)	(40)	(66)	(13)	(487)	(156)
Cash flow from operating and investing activities (free cash flow)	486	352	(7)	556	(159)	(141)	320	767
Cash flow from M&A activities	(56)	(39)	(646)	(58)	-	-	(702)	(97)
Free cash flow excl. M&A	542	391	639	614	(159)	(141)	1,022	864

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)	YTD 2019 (unaud.)	YTD 2018 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	109	98	119	87	-	-	228	185
Europe	1,022	936	1,797	1,341	-	-	2,819	2,277
North America	2,500	2,262	1,547	1,183	-	-	4,047	3,445
Rest of World	998	893	798	620	-	-	1,796	1,513
Revenue	4,629	4,189	4,261	3,231	-	-	8,890	7,420
Incurred development costs	(441)	(360)	(293)	(249)	(56)	(39)	(790)	(648)
Capitalized development costs	234	174	129	127	-	-	363	301
Amortization, impairment and depreciation of development projects***	(189)	(141)	(115)	(108)	7	-	(297)	(249)
Expensed development costs	(396)	(327)	(279)	(230)	(49)	(39)	(724)	(596)
EBITDA	1,005	882	824	588	(55)	(62)	1,774	1,408
Depreciation and software amortization	(141)	(73)	(73)	(31)	(60)	(36)	(274)	(140)
EBITA*	864	809	751	557	(115)	(98)	1,500	1,268
EBITA margin	18.7%	19.3%	17.6%	17.2%	N/A	N/A	16.9%	17.1%
Number of employees, end of period	~4,525	~4,500	~1,600	~1,300	~175	~175	~6,300	~5,975

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

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

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

Note 3 – Acquisition of companies and operations

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

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

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

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

The goodwill of DKK 447 million relating to the above transaction will be allocated to the cash-generating unit GN Audio. The goodwill will not be deductible for tax purposes. In order to effect the acquisition GN incurred costs of DKK 52 million which was expensed in management and administrative expenses in 2019. For 2019, transaction related costs related to the acquisition of Altia Systems Inc., will impact GN Audio's EBITA margin negatively by around 1 percentage point.

Note 4 – Funding, liquidity and capital structure

GN's net interest-bearing debt has decreased in Q3 2019 to DKK 5,245 million of which DKK 1,439 million are classified as current debt. The increase in the current portion of the debt compared to December 31, 2018 is due to attractive short term financing through euro commercial papers as well as current lease liabilities. In Q2 2019, GN utilized attractive market conditions and launched a refinancing of convertible bonds, consisting of bond-with-warrant units. The refinancing was made through issuance of new bond-with-warrant units and a repurchase of the bonds-with-warrant units issued in 2017. GN may undertake repurchases of the outstanding Bond-with-warrant units in the future after considering relevant factors such as business performance, cash-flows and market prices, always in accordance with the Terms and Conditions of the Bonds and the Warrants. As of September 30, 2019, GN has immediate access to a long-term undrawn Revolving Credit Facility of DKK 2,000 million to mitigate potential liquidity and refinancing risks.

Note 5 – Significant events and transactions in the quarter

In Q3 2019, GN had positive financial items of DKK 62 million. This was largely driven by a realized gain on the sale of a non-controlling ownership interest, as well as a fair value adjustment related to an existing ownership interest in a company in which GN in Q3 2019 has purchased additional shares. The gains are recognized in the GN Hearing segment.

Furthermore, GN has in Q3 2019 realized an impairment loss of DKK 98 million in the GN Hearing segment, on acquired intangible assets in connection with a review of expectations and budgets for a number of previously acquired assets. The impairment loss is largely related to customer relationships and has been expensed in the line 'Amortization of acquired intangible assets'. The impairment loss has been calculated using a fair value based on multiples (fair value hierarchy level 3).

Note 6 – Incentive plans

As of September 30, 2019, the total number of outstanding warrants in GN Hearing was 8,033 (1.2% of the shares issued in GN Hearing). The total number of outstanding warrants in GN Audio was 7,323 (2.1% of the shares issued in GN Audio). The total number of outstanding options in GN Store Nord is 773,151 (0.5% of the shares issued in GN Store Nord)

Note 7 – Shareholdings

On September 30, 2019, members of the board of directors and the executive management, respectively, own 449,601 and 81,485 shares in GN Store Nord.

On September 30, 2019, GN owns 12,462,913 treasury shares, equivalent to 8.8% of the 142,268,100 shares issued.

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

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

Statement by the Executive Management and the Board of Directors

Today, the board of directors and the executive management have reviewed and approved the interim report for GN Store Nord A/S for the period January 1 – September 30, 2019.

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

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

September 30, 2019 and of the results of the group's operations and cash flows for the period January 1 – September 30, 2019.

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

Ballerup, November 7, 2019

Executive Management

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

Gitte Aabo
CEO, GN Hearing

Marcus Desimoni
CFO, GN Store Nord & GN Hearing

Board of Directors

Per Wold-Olsen
Chairman

William E. Hoover Jr.
Deputy chairman

Wolfgang Reim

Ronica Wang

Hélène Barnekow

Leo Larsen

Marcus Stuhr Perathoner

Morten Andersen



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