INTERIM REPORT
H1 2020/21

1 JUNE 2020 – 30 NOVEMBER 2020

Bang & Olufsen A/S
Bang & Olufsen Allé 1
DK-7600 Struer

Tel. +45 9684 1122
www.bang-olufsen.com
Reg. number: 41257911

BANG & OLUFSEN

Q2 HIGHLIGHTS

Q2 FINANCIAL HIGHLIGHTS

Bang & Olufsen achieved double-digit growth for the second quarter in a row. The company also achieved a positive EBIT and free cash flow for the first time since the launch of the company's new strategy in April 2020.

The financial performance was driven by good progress on strategy execution and high demand for home entertainment products. Sell-out showed strong demand for both Staged and especially Flexible Living products.

Revenue was DKK 693m. This represents a 10.5% year-on-year increase (12% in local currencies). The growth was seen across most distribution channels and primarily driven by the Flexible Living category, which was up by 61%. The growth was partly offset by lower demand for travel-related products. Additionally, the growth in the Staged category was limited by reduced availability of Beolab speakers due to component scarcity.

The gross margin was 44.6%. This represents a 2.1pp year-on-year increase. The margin development was adversely impacted by higher component and logistics costs.

EBIT was DKK 25m, equivalent to an EBIT margin of 3.6%, up by 15.7pp driven by higher revenue and lower capacity costs. The EBIT margin before special items was 4.1%.

Earnings for the period were a profit of DKK 12m compared to a loss of DKK 60m last year.

Free cash flow was DKK 139m (Q2 19/20: DKK 32m), supported by a positive EBITDA and a decrease in net working capital.

Available liquidity increased to DKK 582m from DKK 497m at the end of Q1 2020/21, which reflects the positive cash flow trend in the quarter.

FOLLOW-UP ON STRATEGIC INITIATIVES

The execution pace and momentum from Q1 were maintained and the company made good progress in support of the key strategic priorities.

The company remained focused on go-to-market execution in the six core European markets, which grew by 13%. The company is working on changing the operating model in the multibrand channel, and to further accelerate performance the company signed Ingram Micro and Tech Data as new distribution partners covering Europe.

Four new and upgraded products were successfully launched in Q2. The company continued moving forward with the product roadmap and now expects to launch more than five new and upgraded products in H2.

Throughout Q2, the company accelerated several digital initiatives to mitigate the COVID-19 revenue risk caused by local market lockdowns. Examples of these include: Click & Collect, scaling of direct-to-consumer eCommerce and increased consumer communication.

Finally, the cost reduction programme targeting DKK 175m in annual savings from 2021/22 progressed, and the company realised cost savings of DKK 32m in Q2 and DKK 63m in H1 2020/21. The target and timing of the programme remain unchanged.

OUTLOOK

The company's outlook for 2020/21 as updated on 15 December 2020 remains unchanged:

- Revenue:
  DKK 2.3bn to 2.5bn
- EBIT before special items:
  DKK -50m to +25m
- Free cash flow:
  DKK -50m to +100m

The outlook is based on certain assumptions and furthermore subject to high uncertainty due to COVID-19.

REVENUE DKK MILLION

693

(627)

GROWTH IN LOCAL CURRENCY

12%

(-30%)

EBIT MARGIN BEFORE SPECIAL ITEMS

4.1%

(-9.8%)

FREE CASH FLOW DKK MILLION

139

(32)

FINANCIAL HIGHLIGHTS

(DKK million)	Q2 2020/21	Q2 2019/20	YTD 2020/21	YTD 2019/20
Income statement				
Revenue	693	627	1,155	1,046
EMEA	352	312	556	491
Americas	45	35	78	70
Asia	216	209	385	357
Brand Partnering & other activities	80	71	136	128
Gross margin, %	44.6	42.5	43.9	40.1
EMEA	42.8	38.3	40.9	35.6
Americas	39.7	45.9	40.8	37.1
Asia	29.5	30.4	30.1	27.5
Brand Partnering & other activities	95.1	95.8	96.4	94.5
EBITDAC	47	-50	34	-137
EBITDA	74	-22	79	-96
EBIT before special items	28	-62	-11	-191
EBIT	25	-77	-16	-206
Special items, net	-3	-15	-5	-15
Financial items, net	-7	1	-27	-5
Earnings before tax (EBT)	18	-76	-43	-211
Earnings for the period	12	-60	-37	-166
Financial position				
Total assets	2,253	2,341	2,253	2,341
Share capital	613	432	613	432
Equity	1,111	1,242	1,111	1,242
Cash	158	298	158	298
Available liquidity	582	298	582	298
Net interest-bearing deposit	334	72	334	72
Net working capital	244	400	244	400

(DKK million)	Q2 2020/21	Q2 2019/20	YTD 2020/21	YTD 2019/20
Cash flow				
Cash flow from operating activities	175	68	138	-117
Cash flow from investing activities	-36	-36	-61	-57
Free cash flow	139	32	77	-174
Cash flow from financing activities	-478	-9	-134	-20
Cash flow for the period	-339	23	-57	-194
Key figures				
Growth in local currencies, %	12	-30	12	-31
EBITDA margin before special items, %	11.1	-5.9	7.3	-7.7
EBITDA margin, %	10.7	-3.4	6.8	-9.1
EBIT margin before special items, %	4.1	-9.8	-0.9	-18.3
EBIT margin, %	3.6	-12.1	-1.4	-19.6
Return on assets, %	0.5	-2.6	-1.6	-7.1
Return on invested capital, excl. goodwill, %	3.1	-4.5	-2.0	-17.1
Return on equity, %	1.1	-4.9	-3.3	-13.4
Full-time employees at end of period	858	895	858	895
Stock related key figures				
Earnings per share (EPS), DKK	0.1	-1.5	-0.3	-4.0
Earnings per share, diluted (EPS-D), DKK	0.1	-1.4	-0.3	-4.0
Price/Earnings	220.4	-90.7	-72	-32.7
Revenue per share, DKK	5.7	15.4	9.6	25.6
Revenue per share, diluted, DKK	5.7	15.2	9.6	25.3

For definitions, see section 7.7 of the Annual Report 2019/20.

MANAGEMENT REPORT FOR Q2

For the second quarter in a row, the company delivered double-digit year-on-year revenue growth and the first positive EBIT before special items and free cash flow since the launch of the company's new strategy in April 2020. Demand for home entertainment products remained high in Q2. Revenue grew by 12% in local currencies to DKK 693m. The EBIT margin before special items was 4.1% and free cash flow was DKK 139m.

DEVELOPMENTS IN Q2

The company continued to implement the new strategy. Bang & Olufsen reached a milestone in Q2, delivering its first positive EBIT and free cash flow since the launch of the company's new strategy in April 2020.

The trend from Q1, with high demand for home entertainment products, continued in Q2. This was supported by a positive sell-out performance, which showed an increase in the Staged and Flexible Living categories compared to Q2 of last year.

The six core markets in Europe continued to achieve a solid performance in the monobrand channel. Own eCommerce and etailers also achieved a high double-digit growth in the quarter.

The work on changing the multibrand operating model in Europe had an adverse impact on growth. The company has terminated a large number of resellers and some multibrand partners. Instead, it is engaging directly with key partners to ensure stronger sales in the right stores. To further accelerate performance within multibrand and B2B, the company entered into two new partnerships, with Ingram Micro and Tech Data in Europe and expanded the partnership with Ingram Micro in the US.

The development of COVID-19 cases in Europe resulted in lockdowns, especially in the UK, France, Belgium and Austria. At one point, 82 out of 355 monobrand stores were closed. Many partners have successfully focused on home installations, which are less affected by lockdowns. Together with partners, Bang & Olufsen has become increasingly better at mitigating the adverse effects of lockdowns. The company has thus continued to improve digital capabilities. Examples of these initiatives include: Click & Collect and Ship-from-store options, scaling of direct-to-consumer eCommerce and increased communication to stimulate consumer demand.

In the core markets in Asia, revenue grew by 6%. This was mainly a result of higher demand for home entertainment products. The growth was partly offset by the decline in the On-the-go category, primarily within travel-related products. As Asia has historically accounted for a high share of On-the-go sales, the development had a relatively bigger impact in this region.

In North America, the company expanded its partnership with Ingram Micro US. The company now has a setup aimed at engaging more efficiently with both multibrand partners and B2B customers.

Revenue was also supported by the successful launch of four new and upgraded products in Q2. Furthermore, the company launched a Golden Collection in celebration of Bang & Olufsen's 95th anniversary and a new collaboration with Rapha on E8 Sport.

To increase demand, the company launched a marketing campaign on cinematic experiences. The company also worked on tapping into the work-from-home trend, promoting products such as the Beosound A1 speaker, which also functions as a conference speaker.

In Q2, COVID-19 had an adverse effect on production and logistics. Production was negatively impacted by a global scarcity of certain components, driven by higher global demand for consumer electronics. This increased component costs and reduced the availability of some products, especially Beolab speakers. Lastly, some suppliers experienced reduced labour capacity due to local COVID-19 outbreaks.

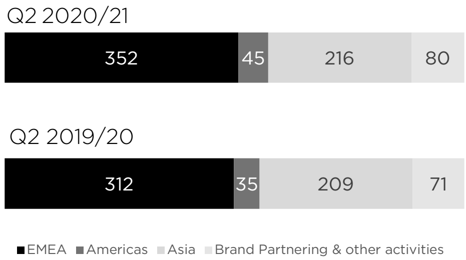
Logistics costs were negatively impacted by the increase in products shipped by air freight. This was done to meet demand and mitigate product availability issues. As global air freight capacity has been lower due to reduced travel activity, logistics costs rose significantly in Q2.

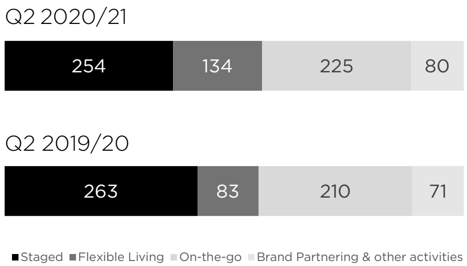
The cost reduction programme targeting DKK 175m in annual savings from 2021/22 progressed, and the company realised cost savings of DKK 32m in Q2. The company's ambition to improve product-related spending has been delayed due to the current supply situation. The target and timing of the programme remain unchanged.

REVENUE IN Q2

Revenue increased year-on-year by 12% in local currencies to DKK 693m. The increase was related to both product sales and Brand Partnering, which grew by 10.4% and 13.2% respectively.

REVENUE SPLIT





Product sales were supported by product launches. Since Q2 of last year, the company has launched several new products. These accounted for approx. one-third of revenue in Q2, excluding revenue from Brand Partnering & other activities. Products launched in Q2 accounted for around 7% of revenue, excluding Brand Partnering & other activities. Revenue in Q2 of last year benefited from the launch of Beovision Harmony and Beosound Stage.

The company achieved solid growth from all distribution channels except multibrand. In Q2, this channel was impacted by the work on changing the multibrand operating model in Europe coupled with less global travel activity.

Monobrand continued to deliver solid year-on-year growth. Last year, sell-in was negatively impacted by efforts to reduce channel inventory. Growth this year is thus a combination of normalisation of sell-in to match sell-out and higher sell-out compared to Q2 of last year.

Revenue from eCommerce and etailers delivered strong year-on-year growth supported by increased focus on digital execution. Revenue from the company's eCommerce platform grew by 74% year-on-year.

In Q2, six monobrand stores were closed down and seven new stores opened. The total number of stores thus remained stable in Q2. The number of multibrand points of sale declined, mostly in EMEA. The decline was linked to the reset of the channel and thus mainly initiated by the company.

Staged category

Revenue declined by 3% to DKK 254m in EMEA and Asia, partly offset by higher revenue in Americas.

The decline reflected lower sell-in of TVs due to last year being supported by the launch of Beovision Harmony. The fact that the screen for the new Beovision Eclipse 55'' 2nd Generation is sourced by monobrand partners directly from LG adversely impacted revenue compared to the previous version, but benefited margin.

Revenue from speakers delivered solid growth in the quarter. Growth was constrained by the availability of Beolab speakers.

Sell-out of both TVs and speakers was higher than in Q2 of last year, supported by higher demand for home entertainment products and marketing campaigns targeting cinematic experiences.

The launch of Beovision Contour at the end of the quarter only had a minor impact on the Q2 performance, accounting for approx. 2% of revenue in this category. To ensure an efficient launch of the new TV, the company had secured screens for the first deliveries. This had an initial positive effect on revenue and a negative effect on margin.

Flexible Living category

Revenue grew by 61% to DKK 134m, and all regions grew by more than 50%.

The revenue growth was seen across all products and further supported by Beosound Balance, which was launched in Q3 of last year.

Sell-out increased compared to Q2 of last year, supported by higher demand for home entertainment products and expanded digital activation and increased consumer awareness of the company's multiroom offering.

On-the-go category

Revenue grew by 7% to DKK 225m driven by EMEA and Americas partly offset by declining sales in Asia.

The growth was driven by Bluetooth speakers and headphones, while earphone sales declined.

The growth generated by Bluetooth speakers was driven by Beosound A1 2nd Generation and the launch of Beolit 20. The work-from-home trend supported Beosound A1 as it also functions as an efficient speakerphone for meetings.

	Monobrand		Multibrand	
Points of sale	End Q2 20/21	End Q1 20/21	End Q2 20/21	End Q1 20/21
EMEA	355	356	1,660	1,766
Americas	25	23	290	288
Asia	87	87	1,040	1,044
Total	**467**	**466**	**2,990**	**3,098**

The growth in headphones was driven by Beoplay H95, which was launched in Q1. Beoplay H95 has seen continued positive demand.

Sell-out declined compared to Q2 of last year, driven partly by the global decline in travel activity.

GROSS PROFIT

Gross profit was DKK 309m (Q2 19/20: DKK 266m). This is equivalent to a gross margin of 44.6% (Q2 19/20: 42.5%).

Gross margin in Q2 of last year was negatively impacted by provisions for component liabilities, which reduced the margin by approx. 4pp.

Excluding the effect resulting from last year's provision, gross margin declined by approx. 2pp. The decline was related to higher component and logistics costs.

Component costs have risen due to increased global demand for consumer electronics and the subsequent scarcity of certain components.

Logistics costs were further impacted by a larger share of products being transported by air to compensate for the higher demand and the resulting scarcity of certain products in the quarter.

Gross margin from Brand Partnering & other activities declined by 0.7pp. This was related to product mix within aluminium production for third parties.

CAPACITY COSTS

Capacity costs were DKK 284m (Q2 19/20: DKK 343m), corresponding to a decrease of 17%.

Special items amounted to DKK 3m relating to consultancy services (DKK 5m) supporting the cost reduction programme initiated in December 2019 and offset by a reduction of the severance provision (DKK 2m). Last year, special items amounted to DKK 15m relating to severance payments.

Excluding special items, capacity costs declined by 14%.

Distribution and marketing costs declined by 11% to DKK 191m (Q2 19/20: DKK 215m). The decline was partly driven by the cost reduction programme. Furthermore, COVID-19 resulted in postponement of planned non-digital and in-store marketing activities. Instead, the company focused on brand awareness and online activation.

Administration costs were DKK 31m (Q2 19/20: DKK 56m). Excluding special items, administration costs fell by DKK 9m. This decline was primarily related to the cost reduction programme and savings in travel costs.

Development costs fell by DKK 10m to DKK 62m. The decline was related to lower amortisation and the cost reduction programme. The development costs incurred were in line with last year and related to the roadmap of upcoming product launches.

EBIT

EBIT was DKK 25m (Q2 19/20: DKK -77m). This is equivalent to an EBIT margin of 3.6% (Q2 19/20: -12.1%).

The improved margin reflected the revenue growth combined with an improved gross margin and lower capacity costs.

EBIT margin before special items was 4.1% (Q2 19/20: -9.9%).

FINANCIAL ITEMS

Net financial items were DKK -7m versus DKK 1m last year. This reflected additional bank fees relating to the new credit facility, bank charges and exchange rate adjustments.

EARNINGS

Earnings before tax were DKK 18m (Q2 19/20: DKK -76m) and income tax was DKK -6m (Q2 19/20: DKK 16m).

Earnings performance for the period was thus a profit of DKK 12m (Q2 19/20: loss of DKK 60m).

CASH FLOW

Free cash flow was DKK 139m compared to DKK 32m last year.

Cash flow from operating activities was DKK 175m (Q2 19/20: DKK 68m), supported by the improvement in EBITDA, which was DKK 96m better than last year. Net working capital improved by DKK 108m in line with last year.

Cash flow from investing activities was DKK -36m (Q2 19/20: DKK -36m) in line with last year. Investments were primarily related to the development of new products and platforms. Investments in retail were lower than planned due to COVID-19.

Cash flow from financing activities was DKK -478m (Q2 19/20: DKK -9m). In Q2, the company invested DKK 450m of its excess cash in bonds to avoid paying negative interest. The bonds are recognised under securities in the balance sheet. To maintain short-term financial flexibility, the company uses repo transactions, enabling it to access liquidity on an intra-day basis. At the end of Q2, the company had borrowed DKK 25m via repo transactions.

	Q2		YTD	
GROSS MARGIN	**2020/21**	2019/20	**2020/21**	2019/20
Staged	46.9%	46.3%	45.4%	44.7%
Flexible Living	48.3%	45.9%	47.8%	44.0%
On-the-go	21.7%	18.1%	19.6%	18.2%
Brand Partnering & other activities	95.1%	95.8%	96.4%	94.5%
Total	**44.6%**	**42.5%**	**43.9%**	**40.1%**

Cash flow from financing activities was also impacted by the purchase of own shares to a total value of 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.

Repayment of lease liabilities in accordance with IFRS 16 impacted cash flow negatively by DKK 9m.

The cash position was DKK 158m (Q2 19/20: DKK 298m). Total available liquidity was DKK 582m, made up of the sum of cash and securities (DKK 449m) less DKK 25m in bank loans related to repo transactions.

The company has not drawn on the available DKK 100m credit facility as of 30 November 2020.

NET WORKING CAPITAL

Net working capital amounted to DKK 244m. This represents a decrease of DKK 108m during the quarter.

Trade receivables increased by DKK 86m, driven by higher activity. Sales with extended credit accounted for 5% (Q2 19/20: 9%) of revenue in the quarter, which primarily related to display units for product launches including the Golden Collection.

Trade payables increased by DKK 154m, driven by a ramp-up of production. Inventories remained stable during the period as a result of effective management and sales performance, but the company was also faced with scarcity of certain products.

Other liabilities increased by DKK 56m, primarily due to accruals in respect of employee costs, VAT and holiday allowance.

Net working capital to the last 12 months' revenue was 11.4% (Q2 19/20: 16.8%).

NET INTEREST-BEARING DEPOSIT

Net interest-bearing deposit amounted to DKK 334m, 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 of DKK 358m and the positive free cash flow for the year of DKK 77m, offset by the non-current portion of the Danish holiday pay provision of DKK 34m. IFRS 16 reduced the net interest-bearing deposit by DKK 146m (year-end 2019/20: DKK 154m).

Adjusted for capitalised lease liabilities according to IFRS 16, net interest-bearing deposit was DKK 480m (year-end 2019/20: DKK 153m).

Total available liquidity was DKK 582m (year-end 2019/20: DKK 215m), consisting of cash (DKK 158m) and securities (DKK 449m) offset by repo transactions (DKK -25m).

For further details, see note 8.

EQUITY

Equity was DKK 1,111m. This represented an increase of DKK 279m for the year, which was due to the net proceeds from the rights issue of DKK 358m, offset by net earnings for the year of DKK -37m and the purchase of own shares of DKK -42m.

FINANCIAL PERFORMANCE H1 2020/21

Revenue amounted to DKK 1,155m. This is equivalent to a year-on-year increase of 12% in local currencies. This growth was primarily related to the Staged and Flexible Living product categories, partly offset by On-the-go. The growth in Brand Partnering & other activities was driven by licence income, mainly relating to increased demand for computers from HP.

Viewed across the distribution channels, the growth was related to monobrand, own eCommerce and B2B, whereas the work on changing the multibrand operating model had an adverse impact on revenue.

The gross margin was 43.9% (H1 19/20: 40.1%). This is equivalent to a year-on-year increase of 3.8pp. Last year was adversely impacted by a higher share of end-of-life products and a provision for component liabilities. Adjusted for this, the margin was approx. 1pp higher than last year.

Capacity costs amounted to DKK 523m (H1 19/20: DKK 626m). The decline was primarily related to lower distribution and marketing (DKK -52m) and administration costs (DKK -30m).

The cost reduction programme had a positive effect on distribution and marketing costs. Planned physical marketing activities and in-store execution were postponed due to COVID-19. Instead, the company focused on brand awareness and online activation.

Excluding special items, administration costs decreased by DKK 20m as a result of the cost reduction programme.

EBIT was DKK -16m (H1 19/20: DKK -206m), equivalent to a margin of -1.4% (H1 19/20: -19.6%). EBIT margin before special items was -0.9% (H1 19/20: -18.3%).

Earnings before tax for the period were a loss of DKK 43m (H1 19/20: loss of DKK 211m), while earnings performance for the period was a loss of DKK 37m (H1 19/20: loss of DKK 166m).

Free cash flow was DKK 77m (H1 19/20: DKK -174m), positively affected by EBITDA of DKK 79m and the net working capital improvement of DKK 84m, offset by investments of DKK 61m primarily relating to development projects.

STRATEGY HOUSE

PROGRESS ON KEY STRATEGIC PRIORITIES FOR 2020/21

Throughout Q2, Bang & Olufsen maintained the execution pace and momentum from Q1 and made good progress in support of key strategic priorities. In Q2, the company successfully delivered positive EBIT, which is one of several important milestones for getting back in the black in the short term and returning to sustainable and scalable growth in the longer term.

RIGHT-SIZING AND MAINTAINING A LEAN COST BASE

The company continued to see good traction on the cost reduction programme launched in March 2020 targeting an annual saving of DKK 175m when fully implemented in 2021/22.

The company realised savings of DKK 32m in Q2, achieving year-to-date savings of DKK 63m.

The company maintained its focus on driving forward a cost-efficiency agenda to implement simplifications and create smarter ways of working across the business. However, the company's ambition to improve product-related spending was delayed due to supply chain challenges. COVID-19 impacted upstream activities in Q2, particularly on component shortages, which made it difficult for the company to achieve price reductions. More time and effort were allocated to securing supply instead of exploring alternative routes to product-related savings.

Nonetheless, the company has maintained the target and timing for the savings programme.

WINNING IN STRATEGIC CORE MARKETS

The company remained focused on go-to-market execution in the six European markets. The company implemented a structural reset of the multibrand channel to ensure a stronger foundation for future sustainable growth.

Specifically, the company established a revised commercial framework and onboarded several new multibrand partners. The reset is expected to drive improved performance in the channel in the second half of the financial year 2020/21.

To further accelerate performance, the company signed Ingram Micro and Tech Data as new distribution partners for Europe. Both partners bring significant strength and scale in multibrand and B2B sales. Coupled with added sales resources, this initiative is expected to strengthen Bang & Olufsen's presence and performance.

In the monobrand channel, the company completed a comprehensive partner survey to understand key challenges and opportunities in the dealer network. As a result, the company has decided to work on a number of areas with the aim of improving future collaboration and sales.

In Q2, the company took over two monobrand stores in London, in Selfridges and Harrods, respectively. Both stores are now company-owned and operated stores, targeting the high-net-worth individual segment in particular. The two store takeovers were a deliberate move to take more proactive control of the Bang & Olufsen experience in London, and to ensure the right brand activation in the city.

Overall, the European core markets realised 13% growth year-on-year, driven by monobrand and own eCommerce. Multibrand continued to stagnate. This was mainly due to three factors: the work on changing the operating model, lower global travel activity due to COVID-19 adversely affecting multibrand travel retail, and softer participation in Black Friday sales compared to last year. As a substitute for Black Friday, the company focused on private sales to a more targeted audience, in order to build exclusivity and loyalty around the brand.

In the two Asian core markets, the company delivered year-on-year growth of 6%.

The On-the-go category has historically accounted for a large share of sales in Asia. COVID-19 has consequently had a relatively larger effect on travel-related products in Asia than in the other regions in which the company operates.

In China, domestic travel has rebounded and is approaching pre-pandemic levels, while international travel is still recovering at a slower and more gradual pace.

By contrast, sales in Asia have benefited from higher demand for home entertainment. By targeting home entertainment, the company tapped into this demand and realised year-on-year growth in speaker sales. The Flexible Living category realised year-on-year growth of more than 75% in the two core Asian markets.

To accelerate growth and strengthen multichannel execution in Asia and ensure greater alignment between the three regions on local execution, the company made changes to the Asia management team in December. The company expects to further strengthen the organisation with added resources in the coming quarters.

FIT FOR FUTURE PRODUCT PORTFOLIO

Bringing innovative and competitive products to the market remains a key priority. The company expects to launch more than five new and upgraded products in the remainder of the financial year.

In Q2, the company launched two new products (Beoremote Halo and Beovision Contour), and two upgraded products (Beolit 20 and Beovision Eclipse 2nd Generation).

With three products launched in Q1, the company has launched seven new and upgraded products in the first half of the financial year. The company continues to deliver on its product roadmap and now expects to launch more than five new and upgraded products in the second half of the year.

The launch of Beovision Contour in Q2 was a testament to the company's agile development capabilities. Since the launch of the corporate strategy, a core component of creating a 'Fit for future product portfolio' has been to launch a smaller-sized TV proposition to respond to 'second room' and 'second home' demand, with a lower price proposition replacing Beovision Horizon. Market demand for smaller-sized TVs was emphasised by the company's monobrand partners. The Contour project was an important step towards closer collaboration with monobrand partners, and more agile and fast ways of working across the company supply chain.

The company continued its product collaboration focus in order to drive product differentiation and strengthen the brand proposition. In Q2, the company solidified its relevancy in the sports vertical with the release of a limited-edition E8 Sport in collaboration with sports clothing brand Rapha.

To celebrate the company's 95th anniversary, Bang & Olufsen launched a Golden Collection featuring a range of products in a golden tone and in new materials.

To boost brand awareness and competitive differentiation, the company works with three product programmes (Limited Editions, Classic Editions and Bespoke Programmes). In Q2, the company launched a refurbished version of Beogram 4000c, the first product in the Classic Editions programme. The Classic Editions and the Beogram 4000c launch resonated well with Bang & Olufsen's customers and underpinned the longevity of the company's products.

The new technical platforms first introduced in Beosound Balance and Beosound A1 2nd Generation continued to perform well. As part of the strategy, the company focuses on fixing known issues with the old platforms. In Q2, several software updates were released, adding new features, resolving known connectivity issues and updating Apple Airplay and Google Cast software.

The company remains focused on adhering to the product roadmap for new releases and improving product experience with the existing portfolio throughout the second half of the financial year.

REIGNITE BRAND, MARKETING & SALES

Refreshing the Bang & Olufsen brand and marketing to increase relevance for the target audience is a key priority for 2020/21. Two marketing campaigns were successfully launched in Q2: 'Cinematic Experience' and 'Since 1925'. The latter was designed to celebrate Bang & Olufsen's 95th anniversary on 17 November.

Additionally, the company worked on increasing brand awareness, primarily through PR and social media engagement related to the launch of Beogram 4000c and the Golden Collection. The company also experienced growth in the customer base and an increase in customer marketing permissions. These are essential for the ability to increase future customer loyalty.

FUEL DIGITAL ECOSYSTEM

Throughout Q2, several digital initiatives were accelerated to execute on the strategy and mitigate the COVID-19 revenue risk caused by local market lockdowns. Examples of these include:

- Digital-to-store activities, enabling Click & Collect and Ship-from-store options, to drive more eCommerce and monobrand sales
- Scaling of direct-to-consumer eCommerce to improve and innovate customer experience across the online buying process
- Driving and communicating new consumer propositions to enhance product desirability and stimulate consumer demand

Despite several initiatives still at the development stage, the company registered an increase in webpage traffic. The digital acceleration generated year-on-year sales growth of 74% from the company's eCommerce platform. In Q2, the company's own eCommerce accounted for 3% of total revenue excluding Brand Partnering & other activities.

SEIZING GROWTH OPPORTUNITIES

The company continued exploring alternative, scalable routes to market in North America. An expansion of the distribution agreement with Ingram Micro US has allowed the company to build on the significant strength, scale and expertise in consumer electronics of Ingram Micro US, which makes Ingram Micro US an important go-to-market partner for the future.

Additionally, the company reiterated its approach to enterprise sales. The current 'Remote Work' trend holds attractive potential. The company therefore identified a number of priorities for tapping into a growing consumer electronic spend in the corporate market. With the enterprise priorities, coupled with the new distribution partnerships with Ingram Micro in Europe and the US, and Tech Data in Europe, the company expects to develop its presence in the B2B market.

EMEA

REVENUE

Revenue was DKK 352m. This is equivalent to an increase of 12.8% (13% in local currencies).

With the exception of multibrand, all channels delivered solid growth in Q2. The growth in the monobrand channel was lifted by a normalisation of sell-in, whereas last year was impacted by low sell-in due to the efforts to reduce retail inventory. The company's eCommerce channel more than doubled in Q2 and B2B and etailers also delivered solid growth.

Revenue from the multibrand channel declined. This was partly due to the work on changing the multibrand operating model, which resulted in the termination of a number of resellers and some multibrand partners.

The six core markets accounted for approx. 70% of total revenue in EMEA and delivered 13% year-on-year growth. The channel performance was similar to EMEA overall and grew in all six countries in Q2.

Revenue from the Staged category fell by 3% year-on-year. The decline was related to the TV portfolio, as Q2 last year was supported by the launch of Beovision Harmony. Sell-out of both TVs and speakers grew compared to last year, benefiting from the demand for home entertainment. Limited availability of certain Beolab speakers restricted growth.

Revenue from the Flexible Living category increased by 57%, driven by sales growth from most speakers and supported by Beosound Balance, which was launched in Q3 of last year.

Revenue from the On-the-go category increased by 26%. The growth was related to speakers and headphones. Beosound A1 2nd Generation and the launch of Beolit 20 drove the increase in speakers, whereas Beoplay H95 was the main growth driver within headphones.

GROSS PROFIT

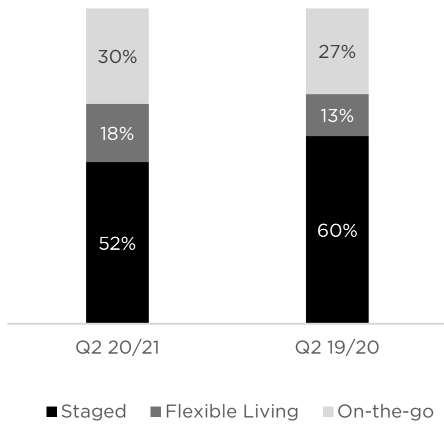
Gross profit amounted to DKK 152m. This is equivalent to a gross margin of 42.8% (Q2 19/20: 38.3%), which represents an increase of 4.6pp compared to the same period last year. The improvement was driven by fewer end-of-life products and the provision for a component liability last year, partly offset by higher component and logistic costs.

H1 2020/21

Revenue was DKK 556m. This represents an increase of 13.2% (13% in local currencies). Growth was supported by higher demand for home entertainment.

Gross margin increased by 5.4pp to 40.9%, supported by product mix and the provision for a component liability last year.

REVENUE SPLIT



	Q2			YTD		
(DKK million)	2020/21	2019/20	Change	2020/21	2019/20	Change
Revenue	352	312	40	556	491	65
Growth in local currencies	13%	-42%		13%	-42%	
Gross profit	151	119	32	228	175	53
Gross margin	42.8%	38.3%	4.6pp	40.9%	35.6%	5.4pp

AMERICAS

REVENUE

Revenue was DKK 45m (Q2 19/20: DKK 35m), a year-on-year increase of 28.6% (41% in local currencies).

All channels and product categories saw growth, supported by improved sell-out. Sell-through performance in key channels saw a significant lift compared to Black Friday last year.

Revenue from the Staged category increased by 15%. The monobrand partners saw continued sell-through growth in the quarter as consumers continued to focus on premium home entertainment experiences. The growth was mainly driven by speakers. Last year, revenue was supported by the launch of Beovision Harmony and sell-in of display units and initial inventory.

Revenue from the Flexible Living category increased by 78% year-on-year. Sales of most speakers saw growth, supported by Beosound Balance, which was launched in Q3 of last year. The company has successfully expanded its product offering with key multibrand partners to include more Flexible Living speakers reflecting the increased demand seen in the markets.

Revenue from On-the-go increased by 33% related to speakers, headphones and earphones. New product launches such as E8 Sport, Beosound A1 2nd Generation and Beoplay H95 all accounted for a major part of revenue in each sub-category.

GROSS PROFIT

Gross profit amounted to DKK 18m. This is equivalent to a gross margin of 39.7% (Q2 19/20: 45.9%), which represents a decrease of 6.2pp on Q2 of last year. The margin was impacted by higher component and logistics costs and changes in the USD exchange rate.

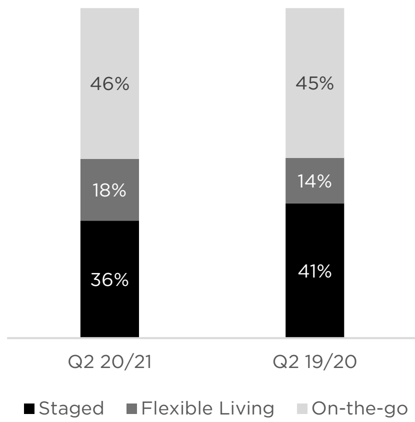
H1 2020/21

Revenue was DKK 78m, equivalent to a year-on-year increase of 11.4% (18% in local currencies). Growth was supported by higher demand for home entertainment.

Gross margin increased by 3.7pp to 40.8%, supported by product mix and lower sales of end-of-life products.

	Q2			YTD		
(DKK million)	2020/21	2019/20	Change	2020/21	2019/20	Change
Revenue	45	35	10	78	70	8
Growth in local currencies	41%	-52%		18%	-37%	
Gross profit	18	16	2	32	26	6
Gross margin	39.7%	45.9%	-6.2pp	40.8%	37.1%	3.7pp

REVENUE SPLIT



ASIA

REVENUE

Revenue was DKK 216m (Q2 19/20: DKK 209m), corresponding to 3.3% year-on-year growth (5% in local currencies).

The growth was primarily related to the monobrand channel, as the multibrand channel was impacted by lower business travel activity due to COVID-19.

Revenue from the Staged category decreased year-on-year by 6% relating to lower TV sales, partly offset by higher speaker sales. The region was impacted negatively by the limited availability of Beolab speakers due to component scarcity.

Revenue from the Flexible Living category grew by 67% year-on-year, driven by all speakers and supported by Beosound Balance launched in Q3 of last year.

Revenue from the On-the-go category decreased by 13% compared to last year. The decline was related to earphones and headphones, whereas Bluetooth speakers saw higher sales driven by Beosound A1 2nd Generation and the launch of Beolit 20.

The On-the-go category was adversely impacted by the reduction in travel. This was especially true for business travel, still significantly below pre-COVID-19 levels.

GROSS PROFIT

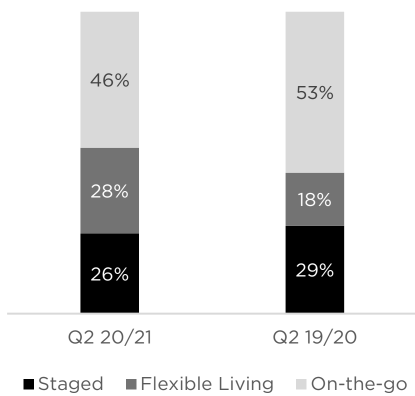
Gross profit amounted to DKK 64m, equivalent to a gross margin of 29.5%. This represents a 0.9pp decrease on Q2 of last year. The decline was mainly related to higher logistics and component costs. Last year was also adversely impacted by a provision for a component liability.

H1 2020/21

Revenue was DKK 385m, equivalent to a year-on-year increase of 7.8% (5% in local currencies). Growth was supported by higher demand for home entertainment.

Gross margin increased by 2.6pp to 30.1%, supported by product mix and lower sales of end-of-life products, coupled with a component liability provision made last year.

REVENUE SPLIT



	Q2			YTD		
(DKK million)	**2020/21**	2019/20	Change	**2020/21**	2019/20	Change
Revenue	216	209	7	385	357	28
Growth in local currencies	5%	-10%		10%	-20%	
Gross profit	64	63	1	116	98	18
Gross margin	29.5%	30.4%	-0.9pp	30.1%	27.5%	2.6pp

BRAND PARTNERING & OTHER ACTIVITIES

Bang & Olufsen has established partnerships with innovative companies like HARMAN and HP. Partnerships help to increase awareness of the Bang & Olufsen brand. Other activities include aluminium component production for third parties.

REVENUE

Revenue grew by 12.7% (16% in local currencies) to DKK 80m.

The growth was driven by higher revenue from Brand Partnering, mainly relating to PC sales. Revenue from aluminium components produced for third parties was at the same level as in Q2 of last year.

GROSS PROFIT

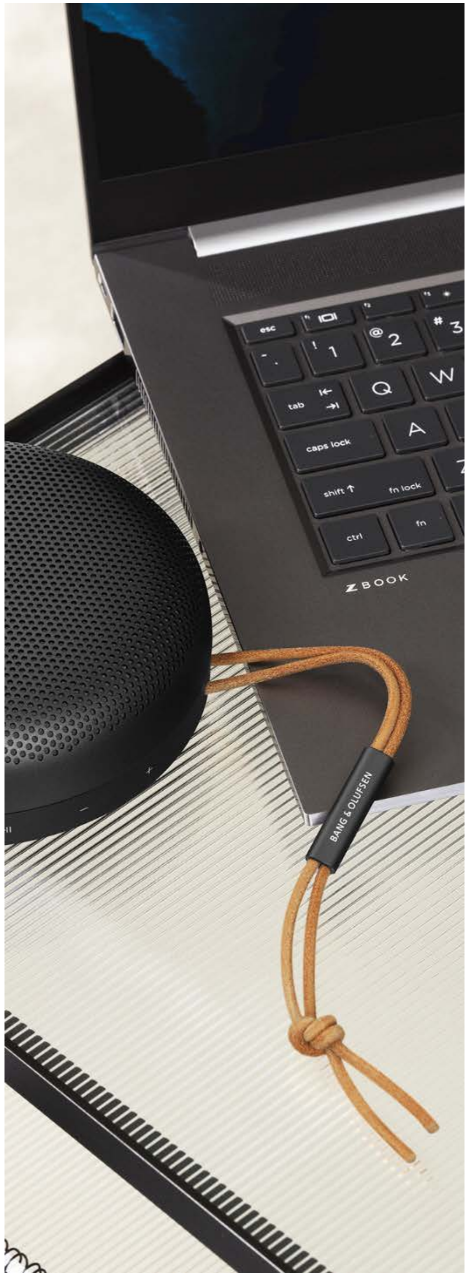
Gross profit amounted to DKK 76m. This represents an increase of 11.8% (12% in local currencies) and is equivalent to a gross margin of 95.1%. This represents a decrease of 0.7pp on last year. The decline was related to product mix within aluminium work for third parties, partly offset by a higher share of revenue from licencing income.

H1 2020/21

Revenue was DKK 136m, equivalent to a year-on-year increase of 6.3% (8% in local currencies). Growth was driven by higher demand for PCs, partly offset by lower car manufacturing.

Gross margin increased by 1.9pp to 96.4%, boosted by a higher share of revenue coming from licencing income.

	Q2			YTD		
(DKK million)	**2020/21**	2019/20	Change	**2020/21**	2019/20	Change
Revenue	80	71	9	136	128	8
Growth in local currencies	16%	15%		8%	15%	
Gross profit	76	68	8	131	121	8
Gross margin	95.1%	95.8%	-0.7pp	96.4%	94.5%	1.9pp



KEY EVENTS IN Q2

SEPTEMBER 2020

PARTNERSHIP WITH DECEUNINCK – QUICK-STEP

Bang & Olufsen extends 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.

SEPTEMBER 2020

NEW GAMING PARTNERSHIP

As part of a three-year commercial partnership, Bang & Olufsen will equip all Astralis teams and players with products for off-screen use, while also becoming the main sponsor of the Astralis FIFA team. The company will leverage Astralis' unique competencies to support the development of the future gaming portfolio.

SEPTEMBER 2020

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.

OCTOBER 2020

PARTNERSHIP WITH PUBLICIS SAPIENT TO FUEL MARKETING AND DIGITAL EFFORTS

Bang & Olufsen extends 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, and will enable Bang & Olufsen to strengthen execution across all distribution channels.

OCTOBER 2020

BEOGRAM 4000C

Beogram 4000c is the first product to be released in the company's new Classics initiative. The turntable was originally introduced in the early 1970s. The Classics initiative celebrates the commitment to longevity, which ensures relevance for consumers.

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

OCTOBER 2020

BEOLIT 20

Beolit 20 replaces the Beolit 17. The product has been upgraded with improved battery life, which is now 30% longer, and Qi charging on top of the product.

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

NOVEMBER 2020

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 even after 95 years.

NOVEMBER 2020

GOLDEN COLLECTION

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

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

NOVEMBER 2020

NEW PARTNERSHIPS TO STRENGTHEN MULTIBRAND AND B2B CHANNELS

Bang & Olufsen partners up with two new distribution partners in Europe: Ingram Micro and Tech Data. Both companies are leading global distributors of technology products and with great insight into the European 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.

NOVEMBER 2020

COLLABORATION WITH RAPHA

Bang & Olufsen has created a limited edition of Beoplay E8 Sport in collaboration with sports clothing brand Rapha.

The limited-edition earphones are part of Rapha's indoor capsule collection.

NOVEMBER 2020

BEOVISION ECLIPSE 2ND GEN

Bang & Olufsen introduces Beovision Eclipse 2nd Generation. The TV has been updated to include the latest LG OLED GX screen technology and a sound centre upgrade to cater for the new screen.

NOVEMBER 2020

BEOVISION CONTOUR EXPANDS EXISTING TV PORTFOLIO

Beovision Contour is a 48'' TV solution that replaces Beovision Horizon. The TV solution is based on a 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.

OUTLOOK FOR 2020/2021

Based on better-than-expected performance in H1 2020/21 the company increased its full-year outlook on 15 December 2020. The updated outlook for 2020/21 is reaffirmed. For 2020/21, the company expects revenue of between DKK 2.3bn and 2.5bn, EBIT before special items of between DKK -50m and +25m and free cash flow of between DKK -50m and +100m. The outlook is highly uncertain due to COVID-19.

REVENUE

Revenue is subject to the following assumptions:

- The impact of COVID-19 in the remainder of 2020/21 will not be materially different from the first half of the year.
- Successful launch without delays of more than five new products in the second half of the year, and new colour, material and finish (CMF) versions of existing products.
- Licencing income impacted by normalisation of car manufacturing and PC sales maintained at the level seen in H1.
- Benefit from increased efficiency of sales and marketing spend due to focusing on more specific sales and marketing activities, mainly in the core markets.
- No significant changes to product prices due to the current market situation.
- Continued work towards a consumer demand-driven sales model.
- No other material changes in the markets landscape, competitive situation (and any impact this may have on pricing) or regulatory changes, for example trade wars.

EBIT BEFORE SPECIAL ITEMS

In addition to the assumptions as to revenue, the expectations are principally based on the following assumptions.

- Component and logistics costs for the remainder of the financial year maintained at the higher-than-normal level experienced in Q2.
- Successful continuation of the planned product roadmap.
- Target and timing of savings programme maintained, but with originally planned impact of production cost savings later than planned due to current supply chain constraints.
- No material impairment losses relating to trade receivables due to, among other factors, COVID-19.
- Currency exchange rates against DKK, including in particular USD, CNY and EUR, in line with current currency exchange rate levels, overall.

FREE CASH FLOW

In addition to the assumptions as to revenue and EBIT before special items, the expectations are based on the following assumptions:

- Adverse impact on cash flow throughout 2020/21 from the use of government relief packages (postponement of VAT and other taxes) in 2019/20.
- No increase in payables due to the company choosing not to pay or not being able to pay claims as they fall due as a consequence of COVID-19.
- Capital expenditures reflecting product development continuing as planned.

OUTLOOK 2020/21	12 January 2021	15 December 2020
Revenue	DKK 2.3bn to 2.5bn	DKK 2.3bn to 2.5bn
EBIT before special items	DKK -50m to +25m	DKK -50m to +25m
Free cash flow	DKK -50m to +100m	DKK -50m to +100m

COVID-19

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 in the company's different geographical 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 uncertain and carry an element of risk since many factors, of which some are beyond Bang & Olufsen's control, can mean that actual developments will deviate significantly from the expectations expressed in the report. Without being exhaustive, such factors include, among others, 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.

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Management Board have today discussed and approved the Q2 Interim Report of Bang & Olufsen A/S for the period 1 June – 30 November 2020.

The interim report, which has not been audited or reviewed by the company's auditor, is presented in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim financial reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position on 30 November 2020, and of the results of the Group's operations and cash flows for the period 1 June – 30 November 2020. In our opinion, the Management's review includes a fair review of the development in the Group's operations and financial matters, the results for the period, and the financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group.

Struer, 12 January 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

INCOME STATEMENT

		Q2		YTD		Year
(DKK million)	Notes	**2020/21**	2019/20	**2020/21**	2019/20	2019/20
Revenue	2, 4	**693**	**627**	**1,155**	**1,046**	**2,036**
Production costs		-384	-361	-648	-626	-1,198
Gross profit		**309**	**266**	**507**	**420**	**838**
Development costs	5	-62	-72	-130	-151	-273
Distribution and marketing costs		-191	-215	-333	-385	-742
Administration costs		-31	-56	-60	-90	-170
Operating profit (EBIT)		**25**	**-77**	**-16**	**-206**	**-347**
Financial income		-	6	1	9	9
Financial expenses		-7	-5	-28	-14	-29
Financial items, net		**-7**	**1**	**-27**	**-5**	**-20**
Earnings before tax (EBT)		**18**	**-76**	**-43**	**-211**	**-367**
Income tax		-6	16	6	45	-209
Earnings for the period		**12**	**-60**	**-37**	**-166**	**-576**
Earnings per share						
Earnings per share (EPS), DKK		0.1	-1.5	-0.3	-4.0	-14.1
Diluted earnings per share (EPS-D), DKK		0.1	-1.4	-0.3	-4.0	-14.1

STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	Q2 2020/21	Q2 2019/20	YTD 2020/21	YTD 2019/20	Year 2019/20
Earnings for the period	**12**	**-60**	**-37**	**-166**	**-576**
Items that will be reclassified subsequently to the income statement:					
Foreign exchange adjustments of foreign entities	5	-5	1	-4	-9
Fair value adjustments of derivatives	-9	-18	-13	-7	-4
Value adjustments of derivatives reclassified in					
Revenue	2	4	2	7	8
Production costs	-	-4	2	-7	-7
Tax on other comprehensive income	1	4	2	2	1
Other comprehensive income for the period, net of tax	-1	-19	-6	-9	-11
Total comprehensive income for the period	**11**	**-79**	**-43**	**-175**	**-587**

STATEMENT OF FINANCIAL POSITION

ASSETS

(DKK million)	Notes	**30-11-20**	30-11-19	31-05-20
Goodwill		41	44	44
Acquired rights and software		28	19	23
Completed development projects		91	95	98
Development projects in progress		74	52	59
Intangible assets		**234**	**210**	**224**
Land and buildings		81	85	83
Plant and machinery		41	46	44
Other equipment		12	10	17
Leasehold improvements		19	2	6
Tangible assets in course of construction and prepayments for tangible assets		18	30	36
Right-of-use assets		139	152	148
Tangible assets		**310**	**325**	**334**
Non-current other receivables		28	45	40
Deferred tax assets		72	353	58
Total non-current assets		**644**	**933**	**656**
Inventories		415	557	457
Trade receivables		417	430	290
Tax receivable		32	17	33
Other receivables		89	51	63
Prepayments		28	34	41
Securities	8	449	-	-
Cash	8	158	298	215
Assets held for sale		21	21	21
Total current assets		**1.609**	**1.408**	**1.120**
Total assets		**2.253**	**2.341**	**1.776**

EQUITY AND LIABILITIES

(DKK million)	Notes	**30-11-20**	30-11-19	31-05-20
Share capital		613	432	432
Translation reserve		13	17	12
Reserve for cash flow hedges		-4	-	3
Retained earnings		489	793	385
Total equity		**1,111**	**1,242**	**832**
Lease liabilities		126	146	137
Pensions		15	15	15
Deferred tax		10	52	10
Provisions		33	31	32
Mortgage loans		64	67	65
Other non-current liabilities		35	16	30
Deferred income		15	-	15
Total non-current liabilities		**298**	**327**	**304**
Lease liabilities		36	40	42
Mortgage loans		4	4	4
Bank loans	8	25	-	-
Provisions		50	58	60
Trade payables		481	536	430
Tax payable		31	8	21
Other liabilities		209	95	65
Deferred income		8	31	18
Total current liabilities		**844**	**772**	**640**
Total liabilities		**1,142**	**1,099**	**944**
Total equity and liabilities		**2,253**	**2,341**	**1,776**

STATEMENT OF CASH FLOW

		Q2		YTD		Year
(DKK million)	Notes	**2020/21**	2019/20	**2020/21**	2019/20	2019/20
Operating profit (EBIT)		25	-77	-16	-206	-347
Depreciation, amortisation and impairment		49	55	95	110	200
Operating profit before depreciation, amortisation and impairment (EBITDA)		**74**	**-22**	**79**	**-96**	**-147**
Other non-cash items		-2	-8	-21	-16	12
Change in net working capital	6	108	111	84	10	82
Interest received		-	2	1	5	9
Interest paid		-3	-9	-9	-14	-24
Income tax paid		-2	-6	4	-6	-12
Cash flow from operating activities		**175**	**68**	**138**	**-117**	**-80**
Purchase of intangible non-current assets		-32	-33	-52	-52	-115
Purchase of tangible non-current assets		-7	-18	-14	-23	-66
Sublease payment		3	-	5	-	12
Sales of tangible non-current assets		-	14	-	14	13
Other cash flow from investing activities		-	1	-	4	2
Cash flow from investing activities		**-36**	**-36**	**-61**	**-57**	**-154**
Free cash flow		**139**	**32**	**77**	**-174**	**-234**
Repayment of lease liabilities		-11	-8	-23	-18	-39
Repayment of loans		-1	-1	-2	-2	-4
Proceeds from short-term borrowings		25	-	25	-	-
Purchase of securities		-450	-	-450	-	-
Purchase of own shares		-42	-	-42	-	-
Capital increase		1	-	358	-	-
Cash flow from financing activities		**-478**	**-9**	**-134**	**-20**	**-43**
Change in cash and cash equivalents		**-339**	**23**	**-57**	**-194**	**-277**
Cash and cash equivalents, opening balance		497	275	215	492	492
Cash and cash equivalents, closing balance		**158**	**298**	**158**	**298**	**215**

STATEMENT OF CHANGES IN EQUITY

(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 period	-	-	-	-37	-37
Foreign exchange adjustments of foreign entities	-	1	-	-	1
Fair value adjustments of derivatives	-	-	-13	-	-13
Value adjustments of derivatives reclassified in					
Revenue	-	-	2	-	2
Production costs	-	-	2	-	2
Income tax on items that will be reclassified to the income statement	-	-	2	-	2
Comprehensive income for the period	**-**	**1**	**-7**	**-37**	**-43**
Cancellation of shares	-23	-	-	23	-
Reduction of share capital	-205	-	-	205	-
Rights issue	409	-	-	-	409
Costs related to rights issue	-	-	-	-51	-51
Share-based payments	-	-	-	6	6
Acquisition of own shares	-	-	-	-42	-42
Equity 30 November 2020	**613**	**13**	**-4**	**489**	**1,111**
Equity 1 June 2019	**432**	**21**	**5**	**961**	**1,419**
Earnings for the period	-	-	-	-166	-166
Foreign exchange adjustments of foreign entities	-	-4	-	-	-4
Fair value adjustments of derivatives	-	-	-7	-	-7
Value adjustments of derivatives reclassified in					
Revenue	-	-	7	-	7
Production costs	-	-	-7	-	-7
Income tax on items that will be reclassified to the income statement	-	-	2	-	2
Comprehensive income for the period	**-**	**-4**	**-5**	**-166**	**-175**
Share-based payments	-	-	-	-2	-2
Equity 30 November 2019	**432**	**17**	**-**	**793**	**1,242**

NOTES

1 ACCOUNTING POLICIES, JUDGEMENTS AND SIGNIFICANT ESTIMATES

The Group's interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies.

In preparing the interim financial report, Management makes various accounting estimates and assumptions, which form the basis of the presentation, recognition and measurement of Bang & Olufsen's assets and liabilities.

Due to the COVID-19 outbreak, the Group has considered the recoverability of accounts receivable and the value of inventories. The Group has also assessed the value of intangible assets and property, plant and equipment. No impairment or write-downs were identified.

New standards, interpretations and amendments adopted by Bang & Olufsen

Bang & Olufsen has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2020 and endorsed by the EU. The implementation of new or amended standards and interpretations had no material impact on the interim financial statements. Apart from this, the accounting policies and critical accounting estimates and judgements are consistent with those applied in the consolidated financial statements for 2019/20 in notes 1.1 and 1.2 to the Annual Report, to which reference is made.

2 REVENUE

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.

Royalties and licence fees are recognised when earned according to the terms of the licence agreements.

3 SEASONALITY

Due to the composition of the Bang & Olufsen business, some degree of seasonality of revenue must be expected. Historically, the highest revenue has been realised in Q2 due to the seasonal nature of the business.

Seasonality may be impacted by COVID-19.

4 SEGMENT INFORMATION – Q2

(DKK million)	EMEA	Americas	Asia	Brand Partnering & other activities	**All**
Q2 2020/21					
Revenue	**352**	**45**	**216**	**80**	**693**
Production costs	-201	-27	-152	-4	-384
Gross profit	**151**	**18**	**64**	**76**	**309**
Gross margin	42.8%	39.7%	29.5%	95.1%	44.6%
Q2 2019/20					
Revenue	**312**	**35**	**209**	**71**	**627**
Production costs	-193	-19	-146	-3	-361
Gross profit	**119**	**16**	**63**	**68**	**266**
Gross margin	38.3%	45.9%	30.4%	95.8%	42.5%

(DKK million)	Staged	Flexible Living	On-the-go	Brand Partnering & other activities	**All**
Q2 2020/21					
Revenue	**254**	**134**	**225**	**80**	**693**
Production costs	-135	-69	-176	-4	-384
Gross profit	**119**	**65**	**49**	**76**	**309**
Gross margin	46.9%	48.3%	21.7%	95.1%	44.6%
Q2 2019/20					
Revenue	**263**	**83**	**210**	**71**	**627**
Production costs	-141	-45	-172	-3	-361
Gross profit	**122**	**38**	**38**	**68**	**266**
Gross margin	46.3%	45.9%	18.1%	95.8%	42.5%

Gross profit is a segment KPI. There are no unallocated elements and total gross profit reconciles to the income statement.

4 SEGMENT INFORMATION - YTD

(DKK million)	EMEA	Americas	Asia	Brand Partnering & other activities	**All**
2020/21					
Revenue	**556**	**78**	**385**	**136**	**1,155**
Production costs	-328	-46	-269	-5	-648
Gross profit	**228**	**32**	**116**	**131**	**507**
Gross margin	40.9%	40.8%	30.1%	96.4%	43.9%
2019/20					
Revenue	**491**	**70**	**357**	**128**	**1,046**
Production costs	-316	-44	-259	-7	-626
Gross profit	**175**	**26**	**98**	**121**	**420**
Gross margin	35.6%	37.1%	27.5%	94.5%	40.1%

(DKK million)	Staged	Flexible Living	On-the-go	Brand Partnering & other activities	**All**
2020/21					
Revenue	**450**	**213**	**356**	**136**	**1,155**
Production costs	-246	-111	-286	-5	-648
Gross profit	**204**	**102**	**70**	**131**	**507**
Gross margin	45.4%	47.8%	19.6%	96.4%	43.9%
2019/20					
Revenue	**367**	**134**	**417**	**128**	**1,046**
Production costs	-203	-75	-341	-7	-626
Gross profit	**164**	**59**	**76**	**121**	**420**
Gross margin	44.7%	44.0%	18.2%	94.5%	40.1%

Gross profit is a segment KPI. There are no unallocated elements, and total gross profit reconciles to the income statement.

5 DEVELOPMENT COSTS

	Q2		YTD		Year
(DKK million)	**2020/21**	2019/20	**2020/21**	2019/20	2019/20
Incurred development costs before capitalisation	69	68	133	128	261
Hereof capitalised	-27	-29	-44	-42	-96
Incurred development costs after capitalisation	42	39	89	86	165
Capitalisation (%)	38.7%	42.3%	33.2%	32.7%	36.9%
Total charges and impairment losses on development projects	20	33	41	65	108
Development costs recognised in the consolidated income statement	**62**	**72**	**130**	**151**	**273**

6 CHANGE IN NET WORKING CAPITAL

(DKK million)	**30-11-20**	31-05-20	Change in Q2 2020/21 YTD	Change in Q2 2019/20 YTD	Change in 2019/20
Inventories	415	457	-42	-40	-139
Trade receivables	417	290	127	-136	-276
Other receivables*	82	53	29	-13	-
Prepayments	28	41	-13	12	19
Trade payables	-481	-430	-51	174	280
Other liabilities	-209	-65	-144	-15	14
Deferred income	-8	-18	10	8	20
Total	**244**	**328**	**-84**	**-10**	**-82**

* Financial lease receivables of DKK 7m (31 May 2020: DKK 10m) were not included as net working capital on 30 November 2020.

The increase in other liabilities related primarily to accruals for employee costs and extended payment terms on VAT and employee-related tax.

7 SPECIAL ITEMS

Special items consist of non-recurring expenses related to restructuring or structural changes that the Group does not consider to be a part of its ordinary operations such as redundancies and specific consultancy costs and transition costs in connection with the company's cost reduction programme.

	Q2		YTD		Year
(DKK million)	**2020/21**	2019/20	**2020/21**	2019/20	2019/20
Severance, Executive Management Board	-	15	-	15	13
Restructuring costs, severance	-2	-	-4	-	20
Consultants, Fitness Programme	5	-	9	-	10
Total	**3**	**15**	**5**	**15**	**43**

8 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 financial lease receivables. Interest-bearing debt consists of mortgage loans, bank loans, lease liabilities, and from Q2 2020/21 also the non-current part of the Danish holiday pay provision. To minimise the impact from negative interest rates, the company has placed the majority of its cash in Danish mortgage bonds, all with an AAA S&P rating. To maintain short-term financial flexibility, the company uses repo transactions, whereby the company 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 company during the term of the repo. The obligation to return cash for bonds under such repo transactions is recognised as short-term bank loans. As of 30 November 2020, repo transactions amounted to DKK 25m.

Net interest-bearing deposit amounted to DKK 334m 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 146m (year-end 2019/20: DKK 154m).

(DKK million)	**30-11-20**	31-05-20	30-11-19
Mortgage loans (non-current)	-64	-65	-67
Mortgage loans (current)	-4	-4	-4
Bank loans (current)	-25	-	-
Lease liabilities (non-current)	-126	-137	-146
Lease liabilities (current)	-36	-42	-40
Other non-current liabilities*	-34	-	-
Interest-bearing debt	**-289**	**-248**	**-257**
Financial lease receivables (non-current)	9	16	21
Financial lease receivables (current)	7	10	10
Cash (current)	158	215	298
Securities (current)	449	-	-
Interest-bearing assets	**623**	**241**	**329**
Net interest-bearing deposit/(debt)	**334**	**-7**	**72**
Net interest-bearing deposit/(debt) - excl. IFRS 16	480	145	227

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

Net available cash was DKK 582m (year-end 2019/20: DKK 215m), consisting of cash and securities offset by repo transactions.

(DKK million)	**30-11-20**	31-05-20	30-11-19
Cash	158	215	298
Securities	449	-	-
Bank loans	-25	-	-
Available liquidity	**582**	**215**	**298**

Furthermore, the company had a DKK 100m credit facility as of 30 November 2020, which had not been drawn upon.

9 RELATED PARTIES

Related parties with significant interests

Other related parties of Bang & Olufsen with significant interests include the Board, the Executive Management Board and their close family members. Related parties also include companies in which these persons have control or significant interests.

Transactions with related parties

Bang & Olufsen did not enter into any significant transactions with members of the Board or the Executive Management Board, except for compensation and benefits received because of their membership of the Board, employment with Bang & Olufsen or shareholdings in Bang & Olufsen.

10 LONG-TERM INCENTIVE PROGRAMMES

The Board of Directors has implemented matching share programmes (MSP) as a variable component of compensation offered 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 between 1 and 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 the participants in the new part of the programme to receive up to 2 shares (previously 4 shares) with respect to the 2018/19 programme and up to 4 shares (previously 5 shares) with respect to the 2019/20 programme. The vesting period remained unchanged. The incremental amount is recognised over the remaining vesting period in a manner similar to the original amount.

On 2 October 2020, Bang & Olufsen A/S announced that pursuant to the Remuneration Policy, the Board of Directors had 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 KPI metrics for 2020/21 relate to Bang & Olufsen A/S's revenue and EBIT (before special items) in 2020/21.

The remaining one-third of the restricted shares are Retention Shares, which are subject to the participants' continued employment with Bang & Olufsen A/S and satisfactory people review ratings in the course of the three-year period. 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 3,449,154. 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 company'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.

The above programmes are accounted for on an accrual basis over the three-year vesting period. For the first two programmes it is a condition that the employee has not 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 has purchased treasury shares, to a certain extent, to cover the obligation for the outstanding matching shares. The holding of treasury shares totalled 2,112,372 shares on 30 November 2020 (2,317,014 shares on 31 May 2020).

Costs related to long-term incentive programs were included in staff costs and amounted to DKK 6m for the first six months of the year (2019/20: DKK 3m).

11 FINANCIAL INSTRUMENTS

Financial instruments by category

(DKK million)	**30-11-20**	30-11-19	31-05-20
Non-current other receivables	28	45	40
Trade receivables	417	430	290
Other receivables	89	51	63
Cash	158	298	215
Financial assets at amortised cost	**692**	**823**	**608**
Securities	449	-	-
Fair value through income statement	**449**	**-**	**-**
Hedge accounting	2	6	2
Fair value through other comprehensive income	**2**	**6**	**2**
Financial assets	**1,143**	**830**	**609**
Mortgage loans	67	71	69
Bank loans	25	-	-
Lease liabilities	162	186	179
Trade payables	481	536	430
Financial liabilities at amortised cost	**735**	**793**	**678**
Hedge accounting	-11	-6	-1
Fair value through other comprehensive income	**-11**	**-6**	**-1**

The fair value is approximately equal to the carrying amount for all financial assets and liabilities.

Securities

Securities comprise listed Danish mortgage bonds and are measured at fair value with all changes in fair value recorded in profit and loss. The bonds are measured using the observable market values (level 1 in the fair value hierarchy). The company uses repo transactions and as ownership of the bonds remains with the company during the term of the repo, the bonds remain on the balance sheet.

Derivative financial instruments

Derivative financial instruments comprise primarily foreign exchange contracts used to hedge the foreign exchange risk related to unrecognised future transactions. Derivatives are measured at fair value in accordance with level 2 in the fair value hierarchy (IFRS 7) using valuation techniques that apply market data such as exchange rates, credit risk and volatility.

See note 6.4 to the Annual Report 2019/20 for an overview of foreign exchange contracts.

12 CAPITAL STRUCTURE

The capital structure consists mainly of equity, an undrawn 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. As a result, the company's share capital was reduced by nominally DKK 204,620,145 from nominally DKK 409,240,290 to nominally DKK 204,620,145 (following the cancellation of 2,273,449 treasury shares as approved by the annual general meeting on 21 August 2019).

The rights issue was effected at a subscription ratio of 2:1 (1 existing share entitled the holder to subscribe for 2 new shares) and at a subscription price of DKK 5 per new share, corresponding to the issue of 81,848,058 new shares and total gross proceeds of DKK 409,240,290. Consequently, the share capital was increased by nominally DKK 409,240,290 from nominally DKK 204,620,145 to nominally DKK 613,860,435 (following the cancellation of treasury shares as mentioned above). The net proceeds amounted to DKK 358m after costs related to the rights issue of DKK 51m.

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

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

13 SUBSEQUENT EVENTS

As described in the company's outlook for the financial year 2020/21, Bang & Olufsen is facing higher than normal risks and uncertainties related to the COVID-19 outbreak. These are factors such as the duration of the COVID-19 pandemic, the potential impact in the company's different geographical markets, supply chain and logistics. The company is working actively to mitigate the implications of COVID-19, but the consolidated financials and financial position may be impacted by the effects of COVID-19.

Except as described above or elsewhere in these consolidated interim financial statements, the company is not aware of any events subsequent to 30 November 2020 which are expected to have a material impact on the Group's financial position.

Bang & Olufsen A/S
Bang & Olufsen Allé 1
DK-7600 Struer

Tel. +45 9684 1122
www.bang-olufsen.com
Reg. number: 41257911

BANG & OLUFSEN