BANG & OLUFSEN

Interim Report H1 2021/22

1 June – 30 November 2021

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Q2 highlights

Financial highlights

Bang & Olufsen delivered 15% revenue growth in local currencies and an EBIT margin before special items of 3.5%. The growth was driven by all regions, with Asia and Americas delivering the strongest growth, whereas EMEA was impacted relatively harder by supply constraints. Challenges related to component scarcity impacted both growth and profitability negatively.

The company grew sell-out more than sell-in. Sell-out grew across all distribution channels and product categories.

Product sales grew 22%, driven predominantly by the Staged and Flexible Living categories. Growth was particularly strong within multibrand, etail and the company's eCommerce platform. Sales in EMEA were negatively impacted by controlled returns of mainly end-of-life products from a few multibrand partners in Germany and Switzerland. Like-for-like sell-out in the channels showed double-digit growth.

Revenue from Brand Partnering & other activities declined from higher comparable PC sales last year and as PC and car manufacturing were impacted negatively by component scarcity.

The gross margin was 44.4%. This represents a 0.2pp decrease year-on-year. The margin reflected an improved product mix and increased prices, offset by higher component costs (approx. 4.5pp).

EBIT before special items was DKK 28m, equivalent to an EBIT margin of 3.5% (Q2 20/21: 4.1%).

Earnings for the period were a profit of DKK 10m compared to DKK 12m last year.

Free cash flow was DKK 11m (Q2 20/21: DKK 139m). The year-on-year decline was related to last year's working capital improvement, partly offset by improved EBITDA.

Available liquidity was DKK 534m (Q1 21/22: DKK 608m). The decline in the quarter was related to the purchase of treasury shares to cover outstanding LTIP programmes and settlement of the Danish Holiday Fund.

For the first six months of the financial year, Bang & Olufsen delivered 27% revenue growth in local currencies, EBIT before special items of DKK 37m (H1 20/21: DKK -11m) and a positive free cash flow of DKK 32m (H1 20/21: DKK 77m).

Strategic initiatives

Despite high activity levels to secure component supply, and reworking marketing execution to adjust to available supply, the company continued to deliver on the strategy at a steady pace.

The six European core markets delivered 8% growth, adjusted for product returns. The growth was driven by double-digit sell-out growth.

The two Asian core markets delivered year-on-year growth of 32% in local currencies. The company finalised its China growth plan, with a strong emphasis on go-to-market tactics.

Americas grew 99% in local currencies, mainly driven by the partnerships with Verizon and BestBuy.

With the launch of two product innovations in Q2, the company is on track to deliver on the roadmap for 2021/22. In Q2, the company launched a pilot of the Bespoke Programme, inviting customers to customise and individualise products to their preference.

In H1, the number of customers using the company's app grew by 16%.

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 (see page 20) and continues to be subject to high uncertainty due to general pressure on supply chains and COVID-19.

REVENUE DKK MILLION
809
(Q2 20/21: 693)

GROWTH IN LOCAL CURRENCY
15%
(Q2 20/21: 12%)

EBIT BEFORE SPECIAL ITEMS DKK MILLION
28
(Q2 20/21: 28)

FREE CASH FLOW DKK MILLION
11
(Q2 20/21: 139)

Key financial highlights

(DKK million)	Q2 2021/22	Q2 2020/21	YTD 2021/22	YTD 2020/21
Income statement				
Revenue	809	693	1,475	1,155
EMEA	367	352	669	556
Americas	91	45	151	78
Asia	284	216	528	385
Brand Partnering & other activities	67	80	127	136
Gross margin, %	44.4	44.6	44.6	43.9
EMEA	40.3	42.8	41.4	40.9
Americas	31.2	39.7	31.4	40.8
Asia	41.5	29.5	39.9	30.1
Regions, total	39.6	37.9	39.7	36.5
Brand Partnering & other activities	97.3	95.1	97.0	96.4
EBITDA	81	74	140	79
EBIT before special items	28	28	37	-11
EBIT	27	25	34	-16
Special items, net	-1	-3	-3	-5
Financial items, net	-10	-7	-15	-27
Earnings before tax (EBT)	17	18	19	-43
Earnings for the period	10	12	11	-37
Financial position				
Total assets	2,503	2,253	2,503	2,253
Share capital	613	613	613	613
Equity	1,127	1,111	1,127	1,111
Cash	214	158	214	158
Available liquidity	534	582	534	582
Net interest-bearing deposit	343	334	343	334
Net working capital	217	244	217	244

(DKK million)	Q2 2021/22	Q2 2020/21	YTD 2021/22	YTD 2020/21
Cash flows				
Cash flows from operating activities	65	175	112	138
Operational investments	-54	-36	-80	-61
Free cash flow	11	139	32	77
Cash flows from investing activities	-50	-36	-76	-61
Cash flows from financing activities	-	-478	2	-134
Cash flows for the period	15	-339	38	-57
Key figures				
Growth in local currencies, %	15	12	27	12
EBITDA margin before special items, %	10.2	11.1	9.7	7.3
EBITDA margin, %	10.1	10.7	9.5	6.8
EBIT margin before special items, %	3.5	4.1	2.5	-0.9
EBIT margin, %	3.4	3.6	2.3	-1.4
Return on assets, %	0.5	-1.6	0.5	-1.6
Return on invested capital, excl. goodwill, %	10.7	-2.0	10.7	-2.0
Return on equity, %	1.0	-3.3	1.0	-3.3
Full-time equivalents at end of period	1,030	858	1,030	858
Stock-related key figures				
Earnings per share (EPS), DKK	0.1	0.1	0.1	-0.3
Earnings per share, diluted (EPS-D), DKK	0.1	0.1	0.1	-0.3
Price/Earnings	329.1	220.4	311.0	-72.7
Revenue per share, DKK	6.7	5.7	12.2	9.6
Revenue per share, diluted, DKK	6.7	5.7	12.2	9.6

Management report for Q2

In Q2, the company delivered 15% revenue growth in local currencies and an EBIT margin before special items of 3.5%, while free cash flow was positive by DKK 11m. Product sales grew 22%, driven in particular by the Staged and Flexible Living categories. The company continued to be adversely impacted by the global supply chain challenges, which affected product availability and led to higher cost of goods sold in the quarter.

Developments in Q2

The company delivered 15% revenue growth in local currencies. This was driven by product sales, which delivered 22% growth, whereas Brand Partnering & other activities declined year-on-year.

The growth was impacted by product scarcity. In the previous quarters this has impacted the Staged category, but in Q2 increased scarcity of key components also impacted the Flexible Living category. The company's brand licensing partners were also affected by the global component shortages.

Despite component scarcity, the Flexible Living category delivered strong growth of 44%, driven by Asia in particular. In Q2, Asia was the region with most revenue from Flexible Living products.

The company continued to improve sell-out and partner inventory insight. Like-for-like sell-out experienced double-digit growth in Q2. Based on the improved sell-out and partner inventory insights, the company identified some older slow-moving end-of-life On-the-go products in Germany and Switzerland. It was decided to make controlled product returns, and this had an adverse impact on growth.

The two core Asian markets grew by 32% in local currencies compared to last year. This was driven by a strong performance across all channels, in particular etail and multibrand.

The company launched two important product innovations in Q2. Firstly, Bang & Olufsen and Cisco unveiled the Bang & Olufsen Cisco 980 headset, targeting hybrid work. Secondly, Bang & Olufsen expanded its proprietary multiroom ecosystem, Beolink, to all Wi-Fi products. The Beolink ecosystem delivers a unique customer experience for customers owning several B&O products.

The company managed to deliver a higher product gross margin, which was up 1.7pp compared to last year. The increase was driven by product mix and an improved margin from the On-the-go category.

The gross margin was adversely impacted by component and logistics costs. By working diligently with logistics and production setup, the company successfully reduced absolute logistics costs compared to Q2 of last year.

Logistics and component costs had a combined negative impact on product gross margin of approx. 7pp, which was 4.5pp more than last year.

Revenue in Q2

Revenue increased by 16.7% year-on-year (15% in local currencies) to DKK 809m. The growth was related to product sales, which increased by 22% in local currencies. Brand Partnering & other activities declined by 15% in local currencies.

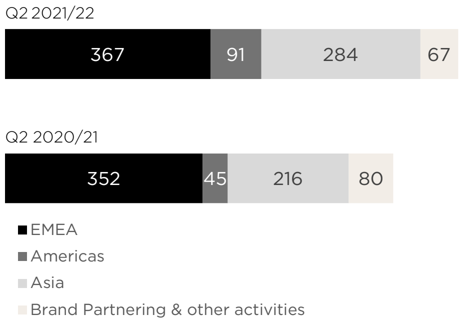
The company's brand partners were impacted negatively by component scarcity. The year-on-year effect was most pronounced within PC sales as Q2 of last year was boosted by strong demand lifted by a sharp increase in hybrid work. Car manufacturing was also negatively impacted by component scarcity, but the year-on-year impact was lower as car manufacturers experienced factory shutdowns last year due to COVID-19.

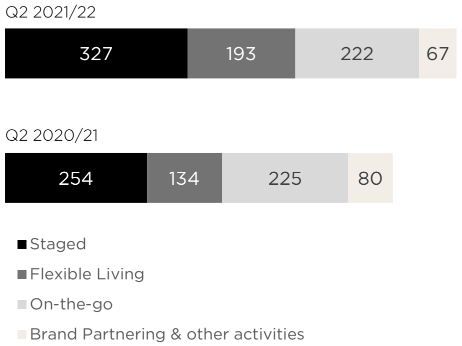
Revenue growth from product sales was mainly driven by Asia and Americas. The revenue growth was driven by higher demand for existing products and products launched since Q2 of last year, which accounted for approx. 26% of product-related revenue in Q2.

The monobrand channel continued to be the most important distribution channel for Bang & Olufsen, delivering solid year-on-year revenue growth supported by sell-out. The growth was achieved despite the Staged category being impacted by component scarcity. The number of monobrand stores was largely unchanged compared to Q1.

The multibrand channel delivered strong growth, driven by Asia and Americas. The performance in multibrand in EMEA was adversely impacted by controlled returns of mainly end-of-life products. Year-on-year, sell-out increased in all regions. The number of multibrand points of sale increased slightly in Q1, which was mainly related to EMEA.

REVENUE SPLIT





The company's efforts on etail platforms such as Amazon, Tmall and JD.com yielded positive results in Q2, with high double-digit growth rates. More active participation in the marketing moments in Q2, like Singles Day and Black Friday, resulted in a significant improvement in sell-out compared to last year.

The company's eCommerce platform grew by 59% compared to Q2 of last year. The company succeeded in achieving an increase in average purchase, driven by strong growth in Flexible Living products.

The eCommerce platform accounted for approx. 4% of product revenue, in line with Q1. Ecommerce and etail combined accounted for approx. 21% of revenue from product sales in Q2. Excluding products not available for online purchase, eCommerce and etail accounted for approx. 34% of product revenue.

Staged category

Revenue grew by 28.4% to DKK 327m (Q2 20/21: DKK 254m), reflecting a higher volume sold and price increases implemented since Q2 of last year.

Speaker sales more than doubled compared to Q2 of last year, driven by current products and also by Beolab 28, which continued to experience strong demand.

Revenue from TVs was slightly higher than in Q2 of last year. Last year, revenue was supported by revenue from TV screens related to the first generation of Beovision Eclipse and the launch of Beovision Contour 48''. In Q2 21/22, TV screens were sourced entirely by retail partners for the whole TV portfolio. Excluding screen-related revenue last year, the Staged category would have experienced approx. 8pp higher growth.

Flexible Living category

Revenue grew by 43.7% to DKK 193m (Q2 20/21: DKK 134m).

The growth was mainly driven by Beoplay A9, which continues to experience high demand in Asia. Beoplay A9 remains the best-selling product in this category.

The growth was adversely impacted by component scarcity.

As a consequence, the company prioritised the allocation of components to the more expensive products with high demand.

Sell-out data confirmed the high growth compared to Q2 of last year.

On-the-go category

Revenue declined by 1.3% to DKK 222m (Q2 20/21: DKK 225m).

The decline was partly driven by controlled returns of mainly older end-of-life products from a few multibrand partners to safeguard the brand. Excluding returns, the On-the-go category grew approx. 7%.

Portable speakers and headphones contributed positively, especially driven by strong growth in Americas, whereas earphones declined.

	Monobrand		Multibrand	
Points of sale	End Q2 21/22	End Q1 21/22	End Q2 21/22	End Q1 21/22
EMEA	348	348	1,671	1,580
Americas	26	26	2,466	2,466
Asia	81	79	950	957
Total	**455**	**453**	**5,087**	**5,003**

The growth in portable speakers was driven by Beosound A1 2nd Gen and Beolit 20 as well as Beosound Explore, which was launched in Q4 of last year.

The growth in headphones was mainly driven by Beoplay H95, which continued to experience high demand a year after launch.

The decline in earphone sales was mainly related to Beoplay E8 Sport and to Beoplay E8 2.0, which was end-of-life in Q2 of last year. Beoplay EQ, which has replaced Beoplay E8 3rd Gen, delivered solid growth. Beoplay EQ is sold at a higher price, and the revenue growth was achieved at a lower volume compared to Beoplay E8 3rd Gen.

Sell-out increased across portable speakers, headphones and earphones. Especially portable speakers continued to experience good demand.

Gross profit

Gross profit was DKK 359m (Q2 20/21: DKK 309m). This was equivalent to a gross margin of 44.4% (Q2 20/21: 44.6%).

The decline in gross margin was primarily attributed to Brand Partnering & other activities accounting for a smaller proportion of total gross profit. Gross margin from product sales improved by 1.7pp to 39.6%. Gross margin from Brand Partnering & other activities improved by 2.2pp to 97.3%.

The improved gross margin from product sales was related to changes in product mix, price increases and better margins within On-the-go.

The combined year-on-year effect of component and logistics costs impacted the product gross margin by 4.5pp, which was related to component costs, whereas the effect of logistics costs declined compared to last year.

The lower impact from logistics costs was due to the company's efforts to mitigate the effects of higher freight rates. In Q2, the company moved parts of the Beosound Stage production from China to Europe. Furthermore, the company shipped more Staged and Flexible Living products by rail from Europe to China.

In the US, a new distribution centre has been established that will enable more products to be shipped by sea in the future. This will also allow Bang & Olufsen to serve the US market more effectively.

Capacity costs

Capacity costs were DKK 332m (Q2 20/21: DKK 284m), corresponding to an increase of 17%.

The increase reflects the fact that the company has invested more within sales and marketing and product development, as part of the second wave of its strategy – building robustness.

Development costs increased by DKK 5m to DKK 67m as a result of hiring more competencies, especially within software and platform development. Incurred development costs were DKK 4m higher than last year, reflecting platform upgrades and investments in the product roadmap.

Distribution and marketing costs increased by DKK 40m to DKK 231m (Q2 20/21: DKK 191m). The increase was related to higher marketing costs, hiring of sales and marketing resources, and warranty provisions, driven by higher activity.

Administrative costs were DKK 34m (Q2 20/21: DKK 31m). The increase was driven by increased costs related to HR and initiatives relating to ESG.

Special items amounted to DKK 1m, mainly relating to severance payments.

EBIT

EBIT was DKK 27m (Q2 20/21: DKK 25m). This was equivalent to an EBIT margin of 3.4% (Q2 20/21: 3.6%).

The margin decline was mainly related to the decline in high-margin brand licensing income, which accounted for a relatively smaller proportion of earnings. This effect was partly offset by the growth in revenue and gross margin from product sales. The capacity cost ratio was unchanged compared to Q2 of last year.

The EBIT margin before special items was 3.5% (Q2 20/21: 4.1%).

	Q2		YTD	
GROSS MARGIN	**2021/22**	2020/21	**2021/22**	2020/21
Staged	46.0%	46.9%	46.0%	45.4%
Flexible Living	46.8%	48.3%	46.4%	47.8%
On-the-go	24.2%	21.7%	25.2%	19.6%
Products, total	**39.6%**	**37.9%**	**39.7%**	**36.5%**
Brand Partnering & other activities	97.3%	95.1%	97.0%	96.4%
Total	**44.4%**	**44.6%**	**44.6%**	**43.9%**

Financial items

Net financial items were an expense of DKK 10m versus an expense of DKK 7m last year. This reflected value adjustments of securities, bank charges and exchange rate adjustments.

Earnings

Earnings before tax were DKK 17m (Q2 20/21: DKK 18m) and income tax was an expense of DKK 7m (Q2 20/21: expense of DKK 6m).

Earnings for the period were a profit of DKK 10m (Q2 20/21: profit of DKK 12m).

Cash flow

Free cash flow was DKK 11m compared to DKK 139m last year. The year-on-year decline was related to lower cash flows from operating activities and higher CAPEX.

Cash flows from operating activities were DKK 65m (Q2 20/21: DKK 175m).

The decline was related to changes in net working capital, which was negative by DKK 26m compared to a positive impact of DKK 108m last year, driven by the company's efforts to reduce net working capital. The net working capital ratio declined further by 4pp to 7.4% compared to last year.

Cash flows from investing activities were an outflow of DKK 54m (Q2 20/21: outflow of DKK 36m).

Investments were primarily related to the development of new products and platforms. Investments in tangible assets increased following higher investments in retail development.

Cash flows from financing activities mainly consisted of net proceeds from repo transactions (DKK 80m) offset by the purchase of treasury shares (DKK 37m). The treasury shares were purchased to cover the company's share-based incentive programme. Furthermore, the company also assessed and decided to settle to the Danish Holiday Fund (DKK 34m). The net cash flow from financing activities amounted to DKK 0m (Q2 20/21: DKK -478m).

The cash position was DKK 214m (Q2 20/21: DKK 158m).

Total available liquidity was DKK 534m, consisting of cash and securities (DKK 644m) less DKK 110m in bank loans related to repo transactions.

Net working capital

Net working capital amounted to DKK 217m. This represented an increase of DKK 26m during the quarter.

Trade receivables increased by DKK 81m during the quarter, driven by revenue growth. Sales with extended credit accounted for 4% (Q2 20/21: 5%) of revenue.

Trade payables increased by DKK 90m during the quarter, driven by higher production and deliveries. Trade payables were at a high level but are expected to decrease over the coming quarters.

Inventories increased by DKK 84m during the quarter 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. Inventory was low at year-end, constrained by component scarcity.

Other liabilities increased by DKK 42m during the quarter, due to higher provisions for employee bonus, right of return liabilities and derivatives.

Net working capital to the last 12 months' revenue was 7.4% (Q2 20/21: 11.4%).

Net interest-bearing deposit

Net interest-bearing deposit amounted to DKK 343m, compared to net interest-bearing deposit of DKK 361m at year-end 2020/21. The decrease was mainly due to repo transactions of DKK -90m and the purchase of treasury shares for an amount of DKK 37m, offset by primarily a positive free cash flow of DKK 32m.

For further details, please see note 8.

Assets held for sale

As of Q2 2021/22, "the Farm", previously used as the headquarters in Struer, is no longer for sale and will be used for own purposes. The building has consequently been reclassified to land and buildings under tangible assets.

Equity

Equity was DKK 1,127m, corresponding to an increase of DKK 16m for the year.

Financial performance H1 2021/22

Revenue amounted to DKK 1,475m. This was equivalent to year-on-year growth of 27% in local currencies. The growth was related to all product categories, although Flexible Living grew the most. Revenue from Brand Partnering & other activities declined year-on-year, driven by licensing income negatively impacted by component scarcity.

The growth was related to all distribution channels, although the most significant contribution came from multibrand, etail and the company's eCommerce platform.

The gross margin was 44.6% (H1 20/21: 43.9%), equivalent to a year-on-year increase of 0.7pp. This was driven by increased prices and improved margins across the regions together with improved product mix, offset by increased component and logistics costs (approx. 4.5pp impact). In addition, Brand Partnering & other activities constituted a smaller portion of revenue.

Capacity costs amounted to DKK 624m (H1 20/21: DKK 523m). The increase reflected the focus on building robustness, especially within sales and marketing and product development.

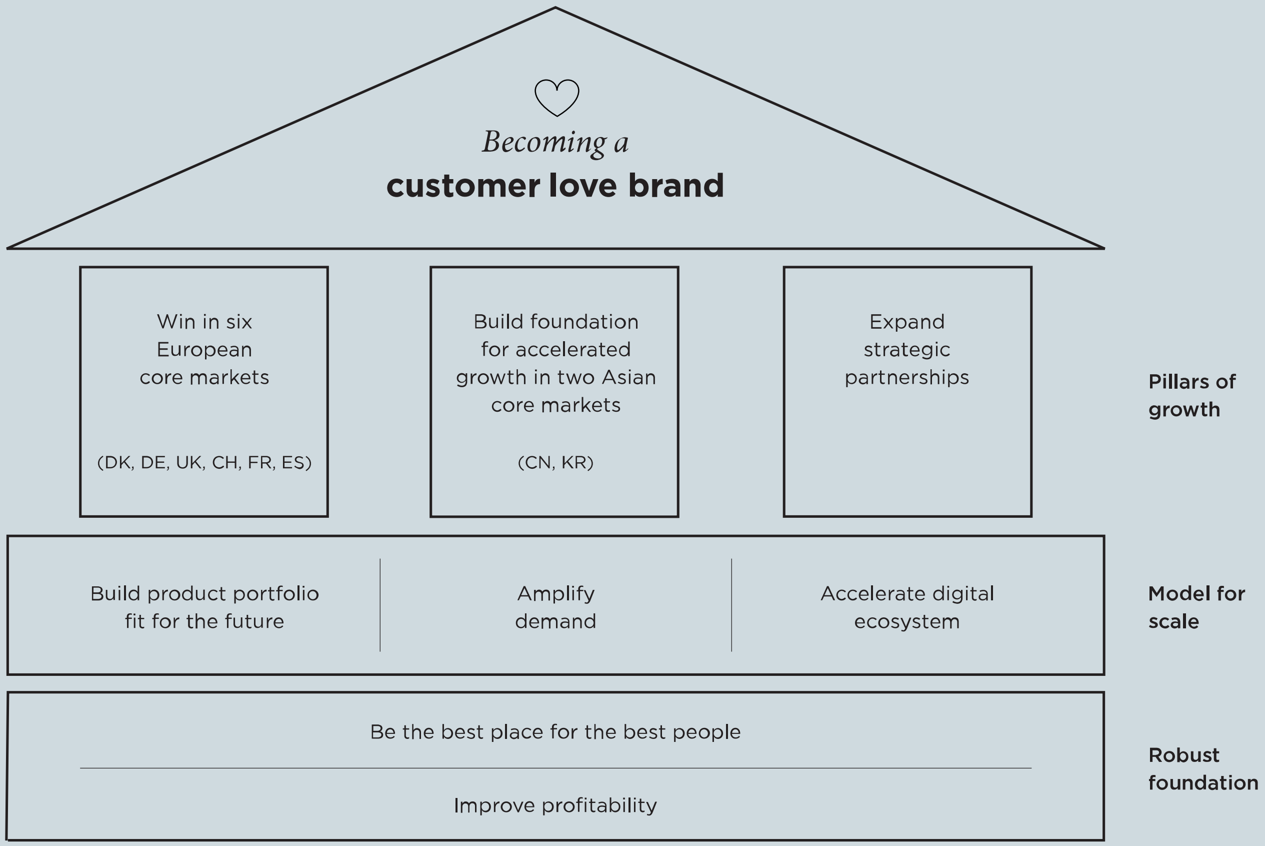
EBIT was DKK 34m (H1 20/21: DKK -16m), equivalent to a margin of 2.3% (H1 20/21: -1.4%).

EBIT before special items was DKK 37m (H1 20/21: DKK -11m) with a margin of 2.5% (H1 20/21: -0.9%).

Earnings before tax for the period were income of DKK 19m (H1 20/21: loss of DKK 43m), and earnings for the period were a loss of DKK 11m (H1 20/21: loss of DKK 37m).

Free cash flow was DKK 32m (H1 20/21: DKK 77m), positively affected by EBITDA of DKK 140m offset by the negative change in net working capital of DKK 30m and investments of DKK 80m.

Building robustness



Progress on key strategic priorities for 2021/22

Despite high activity levels to secure component supply, and reworking marketing execution to adjust to available supply, the company continued to deliver on strategy plans and ambitions at a steady pace.

The current phase of the turnaround is designed to build robustness in the business. The company works with eight strategic focus areas for the year, ultimately to i) secure a robust business foundation, ii) build a model for scale and iii) pursue three pillars of growth to concentrate resources and maximise return on investments.

Securing a robust business foundation

The company works to proactively improve profitability through various initiatives.

An important driver of profitability is optimisation of the company's logistics setup across geographical regions. In Q2, the company established a distribution centre in the US which reduces last-mile delivery times and creates synergies between the company's eCommerce activities and its partner-driven monobrand network. Having a regional distribution centre makes finished goods shipping options more flexible as transit times become less critical, and the company can more easily ship by sea instead of air, saving both cost and energy.

Furthermore, the company increased the use of rail freight between China and Europe. This requires a somewhat longer product supply planning horizon but reduces logistics costs and carbon footprint notably.

The price inflation experienced on components and raw materials, and the subsequent margin erosion, led the company to announce price increases effective from 1 January 2022. The price increases are also partly planned as a response to supply and demand trends in the consumer electronics and luxury industry in general. The company continues to work with strategic pricing to optimise for volume and profitability, considering price elasticity, supply and demand and competition.

Model for scale

Another critical part of creating business robustness is to build a business model that can scale. Essentially creating a mix of attractive products, sold through the right marketing and distribution channel mix, which can grow the business organically.

In Q2, the company launched two product innovations: Bang & Olufsen x Cisco premium business headset and Beolink Multiroom.

The Cisco partnership taps into the mega trend of hybrid work, for which the company now has a Cisco-certified proposition. Cisco's significant size provides a strong platform for the company to reach thousands of customers through enterprises. The Bang & Olufsen x Cisco headset is to be ready for shipments by spring 2022.

The Beolink Multiroom release is an important milestone in the company's strategy as it sits at the heart of a strategic ambition of building a portfolio fit for the future. The new proposition connects products from the past with products from the present and the future and facilitates sharing of audio sources in one unified system, synchronising sound across multiple speakers and rooms with total control, and simple user experience. Bridging previous and new platforms extends the lifetime of products, and the intuitive user interface and seamless experience makes it easy and attractive to extend the system with more speakers.

In addition to the two new product innovations, the company launched new colour, material and finish (CMF) executions to boost demand, i.e. H95 in two new colours and the introduction of gold aluminium as a standard option in the Staged category.

Another driver of demand for the quarter and the holiday season was the launch of the holiday collection Nordic Ice featuring unique, limited-edition products.

The company has a strategic ambition of working systematically with product programmes for differentiation. In Q2, the company launched a pilot of the Bespoke Programme, which invites customers to customise and individualise products to their preference. The pilot programme launched in four select monobrand stores (Berlin, Thalwil Switzerland, Harrods London, and SoHo New York), and is a deliberate effort to increase relevancy and attractiveness towards specific target audiences (Very High Net Worth Individuals and Well-Established). With increased demand for personalised products globally, the Bespoke programme is designed to make customers engage and interact with the brand and ultimately order unique and differentiated products repeatedly.

Lastly, an important milestone in demonstrating the company's commitment to designing for product longevity was the Cradle to Cradle bronze certification on BeoSound Level. The company was among the first companies to receive certification under the new Cradle to Cradle Certified Version 4.0 standard, which is the most ambitious and actionable standard for making products more sustainable.

With BeoSound Level being the first Cradle to Cradle-certified speaker in the consumer electronics industry, the company has proudly demonstrated how the industry can work to extend product life cycles, ensure a responsible supply chain and reduce environmental impact in the process.

The company has set an ambition of becoming a customer love brand, testified through the onboarding of new customers, selling more to existing customers and keeping the customer base happy and loyal.

In H1, the number of customers using the company's app grew by 16%.

Pillars of growth

The company continued its focus and resource allocation to the six core European and two core Asian markets.

European core markets

In the company's six core European markets, revenue for the quarter remained at same level as last year despite solid demand throughout the quarter. The growth was impacted negatively by component scarcity and thus product availability, especially within the Staged and Flexible Living categories. The growth was also adversely impacted by controlled product returns, as improved sell-out and partner inventory insights had identified some older slow-moving end-of-life products with a few multibrand partners in Germany and Switzerland. Adjusted for this effect, the six core markets grew by 8%.

The monobrand channel realised growth in all six core markets. Supply constraints challenging particularly the Staged category in Q1 continued into Q2, and extended to the Flexible Living category in the quarter. Despite a challenging environment, teams and partners worked closely to meet demand with the products available.

The company also worked to improve structural elements of the monobrand network. The company completed a thorough assessment of the monobrand network and partners. The assessment identified several partners and stores with opportunities to improve performance through, for example, instore investments, store relocations and staff training.

The assessment also identified stores to be closed. In total, 38 out of 348 stores in EMEA.

Multibrand performance suffered in the quarter as a result of product returns. The company decided to take control of slow-moving inventory. This included a special edition of an end-of-life product that did not successfully sell out. A proportion of the products taken back were reallocated to channels and partners with strong sell-out performance and demand in the channel, with the ultimate aim of avoiding products in unauthorised channels eroding current market position.

Sell-out showed double-digit growth through continued efforts to secure the right partners with the right instore experience. The latter is particularly driven by the continued roll-out of BeoCube, a new product display system collecting real-time data on customer interaction.

Etail performance grew significantly compared to last year – primarily delivered by Amazon. Consistent efforts to ramp-up organisational capabilities were a key reason for the growth. More specifically, the company has deployed experienced salespeople and institutionalised proper structures covering four out of six core markets in which Amazon holds strong market positions (the UK, Germany, France and Spain). Improved performance in etail, is important for a more balanced channel split to make the company less sensitive to challenges in individual channel verticals.

Earlier in the year the company initiated the roll-out of a plan to win in a smaller geographical area, London. By working in a more focused and systematic way with data, customer segment journeys, and go-to-market tactics, the company expects to boost brand awareness, consideration, purchase and loyalty in the area, with the ultimate aim of revenue growth and a strengthened competitive position in the market. London was selected as the pilot city, due to its relatively high density of target audience customers and comparatively weak existing market coverage. The company commenced its roll-out activities early in Q1 and increased the activity level throughout Q2.

The roll-out plan rests on three pillars; i) increasing and enhancing physical footprint (to meet customers where they shop), ii) establishing blended retail with strategic partners (to team up with partners who have a voice with the Bang & Olufsen target audience), and iii) creating events and experiences (to engage and excite customers). Additionally, the plan includes the creation of crosschannel experiences to drive and improve especially the digital footprint and engagement.

Select examples of roll-out activities include:

Opening a pop-up in Shoreditch, East London; new wall bays in key London train stations; new store openings in London airports; and upgrading points of sale in John Lewis stores. All locations were deliberately selected to get in front of specific target customers, at locations of their preference and presence. These efforts were designed to increase and enhance physical footprint to ultimately boost brand visibility and awareness.

Collaboration with interior designer Timothy Oulton; a presence in Situ Live, an experiential showroom focusing on storytelling in Westfield London; and the establishment of a partnership and affiliate programme with Smallbone Kitchens, a renowned luxury kitchen specialist. The execution of these blended retail activities serves to create visibility, awareness and brand equity with target customers.

Lastly, several events and targeted experiences were executed to drive visibility and awareness e.g. High Net Worth Individual events with partners such as Dalmore Whiskey, Dolce & Gabbana and Diageo; B&O experience via Velux at London Design Festival; Amazon Live at Victoria House; and several other unique experiences in established settings.

The roll-out efforts have yielded positive results. By the end of Q2, London represented a larger share of like-for-like monobrand store revenue in the UK than in the previous year, and year-to-date sell-out performance in London outperformed both the rest of the UK and EMEA.

Asian core markets
In the two Asian core markets, and China specifically, Q2 delivered strong growth of 32% year-on-year in local currencies.

The company finalised its China growth plan, with a strong emphasis on go-to-market tactics. The execution yielded good results for the quarter. The company worked in a more dedicated way with live streams, generating significant interest from the market.

Two important digital channels were further utilised; TikTok with live streams directing potential customers directly to JD or TMALL shopping sites, and WeChat mini programmes deployed to drive leads directly to monobrand partners and help customers locate Bang & Olufsen stores. Additionally, the company continued its brand ambassador collaboration with Lay Zhang to drive up brand awareness and affinity with new and existing customers.

Lastly, the company worked to improve customer journeys and experiences by establishing a customer service centre in Shanghai, open seven days a week and with Mandarin-speaking service staff. The benefits are not only to lift customer experience end-to-end, but also to get closer to end customers in a strategically important market.

EMEA

Revenue

Revenue was DKK 367m (Q2 20/21: DKK 352m). This was equivalent to an increase of 4.1% (3% in local currencies).

The growth was driven by all core channels except for multibrand. Multibrand was impacted negatively by products taken back by the company, as improved sell-out and partner inventory insight identified some older slow-moving On-the-go products at a few multibrand partners in Germany and Switzerland. As these products did not sell out as expected, it was decided to make controlled product returns. Like-for-like sell-out in the multibrand channel showed double-digit growth.

The monobrand channel was adversely impacted by component scarcity but succeeded in delivering high single-digit growth in Q2, also supported by sell-out, which showed double-digit like-for-like growth.

Monobrand again accounted for the biggest absolute growth.

Etail and eCommerce delivered the biggest relative growth, with etail more than doubling compared to last year. Factors contributing to strong sell-out included a good performance on Black Friday. The company's eCommerce platform grew by around 60%.

The six core markets accounted for two-thirds of total revenue in EMEA and were at the same level as last year. Growth was impacted negatively by component scarcity and the controlled product returns within multibrand. Adjusted for product returns, the core markets grew by approx. 8%.

Revenue from the Staged category grew by 24%. Despite ongoing scarcity of components, both speakers and TVs grew compared to Q2 of last year. The growth in speakers was driven by almost all products and further aided by a strong performance by Beolab 28, which was launched in Q4 of last year. The growth in revenue from TVs was adversely impacted by TV screens, which are now fully sourced by retail partners.

Revenue from the Flexible Living category declined by 10%, partly related to allocation between regions and lower product availability due to component scarcity. Sell-out was positive, however, showing solid growth in the quarter.

Revenue from the On-the-go category declined by 20%, adversely impacted by product returns. The decline was related to earphones and headphones, whereas portable speakers grew compared to last year. The decline was mainly related to Beoplay H4 2nd Gen, which is now end-of-life, and Beoplay E8 Sport.

	Q2			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	367	352	15	669	556	113
Growth in local currencies	3%	13%		20%	13%	
Gross profit	148	151	-3	277	228	49
Gross margin	40.3%	42.8%	-2.5pp	41.4%	40.9%	0.5pp

Gross profit

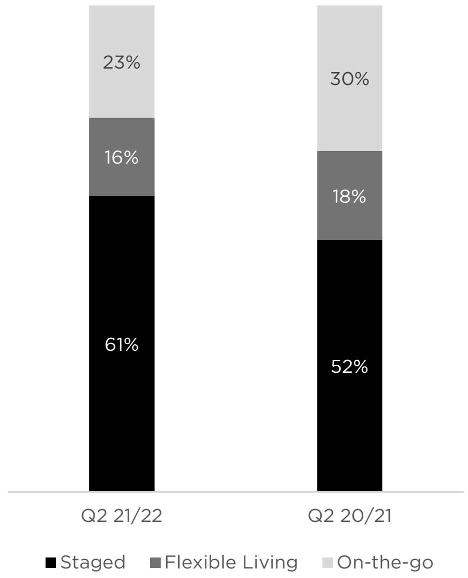
Gross profit amounted to DKK 148m (Q2 20/21: DKK 151m). This was equivalent to a gross margin of 40.3% (Q2 20/21: 42.8%), which represented a year-on-year decline of 2.5pp, driven by additional component costs.

H1 2021/22

Revenue was DKK 669m. This represented an increase of 20.2% (20% in local currencies). Growth was primarily driven by the Staged and Flexible Living categories.

Gross margin increased by 0.5pp to 41.4%, primarily driven by product mix offset by additional component costs.

REVENUE SPLIT (%)



Americas

Revenue

Revenue was DKK 91m (Q2 20/21: DKK 45m), equivalent to a year-on-year increase of 100.3% (99% in local currencies).

The growth was driven by all core channels, with the largest increase, both in absolute and relative growth rates, from eCommerce, etail and multibrand. The performance was driven by improved like-for-like sell-out as well as the performance of Verizon and BestBuy. The company also experienced a good sell-out performance in connection with Black Friday.

Revenue from etailers and the company's eCommerce platform grew by 90%, accounting for more than 40% of revenue in Americas.

The multibrand channel saw the biggest growth, driven by Verizon and BestBuy. The performance was partly supported by sell-in to campaigns for the high season.

Revenue from the Staged category increased by 18%, which was related to both speakers and TVs. The growth in speakers was seen across all categories and in particular driven by a strong performance by Beolab 28. The growth was adversely impacted by supply constraints in the quarter.

Revenue from the Flexible Living category grew by 71% year-on-year, continuing the momentum from Q2. The growth was mainly related to Beoplay A9, Beosound Balance and Beosound Level. The growth was adversely impacted by lower product availability.

Revenue from the On-the-go category increased by 167%, driven by headphones, earphones and portable speakers. The growth was mainly driven by sell-in to Verizon and BestBuy ahead of the high season.

Gross profit

Gross profit amounted to DKK 28m. This was equivalent to a gross margin of 31.2% (Q2 20/21: 39.7%), which represented a decrease of 8.5pp versus last year. The decrease was mainly related to changes in product mix towards the On-the-go category as well as higher component and logistics costs. The gross margin benefited from the development in the USD exchange rate.

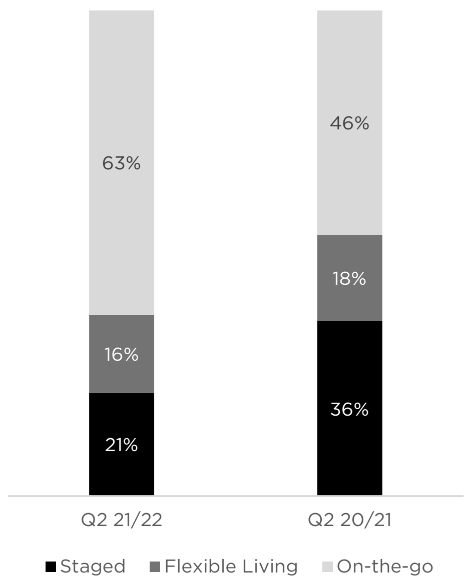
H1 2021/22

Revenue was DKK 151m (H1 20/21: DKK 78m), equivalent to a year-on-year increase of 92.5% (98% in local currencies). The growth was seen across all channels, in particular multibrand, etail and eCommerce.

Gross margin decreased by 9.4pp to 31.4%, driven by changes in product mix and higher component and logistics costs.

	Q2			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	91	45	46	151	78	73
Growth in local currencies	99%	41%		98%	18%	
Gross profit	28	18	11	47	32	15
Gross margin	31.2%	39.7%	-8.5pp	31.4%	40.8%	-9.4pp

REVENUE SPLIT (%)



Asia

Revenue

Revenue was DKK 284m (Q2 20/21: DKK 216m), corresponding to a 31.8% year-on-year increase (28% in local currencies).

The two core markets accounted for approx. 80% of total revenue in Asia and delivered 32% year-on-year growth in local currencies.

The growth was seen across all key channels with improvements to multibrand and etail performance.

Revenue from the Staged category grew by 40% year-on-year. Despite being impacted negatively by supply constraints, speaker sales more than doubled year-on-year. The growth was driven by all speakers, particularly Beolab 18, 28 and 50. The growth from TV sales was also solid, driven by Beosound Stage and a continued strong performance by Beovision Harmony.

Revenue from the Flexible Living category grew by 95% year-on-year, mainly driven by Beoplay A9. Flexible Living is now the biggest product category in Asia, accounting for more than 40% of revenue in this region. Due to component scarcity and strong demand, the company decided to allocate more Beoplay A9s to Asia.

Revenue from the On-the-go category decreased by 17% year-on-year. The decline was mainly related to earphones and partly to portable speakers, whereas headphones delivered strong year-on-year sales growth.

Gross profit

Gross profit amounted to DKK 118m (Q2 20/21: DKK 64m), equivalent to a gross margin of 41.5%. This represented an 11.9pp increase compared to Q2 of last year. The increase was mainly related to better product mix, partly offset by higher logistics and component costs.

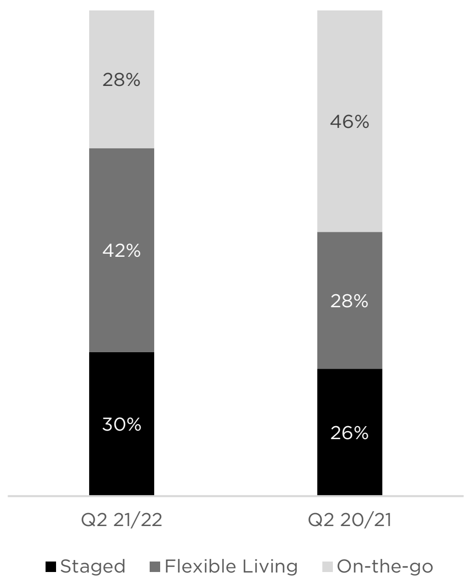
H1 2021/22

Revenue was DKK 528m, equivalent to a year-on-year increase of 37.3% (34% in local currencies). All three product categories contributed to the growth.

Gross margin increased by 9.8pp to 39.9%, supported by product mix, partly offset by higher component and logistics costs.

	Q2			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	284	216	68	528	385	143
Growth in local currencies	28%	5%		34%	10%	
Gross profit	118	64	54	211	116	95
Gross margin	41.5%	29.5%	11.9pp	39.9%	30.1%	9.8pp

REVENUE SPLIT (%)



Brand Partnering & other activities

Revenue

Revenue declined by 16.2% (-15% in local currencies) to DKK 67m.

The decline was related to both aluminium components produced for third parties and licensing income.

Component scarcity impacted brand licensing income negatively related to both PC sales and car manufacturing. PC sales accounted for the biggest reduction as this year was adversely impacted by component scarcity, whereas last year was boosted by higher demand for PCs due to the global increase in people working from home.

Licensing income from car manufacturing was also negatively impacted by component scarcity, but the year-on-year impact was lower as car manufactures experienced factory shutdowns last year due to COVID-19.

The reduction in aluminium components produced for third parties was primarily related to lower car manufacturing, which has been heavily impacted by component scarcity.

Gross profit

Gross profit amounted to DKK 65m (Q2 20/21: DKK 76m), equivalent to a gross margin of 97.3%. This represented an increase of 2.3pp on last year. The increase was related to an improved gross margin from aluminium components.

H1 2021/22

Revenue was DKK 127m (Q2 20/21: DKK 136m), equivalent to a year-on-year decrease of 6.6% (5% in local currencies). The decline came from lower licensing income due to component scarcity.

Gross margin increased by 0.6pp to 97.0%, driven

by improved margins from aluminium components.

	Q2			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	67	80	-13	127	136	-9
Growth in local currencies	-15%	16%		-5%	8%	
Gross profit	65	76	-11	123	131	-8
Gross margin	97.3%	95.1%	2.3pp	97.0%	96.4%	0.6pp

Key events in Q2

SEP '21

VIP customer events

Targeting both existing and potential customers, Bang & Olufsen organised events for High Net Worth Individuals in several countries, including the UK, Denmark, Germany and Sweden.

Beosound Level Cradle to Cradle Certified

Bang & Olufsen's Beosound Level is the first ever consumer electronics product to be Cradle to Cradle Certified®. Bang & Olufsen is also among the first companies to receive certification under the new Cradle to Cradle Certified Version 4.0 standard.

Beosound Level has been designed with a modular approach, making it easy to maintain, service and repair with the purpose of extending the lifetime substantially beyond industry standards. Once it reaches its end-of-useful-life point after many years of service, Beosound Level supports a resource-efficient circulation process because of ease of disassembly and use of high-quality materials, including post-consumer recirculated polymer materials for structural components.

Upgrade kit for Beogram 4000 series

Bang & Olufsen has developed a service kit for the Beogram 4000 series.

The Service Upgrade Kit makes it possible for everyone who owns a vintage Beogram turntable (available for Beogram 4000, 4002, 6000 and 4004) to restore and refurbish the product as well as seamlessly connect it to modern speakers.

The product upgrade will be performed as a service solution, where B&O-certified engineers will disassemble and thoroughly inspect each turntable to make sure that it can meet the high standards for classic products.

Partnership with SERHANT.

SERHANT. is Ryan Serhant's real estate brokerage and multidimensional media, entertainment and technology company. Ryan Serhant is also known as one of the main characters in Million Dollar Listing.

SERHANT. has intimate knowledge of the high-end real estate market and the interior design space. Furthermore, their clients appreciate that luxury and design go beyond art and furniture when it comes to creating inviting spaces for the kind of audience both Bang & Olufsen and Ryan Serhant cater to.

Bang & Olufsen has outfitted conference rooms, meeting spaces and common areas with a range of vanguard speakers and TVs to compliment the design at SERHANT.'s headquarters in NYC.

Bang & Olufsen official partner of the Race of Champions World Final

Starting with the 2022 ROC "SNOW + ICE" event in Pite Havsbad, Sweden, Bang & Olufsen will make a collection of headphones, Bluetooth speakers and custom products for ROC drivers and VIPs, along with best-in-class equipment to support the eROC competition – an event that attracts many of the top players in global esports.

OCT ‘21

Design events

Bang & Olufsen participated in ‘3 days on Design’ in Copenhagen at two locations. The company’s store in Østergade was the primary location.

During Milan Design Week, also known as Salone Del Mobile, Bang & Olufsen presented an exhibition that seeks to reverse the industry trend of growing e-waste by providing real solutions to promote design products that can last a lifetime.

New colours for Beoplay H95

Bang & Olufsen’s flagship headphone, Beoplay H95, was launched in two new colours, Navy Blue and Chestnut.

Update for Beoremote Halo

The company released a software update to Beoremote Halo, making it possible to add Beolink Smart Home experiences and Beoliving Intelligence for Beoremote Halo.

Beoremote Halo can now control music and home automation devices as well as shades, lights, thermostats and all other products that can be paired.

New features in the B&O App

Bang & Olufsen launched a Setup Overview in the B&O App, transforming Product Health Centre into an interactive, at-home troubleshooting tool that is easy for all customers to understand and engage with.

The Setup Overview also includes a ‘Product Status’ screen visualising detailed Wi-Fi product information, available streaming services, software information, a how-to-optimise Wi-Fi, and a setup FAQ library.

Girls Day in Science

The company participated in the Danish nation-wide campaign ‘Girls Day in Science’. The purpose of the day is to inspire young female students to consider studies within the field of science, technology, engineering and mathematics.

Senior high school students visited Bang & Olufsen in Struer, where they met with female specialists who gave them an introduction to scientific career paths in B&O.

Awards for Beoplay Portal

Beoplay Portal received a very positive review in Trusted Reviews, and in October was awarded ‘Best Wireless Headphones Editor’s Choice Award 2021’.

Trusted Reviews wrote:
“Practically perfect in every way, the Beoplay Portal delivers on almost all fronts” and added “the win is particularly impressive given the sheer number of competing wireless headphones to appear this year.”

Beoplay Portal also received a Platinum award from T3. Among many highlights, the reviewer was impressed by the immersive sound, the quality and materials, and the fact that Portal also delivers top-notch sound quality and design.

New HP conferencing system

B&O has custom-tuned the HP Presence, which is their new suite of conferencing products, to deliver the best possible sound performance. B&O has also embedded its room compensation software into the products, making the sound setup easy and simple – no matter where the system is placed.

Nordic Ice Collection

Bang & Olufsen's Nordic Ice Collection features a curated selection of products in a serene, Scandinavian colour palette consisting of contrasting cool and warm tones for the holiday season.

Bang & Olufsen and Cisco partner to create a luxury business headset

As part of the company's ambitions within B2B, Bang & Olufsen and Cisco unveiled the Bang & Olufsen Cisco 980. This is a luxury business headset that pairs Bang & Olufsen's design, craftsmanship and sound with Cisco's integrated meeting controls, Adaptive Active Noise Cancellation and frictionless IT management capabilities to ensure long-lasting, secure communications.

Hybrid work has increased the need for high-quality multifunctional headsets as remote workers seek to reduce background noise from remote workspaces or simply enjoy music while on the go.

SK Broadband launches partnership with Bang & Olufsen

SK Broadband launched AI Sound Max, a complete set-top box that combines artificial intelligence with advanced audio technology from Bang & Olufsen.

The AI Sound Max soundbar has been tuned by B&O's sound engineers. Furthermore, B&O has worked closely with SK Broadband's suppliers to develop the audio architecture.

NOV '21

Bespoke programme launched

Bang & Olufsen launched its Bespoke programme with the headline "Dream it. Own it.". It allows customers to customise their products and choose colours and materials to create something unique.

Every bespoke product is finished in the company's Factory 5 in Struer, Denmark.

Beolink Multiroom

Bang & Olufsen expanded its proprietary multiroom ecosystem, Beolink, to all Wi-Fi products. The Beolink ecosystem delivers a unique customer experience.

With this introduction, it is possible to link both new and older Wi-Fi products and share audio sources in one unified system, thus providing synchronised music in multiple rooms, including total control and simple operation through Touch to Join, Two Way Join and Expand. Moreover, the Beolink integration allows consumers to control all speakers and their entire home through the Beoremote Halo. These capabilities differentiate Beolink Multiroom from competitors.

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 is experiencing increased uncertainty related to sourcing of components, impacting 2021/22 financial performance.

Compared to last year, 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 lower growth in the second half of the financial year due to a strong H2 prior year and higher uncertainty on sourcing. These expectations are subject to the following assumptions for the remainder of the year:

- Growth mainly driven by product sales.
- The launch of more than two product innovations in the second half of the financial year.
- No significant worsening of product availability, for example due to scarcity of components or a further 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

The 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 markets will not worsen compared to H1 2021/22.
- 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, generally in line with current exchange rate levels.

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 component scarcity and the COVID-19 pandemic, the outlook continues to be subject to a higher level of uncertainty than normal.

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

The uncertainty related to the duration of the COVID-19 pandemic and the potential impact on the company's different geographical markets is higher than normal.

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	January 2022	October 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 (DKKm)	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 – 30 November 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 30 November 2021, and of the results of the Group's operations and cash flows for the period 1 June 2021 – 30 November 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, 12 January 2022

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

(DKK million)	Notes	Q2 2021/22	Q2 2020/21	YTD 2021/22	YTD 2020/21	Year 2020/21
Revenue	2, 4	**809**	**693**	**1,475**	**1,155**	**2,629**
Production costs		-450	-384	-817	-648	-1,490
Gross profit		**359**	**309**	**658**	**507**	**1,139**
Development costs	5	-67	-62	-145	-130	-258
Distribution and marketing costs		-231	-191	-414	-333	-727
Administrative costs		-34	-31	-65	-60	-135
Operating profit/(loss) (EBIT)		**27**	**25**	**34**	**-16**	**19**
Financial income		3	-	5	1	6
Financial expenses		-13	-7	-20	-28	-58
Financial items, net		**-10**	**-7**	**-15**	**-27**	**-52**
Earnings before tax (EBT)		**17**	**18**	**19**	**-43**	**-33**
Income tax		-7	-6	-8	6	10
Earnings for the period		**10**	**12**	**11**	**-37**	**-23**
Earnings per share						
Earnings per share (EPS), DKK		0.1	0.1	0.1	-0.3	-0.2
Diluted earnings per share (EPS-D), DKK		0.1	0.1	0.1	-0.3	-0.2

Statement of comprehensive income

	Q2		YTD		Year
(DKK million)	**2021/22**	2020/21	**2021/22**	**2020/21**	2020/21
Earnings for the period	**10**	**12**	**11**	**-37**	**-23**
Items that will be reclassified subsequently to the income statement:					
Foreign exchange adjustments of foreign entities	10	5	13	1	4
Fair value adjustments of derivatives	-11	-9	-14	-13	-25
Value adjustments of derivatives reclassified in					
Revenue	6	2	11	2	7
Production costs	-1	-	-1	2	2
Tax on other comprehensive income	2	1	1	2	3
Other comprehensive income for the period, net of tax	6	-1	10	-6	-9
Total comprehensive income for the period	**16**	**11**	**21**	**-43**	**-32**

Statement of financial position

ASSETS

(DKK million)	Notes	30-11-21	30-11-20	31-05-21
Goodwill		41	41	41
Acquired rights and software		42	28	41
Completed development projects		121	91	110
Development projects in progress	5	65	74	76
Intangible assets		**269**	**234**	**268**
Land and buildings		98	81	82
Plant and machinery		41	41	37
Other equipment		11	12	13
Leasehold improvements		20	19	20
Tangible assets in course of construction and prepayments for tangible assets		24	18	28
Right-of-use assets		104	139	120
Tangible assets		**298**	**310**	**300**
Non-current other receivables		24	28	24
Deferred tax assets		87	72	87
Total non-current assets		**678**	**644**	**679**
Inventories		537	415	369
Trade receivables		486	417	438
Tax receivable		33	32	32
Other receivables		98	89	92
Prepayments		27	28	32
Securities	8	430	449	435
Cash	8	214	158	178
Assets held for sale		-	21	21
Total current assets		**1,825**	**1,609**	**1,597**
Total assets		**2,503**	**2,253**	**2,276**

EQUITY AND LIABILITIES

(DKK million)	Notes	30-11-21	30-11-20	31-05-21
Share capital		613	613	613
Translation reserve		29	13	16
Reserve for cash flow hedges		-13	-4	-10
Retained earnings		498	489	514
Total equity		**1,127**	**1,111**	**1,133**
Lease liabilities		104	126	117
Pensions		13	15	14
Deferred tax		7	10	7
Provisions		40	33	39
Mortgage loans		60	64	61
Other non-current liabilities		4	35	1
Deferred income		14	15	15
Total non-current liabilities		**242**	**298**	**254**
Lease liabilities		26	36	24
Mortgage loans		4	4	4
Bank loans	8	110	25	20
Provisions		54	50	49
Trade payables		722	481	502
Tax payable		25	31	31
Other liabilities		181	209	255
Deferred income		12	8	4
Total current liabilities		**1,134**	**844**	**889**
Total liabilities		**1,376**	**1,142**	**1,143**
Total equity and liabilities		**2,503**	**2,253**	**2,276**

Statement of cash flows

		Q2		YTD		Year
(DKK million)	Notes	**2021/22**	2020/21	**2021/22**	2020/21	2020/21
Earnings before tax (EBT)		17	18	19	-43	-33
Financial items, net		10	7	15	27	52
Depreciation, amortisation and impairment		54	49	106	95	184
Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA)		**81**	**74**	**140**	**79**	**203**
Other non-cash items		19	-2	24	-21	-5
Change in net working capital	6	-26	108	-30	84	126
Interest received		3	-	5	1	6
Interest paid		-7	-3	-13	-9	-23
Income tax paid		-5	-2	-14	4	-10
Cash flows from operating activities		**65**	**175**	**112**	**138**	**297**
Purchase of intangible non-current assets		-36	-32	-58	-52	-134
Purchase of tangible non-current assets		-18	-7	-22	-14	-50
Sublease payment		1	3	2	5	7
Other cash flows from investing activities		-1	-	-2	-	-1
Operational investments		**-54**	**-36**	**-80**	**-61**	**-178**
Free cash flow		**11**	**139**	**32**	**77**	**119**
Purchase of securities		-56	-	-81	-	-495
Sale of securities		60	-	85	-	50
Financial investments		**4**	**-**	**4**	**-**	**-445**
Cash flows from investing activities		**-50**	**-36**	**-76**	**-61**	**-623**

		Q2		YTD		Year
(DKK million)	Notes	**2021/22**	2020/21	**2021/22**	2020/21	2020/21
Repayment of lease liabilities		-8	-11	-15	-23	-40
Repayment of mortgage loans		-1	-1	-2	-2	-4
Proceeds from loans and borrowings		160	25	210	25	472
Repayment of loans and borrowings		-80	-450	-120	-450	-452
Purchase of own treasury shares		-37	-42	-37	-42	-42
Capital increase		-	1	-	358	359
Settlement to other liabilities		-34	-	-34	-	-
Cash flows from financing activities		**-**	**-478**	**2**	**-134**	**293**
Cash and cash equivalents, opening balance		**201**	**497**	**178**	**215**	**215**
Exchange rate gain/loss on cash and cash equivalents		-2	-	-2	-	-4
Change in cash and cash equivalents		**15**	**-339**	**38**	**-57**	**-33**
Cash and cash equivalents, closing balance		**214**	**158**	**214**	**158**	**178**
Available liquidity		534	582	534	582	593

Statement of changes 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	-	-	-	11	11
Foreign exchange adjustments of foreign entities	-	13	-	-	13
Fair value adjustments of derivatives	-	-	-14	-	-14
Value adjustments of derivatives reclassified in					
Revenue	-	-	11	-	11
Production costs	-	-	-1	-	-1
Income tax on items that will be reclassified to the income statement	-	-	1	-	1
Comprehensive income for the period	**-**	**13**	**-3**	**11**	**21**
Share-based payments	-	-	-	10	10
Acquisition of own shares	**-**	**-**	**-**	**-37**	**-37**
Equity 30 November 2021	**613**	**29**	**-13**	**498**	**1,127**
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**

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 – Q2

(DKK million)	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
Q2 2021/22						
Revenue	**367**	**91**	**284**	**742**	**67**	**809**
Production costs	-219	-63	-166	-448	-2	-450
Gross profit	**148**	**28**	**118**	**294**	**65**	**359**
Gross margin	40.3%	31.2%	41.5%	39.6%	97.3%	44.4%
Q2 2020/21						
Revenue	**352**	**45**	**216**	**613**	**80**	**693**
Production costs	-201	-27	-152	-380	-4	-384
Gross profit	**151**	**18**	**64**	**233**	**76**	**309**
Gross margin	42.8%	39.7%	29.5%	37.9%	95.1%	44.6%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Q2 2021/22						
Revenue	**327**	**193**	**222**	**742**	**67**	**809**
Production costs	-177	-103	-168	-448	-2	-450
Gross profit	**150**	**90**	**54**	**294**	**65**	**359**
Gross margin	46.0%	46.8%	24.2%	39.6%	97.3%	44.4%
Q2 2020/21						
Revenue	**254**	**134**	**225**	**613**	**80**	**693**
Production costs	-135	-69	-176	-380	-4	-384
Gross profit	**119**	**65**	**49**	**233**	**76**	**309**
Gross margin	46.9%	48.3%	21.7%	37.9%	95.1%	44.6%

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	**Regions, total**	Brand Partnering & other activities	**All**
2021/22						
Revenue	**669**	**151**	**528**	**1,348**	**127**	**1,475**
Production costs	-392	-104	-317	-813	-4	-817
Gross profit	**277**	**47**	**211**	**535**	**123**	**658**
Gross margin	41.4%	31.4%	39.9%	39.7%	97.0%	44.6%
2020/21						
Revenue	**556**	**78**	**385**	**1,019**	**136**	**1,155**
Production costs	-328	-46	-269	-643	-5	-648
Gross profit	**228**	**32**	**116**	**376**	**131**	**507**
Gross margin	40.9%	40.8%	30.1%	36.5%	96.4%	43.9%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
2021/22						
Revenue	**592**	**341**	**415**	**1,348**	**127**	**1,475**
Production costs	-320	-183	-310	-813	-4	-817
Gross profit	**272**	**158**	**105**	**535**	**123**	**658**
Gross margin	46.0%	46.4%	25.2%	39.7%	97.0%	44.6%
2020/21						
Revenue	**450**	**213**	**356**	**1,019**	**136**	**1,155**
Production costs	-246	-111	-286	-643	-5	-648
Gross profit	**204**	**102**	**70**	**376**	**131**	**507**
Gross margin	45.4%	47.8%	19.6%	36.5%	96.4%	43.9%

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)	Q2 2021/22	Q2 2020/21	YTD 2021/22	YTD 2020/21	Year 2020/21
Incurred development costs before capitalisation	73	69	145	133	287
Hereof capitalised	-28	-27	-46	-44	-106
Incurred development costs after capitalisation	45	42	99	89	181
Capitalisation (%)	38.1%	38.7%	31.8%	33.2%	36.8%
Total charges and impairment losses on development projects	22	20	46	41	77
Development costs recognised in the consolidated income statement	**67**	**62**	**145**	**130**	**258**

6 Change in net working capital

(DKK million)	30-11-21	31-05-21	Change in Q2 2021/22 YTD	Change in Q2 2020/21 YTD	Change in 2020/21
Inventories	537	369	-168	-42	88
Trade receivables	486	438	-48	127	-148
Other receivables*	96	90	-6	29	-37
Prepayments	27	32	5	-13	9
Trade payables	-722	-502	220	-51	72
Other liabilities**	-181	-221	-40	-144	156
Deferred income – non-current	-14	-15	-1	-	-
Deferred income – current	-12	-4	8	10	-14
Total	217	187	**-30**	**-84**	**126**

* Other receivables were adjusted for financial receivables related to leases of DKK 2m not included as net working capital at 30 November 2021 (31 May 2021: DKK 2m).

** Other liabilities were adjusted at 31 May 2021 for a provision of DKK 34m under the Danish Holiday Act not included as net working capital. Due to pay-out in Q2 2021/22, this was no longer applicable at 30 November 2021.

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.

	Q2		YTD		Year
(DKK million)	**2021/22**	2020/21	**2021/22**	2020/21	2020/21
Severance, Executive Management Board	-	-	-	-	1
Restructuring costs, severance	1	-2	1	-4	2
Consultants	-	5	2	9	16
Total	**1**	**3**	**3**	**5**	**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 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 in order 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 30 November 2021, repo transactions amounted to DKK 110m.

Net interest-bearing deposit amounted to DKK 343m compared to net interest-bearing deposit of DKK 361m at year-end 2020/21.

(DKK million)	**30-11-21**	30-11-20	31-05-21
Mortgage loans (non-current)	-60	-64	-61
Mortgage loans (current)	-4	-4	-4
Bank loans (current)	-110	-25	-20
Lease liabilities (non-current)	-104	-126	-117
Lease liabilities (current)	-26	-36	-24
Other non-current liabilities*	-4	-34	-
Other current liabilities	-	-	-34
Interest-bearing debt	**-308**	**-289**	**-260**
Finance lease receivables (non-current)	5	9	6
Finance lease receivables (current)	2	7	2
Cash (current)	214	158	178
Securities (current)	430	449	435
Interest-bearing assets	**651**	**623**	**621**
Net interest-bearing deposit/(debt)	**343**	**334**	**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 534m (year-end 2020/21: DKK 593m), consisting of cash and securities offset by repo transactions.

(DKK million)	**30-11-21**	30-11-20	31-05-21
Cash (current)	214	158	178
Securities (current)	430	449	435
Bank loans (current)	-110	-25	-20
Available liquidity	**534**	**582**	**593**

9 Related parties

Related parties with significant interests
Other related parties of Bang & Olufsen with significant interests include the Board of Directors, 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 of Directors 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

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 being met. 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.

The MSP for 2018/19 was settled in Q2 and amounted to 17,680 shares, including cash compensation of DKK 0.2m for the dilutive effect as mentioned in the Annual Report for 2020/21.

The above programmes are accounted for on an accrual basis over the three-year vesting period. For the MSP, 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 the programmes have been recognised as staff costs and amounted to DKK 5m for the quarter (Q2 2020/21: DKK 4m) and DKK 10m YTD (H1 2020/21: DKK 6m).

MATCHING SHARE PROGRAMMES (MSP)

Programme	Performance period	Executive Management Board	Other key employees	Maximum shares	Average share price at grant date	Remaining time to vesting
		Number	Number	Number	DKK	Months
2018/19	01.06.2020-31.05.2021	2,208	17,672	19,880	12	0
2019/20	01.06.2020-31.05.2022	295,820	86,400	382,220	12	9

LONG TERM INCENTIVE PROGRAMMES (LTIP)

Programme	Performance period	Maximum shares	Total value at time of allocation	Release after Annual Report	Average share price at grant date	Remaining time to vesting
		Number	Number	Number	DKK	Months
2020/21	01.06.2020-31.05.2023	3,091,511	22	2022/23	13	21
2021/22	01.06.2021-31.05.2024	2,218,064	37	2023/24	33	32

11 Financial instruments

Financial instruments by category

(DKK million)	**30-11-21**	30-11-20	31-05-21
Non-current other receivables	24	28	24
Trade receivables	486	417	438
Other receivables	98	89	92
Cash	214	158	178
Financial assets at amortised cost	**822**	**692**	**732**
Securities	430	449	435
Fair value through income statement	**430**	**449**	**435**
Hedge accounting	9	2	1
Fair value through other comprehensive income	**9**	**2**	**1**
Financial assets	**1,261**	**1,143**	**1,168**
Other non-current liabilities	-	34	34
Mortgage loans	64	67	65
Bank loans	110	25	20
Lease liabilities	130	162	141
Trade payables	722	481	502
Financial liabilities at amortised cost	**1,026**	**769**	**762**
Hedge accounting	27	11	16
Fair value through other comprehensive income	**27**	**11**	**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. 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.

During October 2021, the company purchased 1,150,000 treasury shares totalling DKK 37m to cover outstanding long-term incentive programmes. The company holds a total of 3,249,522 treasury shares (30 November 2020: 2,112,372 treasury shares).

For details of monetary transactions, 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 30 November 2021 which are expected to have a material impact on the Group's financial position.

BANG & OLUFSEN

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