BANG & OLUFSEN

ANNUAL REPORT 2020/21

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Bang & Olufsen's core capabilities

Sound, design & craftsmanship

Beautiful *Sound*
All products are created to deliver the most seamless and powerful sound experience no matter the circumstances – natural, authentic and as the artist intended, regardless of size or shape.

Timeless *Design*
Innovation is the inspiration that drives form and expression. The end result is design that is performance-driven and magical.

Unrivalled *Craftsmanship*
Only materials of the highest quality are used. From pearl-blasted anodised aluminium, authentic leather, Scandinavian wood and fabrics that cover the products.

Bang & Olufsen

At a glance

DKK 2.6bn

REVENUE

947

EMPLOYEES

70

MARKETS

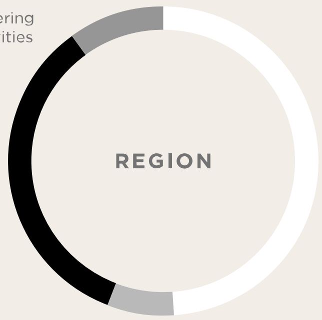
LISTED ON

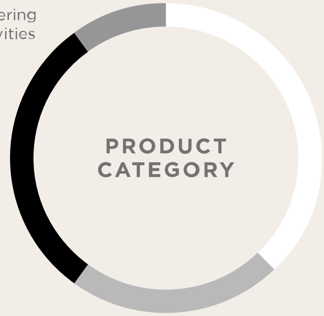
NASDAQ

COPENHAGEN

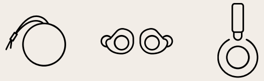
Bang & Olufsen is a luxury audio brand founded in 1925 in Struer, Denmark, by Peter Bang and Svend Olufsen whose devotion and vision remain the foundation for the company. For nearly a century, Bang & Olufsen has been pushing the boundaries of audio technology and the company continues to sit at the forefront of acoustic innovation.

REVENUE SPLIT





PRODUCT CATEGORIES

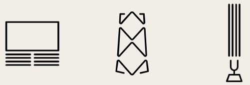


On-the-go

Products designed for travel, performance and urban life (work in- and around the home)

Flexible Living

Connected sound for any room in either an omni-, stereo- or multipoint set-up.



Staged

Immersive stereo music listening and cinematic viewing experiences.

Financial
Highlights 2020/21

PROFITABILITY

GROSS MARGIN

43.3%

2.2pp YoY

EBIT MARGIN bsi*

1.4%

16.4pp YoY

REVENUE GROWTH

2,629M

DKK

31% YoY**

EMEA
27%
YoY growth**

ASIA
43%
YoY growth**

AMERICAS
42%
YoY growth**

ON-THE-GO
8%
YoY growth

FLEXIBLE LIVING
81%
YoY growth

STAGED
34%
YoY growth

LIQUIDITY

FREE CASH FLOW, DKK

119M

353M YoY

AVAILABLE LIQUIDTY, DKK

593M

378M YoY

* Before special items
** In local currencies

Letter from the Chairman and the CEO

First phase of turnaround completed as we return to profitability

Juha Christensen
Chairman of the Board

Kristian Teär
CEO

The financial year 2020/21 was marked by the terrible pandemic that impacted people, societies and businesses around the world. While writing this, we are encouraged to see that countries are starting to reopen and that the pandemic seems to be improving in many parts of the world.

Despite being faced with many challenges related to the pandemic, we saw evidence that our strategy is working, and were able to complete the first phase of our turnaround. We returned the company to profitability, while also taking important steps to create the foundation for future sustainable growth. Our initial financial outlook for the financial year 2020/21 was revenue of around DKK 2.2bn, negative EBIT before special items of around DKK 100m and negative free cash flow of around DKK 200m. Since then, we have revised our outlook upwards twice, and with revenue of DKK 2.63bn, positive EBIT before special items of DKK 38m and free cash flow of DKK 119m, we exceeded those initial expectations by a considerable margin.

Becoming profitable was an important milestone and we have achieved it much sooner than anticipated. None of the progress made this year would have been possible without our dedicated employees and our partners. At one point, nearly 50% of our stores worldwide were temporarily closed due to lockdowns, most employees worked remotely, and consumer behaviour changed rapidly. However, our employees and partners persevered and showed their incredible expertise, resilience and passion. We want to extend our sincere gratitude and thank you for all your hard work.

Our strategy is working

In July 2020, we completed our rights issue, bolstering our capital base by DKK 359m. This gave us the ability to execute on the first phase of the turnaround strategy, which we presented in April 2020.

Our return to profitability and growth was driven by reducing our cost base, changing our sales and marketing approach and investing in our digital capabilities and platforms. At the same time, we have strengthened our product portfolio, launching 14 products this past year and introduced several collaborations with other luxury brands. To improve customer satisfaction, we solved known issues with older products such as connectivity, through several software updates.

We focused on our retail execution and conducted surveys with our monobrand partners to improve the way we work. We revitalised the multibrand channel in our core markets by onboarding more resources and signing up with new distribution partners.

We have continued to improve our working capital position and thus further strengthened our liquidity position.

We succeeded in creating more customer excitement with the introduction of our three product programmes: Bespoke, Limited Editions and Classic. The latter underlined our historical promise to create and design long-lasting products. We reaffirmed that commitment to longevity by launching three products in a modular design, which can be upgraded to support future technologies. You can read more about this and other initiatives in our Sustainability report.

Building robustness and delivering profitable growth

We have strong momentum from the first strategy phase 'getting back to black'. We are now entering the second phase of our turnaround, where we will build robustness in our business, while delivering profitable growth.

For 2021/22, we will continue our strategic direction while enhancing our focus in certain areas. We will build an even stronger organisation with the right capabilities while maintaining a balanced cost base. We will invest further in product development, expanding and upgrading our ecosystem of seamlessly connected products through our state-of-the-art software platforms. Together with increased investments in demand creation and further focus on developing our digital ecosystem, we will build the foundation for long-term scalability and growth.

As in the past year, we will maintain our focus on winning in our six core European markets, building a foundation for growth in China and South Korea, and expanding strategic partnerships.

Emphasis on our core markets enables us to leverage our strong market positions, allocate marketing and retail investments efficiently and improve customer experiences. It also allows us to test and prove our retail model before scaling it to other markets.

In the US, we established new partnerships expanding our presence in the market significantly.

A special thanks to our employees and partners

As mentioned, it has been a challenging year for both our employees and partners. We asked our employees to voluntarily accept a temporary salary reduction to help us get through the pandemic, and many had to work remotely for most of the year or come to work under strict safety guidelines.

Our employees and partners have performed above and beyond our expectations. During the year, we launched several surveys to ensure we got their feedback. We are pleased to see that our people engagement score has improved throughout the year, and that our effort to become an even more people-centric organisation is paying off. With our faster than expected turnaround, it was a great pleasure to be able to repay the participating employees their three months' salary reduction in May 2021.

Next year, we will launch more initiatives to serve our customers even better and invest more in building products that work better together. We recognise that we have a lot of work ahead of us while also acknowledging that the pandemic will continue to impact us in the financial year 2021/22, especially with supply constraints related to component shortages and logistical challenges. However, we are confident in our strategy and our employees' and partners' ability to execute and deliver yet another successful year.

Juha Christensen
Chairman

Kristian Teär
CEO

—In February, we launched Beosound Level, our first product built on a modular design to fight technology obsolescence, enhance resource efficiency and improve longevity

STRATEGY & OUTLOOK

Strategy

Since the launch of the new strategy a year ago, Bang & Olufsen has executed on the strategic ambitions and priorities as laid out in April 2020. The overarching ambition for the first year of the transformation was to return to profitability. With a positive EBIT by the close of the fiscal year, the strategy has proved to be effective. The company has also prepared for the next phase of the transformation.

In April 2020, Bang & Olufsen launched a new strategy designed to address fundamental issues in the business while refocusing on profitability and growth. The strategy outlined three phases of transformation, with the aim of bringing the company safely into the future.

The first phase had an overall ambition of restoring a healthy financial performance and creating a solid foundation for the longer term.

An instrumental starting point for this was to rightsize the cost base, while a multichannel model should enable growth in strategic core markets. Additionally, the company had identified a number of issues in the business model that needed fixing to remove barriers for growth.

A year into the strategy, the company has delivered on the strategic growth and profitability ambitions for the year. It has fared well through the pandemic despite continuous challenges, and shown resilience across the value chain. With prudent cost management, the run-rate cost reductions exceeded targeted savings. With year-on-year growth, the company reached the target of positive EBIT by the end of the fiscal year. Additionally, the company successfully delivered on the ambition of strengthening the product portfolio, bringing new innovative products to market and releasing software updates to improve the customer experience on older and existing products.

In the next phase of the transformation, the company will continue to fix fundamental issues while it starts to build robustness in the business. The aim of this is to consolidate the ability to operate successfully despite changing conditions and ultimately to create a resilient business geared to sustainable growth.

The company has identified a number of robustness drivers that will structure the strategic focus for the new fiscal year.

With robustness as an internal ambition for the shorter term, the company will also work with a longer term, customer-oriented ambition of **Becoming a customer love brand**.

The customer love brand ambition is intended to start a dedicated customer orientation across the business and to reimagine the formula for making Bang & Olufsen customers fall in love with the products, the experiences and the brand.

The company has identified three imperatives for establishing Bang & Olufsen as a love brand:

1. Creating a desire to engage with the brand and to own a product
2. Offering a compelling reason to buy more products
3. Making customers happy and loyal product and brand advocates

In this way, the company aims to grow its customer base, increase the average number of products customers own, and boost loyalty and advocacy for the brand over time.

Beolab 90,
Golden collection

Back in black

Strategy execution

STRONG PERFORMANCE IN CORE MARKETS

SIX CORE EUROPEAN MARKETS

26%

Growth*

Local teams strengthened with channel-specific resources. Revamp of multibrand channel and onboarding of new distribution partners drove growth.

TWO CORE ASIAN MARKETS

50%

Growth*

Local management team strengthened with new leadership and recruitment of new teams within digital, brand, marketing and distribution. Demand shifted towards Staged and Flexible Living.

FOUNDATION FOR GROWTH AND PROFITABILITY ESTABLISHED

SIGNIFICANT GROWTH IN DIGITAL

71%

eCommerce growth

Scaling of direct-to-consumer eCommerce and increased direct-to-customer communications. Enhanced product desirability and demand through new customer propositions.

MARKETING REIGNITED

53%

Growth in registered customers in the B&O app

Large increase in registered customer base and marketing permits. New brand expression targeting desired audience. Increased brand awareness, e.g. through PR and social media engagement.

COST PROGRAMME EXCEEDING DKK 175M TARGET

202M

Run-rate savings

Organisation streamlined with simplified ways of working and outsourcing of certain back-office functions. Significant reduction in non-product related spend achieved.

STRENGTHENED PRODUCT PORTFOLIO

14

Product launches

All product categories strengthened with new products and software upgrades to existing products. Three new products designed for longevity and future upgrades.

SCALING WITH PARTNERS

DRIVING DEMAND WITH TECHNOLOGY AND BRAND PARTNERS

7

Partnerships

Successful partnership model. On Running, Rapha and Alonso within sports. Xbox and Astralis within gaming, and Saint Laurent and Berluti for luxury proposition.

EXPANDING WITH DISTRIBUTION PARTNERS

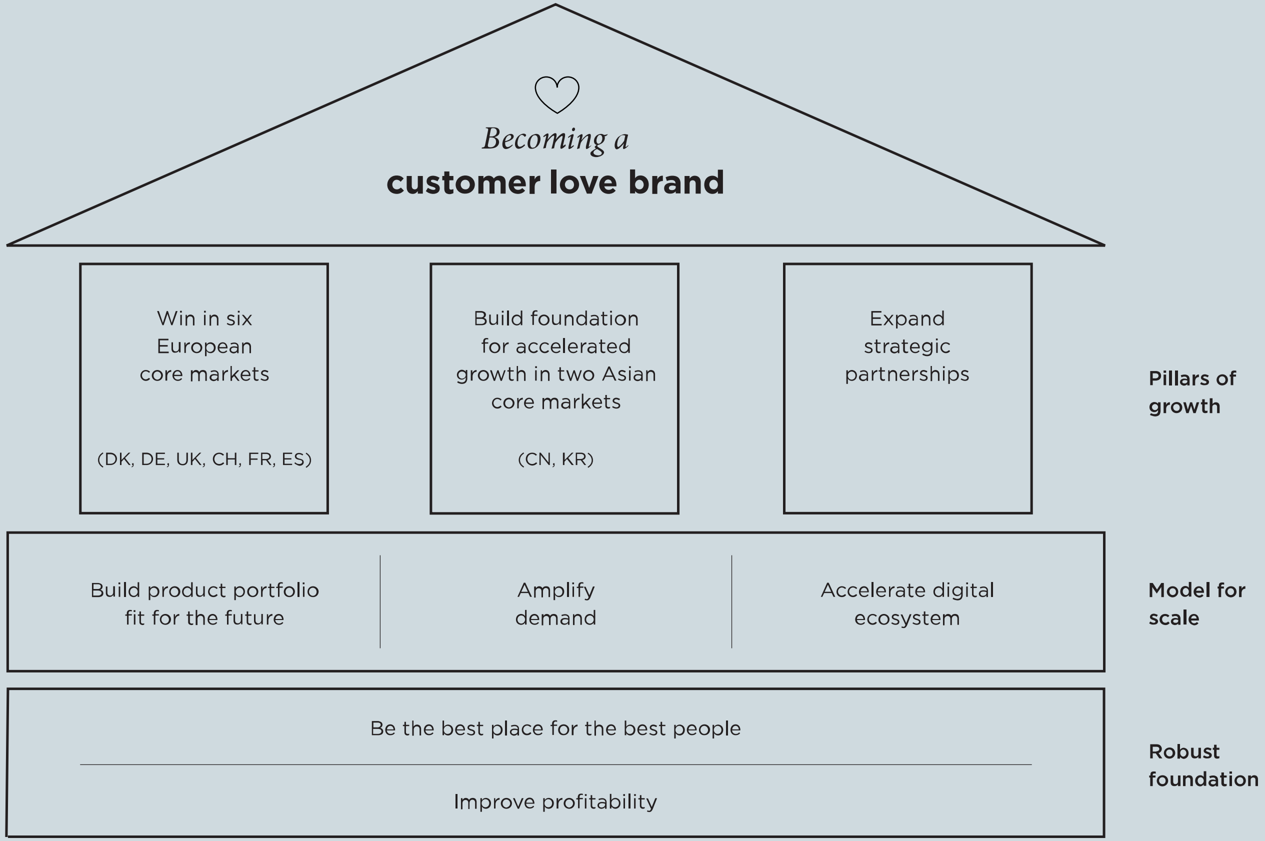
5

Distribution partnerships

New distribution partners in Europe and North America onboarded, adding scale and execution power within multibrand and B2B.

*In local currencies

Building robustness requires
- a reiterated strategy house for 2021/22



Reiterated strategy house

The company has translated the robustness theme and customer love brand ambition into strategic priorities, and reiterated the strategy house.

The reiterated house is constructed in three levels; 1) **Robust foundation** for growth in the future, 2) **Model for scale** with the growth formula for the future, and 3) **Growth pillars,** i.e. market and partnership priorities.

Robust foundation

Improve profitability

The past year's efforts to create a lean and transparent cost base have improved overall company profitability. The company will continue the cost emphasis by more proactively and tactically redesigning parts of the business model to optimise further for profitability. Additionally, a continued focus on strategic pricing will help drive profit maximisation, and the company will analyse margin structures to identify opportunities for gross margin increase.

Be the best place to work for the best people

Following years of transformation with change as the only constant, teams have been stretched, and organisational and cultural development has been limited. Acknowledging that people are the single most important ingredient for success, the company will focus on building a purposeful workplace where people and talent thrive, and capabilities grow.

The company will continue to strengthen capabilities where needed and consistently calibrate the operating model to strike the right and most effective balance between global standards and local flexibility and autonomy for scale at speed.

Model for scale

Build product portfolio fit for the future

In the past fiscal year, the company launched a range of new products to strengthen the product portfolio and to introduce a new development process intended to improve speed and quality. This year, the company plans to launch fewer products compared to the previous year. With a strong in-market portfolio, focus will shift from launch pace of singular hero products to creating an ecosystem of seamlessly connected products with an uncompromised and differentiated customer experience. A connected portfolio is a critical driver of increased customer loyalty and lifetime value, and the company is committed not only to landing customers' homes, but also to expanding to more rooms and more use cases per customer.

To succeed with such an ambition, the company will ramp up platform and software capabilities, and build an innovation model supporting a vision of developing reference class products only.

This ambition includes new products and planned software and feature drops to consistently improve product experiences.

The company also plans to stimulate demand continuously throughout the year, through increased CMF activity (Colour, Material, Finish) and product programme acceleration.

Amplify demand

The Bang & Olufsen brand continues to be strong and distinct, yet the brand equity has not been sufficiently leveraged historically. Combined with changing branding tactics in luxury and consumer electronics, reflecting the growing influence of younger segments such as Millennials and Generation Z, the company is assessing its brand position. The company wants to set a clear, forward-looking brand direction and establish new relevance and customer connection for driving desire, loyalty and advocacy. Last year, the company defined and established a deep understanding of Bang & Olufsen's target audience and segments. For the coming year, focus will shift towards proactively engaging these customers, exciting them and making them fall in love with the brand.

The company will also work to establish a stronger go-to-market model. The company will strengthen the customer satisfaction through new signature experiences which will elevate the brand and product proposition throughout the customer journey. Marketing efforts will centre on reaching target segments in strategic core markets, especially through social media platforms to build brand awareness and preference, and the company will continue to engage in collaborations with luxury and lifestyle brands and influencers.

Accelerate digital ecosystem

Bang & Olufsen's digital ecosystem is a critical component of the company's go-to-market model, and of ever-growing importance in the new business reality against the backdrop of COVID-19. The global pandemic has pushed forward eCommerce adoption, and changed customer discovery, expectations and purchasing habits everywhere. The company plans to seize this opportunity and to build on the momentum created in 2020/21, by continuing to inspire and engage with customers through digital experiences across platforms. Additionally, strengthened customer data infrastructure is expected to inform future marketing and service priorities, enabling personalised customer services.

The company aims to grow sales in online channels, creating a stronger balance between online and offline channels.

Pillars of growth

Winning in six core European markets

The company will maintain focus and resource allocation to truly win in the six European markets chosen in the first phase of the strategy, i.e. Denmark, France, Germany, Spain, Switzerland and the UK. These markets have been prioritised due to the relative strength of current market position (measured by brand awareness, established partner network and current performance), relative market size and density of target audience.

Similar to last year, the logic of prioritising few, core markets is based on i) the need for establishing proof of concept on a repeatable go-to-market model, which can scale to other markets subsequently and ii) getting full leverage on current market positions by allocating additional marketing and retail investments to drive considerable uplifts in customer acquisition and expansion.

Throughout last year, the company worked towards a multichannel model with a more balanced composition of channel verticals. The company's ambition is to continue to create demand and growth in all key channels.

Monobrand remains the largest channel and a key asset to the company. It is a driver of revenue and brand experience. Therefore, the company aims to future proof the monobrand network by continuing the strong cooperation with monobrand partners, upgrading store concepts and investing in strategically important stores, where customers can explore a full Bang & Olufsen brand and product experience.

Multibrand continues to be strategically important as it offers brand exposure to our target audience. The company works to continuously improve the brand experience in multibrand doors, shifting the historical focus on number of doors towards quality of experience in the channel.

With the accelerated preference for online purchase in both the consumer electronics and luxury markets, the company continues to expand online activity and to work towards a seamless integration of physical and digital touchpoints.

Building foundation for growth in China & South Korea

China continues to represent the company's single biggest market, accounting for 22% of group revenue. A greater balance in cross-category demand has proven the potential of not only On-the-go products but also Flexible Living and Staged propositions. The brand continues to enjoy recognition from Chinese luxury customers.

Following the recent change in local management, strategic ambitions and plans have been developed. A key priority is to create a future proof go-to-market model, and setup designed for growth. In the past years, China has been managed mainly by third parties. The company is dedicated to improving brand experience in these channels, and to work more focused with demand creation towards the target audience in the market.

The company has established an external, seasoned advisory board, to support the continuous, strategic development of the Chinese and South Korean markets.

Expand strategic partnerships

In recent years, the company has built partnerships with some of the largest and most innovative companies in the world. Partnerships have become an important part of the business model, and a platform for reaching new customers. The company will continue its emphasis on strategic partnerships; to get access to relevant capabilities, to develop compelling joint customer propositions and to capitalise on the unique core capabilities of the company and the brand equity built over the years. The scope of partnerships continues to span from e.g. technology and licence partnerships, to distribution and brand partnerships etc.

Robustness ambitions

Commencing the next phase of the transformation, the company's overall ambition is to deliver profitable growth. More specifically, the company aims to track the strategy execution through; revenue & EBIT growth, launches of planned new product and platform innovations and customer base growth.

With the outlined strategic priorities and by delivering on such ambitions, the company expects to gradually build business robustness, and to make customers fall in love with the brand.

Business model

THE BANG & OLUFSEN BRAND

Through 95 years Bang & Olufsen has designed the future, with a clear ambition of creating unconventional excellence for delightful living. In an ever-changing world, innovative design and technology continues to change how we all hear, see and feel the world.

CUSTOMER TARGETING

Bang & Olufsen's target audience is defined by people seeking iconic experiences. We call them "Design & Music Lovers" with a particular focus on four distinct customer segments: the APAC Gen Z,* Careerist, Well-established, and the VHNWI.**

DESIGN & CREATION

Invention at Bang & Olufsen begins with an observation, deeply rooted in customer insight. Design ideas are converted into progressive and innovative products based on the core capabilities.

MANUFACTURING

An asset-light manufacturing model drives efficiency throughout all stages of the manufacturing process. Our renowned inhouse aluminium production enables us to develop unique product components and bespoke solutions. Other parts of the manufacturing process are undertaken by ODM*** and production partners.

SALES

Multichannel go-to-market model builds brand experiences across physical and digital channels, reaching customers where they wish to engage. Physical branded retail includes company owned and operated stores, partner owned monobrand stores, and multibrand stores. Digital channels include own eCommerce and etailers.

CUSTOMER ACTIVATION

Brand and marketing activities are designed for the Bang & Olufsen target audience and specific customer segments. Programmatic demand creation activities across physical and digital channels boost customer awareness, consideration and loyalty.

VALUE CREATION

Bang & Olufsen strives to deliver iconic, reference class products which integrate seamlessly with existing technology and endure and retain value. The company strives to create value for Design & Music Lovers through the brand and product propositions, for shareholders through diligent and consistent development of the company, and for the society by being a responsible employer locally and globally.

* Younger segments such as Millennials and Generation Z
** Very High Net Worth Individuals
*** Original Design Manufacturing

Outlook for 2021/22

The company expects to deliver double-digit revenue growth, supported by continued investments in demand creation and further strengthening of the product portfolio.

The company expects to improve profitability and deliver positive free cash flow while building robustness. The company plans to invest further within key areas such as product development, sales and marketing, and retail development.

Revenue

Revenue is expected to be between DKK 2.9bn and DKK 3.1bn. The company expects to deliver higher growth rates in the first half of the financial year. These expectations are subject to the following assumptions:

- Growth mainly driven by product sales.
- Continued improved performance in core markets.
- Full-year effect from products launched last year, with main effect in the first half of the year.
- Launching more than seven product innovations, including both new products and feature updates to existing products.
- Realise double-digit customer base growth.
- No significant worsening of product availability, for example due to scarcity of components or reduction in manufacturing capacity.
- Impact from new COVID-19 outbreaks will not be materially different from what was experienced in 2020/21.
- No other material changes in markets landscape, consumer behaviour, competitive situation (and any impact this may have on pricing) or regulatory changes, for example trade wars.

EBIT margin before special items

EBIT margin before special items expected to by 2-4%. In addition to the company's assumptions regarding revenue, the expectations are based on the following assumptions:

- Component and logistic costs assumed to stay at the increased price level experienced in Q4 2020/21.
- Higher costs for demand creation, including adding more resources.
- Higher costs for product development, including adding more development resources.
- Full-year effect of cost reduction programme completed in 2020/21.
- Full-year effect of costs related to company owned and operated stores taken over in 2020/21.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.

Free cash flow

Free cash flow expected to be between DKK 0m and 100m. In addition to the company's assumptions regarding revenue and EBIT margin before special items, the company's expectations regarding free cash flow are based on the following assumptions:

- No material changes in overdue receivables.
- Higher CAPEX related to both product and retail development.

OUTLOOK 2020/21	Actual 2020/21	Outlook 2021/22
Revenue (DKKbn)	2.6	2.9 to 3.1
EBIT margin before special items (%)	1.4	2-4
Free cash flow (DKKm)	119	0 to 100

COVID-19 sensitivity

Due to the ongoing implications of the COVID-19 pandemic, the outlook continues to be subject to a higher level of uncertainty than normal.

This uncertainty relates to factors such as the duration of the COVID-19 pandemic and the potential impact on the company's different geographic markets, supply chain and logistics.

Safe harbour statement

The report contains statements relating to the expectations for future developments, including future revenues and operating results, as well as expected business-related events. Such statements are subject to uncertainty and carry an element of risk since many factors, some of which are beyond Bang & Olufsen's control, may cause actual developments to deviate significantly from the expectations expressed in this report. Without being exhaustive, such factors include among other things general economic and commercial factors, including market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit and liquidity risk.

RESULTS

Bang & Olufsen

Key events

JUN ‘20

BEOPLAY E8 Sport

Bang & Olufsen’s first venture into sports with de-sign details and product features as requested by professional athletes and leisure runners. The ear-phones are waterproof and have a customisable design that brings comfort to long runs and workouts, and offer long play time.

JUL ‘20

Rights issue completed

On 1 July 2020, Bang & Olufsen completed a rights issue. The company saw strong support from shareholders and 98.9% of the new shares were subscribed for by exercise of pre-emptive subscription rights.

The net proceeds amounted to DKK 359m, enabling Bang & Olufsen to get through the COVID-19 pandemic and continue to execute on its strategy.

Changes to the Executive management Board

On 15 July 2020, Line Køhler Ljungdahl was appointed Executive Vice President, Chief Legal Officer and member of the Executive Management Board.

On 11 August 2020, EVP and Head of Design, Creation and Fulfilment, Snorre Kjesbu, informed the company that he would leave Bang & Olufsen on 30 September 2020.

BANG & OLUFSEN

Sports collaborations

In 2020/21, Bang & Olufsen released several limited editions of Beoplay E8 Sport in collaboration with luxury sports brands.

In July, a running kit was released together with On Running. In August, the company entered a collaboration with two-time F1 World Champion and double 24 Hours Le Mans winner, Fernando Alonso.

Lastly, Bang & Olufsen entered a collaboration with performance cycling clothing brand Rapha.

AUG ‘20

Verizon and Bang & Olufsen team up to deliver premium home entertainment experiences

In autumn 2020, Verizon started to offer a curated selection of Bang & Olufsen’s products to their more than 119 million customers in the US.

The ambition is to create premium home entertainment experiences by combining Bang & Olufsen’s audio and TV solutions with Verizon’s services.

SEP ‘20

Partnership with Deceuninck – Quick-Step

Bang & Olufsen extended its partnership with Deceuninck – Quick Step, one of the most successful cycling teams in the world. The team has been using Bang & Olufsen products before, during and after races since 2017.

Beoremote Halo

Beoremote Halo is a new product that enables streaming of music, podcasts and internet radio stations directly to Bang & Olufsen speakers.

Beoremote Halo provides a simple user interface and eliminates the need for a mobile device or similar.

OCT ‘20

Partnership with Publicis Sapient to boost marketing and digital efforts

Bang & Olufsen extended its partnership with Publicis Sapient to scale global sales, marketing and digital efforts.

The partnership covers all commercial aspects, including go-to-market, campaigns, digital services and product launches, strengthening Bang & Olufsen customer engagement.

Beogram 4000c

Beogram 4000c is the first product to be released in the company’s new Classics programme. The turntable was originally introduced in the early 1970s. The Classics programme celebrates the commitment to longevity, which ensure that products will stand the test of time for customers.

The company brought 95 units back to the headquarters in Struer, where they have refurbished. Every component has been cleaned and new parts added where needed. Lastly, each Beogram has been individually tested and fine-tuned to meet Bang & Olufsen’s specifications.

The customer response has been very positive and all units were sold out quickly.

Beolit 20

Beolit 20 replaces Beolit 17 and has been upgraded with improved battery life and Qi charging on top of the product.

The hole pattern has also been redesigned, giving the product a distinct and dynamic look while optimising acoustic performance with 45% better air transparency.

NOV ‘20

Golden Collection

The Golden Collection comprises nine products: Beoplay A9, Beosound Balance, Beosound 2, Beovision Harmony, Beolab 50, Beolab 90, Beosound A1 2nd Gen, Beoplay E8 3rd Gen and lastly, Beoplay H95.

The Golden Collection celebrates memories created with family and friends and is accompanied by a new marketing campaign called 'Since 1925'.

Beovision Eclipse 2nd Gen

Bang & Olufsen introduced Beovision Eclipse 2nd Generation in a 55’’ version in November 2020 and a 65’’ version in December. The TV has been updated to include the latest LG OLED GX screen technology and a soundcentre upgrade to cater for the new screen.

New partnerships to strengthen multibrand and B2B channels

The company partnered up with new distribution partners in Europe and the US, i.e. Ingram Micro, Tech Data, Littlebit, Verizon, and Dustin. All companies are leading global distributors of technology products and with great insight into their markets. The new partnerships cover both multibrand and B2B and are part of Bang & Olufsen’s efforts to strengthen its presence and performance in these channels.

Honorary prize by Lyd & Billede

Lyd & Billede awarded Bang & Olufsen its 2020-2021 honorary award.

The award was made in recognition of Bang & Olufsen’s ability to continue to innovate and bring new iconic products to market.

Beovision Contour expands existing TV portfolio

Beovision Contour is a 48’’ TV solution that has replaced Beovision Horizon. The TV solution is based on the TV partnership with LG and the technology in the Beosound Stage soundbar.

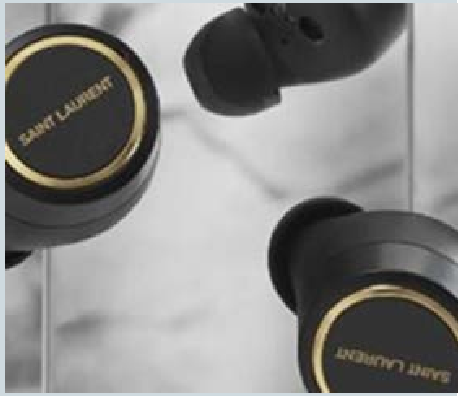
The TV is based on Bang & Olufsen’s design language and was designed in collaboration with Torsten Valeur.

FEB ‘21

Bang & Olufsen X Saint Laurent collaboration

Bang & Olufsen and Saint Laurent teamed up to curate new additions to the limited edition all-black collection: revealing Beoplay E8 3rd Gen in Mirror Black and in Gold accompanied by a Mirror Black Charging Pad.

The latest collaboration drives product differentiation and brand reach. The products are sold exclusively at Saint Laurent in Paris and Los Angeles and on ysl.com.



FEB ‘21

Chinese New Year collection

In celebration of Chinese New Year, Bang & Olufsen released a collection dedicated to the Year of the Ox. The range features five of the brand’s products: Beoplay A9, Beosound 1, Beoplay E8 3rd Gen, Beosound A1 2nd Gen, and the new Beoplay HX launched globally in March 2021.

All models came in a new colour, “Dark Maroon”, along with a laser-etched zodiac sign of the Ox.

Expanded offer on “Work from anywhere” together with Huddly

The pandemic has accelerated the trend in location independent working for organisations.

The new partnership will begin with the bundling of the Huddly ONE camera with one of three Bang & Olufsen products: the portable Bluetooth speaker Beosound A1 2nd Gen, Beoplay E8 earphones or Beoplay H9 headphones.

Beosound Level

Beosound Level is a new portable Flexible Living speaker, which can easily be carried around at home or outside thanks to its wireless technologies and IP54 Dust and Splash Water Resistant Rating.

With Beosound Level, Bang & Olufsen has introduced a modular design to fight technological obsolescence, enhance resource efficiency and improve longevity

MAR ‘21

Entering gaming with Beoplay Portal

Beoplay Portal is Bang & Olufsen’s first wireless gaming headphones, bringing all the hallmarks of Bang & Olufsen to the world of gaming. They can be used for gaming experiences, watching movies, enjoying music, and for work. The headphones offer features such as low-latency surround sound, outstanding microphone performance, Adaptive active noise cancellation, and transparency mode.

The headphones have been developed as part of the Designed for Xbox programme, and connect seamlessly to Xbox Series X|S and Xbox One consoles via Xbox Wireless protocol, providing a high bandwidth, low-latency connection.

The entry into gaming is supported by a three-year commercial partnership with the eSports company Astralis, signed in September 2020. Bang & Olufsen equips all Astralis teams and players with products for offscreen use, while also being the main sponsor of the Astralis FIFA team. Bang & Olufsen will also leverage Astralis’ unique competencies to support the development of its future gaming portfolio.

Beoplay HX

The new Beoplay HX headphones replace the previous Beoplay H9 3rd Gen.

The headphones deliver a powerful and authentic sound experience with digital active noise cancellation, up to 35 hours of play time and improved comfort. This demonstrates Bang & Olufsen’s expertise in sound, design and craftsmanship.

APR ‘21

Beosound Emerge

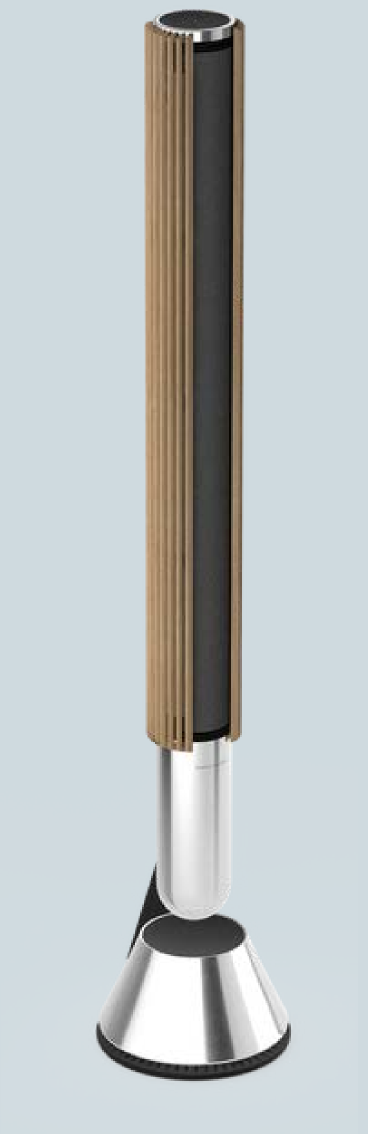
Beosound Emerge is part of the Flexible Living category and is a versatile speaker inspired by the compact format of a book. The slim structure is designed to sit anywhere in the home.

Beosound Emerge follows the modular design introduced in Beosound Level, which enables future upgrades and improves the longevity of the product.

Beolab 28

Beolab 28 is a new Staged speaker. The speakers can be connected to Beovision TVs and used in a surround setup but can also be used directly from the box to stream anything instantly and provide immersive, powerful studio-grade sound that automatically adapts to its space.

Beolab 28 follows the modular design introduced in Beosound Level, which enables future upgrades and improves the longevity of the product.



MAY ‘21

Beosound Explore

Beosound Explore is a tough and robust speaker created for adventure. Developed to be lightweight, waterproof and with long play time, Beosound Explore is the perfect outdoor speaker.

Beosound Explore is the first speaker on the market to feature Type 2 anodised aluminium for improved scratch resistance. It is created at Bang & Olufsen’s Factory 5 in Struer, Denmark.

Berluti x Bang & Olufsen

Berluti and Bang & Olufsen collaborate on a limited-edition collection of some of Bang & Olufsen’s iconic products with Berluti’s emblematic, hand-patinated Venezia leather.

The featured products are Beoplay H95, Beosound A1 2nd Gen, Beosound Balance, Beolab 90 and Beovision Harmony 77”.

Key figures

(DKK million)	**2020/21**	2019/20	2018/19	2017/18	2016/17
Income statement					
Revenue	2,629	2,036	2,838	3,285	2,954
Gross margin, %	43.3	41.1	48.5	43.6	38.1
EBITDA	203	-146	248	397	199
EBIT before special items*	38	-304	59	122	-129
Special items, net	-19	-43	-	-	-
EBIT	19	-347	59	122	-129
Financial items, net	-52	-20	-26	-5	-37
Earnings before tax (EBT)	-33	-367	33	117	-166
Earnings for the period	-23	-576	19	81	-117
Financial position					
Total assets	2,276	1,776	2,462	2,921	2,847
Share capital	613	432	432	432	432
Equity	1,133	832	1,419	1,709	1,586
Cash	178	215	492	1,155	1,079
Available liquidity	593	215	492	1,155	1,079
Net interest-bearing deposit	361	-7	420	985	900
Net working capital**	187	313	395	100	27

* The adjusted EBIT figure is used in order to become comparable YOY eliminating special items as defined in note 2.5.
** Net working capital for financial years 2019/20 and 2018/19 has been adjusted by DKK 15m to include non-current deferred income relating to Harman.

Comparative figures for the financial years 2018/19, 2017/18 and 2016/17 have not been restated following the adoption of IFRS 16 Leases.

(DKK million)	**2020/21**	2019/20	2018/19	2017/18	2016/17
Cash flows					
Cash flows from operating activities	297	-80	-131	248	352
Operational investments	-178	-154	-141	-163	-45
Free cash flow	119	-234	-272	85	307
Financial investments	-445	-	-	-	-
Cash flows from investing activities	-623	-154	-141	-163	-45
Cash flows from financing activities	293	-43	-391	-9	-17
Cash flows for the period	-33	-277	-663	76	291
Key figures					
Growth in local currencies, %	31	-29	-15	2	14
EBITDA margin before special items, %	7.0	-5.1	8.7	12.1	6.7
EBITDA margin, %	7.7	-7.2	8.7	12.1	6.7
EBIT margin before special items, %	1.4	-15.0	2.1	3.7	-4.4
EBIT margin, %	0.7	-17.1	2.1	3.7	-4.4
Return on assets, %	-1.0	-15.2	0.8	2.8	-6.9
Return on invested capital, excl. goodwill, %	14.3	-26.1	2.0	11.9	20.1
Return on equity, %	-2.1	-28.4	1.4	4.7	-7.0
Full-time equivalents at end of period	947	899	957	1,028	1,169
Stock related key figures					
Earnings per share (EPS), DKK	-0.2	-14.1	0.5	1.9	-2.7
Earnings per share, diluted (EPS-D), DKK	-0.2	-14.1	0.5	1.9	-2.7
Price/Earnings	-168.6	-1.7	109.8	76.2	-38.0
Revenue per share, DKK	21.8	49.8	69.5	76.1	68.4
Revenue per share, diluted, DKK	21.8	49.8	69.4	76.1	68.4

For definitions, see note 8.7.

Financial review

Revenue increased by 31% in local currencies to DKK 2,629m. EBIT before special items amounted to DKK 38m, equivalent to a margin of 1.4%, up 16.4pp compared to 2019/20. Free cash flow was DKK 119m, driven by the re-venue growth and lower net working capital.

The improved financial performance was a result of the strategy execution supported by higher demand for home entertainment. However, the improvements were partly offset by the continued effects of the global pandemic. Several markets experienced new lockdowns, and worldwide scarcity of electronic components resulted in supply constraints and subsequent higher production and logistics costs.

Development in 2020/21

The development in 2020/21 was characterised by sound strategy execution and mitigation of the effects of the pandemic, which resulted in several lockdowns during the year, with nearly 50% of all monobrand stores being closed at one point during the winter.

Although 2020/21 was impacted negatively by the pandemic, Q4 of last year experienced a significantly more negative impact from the first lockdowns. The growth rates demonstrated in the financial year 2020/21 are therefore based on a low starting point.

The company focused on driving demand through better sales and marketing activities. The revenue growth was also supported by higher demand for home entertainment. To mitigate the effects of lockdowns, the company continued to improve its digital capabilities and maintained its focus on direct-to-customer communications in order to stimulate demand.

Throughout the year, supply challenges resulting in a scarcity of electronic components meant that the company had to delay fulfilment of orders. This had a negative effect on revenue growth for the year.

Like-for-like customer sell-out was aligned with sell-in to partners, and the company did not see any unhealthy build-up of inventory with retail partners.

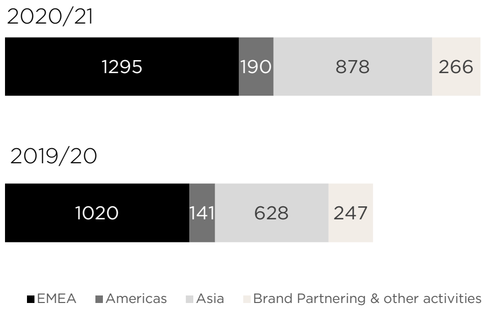
The six European and two Asian core markets grew by 26% and 50% respectively in local currencies. Flexible Living experienced the highest growth followed by Staged. The core markets accounted for 68% of the growth in product sales in 2020/21.

Bang & Olufsen significantly strengthened its product portfolio in 2020/21. The company managed to launch 14 products and release several software updates to older products in order to resolve known issues.

The company's cost reduction programme achieved an annual run-rate saving of DKK 202m, thereby exceeding the target of DKK 175m. The company realised DKK 156m in cost savings in 2020/21. The cost optimisation initiatives for product-related costs were impacted by the global component shortage. This was more than offset by higher than expected savings on non-product related spending.

Scarcity of some components led to significant cost increases, especially towards the end of the year. The supply constraints meant that a larger than normal share of products was shipped by air in order to ensure timely delivery to partners. Higher component and logistics costs had a negative effect on profitability.

REVENUE BY SEGMENT, DKKM



Revenue

Group revenue increased by 29.1% (31% in local currencies) to DKK 2,629m. Growth was mainly related to product sales, which increased by 32%. Brand Partnering & other activities grew by 8%.

The increase in Brand Partnering & other activities was related to licensing income driven by higher PC demand and licensing income from car audio products. In 2020/21, car manufacturing was adversely impacted by the global component shortage in the automotive industry. However, the impact was lower than the decline in Q4 2019/20 caused by the first COVID-19 lockdown.

Product sales increased across all regions and product categories. The product portfolio was strengthened throughout 2020/21 by 14 product launches. These products accounted for approx. 23% of revenue from product sales.

All three regions delivered solid growth rates. EMEA, Americas and Asia grew by 27%, 42% and 43% respectively in local currencies.

All key sales channels grew compared to last year, with the monobrand channel driving most of the absolute growth. The monobrand channel was supported by high demand for Staged and Flexible Living products. The number of monobrand stores reduced by 29 to 456 related to EMEA and Asia, whereas Americas added two new stores.

Strengthening the multibrand channel was in focus in 2020/21. The company onboarded new resources and distribution partners, specifically focusing on multibrand. The growth was seen mainly in the second half of the year. In North America, the launch of the Beoplay Portal gaming headphone marked the re-entry into BestBuy. The total number of multibrand points of sale grew by 1,756, driven by Verizon and BestBuy late Q4 in the US.

Driving online sales remained a core focus throughout the year. The company's eCommerce sales grew by more than 70%, representing around 4% of product sales. Total Online sales (eCommerce and etail) accounted for around 20% of total product sales.

Overall, sales were negatively impacted by supply constraints arising from the worldwide scarcity of electronic components. Also, revenue last year was bolstered by sales of end-of-life products and this was not repeated to the same extent in 2020/21.

	Monobrand		Multibrand	
Points of sale	31-05-2021	31-05-2020	31-05-2021	31-05-2020
EMEA	349	363	1,637	1,900
Americas	26	24	2,456	291
Asia	81	98	979	1,125
Total	**456**	**485**	**5,072**	**3,316**

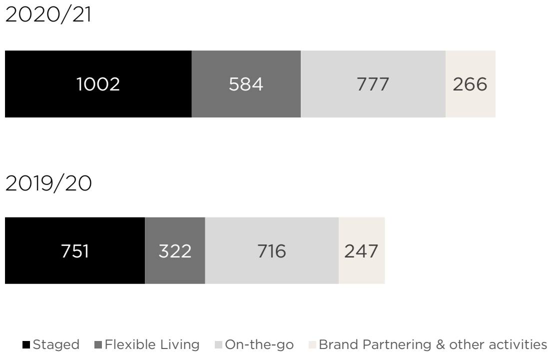
Staged

Revenue was DKK 1,002m (2019/20: DKK 751m), corresponding to an increase of 34%. The growth was related to both TVs and speakers.

The company experienced strong demand for existing products like the Beosound Stage soundbar, Beovision Harmony and Beolab 50 speakers. The growth was further supported by product launches.

With the launch of Beovision Eclipse 2nd Gen, the company concluded the successful execution of its TV strategy to provide integrated TV solutions while decoupling from the sale of TV screens to partners.

REVENUE BY CATEGORY, DKKM



However, exceptionally, revenue in the second half of the year was bolstered by sales of screens for the launch quantity of Beovision Contour 48''.

Flexible Living
Revenue grew by 84% to DKK 584m (2019/20: DKK322m).

The growth was driven by both existing and new products. Beoplay A9 remained the best-selling product in the category in 2020/21, delivering higher than average growth rates.

On-the-go
Revenue grew by 9% to DKK 777m (2019/20: DKK 716m).

The increase was driven by portable speakers and headphones, which showed high double-digit growth rates. Both existing and new products contributed to the growth.

Revenue from earphones declined, mainly because, unlike last year, it was no longer supported by sales of end-of-life products.

COVID-19 and the consequent global travel restrictions meant that most travel retail stores were closed or operating at reduced capacity. This adversely affected the On-the-go category.

Gross profit

Gross profit amounted to DKK 1,139m, equivalent to a gross margin of 43.3% (FY 19/20: 41.1%).

The higher gross margin was driven by product sales, which improved by 4.1pp to 37.3%. The gross margin from Brand Partnering & other activities was unchanged compared to last year at 96.4%.

The improved gross margin from product sales was supported by both higher product margins and a favourable shift in product mix towards Staged and Flexible Living. Flexible Living benefited from the introduction of higher-margin products in 2020/21. Last year, the margin from On-the-go was adversely impacted by sales of end-of-life products.

Although the company did not achieve the planned product-related cost reductions due to COVID-19, the margin benefited from supply chain efficiencies and volume commitments.

The situation with component scarcity resulted in price increases on certain components. Due to supply constraints, more products than normal were shipped by air to ensure delivery to partners. Additionally, freight rates increased, driving logistics costs up.

The higher component and logistics costs adversely impacted the gross product margin by around -2.7pp in 2020/21.

In addition to higher component and logistics costs, the Staged category was negatively impacted by screen sales for Beovision Contour 48''. The screens are sold as pass through to retailers during the second half of the year. This adversely impacted margin in the Staged category by approx. 1pp.

Capacity costs

Capacity costs were DKK 1,120m compared to DKK 1,185m last year. This represented a decrease of 5%.

GROSS MARGIN	2020/21	2019/20
Staged	44.0%	44.2%
Flexible Living	47.8%	46.6%
On-the-go	20.8%	16.5%
Products, total	**37.3%**	**33.2%**
Brand Partnering & other activities	96.4%	96.4%
Total	**43.3%**	**41.1%**

Special items amounted to DKK 15m, mainly relating to the cost reduction programme. Last year, special items amounted to DKK 43m, mainly related to the cost reduction programme. Please refer to note 2.5.

Excluding special items, capacity costs amounted to DKK 1,105m. This represented a 3% decrease on last year.

Cost reductions achieved as part of the company's cost reduction programme were the main contributor to the reduction in capacity costs.

The effects of the cost reduction programme were partly offset by general employee bonus provisions. Last year, bonuses were cancelled due to the Group's financial performance.

Development costs decreased by DKK 19m to DKK 258m as a result of lower amortisation and higher capitalisation. Incurred development costs related to launched and upcoming new products and software developments were DKK 26m higher than last year.

Distribution and marketing costs amounted to DKK 727m, which was DKK 15m or 2% lower than last year. The decline was partly related to cost reductions, offset by employee bonus provisions. Excluding special items, distribution costs decreased by 1%.

Administrative costs were DKK 135m, which was 20% lower than last year. Last year, administrative costs were impacted by special items amounting to DKK 31m related to severance costs for the former management, and costs related to the cost reduction programme and to restructuring. Excluding special items, administrative costs decreased by 4%. The decrease was mainly related to the cost reduction programme and was partly offset by employee bonus provisions within salaries and consultancy costs.

In operating expenses for the year 2019/20, the company had offset COVID-19 related packages of DKK 18m relating to development costs of DKK 9m, distribution and marketing costs of DKK 8m and administrative costs of DKK 1m. The impact in 2020/21 was immaterial.

EBIT

EBIT before special items was DKK 38m (2019/20: DKK -304m), corresponding to an EBIT margin before special items of 1.4% compared to -15.0% last year.

The margin improvement was related to revenue growth in combination with improved gross margin and was also supported by lower capacity costs.

EBIT was DKK 19m (2019/20: DKK -347m), corresponding to an EBIT margin of 0.7% (2019/20: -17.1% last year).

Net financial items

Net financial items were an expense of DKK 52m (2019/20: DKK 20m expense). The increase primarily related to additional bank fees as a result of the new credit facility, exchange rate adjustments and fair value adjustments of securities.

Earnings

Earnings before tax were a loss of DKK 33 (2019/20: DKK 367m loss).

Income tax was DKK 10m (2019/20: DKK 209m expense). Last year, income taxes were impacted by an impairment charge following a reassessment of expected future taxable income. A full description can be found under the section recovery of deferred tax assets in note 2.6.

Cash flow

Free cash flow was DKK 119m (2019/20: DKK 234m outflow), which was an improvement of DKK 353m compared to last year. This was in general a result of the improved earnings and a reduction in net working capital partly offset by increased investing activities.

Cash flows from operating activities were DKK 297m (2019/20: DKK 80m outflow). The improvement was driven by EBITDA, which was DKK 203m. This represented an improvement of DKK 350m on last year. The improvement was further supported by a positive development in net working capital of DKK 126m.

Cash flows from operational investments were an outflow of DKK 178m (2019/20: DKK 154m outflow). Investments in 2020/21 were primarily related to the development of new products and product platforms as well as investments and upgrades to the company's aluminium factory in Struer, Denmark.

During the year, the company invested DKK 445m net of its excess cash in bonds in order to reduce the impact of negative interest rates. The bonds are recognised under securities in the statement of financial position and presented as cash flow from investing activities in the statement of cash flows.

Cash flows from financing activities was DKK 293m (2019/20: DKK -43m). In Q1, the company executed a rights issue with net proceeds of DKK 359m. To maintain short-term financial flexibility, the company uses repo transactions, which enables it to access liquidity on an intra-day basis. At the end of the year, the company had borrowed DKK 20m via repo transactions.

Cash flows from financing activities were also impacted by the purchase of own shares amounting to DKK 42m. The purpose of this was to hedge the AGM-approved Combined Performance and Retention Share Programme for 2020/21, which was announced on 2 October 2020.

The cash position was DKK 178m (2019/20: DKK 215m).

Beoremote Halo

Total available liquidity was DKK 593m (2019/20: DKK 215m). This was made up of cash and securities totalling DKK 613m (2019/20: DKK 0m) less DKK 20m (2019/20: DKK 0m) in bank loans related to repo transactions.

Net working capital

Net working capital amounted to DKK 187m, which was an improvement of DKK 126m compared to last year.

The company has continued to focus on managing its working capital diligently. Net working capital to the last 12 months' revenue fell by 6.9pp to 7.2% (2019/20: 14.1%), driven by both lower net working capital and higher revenue.

Inventories declined by DKK 88m to DKK 369m. The decline was exacerbated by supply constraints due to component scarcity.

Trade receivables increased by DKK 148m to DKK 438m, driven by revenue growth. Trade receivables benefited from the reduction in overdue receivables and a decline in the use of extended credit to 6% of revenue (2019/20: 9%).

Trade payables increased by DKK 72m to DKK 502m driven by higher activity, especially in Q4.

Other liabilities increased by DKK 156m, primarily due to provisions for employee bonuses and holiday allowance offset by the extra payments of VAT and withheld taxes that were previously postponed as part of the COVID-19 packages.

Net interest-bearing deposits/debt

Net interest-bearing deposit amounted to DKK 361m, compared to net interest-bearing debt of DKK 7m at year-end 2019/20. The increase was mainly due to the net proceeds from the DKK 359m rights issue and positive free cash flow for the year of DKK 119m. Lower capitalised lease liabilities according to IFRS 16 improved net interest-bearing deposits by DKK 19m.

Purchase of treasury shares of DKK 42m and provisions for Danish holiday pay ("Lønmodtagernes Feriemidler") of DKK 34m reduced net interest-bearing deposits.

Adjusted for capitalised lease liabilities according to IFRS 16, net interest-bearing deposit was DKK 494m (year-end 2019/20: DKK 146m).

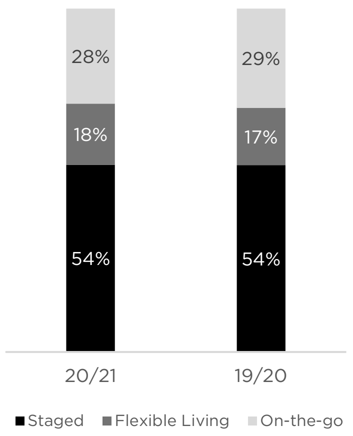
For further details, see note 6.1.

EMEA

REVENUE	ORGANIC GROWTH
DKK 1,295M	27%
(DKK 1,020M)	(-31%)

SHARE OF REVENUE	GROSS MARGIN
49%	39.8%
(50%)	(35.3%)

REVENUE BY PRODUCT CATEGORY, %



Revenue

Revenue was DKK 1,295m (2019/20: DKK 1,020m), which was 26.9% higher than last year (27% in local currencies). The growth was seen across all major markets.

All core sales channels supported the growth. The monobrand channel delivered growth in line with the region, despite being impacted by temporary local lockdowns.

The improved multibrand channel execution, especially in the second half of the year, resulted in an improved performance. This contributed to the overall growth.

The company's online sales showed good growth momentum driven by the focus on digital demand creation. The company’s eCommerce channel grew by 93%. Sales from eCommerce and etailers accounted for around 8% of revenue in EMEA.

The six core markets accounted for approx. 65% of the growth in EMEA and 70% of revenue in EMEA. The six markets delivered 25.1% year-on-year growth (26% in local currencies). The growth was adversely impacted by sales of end-of-life products last year.

The Staged category continues to be the biggest product category in EMEA, accounting for 55% of revenue in the region. Revenue from the Staged category increased by 27% compared to last year driven by both TVs and speakers. The launches of Beovision Contour and Beolab 28 had a positive impact.

Revenue from Flexible Living grew by 36% compared to last year. The growth was driven by both existing products and new products.

Revenue from On-the-go grew by 21% driven by headphones and portable speakers. The growth was driven by some of the newly launched products like the Beoplay H95 headphone and the Beosound A1 2nd Gen speaker, launched in late 2019/20. Revenue from earphones declined, as a result of sales of end-of-life products last year not being repeated in 2020/21.

Gross profit

Gross profit amounted to DKK 516m equivalent to a gross margin of 39.8%. This represented a 4.5pp increase over last year. The margin was adversely impacted by higher logistics and component costs. The margin improvement was related to all product categories, but most noticeably On-the-go, which last year was impacted by sales of end-of-life products at lower prices.

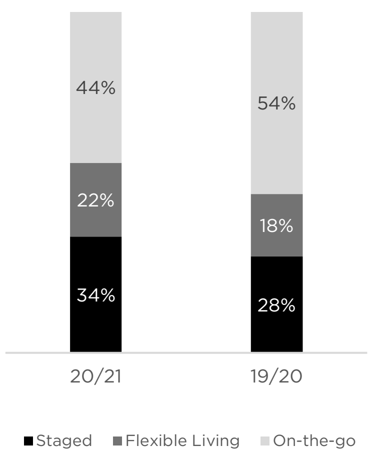
Beosound Balance,
Golden Collection

Americas

REVENUE	ORGANIC GROWTH
DKK 190M	42%
(DKK 141M)	(-43%)

SHARE OF REVENUE	GROSS MARGIN
7%	38.3%
(7%)	(33.4%)

REVENUE BY PRODUCT CATEGORY, %



Revenue

Revenue was DKK 190m (2019/20: DKK 141m), corresponding to a 35% increase (42% in local currencies).

The growth was driven by all main sales channels, with a strong performance from the company's monobrand channel. Multibrand delivered significant growth driven by the partnership with Verizon and the re-entry into BestBuy.

Revenue from etailers and the company's eCommerce platform grew by 32%, accounting for around 37% of revenue. The improved performance was driven by investments in digital channels and the increase in online demand as a result of COVID-19.

Revenue from the Staged category increased by 63%. The growth was driven by both TVs and speakers and mainly existing products. For example, Beosound Stage grew by 70%. The growth was supported by new product launches e.g. Beolab 28.

Revenue from the Flexible Living category increased by 59% year-on-year. The growth was driven by both existing and new speakers.

Revenue from On-the-go increased by 12% related to portable speakers and headphones. The growth from headphones was related to new launches, including Beoplay Portal, which was pre-released in BestBuy in March. Beoplay Portal is available for purchase in BestBuy stores and on their online channel. The growth in portable speakers was mainly driven by a strong performance from Beosound A1 2nd Gen.

Revenue from earphones declined, mainly due to sales of end-of life products last year.

Gross profit

Gross profit amounted to DKK 73m, equivalent to a gross margin of 38.3%. This represented an improvement of 4.9pp on last year. The improved gross margin was largely the result of a favourable shift in product mix towards Staged and Flexible Living. The margin was adversely impacted by higher logistics and component costs and the development in the USD exchange rate.

Beoplay HX

Asia

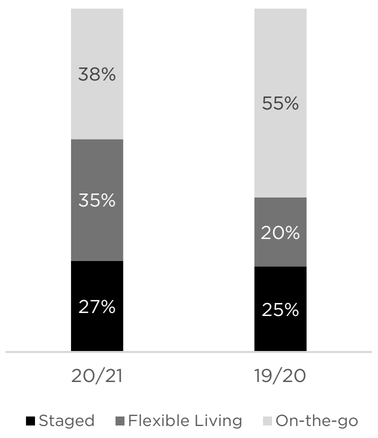
REVENUE
DKK 878M
(DKK 628M)

ORGANIC GROWTH
43%
(-30%)

SHARE OF REVENUE
34%
(31%)

GROSS MARGIN
33.5%
(30.7%)

REVENUE BY PRODUCT CATEGORY, %



Revenue

Revenue was DKK 878m (2019/20: DKK 628m), corresponding to a 39.9% year-on-year increase (43% in local currencies).

The two core markets, China and South Korea, accounted for approx. 84% of the growth in Asia and 75% of revenue in Asia. The markets delivered 46% year-on-year growth (50% in local currencies), driven by both Staged and Flexible Living, whereas growth in the On-the-go product category was slightly lower than last year.

Revenue from the Staged category grew by 49% year-on-year. Growth was driven by both existing products and new product launches. In particular, there was higher demand for large TVs and speakers.

Revenue from the Flexible Living category grew by 147% year-on-year. There was higher demand for all speakers, also supported by B2B orders for A9 speakers, in particular.

Revenue from the On-the-go category decreased by 3% compared to last year. The decline was related to earphones, for which revenue last year was supported by sales of end-of-life products. Portable speakers and headphones delivered sound growth, driven mainly by Beosound A1 2nd Gen and new headphones like Beoplay H95 and Beoplay HX.

Gross profit

Gross profit amounted to DKK 294m, equivalent to a gross margin of 33.5%. This represented a 2.8pp increase compared to last year. The increase was mainly related to an improved product mix and fewer end-of-life products, partly offset by higher logistics and component costs.

Beosound A1, 2nd Gen,
Dark Maroon

Brand Partnering & other activities

REVENUE	ORGANIC GROWTH
DKK 266M	11%
(DKK 247M)	(7%)

SHARE OF REVENUE	GROSS MARGIN
10%	96.4%
(12%)	(96.4%)

Revenue

Revenue amounted to DKK 266m (DKK 247m). This represented a 7.7% increase (11% in local currencies).

The increase was related to brand licensing income mainly driven by PC demand, whereas licensing income from car audio products was adversely impacted by the global component shortage in the automotive industry.

Revenue from the company's aluminium production for third parties was on a par with 2019/20.

Gross profit

Gross profit amounted to DKK 256m. This was equivalent to a gross margin of 96.4%, in line with last year. The margin was positively impacted by higher brand licensing income, which represented a larger share of the segment offset by a lower margin on aluminium production.

CSR & sustainability

In 2020/21, Bang & Olufsen continued to execute on its CSR & sustainability strategy and achieved 8 of 13 key targets for the year.

Bang & Olufsen has published a full CSR & sustainability report for 2020/21. The report outlines the company's strategy, initiatives and results achieved in the financial year. In addition, the report outlines the outlook and expectations for the financial year 2021/22.

The report complies with sections 99a and 99b of the Danish Financial Statements Act. The full report is available on the Bang & Olufsen website at: https://corporate.bang-olufsen.com/en/csr.

ACTIVITIES AND RESULTS FOR 2020/21

Bang & Olufsen's CSR & sustainability strategy has four focus areas: Environmental Impact, Responsible Employer, Role in society, and Responsible partner. Action plans, annual targets and initiatives have been developed across all focus areas to ensure progress.

In 2020/21, the company reached 8 out of 13 targets.

Due to higher than expected activity levels at the company's aluminium factory in Struer, Bang & Olufsen saw an increase in the greenhouse gas emissions of its own buildings. Also, the company did not reach its target of reducing the emission in its own logistic system. This was primarily due to the COVID-19 pandemic that caused logistics and supply challenges and meant that more of the company's products had to be shipped by air rather than sea as planned. Product longevity has always been at the heart of Bang & Olufsen, and with the launch of Beosound Level the company took another important step to deliver on its longevity promise. Based on a modular design approach, the speaker is built to last as technology changes.

While the pandemic also had a major impact on the employees work life situation the company saw an increase in employee engagement, which was very encouraging. The company did not reach its targets to increase the share of women in senior managements positions. Ensuring a diverse and inclusive culture is a priority for Bang & Olufsen, and several initiatives will be launched to support that focus in 2021/22, among other a Diversity, Equity & Inclusion Council.

Two of the six Board members elected by the General Meeting are female and the company thus complies with the requirements for gender equality on the Board.

Bang & Olufsen supports start-ups via its partnership with Sound Hub Denmark in Struer. That work was, however, significantly impacted by the pandemic and lockdowns, and thus the company did not achieve its target of helping at least 10 start-ups. The company will continue to strengthen its collaboration with Sound Hub Denmark to help the innovators of the future and explore new technology.

The company continued to make improvements in line with its commitments to international principles of human – and labour rights, the environment and anti-corruption. A new compliance committee was established to strengthen procedures and culture, and a total of 346 employees received in-class training and an e-learning on business conduct and ethics. The company also achieved its target of improving the due diligence process for high-risk commercial partners. The company did not, however, manage to roll-out its new training programme on procurement processes to employees. This is not satisfactory and will be a key focus for the company next year.

Update on sustainability targets 2020/21

ENVIRONMENTAL IMPACT

Bang & Olufsen is committed to minimising the adverse impact on the environment and climate from the company's own operations and its supply chain as well as to continuously reducing the footprint of the company's products over their entire lifecycle.

Targets for 2020/21

Reduce CO_2 in buildings by at least 5%	Not accomplished	(+1.4%)
Implement sustainable packaging strategy for upcoming products in the On-the-go and Flexible Living categories	Accomplished	
Reduce CO_2 emissions of own logistics system by 5-10% per kilo	Not accomplished	(+8.3%)
Introduce formalised circular product design programme	Accomplished	

RESPONSIBLE EMPLOYER

Bang & Olufsen wants to be recognised as a people-oriented and responsible company. The company therefore has a strong focus on empowering employees and helping them develop their skills as well as promoting the health and well-being of people at work. Furthermore, Bang & Olufsen promotes diversity across gender, age, cultural background, and competencies.

Targets for 2020/21

Improved Employee Engagement score from 72 to at least 74	Accomplished	(74)
Improve share of women in senior management positions to at least 25%	Not accomplished	(18%)

ROLE IN SOCIETY

Bang & Olufsen operates in a responsible and transparent manner and is committed to creating value to all the company's stakeholders. The company will continue to share knowledge and make the company's expertise available to society and stakeholders, while continuing to support community initiatives in the societies in which the company operates.

Targets for 2020/21

Support at least 10 start-ups	Not accomplished	(5)
Run at least 5 initiatives to help and promote STEM competencies for young people	Accomplished	(6)
Continue work with two key research projects within sound and health	Accomplished	

RESPONSIBLE PARTNER

Bang & Olufsen wants to strengthen partner relationships by engaging with suppliers to raise responsibility standards and work with retail partners to create a strong compliance culture in order to ensure that they live up to the company's ethical and social standards and expectations from all stakeholders.

Targets for 2020/21

Establish Global Compliance Committee	Accomplished
Launch internal compliance training	Accomplished
Improve due diligence onboarding for high-risk commercial partners	Accomplished
Strengthen training in and awareness of procurement processes among employees	Not accomplished

■ Accomplished   ■ Not accomplished

CSR & sustainability outlook 2021/22

Since 2017/18, Bang & Olufsen has been working to implement its CSR & sustainability strategy with focus on four key themes: Environmental Impact, Responsible Employer, Role in Society, and Responsible Partner.

Despite the financial challenges facing the company throughout that period, Bang & Olufsen has achieved good progress and integrated sustainability even more into its day-to-day operations, reducing its adverse environmental impact as well as strengthened the company's societal contribution.

The company will continue to execute on the current strategy in 2021/22, but a strategy development process will be initiated during the financial year with the aim to present a new and revised sustainability framework for Bang & Olufsen.

In the spring of 2020/21, Bang & Olufsen completed an analysis and benchmarking of its sustainability efforts, and the company will engage in further dialogue with key stakeholders in 2021/22 on environmental, social, and governance aspects.

Based on this, Bang & Olufsen will present a new strategy together with long-term key targets to ensure that the company has the right metrics in place for tracking its impact and contribution in a reliable way.

OUTLOOK FOR SUSTAINABILITY WORK 2021/22

Theme	Outlook
Environmental impact	• Continue work to minimise greenhouse gas footprint in buildings and own logistics system through targeted initiatives • Determine the company's greenhouse gas footprint according to the greenhouse gas protocol (scope 1-3) and set target for becoming climate neutral • Expand longevity and circularity product programmes to support the company's commitment to create more sustainable products and increase transparency across the value chain
Responsible employer	• Increase focus on good employee experiences throughout employee journeys • Establish a Diversity, Equity & Inclusion Council • Ensure a fair, non-biased recruitment process with the right composition of gender, age, cultural background, and competencies • Continue to focus on building the company's talent pipeline and succession plan though the Leadership Accelerator Program and planned Talent Program
Role in society	• Develop partnership with Sound Hub Denmark and Danish Sound Cluster to support innovators and development of STEM skills among young people • Maintain a focus on community engagement and stakeholder dialogue, including supporting STEM educations • Continue the efforts to explore the impact of sound on people's health and well-being through research programmes
Responsible partner	• Include relevant ESG statements in Business Conduct & Ethics Policy and People & Diversity Policy and set relevant compliance metrics • Continue work with embedding compliance even more into our day-to-day operations and implement structured training programmes • Report on internal speak-up setup (whistleblower system) • Continue ethical screening and training of new monobrand partners

GOVERNANCE

Corporate governance

Bang & Olufsen has a two-tiered management structure. In accordance with current practice in Denmark, responsibility is divided between the non-executive Board of Directors and the Executive Management Board, which are independent of each other. The Board of Directors determines the overall strategy and supervises Bang & Olufsen's activities, management and organisation, while the Executive Management Board is in charge of the day-to-day management. Members of the Executive Management Board do not serve on the Board of Directors.

The company's Board of Directors and Executive Management Board constantly strive to ensure transparency and accountability by building trusting relationships with shareholders, customers, suppliers, employees, and the local communities in which the company operates.

Compliance with the Recommendations on Corporate Governance

Bang & Olufsen is subject to the Recommendations on Corporate Governance as updated in November 2017 (the Recommendations), prepared by the Danish Committee on Corporate Governance. The Board of Directors regularly reviews Bang & Olufsen's corporate governance framework and policies in relation to the Recommendations as well as any relevant statutory requirements and continuously assesses the need for adjustments. At 31 May 2021, Bang & Olufsen was following all Recommendations.

Bang & Olufsen has prepared a detailed Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements Act. The report includes a description of the composition of the Board of Directors and its work over the past year as well as a description of the main elements of the company's internal control and risk management system. The Corporate Governance Report can be found at https://investor.bang-olufsen.com.

Board of Directors

The Board of Directors currently has ten members, six of whom are elected by the shareholders. Four Board members are elected by the employees in accordance with the Danish Companies Act. The shareholder-elected members are elected for terms of one year, while employee representatives are elected for terms of four years in accordance with current legislation. All shareholder-elected members are independent.

Normally, between eight and ten Board meetings are held each year, with ad hoc meetings being held if necessary. In 2020/21, 13 meetings were held.

The Board of Directors believes that members should be chosen on the basis of their overall competencies, and also recognises the benefits of Board diversity in respect of experience, cultural background and gender. Each year, the Board of Directors considers the skills and competencies that should be represented on the Board of Directors on the basis of a recommendation from the Nomination

BOARD MEETING AND COMMITTEE ATTENDANCE AS PER 1 JUNE 2021

	Board meetings attended	Remuneration Committee	Audit Committee	Nomination Committee	Technology Committee
Juha Christensen (Chairman)	13 of 13	3 of 3		2 of 2	4 of 4
Albert Bensoussan (Vice Chairman)[B]	9 of 10		4 of 4		
Anders Colding Friis	13 of 13	2 of 2	1 of 1	1 of 1	
Jesper Jarlbæk	13 of 13		5 of 5	2 of 2	
M. Claire Chung	13 of 13	3 of 3			
Tuula Rytilä	12 of 13				4 of 4
Brian Bjørn Hansen[A]	13 of 13				
Britt Lorentzen Jepsen[A]	13 of 13				
Dorte Vegeberg[A]	13 of 13				
Søren Balling[A]	13 of 13				
Joan Ng Pi OB[C]	6 of 6				1 of 1
Mads Nipper[C]	5 of 6			1 of 1	

A Employee-elected
B Appointed on 20 August 2020
C Left the Board on 20 August 2020

Committee. These skills are described in detail in the company's Corporate Governance Report.

For more information about individual Board members, including skills and competencies possessed by each Board member, see the section 'Board of Directors' on pages 42-45.

Board committees and Advisory Board

The Board of Directors has established four committees: a Remuneration Committee, a Nomination Committee, an Audit Committee and a Technology Committee. The committees are tasked with preparing decisions and recommendations for assessment and approval by the Board of Directors. The committees report to the Board of Directors. Each committee has detailed terms of reference setting out its most important tasks and responsibilities. The tasks and work of the committees are described in more detail in the Corporate Governance Report.

Furthermore, the Board of Directors has established a China Advisory Board to (i) ensure that trends and learnings from China are captured and (ii) provide guidance and support for the Chinese part of the business to support the growth trajectory in China.

Board evaluation process

The Chairman of the Board of Directors conducts an annual board self-assessment and review of the Board's performance, addressing the effectiveness of the Board, the processes supporting its work, individual Board members' contributions, the Chairman's performance, and the cooperation with the Executive Management Board.

The assessment is conducted by way of each individual Board member and member of the Executive Management Board anonymously completing a comprehensive online questionnaire, which is then summarised by an external consultant. Ratings and comments are consolidated and shared with the Board of Directors followed by a Board discussion on potential improvements.

The Chairman also conducts a personal interview with each of the members of the Board of Directors to collect detailed feed-back and input on the Board's performance and improvement areas.

The Chairman presented the results of the evaluation to the Board of Directors in July 2021. According to the conclusion of the evaluation, the Board of Directors identified certain minor areas for improvement within the following areas:

- Increase focus on structured succession planning. This has also been an observation in previous years. However, as the organisation has been significantly changed and many managers in leadership positions have been replaced during the past year, the succession planning process is still undergoing. The Board will maintain focus on this area and is also looking to couple the succession planning with the company’s efforts within talent management to secure the succession pipeline is in place.
- Allocation of more time for deep-dive discussions at each Board meeting.

The Chairman has reviewed the performance with each member of the Board of Directors and provided each member with feedback on their performance.

Remuneration

The remuneration of the Board of Directors and the Executive Management Board is designed to support the strategic goals of the company and to promote value creation for the benefit of the company's shareholders and other stakeholders. Remuneration levels must ensure that the company is able to attract, motivate and retain highly qualified members for both the Executive Management Board and the Board of Directors.

The company's remuneration policy is reviewed annually by the Remuneration Committee and the Board of Directors. The remuneration policy and the full remuneration report for the financial year 2020/21 can be found at https://investor.bang-olufsen.com.

Board of Directors

The remuneration of members of the Board of Directors comprises a fixed annual base fee and fixed annual supplementary fees for the Chairman, the Vice Chairman, and members and chairmen of permanent committees. As part of the company's COVID-19 initiatives, the Board of Directors accepted a temporary voluntary fee reduction of 20% from June 2020 to August 2020.

Members of the Board of Directors do not receive incentive-based remuneration. To align the interests of the Board of Directors with the company's shareholders, each member of the Board elected by the general meeting is obliged to invest in shares issued by the company not later than 12 months after the date of the member's election to the Board for an amount at least corresponding to the annual base fee paid to an ordinary member of the Board according to the most recent annual report and to keep such shareholding for as long as the individual is a member of the Board.

Executive Management Board
Members of the Executive Management Board are entitled to annual remuneration in accordance with the remuneration policy. The policy may consist of the following fixed and variable remuneration components:

- Fixed base salary, including pension contribution
- Variable remuneration consisting of (i) non-share-based cash bonus and/or (ii) share-based remuneration
- Termination and severance payments
- Customary non-monetary employment benefits
- Extraordinary incentive grants, including an extraordinary short-term cash-based retention programme

The individual composition of remuneration is determined with a view to contributing to the company's ability to attract and retain competent key employees while ensuring that the Executive Management Board has an incentive through variable remuneration to create added value for the benefit of the company's shareholders. For detailed information on remuneration, see notes 3.2 and 3.3 and the remuneration report for 2020/21, which is available at https://investor.bang-olufsen.com.

As part of the company's COVID-19 initiatives, the Executive Management Board accepted a temporary voluntary fee reduction of 20% from June 2020 to August 2020.

REMUNERATION OF THE BOARD OF DIRECTORS 2020/21

(DKK thousand)	Annual fee	Remuneration Committee	Nomination Committee	Audit Committee	Technology Committee	China Advisory Board	**Total 2020/21**	**Total 2019/20**
Juha Christensen	855	71	71		71		**1,068**	**600**
Albert Bensoussan[B]	348			58			**406**	**84**
Anders Colding Friis	285	58	58	13			**414**	**375**
Jesper Jarlbæk	285		71	143			**499**	**550**
M. Claire Chung	285		71			48	**404**	**296**
Tuula Rytilä	285				71		**356**	**283**
Brian Bjørn Hansen[A]	285						**285**	**300**
Britt Lorentzen Jepsen[A]	285						**285**	**233**
Dorte Vegeberg[A]	285						**285**	**233**
Søren Balling[A]	285						**285**	**300**
Joan Ng Pi O[C]	53				13	10	**76**	**296**
Mads Nipper[C]	53		13				**66**	**375**
Ole Andersen	0						**0**	**1,050**
Ivan Tong Kai Lap[D]	0						**0**	**84**
Mayken Schultz[D]	0						**0**	**84**
Geoff Martin[D]	0						**0**	**67**
Total	**3,589**	**129**	**284**	**214**	**155**	**58**	**4,429**	**5,210**

A Employee-elected
B Appointed on 20 August 2020
C Left the Board on 20 August 2020
D Left the board on 21 August 2019

Risk management

The purpose of Bang & Olufsen's risk management programme is to protect the business and the brand. This is done by identifying key risks and mitigating these to an acceptable level. The company regularly assesses the extent to which individual risks are acceptable, and the extent to which these risks can be reduced to ensure an acceptable balance between risk and return.

The risk management process sets out a systematic approach to identify, evaluate and monitor key risks. A number of risk management tools and templates have been developed to lay the foundation for risk management and ensure a structured approach to managing risks across the company. This includes:

- risk management guideline,
- risk governance structure, and
- annual wheel.

The risk management guideline sets out the company's approach to risk management, the risk management process, as well as the governance structure and roles and responsibilities. A full description of risk governance is available on the company's website at https://investor.bang-olufsen.com/risk-management.

To contain risks within acceptable limits, the company continuously identifies, prioritises, assesses, mitigates, monitors and reports on risks. This includes discussions with the Executive Management Board and relevant stakeholders to evaluate identified risks on the basis of possible impact and probability. These discussions during the year enable a proactive approach to adapting business processes and controls to meet, manage or mitigate such risks, or to prevent potential increases in the current level of exposure.

Risk identification and assessment are conducted annually to identify and assess key risks based on the following:

- analysis of internal and external information and data
- interviews with the Executive Management Board and other key stakeholders with focus on their field of expertise and the company in general
- analysis and consolidation of identified risks based on potential impact and probability
- process for validation of identified risks by the Executive Management Board, including analyses and prioritisation to establish the company's risk profile
- biannual discussions with the Audit Committee

The assessment takes into account the potential impact and probability of each key risk. The impact relates to three dimensions: financial exposure, reputational damage, and licence to operate.

The purpose of the risk management process is to protect the company, meaning its reputation, people, business potential and assets. The risk management process is thus designed to identify and assess material risks associated with the business and its strategic direction. The focus is on monitoring, managing and mitigating risks while leveraging on related opportunities.

Key risks

The following risks are considered key risks by the Board of Directors. These could potentially threaten the company's ability to meet financial targets, execute on strategy, or maintain licence to operate. They do not, however, represent all the risks associated with the business. Additional risks that are not presented here could also have an adverse effect on the business. These include external risks such as climate-related and geopolitical risks as well as internal, operational risks, which will impact the company if they materialise but have a lower assessed probability of materialising.

SUPPLY CHAIN DISRUPTION

Description

The global pandemic has resulted in increased demand. This, coupled with a disruption to supplies caused by a fire in a Japanese electronics factory and climate-related events, such as snowstorms in North America, has resulted in shortages of parts and materials, shipping delays and rising costs.

Risk

As a consequence of the current global shortage of parts and materials, Bang & Olufsen may not be able to maintain and sustain revenue growth and profitability. The risk entails the ability to source relevant components and the ability to ensure the expected gross margin.

Mitigating actions 2021/22

Short term, make spot purchases to fill gaps, while ensuring allocation and prioritisation with suppliers to maximise available stock. Long term, carry out re-establishment of safety stock and redesign selected products to de-risk supply base.

IT SECURITY

Description

Bang & Olufsen's business depends to a large and increasing degree on reliable and secure IT systems.

Risk

If the company fails to protect its IT infrastructure, key systems and products against security incidents, the potential consequences could be unavailability of services, unintended disclosure of confidential or sensitive personal data or loss of business-critical data. This could negatively affect Bang & Olufsen's competitive position, damage its reputation and/or result in fines or stop important business processes.

Mitigating actions 2021/22

An updated 360-degree risk assessment was conducted in November 2019. The roadmap for implementation of the additional findings is ongoing and progressing as planned, e.g. several network initiatives to further strengthen system security as well as updated cybersecurity awareness training courses.

SECURING FUTURE TALENT

Description

The foundation for Bang & Olufsen's future success is highly dependent on employees. It is important to make the necessary recruitments and retain key employees to execute on the strategic direction and build a solid talent base for future growth.

Risk

There is a risk that the company will not be able to attract and retain employees due high demand for employees. The potential consequences are the inability to fill and maintain key positions and consequently the inability to execute on strategic direction and ensure continued operations.

Mitigating actions 2021/22

Develop the desired company culture that will spark engagement, create a sense of belonging and boost motivation. The company will improve learning opportunities, motivate performance for growth and celebrate through events. Moreover, the company will enhance collaboration and co-creation across geographies and departments while introducing a talent initiative.

PRODUCTS FOR THE FUTURE

Description
Bang & Olufsen must continue to bring new, innovative, competitive products to market across all categories. This entails developing and adjusting the product portfolio to follow customer trends in a rapidly changing environment.

Risk
Bang & Olufsen's future relevance and growth depend on the company's ability to act swiftly to changes in customer needs and thus deliver the right innovative products at the right time. Furthermore, if the company is not able to execute its product roadmap in a timely manner, it can miss market opportunities or fail to meet customer demands and expectations. This can impact the ability to create a sustainable business in the future and to meet growth targets.

Mitigating actions 2021/22
The company is in the process of developing its future innovation direction, including future choices in line with the overall corporate strategy. Furthermore, the company will introduce new ways of working with focus on process and communication and ensure insights that track both short-term market impulses and long-term macro trends.

ENABLING GROWTH IN KEY MARKETS

Description
The company has identified three pillars of growth focusing on six core European markets and two core Asian markets.

Risk
The company's growth targets depend on Bang & Olufsen's ability to build a scalable setup in the core European markets and a robust foundation for accelerated growth in China.

Mitigating actions 2021/22
Focus is on preparing a specific strategic direction and enhancing the close cooperation with the monobrand network and strengthening cooperation with key multibrand partners while developing B2B, own eCommerce, and etail, supported by demand creation to ensure a balanced channel mix.

DEVELOPING BRAND PARTNERSHIPS

Description
In recent years, the company has built brand partnerships with some of the largest and most innovative companies in the world. This has become an important part of the company's core business and a platform for exposing potential customers to the Bang & Olufsen brand.

The company will intensify its brand partnering activities to improve and leverage brand value by seeking new brand licensing agreements.

Risk
There is a risk that Bang & Olufsen may not be able to nurture and develop its current brand partnerships or secure new, high-impact partners appropriate to the brand to help accelerate the achievement of strategic objectives and commercial scale-up whilst increasing cohesiveness with partners.

Mitigating actions 2021/22
Bang & Olufsen will continue to strengthen its engagement with existing core partners and establish a more structured approach to engaging with potential new brand partners to ensure value creation.

Beosound Explore

Board of Directors

JUHA CHRISTENSEN

Danish, born 1964

Chairman since 2020
Joined (until): 2016 (2021)
Independent
Committee memberships
Remuneration Committee
Technology Committee
Nomination Committee

Bang & Olufsen shares, year-end:
100,864 (2019/20: 6,000)

Competencies
■ Luxury lifestyle omnichannel retailing and marketing
■ Brand management
■ Consumer electronics knowledge
■ Key market insights
■ Partnership management
■ Innovation, digitalisation & technology
□ Stakeholder relations & CSR
□ Consumer product supply chain
■ New product introduction
■ International management & strategy development
□ Risk management
□ Finance & accounting
■ Corporate governance of listed companies

Directorships and other offices
CM Star Global, Inc. and associated subsidiaries, CloudMade Holdings Limited and associated subsidiaries
VC Netcompany A/S

ALBERT BENSOUSSAN

French, born 1959

Vice Chairman since: 2020
Joined (until): 2020 (2021)
Independent

Committee memberships
Audit Committee

Bang & Olufsen shares, year-end:
14,000 (2019/20: 3,000)

Competencies
■ Luxury lifestyle omnichannel retailing and marketing
■ Brand management
□ Consumer electronics knowledge
■ Key market insights
■ Partnership management
□ Innovation, digitalisation & technology
■ Stakeholder relations & CSR
■ Consumer product supply chain
■ New product introduction
■ International management & strategy development
■ Risk management
□ Finance & accounting
□ Corporate governance of listed companies

Directorships and other offices
O CEO and founder of AB Consultants Paris

ANDERS COLDING FRIIS

Danish, born 1963

Joined (until): 2018 (2021)
Independent

Committee memberships
Nomination Committee
Remuneration Committee

Bang & Olufsen shares, year-end:
23,400 (2019/20: 7,800)

Competencies
■ Luxury lifestyle omnichannel retailing and marketing
■ Brand management
□ Consumer electronics knowledge
■ Key market insights
■ Partnership management
□ Innovation, digitalisation & technology
■ Stakeholder relations & CSR
■ Consumer product supply chain
■ New product introduction
■ International management & strategy development
□ Risk management
□ Finance & accounting
■ Corporate governance of listed companies

Directorships and other offices
CM Officeguru A/S, Logisnap ApS
VC Goodwings ApS
BM Chr. Augustinus Fabrikker Aktieselskab, Caf Invest a/s

JESPER JARLBÆK

Danish, born 1956

Joined (until): 2011 (2021)
Independent

Committee memberships
Audit Committee
Nomination Committee

Bang & Olufsen shares, year-end:
19,500 (2019/20: 6,500)

Competencies
□ Luxury lifestyle omnichannel retailing and marketing
□ Brand management
□ Consumer electronics knowledge
□ Key market insights
□ Partnership management
□ Innovation, digitalisation & technology
□ Stakeholder relations & CSR
□ Consumer product supply chain
□ New product introduction
■ International management & strategy development
■ Risk management
■ Finance & accounting
■ Corporate governance of listed companies

Directorships and other offices
CM Able ApS, A-Solutions A/S, Basico Consulting Group, Bookboon Corporate Group A/S, Catacap Management ApS, Falcon Fondsmæglerselskab A/S, Groupcare Group, Happy Helper A/S, Materiel Udlejning Holding Group ApS, Polaris III Invest Fonden
BM Berlin Invest 2017 ApS, Business Angels Fond II A/S, Earlbrook Holdings Group A/S, Lyngsoe Systems Group A/S, Smartshare Systems A/S

CM = Chairman VC = Vice Chairman BM = Board Member O = Other offices

M. CLAIRE CHUNG

Chinese, born 1968

Joined (until): 2019 (2021)
Independent

Committee memberships
Remuneration Committee

Bang & Olufsen shares, year-end:
26,000 (2019/20: 0)

Competencies
- ■ Luxury lifestyle omnichannel retailing and marketing
- ■ Brand management
- ☐ Consumer electronics knowledge
- ■ Key market insights
- ■ Partnership management
- ■ Innovation, digitalisation & technology
- ■ Stakeholder relations & CSR
- ☐ Consumer product supply chain
- ■ New product introduction
- ■ International management & strategy development
- ☐ Risk management
- ☐ Finance & accounting
- ☐ Corporate governance of listed companies

Directorships and other offices
BM Delsey
O CEO of Ignae

TUULA RYTILÄ

Finnish, born 1967

Joined (until): 2019 (2021)
Independent

Committee memberships
Technology Committee

Bang & Olufsen shares, year-end:
24,300 (2019/20: 0)

Competencies
- ■ Luxury lifestyle omnichannel retailing and marketing
- ■ Brand management
- ■ Consumer electronics knowledge
- ■ Key market insights
- ■ Partnership management
- ■ Innovation, digitalisation & technology
- ☐ Stakeholder relations & CSR
- ☐ Consumer product supply chain
- ■ New product introduction
- ■ International management & strategy development
- ☐ Risk management
- ☐ Finance & accounting
- ☐ Corporate governance of listed companies

Directorships and other offices
O Corporate Vice President at Microsoft in Seattle

BRIAN BJØRN HANSEN

Danish, born 1972

Employee-elected
Joined (until): 2015 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
3,996 (2019/20: 1,332)

Competencies
• Senior Business Manager, Smart Home

Directorships and other offices
-

BRITT LORENTZEN JEPSEN

Danish, born 1991

Employee-elected
Joined (until): 2019 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
1,755 (2019/20: 405)

Competencies
• Global Logistics, Consultant

Directorships and other offices
-

CM = Chairman VC = Vice Chairman BM = Board MemberO = Other offices

DORTE VEGEBERG

Danish, born 1972

Employee-elected
Joined (until): 2019 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
0 (2019/20: 0)

Competencies
• Radio and electronic worker, Production

Directorships and other offices
-

SØREN BALLING

Danish, born 1971

Employee-elected
Joined (until): 2019 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
8,622 (2019/20: 2,714)

Competencies
• Production Manager, Mechanics

Directorships and other offices
BM Øster Hjerm Bygningsartikler

CM = Chairman VC = Vice Chairman BM = Board Member O = Other offices

Executive Management Board

KRISTIAN TEÄR

Swedish, born 1963

CEO

Employed since
8 October 2019

Bang & Olufsen shares, year-end:
168,000 (2019/20: 56,000)

Competencies
- MSc from The Royal Institute of Technology in Stockholm
- Executive programme at Columbia University, USA

Directorships and other offices
BM International Tennis Hall of Fame & Museum

NIKOLAJ WENDELBOE

Danish, born 1975

Executive Vice President
& CFO

Employed since
1 May 2019

Bang & Olufsen shares, year-end:
84,200 (2019/20: 13,400)

Competencies
- MSc Econ from University of Copenhagen (cand.polit.)

Directorships and other offices
CM Sparkle ApS
BM Strandgaarden Wine & Spirits A/S
O Director NWE Invest ApS

CHRISTIAN BIRK

Danish, born 1985

Executive Vice President,
Marketing, Digital and Customer
Experience

Employed since
16 October 2017

Bang & Olufsen shares, year-end:
30,000 (2019/20: 10,000)

Competencies
- BSc in International Business from Copenhagen Business School
- PLD from Harvard Business School

Directorships and other offices
-

LINE KØHLER LJUNGDAHL

Danish, born 1978

Executive Vice President
& Chief Legal Officer

Employed since
1 January 2015

Bang & Olufsen shares, year-end:
23,877 (2019/20: 10,000)

Competencies
- Executive MBA from Copenhagen Business School
- Master in Law (LL.M) from Copenhagen University

Directorships and other offices
BM Statens Ejendomssalg A/S
BM Impero A/S

CM = Chairman VC = Vice Chairman BM = Board MemberO = Other offices

The Bang & Olufsen share

The share price increased by 31.7% in 2020/21 or 188% when adjusting for the rights issue completed on 1 July 2020. The increase in share price reflected the financial performance, which was better than anticipated going into 2020/21. The capital increase strengthened the capital base of the company with net proceeds of DKK 359m.

During the year, the share price increased by 31.7% to DKK 32.14 on 31 May 2021. Adjusted for the dilution from the rights issue, the share price increased by 188%. The increase was driven by the better than expected financial performance, which resulted in an improved financial outlook in December 2020 and a narrowing of the free cash flow outlook with the publication of the Q3 report in April 2021.

On 1 June 2021, after the close of the financial year, the company released estimated results for the year. The results exceeded the previous outlook. The share increased to around DKK 35 on the announcement. The financial markets also developed positively, with the Nasdaq Mid-Cap Index growing by 47% in 2020/21.

Shareholder composition

At the end of the financial year 2020/21, the company had around 31,000 shareholders. This was about 6,000 more than a year earlier.

In terms of share capital, the shareholder base is predominantly Danish. The Danish-based shareholders accounted for more than 60% of the share capital. At the end of the year, the company had four major shareholders, who each held more than 5% of the company's share capital.

On 31 May 2021, the company owned treasury shares equivalent to 1.7% of the share capital, with the purpose of hedging the AGM-approved Combined Performance and Retention Share Programme.

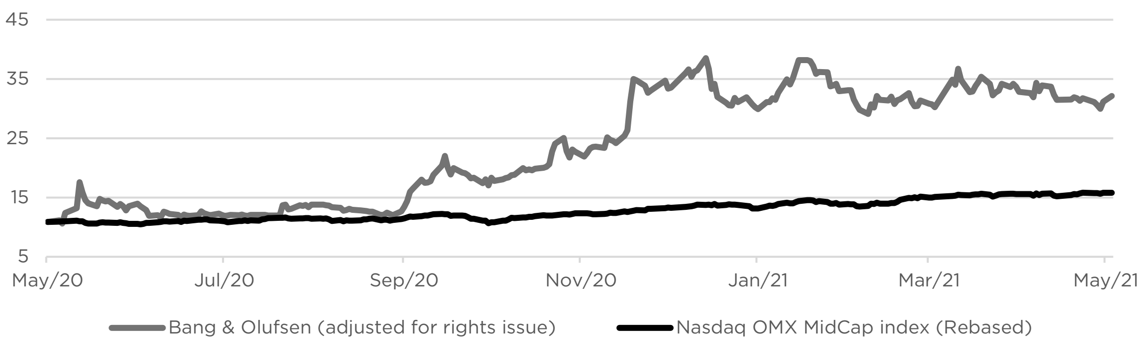
Capital allocation

The capital structure is reviewed continuously with due consideration for Bang & Olufsen's financial performance and strategic developments, including investment requirements and shareholder interests.

The company continues to see increased uncertainties related to the COVID-19 pandemic, as reflected in the company's outlook for 2021/22.

As also described in the company's outlook for 2021/22, the company plans to invest more in resources, product development, innovation and retail development. To maintain flexibility and also handle any potential adverse effects of COVID-19, the Board of Directors proposes not to pay out

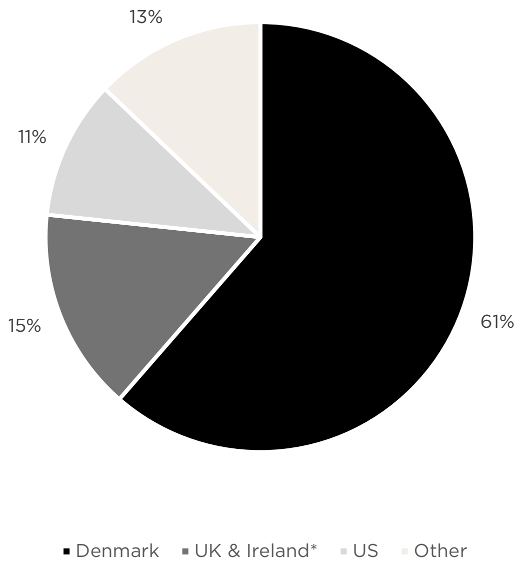
SHARE PRICE DEVELOPMENT 1 JUNE 2020 TO 31 MAY 2021



THE BANG & OLUFSEN SHARE

Stock exchange:		NASDAQ Copenhagen A/S
Identification code (ISIN)		DK 0010218429
	31 May 2021	31 May 2020
Closing price (DKK)	32.14	24.4
Market value (DKKm)	3,944	1,054
Average daily turnover (DKKm)	13.8	8.0
Shares issued	122,772,087	43,197,478
Treasury shares	2,112,372	2,317,014
Earnings per share (DKK)	-0.2	-14.1
Price/Earnings	-168.6	-1.7

SHAREHOLDER COMPOSITION, 31 MAY 2021



dividends. The company's available liquidity amounted to DKK 593m on 31 May 2021.

Investor Relations Policy

Bang & Olufsen aims to maintain an honest and constructive engagement with the market and to be perceived as reliable and transparent by ensuring that relevant and accurate information concerning the Group is made available to the market in due time. In addition to publishing financial results and other company announcements, Bang & Olufsen's Executive Management Board and Investor Relations use webcasts, roadshows and conference calls as their primary channels when communicating with stakeholders.

Investor Relations is responsible for maintaining the day-to-day engagement with current and potential shareholders as well as with sell and buy-side analysts. Information about analyst coverage, access to investor-related materials and conference calls can be found at https://investor.bang-olufsen.com.

MAJOR SHAREHOLDERS

Four shareholders have notified Bang & Olufsen that they hold more than 5% of the company's share capital.

Name	Capital/Votes (%)
Sparkle Roll (Denmark) Limited	14.9
Arbejdsmarkedets Tillægspension	12.4
Chr. Augustinus Fabrikker Aktieselskab	5.8
Færchfonden*	5.1

* On 4 June 2021, Færchfonden announced that they had reduced their shareholding to 4.42%

FINANCIAL CALENDAR

2021

19 August	Annual General Meeting Bang og Olufsen Allé 1 7600 Struer Denmark Deadline for subjects and proposals to the agenda 8 July 2021
6 October	Interim report Q1 2021/22

2022

12 January	Interim report Q2 2021/22
7 April	Interim report Q3 2021/22
6 July	Annual report 2021/22

Q4 RESULTS

Q4 key financial highlights

	Q4		YTD	
(DKK million)	**2020/21**	2019/20	**2020/21**	2019/20
Income statement				
Revenue	776	377	2,629	2,036
EMEA	377	214	1,295	1,020
Americas	60	34	190	141
Asia	275	78	878	628
Brand Partnering & other activities	64	51	266	247
Gross margin, %	41.1	39.4	43.3	41.1
EMEA	39.7	31.9	39.8	35.3
Americas	31.2	18.0	38.3	33.4
Asia	32.2	32.4	33.5	30.7
Regions, total	36.1	30.3	37.3	33.2
Brand Partnering & other activities	94.4	98.0	96.4	96.4
EBITDA	61	-92	203	-147
EBIT before special items	15	-113	38	-304
EBIT	7	-140	19	-347
Special items, net	-8	-27	-19	-43
Financial items, net	-14	-13	-52	-20
Earnings before tax (EBT)	-7	-153	-33	-367
Earnings for the period	1	-135	-23	-576
Financial position				
Total assets	2,276	1,776	2,276	1,776
Share capital	613	432	613	432
Equity	1,133	832	1,133	832
Cash	178	215	178	215
Available liquidity	593	215	593	215
Net interest-bearing deposit	361	-7	361	-7
Net working capital	187	313	187	313

	Q4		YTD	
(DKK million)	**2020/21**	2019/20	**2020/21**	2019/20
Cash flows				
Cash flows from operating activities	96	-54	297	-80
Operational investments	-62	-45	-178	-154
Free cash flow	34	-99	119	-234
Financial investments	6	-	-445	-
Cash flows from investing activities	-56	-45	-623	-154
Cash flows from financing activities	-142	-13	293	-43
Cash flows for the period	-102	-112	-33	-277
Key figures				
Growth in local currencies, %	109	-39	31	-29
EBITDA margin before special items, %	8.9	-17.3	8.4	-5.1
EBITDA margin, %	7.9	-24.5	7.7	-7.2
EBIT margin before special items, %	1.9	-30.0	1.4	-15.0
EBIT margin, %	0.9	-37.1	0.7	-17.1
Return on assets, %	-1.0	-15.2	-1.0	-15.2
Return on invested capital, excl. goodwill, %	14.3	-26.1	14.3	-26.1
Return on equity, %	-2.1	-28.4	-2.1	-28.4
Full-time equivalents at end of period	947	899	947	899
Stock-related key figures				
Earnings per share (EPS), DKK	0.0	-3.3	-0.2	-14.1
Earnings per share, diluted (EPS-D), DKK	0.0	-3.3	-0.2	-14.1
Price/Earnings	3,878.0	-7.4	-168.6	-1.7
Revenue per share, DKK	6.4	9.2	21.8	49.8
Revenue per share, diluted, DKK	6.4	9.2	21.8	49.8

For definitions, see note 8.7.

Q4 financial review

The company maintained its growth momentum across all regions, delivering year-on-year revenue growth of 106.1% (109% in local currencies). The company managed to secure higher product deliveries in the quarter.

Revenue growth was still negatively impacted by supply constraints related to component scarcity as a consequence of COVID-19. This resulted in higher component and logistics costs, which adversely affected profitability in the quarter.

Revenue

Group revenue increased by 106.1% (109% in local currencies) to DKK 776m (2019/20: DKK 377m), driven by all distribution channels, regions and product categories. The high growth rate in Q4 reflected the fact that, last year, financial performance experienced significant adverse effects from COVID-19 lockdowns.

Brand Partnering & other activities grew by 27% driven by both brand licensing income and aluminium manufacturing for third parties.

Revenue from product sales grew by 118%. The growth was bolstered by higher product deliveries in the quarter. However, component scarcity continued to adversely impact growth.

The product portfolio was further strengthened by five product launches. Products launched during the last 12 months accounted for approx. 39% of revenue from product sales in the quarter.

All channels delivered solid growth in the quarter reflecting higher sell-out.

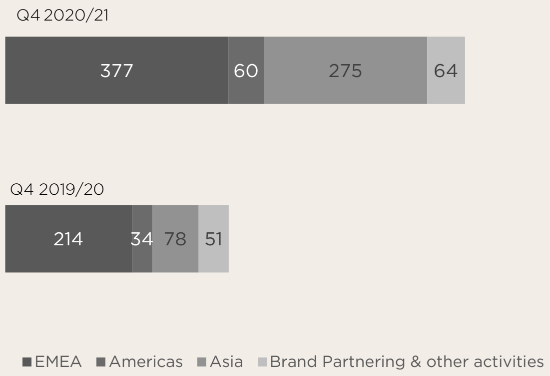
Growth in the multibrand channel was also driven by the changed operating model for multibrand in the core European markets and by the partnerships with Verizon and BestBuy in the US.

The company's eCommerce sales grew by 15%, representing around 4% of product sales. Online sales, including etailers, accounted for more than 20% of total product sales. Growth from the company's eCommerce platform reflected the fact

	Q4		YTD	
GROSS MARGIN	**2020/21**	2019/20	**2020/21***	2019/20
Staged	41.9%	38.6%	44.0%	44.2%
Flexible Living	45.3%	45.4%	47.8%	46.6%
On-the-go	21.2%	10.5%	20.8%	16.5%
Products, total	**36.1%**	**30.3%**	**37.3%**	**33.2%**
Brand Partnering & other activities	94.4%	96.0%	96.4%	96.4%
Total	**41.1%**	**39.4%**	**43.3%**	**41.1%**

*The allocation key for production related capacity costs has been revised for Q3. Q1 and Q2 were not impacted.

REVENUE BY CATEGORY, DKKM



that Q4 of last year benefited from demand moving online supported by the company's accelerated digital focus.

Staged
Revenue was DKK 294m (2019/20: DKK 157m), corresponding to an increase of 88%. Both TVs and speakers delivered strong growth. Revenue from speakers was positively impacted by the launch of Beolab 28.

Revenue in Q4 was positively impacted by sales of screens for the launch of Beovision Contour 48''.

Flexible Living
Revenue grew by 188% to DKK 190m (2019/20: DKK 66m), reflecting strong demand across monobrand, multibrand and etail.

All products delivered positive growth, with Beoplay A9 providing the highest growth, partly driven by B2B deals in Asia.

On-the-go
Revenue increased by 119% to DKK 228m (2019/20: DKK 103m).

Growth was seen across portable speakers, earphones and headphones. Headphones was positively impacted by the launches of Beoplay HX and Beoplay Portal.

As part of its product roadmap for 2021/22, the company decided to clear a large part of its inventory of existing products to Chinese partners. This had a positive effect on earphone sales.

Gross profit
Gross profit increased by 115% to DKK 319m. This was equivalent to a gross margin of 41.1%, which was 1.7pp better than last year.

The gross margin on products increased by 5.8pp to 36.1% driven by all product categories. The margin benefited from the fact that production-related capacity costs accounted for less of total costs of goods sold.

Higher component and logistics costs adversely impacted margin by around 5.5pp.

In addition to higher component and logistics costs, the Staged category was negatively impacted by screen sales for Beovision Contour. The screens are sold as pass through to retailers during the launch period. This adversely impacted margin in the Staged category by approx. 1.5pp.

Capacity costs

Capacity costs amounted to DKK 312m (2019/20: DKK 289m), corresponding to an increase of 8%. Excluding special items related to the cost reduction programme, capacity costs amounted to DKK 305m or an increase of DKK 29m or 11%.

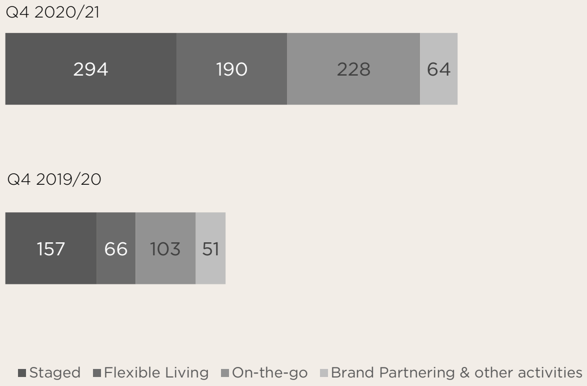
In operating expenses for Q4 2019/20, the company had offset COVID-19 related packages of DKK 18m related to development costs of DKK 9m, distribution and marketing costs of DKK 8m and administrative costs of DKK 1m. The impact in 2020/21 was immaterial.

Adjusting for this, the net increase of DKK 11m (4%) mainly related to general employee bonus provisions offset by the cost reduction programme. Last year, bonuses were cancelled due to the company's financial performance.

Development costs were DKK 72m, which was DKK 10m or 9% higher than Q4 last year. The increase related to COVID-19 packages received last year and a combination of lower capitalisation and higher amortisation compared to last year. Incurred development costs were stable at DKK 77m (2019/20: DKK 76m).

Distribution and marketing costs were DKK 203m, corresponding to an increase of 10% compared to Q4 of last year excluding special items.

REVENUE BY CATEGORY, DKKM



The increase was again related to COVID-19 packages received last year and the employee bonus provisions mentioned above together with costs related to the monobrand stores that the company took over during 2020/21. The company has also provisioned for the extended warranties that Bang & Olufsen now offers its customers.

Administrative costs were DKK 37m (2019/20: DKK 43m). Excluding special items, administrative costs increased 10% driven by general employee bonus provisions as mentioned above.

EBIT

EBIT before special items was DKK 15m, equivalent to a margin of 1.9% (2019/20: -30.0%). The margin improvement was driven by revenue growth combined with improved gross margin, partly offset by higher capacity costs.

EBIT was DKK 7m (2019/20: DKK -140m), which corresponded to an EBIT margin of 0.9% (2019/20: -37.1%).

Cash flow

Free cash flow was DKK 34m (2019/20: DKK -99m). The positive free cash flow was primarily related to improved earnings and reduced working capital (DKK 45m) resulting in operating cash flows of DKK 96m (2019/20: DKK -54m), offset by cash flows from investing activities of DKK-56m (2019/20: DKK -45m).

Financing activities generated a DKK 142m cash outflow (2019/20: DKK -13m). The cash outflow related to repo transactions, which were used to access liquidity on an intra-day basis for short-term liquidity planning. For the full year it amounts to a net REPO loan of DKK 20m.

EMEA

Revenue

Revenue in EMEA was DKK 377m (2019/20: DKK 214m). This represented a 75.8% increase on last year (75% in local currencies).

The growth was seen across all distribution channels. Multibrand continued the strong momentum and etail continued the momentum from Q3, delivering a solid performance in Q4.

The eCommerce channel, together with etailers, accounted for around 9% of revenue in EMEA.

The six core markets accounted for approx. 68% of total revenue, delivering 83% year-on-year growth (84% in local currencies).

Revenue from the Staged category grew by 75% compared to the same quarter of last year. The growth was seen across TVs and speakers and driven by both existing products and new launches.

Revenue from Flexible Living increased by 62% compared to last year, reflecting demand for both existing and new products.

Revenue from On-the-go grew by 88%. Growth was seen across portable speakers, headphones and earphones. The headphone category displayed the highest growth rates supported by the launch of new products, i.e. Beoplay HX and Beoplay Portal.

Gross profit

Gross profit amounted to DKK 150m. This was equivalent to a gross margin of 39.7%, which was 7.8pp higher than last year. The development was driven by a favourable change in product mix partly offset by higher component and logistics costs.

Americas

Revenue

Revenue in Americas was DKK 60m (2019/20: DKK 34m), corresponding to a 74.5% increase (88% in local currencies).

Growth was driven across all channels, but especially multibrand assisted by both Verizon and BestBuy. Beoplay Portal was launched online and in approx. 700 BestBuy stores in the US.

Monobrand delivered strong triple-digit growth in Q4, driven by high demand for Staged products.

Revenue from etailers and the company's eCommerce platform grew by 55%, accounting for approx. 30% of revenue in Americas in Q4.

Revenue from the Staged category increased by 208% compared to last year. Both existing and new products drove growth in Q4. Speakers experienced the highest growth partly driven by the launch of Beolab 28.

Revenue from Flexible Living was up by 115% compared to last year, driven by all products in the category.

Revenue from On-the-go grew by 37%. Growth was driven by headphones in particular supported by the launch of Beoplay Portal in BestBuy. Portable speakers delivered solid growth in Q4. The decline in earphones was related to end-of-life sales last year. Current earphone versions delivered year-on-year growth.

Gross profit

Gross profit amounted to DKK 19m. This was equivalent to a gross margin of 31.2% compared to 18.0% in the same quarter of last year. The margin was adversely impacted by higher component and logistics costs. Last year, the margin was impacted by sales of end-of-life products as well as returns from a distributor.

Asia

Revenue

Revenue in Asia was DKK 275m (2019/20: DKK 78m), corresponding to a 253.0% increase (263% in local currencies).

The two core markets accounted for approx. 78% of total revenue in Asia, delivering approx. 300% year-on-year growth. Revenue from the Staged category grew by 121% compared to the same quarter of last year.

Both TVs and speakers contributed to growth. Growth was seen across all key products. Beovision Harmony enjoyed 300% growth in the quarter.

Revenue from Flexible Living grew by 488% compared to the fourth quarter of last year. Growth was seen across all products. Beoplay A9 delivered the highest growth, partly due to large B2B orders.

Revenue from On-the-go increased by 229% compared to Q4 of last year. Growth was seen across the product portfolio in On-the-go.

As part of the product roadmap for 2021/22, the company decided to clear a large part of its inventory of existing products to partners in Asia. This had a positive effect on earphone sales in the quarter.

Gross profit

Gross profit amounted to DKK 89m. This was equivalent to a gross margin of 32.2%, which was 0.2pp less than in Q4 of last year. The margin benefited from a favourable shift in product mix, partly offset by larger B2B orders. However, the margin was adversely impacted by higher component and logistics costs.

Brand Partnering & other activities

Revenue

Revenue amounted to DKK 64m (2019/20: DKK 51m). This represented a 27.6% increase compared to Q4 of last year (34% in local currencies).

Growth was driven by both brand licensing income and aluminium manufacturing.

Licence income from PC sales increased year-on-year driven by higher global demand. Licensing income from car audio products increased, although car manufacturing was adversely impacted by component scarcity.

Gross profit

Gross profit amounted to DKK 61m. This was equivalent to a gross margin of 94.4%, which was 3.6pp lower than last year. The decrease related to lower margin on aluminium production.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

1 June – 31 May

(DKK million)	Notes	2020/21	2019/20
Revenue	2.2	**2,629**	**2,036**
Production costs	2.3, 2.4, 2.5	-1,490	-1,198
Gross profit		**1,139**	**838**
Development costs	2.3, 2.4, 2.5	-258	-272
Distribution and marketing costs	2.3, 2.4, 2.5	-727	-742
Administrative costs	2.3, 2.4, 2.5	-135	-170
Operating profit/(loss) (EBIT)		**19**	**-346**
Financial income	6.5	6	9
Financial expenses	6.5	-58	-29
Financial items, net		**-52**	**-20**
Earnings before tax (EBT)		**-33**	**-366**
Income tax	2.6	10	-209
Earnings for the year		**-23**	**-575**
Earnings per share			
Earnings per share (EPS), DKK	8.2	-0.2	-14.1
Diluted earnings per share (EPS-D), DKK	8.2	-0.2	-14.1

Statement of comprehensive income

1 June – 31 May

(DKK million)	Notes	2020/21	2019/20
Earnings for the year		**-23**	**-576**
Items that will be reclassified subsequently to the income statement:			
Foreign exchange adjustments of foreign entities		4	-9
Fair value adjustments of derivatives		-25	-4
Value adjustments of derivatives reclassified in			
Revenue		7	8
Production costs		2	-7
Tax on other comprehensive income	2.6	3	1
Other comprehensive income for the year, net of tax		-9	-11
Total comprehensive income for the year		**-32**	**-587**

Statement of financial position

ASSETS

(DKK million)	Notes	**31-05-21**	31-05-20
Goodwill		41	44
Acquired rights and software		41	23
Completed development projects		110	98
Development projects in progress		76	59
Intangible assets	5.1	**268**	**224**
Land and buildings	5.1	82	83
Plant and machinery	5.1	37	44
Other equipment	5.1	13	17
Leasehold improvements	5.1	20	6
Tangible assets in course of construction and prepayments for tangible assets	5.1	28	36
Right-of-use assets	5.2	120	148
Tangible assets		**300**	**334**
Non-current other receivables		24	40
Deferred tax assets	2.6	87	58
Total non-current assets		**679**	**656**
Inventories	4.1	369	457
Trade receivables	4.2	438	290
Tax receivable	2.6	32	33
Other receivables		92	63
Prepayments		32	41
Securities	6.1, 6.2	435	-
Cash	6.1, 6.2	178	215
Assets held for sale	5.3	21	21
Total current assets		**1,597**	**1,120**
Total assets		**2,276**	**1,776**

EQUITY AND LIABILITIES

(DKK million)	Notes	**31-05-21**	31-05-20
Share capital	6.4	613	432
Translation reserve		16	12
Reserve for cash flow hedges		-10	3
Retained earnings		514	385
Total equity		**1,133**	**832**
Lease liabilities	6.2, 6.3	117	137
Pensions	3.4	14	15
Deferred tax	2.6	7	10
Provisions	6.6	39	32
Mortgage loans	6.3	61	65
Non-current other liabilities		1	30
Deferred income	4.3	15	15
Total non-current liabilities		**254**	**304**
Lease liabilities	6.2, 6.3	24	42
Mortgage loans	6.3	4	4
Bank loans	6.1, 6.2	20	-
Provisions	6.6	49	60
Trade payables	6.2	502	430
Tax payable	2.6	31	21
Other liabilities	4.4, 6.1, 6.2	255	65
Deferred income	4.3	4	18
Total current liabilities		**889**	**640**
Total liabilities		**1,143**	**944**
Total equity and liabilities		**2,276**	**1,776**

Statement of cash flows

1 June – 1 May

(DKK million)	Notes	2020/21	2019/20
Earnings before tax (EBT)		-33	-367
Financial items, net		52	20
Depreciation, amortisation and impairment		184	200
Operating profit(/loss) before depreciation, amortisation and impairment (EBITDA)		**203**	**-147**
Other non-cash items		-5	12
Change in net working capital	4.4	126	82
Interest received		6	9
Interest paid		-23	-24
Income tax paid		-10	-12
Cash flows from operating activities		**297**	**-80**
Purchase of intangible non-current assets		-134	-115
Purchase of tangible non-current assets		-50	-66
Sublease payment		7	12
Sales of tangible non-current assets		-	13
Other cash flows from investing activities		-1	2
Operational investments		**-178**	**-154**
Free cash flow		**119**	**-234**
Purchase of securities	6.1	-495	-
Sale of securities	6.1	50	-
Financial investments		**-445**	**-**
Cash flows from investing activities		**-623**	**-154**

(DKK million)	Notes	2020/21	2019/20
Repayment of lease liabilities	6.1, 6.3	-40	-39
Repayment of mortgage loans	6.1, 6.3	-4	-4
Proceeds from loans and borrowings	6.1, 6.3	472	-
Repayment of loans and borrowings	6.1, 6.3	-452	-
Purchase of own treasury shares	6.4	-42	-
Capital increase	6.4	359	-
Cash flows from financing activities		**293**	**-43**
Cash and cash equivalents, opening balance		**215**	**492**
Exchange rate gain/loss on cash and cash equivalents		-4	-
Change in cash and cash equivalents		**-33**	**-277**
Cash and cash equivalents, closing balance		**178**	**215**
Available liquidity	6.1	593	215

Accounting policies

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as earnings before tax adjusted for non-cash operating items, changes in working capital, payments of financial items and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment, acquisitions and disposals of securities in regards to repo, and other non-current assets.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs, the raising of loans including repo, as well as repayment of interest-bearing debt including lease liabilities.

Cash and cash equivalents comprise cash at bank and in hand.

Statement of changes in equity

1 June – 1 May

(DKK million)	Share capital	Translation reserve	Reserve for cash flow hedges	Retained earnings	**Total**
Equity 1 June 2020	**432**	**12**	**3**	**385**	**832**
Earnings for the year	-	-	-	-23	-23
Foreign exchange adjustment of foreign entities	-	4	-	-	4
Fair value adjustments of derivatives	-	-	-25	-	-25
Value adjustments of derivatives reclassified in					
Revenue	-	-	7	-	7
Production costs	-	-	2	-	2
Income tax on items that will be reclassified to the income statement	-	-	3	-	3
Comprehensive income for the year	**-**	**4**	**-13**	**-23**	**-32**
Cancellation of shares	-23	-	-	23	-
Reduction of share capital	-205	-	-	205	-
Rights issue	409	-	-	-	409
Costs related to rights issue	-	-	-	-50	-50
Share-based payments	-	-	-	13	13
Tax related to the LTI Programme	-	-	-	3	3
Acquisition of own shares	-	-	-	-42	-42
Equity 31 May 2021	**613**	**16**	**-10**	**514**	**1,133**
Equity 1 June 2019	**432**	**21**	**5**	**961**	**1,419**
Earnings for the year	-	-	-	-576	-576
Foreign exchange adjustment of foreign entities	-	-9	-	-	-9
Fair value adjustments of derivatives	-	-	-4	-	-4
Value adjustments of derivatives reclassified in					
Revenue	-	-	8	-	8
Production costs	-	-	-7	-	-7
Income tax on items that will be reclassified to the income statement	-	-	1	-	1
Comprehensive income for the year	**-**	**-9**	**-2**	**-576**	**-587**
Equity 31 May 2020	**432**	**12**	**3**	**385**	**832**

Notes Consolidated financial statements

Section 1
Basis of reporting

1.1 Basis of reporting

Basis of preparation
The Group's consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for financial reports by listed companies.

The accounting policies set out below have been used consistently with respect to the financial year and comparative figures, except as described in note 1.3 regarding changes in accounting policies.

Applying materiality
Significant items are presented individually in the financial statements as required by IAS 1.

Items that are not individually significant but support the understanding of Bang & Olufsen's business model and performance in the reporting period are also presented in the financial statements.

Currency
The Group's consolidated financial statements are presented in Danish kroner (DKK). Figures are rounded to the nearest DKK million, unless otherwise stated.

Basis of consolidation
The consolidated financial statements are prepared as a consolidation of the financial statements of the Parent Company, Bang & Olufsen A/S, and its subsidiaries in accordance with the Group's accounting policies.

All intra-group income, expenses, shareholdings, balances and dividends are eliminated on consolidation.

The accounting items of subsidiaries are included in full in the consolidated financial statements.

Translation of foreign currency
A functional currency is determined for each of the Group's reporting entities. The functional currency of the Parent Company is Danish kroner (DKK). Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Differences arising between the exchange rates at the transaction date and at the date of payment are recognised as financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised as financial income or expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency (DKK), the income statement and statement of cash flows are translated at the exchange rates prevailing at the transaction date, and the statement of financial position items are translated at the exchange rates prevailing at the reporting date.

Differences arising from the translation of the opening balance of equity of foreign entities at the exchange rates prevailing at the reporting date, and on translation of the income statement from the transaction date to the reporting date, are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

1.2 Critical accounting estimates and judgements

When applying the Group's accounting policies, management is required to make a number of accounting judgements and estimates and to make assumptions about the carrying amounts of certain assets and liabilities and recognised revenue and costs, which cannot be derived directly from other sources. Significant judgements are made when assessing development projects, right-of-use assets, deferred tax assets, inventories, trade receivables and provisions. Management bases its estimates and judgements on historical experience and other relevant factors that are believed to be reasonable under the given circumstances. The actual outcome can differ from these estimates.

Estimates and the underlying assumptions are reviewed on a continuous basis. Changes made to accounting estimates are recognised in the financial period in which the change takes place and future financial periods if the change affects both the period in which the change takes place and future financial periods.

COVID-19

The financial impacts of COVID-19 require significant judgements to be made and are included in the estimates of the operations of the Group, the valuation of its asset base and its liquidity position.

As of 31 May 2021, estimates are updated to assess the recoverability of the asset base, including development projects and deferred tax assets. Recoverability of trade receivables and inventory value has also been assessed and the expected consequences of COVID-19 are reflected in the assessments. Depending on any future escalation of COVID-19 and any resulting long-term impacts for the Group, there is an inherent risk that the estimates and judgements made could change. Future changes in estimates and judgement may have an impact on the Group's results and financial position.

Critical accounting estimates and judgements are described under the sections to which they relate.

Note	Critical accounting estimates and judgements	Extent of subjectivity
2.6	Deferred tax assets	
4.1	Inventories	
4.2	Trade receivables	
5.1	Development projects	
5.2	Right-of-use assets	
6.6	Provisions	

Extent to which accounting estimates and judgements are based on subjectivity and business practice.

Very objective/market conforming

Partly subjective/partly distinctive

Subjective/distinctive for Bang & Olufsen

1.3 Changes in accounting policies

The Group has adopted all new or amended standards (IFRS) and interpretations as adopted by the EU and effective for the financial year starting on 1 June 2020, including:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8, Definition of Material
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Amendment to IFRS 16, Leases COVID 19-Related Rent Concessions

The amendment to IFRS 16 Leases has been assessed to have no material impact on the consolidated financial statements. Therefore the Group has chosen not to implement this amendment.

The implementation of these new or amended standards and interpretations has been assessed and had no material impact on the financial statements.

New and amended IFRS standards and interpretations not yet applicable within the EU
The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2020/21 consolidated financial statements. The Group expects to implement these standards when they take effect.

None of the new standards issued is currently expected to have any significant impact on the consolidated financial statements when implemented.

Section 2
Operations

2.1 Operating segment information

(DKK million)	2020/21 EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**	2019/20 EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
Revenue by segment												
Revenue	**1,295**	**190**	**878**	**2,363**	**266**	**2,629**	**1,020**	**141**	**628**	**1,789**	**247**	**2,036**
Production costs	-779	-117	-584	-1,480	-10	-1,490	-660	-94	-435	-1,189	-9	-1,198
Gross profit	**516**	**73**	**294**	**883**	**256**	**1,139**	**360**	**47**	**193**	**600**	**238**	**838**
Gross margin	39.8%	38.3%	33.5%	37.3%	96.4%	43.3%	35.3%	33.4%	30.7%	33.2%	96.4%	41.1%
Capacity costs excl. depreciation, amortisation and impairment						-974						-1,053
Depreciation and amortisation						-143						-132
Impairment of non-current assets						-3						-
Financial items, net						-52						-20
Earnings before tax (EBT)						**-33**						**-367**

(DKK million)	2020/21 Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**	2019/20 Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Revenue by product category												
Revenue	**1,002**	**584**	**777**	**2,363**	**266**	**2,629**	**751**	**322**	**716**	**1,789**	**247**	**2,036**
Production costs	-559	-305	-616	-1,480	-10	-1,490	-419	-172	-598	-1,189	-9	-1,198
Gross profit	**443**	**279**	**161**	**883**	**256**	**1,139**	**332**	**150**	**118**	**600**	**238**	**838**
Gross margin	44.0%	47.8%	20.8%	37.3%	96.4%	43.3%	44.2%	46.6%	16.5%	33.2%	96.4%	41.1%

2.1 Operating segment information (continued)

(DKK million)	2020/21 Revenue	2020/21 Share of revenue, %	2019/20 Revenue	2019/20 Share of revenue, %
Denmark (domicile)	269	10%	193	9%
China	568	22%	376	18%
Germany	196	7%	179	9%
UK & Ireland	165	6%	159	8%
USA	185	7%	137	7%
Switzerland	142	5%	107	5%
South Korea	100	4%	82	4%
Hong Kong	51	2%	60	3%
France	83	3%	50	2%
Spain	42	2%	31	2%
Rest of world*	828	32%	662	33%
Total	**2,629**	**100%**	**2,036**	**100%**

* Rest of world includes revenue from Brand Partnering & other activities.

(DKK million)	Non-current assets* 2020/21	Non-current assets* 2019/20
EMEA	485	441
Americas	94	142
Asia	13	15
Total	**592**	**598**

*Non-current assets less deferred tax asset.

Accounting policies

Segment information has been prepared in accordance with the Group's accounting principles and follows the Group's management structure and the internal management reporting used by the Executive Management Board to evaluate results and resource allocation.

The geographical allocation of revenue and non-current assets is based on Bang & Olufsen's domicile and the largest contributors to Group revenue.

2.2 Revenue

Group revenue increased by 29.1% (31% in local currencies) to DKK 2,629m. Growth was mainly related to product sales, which increased by 32%.

All three regions delivered solid growth rates with EMEA, Americas and Asia growing by 27%, 42% and 43% respectively in local currencies. Brand Partnering & other activities grew by 11% in local currencies.

The revenue increase was also seen in all key sales channels, with the monobrand channel driving most of the absolute growth. The company onboarded new resources and distribution partners, specifically focusing on multibrand. Driving online sales remained a core focus throughout the year and the company's eCommerce sales grew by more than 70%.

Overall, sales were adversely impacted by supply constraints arising from the worldwide scarcity of electronic components. Consequently, the Group had to postpone delivery of products to the next financial year.

Revenue for Staged was DKK 1,002m (DKK 751m). This corresponded to an increase of 33%, which was related to both speakers and TVs. The Group experienced strong demand for existing products like the Beosound Stage soundbar, Beovision Harmony and Beolab 50 speakers. Growth was also supported by product launches.

Revenue for Flexible Living grew by 84% to DKK 584m. Beoplay A9 remained the best-selling product in the category in 2020/21, delivering higher than average growth rates.

Revenue for On-the-go increased by 9% to DKK 777m. The increase was driven by portable speakers and headphones, which showed high double-digit growth rates. Both existing and new products contributed to the growth. Revenue from earphones declined, which was mainly related to end-of-life products.

Revenue for Brand Partnering & other activities amounted to DKK 266m, which was 8% higher than last year. The increase was mainly driven by PC demand, whereas licensing income from car audio products was adversely impacted by the global component shortage in the automotive industry.

Accounting policies

Revenue from contracts with customers comprises sale of goods, licence fees and royalty income. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, which generally takes place on delivery. For contracts providing the customer with a right of return within a specified period, the Group considers the timing of recognition.

Licence fees and royalty income are recognised when earned according to the terms of the licence agreements. Depending on the type of contract, licence fee revenue is recognised over time or at a point in time.

A refund liability is recognised for products expected to be returned. The estimate for returned products is based on historical experience and expectations. Based on knowledge of the nature of returns, it is considered highly probable that a significant reversal of cumulative revenue recognised will not occur. Provisions for rebates and discounts granted to customers are recognised as a reduction in revenue.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Amounts disclosed as net revenue exclude discounts, VAT and other duties.

The Group considers whether contracts include other promises that constitute separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration. No element of financing is deemed present.

Variable consideration

The Group pays various discounts and fees depending on the nature of the customer and business. Customer discounts comprise invoice discounts, volume and activity-related discounts, including specific campaign prices offered, and other discounts.

Furthermore, customer discounts include the difference between the present value and the nominal amount of on-trade loans to customers. Discounts arise from sales transactions where the customer receives an immediate reduction in the selling price. This includes cash discounts and incentives for early payments. Volume and activity-related discounts is a broad term covering incentives for customers to sustain business with the Group over a longer period of time and may be related to a current campaign or a sales target measured by volume or total value.

2.3 Costs

(DKK million)	**2020/21**	2019/20
Breakdown by function:		
Production costs	1,490	1,198
Development costs	258	273
Distribution and marketing costs	727	742
Administrative costs	135	170
Total	**2,610**	**2,383**
Specification:		
Materials	1,387	1,114
Staff costs	691	596
Other costs	205	290
Depreciation, amortisation and impairment	184	200
Marketing costs	143	183
Total	**2,610**	**2,383**
Depreciation, amortisation and impairment		
Intangible assets, amortisation	90	118
Tangible assets, depreciation	53	47
Impairment	3	-
Right-of-use assets, depreciation	38	35
Total	**184**	**200**
Depreciation, amortisation and impairment relate to:		
Production costs	38	39
Development costs	81	116
Distribution and marketing costs	58	41
Administrative costs	7	4
Total	**184**	**200**

In 2020/21, total operating expenses recognised in the income statement increased by DKK 227m to DKK 2,610m, corresponding to an increase of 10%. The increase reflects the development in revenue.

Production costs increased in the year in line with the overall trend in activity. For more details on the gross margin development, see the financial review.

Distribution and marketing costs decreased by DKK 15m to DKK 727m. The decline related in part to lower spending in marketing and travel driven by the pandemic offset by employee bonus provision. Excluding special items, distribution costs decreased by 1%.

Administrative costs were DKK 135m, which was 20% lower than last year. Last year, administrative costs were impacted by special items amounting to DKK 31m related to severance costs for the previous management, costs related to the cost reduction programme and restructuring. Excluding special items, administrative costs decreased by 4%. The decrease was mainly related to salaries and consultancy costs partly offset by employee bonus provisions.

Accounting policies

Production costs
Production costs comprise wages, consumption of inventory and indirect costs (including salaries, depreciation/amortisation and impairment losses) incurred for the purpose of generating revenue for the year.

Distribution and marketing costs
Distribution and marketing costs comprise costs relating to sales and distribution of the Group's products. These include salaries for sales personnel, advertising and exhibition costs, depreciation/amortisation and impairment losses. Costs in subsidiaries that are responsible exclusively for the sale of the Group's products are also allocated to distribution and marketing costs.

Administrative costs
Administrative costs comprise costs related to administrative personnel, management, office costs, depreciation/amortisation and impairment losses.

Development costs
Development costs that do not meet the criteria for capitalisation as defined in note 5.1 are recognised in the income statement as development costs along with amortisation and impairment losses on capitalised development projects.

2.3 Costs (continued)

(DKK million)	**2020/21**	2019/20
Development costs		
Incurred development costs before capitalisation	287	261
Of which capitalised	-106	-96
Incurred development costs after capitalisation	181	165
Capitalisation (%)	36.8%	36.9%
Total amortisation and impairment losses on development projects	77	108
Development costs recognised in the consolidated income statement	**258**	**273**
Incurred development costs ratio (% of revenue)	10.9%	12.8%

Development costs decreased by DKK 19m to DKK 258m as a result of lower amortisation and higher capitalisation. Incurred development costs were DKK 22m higher than last year, related to launched and upcoming new products and software developments.

Capacity costs

Below is a breakdown of capacity costs, as presented in the income statement. Capacity costs consist of functional costs, depreciation, amortisation and impairment as well as other operating income and expenses.

(DKK million)	**2020/21**	2019/20
Development costs	-258	-273
Distribution and marketing costs	-727	-742
Administrative costs	-135	-170
Total	**-1,120**	**-1,185**

2.4 Government grants

(DKK million)	**2020/21**	2019/20
Government grants	**-**	**35**
Breakdown by function:		
Production costs	-1	6
Development costs	-1	9
Distribution and marketing costs	2	17
Administrative costs	-	1
Financial expenses	-	2
Total	**-**	**35**

Government grants in 2020/21 related to adjustment of COVID-19 packages of DKK -3m and grants in China and Hong Kong of DKK 3m.

In 2019/20, government grants consisted of grants in China of DKK 9m and COVID-19 packages of DKK 26m. In 2019/20, DKK 24m of the COVID-19 packages impacted EBIT, of which DKK 6m was in gross profit and DKK 18m in capacity costs.

Accounting policies

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is deducted in reporting the related cost on a systematic basis over the periods that the related costs for which it is intended to compensate are expensed. A grant that is a compensation for costs already incurred is recognised in profit or loss for the period in which it becomes receivable.

2.5 Special items

(DKK million)	**2020/21**	2019/20
Severance, Executive Management Board	1	13
Restructuring costs, severance	2	20
Consultants, cost reduction programme	16	10
Total	**19**	**43**
Production costs	4	1
Development costs	10	2
Distribution and marketing costs	4	9
Administrative costs	1	31
Total	**19**	**43**

In 2020/21, special items amounted to DKK 19m (2019/20: DKK 43m). Special items in 2020/21 related primarily to specific consultancy costs in respect of the cost reduction programme. Special items in 2019/20 also related to these specific consultancy costs, but also included redundancy costs and severance to former management.

Accounting policies

Special items consist of expenses related to restructuring or structural changes that the Group does not consider to be a part of its ordinary operations such as redundancies, specific consultancy costs and transitioning costs in connection with the offshoring of back-office functions.

2.6 Tax

(DKK million)	2020/21 Income statement	2020/21 Other comprehensive income	2020/21 Total tax	2019/20 Income statement	2019/20 Other comprehensive income	2019/20 Total tax
Tax for the year						
Current tax	18	-	**18**	1	-	**1**
Change in deferred tax during the year	-24	-3	**-27**	201	-1	**200**
Change in deferred tax as a result of change in tax rate	-1	-	**-1**	-2	-	**-2**
Adjustments to tax for prior years	-3	-	**-3**	9	-	**9**
Total	**-10**	**-3**	**-13**	**209**	**-1**	**208**

Tax recognised in other comprehensive income relates to changes in the fair value of derivative financial instruments used as cash flow hedges, and is recognised in retained earnings.

	2020/21 %	2020/21 DKKm	2019/20 %	2019/20 DKKm
Effective tax rate for the year				
Calculated tax on result for the year before tax	22.0%	-8	22.0%	-81
Non-deductible costs and non-taxable income	2.5%	-1	-1.3%	5
Deviating tax rates in foreign subsidiaries	-8.2%	3	-0.3%	1
Changes in tax rates	3.2%	-1	0.7%	-2
Adjustments to prior periods	9.3%	-3	-2.4%	9
Impairment on deferred tax assets	-	-	-72.3%	265
Other	-	-	-3.4%	12
Effective tax rate for the year	**28.8%**	**-10**	**-57.0%**	**209**

	Statutory tax rate	Effective tax rate	Calculated tax 2020/21	Calculated tax 2019/20
DK	22.0%	23.9%	-28	-84
CN	25.0%	20.0%	12	19
US	27.0%	19.5%	1	-
DE	25.5%	28.1%	2	1
CH	25.4%	25.4%	1	1
Other	-	34.5%	2	7
Impairment				265
Total	**-**	**28.8%**	**-10**	**209**

Comment to income tax

Total tax for the year amounted to DKK 13m and was positively impacted by a change in deferred tax during the year of DKK 27m.

Accounting policies

Income tax

Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of tax rate changes. The tax expense relating to the profit/loss for the year is recognised in the income statement, while the tax expense relating to items recognised in other comprehensive income is recognised in the statement of comprehensive income.

2.6 Tax (continued)

	Assets		Liabilities		Net assets	
(DKK million)	**31-05-21**	31-05-20	**31-05-21**	31-05-20	**31-05-21**	31-05-20
Deferred tax						
Non-current assets	30	24	7	8	23	16
Inventories	-	3	-	-	-	3
Receivables	3	4	-	1	3	3
Provisions	10	1	-	-	10	1
Tax loss carryforwards	19	14	-	-	19	14
Other	25	11	-	-	25	11
Total	**87**	**57**	**7**	**9**	**80**	**48**

(DKK million)	**2020/21**	2019/20
Change in deferred tax, net during the year		
Non-current assets	7	-21
Inventories	-3	-
Receivables	-1	-9
Provisions	10	-19
Tax loss carryforwards	5	-135
Other	14	-18
Total	**32**	**-202**

At 31 May 2021, net deferred tax assets amounted to DKK 80m (31 May 2020: DKK 48m). The increase related to increased net operating tax loss and tax assets in relation to share-based payments.

Deferred tax assets have been recognised based on expected earnings within the foreseeable future. The assessment takes into account the possibility of utilising losses in each relevant jurisdiction.

Deferred tax assets totalled DKK 87m (31 May 2020: DKK 57m), of which DKK 69m related to the jointly taxed Danish Group, DKK 6m related to China, and DKK 3m to the US, whereas the remaining DKK 9m related to other foreign legal entities in the Group.

The tax loss carryforward at 31 May 2021 amounted to DKK 19m (31 May 2020: DKK 14m).

At 31 May 2021, the value of unrecognised deferred tax assets amounted to DKK 304m. Of this amount, DKK 265m related to Denmark, DKK 30m to the US, and DKK 9m to other legal entities abroad. A total of DKK 223m related to tax loss carryforwards, DKK 184m of which can be carried forward indefinitely. The unrecognised deferred tax assets will be recognised as income as they are utilised or when there is convincing evidence that they will be utilised in the foreseeable future.

Critical accounting estimates and judgements

Deferred tax assets

Last year, management performed an impairment test of the deferred tax asset and recognised an impairment of DKK 265m. This year, no impairment charges or reversals of impairment charges were recognised. Based on the Group's satisfactory performance and its continued strategy work, management revisited the carrying amount of the tax asset based on expected positive earnings and concluded that the amount was appropriate as of 31 May 2021.

The Group recognises deferred tax assets, including the tax base of tax loss carryforwards, if it is assessed that the respective tax assets can be offset against positive taxable income in the foreseeable future (3-5 years). This assessment is based on budgets and business plans for the following years, including planned business initiatives. Deferred tax assets are tested annually and are only recognised if they are likely to be utilised.

Accounting policies

Deferred tax

Deferred tax on all temporary differences between the carrying amount and the tax base of assets and liabilities is measured using the balance sheet liability method.

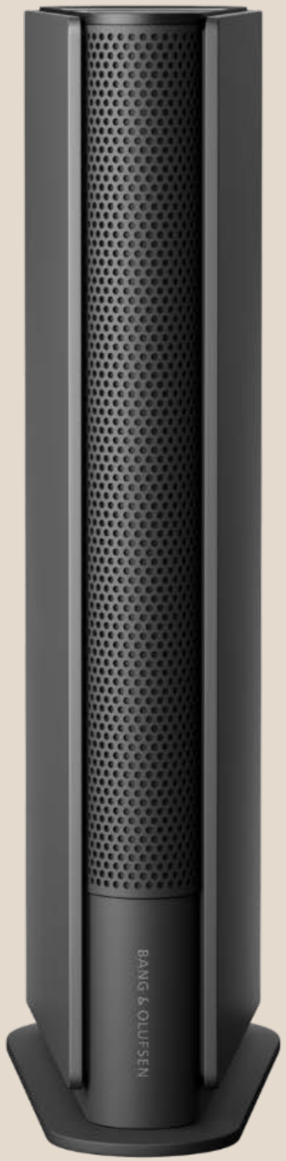
No recognition is made of deferred tax on temporary differences relating to amortisation or depreciation of goodwill, properties and other items if disallowed for tax purposes. Such temporary differences arose on the date of acquisition without affecting the results or taxable income. In cases where it is possible to calculate the tax value according to different taxation rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised as other non-current assets at the expected value of their utilisation, 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 assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and liabilities simultaneously.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the relevant countries at the reporting date and when the deferred tax is expected to materialise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

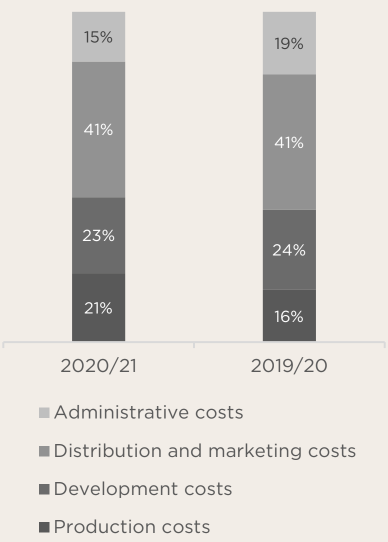
Section 3
Staff costs, share-based payments and pensions



3.1 Staff costs

(DKK million)	**2020/21**	2019/20
Wages and other remuneration	626	543
Share-based payments	13	-
Pensions	35	36
Other social security costs	17	17
Total staff costs	**691**	**596**
Average number of employees	889	915
Staff costs relate to:		
Production costs	142	95
Development costs	158	140
Distribution and marketing costs	288	247
Administrative costs	103	114
Total staff costs	**691**	**596**

ALLOCATION OF STAFF COSTS, %



Accounting policies

Wages and salaries, social security contributions, leave and sick leave, bonuses and non-monetary benefits are recognised in the financial year in which services are rendered.

The cost of share-based payments, which is expensed over the vesting period of the programme according to the service conditions, is recognised in staff costs and equity.

Termination benefits are recognised at the time an agreement between the Group and the employee is made and no future service is rendered by the employee in exchange for the benefits.

3.2 Remuneration

In 2020/21, the Board of Directors received total remuneration of DKK 4m (2019/20: DKK 5m). As part of the company's COVID-19 initiatives, the Board of Directors accepted a temporary voluntary fee reduction of 20% from June 2020 to August 2020.

Total remuneration to the Executive Management Board amounted to DKK 51m. This represented an increase of DKK 16m compared to 2019/20.

Total remuneration showed a significant increase compared to the prior year. This was primarily driven by two factors (i) in the previous year, no cash bonus was paid out under the company's bonus scheme as the financial performance for the financial year 2019/20 did not meet minimum targets, and (ii) the share-based payments for the year 2019/20 were zero as the current programmes did not meet the minimum requirements and the escape clause was breached. For 2020/21, the financial performance reached and exceeded targets, and both the cash bonus and share bonus programmes resulted in pay-outs in the fiscal year 2021/22.

	2020/21			2019/20		
(DKK million)	Board of Directors	Executive Management Board	Other key employees	Board of Directors	Executive Management Board	Other key employees
Wages, salaries and fees	4	16	21	5	20	17
Pensions	-	1	1	-	1	1
Bonus	-	27	24	-	2	2
Termination and severance payments	-	-	5	-	12	-
Total	**4**	**44**	**51**	**5**	**35**	**20**
Share-based payments	-	7	3	-	-	-
Total remuneration	**4**	**51**	**54**	**5**	**35**	**20**

With a view to ensuring retention of the members of the Executive Management Board, the Board of Directors decided in July 2021 to establish an extraordinary special short-term cash-based retention programme covering the financial year 2020/21 and 2021/22. The programme is subject to requirements of continued service and satisfactory people review rating, and was established with an aim of stabilising the EMB during the turnaround of the Company and until the LTIP was fully implemented as a retention mechanism.

The Executive Management Board also accepted a temporary voluntary fee reduction of 20% from June 2020 to August 2020 as part of the company's COVID-19 initiatives.

Termination and severance payments for the year primarily related to a change of management in ASIA, while the payments for the prior year were related to the former CEO and a member of the Executive Management Board.

The terms of notice of the members of the Executive Management Board are consistent with normal market conditions (up to 24 months).

The entire remuneration report for the financial year 2020/21 can be found at https://investor.bang-olufsen.com.

3.3 Long-term incentive programmes

Matching share programme (MP) recalibrated
The Board of Directors implemented matching shares programmes (MSP) for 2018/19 and 2019/20 as a variable component of compensation to the Executive Management Board and key employees. Participants were given the opportunity to purchase shares in Bang & Olufsen A/S, which after three years of ownership entitled them to receive 1 to 5 matching shares for each share purchased, depending on specific performance criteria being met.

At the Board Meeting on 6 July 2020, the Board resolved to recalibrate the two programmes for selected employees still employed by the company. Consequently, the KPIs for the programmes were reset and the potential number of shares that participants were entitled to receive was reduced for both programmes. The programmes were thus modified with a right for participants in the new part of the programme to receive up to 2 shares (previously 4 shares) under the 2018/19 programme and up to 4 shares (previously 5 shares) under the 2019/20 programme. The vesting period remained unchanged.

In accordance with market practice, the recent rights issue involved the issuance of new shares in the company at a discount to market price. The Board of Directors has consequently resolved to compensate certain participants still employed by the company for the dilutive effect of the rights issue by granting them the right to receive cash compensation of DKK 12.49 per matching share they actually realise under the programmes.

TABLE | MATCHING SHARE PROGRAMMES (MSP)

Programme	Performance period	Executive Management Board	Other key employees	Total	Average share price at grant date	Remaining time to vesting
		Number	Number	Number	DKK	Months
2018/19	01.06.2020-31.05.2021	2,208	17,672	19,880	11.99	5
2019/20	01.06.2020-31.05.2022	295,820	86,400	382,220	11.99	15

Beoremote Halo

Long Term Incentive Programme (LTIP) introduced
Pursuant to Bang & Olufsen A/S's Remuneration Policy, the Board of Directors has resolved to allocate restricted shares under Bang & Olufsen A/S's Combined Performance and Retention Share Programme for 2020/21 to the Executive Management Board, key employees, and certain other employees.

Two-thirds of the restricted shares are performance shares that are eligible for vesting in equal tranches over the three financial years 2020/21, 2021/22 and 2022/23, depending on the level of achievement of certain KPIs defined by the Board of Directors for each performance year. The remaining shares are retention shares, which are subject to the participants' continued employment and satisfactory people review ratings. The retention shares also vest in three equal tranches over the period. The maximum number of shares that participants will be able to receive pursuant to the programme is 3,091,511.

Any vested restricted shares will be released after the Annual General Meeting's adoption of the Annual Report for 2022/23, with the provision that vesting, and release may be accelerated in case of certain extraordinary events as described in the Group's remuneration policy.

Based on the volume-weighted average price of the company's shares traded on Nasdaq Copenhagen since the publication of the 2019/20 Annual Report, the total value of the restricted shares for all participants at the time of allocation amounted to DKK 22.4m, assuming target level performance is achieved. The average share price at the grant date was DKK 12.93.

TABLE | LONG TERM INCENTIVE PROGRAMMES (LTIP)

Programme	Performance period	Executive Management Board	Other key employees	Total	Average share price at grant date	Remaining time to vesting
		Number	Number	Number	DKK	Months
2020/21	01.06.2020-31.05.2023	1,345,313	587,755	1,933,067	12.93	27

The above programmes are accounted for on an accrual basis over the three-year vesting period. For the matching share programmes, it is a condition that the employee must not have resigned before vesting. The accounting value is the value of the maximum number of matching shares to be granted times the probability of the shares vesting. This probability is adjusted annually until vesting.

Bang & Olufsen A/S purchased a limited number of treasury shares to cover the obligation for the outstanding matching shares. The holding of treasury shares totalled 2,112,372 shares on 31 May 2021 (2,317,014 shares on 31 May 2020).

Costs related to both programmes have been recognised as staff costs and amounted to DKK 13m for the year (2019/20: DKK 0m).

Accounting policies

Share-based incentive programmes in which the Executive Management Board and selected other key employees are given the right to receive shares in the Parent Company (equity-settled programmes) are measured at the fair value of the equity instruments at grant date and recognised in the income statement as part of staff costs during the period when the employees become entitled to buy the shares.

The existing share-based incentive programmes give Bang & Olufsen A/S an option to settle in cash. However, as it is expected that the programmes will be settled in shares, they will be accounted for as equity-settled programmes.

3.4 Pension and similar retirement obligations

(DKK million)	**2020/21**	2019/20
Amount recognised in the income statement		
Defined contribution plans	35	36
Defined benefit plans	-	-
Total pension amount charged to the income statement	**35**	**36**
Amount recognised in the balance sheet		
Wholly unfunded defined benefit plans	3	2
Wholly or partly funded defined benefit plans	19	24
Present value of defined benefit obligation 31 May	**22**	**26**
Fair value of plan assets	-8	-12
Defined benefit plan obligation 31 May	**14**	**14**

The Group's defined benefit plans are managed by independent pension funds. None of the plan assets is connected to any of the Group companies.

The defined benefit plans in Germany and Norway are partly funded through an independent pension fund.

3.4 Pension and similar retirement obligations (continued)

	Germany		Norway		Total	
(DKK million)	**2020/21**	2019/20	**2020/21**	2019/20	**2020/21**	2019/20
Present value of future payments	19	19	-	5	19	24
Fair value of plan assets	-8	-8	-	-4	-8	-12
Actuarially calculated net obligation	11	11	-	1	11	12
Wholly unfunded defined benefit plans					3	2
Defined benefit plans 31 May, net					**14**	**14**
Actuarial assumptions						
Discount rate p.a.	1.2%	1.3%	-	1.7%	1.2%	1.4%
Expected salary increase p.a.	1.5%	1.5%	-	2.3%	1.5%	1.7%
Expected rate of return p.a.	1.5%	1.5%	-	1.7%	1.5%	1.6%

Accounting policies

As an employer, the Bang & Olufsen Group participates in pension plans according to normal practice in the countries in which the Group operates. The majority of the pension plans operated by the Group are defined contribution plans. The only exceptions are defined benefit plans operated in Germany and Norway.

Under defined contribution plans, the Group recognises pension contributions, which can either be a fixed amount or a fixed percentage of the monthly salary in the income statement as they are paid to separate independent companies. Any unpaid contributions are recognised in the financial position as other liabilities. Once the contributions have been paid, the Group has no further obligations and the individual employee carries the risk for the value of the pension insurance at retirement.

Under defined benefit plans the Group has an obligation to pay a fixed amount or a fixed percentage of the salary at retirement. This means that the Bang & Olufsen Group carries the risk of any changes in the actuarially calculated capital value of the pension plans.

On an annual basis, calculations are made of the present value of the future benefits that the employees are entitled to. The present value is calculated based on a number of assumptions relating to the future development in salary levels and interest, inflation and mortality rates. The present value of the defined benefit obligation net of the fair value of the plan assets is recognised in the balance sheet as a pension liability.

The costs of defined benefit plans are recognised in the income statement and include service costs, net interest based on actuarial estimates and financial expectations at the beginning of the year.

Changes in assumptions as well as differences between the expected and the realised return on plan assets are classified as actuarial gains and losses. Such gains and losses are recognised in other comprehensive income in the period in which they arise.

If a defined benefit plan constitutes a net asset, the asset is recognised only if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

Section 4
Net working capital

4.1 Inventories

(DKK million)	**2020/21**	2019/20
Inventory before write-downs	450	526
Write-downs	-81	-69
Total	**369**	**457**
Raw materials	39	20
Work in progress	19	15
Spare parts	39	35
Finished goods	272	387
Total	**369**	**457**
Cost of sales recognised in production costs	1,387	1,114

Critical accounting estimates and judgements

A specific assessment of the need for write-downs for obsolescence of inventories is made based on an assessment of the future sales potential. The assessment takes into account the expected technological developments and the expected service periods. The applied principles are unchanged compared to the prior year.

Accounting policies

Inventories are measured at the lower of cost price according to the FIFO principle and net realisable value. The cost price of raw materials, consumables and purchased goods comprises the acquisition price including delivery costs. The cost price of finished goods and work in progress comprises costs of materials and direct labour plus indirect production costs.

Indirect production costs include indirect materials and wages, maintenance and depreciation on plant and machinery, factory buildings and other equipment used in the production process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the expected selling price less costs of completion and costs necessary to make the sale.

4.2 Trade receivables

(DKK million)	**2020/21**	2019/20
Trade receivables at 31 May, before impairment	496	363
Impairment at 1 June	-73	-53
Impairment losses recognised	-6	-27
Realised impairment losses	6	7
Reversed impairment losses	15	-
Impairment at 31 May	-58	-73
Trade receivables at 31 May	**438**	**290**

Receivables are recognised when control has been transferred as the consideration to be paid is reasonably assured. Receivables are generally due within 30-60 days and all receivables are consequently classified as current. The price specified in the contract is not adjusted for any financing element as payment terms never exceed 12 months.

While realised losses are immaterial and low still, the Group has continued to assess the impact from COVID-19. This has not led to increased impairment on receivables for the year. Realised losses remain within the expected range.

	31-05-21		**31-05-20**	
(DKK million)	Amount	Impairment	Amount	Impairment
Maturity analysis:				
Amounts not due	362	-	220	-7
Past due up to 30 days	5	-	2	-
Past due between 31 and 60 days	31	-1	41	-7
Past due between 61 and 90 days	15	-	35	-10
Past due between 91 and 120 days	7	-1	16	-9
Past due more than 120 days	76	-56	49	-40
Trade receivables	**496**	**-58**	**363**	**-73**

See note 7.1 for details about credit risk associated with trade receivables.

Critical accounting estimates and judgements

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macro-economic factors affecting the credit risk.

Management continues to assess credit risks in order to ensure that credit risk never exceeds the recognised write-down on trade receivables. For a further description of credit risk, see note 7.1. Changes in impairment are presented in the table above.

Accounting policies

On initial recognition, trade receivables are measured at fair value and subsequently at amortised cost less loss allowance for expected credit losses. Trade receivables comprise sale of goods and services and income from licences. Other receivables comprise VAT receivables, loans to partners, interest receivables and derivatives.

The Group applies the simplified approach to measure expected credit losses. This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of trade receivables sharing the same characteristics.

Impairment of trade receivables is recognised in distribution and marketing costs in the income statement.

4.3 Contract assets and liabilities

(DKK million)	**2020/21**	2019/20
Trade receivables	438	290
Right-of-return assets	3	1
Total contract assets	**441**	**291**
Deferred income - non-current	15	15
Deferred income - current	4	18
Refund liabilities	6	2
Total contract liabilities	**25**	**35**

Generally, trade receivables are recognised at the same point in time as revenue and invoicing. Payment terms vary within different customer segments due to local and specific agreements. In some cases, the Group receives upfront payments which are deducted in the actual invoicing. The income from the associated contract is recognised over time, resulting in contract liabilities.

Right-of-return assets and the associated refunds refer to a few multibrand customers.

Deferred income mainly constitutes revenue related to the licence agreement with HARMAN. This includes deferred revenue from an aluminium production agreement and future licence income.

Deferred income includes prepayments from customers.

The Group has applied the practical expedient in paragraph C5(d) of IFRS 15. The amount of the transaction price allocated to the remaining performance obligations and the timing are not disclosed.

Accounting policies

Contract assets and liabilities
The refund liability for estimated sales returns is recognised when there is historical experience or when a reasonably accurate estimate of expected future returns can otherwise be made. The income effect recognised is the gross margin of the expected returns. Changes to right-of-return assets and refund liabilities are recognised gross in the income statement, i.e. as both revenue and cost of sales.

Deferred income comprises received payments related to revenue in the following financial years. Deferred income is measured at cost price.

Revenue from licences is recognised over time because customers simultaneously receive and consume the benefits provided from the licences.

The fact that the benefit is obtained over time under the licence agreements demonstrates that customers simultaneously receive and consume the benefits over the licence period.

No costs to obtain contracts with customers have been capitalised as part of contracts with customers either in 2020/21 or previous years. This is common practice in the Group.

4.4 Net working capital

(DKK million)	31-05-21	31-05-20	Change
Inventories	369	457	88
Trade receivables	438	290	-148
Other receivables*	90	53	-37
Prepayments	32	41	9
Trade payables	-502	-430	72
Other liabilities**	-221	-65	156
Deferred income - non-current	-15	-15	-
Deferred income - current	-4	-18	-14
Total	**187**	**313**	**126**

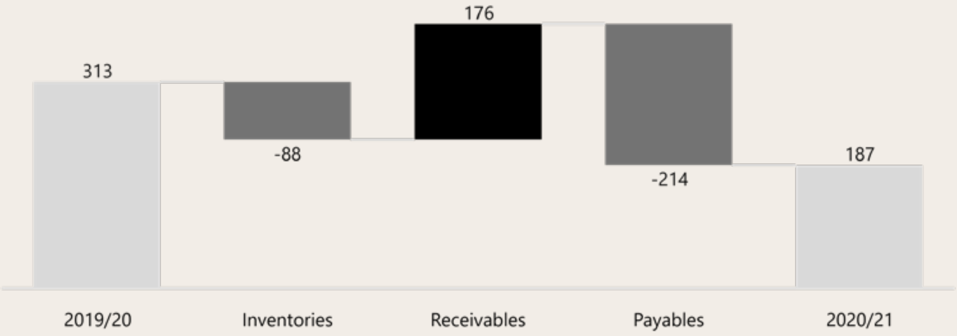
* Other receivables were adjusted for financial receivables related to leases of DKK 2m not included as net working capital at 31 May 2021 (31 May 2020: DKK 10m).
** Other liabilities were adjusted for a provision of DKK 34m under the Danish Holiday Act not included as net working capital at 31 May 2021 (31 May 2020: DKK 0m).

Net working capital had a positive development in 2020/21 and the Group reduced net working capital during the year by DKK 126m.

Trade receivables increased during the year as a result of overall performance. Trade payables increased by DKK 72m following the ramp up of production. Inventories decreased during the year as a consequence of effective management and sales performance, but the Group also faced scarcity of certain products.

Other liabilities increased by DKK 156m, primarily due to provisions for employee bonus and holiday allowance offset by the extra payments of VAT and withheld taxes that were previously postponed as part of the COVID-19 packages.

CHANGE IN NET WORKING CAPITAL, DKKM



Accounting policies

Prepayments
Prepayments comprise incurred costs related to subsequent financial years. Prepayments are measured at cost.

Other financial liabilities
Other financial liabilities comprise trade payables etc. and are measured at amortised cost.

Section 5
Invested capital

5.1 Intangible and tangible assets

(DKK million)	Goodwill	Acquired rights and software	Completed development projects	Development projects in progress	**Total intangible assets**	Land and buildings	Plant and machinery	Other equipment	Leasehold improvements	Tangible assets under construction	**Total tangible assets**
Cost											
At 1 June 2019	63	127	798	54	1.042	228	711	102	24	9	1.074
Adjustment to prior year	-	-	-	-	-	44	-	-	-	-	44
Additions	-	19	42	54	115	2	15	14	5	30	66
Disposals	-	-2	-249	-1	-252	-	-8	-1	-3	-1	-13
Completed development projects and assets	-	-	48	-48	-	1	1	-	-	-2	-
At 31 May 2020*	63	144	639	59	905	275	719	115	26	36	1.171
Adjustment to prior year	-	-	-	-	-	-19	-	-	-	-	-19
Additions	-	28	42	64	134	6	12	7	2	23	50
Disposals	-	-	-156	-	-156	-	-4	-	-6	-	-10
Completed development projects and assets	-	3	47	-47	3	2	9	-	17	-31	-3
At 31 May 2021*	**63**	**175**	**572**	**76**	**886**	**264**	**736**	**122**	**39**	**28**	**1.189**
Depreciation, amortisation and impairment											
At 1 June 2019	-19	-113	-682	-	-814	-139	-654	-92	-22	-	-907
Adjustments to prior year	-	-	-	-	-	-44	-	-	-	-	-44
Amortisation and depreciation	-	-10	-108	-	-118	-9	-30	-7	-1	-	-47
Disposals	-	2	249	-	251	-	9	1	3	-	13
At 31 May 2020	-19	-121	-541	-	-681	-192	-675	-98	-20	-	-985
Adjustment to prior year	-	-	-	-	-	19	-	-	-	-	19
Amortisation and depreciation	-	-13	-77	-	-90	-9	-28	-11	-5	-	-53
Impairment losses	-3	-	-	-	-3	-	-	-	-	-	-
Disposals	-	-	156	-	156	-	4	-	6	-	10
At 31 May 2021	**-22**	**-134**	**-462**	**-**	**-618**	**-182**	**-699**	**-109**	**-19**	**-**	**-1.009**
Carrying amount											
At 31 May 2021	**41**	**41**	**110**	**76**	**268**	**82**	**37**	**13**	**20**	**28**	**180**
At 31 May 2020	44	23	98	59	224	83	44	17	6	36	186

*Excluding right-of-use assets

5.1 Intangible and tangible assets (continued)

Impairment

Recognised impairment

In 2020/21, an impairment loss of DKK 3m related to distribution in Brazil was recognised.

No impairment was recognised in 2019/20.

Impairment test of goodwill

The carrying amount of goodwill amounted to DKK 41m (31 May 2020: DKK 44m) and related to the distribution network in the Netherlands.

The impairment test was carried out with the activities in the Netherlands considered as the cash generating unit. The recoverable amount was based on value in use and estimated on input from local and Group management. The test included a five-year budget period followed by a terminal period.

Key assumptions applied in the impairment test were expected revenue, gross margin, capacity cost, discount rate and growth rate in the terminal period. Sensitivity tests of key assumptions were carried out. These showed gross margin, WACC and the growth rate to be the assumptions with the largest impact on value in use. In the test, a growth assumption of 1.5% (2019/20: 1.5%) and a discount rate of 7.5% were applied (2019/20: 7.5%).

The impairment test showed headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

5.1 Intangible and tangible assets (continued)

Critical accounting estimates and judgements

Development projects
Development costs are capitalised only after the technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the product is to be determined. Management has assessed that the amortisation period is usually 2 to 6 years. Management also makes assumptions when assessing the possible impairment of development projects.

The applied principles are unchanged from the prior year. Development projects amounted to DKK 186m at 31 May 2021 (31 May 2020: DKK 157m). The main additions in the 2020/21 financial year were development projects relating to software platforms and Beovision Harmony.

Accounting policies

Cost
Intangible assets and property, plant and equipment are initially recognised at cost and subsequently measured at cost less accumulated amortisation or depreciation and impairment losses.

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowings attributable to the construction of the asset.

Research and development costs are recognised in the income statement as incurred. Development costs are recognised under other intangible assets if the costs are expected to generate future economic benefits.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Subsequent costs, for example in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised from the statement of financial position and recognised as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Useful life, amortisation, depreciation and impairment losses

Useful life and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Amortisation and depreciation are recognised on a straight-line basis over the expected useful life of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of assets. Goodwill with an indefinite life is not amortised but instead tested for impairment on an annual basis.

Development projects, acquired rights and software, land and buildings, plant and machinery, other equipment and leasehold improvements are tested for impairment whenever there is any indication that the recoverable amount may be lower than the carrying amount.

Depreciation is calculated on the basis of the cost less the residual value and impairment losses.

Amortisation and depreciation are recognised under cost of sales, distribution and marketing expenses, and administrative expenses.

Expected useful lives are as follows:

Asset class	Useful life
Goodwill	No amortisation. Tested for impairment on an annual basis
Development projects (under construction)	Amortised from time of completion - Projects under construction are tested for impairment annually
Development projects (completed)	2 - 6 years, or remaining term of intellectual property right if shorter
Acquired rights and software	2 - 6 years, or remaining term of intellectual property right if shorter
Land and buildings	Land: None Buildings: 40 years Installations: 10 years
Plant and machinery	Single-purpose production tools: 3-6 years Other plant and machinery: 8-10 years
Other equipment	Other equipment: 3-10 years
Leasehold improvements	Leasehold improvements: Over lease term, max. 10 years
Tangible assets in course of construction	None

5.2 Right-of-use assets

(DKK million)	Land and buildings	Other equipment	Total
Costs			
At 1 June 2019			
Leases entered into prior to 2019	150	10	160
Additions	21	2	23
Terminations	-1	-1	-2
At 1 June 2020	170	11	181
Additions	23	1	24
Remeasurements	-12	-1	-13
Terminations	-5	-4	-9
At 31 May 2021	**176**	**7**	**183**
Depreciation, amortisation and impairment			
At 1 June 2019			
Depreciation	-30	-5	-35
Terminations	1	1	2
At 1 June 2020	-29	-4	-33
Depreciation	-34	-4	-38
Terminations	4	4	8
At 31 May 2021	**-59**	**-4**	**-63**
Carrying amount			
At 31 May 2021	**117**	**3**	**120**
At 31 May 2020	141	7	148

Repayment of lease liability amounted to DKK 40m in 2020/21 (2019/20: DKK 39m). Expenses relating to low-value leases were insignificant.

(DKK million)	**2020/21**	2019/20
Amounts recognised in the income statement:		
Interest expenses	-7	-9
Short-term leases	-5	-7
Income from subleases	7	12
Lease liabilities		
Non-current	117	137
Current	24	42
Total lease liabilities	**141**	**179**

Critical accounting estimates and judgements

Individual right-of-use assets and the corresponding liabilities are highly impacted by the estimated lease term and the discount rate, where the underlying contracts can be prolonged or terminated early. Leases mainly comprise stores, office buildings, cars, and other equipment.

The average incremental borrowing rate applied to the lease liabilities on 31 May 2021 was around 4.9%.

5.2 Right-of-use assets (continued)

Estimated useful life at 31 May 2021 can be summarised as follows:

Asset class	Useful life
Stores	The lease term for stores is assessed to be up to 10 years depending on an internal store rating based on location, revenue and earnings.
Office buildings	1-10 years
Other equipment	The life is equal to the non-cancellable lease term and extensions are not considered for these.

Accounting policies

Leases are recognised as right-of-use assets with the corresponding liability at the time the asset is available for use by the Group. Assets and liabilities arising from a lease are measured on a present value basis. Right-of-use assets are recognised at the commencement date of the lease when the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. When a sublease is classified as a finance lease, the right-of-use asset is derecognised as a right-of-use asset and recognised as a lease receivable under other receivables. An assessment is made at each reporting date of whether there is any indication that a right-of-use asset may be impaired. If any such indication exists, an impairment test for the relevant CGU is carried out.

Lease liabilities comprise expected fixed payments throughout the expected lease term (including options to extend the lease when exercise is reasonably certain), less any lease incentives. Payments relating to services are not included in lease liabilities. Some property leases contain variable payment terms linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs and are not included in the lease liability.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used, because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term or a change in lease payments.

Lease costs for low value assets and short-term leases are recognised as operating expenses on a straight-line basis over the lease term.

5.3 Assets held for sale

(DKK million)	**31-05-21**	31-05-20
Land and buildings	21	21
Total	**21**	**21**

At 31 May 2021, assets held for sale consisted of the building in Struer, Denmark (year-end 2019/20: same).

Accounting policies

Assets classified as held for sale comprise assets of which the value is highly probable to be recovered through a sale within 12 months rather than through continued use.

Assets classified as held for sale are measured at the lower of the carrying amount at the time of classification as held for sale or at market value less costs to sell. The carrying amount is measured in accordance with the Group's accounting policies.

No depreciation is recognised subsequent to the reclassification of an asset as held for sale.

Held for sale assets are presented in a separate line in the statement of financial position. Previous periods have not been restated.

Section 6
Capital structure and provisions

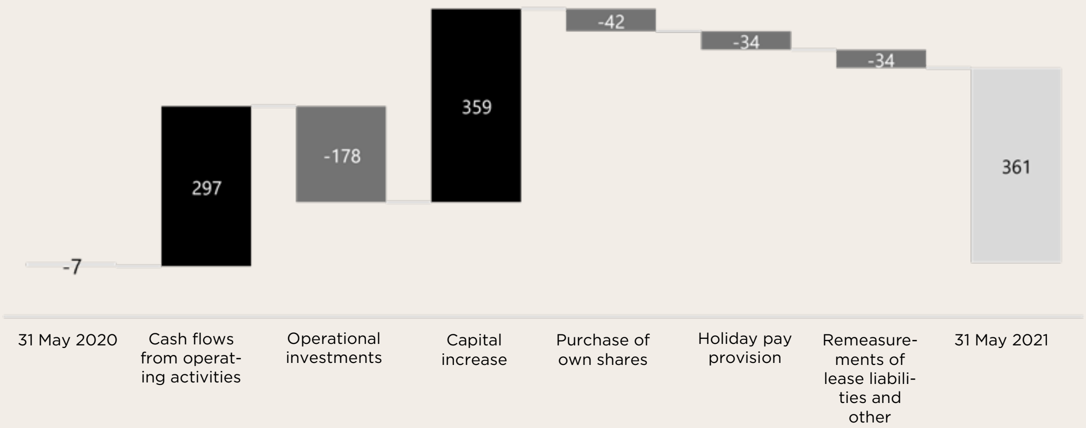
6.1 Net interest-bearing deposit/(debt)

Net interest-bearing deposit/(debt) consists of interest-bearing assets less interest-bearing debt. Interest-bearing assets consist of securities, cash, sublease and finance lease receivables. Interest-bearing debt consists of mortgage loans, bank loans, lease liabilities, and from Q2 2020/21 also the part of the Danish holiday pay provision for "Lønmodtagernes Feriemidler".

The Group has placed the majority of its cash in Danish mortgage bonds, all with an AAA S&P rating to minimise negative interest. To maintain short-term financial flexibility, the Group uses repo transactions, whereby the Group can access liquidity on an intra-day basis if needed by lending bonds to its bank in return for cash, while committing to a reverse transaction at a predetermined date in the future. Bonds are presented as securities on the balance sheet as ownership of the bonds remains with the Group during the term of the repo. The obligation to return cash for bonds under such repo transactions is recognised as short-term bank loans. At 31 May 2021, repo transactions amounted to DKK 20m.

Net interest-bearing deposit amounted to DKK 361m compared to net interest-bearing debt of DKK 7m at year-end 2019/20. The increase was mainly due to the net proceeds from the rights issue and positive free cash flow. IFRS 16 reduced net interest-bearing deposit by DKK 133m (year-end 2019/20: DKK 153m).

CHANGE IN NET INTEREST BEARING DEPOSIT/(DEBT), DKKM



(DKK million)	**31-05-21**	31-05-20
Mortgage loans (non-current)	-61	-65
Mortgage loans (current)	-4	-4
Bank loans (current)	-20	-
Lease liabilities (non-current)	-117	-137
Lease liabilities (current)	-24	-42
Other current liabilities*	-34	-
Interest-bearing debt	**-260**	**-248**
Finance lease receivables (non-current)	6	16
Finance lease receivables (current)	2	10
Cash (current)	178	215
Securities (current)	435	-
Interest-bearing assets	**621**	**241**
Net interest-bearing deposit/(debt)	**361**	**-7**
Net interest-bearing deposit/(debt) - excl. lease liabilities and receivables	**494**	**146**

* Only the interest-bearing part of Other current liabilities has been included in net interest-bearing deposit/(debt).

Net available liquidity was DKK 593m (year-end 2019/20: DKK 215m), consisting of cash and securities offset by repo transactions.

(DKK million)	**31-05-21**	31-05-20
Cash (current)	178	215
Securities (current)	435	-
Bank loans (current)	-20	-
Available liquidity	**593**	**215**

6.2 Financial instruments by category

(DKK million)	**31-05-21**	31-05-20
Non-current other receivables	24	40
Trade receivables	438	290
Other receivables	92	63
Cash	178	215
Financial assets at amortised cost	**732**	**608**
Securities	435	-
Fair value through income statement	**435**	**-**
Hedge accounting	1	2
Fair value through other comprehensive income	**1**	**2**
Financial assets	**1,168**	**610**
Other current liabilities	34	-
Mortgage loans	65	69
Bank loans	20	-
Lease liabilities	141	179
Trade payables	502	430
Financial liabilities at amortised cost	**762**	**678**
Hedge accounting	16	1
Fair value through other comprehensive income	**16**	**1**
Financial liabilities	**777**	**679**

The fair value is approximately equal to the carrying amount for all financial assets and liabilities. Hedge accounting is only related to the management of foreign exchange rate risk.

(DKK million)	Less than one year	Between one and five years	More than five years	**Total**	**Carrying amount**
Contractual maturity analysis for financial liabilities					
31-05-21					
Mortgage loans	4	14	47	65	65
Lease liabilities	37	83	27	147	141
Trade payables	502	-	-	502	502
31-05-20					
Mortgage loans	4	14	51	69	69
Lease liabilities	49	109	58	216	179
Trade payables	430	-	-	430	430

Accounting policies

Financial assets include loans, receivables, securities and cash. Loans and receivables are initially recognised at fair value, including direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix to calculate the minimum impairment, which includes impairment for non-due receivables. For other receivables and loans, a write-down is made for expected losses based on specific individual or Group assessments.

Financial liabilities are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities.

Securities comprise bonds that are measured at market value on an ongoing basis in conformity with the Group's investment policy. Changes in market value are recognised in profit/(loss) for the year as financial income and expenses. Purchase and sale of securities are recognised at the settlement date.
For listed securities, market value equals the market price, and for unlisted securities, market value is estimated based on generally accepted valuation methods and market data. Divested securities where repurchase agreements have been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held (Level 1). The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit/(loss) for the year over the term as interest. The return on the securities is recognised in profit/(loss) for the year.

6.3 Mortgage loans and lease liabilities

(DKK million)	Nominal interest value	Year of maturity	31-05-21 Carrying amount	31-05-20 Carrying amount
Terms and repayment schedule				
Fixed rate loans, DKK	-0.4%	2040	65	69
Total loans			**65**	**69**

(DKK million)	31-05-19	IFRS 16 opening	Financing cash flow	Remeasurements of lease liabilities	Reclassifi-cations	31-05-20	Financing cash flow	Additions and remeasurements	Reclassifi-cations	**31-05-21**
Terms and repayment schedule										
Lease liabilities	-	193	-39	25	-	179	-40	2	-	**141**
Long-term borrowings	69	-	-	-	-4	65	-	-	-4	**61**
Short-term borrowings	3	-	-4	-	4	4	-4	-	4	**4**
Bank loans	-	-	-	-	-	-	20	-	-	**20**
Total	**72**	**193**	**-43**	**25**	**-**	**248**	**-24**	**2**	**-**	**226**

The Group has a mortgage loan with a three-year interest refinancing period. During 2020/21, no extraordinary repayments were on the mortgage loan. The mortgage loan was most recently refinanced in 2019/20 at -0.4% plus contribution margin, providing an annual percentage rate of 1.1%.

Accounting policies

Financial liabilities, including mortgage loans, are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discounts are recognised as financial expenses over the term of the loans.

6.4 Capital structure and share capital

	Number		Nominal value (DKK million)		% of share capital	
	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20
Treasury shares						
1 June	2,317,014	2,383,439	23	24	5.4	5.6
Share capital reduction, cancellation of treasury shares	-2,273,449		-23		-5.3	
Acquired in connection with long-term incentive programme	2,068,807		11		1.7	
Granted matching shares incentive programme		-66,425		-1		-0.2
31 May	**2,112,372**	**2,317,014**	**11**	**23**	**1.8**	**5.4**

All treasury shares are owned by Bang & Olufsen A/S.

(DKK million)	**2020/21**	2019/20
Share repurchases for the year	**42**	-

The capital structure consists mainly of equity, a credit facility and working capital financing. It is the objective of Bang & Olufsen's capital management to ensure shareholders the best possible return on their investment in Bang & Olufsen, while ensuring that Bang & Olufsen will be able to meet all its existing and future commitments.

At an Extraordinary General Meeting of Bang & Olufsen A/S on 3 July 2020, a rights issue was adopted that raised gross proceeds of DKK 409m. The shareholders also adopted a resolution to reduce the nominal value of the company's shares. The net proceeds amounted to DKK 359m after costs related to the rights issue of DKK 51m.

On 14 October 2020, the Group purchased 2,068,807 shares totalling DKK 42m under the Combined Performance and Retention Share Programme for 2020/21. The Group holds a total of 2,112,372 treasury shares.

For details of monetary transactions, see the statement of changes in equity.

Accounting policies

Dividend

Dividend is recognised as a liability at the time it is approved by the Annual General Meeting.

Treasury shares

Acquisition and selling prices for treasury shares and dividend received on these shares are recognised directly in equity under retained earnings.

Translation reserve

The translation reserve for exchange rate differences in the consolidated financial statements comprises exchange rate differences that occur when translating foreign subsidiaries' financial statements from their functional currency into the Group's presentation currency.

On disposal of net investments, the exchange rate differences on the individual investment are recognised in the income statement. The reserve is a distributable reserve.

Reserve for cash flow hedges

Reserve for cash flow hedges comprises accumulated changes in the fair value of derivative financial instruments that qualify for hedging of future cash flows, where the hedged position has not yet been realised. The changes in fair value are transferred to the income statement when the hedged positions are realised.

6.5 Financial items

(DKK million)	**2020/21**	2019/20
Interest income from banks	6	6
Other financial income	-	2
Interest income from subleases	-	1
Financial income	**6**	**9**
Interest expenses to banks	-16	-11
Other financial expenses	-11	-3
Fair value adjustment of securities	-7	-
Interest expenses on lease liabilities	-7	-10
Exchange rate loss, net	-17	-5
Financial expenses	**-58**	**-29**
Financial items, net	**-52**	**-20**

Financial income and expenses related to securities are measured at fair value. Financial income and expenses related to the remaining financial assets and liabilities are not measured at fair value.

Accounting policies

Financial income and expenses include interest, fair value adjustment of securities, foreign currency gains and losses and impairment of securities, payables and foreign currency transactions as well as amortisation of financial assets and liabilities, including finance lease obligations. Furthermore, realised and unrealised gains and losses on derivative financial instruments that cannot be classified as hedging contracts are included.

6.6 Provisions

(DKK million)	Warranty and fairness	Employee anniversary benefit	Other obligation	**Total**
At 31-05-19	57	3	25	85
Provisions during the year	29	-	25	54
Provisions used during the year	-32	-	-14	-46
Provisions reversed during the year	-	-1	-	-1
At 31-05-20	54	2	36	92
Provisions in the year	46	-	4	50
Provisions used in the year	-33	-	-21	-54
At 31-05-21	67	2	19	88
Maturity analysis for provisions				
Due within 1-5 years	28	2	9	**39**
Due after 5 years	-	-	-	**-**
Non-current provisions	28	2	9	**39**
Due within one year	39	-	10	**49**
At 31-05-21	**67**	**2**	**19**	**88**

Comments to provisions

Provisions for warranty and fairness of DKK 67m were recognised at 31 May 2021 (31 May 2020: DKK 54m) to cover expected warranty and fairness claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns.

Other obligations of DKK 19m included provisions for restructuring of DKK 6m (31 May 2020: DKK 15m) in relation to the cost reduction programme.

Critical accounting estimates and judgements

Bang & Olufsen repairs or replaces products that do not function satisfactorily both within the warranty period and in certain situations after the warranty period. Consequently, provisions made are for future repairs and returns. Provisions are made based on historical data for repairs and returns and based on management's judgements.

Future repairs and returns may differ from the historical pattern, but management has assessed that the estimate of provisions is reasonable and appropriate.

The Group provides 2-5 years of warranty on certain products and is therefore committed to repairing or replacing products that do not function satisfactorily. Some products are repaired after the end of the warranty period, and a provision is made regarding such potential fairness claims.

Accounting policies

Provisions comprise provisions for warranty, provisions for fairness and other provisions. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period.

Provisions are recognised when there is a legal or constructive obligation as a result of events in the financial year or previous years, and it is probable that an outflow of financial resources will be required to settle the obligation. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

Section 7
Financial risk management

7.1 Financial risks

The Group has global activities that expose it to a range of financial risks.

The Group has centralised the management of financial risks. The overall objectives and policies for the Group's financial risk management are outlined in a Treasury guideline. Financial risk management is carried out by the Group Treasury department.

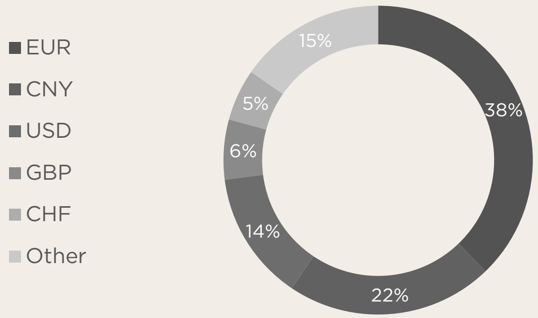
Foreign exchange rate risk

The Group's presentation currency is DKK, but the majority of its activities and investments are denominated in other currencies than DKK. Consequently, there is a substantial risk of exchange rate fluctuations having an impact on the Group's reported results.

The Group is subjected to transaction risk related to sales and purchases in foreign currencies, and translation risk when translating foreign entities into the Group's presentation currency.

In 2020/21, 89% of the Group's revenue (2019/20: 90%) was in foreign currencies.

REVENUE BY FUNCTIONAL CURRENCY (%) – 2020/21



Entities in	Functional currency	Change in avg. FX rate
Eurozone	EUR	-0.30%
China	CNY	-2.28%
US	USD	-7.10%
UK	GBP	-1.77%
Switzerland	CHF	-0.35%

Changes in exchange rates lowered revenue by 2.0% in 2020/21.

The Group is primarily exposed to currency risks related to the net inflow of CNY and the net outflow of USD. Due to DKK being pegged to EUR, the risk from EUR is considered to be low. According to the Group's Treasury guideline, up to 75% of the expected exposure is hedged using mainly FX Forward contracts.

The Group only hedges commercial exposures and does not enter into derivative positions or transactions for trading or speculative purposes. The Group does not hedge balance sheet items (translation risk).

7.1 Financial risks (continued)

Interest rate risk
The Group's exposure to interest rate risk is considered to be limited and is subjected to ongoing evaluation and monitoring in accordance with the Treasury policy.

The Group's interest-bearing assets mainly consisted of bank deposits, which totalled DKK 178m (2019/20: DKK 215m) at the end of the financial year. Bank deposits yield interest in the short-term money market, but as the Group had positive bank deposits mainly in DKK and EUR throughout the financial year, this resulted in a negative deposit interest rate.

Interest-bearing debt consisted of mortgage debt of DKK 65m (2019/20: DKK 69m), with a floating rate that is fixed for the coming three years, and lease liabilities of DKK 141m (2019/20: DKK 179m). At the end of the financial year, the Group's net interest-bearing deposit totalled DKK 361 (2019/20: net interest-bearing debt, DKK 7m), corresponding to 16.1% of the total financial position (2019/20: -0.4%).

See note 6.1 for further details on net interest-bearing deposit/(debt).

Credit risk
The Group is exposed to risks associated with commercial and financial counterparties. Financial instruments are entered into with counterparties with investment grade level ratings. Similarly, the Group uses reputable insurance companies with investment grade ratings for insuring receivables.

Credit risk associated with trade receivables is managed centrally based on fixed procedures and guidelines. Credit limits are set as deemed appropriate for the individual customer, considering current local market conditions and individual risk profiles. To reduce credit risk, all commercial counterparts are subject to ongoing financial evaluation. The Group mainly utilises credit insurance to mitigate its credit risk.

The Group has a limited number of large key partners, which constitutes a concentration risk on receivables. Top 5 debtors accounted for 38% of total trade receivables. The nature of the Group's business involves a few major key partners and several smaller important partners. Concentration risk is monitored closely and mitigated via credit insurance. Top 5 debtors are all long-standing partners with a good payment history and low credit risk.

For trade receivables, Bang & Olufsen applies the expected credit losses prescribed by IFRS 9. To measure the expected credit loss, trade receivables are assessed individually for credit risk characteristics and ageing of the receivable. In accordance with IFRS 9, not-due trade receivables are also tested for impairment. See note 4.2 for further details on trade receivables.

During 2020/21, the Group did not experience any loss on bad debts directly related to COVID-19. The Group has continued to assess the impact from COVID-19. This has not led to increased impairment on receivables for the year. The Group has not changed its expected credit loss assumptions due to COVID-19, partly because it is considered a non-recurring event and partly because credit risk is covered via credit insurance. Realised losses remain within the expected range.

Liquidity risk
Liquidity is managed centrally by Group Treasury and continually assessed. It is the objective to ensure that sufficient financial resources are available where and when needed.

At 31 May 2021, cash and cash equivalents amounted to DKK 178m (2019/20: DKK 215m). Including securities and repo, available liquidity amounted to DKK 593m (2019/20: DKK 215m).

The Group has a committed revolving credit facility with its main bank as part of its capital and liquidity readiness. The facility was only partially drawn and only utilised for extending bank guarantees etc. to third parties.

Commodity risk
The Group is exposed to commodity risk through its energy consumption and purchase of raw materials.

The largest exposure to changes in the market price of raw materials is from the input of aluminium. The total purchase of aluminium raw material corresponds to approximately 3% of the Group's production costs.

Due to the relatively small size of the exposure, the Group does not actively manage commodity risk.

7.2 Sensitivity analysis

Exchange rate sensitivity
The effects on revenue and earnings are derived from changes in selected currencies compared to average annual rates. The effect on equity is derived from changes in the 31 May 2021 closing rates for selected currencies. The estimates on an unhedged basis are presented below.

Interest rate sensitivity
A one percentage point increase in the interest rate is estimated to have an effect of a negative approximately DKK 6m on financial items (2019/20: DKK 0m). The effect is driven by gains from cash and floating rate bonds offset by fair value adjustments of securities.

The estimate is calculated on an all-else equal basis and assumes a parallel change in all relevant yield curves.

		2020/21			2019/20		
(DKK million)	Increase	Revenue	Earnings before tax	Equity before tax	Revenue	Earnings before tax	Equity before tax
USD	5.0%	18	-24	4	15	-28	4
GBP	5.0%	8	6	1	8	3	2
CNY	5.0%	28	26	10	19	15	6
CHF	5.0%	7	7	2	5	5	2
Other	5.0%	6	6	1	6	5	1
Total		**67**	**21**	**18**	**53**	**0**	**15**

7.3 Derivative financial instruments

Derivative financial instruments comprise primarily foreign exchange contracts used to hedge the foreign exchange risk related to unrecognised future transactions. The value adjustments from forward contracts affect the income statement on a monthly basis throughout the hedging period.

For information on financial risks and management of those risks, see note 7.1.

Derivatives contracted by the Group to hedge the foreign exchange risk related to future transactions are specified below:

	31-05-21				31-05-20			
(DKK million)	Hedging period	Average hedging rate	Fair value	Contract value	Hedging period	Average hedging rate	Fair value	Contract value
Foreign exchange forward contracts								
USD	12 months	6.18	-4	-236	6 months	6.55	2	-65
GBP	12 months	8.42	-1	70	-	-	-	-
CHF	12 months	6.77	0	54	-	-	-	-
CNY	12 months	0.91	-9	241	-	-	-	-
SGD	12 months	4.67	-0	-15	-	-	-	-
Total			**-14**	**114**			**2**	**-65**
Foreign exchange swaps								
USD/DKK			-	28			-1	39
USD/DKK			-1	-13			-	-39
GBP/DKK			-	6			-	20
GBP/DKK			-	-			-	-10
CHF/DKK			-	13			-	-
CHF/DKK			-	-4			-	-
SGD/DKK			-	2			-	-
SGD/DKK			-	-2			-	-
CNY/DKK			-	-			-	39
Total			**-1**	**30**			**-1**	**49**
Derivatives for hedging			**-15**	**144**			**1**	**-16**

7.3 Derivative financial instruments (continued)

The fair value of derivative financial instruments is recognised in the statement of financial position as follows:

(DKK million)	**31-05-21**	31-05-20
Other receivables, current	1	2
Other liabilities, current	-16	-1
Total	**-15**	**1**

The fair value is based on observable market data and is part of level 2 in the fair value hierarchy.

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input, other than listed prices on level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Input for the asset or liability is unobservable and not based on market data input

The derivatives are not traded on an active market based on quoted prices but are individual contracts. The fair value of these assets is determined using valuation techniques that apply market data such as exchange rates, credit risk and volatilities.

Accounting policies

Derivative financial instruments are recognised on the trading date at fair value and subsequently measured at fair value at the reporting date. The fair value of derivative financial instruments is recognised under other receivables or other financial liabilities, respectively, in the statement of financial position. The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. When realised, the accumulated gains/losses are transferred to the items under which the hedged transactions are recognised.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as financial income or expenses.

Section 8
Other disclosure requirements

8.1 Fees to auditors

(DKK million)	**2020/21**	2019/20
Statutory audit	3.2	3.2
Other assurance services	0.2	3.0
Other services	1.4	0.3
Total	**4.8**	**6.5**

Fees for services other than statutory audit of the financial statements provided by EY to the Bang & Olufsen Group mainly consist of fees related to ad hoc projects.

8.2 Earnings per share

(1,000 shares)	**2020/21**	2019/20
Earnings for the year, DKKm	-23	-576
Average number of shares outstanding	122,772	40,847
Dilutive effect of average outstanding shares	-	-
Average number of shares outstanding, including dilutive effect	122,772	40,847
Earnings per share (EPS), DKK	**-0.2**	**-14.1**
Earnings per share, diluted (EPS-D), DKK	**-0.2**	**-14.1**

8.3 Contingent liabilities and other financial commitments

Bang & Olufsen Group has issued guarantees in an amount of DKK 93m (2019/20: DKK 100m). The guarantees mainly relate to a rent obligation from the formerly owned Czech production facility and bank guarantees.

Mortgage and securities
Land and buildings have been mortgaged for an amount of DKK 65m (2019/20: DKK 69m) as security for DKK 65m of the Group's mortgage loan (2019/20: DKK 69m).

Other tangible assets relating to land and buildings are included in mortgage loans. The carrying amount of the Group's mortgaged land and buildings was DKK 103m (2019/20: DKK 104m).

When entering into repo transactions with its bank, Bang & Olufsen uses a proportional part of its securities as collateral against the repo transaction with the bank. At 31 May 2021, repo transactions amounted to DKK 20m.

The Group has pledged inventories and debtors as security for its committed credit facility with its bank via a Danish first priority floating charge (in Danish: virksomhedspant) and a Dutch floating charge over its finished goods inventory located in the Netherlands.

Legal and arbitration proceedings
In the normal course of its business, the Group is and will from time to time become involved in discussions, disputes and legal proceedings, including claims relating to e.g. commercial counterparties, employees, intellectual property infringement or violations and other business-related disputes.

The results of such disputes and legal proceedings may be hard to predict, and the Group's assessment of the relevant disputes and proceedings may change as they unfold. The Group expenses legal fees as incurred and records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any material legal matter may result in damages being awarded, injunctions and/or termination of product lines, all of which could have financial implications exceeding any provisions made and therefore have an adverse effect on the Group's business, operating results, cash flow and financial position.

The Group is currently engaged in discussions involving claims against the Group regarding alleged infringements of third-party rights in relation to specific jurisdictions and specific ranges of the Group's present and past products and features and technologies included therein. The Group is also a party to claims involving the termination of partners in some jurisdictions. Such claims are not uncommon in the industry, and the Group addresses and defends itself against such claims as part of its ordinary course of business, assisted by external advisors where necessary. While by their nature such claims could potentially have a significant adverse effect on the Group in case of an unfavourable outcome, it is the Group's current expectation that none of these claims will have such an effect.

The Group is also a party to claims and legal proceedings involving the Group's termination of certain retail partners in some jurisdictions. It is the Group's current expectation that none of these claims will have a material effect on the Group's financial position or future earnings.

8.4 Related parties

The Bang & Olufsen Group has no related parties with control over the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors, the Executive Management Board and other key management personnel.

Board of Directors, Executive Management Board and other key management personnel
No transactions were made in 2020/21 other than ordinary remuneration, as described in notes 3.2 and 3.3.

Other transactions
No transactions took place with related parties.

8.5 Events after the reporting period

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the consolidated financial statements.

8.6 Companies in the Bang & Olufsen Group

Company name	Domicile	Currency	Share capital in local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Denmark (domicile country)					
Bang & Olufsen A/S	Struer, DK	DKK	613,860,435		
Bang & Olufsen Operations A/S	Struer, DK	DKK	156,000,000	100.0%	
Bang & Olufsen Danmark A/S	Struer, DK	DKK	3,000,000	100.0%	
Bang & Olufsen Expansion A/S	Struer, DK	DKK	7,000,000	100.0%	
B&O PLAY A/S	Struer, DK	DKK	7,500,000	100.0%	
EMEA					
Bang & Olufsen AS	Oslo, NO	NOK	3,000,000	100.0%	
Bang & Olufsen Svenska AB	Stockholm, SE	SEK	4,150,000	100.0%	
Bang & Olufsen Deutschland G.m.b.H.	Munich, DE	EUR	1,022,584	100.0%	
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100.0%	
Bang & Olufsen Ges. m.b.H	Tulln, AT	EUR	1,744,148	100.0%	
Bang & Olufsen UK Ltd.	Berkshire, GB	GBP	2,600,000	100.0%	
Authenticity Ltd.	London, GB	GBP	2,250,000	100.0%	
Eastbrook Finance Ltd.	London, GB	GBP	100	100.0%	
Bang & Olufsen France S.A.	Levallois-Perret, FR	EUR	3,585,000	100.0%	
Bang & Olufsen Retail SAS (France)	Paris, FR	EUR	152,500	100.0%	
Bang & Olufsen España S.A.	Madrid, ES	EUR	1,803,036	100.0%	
Bang & Olufsen Italia S.r.l.	Milan, IT	EUR	774,000	100.0%	
S.A. Bang & Olufsen Belgium N.V.	Dilbeek, BE	EUR	942,000	100.0%	
Bang & Olufsen B.V.	Amsterdam, NL	EUR	18,000	100.0%	
Americas					
Bang & Olufsen America Inc.	Deerfield, IL, US	USD	34,000,000	100.0%	3
Asia					
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100.0%	
Bang & Olufsen Enterprise Management (Shanghai) Co. Ltd	Shanghai, CN	CNY	67,000,000	100.0%	
Bang & Olufsen Hong-Kong Pty Ltd	Hong Kong, HK	HKD	1,000,000	100.0%	
Bang & Olufsen Japan KK	Tokyo, JP	JPY	10,000,000	100.0%	
Bright Future International Limited	Hong Kong, HK	HKD	1	100.0%	
Jingji Shanghai Trading Co. Ltd	Shanghai, CN	CNY	955,696	100.0%	

8.7 Key figure definitions

Item	Key figures and ratios	Definition
1	EBIT	Earnings before interest and tax (result before financial items and income taxes)
2	EBIT before special items	Earnings (profit) before interest, tax and special items
3	EBIT margin	EBIT as a percentage of revenue
4	EBIT margin before special items	EBIT before special items as a percentage of revenue
5	EBITA	Earnings before interest, tax and amortisation
6	EBITA margin	EBITA as a percentage of revenue
7	EBITDA	Earnings (profit) before interest, tax, depreciation, amortisation and impairment
8	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortisation, impairment and special items
9	EBITDA margin	EBITDA as a percentage of revenue
10	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
11	Gross margin	Gross profit as a percentage of revenue
12	Growth in local currencies	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
13	Earnings per share (EPS)	Result attributable to shareholders of Bang & Olufsen A/S relative to average number of outstanding shares
14	Diluted earnings per share	Result attributable to shareholders of Bang & Olufsen A/S as a percentage of diluted average number of outstanding shares
15	Price/earnings	Share price/Earnings per share (nom. DKK 5)
16	Incurred development costs ratio	Incurred development costs before capitalisation as a percentage of revenue
17	Operating expenses	Production costs, development costs, distribution and marketing costs and administrative costs
18	Capacity cost ratio	Capacity costs as a percentage of revenue
19	Net interest-bearing deposit/(debt)	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash
20	Available liquidity	Cash and securities, offset by repo transactions
21	Free cash flow	Cash flow from operating activities less cash flow from operational investments
22	Return on assets, %	Earnings for the year x 100/Assets
23	Return on equity, %	Earnings for the year x 100/Equity
24	Invested capital	Net working capital, tangible assets and intangible assets excl. goodwill
25	ROIC excl. goodwill and right-of-use assets, %	Net operating profit after tax x 100/Invested capital, excl. goodwill
26	Working capital	Current assets less current liabilities (excluding interest-bearing items and provisions)
27	Working capital ratio	Average working capital LTM (latest twelve months) as a percentage of revenue

8.7 Key figure definitions (continued)

Alternative performance measures
The Group assesses its performance using a variety of alternative performance measures that are not defined under IFRS. A reconciliation from these alternative performance measures to the nearest IFRS measure is presented below.

Growth in local currencies
Growth in local currencies reflects the underlying performance of the Group. As such, this excludes the impact of acquisitions or divestments and foreign exchange movements. Below is a reconciliation from the movement in reported revenue according to IFRS.

(Percentage)	**2020/21**	2019/20
Revenue growth (according to P&L)	29	-28
Foreign exchange	2	-1
Growth in local currencies	**31**	**-29**

Operating performance
In addition to measuring the Group's financial performance based on its operating result, EBIT and EBITDA before special items are also used.

We consider EBITDA to be a useful measure because it approximates the underlying performance by eliminating depreciation and amortisation. The adjusted EBITDA figures are used in order to be comparable year over year, due to the implementation of new accounting standards and the elimination of special items that are not comparable year over year.

(DKK million)	**2020/21**	2019/20
EBIT	19	-347
Depreciation, amortisation and impairment	184	200
EBITDA	**203**	**-147**
Special items, net	19	43
EBITDA before special items	**222**	**-104**
EBIT	19	-347
Special items, net	19	43
EBIT before special items	**38**	**-304**

PARENT COMPANY FINANCIAL STATEMENTS

Income statement and statement of comprehensive income

1 June – 31 May

(DKK million)	Notes	2020/21	2019/20
Revenue	3	**400**	**123**
Production costs	4, 5, 6	-46	-47
Gross profit		**354**	**76**
Development costs	4, 5, 6	-248	-270
Distribution and marketing costs	4, 5, 6	-212	-152
Administrative costs	4, 5, 6	-113	-151
Operating profit/(loss) (EBIT)		**-219**	**-497**
Financial income	9	5	11
Financial expenses	9	-61	-30
Financial items, net		**-56**	**-19**
Earnings before tax (EBT)		**-275**	**-516**
Income tax	10	64	-75
Earnings for the year		**-211**	**-591**
Total comprehensive income for the year		**-211**	**-591**
Distribution of profit/(loss) for the year:			
Reserve for development costs		40	-3
Retained earnings		-251	-588
Total		**-211**	**-591**

Statement of financial position

ASSETS

(DKK million)	Notes	31-05-21	31-05-20
Acquired rights		32	9
Completed development projects		110	98
Development projects in progress		76	59
Intangible assets	11	**218**	**166**
Land and buildings	11	46	52
Other tangible assets	11	7	11
Right-of-use assets	12	16	7
Tangible assets		**69**	**70**
Investment properties		**36**	**31**
Investment in subsidiaries		607	607
Financial assets		**607**	**607**
Deferred tax assets		47	37
Total non-current assets		**977**	**911**
Trade receivables		33	18
Tax receivable		133	81
Interest-bearing receivables from subsidiaries		-	37
Other receivables		9	14
Prepayments		6	18
Securities		435	-
Cash		0	116
Assets held for sale	15	21	21
Total current assets		**637**	**305**
Total assets		**1,614**	**1,216**

EQUITY AND LIABILITIES

(DKK million)	Notes	31-05-21	31-05-20
Share capital	17	613	432
Reserve for development costs		170	130
Retained earnings		-559	-466
Total equity		**224**	**96**
Lease liabilities	12, 18	10	3
Provisions		1	1
Mortgage loans		61	65
Non-current other liabilities		0	17
Deferred income		15	15
Total non-current liabilities		**87**	**101**
Lease liabilities	12, 18	6	5
Mortgage loans	18	4	4
Bank loans	20	294	-
Interest-bearing debt to subsidiaries	20	753	775
Trade payables	20	126	165
Provisions		5	10
Other liabilities		111	47
Deferred income		4	13
Total current liabilities		**1,303**	**1,019**
Total liabilities		**1,390**	**1,120**
Total equity and liabilities		**1,614**	**1,216**

Statement of cash flows

1 June – 31 May

(DKK million)	Notes	2020/21	2019/20
Earnings before tax (EBT)		-275	-516
Financial items, net		56	19
Depreciation, amortisation and impairment		97	127
Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA)		**-122**	**-370**
Other non-cash items		10	-2
Change in net working capital		-4	36
Change in interest-bearing receivables from subsidiaries		37	28
Change in interest-bearing debt from subsidiaries		-22	231
Interest received		5	11
Interest paid		-43	-23
Income tax paid		6	-1
Cash flows from operating activities		**-133**	**-90**
Purchase of intangible non-current assets		-129	-106
Purchase of tangible non-current assets		-9	-7
Sales of tangible non-current assets		-	13
Operational investments		**-138**	**-100**
Free cash flow		**-271**	**-190**
Purchase of securities		-495	-
Sale of securities		50	-
Financial investments		**-445**	**-**
Cash flows from investing activities		**-583**	**-100**

(DKK million)	Notes	2020/21	2019/20
Repayment of lease liabilities	18	-6	-5
Repayment of mortgage loans	18	-4	-3
Proceeds from loans and borrowings	18	746	-
Repayment of loans and borrowings	18	-452	-
Purchase of own treasury shares		-42	-
Capital increase		359	-
Cash flows from financing activities		**601**	**-8**
Cash and cash equivalents, opening balance		116	314
Exchange rate adjustment, cash and cash equivalents		**-1**	**-**
Change in cash and cash equivalents		**-115**	**-198**
Cash and cash equivalents, closing balance		**0**	**116**

Accounting policies

The statement of cash flows shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as earnings before tax adjusted for non-cash operating items, changes in working capital, payments of financial items and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment, acquisitions and disposals of securities in regards to repo, and other non-current assets.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs, the raising of loans including repo as well as repayment of interest-bearing debt including lease liabilities.

Cash and cash equivalents comprise cash at bank and in hand.

Statement of changes in equity

1 June – 31 May

(DKK million)	Share capital	Reserve for development costs	Retained earnings	**Total**
Equity 1 June 2020	**432**	**130**	**-466**	**96**
Earnings for the year	-	40	-251	-211
Comprehensive income for the year	**-**	**40**	**-251**	**-211**
Cancellation of shares	-23	-	23	0
Reduction of share capital	-205	-	205	0
Rights issue	409	-	-	409
Costs related to rights issue	-	-	-50	-50
Share-based payments	-	-	13	13
Tax related to LTI programme	-	-	3	3
Purchase of own shares	-	-	-36	-36
Equity 31 May 2021	**613**	**170**	**-559**	**224**
Equity 1 June 2019	**432**	**133**	**122**	**687**
Earnings for the year	-	-3	-588	-591
Comprehensive income for the year	**-**	**-3**	**-588**	**-591**
Equity 31 May 2020	**432**	**130**	**-466**	**96**

In 2020/21, Bang & Olufsen A/S had lost more than 50% of its share capital. The share capital is being re-established by way of dividend from subsidiaries in 2021/22.

Notes
Parent Company financial statements

1 Accounting policies

The financial statements of Bang & Olufsen A/S for 2020/21 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies.

Accounting policies are unchanged from last year and identical to the accounting policies for the Group, with the following exceptions:

Accounting policies different from the Group

Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the carrying amount is reduced to this lower amount. Gains or losses on sale of investments in subsidiaries, gains are calculated as the difference between the carrying amount of the sold investment and the fair value of the proceeds from the sale.

Dividends

Dividends from investments in subsidiaries are recognised when the final right to receive the dividends is established. This is typically at the time of the Annual General Meeting's approval of the distribution of dividend from the company in question. Dividends are recognised as a liability at the time of their approval by the Annual General Meeting.

Investment properties

Investment properties are held to earn rental income or capital appreciation. Investment properties consist of a number of properties that are owned for the purpose of renting them mainly to other Group companies. Investment properties are measured at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight-line basis over 40 years.

Changes in accounting policies

The description in note 1.3 to the consolidated financial statements regarding new standards issued effective for the 2020/21 Annual Report fully covers the Parent Company as well.

2 Critical accounting estimates and judgements

When applying the Parent Company's accounting policies, management is required to make a number of accounting assessments and estimates and to make assumptions about the carrying amounts of certain assets and liabilities and recognised revenue and costs, which cannot be derived directly from other sources. Significant judgements are made when assessing development projects and deferred tax assets.

Management bases its estimates and assumptions on historical experience and other relevant factors that are believed to be reasonable under the given circumstances. The actual outcome can differ from these estimates.

Estimates made and the underlying assumptions are reviewed on a continuous basis. Changes made to accounting estimates are recognised in the financial period in which the change takes place and future financial periods, if the change affects both the period in which the change takes place and future financial periods.

The following accounting estimates and judgements are assessed to be material for the Parent Company financial statements.

Development projects
Development costs are capitalised only after the technical and commercial feasibility of the projects has been established. In connection with the capitalisation of development costs, the expected useful life of the products is to be determined. Management has assessed that the amortisation period is usually 2-6 years.

Deferred tax assets
Deferred tax assets are recognised in the balance sheet at the value the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, an assessment is made of whether it is probable that sufficient taxable income will be generated in future, so that the deferred tax asset can be utilised.

3 Revenue

(DKK million)	**2020/21**	2019/20
Geographical breakdown:		
Denmark	288	24
Rest of world	112	99
Total	**400**	**123**
Breakdown by nature:		
Sale of services	12	12
Royalty	326	49
Rental income	62	62
Total	**400**	**123**

4 Staff costs

(DKK million)	**2020/21**	2019/20
Wages and other remuneration	300	265
Share-based payments	13	-
Pensions	19	20
Other social security costs	3	3
Total staff costs	**335**	**288**
Staff costs relate to:		
Production costs	31	15
Development costs	120	118
Distribution and marketing costs	90	67
Administrative costs	94	88
Total staff costs	**335**	**288**
Average number of employees	352	373

All pension costs relate to defined contribution plans. Pension contributions, which can either be a fixed amount or a fixed percentage of the monthly salary, are recognised in the income statement as they are paid to independent pension insurance companies. Any unpaid contribution is recognised in the balance sheet as a liability. Once the contributions have been paid, the Company has no further obligations and the individual employee carries the risk for the value of the pension insurance at retirement.

See note 3.2 to the consolidated financial statements for further information about the remuneration of the Board of Directors, the Executive Management Board and other key employees.

5 Development costs

(DKK million)	**2020/21**	2019/20
Incurred development costs before capitalisation	277	256
Of which capitalised	-106	-96
Incurred development costs after capitalisation	171	160
Capitalisation (%)	38.1%	37.5%
Total amortisation and impairment losses on development projects	77	108
Development costs recognised in the income statement	248	268

6 Depreciation, amortisation and impairment

(DKK million)	**2020/21**	2019/20
Depreciation, amortisation and impairment		
Intangible assets, amortisation	80	109
Tangible assets, depreciation	8	9
Investment properties, depreciation	3	3
Right-of-use assets, depreciation	6	6
Total	**97**	**127**
Depreciation, amortisation and impairment relate to:		
Production costs	7	7
Development costs	79	112
Distribution and marketing costs	5	3
Administrative costs	6	5
Total	**97**	**127**

7 Government grants

(DKK million)	**2020/21**	2019/20
Government grants	4	12
Breakdown by function:		
Production costs	1	2
Development costs	1	7
Distribution and marketing costs	1	1
Administrative costs	-	1
Financial expenses	1	1
Total	**4**	**12**

Government grants in 2020/21 related to COVID-19 packages of DKK 4m (2019/20: DKK 12m). DKK 3m of the COVID-19 packages impacted EBIT (2019/20: DKK 11m), including DKK 1m in gross profit (2019/20: DKK 2m) and DKK 2m in capacity costs (2019/20: DKK 9m).

8 Special items

(DKK million)	**2020/21**	2019/20
Severance, Executive Management Board	1	13
Restructuring costs, severance	2	11
Consultants, cost reduction programme	16	11
Total	**19**	**35**
Production costs	4	-
Development costs	10	2
Distribution and marketing costs	4	3
Administrative costs	1	30
Total	**19**	**35**

Special items consist of expenses related to restructuring or structural changes that Bang & Olufsen does not consider to be a part of its ordinary operations such as redundancies, specific consultancy costs and transitioning costs in connection with the offshoring of back-office functions.

9 Financial items

(DKK million)	**2020/21**	2019/20
Interest income from banks	4	5
Interest income from subsidiaries	1	3
Other financial income	-	3
Exchange rate gains, net	-	-
Financial income	**5**	**11**
Interest expenses	-18	-12
Interest expense to subsidiaries	-25	-10
Interest expenses on lease liabilities	-	-1
Exchange rate losses, net	-18	-7
Financial expense	**-61**	**-30**

Financial income and expenses related to securities are measured at fair value. Financial income and expenses related to the remaining financial assets and liabilities are not measured at fair value.

10 Tax

(DKK million)	2020/21	2019/20
Tax for the year		
Current tax	-56	-42
Change in deferred tax during the year	-7	117
Adjustments to tax for prior years	-1	-
Total	**-64**	**75**

	2020/21		2019/20	
	%	DKKm	%	DKKm
Effective tax rate for the year				
Calculated tax on result for the year before tax	22.0%	-61	22.0%	-113
Non-deductible costs and non-taxable income	0.7%	-2	-0.6%	3
Adjustments to prior periods	0.4%	-1	-	-
Impairment on deferred tax assets	-	-	-35.7%	184
Other	(0.1%)	-	-0.2%	1
Effective tax rate for the year	**23.0%**	**-64**	**-14.5%**	**75**

	Assets		Liabilities		Net assets	
(DKK million)	31-05-21	31-05-20	31-05-21	31-05-20	31-05-21	31-05-20
Deferred tax						
Non-current assets	-2	20	-	-	-2	20
Tax loss carryforwards	19	6	-	-	19	6
Other	30	11	-	-	30	11
Total	**47**	**37**	**-**	**-**	**47**	**37**

For the assessment of the future utilisation of deferred tax assets, see note 2.6 to the consolidated financial statements.

(DKK million)	2020/21	2019/20
Change in deferred tax, net during the year		
Non-current assets	-22	12
Tax loss carryforwards	13	-118
Other	19	-11
Total	**10**	**-117**

At 31 May 2021, the net deferred tax asset totalled DKK 47m (31 May 2020: DKK 37m), whereas the increase of DKK 10m is mainly due to an increase in tax loss carryforwards.

11 Intangible and tangible assets

(DKK million)	Acquired rights	Completed development projects	Development projects in progress	**Total intangible assets**	Land and buildings	Other tangible assets	**Total tangible assets**
Cost							
At 1 June 2019	103	798	54	955	88	91	179
Correction to prior year	-	-	-	-	44	-	44
Reclassification of assets from tangible assets to investment property	-	-	-	-	-24	-	-24
Additions	10	42	54	106	2	5	7
Disposals	-	-249	-1	-250	-	-	-
Completed development projects and assets	-	48	-48	-	-	-1	-1
At 31 May 2020*	113	639	59	811	110	95	205
Additions	23	42	64	129	-	3	3
Disposals	-	-156	-	-156	-	-	-
Completed development projects and assets	3	47	-47	3	-	-5	-5
At 31 May 2021*	**139**	**572**	**76**	**787**	**110**	**93**	**203**
Depreciation, amortisation and impairment							
At 1 June 2019	-103	-682	-	-785	-27	-81	-108
Correction to prior year	-	-	-	-	-44	-	-44
Reclassification of assets from tangible assets to investment property	-	-	-	-	19	-	19
Amortisation and depreciation	-1	-108	-	-109	-6	-3	-9
Disposals	-	249	-	249	-	-	-
At 31 May 2020	-104	-541	-	-645	-58	-84	-142
Amortisation and depreciation	-3	-77	-	-80	-6	-2	-8
Disposals	-	156	-	156	-	-	-
At 31 May 2021	**-107**	**-462**	**-**	-569	**-64**	**-86**	-150
Carrying amount							
At 31 May 2021	**32**	**110**	**76**	**218**	**46**	**7**	**53**
At 31 May 2020	9	98	59	166	52	11	63

* Excluding right-of-use assets.
There are no contractual obligations regarding purchase of tangible assets.

12 Right-of-use assets

(DKK million)	Land and buildings	Other equipment	Total
Costs			
At 1 June 2019			
Leases entered into prior to 2019	7	5	12
Additions	-	1	1
At 1 June 2020	**7**	**6**	**13**
Additions	-	1	1
Remeasurements	14	-	14
Terminations	-	-1	-1
At 31 May 2021	**21**	**6**	**27**
Depreciation, amortisation and impairment			
At 1 June 2019			
Depreciation	-4	-2	-6
At 1 June 2020	**-4**	**-2**	**-6**
Depreciation	-4	-2	-6
Terminations	-	1	1
At 31 May 2021	**-8**	**-3**	**-11**
Carrying amount			
At 31 May 2021	**13**	**3**	16
At 31 May 2020	3	4	7

See note 18 for a maturity analysis for lease liabilities.

(DKK million)	**2020/21**	2019/20
Amounts recognised in the income statement:		
Interest expenses	-	1
Lease liabilities		
Non-current	10	3
Current	6	5
Total lease liabilities	**16**	**8**

Repayments of lease liabilities amounted to DKK 6m in 2020/21 (2019/20: DKK 6m). Expenses relating to short-term and low-value leases were insignificant.

13 Investment properties

(DKK million)	
Cost	
At 01 June 2019	140
Reclassification of assets from tangible assets to investment properties	24
Additions	1
Completed development projects and assets	1
At 31 May 2020	166
Additions	6
Completed development projects and assets	2
At 31 May 2021	**174**
Depreciation and impairment	
At 01 June 2019	-113
Reclassification of assets from tangible assets to investment properties	-19
Depreciation during the year	-3
At 31 May 2020	-135
Depreciation during the year	-3
At 31 May 2021	**-138**
Net book value	
At 31 May 2021	**36**
At 31 May 2020	31

Investment properties consist of a number of properties that are owned for the purpose of renting them to other Group companies and, to some extent, external parties.

All investment properties are located in Struer, Denmark, and are used for production, warehousing and offices. Due to the size and type of the buildings and due to the location of the investment properties, there is no active market for these, and it is consequently not possible to estimate their fair value, since the fair value is completely dependent on the Group companies' continued use of the properties. Independent valuers have not been used.

There are no contractual obligations to purchase, construct or develop investment properties.

Rental income of DKK 62m was received from investment properties in 2020/21 (2019/20: DKK 62m). Directly attributed operating expenses were DKK 25m (2019/20: DKK 46m).

Investment properties are leased to the subsidiaries under operating leases with a lease term of 3-34 months. According to the existing operating leases, rental income of DKK 15m will be received in the three months that are included in the lease term of the operating leases.

14 Impairment of non-current assets

Tangible assets – impairment losses during the year
No impairment losses were recognised in 2020/21 or 2019/20.

Intangible assets – impairment losses during the year
No impairment losses were recognised in 2020/21 or 2019/20.

The assessment of the recoverable amount of intangible assets is based on calculations of the value in use of the assets. The value is calculated based on the expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 10.0% (2019/20: 10.0%).

Financial assets – impairment losses during the year
No impairment losses were recognised on non-current financial assets in the Parent Company in 2020/21 or 2019/20.

15 Assets held for sale

Assets held for sale included the building at 31 May 2021 that is also presented as held for sale for the Group. See note 5.3 to the consolidated financial statements.

16 Investments in subsidiaries

(DKK million)	**31-05-21**	31-05-20
Bang & Olufsen Operations A/S	600	600
B&O Play A/S	7	7
Total	**607**	**607**

At 31 May 2021, investments in subsidiaries amounted to DKK 607m (31 May 2020: DKK 607m). There were no acquisitions or disposals in 2020/21 (2019/20: none).

See note 8.6 to the consolidated financial statements for an overview of Group companies.

17 Share capital

At 31 May 2021, the share capital consisted of 122,772,087 (31 May 2020: 43,197,478) shares with a nominal value of DKK 5 each. Each share entitles the holder to one vote. No shares carry special rights. There are no limitations to transferability and no voting restrictions. All shares are listed on Nasdaq Copenhagen.

	Number		Nominal value (DKK million)		% of share capital	
	2020/21	2019/20	**2020/21**	2019/20	**2020/21**	2019/20
Treasury shares						
1 June	2,317,014	2,383,439	23	24	5.4	5.6
Share capital reduction, cancellation of treasury shares	-2,273,449	-	-23	-	-5.3	-
Acquired in connection with long-term incentive programme	2,068,807	-	11	-	1.7	-
Granted matching shares incentive programme	-	-66,425	-	-1	-	-0.2
31 May	**2,112,372**	**2,317,014**	**11**	**23**	**1.8**	**5.4**

All treasury shares are held by Bang & Olufsen A/S.

At 31 May 2021, the following investors had reported holdings of more than 5% of Bang & Olufsen A/S's share capital:

	Capital/Votes (%)
Sparkle Roll (Denmark) Limited	14.9
Arbejdsmarkedets Tillægspension	12.4
Chr. Augustinus Fabrikker	5.8
Færchfonden	5.1

* On 4 June 2021, Færchfonden announced that they had reduced their shareholding to 4.42%.

18 Mortgage loans and lease liabilities

(DKK million)	Nominal interest value	Year of maturity	31-05-21 Carrying amount	31-05-20 Carrying amount
Terms and repayment schedule				
Fixed-rate loans, DKK	-0.4%	2040	65	69
Total loans			**65**	**69**

The Group had a mortgage loan with a three-year interest refinancing period. No extraordinary repayments were made on the mortgage loan in 2020/21. In 2019/20, the interest on mortgage loans was refinanced at -0.4% plus a contribution margin, providing an annual percentage rate of 1.1%.

(DKK million)	31-05-19	IFRS 16 opening	Financing cash flow	Reclassifi-cations	31-05-20	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-21
Terms and repayment schedule									
Repayment of lease liabilities	-	13	-5	-	8	-6	14	-	**16**
Long-term borrowings	69	-	-	-4	65	-	-	-4	**61**
Short-term borrowings	3	-	-3	4	4	-4	-	4	**4**
Bank loans	-	-	-	-	-	294	-	-	**294**
Total	**72**	**13**	**-8**	**-**	**77**	**284**	**14**	**-**	**375**

19 Share-based payment

The matching share programmes described in note 3.3 to the consolidated financial statements are issued by Bang & Olufsen A/S.

The majority of the matching shares are granted to employees in Bang & Olufsen A/S. An amount of DKK 13m (2019/20: nil) was recognised in the year as part of staff costs.

20 Financial instruments by category

(DKK million)	31-05-21	31-05-20
Trade receivables	33	18
Interest bearing-receivables from subsidiaries	-	37
Cash	-	116
Financial assets at amortised cost	**33**	**171**
Securities	435	-
Fair value through income statement	**435**	**-**
Financial assets	**468**	**171**
Mortgage loans	65	69
Bank loans	294	-
Lease liabilities	16	8
Interest-bearing debt from subsidiaries	753	775
Other liabilities	20	-
Trade payables	126	165
Financial liabilities at amortised cost	**1,274**	**1,017**

(DKK million)	Less than one year	Between one and five years	More than five years	Total	Carrying amount
Contractual maturity analysis for financial liabilities					
31-05-21					
Mortgage loans	4	14	47	**65**	**65**
Lease liabilities	6	12	-	**18**	**16**
Interest-bearing debt to subsidiaries	753			**753**	**753**
Trade payables	126	-	-	**126**	**126**
31-05-20					
Mortgage loans	4	15	50	**69**	**69**
Lease liabilities	5	3	-	**8**	**8**
Interest-bearing debt to subsidiaries	775			**775**	**775**
Trade payables	165	-	-	**165**	**165**

See note 7.1 to the consolidated financial statements for a description of the Group's management of financial risks.

21 Fees to auditors appointed by the General Meeting

(DKK million)	**2020/21**	2019/20
Statutory audit	0.1	0.1
Other assurance services	0.1	3.0
Other services	1.3	0.2
Total	**1.5**	**3.3**

Fees for services other than statutory audit of the financial statements provided by EY mainly consist of fees related to ad hoc projects.

22 Contingent liabilities and other financial commitments

The Bang & Olufsen Group has issued guarantees totalling DKK 92m (2019/20: DKK 99m). The guarantees mainly relate to a rent obligation from the former Czech production facilities and bank guarantees. Bang & Olufsen A/S has provided guarantees concerning the continuous operation and payment of liabilities in 2020/21 for some of its subsidiaries.

Bang & Olufsen A/S is taxed jointly with the Danish companies in the Bang & Olufsen Group. As the management company, Bang & Olufsen A/S has unlimited as well as joint and several liability together with the other jointly taxed companies for Danish taxes and VAT related to the jointly taxed companies.

Legal and arbitration proceedings

Refer to note 8.3 to the consolidated financial statements.

Mortgages and securities

Refer to note 8.3 to the consolidated financial statements.

23 Related parties

Bang & Olufsen A/S has no related parties with control of the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors, the Executive Management Board and other key management personnel.

Board of Directors, Executive Management Board and other key management personnel
No transactions were made in 2020/21 other than ordinary remuneration, as described in notes 3.2 and 3.3 to the consolidated financial statements.

Associates and subsidiaries
Transactions with subsidiaries included the following:

(DKK million)	**2020/21**	2019/20
Purchase of services - subsidiaries	26	25
Rental income - subsidiaries	60	59
Royalty income - subsidiaries	225	-38

Bang & Olufsen A/S had receivables from subsidiaries of DKK 0m (2019/20: DKK 37m) and payables of DKK 753m (2019/20: DKK 775m).

All receivables and payables with subsidiaries fall due within one year.

The carrying amount is expected to be a reasonable approximation of the fair value.

No impairment was identified in subsidiaries in 2020/21 or 2019/20.

Other transactions
Bang & Olufsen A/S has issued guarantees for its related parties, see note 16. None of the guarantees is expected to result in any losses.

No other transactions have taken place with related parties.

24 Events after the reporting period

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the financial statements of Bang & Olufsen A/S.

REPORTS

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report of the Bang & Olufsen Group and the Parent Company for 2020/21.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 May 2021, and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 June 2020 – 31 May 2021.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the result for the year, and of the Group's and the Parent Company's financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group and the Parent Company.

We recommend that the Annual General Meeting approves the Annual Report.

Struer, 7 July 2021

Executive Management Board:

Kristian Teär
President & CEO

Nikolaj Wendelboe
CFO

Christian Birk

Line Køhler Ljungdahl

Board of Directors:

Juha Christensen
Chairman

Albert Bensoussan
Vice Chairman

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegeberg

Jesper Jarlbæk

M. Claire Chung

Søren Balling

Tuula Rytilä

Independent auditor's report

To the shareholders of Bang & Olufsen A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Bang & Olufsen A/S for the financial year 1 June 2020 – 31 May 2021, which comprise income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 May 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 June 2020 – 31 May 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the Parent Company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Bang & Olufsen A/S for the financial year 2012/13. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 9 years up to and including the financial year 2020/21.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020/21. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition from sale of goods

Revenue is recognised when control of the goods has been transferred to the customer and is measured at the fair value of the expected consideration to be received, less rebates, discounts, sales taxes, duties and expected sales returns. We refer to Note 2.1 Operating Segment information and Note 2.2 Revenue to the consolidated financial statements. Revenue recognition was a significant matter in our audit due to the necessary estimates and judgements necessary by Management in respect of timing of transfer of control to customers and completeness and measurement of rebates and discounts.

Our procedures included considering the appropriateness of the Group's accounting policies in relation to revenue against applicable accounting standards, performing analytical procedures over rebates and discounts in relation to revenue and testing provisions for rebates and discounts by inspecting supporting documentation including customer contracts on a sample basis. We have applied data analytics on sales and performed sample testing of sales transactions close to the balance sheet date as well as credit notes issued after the balance date to verify whether those transactions were recognised in the correct period and at the correct amounts.

Valuation of deferred tax assets
The Group has recognised deferred tax assets of DKK 87 million as at 31 May 2021 (31 May 2020: DKK 58 million) of which DKK 19 million relate to tax loss carry forwards and DKK 68 million relate to temporary differences. The Group has recognised deferred tax assets to the extent that the realisation of the related tax benefits through future taxable profits are probable within a foreseeable future. We refer to Note 2.6 Tax to the consolidated financial statements. This area was significant to our audit due to the amount of the recognised deferred tax assets as well as the inherent uncertainty related to Management’s estimates in forecasting future taxable profits, including expectations relating to future revenue and margin developments.

Our audit procedures included evaluating Management’s assumptions for forecasting future taxable profits by assessing Management’s underlying business plans, comparing previous forecasts to actual results and testing consistency between the forecasts used in the measurement of deferred tax assets against the long-term forecast and business plans of the Group. Further, we evaluated the sensitivity of the impairment model for deferred tax assets. Furthermore, we assessed the adequacy of the disclosures in Note 2.6 Tax to the consolidated financial statements against applicable financial reporting standards.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the Parent Company financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 7 July 2021

EY
Godkendt Revisionspartnerskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687

Morten Friis
State Authorised Public Accountant
mne32732

BANG & OLUFSEN

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