

BANG & OLUFSEN

Interim report Q1 2021/22

Q1 highlights

Financial highlights

The company continued to execute on the turnaround strategy and the strong momentum from last year was maintained. For the first time since the financial year 2007/08, Bang & Olufsen delivered a Q1 with both positive EBIT before special items and free cash flow.

Revenue grew 44% year-on-year in local currencies. The company delivered growth across all regions and product categories, improved the gross margin and benefitted from the full run-rate effect of the cost reduction programme implemented last year.

Flexible Living maintained the high momentum, growing by 87% year-on-year. The Staged and On-the-go categories delivered 35% and 48% growth respectively. Within all product categories, growth was driven by both existing and new products.

Component shortages remained a challenge and had a negative impact on both growth and margins. The company's sourcing team has continued to successfully secure components, but there are still longer delivery times on specific products – especially within the Staged category.

Gross profit was DKK 299m (Q1 20/21: DKK 198m). This was equivalent to a gross margin of 44.8% (Q1 20/21: 42.8%). The improved gross margin was driven by a 4.4pp increase in product gross margin as a result of a favourable product mix, price

increases and a better revenue to fixed costs ratio. The improvement was partly offset by higher component and logistics costs.

EBIT was DKK 7m (Q1 20/21: loss of DKK 49m). This corresponded to an EBIT margin of 1.1% (Q1 20/21: -9.0%).

EBIT before special items was DKK 9m, equivalent to a margin of 1.4% (Q1 20/21: -8.4%).

Earnings for the period were a profit of DKK 1m (Q1 20/21: loss of DKK 49m).

Free cash flow was DKK 21m (Q1 20/21: DKK -62m), driven by EBITDA. Available liquidity was stable at DKK 608m (Q4 20/21: DKK 593m).

Progress on strategic priorities

The company continued to execute on its strategy, which delivered profitable growth while building robustness in the business operations.

The company hired 85 new employees, particularly in the software and engineering areas, with the aim of building the right teams, capabilities and structures.

Q1 saw the launch of three product innovations, Beovision Contour in a 55" version, Beoplay EQ, and stereo pairing as a software update for products on the new product platform.

To support the product and platform launches, several marketing activations were executed, including the launch campaign for Beoplay EQ with Chinese musician Lay Zhang.

The six core European and two core Asian markets realised 37% and 17% year-on-year growth respectively. Last year, revenue in China was positively affected by orders delayed from Q4 of the previous year. Adjusting for phasing of orders last year, growth was just over 30%.

The brand partnership and licensing agreement with HP was renewed, and the company announced a brand and licensing partnership with Sagemcom.

During Q1, the customer base grew by 7.5%, and the company expects to continue the positive trajectory throughout the year.

Outlook

The company maintains the outlook, which is as follows:

- Revenue: DKK 2.9bn to 3.1bn
- EBIT margin before special items: 2-4%
- Free cash flow: DKK 0m to 100m

The outlook is based on certain assumptions and continues to be subject to high uncertainty due to COVID-19 and general pressure on supply chains.

REVENUE
DKK MILLION

666

(Q1 20/21: 462)

GROWTH IN LOCAL CURRENCY

44%

(Q1 20/21: 11%)

EBIT BEFORE SPECIAL ITEMS
DKK MILLION

9

(Q1 20/21: -39)

FREE CASH FLOW
DKK MILLION

21

(Q1 20/21: -62)

Key financial highlights

| (DKK million) | Q1 | |
|-------------------------------------|---------|---------|
| | 2021/22 | 2020/21 |
| Income statement | | |
| Revenue | 666 | 462 |
| EMEA | 302 | 204 |
| Americas | 60 | 33 |
| Asia | 244 | 169 |
| Brand Partnering & other activities | 60 | 56 |
| Gross margin, % | 44.8 | 42.8 |
| EMEA | 42.6 | 37.7 |
| Americas | 30.9 | 41.5 |
| Asia | 38.2 | 30.8 |
| Regions, total | 39.7 | 35.3 |
| Brand Partnering & other activities | 96.7 | 97.4 |
| EBITDA | 59 | 5 |
| EBIT before special items | 9 | -39 |
| EBIT | 7 | -41 |
| Special items, net | -2 | -2 |
| Financial items, net | -5 | -20 |
| Earnings before tax (EBT) | 2 | -61 |
| Earnings for the period | 1 | -49 |
| Financial position | | |
| Total assets | 2,332 | 2,044 |
| Share capital | 613 | 613 |
| Equity | 1,143 | 1,137 |
| Cash | 201 | 178 |
| Available liquidity | 608 | 497 |
| Net interest-bearing deposit | 379 | 246 |
| Net working capital | 191 | 352 |

| (DKK million) | Q1 | |
|---|---------|---------|
| | 2021/22 | 2020/21 |
| Cash flows | | |
| Cash flows from operating activities | 47 | -37 |
| Operational investments | -26 | -25 |
| Free cash flow | 21 | -62 |
| Cash flows from investing activities | -26 | -25 |
| Cash flows from financing activities | 2 | 344 |
| Cash flows for the period | 23 | 282 |
| Key figures | | |
| Growth in local currencies, % | 44 | 11 |
| EBITDA margin before special items, % | 9.2 | 1.5 |
| EBITDA margin, % | 8.9 | 1.0 |
| EBIT margin before special items, % | 1.4 | -8.5 |
| EBIT margin, % | 1.1 | -9.0 |
| Return on assets, % | 0.0 | -2.4 |
| Return on invested capital, excl. goodwill, % | 3.7 | -4.9 |
| Return on equity, % | 0.1 | -4.3 |
| Full-time equivalents at end of period | 976 | 851 |
| Stock-related key figures | | |
| Earnings per share (EPS), DKK | 0.0 | -0.4 |
| Earnings per share, diluted (EPS-D), DKK | 0.0 | -0.4 |
| Price/Earnings | N.m. | -34.8 |
| Revenue per share, DKK | 5.5 | 3.8 |
| Revenue per share, diluted, DKK | 5.5 | 3.8 |

For definitions, see note 8.7 to the Annual Report 2020/21.

Management report for Q1

Revenue grew by 44% in local currencies and the company delivered both positive EBIT margin before special items and free cash flow in the first quarter. The results were driven by all regions and product categories and furthermore by improved gross margin and full run-rate effect of the cost reduction programme implemented last year.

Continued focus on strategy execution ensured a strong start to the year, increasing revenue by 44% in local currencies and generating a positive EBIT margin before special items.

Revenue from product sales increased by 48% in local currencies. Growth was seen across all regions, driven by both existing and new products. Flexible Living maintained the high momentum from last year, growing by 87% year-on-year. The Staged and On-the-go categories delivered 35% and 48% growth respectively. The Staged category suffered the biggest impact from component scarcity.

Like-for-like customer sell-out reflected high demand across all product categories, which all recorded double-digit growth in the quarter.

Component shortages continued to pose challenges to the business. The company's sourcing team has continued to successfully secure key components, but longer delivery times on specific products still impacted growth, especially within the Staged category.

In Q1, the company prioritised the use of certain core components between products and decided to rebalance production between certain products such as Beosound Emerge, Beosound Balance, Beosound Level and Beolab 28.

The six core European markets and two core Asian markets grew by 37% and 13% respectively in local currencies. Last year, revenue in China was positively affected by orders delayed from Q4 of the previous year. Adjusting for phasing of orders last year, growth in the two Asian core markets would have been just over 30%.

The company's multibrand and etail channels delivered the highest relative year-on-year growth. The monobrand channel delivered the highest absolute growth, despite being adversely impacted by supply constraints related to Beolab speakers.

Three product innovations were announced in Q1, with the launch of Beovision Contour 55" and Beoplay EQ and the release of stereo pairing for new Flexible Living products. Products launched since Q1 of last year accounted for approx. 39% of Group revenue.

The gross margin improved overall, driven by the higher revenue to fixed costs ratio. Both EMEA and Asia improved their margins whereas Americas declined, driven by product mix. The margin was adversely impacted by higher component and logistics costs. The company is working on shifting production sites for certain products to reduce the need for transportation, but this only had a marginal effect in Q1.

Logistics and component costs had a combined negative impact on product gross margin of approx. 4.5pp compared to last year.

Revenue in Q1

Revenue increased by 44.2% year-on-year (44% in local currencies) to DKK 666m. The growth was mainly related to product sales, which increased by 49.5% (48% in local currencies). Brand Partnering &

other activities grew by 6.6% (up 9% in local currencies).

The growth in licence income was driven by higher sales of PCs and of car audio products, which last year were negatively impacted by COVID-19. Component scarcity within car manufacturing continued to have an adverse impact on growth.

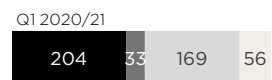
Revenue growth from product sales was driven by improved channel performance across all regions and product categories. The demand reflects the strengthening of the product portfolio last year, which continued in Q1 of this year.

The monobrand channel delivered solid year-on-year growth, driven by higher sell-out to end customers. Growth was negatively impacted by the supply challenges related to component scarcity. The number of monobrand stores remained stable in Q1.

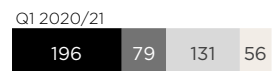
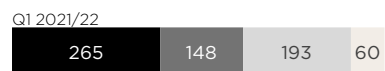
The multibrand and etail channels delivered strong growth, driven by the improvements to channel execution as the company has increased resources in the channel and partnered up with new distribution partners.

The number of multibrand points of sale declined by 1% in Q1, mainly related to EMEA. The decline was partly related to travel retail stores in Europe.

REVENUE SPLIT



- EMEA
- Americas
- Asia
- Brand Partnering & other activities



- Staged
- Flexible Living
- On-the-go
- Brand Partnering & other activities

Revenue from the company’s eCommerce platform grew by 20% compared to Q1 of last year. The growth rate was negatively impacted by lower product availability compared to last year, but also reflected the fact that demand in Q1 of last year moved from offline channels to online due to COVID-19 and the company’s accelerated digital focus. The eCommerce platform accounted for approx. 4% of revenue. This represents a decline from approx. 5% last year as a result of other distribution channels having gained momentum.

Staged category

Revenue grew by 35.4% to DKK 265m. The growth was related to speakers. This was seen across most products and further driven by Beolab 28, which was launched in late Q4 of last year.

The performance was supported by strong sell-out, which showed solid double-digit year-on-year growth, especially driven by speakers.

Revenue from TVs was slightly higher than in Q1 of last year, driven by all products and supported by the strengthened TV portfolio with the launch of Beovision Contour in both 48” and 55” versions. Last year, revenue was bolstered by revenue from TV screens related to the first generation of Beovision Eclipse. TV screens are now sourced entirely by retail partners for the whole TV portfolio, and this impacted growth negatively.

In Q1, the Staged category continued to be negatively impacted by component scarcity and subsequent prolonged delivery times for several products.

Flexible Living category

Revenue grew by 87.0% to DKK 148m. The growth was seen across all speakers, and also supported by Beosound Level and partly by Beosound Emerge, which was launched in H2 of last year.

Beoplay A9 delivered strong growth across regions and continued to be the best-selling product in the category, delivering a triple-digit growth rate in the quarter.

Beosound Level continued the momentum since launch and was the second best-selling product in the Flexible Living category.

Sell-out from monobrand, multibrand and eCommerce, delivered solid double-digit year-on-year growth. The growth was supported by the strengthened product portfolio.

On-the-go category

Revenue grew by 47.6% to DKK 193m. Portable speakers, headphones and earphones all contributed to the growth.

Revenue from headphones more than doubled, driven by Beoplay H95 and Portal, both of which have been launched since Q1 of last year.

The growth from Portable speakers was mainly driven by Beosound Explore and Beolit 20. Beosound A1 2nd Gen, which continued to see strong demand, remained the best-selling portable speaker.

| Points of sale | Monobrand | | Multibrand | |
|----------------|--------------|--------------|--------------|--------------|
| | End Q1 21/22 | End Q4 20/21 | End Q1 21/22 | End Q4 20/21 |
| EMEA | 348 | 349 | 1,580 | 1,637 |
| Americas | 26 | 26 | 2,466 | 2,456 |
| Asia | 79 | 81 | 957 | 979 |
| Total | 453 | 456 | 5,003 | 5,072 |

The growth in revenue from earphones was driven by the launch of Beoplay EQ, which replaced Beoplay E8 3rd Gen.

The company experienced strong double-digit year-on-year sell-out growth. Especially headphones and portable speakers contributed to the sell-out growth, with products like Beoplay H95 and Beosound A1 2nd Gen continuing to see high demand.

Gross profit

Gross profit was DKK 299m (Q1 20/21: DKK 198m). This was equivalent to a gross margin of 44.8% (Q1 20/21: 42.8%).

The gross margin improvement was driven by a higher product gross margin, which increased by 4.4pp to 39.7%. Gross margin from Brand Partnering & other activities declined by 0.7pp to 96.7%.

The improved gross margin from product sales was mainly related to improved product mix and improved gross margin for On-the-go, which last year was impacted by end-of-life products sold at lower prices. Sales of end-of-life products have not had a material impact in the current year. The higher revenue to fixed costs ratio also contributed to the improved margin.

The margin improvement was also driven by price increases announced in the second half of the last financial year.

Higher component and logistic costs adversely impacted profitability in Q1. This had a negative impact on margin of around 4.5pp.

Capacity costs

Capacity costs were DKK 292m (Q1 20/21: DKK 239m), corresponding to an increase of 22%.

The increase reflects the fact that the company has invested more and added resources, especially within sales and marketing and product development, as part of the second wave of its strategy – building robustness. However, capacity costs benefited from the full run-rate effect of the cost reduction programme completed last year.

Development costs increased by DKK 10m to DKK 78m as a result of added resources, especially within software and platform development. Development costs incurred were DKK 7m higher than last year, reflecting platform upgrades and upcoming product launches. Capitalisation was at the same level as last year.

Distribution and marketing costs increased by DKK 41m to DKK 183m (Q1 20/21: DKK 142m). The increase was related to higher marketing, warranty costs and salaries as a result of added resources. The added resources included an increase in headcount for the company owned and operated stores in Copenhagen and London.

Administrative costs were DKK 31m (Q1 20/21: DKK 29m). Overall, the cost reduction programme resulted in lower salaries, offset by IT costs and other head office functions.

Special items amounted to DKK 2m relating to consultancy services (DKK 2m) supporting the company's restructuring to further improve efficiency and profitability.

Capacity costs increased by DKK 57m after adjustment for special items.

EBIT

EBIT was DKK 7m (Q1 20/21: loss of DKK 49m). This was equivalent to an EBIT margin of 1.1% (Q1 20/21: -9.0%).

The improved margin reflected revenue growth coupled with an improved gross margin, partly offset by higher capacity costs.

EBIT before special items was DKK 9m, equivalent to a margin of 1.4% (Q1 20/21: -8.4%).

Financial items

Net financial items were an expense of DKK 5m versus an expense of DKK 20m last year. Last year was impacted by bank charges related to the credit facility that was established in connection with the rights issue.

| GROSS MARGIN | Q1 | |
|-------------------------------------|--------------|--------------|
| | 2021/22 | 2020/21 |
| Staged | 45.8% | 43.5% |
| Flexible Living | 46.1% | 46.5% |
| On-the-go | 26.6% | 16.4% |
| Products, total | 39.7% | 35.3% |
| Brand Partnering & other activities | 96.7% | 97.4% |
| Total | 44.8% | 42.8% |

Earnings

Earnings before tax were a profit of DKK 2m (Q1 20/21: loss of DKK 61m) and income tax was an expense of DKK 1m (Q1 20/21: income of DKK 12m).

Earnings for the period were a profit of DKK 1m (Q1 20/21: loss of DKK 49m).

Cash flow

Free cash flow was DKK 21m compared to free cash outflow of DKK 62m last year.

Cash flows from operating activities were DKK 47m (Q1 20/21: DKK 37m outflow).

The increase was driven by an improved EBITDA, which was DKK 54m higher than last year. Change in net working capital was negative by DKK 4m compared to a negative DKK 24m last year.

Cash flows from operational investments were an outflow of DKK 26m (Q1 20/21: DKK 25m outflow). The investments were primarily related to the development of new products and platforms.

Cash flows from financing activities were DKK 2m (Q1 20/21: DKK 344m). The cash inflow was related to net repo transactions of DKK 10m, which were used to access liquidity on an intra-day basis for short-term liquidity planning and offset by cash outflow related to lease liabilities.

The cash position was DKK 201m (Q4 20/21: DKK 593m). Total available liquidity was DKK 608m, made up of the sum of cash and securities amounting to DKK 638m less DKK 30m in bank loans related to repo transactions.

Net working capital

Net working capital amounted to DKK 191m. This represented a decrease of DKK 4m during the quarter.

Trade receivables increased by DKK 33m, driven by revenue growth. Sales with extended credit accounted for 6% of revenue in the quarter (Q1 20/21: 1%), which related to recent product launches.

Trade payables increased by DKK 131m, driven by higher production and deliveries. Trade payables are at a high level, but are expected to decrease over the coming quarters. This will increase overall net working capital.

Inventories increased by DKK 84m during the period due to timing of supply. The increase was related to both raw materials due to component spot buys and finished goods within the Flexible Living and On-the-go categories.

Other liabilities decreased by DKK 82m, primarily due to payment of employee bonus.

Net working capital to the last 12 months' revenue was 6.7% (Q1 20/21: 7.2%).

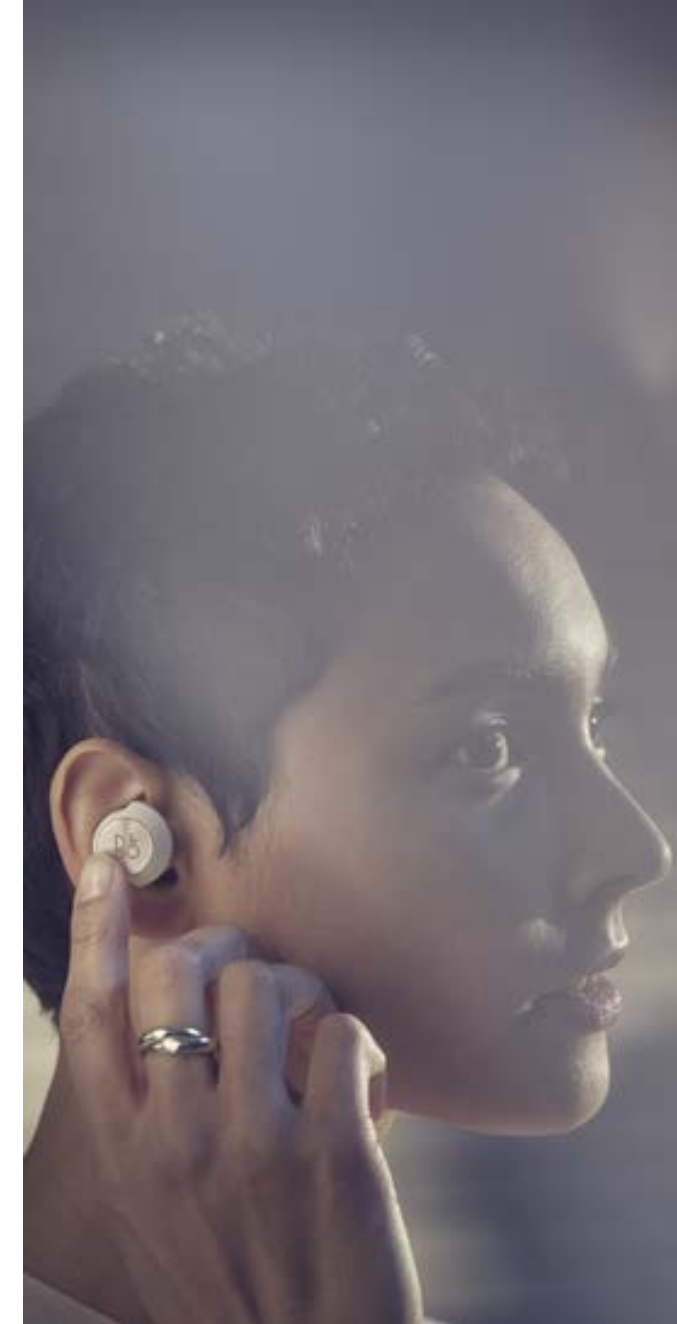
Net interest-bearing deposit

Net interest-bearing deposit amounted to DKK 379m, compared to net interest-bearing deposit of DKK 361m at year-end 2020/21. The increase was mainly due to the positive free cash flow of DKK 21m.

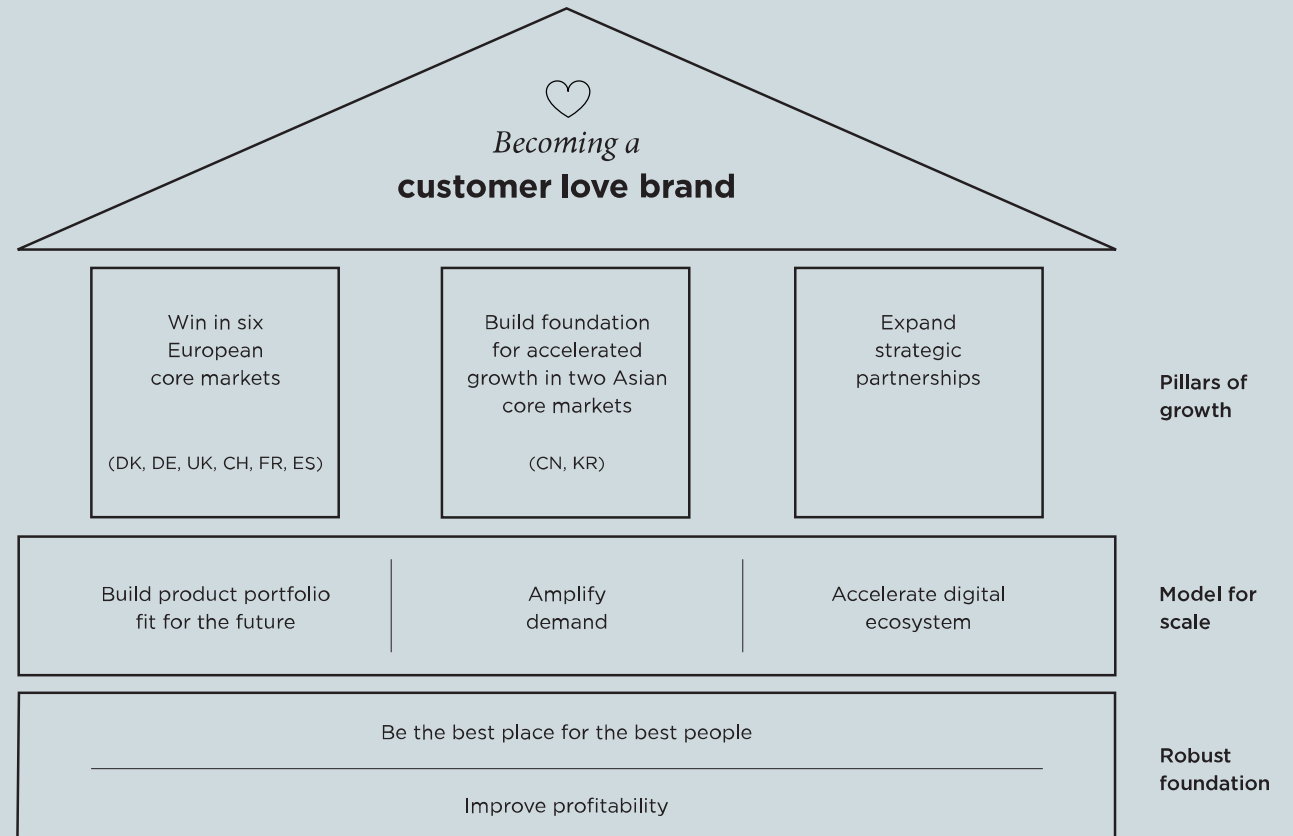
For further details, please see note 8.

Equity

Equity was DKK 1,143m, corresponding to an increase of DKK 10m year to date.



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



Progress on key strategic priorities for 2021/22

On the back of a financial year with commercial growth and profitability, the company has entered the second phase of its turnaround: a phase of building robustness in the business.

The robustness ambition is driven by three imperatives: i) to secure a robust business foundation, ii) to build a model for scale, and iii) to pursue three pillars of growth to concentrate resources and maximise return on investments.

Throughout the first quarter of the current financial year, the company continued its commercial traction and executed on its strategic priorities.

Securing a robust foundation

One of the key elements in focus is to improve profitability. In Q1, the company worked to maintain healthy gross margins despite increased component prices and freight costs. It continued to focus on cost management, implemented in the cost reduction programme in the previous financial year. The positive EBIT result for the quarter underlines the importance and success of the profitability focus.

Another element of focus is to build the right teams, capabilities and structures to support strategy execution. The company thus hired 85 new employees (gross) in the course of Q1, particularly in the software and engineering areas of the business.

Further development of current software and platform capabilities will remain a priority throughout the financial year in order to deliver on the strategic ambition of creating an ecosystem of seamlessly connected products with uncompromised and differentiated customer experience.

Building a model for scale

Recognising that success is not a single innovation or plan, but the sum of many parts, the company maintains a systemic focus on bringing innovative products and platforms to market, activating the brand to drive desire, loyalty and advocacy, and

bringing the product, platform and brand propositions to market through the right physical and digital channels. The company is particularly dedicated to inspire, engage and interact with customers through digital experiences, and to create a more balanced channel structure with stronger representation of digital in the channel mix.

In Q1, three product innovations were launched. The company launched Beovision Contour in a 55" version, completing the TV portfolio, which now consists of Contour, Eclipse and Harmony and the soundbar Beosound Stage. Also launched were the Beoplay EQ earphones, which replace Beoplay E8 3rd Gen. Lastly, the company released stereo pairing for products on its new product platform. This feature has been updated to Beosound Balance, Beosound Level and Beosound Emerge over the air and proves the strength of the company's new platform, which allows roll-out of new features to several products simultaneously.

Bang & Olufsen and Saint Laurent have been collaborating on co-branded products for several years. In Q1, a special Saint Laurent edition of the Flexible Living speaker Beosound Edge was launched. The continued collaboration serves to drive awareness and equity to the Bang & Olufsen brand.

To support the product and platform launches, several marketing activations were executed to create awareness and desire around the brand and propositions in the quarter.

The Sports category products were promoted throughout the summer. This resulted in a doubling of page views of Bang & Olufsen's webpage, bang-olufsen.com, from Q4 of last year. Furthermore, visitors stayed longer on the site. The company also released a sports collection colour version of Beosound A1 and Beoplay E8 Sport.

To further support the sports activation and introduce the brand to more sports enthusiasts, the company partnered with Strava, a social network for athletes, on a sports challenge. Participants had to run 25 km in two weeks to enter a prize draw. More than 100,000 people participated and ran almost 5 million km combined. This brought attention and awareness to the Bang & Olufsen brand, as reflected in the increased number of newsletter sign-ups.

Additionally, to propel the launch of the sports product collection, the company partnered with Liverpool FC and England footballer Trent Alexander Arnold, who showcased the benefits of using Bang & Olufsen products for sports to his 5.7 million social media followers. With a shared quest for superior performance and a vision of development and progress, the partnership is

expected to continue driving resonance with the audience, and several social media activities are planned for Q2.

In Q1, the company continued its ambassador programme, partnering with Chinese celebrity musician Lay Zhang as Bang & Olufsen's first global brand ambassador. The activation of this initiative was planned with the launch of Beoplay EQ in China. Lay Zhang's promotion of Beoplay EQ received approx. 500 million impressions.

Lastly, the company continued its intensified focus on digital channels and own eCommerce, in particular.

In Q1, own eCommerce grew by 20% compared to last year. At the end of the quarter, the company launched its own eCommerce platform in Japan.

Pillars of growth

The company continues its focus and resource allocation to truly win in six core European and two core Asian markets.

In its six core European markets, the company realised 37% year-on-year growth, with Staged and Flexible Living products driving the majority of revenue. The monobrand network delivered the biggest absolute growth. Etailers delivered the biggest relative growth, which more than doubled compared to Q1 of last year.

In the two Asian core markets, the company realised 17% year-on-year growth. Last year, revenue was positively affected by orders delayed from Q4 of the previous year. Adjusting for phasing of orders last year, growth would have been just over 30%. With the launch of Beoplay EQ and the Lay Zhang ambassador programme, the company made significant progress in boosting relevancy and brand awareness with its Chinese audience.

The Flexible Living category maintained its momentum from previous quarters. In Q1, the Flexible Living category was the biggest product category in the two core Asian markets.

Brand partnerships remain a core element of the business model. With the announcement of a contract renewal with HP in Q1, the company has cemented its relevancy and attractiveness as a technology licensing partner. In Q1, the company also announced its partnership with Sagemcom with whom it has developed a built-in loudspeaker for Sagemcom's new home entertainment unit, the Video Soundbox. This unit device integrates the latest technology within video, audio, OTT (over the top) and voice services, and is targeted at telecom and TV cable operators. The products have so far been sold to Vodafone in Spain and Totalplay in Mexico. With this, the Bang & Olufsen brand experience reaches larger volumes of customers, which is expected to boost brand awareness and desire.

In combination with its short-term turnaround priorities, the company is pursuing an ambition of becoming a customer love brand, making Bang & Olufsen customers fall in love with the products, the experiences and the brand. 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. In Q1, the customer base grew by 7.5% and the company expects to continue the positive trajectory throughout the year.



EMEA

Revenue

Revenue was DKK 302m (Q1 20/21: DKK 204m). This was equivalent to an increase of 47.9% (47% in local currencies).

The growth was mainly driven by the monobrand channel, which benefited from higher demand for Flexible Living and Staged products.

Own eCommerce grew by 14%. The growth rate was negatively impacted by lower product availability compared to last year, but also reflected the fact that demand in Q1 of last year moved from offline channels to online due to COVID-19 and the company’s accelerated digital focus. The multibrand and etail channels combined grew by around 30%.

The six core markets accounted for approx. 64% of total revenue in EMEA and delivered 38% year-on-year growth (37% in local currencies). The core markets accounted for the majority of the absolute growth in EMEA.

Revenue from the Staged category grew by 39%. The growth was related to the speaker portfolio, positively impacted by Beolab 28, which was launched in Q4 of last year. Revenue from TVs was negatively impacted by TV screens, which are now fully sourced by retail partners. Excluding revenue from TV screens, revenue from TVs grew across all products and was further driven by Beovision Contour, with the launch of the 55” version in Q1.

Revenue from the Flexible Living category grew by 126% across all distribution channels, with the monobrand channel delivering the highest growth. Overall, this category performed well and was supported by all current products, especially Beoplay A9 and Beosound Level.

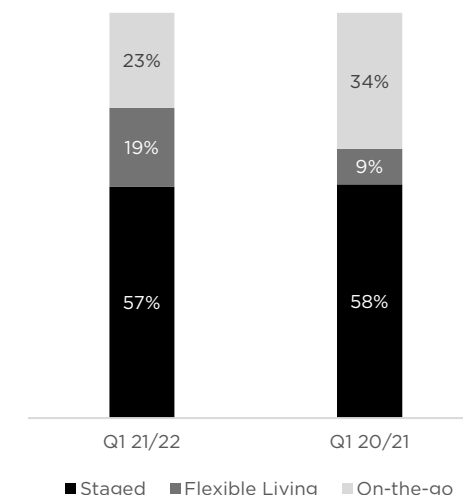
Revenue from the On-the-go category increased by 30%, mainly related to portable speakers and headphones. The growth from earphones was driven by the launch of Beoplay EQ, which replaced Beoplay E8 3rd Gen.

Gross profit

Gross profit amounted to DKK 129m. This was equivalent to a gross margin of 42.6% (Q1 20/21: 37.7%), which represented a year-on-year improvement of 4.9pp. The improvement was driven by a favourable shift in product mix and improved product margins supported by price increases and the higher revenue to fixed costs ratio. The development was partly offset by higher component and logistics costs.



REVENUE SPLIT (%)



| (DKK million) | Q1 | | |
|----------------------------|---------|---------|--------|
| | 2021/22 | 2020/21 | Change |
| Revenue | 302 | 204 | 98 |
| Growth in local currencies | 47% | 14% | |
| Gross profit | 129 | 77 | 52 |
| Gross margin | 42.6% | 37.7% | 4.9pp |

Americas

Revenue

Revenue was DKK 60m (Q1 20/21: DKK 33m), equivalent to an increase of 87.6% (97% in local currencies).

The growth was driven by all channels, with the most significant growth coming from multibrand, driven by the partnerships with Best Buy and Verizon. Based on sell-out performance, both partners have expanded coverage of the product range in their stores.

Revenue from etailers and the company's eCommerce platform grew by 48%, accounting for 34% of revenue in Americas. Including online sales from multibrand partners, the percentage would have been significantly higher.

Revenue from the Staged category increased by 12%. The growth was driven by speakers, especially the launch of Beolab 28 in Q4 of last year. The Staged category was adversely impacted by product scarcity in the quarter.

Revenue from the Flexible Living category increased by 37%. The growth was primarily related to Beoplay A9 and Beosound Level, which were launched in Q3 of last year.

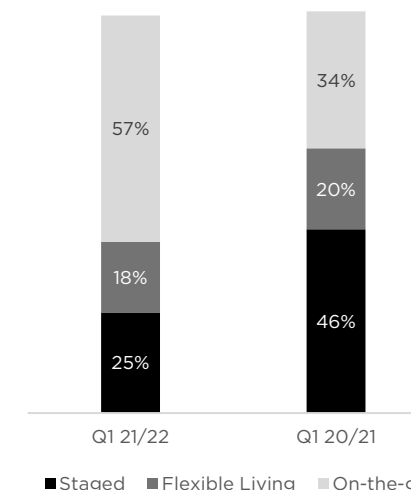
Revenue from On-the-go increased by 219% related to portable speakers, headphones and earphones. The growth was mainly driven by Best Buy and Verizon. Speakers and headphones, in particular, delivered high triple-digit growth rates in Q1.

Gross profit

Gross profit amounted to DKK 19m. This was equivalent to a gross margin of 30.9% (Q1 20/21: 41.5%), which represented a decrease of 10.6pp versus last year. The margin decline was related to product mix shifting towards On-the-go and higher logistics and component costs. Americas' distance from production sites has resulted in logistics costs increasing relatively more than for EMEA and Asia.



REVENUE SPLIT (%)



| (DKK million) | Q1 | | |
|----------------------------|---------|---------|---------|
| | 2021/22 | 2020/21 | Change |
| Revenue | 60 | 33 | 27 |
| Growth in local currencies | 97% | -3% | |
| Gross profit | 19 | 14 | 6 |
| Gross margin | 30.9% | 41.5% | -10.6pp |

Asia

Revenue

Revenue was DKK 244m (Q1 20/21: DKK 169m), corresponding to a 44.1% increase (41% in local currencies).

The two core markets accounted for approx. 66% of total revenue in Asia and delivered 17% growth (13% in local currencies). Last year, revenue was positively affected by orders delayed from Q4 of the previous year. Adjusting for phasing of orders last year, growth would have been just over 30%.

The growth was driven by both the monobrand and multibrand distribution channels.

Revenue from the Staged category grew by 33%. Speakers and TVs both contributed to the growth. The increase in TV sales was driven by all TVs despite last year's positive impact from screen revenue for the first generation of Beovision Eclipse.

The Flexible Living category grew by 73%. The growth was mainly driven by Beoplay A9, which continued to experience high demand, but Beosound 2 and Beosound Level also contributed to the growth.

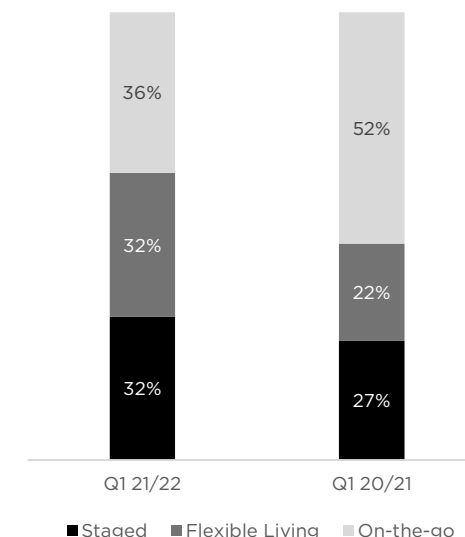
The On-the-go category increased by 34% year-on-year. The increase was mainly related to headphones, but earphones and portable speakers also contributed to the growth. The growth in headphones was mainly driven by Beoplay H95. The growth in portable speakers was mainly driven by Beolit 20, whereas earphones was primarily related to Beoplay EQ, which was launched first in China in July.

Gross profit

Gross profit amounted to DKK 93m, equivalent to a gross margin of 38.2%. This represented a 7.4pp increase compared to Q1 of last year. The increase was mainly related to price increases, a favourable shift in product mix, a higher revenue to fixed costs ratio, and less end-of-life products, partly offset by higher logistics and component costs.



REVENUE SPLIT (%)



| (DKK million) | Q1 | | |
|----------------------------|---------|---------|--------|
| | 2021/22 | 2020/21 | Change |
| Revenue | 244 | 169 | 75 |
| Growth in local currencies | 41% | 17% | |
| Gross profit | 93 | 52 | 41 |
| Gross margin | 38.2% | 30.8% | 7.4pp |

Brand Partnering & other activities

Revenue

Revenue increased by 6.6% (9% in local currencies) to DKK 60m. The increase was related to licensing income.

The company announced the collaboration with Sagemcom on a Set-top box. The product is targeted at service providers such as telecom and TV cable operators. It has so far been sold to Vodafone in Spain and Totalplay in Mexico. The income from this new collaboration did not have a material effect on licensing income in Q1.

The growth in licence income was driven by higher sales of PCs and of car audio products, which last year were negatively impacted by COVID-19. Growth was still negatively impacted by component scarcity within car manufacturing.

Gross profit

Gross profit amounted to DKK 58m (Q1 20/21: 55m), equivalent to a gross margin of 96.7% (Q1 20/21: 97.4%). The decline was related to aluminium manufacturing.

| (DKK million) | Q1 | | |
|----------------------------|---------|---------|--------|
| | 2021/22 | 2020/21 | Change |
| Revenue | 60 | 56 | 4 |
| Growth in local currencies | 9% | -2% | |
| Gross profit | 58 | 55 | 3 |
| Gross margin | 96.7% | 97.4% | -0.7pp |



Key events in Q1

JUN '21



Sports collection

Bang & Olufsen released a sports collection made up of Beosound A1 and Beoplay E8 Sport in an anthracite oxygen colour. Key design details are accentuated with oxygen blue to provide a contrast to the black anthracite colour.

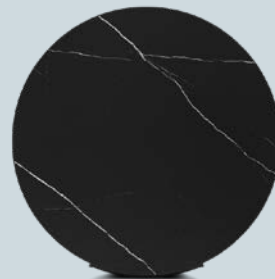
Beovision Contour 55"

Bang & Olufsen introduced Beovision Contour in a 55" screen size that delivers an all-in-one TV and music experience thanks to sound technology based on the award-winning Beosound Stage.



Saint Laurent collaboration

The designer Anthony Vaccarello has curated a new limited-edition Bang & Olufsen speaker, Beosound Edge.



Bang & Olufsen and HP renew partnership

Bang & Olufsen and HP Inc. renewed their existing partnership for three more years, with options to extend it for up to two more years. Since 2015, Bang & Olufsen and HP have had a close collaboration where HP sells select computers co-branded with and sound-tuned by Bang & Olufsen.

BANG & OLUFSEN

JUL '21

Bang & Olufsen x Trent Alexander-Arnold

Bang & Olufsen entered a multi-year collaboration with the Liverpool FC and England footballer Trent Alexander-Arnold.

The announcement of the partnership followed the launch of the company's sports collection, comprising the Beosound A1 portable speaker and E8 Sport true wireless earphones.



Bang & Olufsen partners with Sagemcom

Bang & Olufsen has developed the built-in loudspeaker in Sagemcom's new home entertainment unit, the Video Soundbox™. The unit device integrates all the latest technologies within video, audio, OTT and voice services. The product is targeted service providers, such as telecom and TV cable operators.

The product has so far been sold to Vodafone in Spain and Totalplay in Mexico.



Launch of Bang & Olufsen Beoplay EQ earphones

Beoplay EQ are the company's first true wireless earphones with Adaptive Active Noise Cancellation, effectively eliminating surrounding noise and allowing total immersion in Bang & Olufsen's signature sound.

Crafted for luxurious everyday use, the earphones combine cutting-edge technology, comfort and durability, as well as first-class call clarity thanks to beamforming technology.



Stereo pairing

Bang & Olufsen introduced stereo pairing for Beosound Balance, Level and Emerge through an over-the-air software update.

The new software allows two identical speakers to act as a single set of speakers. Placed at the same height they offer a more immersive sound experience, adding a completely different dimension.



AUG '21

Lay Zhang as global brand ambassador

Chinese Lay Zhang is Bang & Olufsen's first global brand ambassador. As a pilot in combining contemporary Chinese and Western pop music, Lay Zhang successfully promoted the launch of the company's new earphones, Beoplay EQ. This ensured a strong launch in China, with Lay Zhang's promotion receiving more than 500 million impressions.



Annual General Meeting

At the Annual General Meeting held on 19 August 2021, all resolutions were passed in accordance with the Board of Directors' recommendations. Documents relating to the Annual General Meeting are available at <https://investor.bangolufsen.com/annual-general-meetings>

Outlook for 2021/22

The company maintains its outlook for 2021/22. It 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. It 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 growth rates to decline compared to Q1 due to higher comparables. These expectations are subject to the following assumptions for the remainder of the year:

- Growth mainly driven by product sales.
- Improved performance in core markets.
- Full-year effect from products launched last year, with main effect in the first half of the year.
- The launch of more than four product innovations, including both new products and feature updates to existing products.
- Double-digit customer base growth.
- No significant worsening of product availability, for example due to scarcity of components or a reduction in manufacturing capacity.
- Impact from new COVID-19 outbreaks not being materially different from that 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 is expected to be 2-4%. In addition to the company's assumptions regarding revenue, the expectations are based on the following assumptions:

- Component and logistics costs assumed to stay at the higher price level experienced in Q4 2020/21.
- Higher costs for demand creation, including addition of more resources.
- Higher costs for product development, including addition of more development resources.
- 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 is expected to be between DKK 0m and DKK 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.

Sensitivities

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 geographical markets, supply chain and logistics.

There is higher than normal uncertainty relating to sourcing of components due to global component scarcity and general pressure on logistics. This may impact both growth and profitability.

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 general economic and commercial factors, such as market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit and liquidity risk.

| OUTLOOK 2021/22 | October 2021 | July 2021 |
|--------------------------------------|--------------|------------|
| Revenue (DKKbn) | 2.9 to 3.1 | 2.9 to 3.1 |
| EBIT margin before special items (%) | 2-4 | 2-4 |
| Free cash flow (DKKbn) | 0 to 100 | 0 to 100 |

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Management Board have today discussed and approved the interim report of Bang & Olufsen A/S for the period 1 June 2021 – 31 August 2021.

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 31 August 2021, and of the results of the Group's operations and cash flows for the period 1 June 2021 – 31 August 2021. 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, 6 October 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 Ryttilä

Income statement

| (DKK million) | Notes | Q1 | | Year |
|---|-------|------------|------------|--------------|
| | | 2021/22 | 2020/21 | 2020/21 |
| Revenue | 2, 4 | 666 | 462 | 2,629 |
| Production costs | | -367 | -264 | -1,490 |
| Gross profit | | 299 | 198 | 1,139 |
| Development costs | 5 | -78 | -68 | -258 |
| Distribution and marketing costs | | -183 | -142 | -727 |
| Administrative costs | | -31 | -29 | -135 |
| Operating profit/(loss) (EBIT) | | 7 | -41 | 19 |
| Financial income | | 2 | 1 | 6 |
| Financial expenses | | -7 | -21 | -58 |
| Financial items, net | | -5 | -20 | -52 |
| Earnings before tax (EBT) | | 2 | -61 | -33 |
| Income tax | | -1 | 12 | 10 |
| Earnings for the period | | 1 | -49 | -23 |
| Earnings per share | | | | |
| Earnings per share (EPS), DKK | | 0.0 | -0.4 | -0.2 |
| Diluted earnings per share (EPS-D), DKK | | 0.0 | -0.4 | -0.2 |

Statement of comprehensive income

| (DKK million) | Q1 | | Year |
|--|----------|------------|------------|
| | 2021/22 | 2020/21 | 2020/21 |
| Earnings for the period | 1 | -49 | -23 |
| Items that will be reclassified subsequently to the income statement: | | | |
| Foreign exchange adjustments of foreign entities | 3 | -4 | 4 |
| Fair value adjustments of derivatives | -3 | -4 | -25 |
| Value adjustments of derivatives reclassified in | | | |
| Revenue | 5 | - | 7 |
| Production costs | - | 2 | 2 |
| Tax on other comprehensive income | -1 | 1 | 3 |
| Other comprehensive income for the period, net of tax | 4 | -5 | -9 |
| Total comprehensive income for the period | 5 | -54 | -32 |

Statement of financial position

ASSETS

| (DKK million) | Notes | 31-08-21 | 31-08-20 | 31-05-21 |
|---|-------|--------------|--------------|--------------|
| Goodwill | | 41 | 44 | 41 |
| Acquired rights and software | | 40 | 23 | 41 |
| Completed development projects | | 140 | 88 | 110 |
| Development projects in progress | 5 | 40 | 66 | 76 |
| Intangible assets | | 261 | 221 | 268 |
| Land and buildings | | 80 | 81 | 82 |
| Plant and machinery | | 49 | 42 | 37 |
| Other equipment | | 10 | 14 | 13 |
| Leasehold improvements | | 20 | 6 | 20 |
| Tangible assets in course of construction and prepayments for tangible assets | | 10 | 37 | 28 |
| Right-of-use assets | | 113 | 144 | 120 |
| Tangible assets | | 282 | 324 | 300 |
| Non-current other receivables | | 25 | 26 | 24 |
| Deferred tax assets | | 90 | 69 | 87 |
| Total non-current assets | | 658 | 640 | 679 |
| Inventories | | 453 | 413 | 369 |
| Trade receivables | | 405 | 331 | 438 |
| Tax receivable | | 32 | 31 | 32 |
| Other receivables | | 90 | 84 | 92 |
| Prepayments | | 35 | 27 | 32 |
| Securities | 8 | 437 | - | 435 |
| Cash | 8 | 201 | 497 | 178 |
| Assets held for sale | | 21 | 21 | 21 |
| Total current assets | | 1,674 | 1,404 | 1,597 |
| Total assets | | 2,332 | 2,044 | 2,276 |

EQUITY AND LIABILITIES

| (DKK million) | Notes | 31-08-21 | 31-08-20 | 31-05-21 |
|--------------------------------------|-------|--------------|--------------|--------------|
| Share capital | | 613 | 613 | 613 |
| Translation reserve | | 19 | 8 | 16 |
| Reserve for cash flow hedges | | -9 | 2 | -10 |
| Retained earnings | | 520 | 514 | 514 |
| Total equity | | 1,143 | 1,137 | 1,133 |
| Lease liabilities | | 110 | 126 | 117 |
| Pensions | | 13 | 15 | 14 |
| Deferred tax | | 7 | 9 | 7 |
| Provisions | | 39 | 31 | 39 |
| Mortgage loans | | 61 | 65 | 61 |
| Other non-current liabilities | | 1 | 36 | 1 |
| Deferred income | | 14 | 15 | 15 |
| Total non-current liabilities | | 245 | 297 | 254 |
| Lease liabilities | | 26 | 41 | 24 |
| Mortgage loans | | 4 | 4 | 4 |
| Bank loans | 8 | 30 | - | 20 |
| Provisions | | 47 | 51 | 49 |
| Trade payables | | 633 | 327 | 502 |
| Tax payable | | 26 | 24 | 31 |
| Other liabilities | | 174 | 153 | 255 |
| Deferred income | | 4 | 10 | 4 |
| Total current liabilities | | 944 | 610 | 889 |
| Total liabilities | | 1,189 | 907 | 1,143 |
| Total equity and liabilities | | 2,332 | 2,044 | 2,276 |

Statement of cash flows

| (DKK million) | Notes | Q1 | | Year |
|--|-------|------------|------------|-------------|
| | | 2021/22 | 2020/21 | 2020/21 |
| Earnings before tax (EBT) | | 2 | -61 | -33 |
| Financial items, net | | 5 | 20 | 52 |
| Depreciation, amortisation and impairment | | 52 | 46 | 184 |
| Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA) | | 59 | 5 | 203 |
| Other non-cash items | | 5 | -19 | -5 |
| Change in net working capital | 6 | -4 | -24 | 126 |
| Interest received | | 2 | 1 | 6 |
| Interest paid | | -6 | -6 | -23 |
| Income tax paid | | -9 | 6 | -10 |
| Cash flows from operating activities | | 47 | -37 | 297 |
| Purchase of intangible non-current assets | | -22 | -20 | -134 |
| Purchase of tangible non-current assets | | -4 | -7 | -50 |
| Sublease payment | | 1 | 2 | 7 |
| Other cash flows from investing activities | | -1 | - | -1 |
| Operational investments | | -26 | -25 | -178 |
| Free cash flow | | 21 | -62 | 119 |
| Purchase of securities | | -25 | - | -495 |
| Sale of securities | | 25 | - | 50 |
| Financial investments | | 0 | - | -445 |
| Cash flows from investing activities | | -26 | -25 | -623 |

| (DKK million) | Notes | Q1 | | Year |
|--|-------|------------|------------|------------|
| | | 2021/22 | 2020/21 | 2020/21 |
| Repayment of lease liabilities | | -7 | -12 | -40 |
| Repayment of mortgage loans | | -1 | -1 | -4 |
| Proceeds from loans and borrowings | | 50 | - | 472 |
| Repayment of loans and borrowings | | -40 | - | -452 |
| Purchase of own treasury shares | | - | - | -42 |
| Capital increase | | - | 357 | 359 |
| Cash flows from financing activities | | 2 | 344 | 293 |
| Cash and cash equivalents, opening balance | | 178 | 215 | 215 |
| Exchange rate gain/loss on cash and cash equivalents | | 0 | - | -4 |
| Change in cash and cash equivalents | | 23 | 282 | -33 |
| Cash and cash equivalents, closing balance | | 201 | 497 | 178 |
| Available liquidity | | 608 | 497 | 593 |

Statement of change in equity

| (DKK million) | Share capital | Translation reserve | Reserve for cash flow hedges | Retained earnings | Total |
|---|---------------|---------------------|------------------------------|-------------------|--------------|
| Equity 1 June 2021 | 613 | 16 | -10 | 514 | 1,133 |
| Earnings for the period | - | - | - | 1 | 1 |
| Foreign exchange adjustments of foreign entities | - | 3 | - | - | 3 |
| Fair value adjustments of derivatives | - | - | -3 | - | -3 |
| Value adjustments of derivatives reclassified in | | | | | |
| Revenue | - | - | 5 | - | 5 |
| Production costs | - | - | - | - | - |
| Income tax on items that will be reclassified to the income statement | - | - | -1 | - | -1 |
| Comprehensive income for the period | - | 3 | 1 | 1 | 5 |
| Share-based payments | - | - | - | 5 | 5 |
| Equity 31 August 2021 | 613 | 19 | -9 | 520 | 1,143 |
| Equity 1 June 2020 | 432 | 12 | 3 | 385 | 832 |
| Earnings for the period | - | - | - | -49 | -49 |
| Foreign exchange adjustments of foreign entities | - | -4 | - | - | -4 |
| Fair value adjustments of derivatives | - | - | -4 | - | -4 |
| Value adjustments of derivatives reclassified in | | | | | |
| Production costs | - | - | 2 | - | 2 |
| Income tax on items that will be reclassified to the income statement | - | - | 1 | - | 1 |
| Comprehensive income for the period | - | -4 | -1 | -49 | -54 |
| Cancellation of shares | -23 | - | - | 23 | - |
| Reduction of share capital | -205 | - | - | 205 | - |
| Rights issue | 409 | - | - | - | 409 |
| Costs related to rights issue | - | - | - | -52 | -52 |
| Acquisition of own shares | - | - | - | 2 | 2 |
| Equity 31 August 2020 | 613 | 8 | 2 | 514 | 1,137 |

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 trade receivables 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 2021 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 notes 1.1 and 1.2 to the consolidated financial statements in the 2020/21 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 and global component scarcity affecting product supplies.

4 Segment information

| (DKK million) | EMEA | Americas | Asia | Regions, total | Brand Partnering & other activities | All |
|---------------------|------------|-----------|------------|----------------|-------------------------------------|------------|
| Q1 2021/22 | | | | | | |
| Revenue | 302 | 60 | 244 | 606 | 60 | 666 |
| Production costs | -173 | -41 | -151 | -365 | -2 | -367 |
| Gross profit | 129 | 19 | 93 | 241 | 58 | 299 |
| Gross margin | 42.6% | 30.9% | 38.2% | 39.7% | 96.7% | 44.8% |
| Q1 2020/21 | | | | | | |
| Revenue | 204 | 33 | 169 | 406 | 56 | 462 |
| Production costs | -127 | -19 | -117 | -263 | -1 | -264 |
| Gross profit | 77 | 14 | 52 | 143 | 55 | 198 |
| Gross margin | 37.7% | 41.5% | 30.8% | 35.3% | 97.4% | 42.8% |

| (DKK million) | Staged | Flexible Living | On-the-go | Products, total | Brand Partnering & other activities | All |
|---------------------|------------|-----------------|------------|-----------------|-------------------------------------|------------|
| Q1 2021/22 | | | | | | |
| Revenue | 265 | 148 | 193 | 606 | 60 | 666 |
| Production costs | -143 | -80 | -142 | -365 | -2 | -367 |
| Gross profit | 122 | 68 | 51 | 241 | 58 | 299 |
| Gross margin | 45.8% | 46.1% | 26.6% | 39.7% | 96.7% | 44.8% |
| Q1 2020/21 | | | | | | |
| Revenue | 196 | 79 | 131 | 406 | 56 | 462 |
| Production costs | -111 | -42 | -110 | -263 | -1 | -264 |
| Gross profit | 85 | 37 | 21 | 143 | 55 | 198 |
| Gross margin | 43.5% | 46.5% | 16.4% | 35.3% | 97.4% | 42.8% |

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

5 Development costs

| (DKK million) | Q1 | | Year |
|--|-----------|-----------|------------|
| | 2021/22 | 2020/21 | 2020/21 |
| Incurring development costs before capitalisation | 72 | 65 | 287 |
| Hereof capitalised | -18 | -18 | -106 |
| Incurring development costs after capitalisation | 54 | 47 | 181 |
| Capitalisation (%) | 25.4% | 27.1% | 36.8% |
| Total charges and impairment losses on development projects | 24 | 21 | 77 |
| Development costs recognised in the consolidated income statement | 78 | 68 | 258 |

6 Change in net working capital

| (DKK million) | 31-08-21 | 31-05-21 | Change in | Change in | Change in |
|-------------------------------|------------|------------|-------------------|-------------------|------------|
| | | | Q1 2021/22 YTD | Q1 2020/21 YTD | 2020/21 |
| Inventories | 453 | 369 | -84 | -44 | 88 |
| Trade receivables | 405 | 438 | 33 | 41 | -148 |
| Other receivables* | 88 | 90 | 2 | 18 | -37 |
| Prepayments | 35 | 32 | -3 | -14 | 9 |
| Trade payables | -633 | -502 | 131 | 103 | 72 |
| Other liabilities** | -139 | -221 | -82 | -88 | 156 |
| Deferred income - non-current | -14 | -15 | -1 | - | - |
| Deferred income - current | -4 | -4 | - | 8 | -14 |
| Total | 191 | 187 | -4 | 24 | 126 |

* Other receivables were adjusted for financial receivables related to leases of DKK 2m not included as net working capital at 31 August 2021 (31 May 2021: DKK 2m).

** Other liabilities were adjusted for a provision of DKK 35m under the Danish Holiday Act not included as net working capital at 31 August 2021 (31 May 2021: DKK 34m).

The decrease in other liabilities primarily related to provisions for employee bonus.

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 restructuring.

| (DKK million) | Q1 | | Year |
|---------------------------------------|----------|----------|-----------|
| | 2021/22 | 2020/21 | 2020/21 |
| Severance, Executive Management Board | - | - | 1 |
| Restructuring costs, severance | - | - | 2 |
| Consultants | 2 | 2 | 16 |
| Total | 2 | 2 | 19 |

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 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 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 31 August 2021, repo transactions amounted to DKK 30m.

Net interest-bearing deposit amounted to DKK 379m compared to net interest-bearing deposit of DKK 361m at year-end 2020/21.

| (DKK million) | 31-08-21 | 31-08-20 | 31-05-21 |
|--|-------------|-------------|-------------|
| Mortgage loans (non-current) | -61 | -65 | -61 |
| Mortgage loans (current) | -4 | -4 | -4 |
| Bank loans (current) | -30 | - | -20 |
| Lease liabilities (non-current) | -110 | -126 | -117 |
| Lease liabilities (current) | -26 | -41 | -24 |
| Other non-current liabilities* | - | -34 | - |
| Other current liabilities | -35 | - | -34 |
| Interest-bearing debt | -266 | -270 | -260 |
| Finance lease receivables (non-current) | 5 | 6 | 6 |
| Finance lease receivables (current) | 2 | 13 | 2 |
| Cash (current) | 201 | 497 | 178 |
| Securities (current) | 437 | - | 435 |
| Interest-bearing assets | 645 | 516 | 621 |
| Net interest-bearing deposit/(debt) | 379 | 246 | 361 |

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

Net available cash was DKK 608m (year-end 2020/21: DKK 593m), consisting of cash and securities offset by repo transactions.

| (DKK million) | 31-08-21 | 31-08-20 | 31-05-21 |
|----------------------------|------------|------------|------------|
| Cash (current) | 201 | 497 | 178 |
| Securities (current) | 437 | - | 435 |
| Bank loans (current) | -30 | - | -20 |
| Available liquidity | 608 | 497 | 593 |

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.

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.

Costs related to both programmes have been recognised as staff costs and amounted to DKK 5m for the quarter (Q1 2020/21: DKK 2m).

10 Long-term incentive programmes

Bang & Olufsen has both Matching Share Programmes (MSP) and Long Term Incentive Programmes (LTIP) for the Executive Management Board, key employees and certain other employees.

Within the MSP the participants are entitled to receive up to a specific number of shares depending on certain KPIs. The LTIP is a combined performance and retention share programme. The performance shares are eligible for vesting 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.

MATCHING SHARE PROGRAMMES (MSP)

| Programme | Performance period | Maximum shares | Other key employees | Total | Average share price at grant date | Remaining time to vesting |
|-----------|-----------------------|----------------|---------------------|---------|-----------------------------------|---------------------------|
| | | Number | Number | | Number | |
| 2018/19 | 01.06.2020-31.05.2021 | 2,208 | 17,672 | 19,880 | 12 | 2 |
| 2019/20 | 01.06.2020-31.05.2022 | 295,820 | 86,400 | 382,220 | 12 | 12 |

LONG TERM INCENTIVE PROGRAMMES (LTIP)

| Programme | Performance period | Maximum shares | Total value at the time of allocation | Release after Annual Report | Average share price at grant date | Remaining time to vesting |
|-----------|-----------------------|----------------|---------------------------------------|-----------------------------|-----------------------------------|---------------------------|
| | | Number | Number | Number | DKK | |
| 2020/21 | 01.06.2020-31.05.2023 | 3,091,511 | 22 | 2022/23 | 13 | 24 |
| 2020/21 | 01.06.2021-31.05.2024 | 2,218,064 | 37 | 2023/24 | 33 | 35 |

11 Financial instruments

Financial instruments by category

| (DKK million) | 31-08-21 | 31-08-20 | 31-05-21 |
|--|--------------|------------|--------------|
| Non-current other receivables | 25 | 24 | 24 |
| Trade receivables | 405 | 331 | 438 |
| Other receivables | 90 | 67 | 92 |
| Cash | 201 | 497 | 178 |
| Financial assets at amortised cost | 721 | 919 | 732 |
| Securities | 437 | - | 435 |
| Fair value through income statement | 437 | - | 435 |
| Hedge accounting | 3 | - | 1 |
| Fair value through other comprehensive income | 3 | - | 1 |
| Financial assets | 1,161 | 919 | 1,168 |
| Other non-current liabilities | - | - | 34 |
| Mortgage loans | 65 | 68 | 65 |
| Bank loans | 30 | - | 20 |
| Lease liabilities | 136 | 167 | 141 |
| Trade payables | 633 | 327 | 502 |
| Financial liabilities at amortised cost | 864 | 563 | 762 |
| Hedge accounting | -16 | -3 | -16 |
| Fair value through other comprehensive income | -16 | -3 | -16 |

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 7.3 to the 2020/21 Annual Report 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.

The company holds a total of 2,112,372 treasury shares (43,565 shares at 31 August 2020).

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 2021/22, 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, and the potential impact in the company's different geographical markets and on 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 31 August 2021 which are expected to have a material impact on the Group's financial position.

BANG & OLUFSEN