BANG & OLUFSEN

Interim Report Q3 2021/22

1 December 2021 – 28 February 2022

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Q3 highlights

Financial highlights

As a result of steady progress on strategy execution the company grew revenue by 10% in local currencies in Q3. This was the seventh consecutive quarter with double-digit growth.

The positive sell-out trend continued in the quarter with like-for-like sell-out growing 6%. Reported revenue from product sales grew by 10% in local currencies. Asia and Americas were the biggest growth drivers, while EMEA was on par with Q3 of last year due to high comparables in multibrand.

Component scarcity continued to adversely impact operations, especially on the Staged and Flexible Living product categories as well as licensing income relating to the automotive industry. However, the new brand licensing partners contributed positively in Q3 and mitigated the decline related to the automotive industry.

Gross margin declined by 0.9pp to 44.0%. Gross margin from product sales declined by 0.6pp to 38.7%, driven by higher component and logistics costs which amounted to more than DKK 65m and reduced product gross margin by approx. 9pp (Q3 20/21: 2.5pp). The effect was partly offset by changes in product mix and price increases.

EBIT margin before special items was 0.7% (Q3 20/21: 4.9%). Despite the significant impact from higher component costs the company remained profitable thanks to the strategy, improved robustness and agility to address challenges.

Earnings for the period were a loss of DKK 16m compared to a profit of DKK 13m last year.

Free cash flow was an outflow of DKK 14m (Q3 20/21: inflow of DKK 8m). The year-on-year decline was related to higher component costs and higher CAPEX.

Available liquidity was stable at DKK 511m (Q2 21/22: DKK 534m).

For the first nine months of the financial year, Bang & Olufsen delivered 19% revenue growth in local currencies, EBIT before special items of DKK 42m and a positive free cash flow of DKK 18m. The results were impacted by higher component and logistics costs of more than DKK 150m.

Strategic progress

Component scarcity impacted strategy execution again in Q3. Marketing activities were adjusted to accommodate for product availability.

Demand was solid in the six core European markets, with sell-out growth of 10%. However, reported revenue declined by 10% in local currencies, mainly due to high comparables in multibrand.

The two core Asian markets grew by 28% in local currencies. Sell-out was at the same level as last year. Sell-out growth was lower than sell-in in the multibrand and etail channels as the company transitions to new distribution partners. Also, the Chinese New Year began earlier this year, thereby impacting the number of sell-out days in Q3.

Americas grew 32% in local currencies, driven by all product categories and distribution channels. Like-for-like sell-out grew by 18%.

Year-to-date, the customer base grew by 25%. The company saw a 32% growth in customers owning two or more B&O products, partly driven by retargeting of existing customers.

Outlook maintained

The company maintains the outlook for the financial year 2021/22, but due to higher component costs, the company now expects EBIT margin before special items and free cash flow to be in the low end of the range. The outlook 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, including ceasing operations in Russia and Belarus since 24 February 2022. The outlook is subject to increased uncertainty related to supply chain and consumer demand due to higher inflation, the war in Ukraine and COVID-19 lockdowns in China.

REVENUE DKK MILLION
775
(Q3 20/21: 698)

GROWTH IN LOCAL CURRENCY
10%
(Q3 20/21: 16%)

EBIT BEFORE SPECIAL ITEMS DKK MILLION
6
(Q3 20/21: 34)

FREE CASH FLOW DKK MILLION
-14
(Q3 20/21: 8)

Key financial highlights

(DKK million)	Q3 2021/22	Q3 2020/21	YTD 2021/22	YTD 2020/21
Income statement				
Revenue	775	698	2,250	1,853
EMEA	361	362	1,030	918
Americas	71	52	222	130
Asia	270	218	798	603
Brand Partnering & other activities	73	66	200	202
Gross margin, %	44.0	44.9	44.4	44.3
EMEA	41.8	38.2	41.5	39.9
Americas	40.9	41.7	34.5	41.3
Asia	33.7	40.5	37.8	33.9
Regions, total	38.7	39.3	39.3	37.8
Brand Partnering & other activities	95.6	97.3	96.5	96.7
EBITDA	52	63	192	142
EBIT before special items	6	34	42	23
EBIT	1	28	35	12
Special items, net	-5	-6	-7	-11
Financial items, net	-18	-11	-33	-38
Earnings before tax (EBT)	-17	17	2	-26
Earnings for the period	-16	13	-5	-24
Financial position				
Total assets	2,540	2,365	2,540	2,365
Share capital	613	613	613	613
Equity	1,119	1,125	1,119	1,125
Cash	225	284	225	284
Available liquidity	511	573	511	573
Net interest-bearing deposit	318	328	318	328
Net working capital	187	247	187	247

(DKK million)	Q3 2021/22	Q3 2020/21	YTD 2021/22	YTD 2020/21
Cash flows				
Cash flows from operating activities	61	63	173	201
Operational investments	-75	-55	-155	-116
Free cash flow	-14	8	18	85
Cash flows from investing activities	-75	-55	-151	-116
Cash flows from financing activities	20	118	22	-16
Cash flows for the period	6	126	44	69
Key figures				
Growth in local currencies, %	10	16	19	13
EBITDA margin before special items, %	7.4	9.9	8.8	8.3
EBITDA margin, %	6.8	9.0	8.5	7.7
EBIT margin before special items, %	0.7	4.9	1.9	1.2
EBIT margin, %	0.1	4.0	1.6	0.6
Return on assets, %	-0.2	0.5	-0.2	-1.0
Return on invested capital, excl. goodwill, %	12.8	3.3	12.8	1.4
Return on equity, %	-0.4	1.2	-0.4	-2.1
Full-time equivalents at end of period	1,063	899	1,063	899
Stock-related key figures				
Earnings per share (EPS), DKK	-0.1	0.1	-0.0	-0.2
Earnings per share, diluted (EPS-D), DKK	-0.1	0.1	-0.0	-0.2
Price/Earnings	-150.9	305.7	-526.0	-165.6
Revenue per share, DKK	6.5	5.8	18.8	15.4
Revenue per share, diluted, DKK	6.5	5.8	18.8	15.4

Management report for Q3

In Q3, revenue grew by 10% in local currencies driven by both product sales and Brand Partnering & other activities. This was the seventh consecutive quarter of double-digit growth. The positive trend in sell-out continued in Q3, underlining the continuously high customer demand. Component scarcity had an adverse impact on revenue and gross margin, especially in the Staged and Flexible Living categories. The EBIT margin before special items was 0.7% and free cash flow was a negative DKK 14m. Both were impacted by component and logistics costs of more than DKK 65m.

Developments in Q3

Revenue grew by 10% in local currencies, driven by both product sales and Brand Partnering & other activities.

Bang & Olufsen continued to see high customer demand with like-for-like sell-out growing 6%. Product sales grew by 10% in local currencies and were driven by the Staged category in particular, increasing by 25% year-on-year. The Asia and Americas regions were the biggest contributors to the growth, whereas EMEA was at the same level as Q3 of last year.

Growth continued to be adversely impacted by component scarcity, which particularly affected the Staged and Flexible Living categories. Component scarcity also had a negative impact on licensing income relating to the automotive industry. However, the contribution from new partnerships mitigated the decline in Q3.

Demand was also solid in the six core European markets, with sell-out growth of 10%, driven by all channels except the eCommerce platform. The company's eCommerce platform was adversely impacted by temporary price inconsistency on select products following the company's price increases early January.

Reported revenue in the six core European markets declined by 10% in local currencies, mainly due to high comparables from multibrand and supply constraints. In Q3 of last year, multibrand and etail growth was driven partly by the reset of the operating model in these channels. Monobrand and B2B delivered solid growth year-on-year.

The two core Asian markets grew by 28% in local currencies. This was driven by a good performance across all channels. Sell-out was at the same level as last year, adversely impacted by etail and multibrand as the company changed distribution partners during Q2 and Q3 to ensure better performance and brand protection.

Year-to-date, the customer base grew by 25%. Retargeting of existing customers led to a 32% increase in the number of customers owning two or more B&O products.

Component scarcity and high prices on component spot buys continued to impact the company's gross margin negatively. Additional component and logistics costs exceeded DKK 65m and had a combined negative impact on product gross margin of approx. 9pp, which was 6.5pp more than last year. 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 were also partly planned as a response to supply and demand trends in the consumer electronics and luxury industry in general.

Revenue in Q3

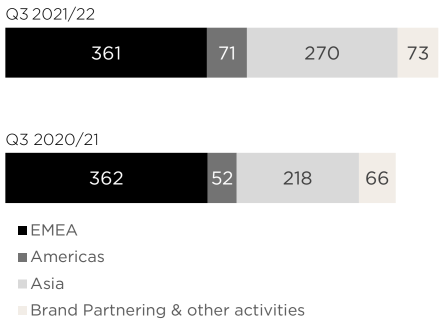
Revenue grew by 10% in local currencies to DKK 775m. This was driven by both product sales and Brand Partnering & other activities, which grew by 10% and 9% respectively in local currencies.

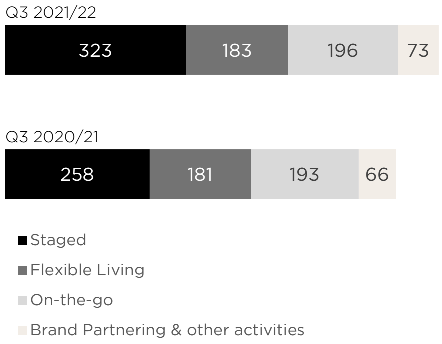
The 9% growth in local currencies from Brand Partnering & other activities was mainly driven by aluminium manufacturing for third parties, attributed to Harman's addition of the Genesis car brand. Licensing income was at the same level as Q3 of last year, reflecting better performance from HP and income from new licensing partnerships, offset by the adverse impact of component scarcity on the automotive industry.

The growth in product sales was mainly driven by Asia and Americas, which grew by 22% and 32% respectively in local currencies. EMEA declined by 2%, mainly relating to multibrand, which last year benefitted from the reset of this channel.

Overall, demand remained positive with like-for-like sell-out growing by 6%, delivered by all product categories, regions and across all channels except eCommerce.

REVENUE SPLIT (DKK MILLION)





The monobrand channel delivered solid growth with the highest growth coming from company owned stores, which grew by approx. 40%. This was driven by the demand for Staged and Flexible Living products, which could have performed even better had they not been adversely impacted by component scarcity. The number of monobrand stores declined by 8, mainly due to Russia's invasion of Ukraine and the subsequent discontinuation of sales to stores in Russia and Belarus.

Multibrand and etail delivered low single-digit year-on-year growth in Q3. This was mainly due to high comparables last year, as the company benefitted from the reset of the operating model within multibrand and etail in EMEA.

The company's eCommerce platform declined by 18% compared to Q3 of last year. The decline was due to component scarcity within Flexible Living, high comparables from Q3 of last year and temporary price inconsistency in the market following the implementation of price increases in January.

The eCommerce platform accounted for approx. 5% of product revenue, and eCommerce and etail combined accounted for approx. 16%. Excluding products not available for online purchase, eCommerce and etail accounted for approx. 27% of revenue.

Staged category

Revenue grew by 25.2%, driven by both higher volume and price increases implemented since Q3 of last year. The company could have achieved higher growth in the Staged category had it not been impacted by component scarcity affecting both speakers and TVs.

Like-for-like sell-out grew by 6%.

Revenue from speaker sales more than doubled compared to Q3 of last year. This increase was driven by all products, especially Beolab 28, which was launched in Q4 of last year and continued to see strong demand.

Revenue from TVs was slightly lower than Q3 of last year. However, last year, the company sourced and sold TV screens supporting the launch of Beovision Contour 48''. This accounted for around 6% of revenue within the Staged category last year and if this is excluded, TV sales delivered high single-digit growth.

	Monobrand		Multibrand	
Points of sale	End Q3 21/22	End Q2 21/22	End Q3 21/22	End Q2 21/22
EMEA	338	348	1,762	1,671
Americas	26	26	2,466	2,466
Asia	82	81	944	950
Total	**446**	**455**	**5,172**	**5,087**

Flexible Living category

Revenue grew by 1.9%. The growth was impacted negatively by component scarcity related to products on the old product platforms, e.g. Beosound 1 and 2 and Beoplay A9. Furthermore, last year the company launched Beosound Emerge, which together with other recent product launches replaced Beoplay M3 and M5. Due to component scarcity, components used for Beosound Emerge were prioritised for other products, and the product range was consequently narrower than in Q3 of last year.

Despite challenges related to component sourcing, Beoplay A9 continued to see strong demand and delivered close to 20% growth. Products on the company's new product platform also experienced increased demand.

Like-for-like sell-out grew by 5%.

On-the-go category

Revenue grew by 1.3%, driven by portable speakers, whereas revenue from headphones and earphones declined. Last year, the company benefitted from the reset of the operating model within multibrand and etail in EMEA, which especially impacted the On-the-go category.

Like-for-like sell-out grew by 8%.

Gross profit

Gross profit grew by 9% to DKK 341m (Q3 20/21: DKK 313m), driven by higher revenue.

Gross margin declined by 0.9pp to 44.0%. The decline was attributed to both products and Brand Partnering & other activities.

Gross margin from product sales declined by 0.6pp to 38.7%, driven by further increases in spot buys of components, partly offset by improved product mix and the implementation of price increases.

The negative impact of higher component costs mainly affected the margins on the Staged and Flexible Living categories, which declined by 1.0pp and 1.2pp respectively.

Last year, the gross margin in the Staged category was adversely impacted by screen sales related to the launch of Beovision Contour 48'', reducing the gross margin in this category by approx. 2.5pp.

Adjusting for this, the gross margin for the Staged category declined by approx. 3.5pp, mainly reflecting higher component costs.

The combined year-on-year effect of additional component and logistics costs amounted to more than DKK 65m and impacted the product gross margin by 9pp compared to 2.5pp in Q3 of last year. The increase was related to component costs; logistics costs had less effect than last year.

Gross margin from Brand Partnering & other activities declined due to the increase in aluminium manufacturing for third parties.

Capacity costs

Capacity costs were DKK 340m (Q3 20/21: DKK 285m), corresponding to an increase of 19%.

The increase reflected 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 14m to DKK 70m as a result of hiring more employees, especially within software and platform development. Incurred development costs were DKK 6m higher than last year, reflecting platform upgrades and investments in the product roadmap.

Distribution and marketing costs increased by DKK 45m to DKK 236m (Q3 20/21: DKK 191m). The increase was related to higher marketing costs and a one-off service cost relating to warranty obligations.

Administrative costs were DKK 34m (Q3 20/21: DKK 38m). The decrease was driven by lower consultancy costs and lower employee bonus costs compared to Q3 of last year.

EBIT

EBIT was DKK 1m (Q3 20/21: DKK 28m). This was equivalent to an EBIT margin of 0.1% (Q3 20/21: 4.0%).

Special items amounted to DKK 5m, mainly relating to severance payments.

EBIT before special items was DKK 6m, equivalent to an EBIT margin before special items of 0.7% (Q3 20/21: 4.9%).

The margin decline was mainly due to the decrease in gross profit following increasing component costs, which together with logistics costs were around DKK 50m higher than Q3 of last year.

Financial items

Net financial items were an expense of DKK 18m versus an expense of DKK 11m last year. The increase was driven by value adjustments of securities and exchange rate adjustments.

Earnings

Earnings before tax were a loss of DKK 17m (Q3 20/21: DKK 17m) and income tax amounted to income of DKK 1m (Q3 20/21: expense of DKK 4m).

	Q3		YTD	
GROSS MARGIN	**2021/22**	2020/21	**2021/22**	2020/21
Staged	43.2%	44.3%	45.0%	44.9%
Flexible Living	46.9%	49.0%	46.4%	48.4%
On-the-go	23.9%	23.7%	24.8%	21.1%
Products, total	**38.7%**	**39.3%**	**39.3%**	**37.8%**
Brand Partnering & other activities	95.6%	97.3%	96.5%	96.7%
Total	**44.0%**	**44.9%**	**44.4%**	**44.3%**

Earnings for the period were a loss of DKK 16m (Q3 20/21: profit of DKK 13m).

Cash flow

Free cash flow was an outflow of DKK 14m compared to an inflow of DKK 8m last year. The year-on-year decline was related to increased cash flows from operating activities offset by higher CAPEX.

Cash flows from operating activities were DKK 61m (Q3 20/21: DKK 63m).

The increase was related to changes in net working capital, which were positive by DKK 30m compared to a negative impact of DKK 3m last year.

Cash flows from investing activities were an outflow of DKK 75m (Q3 20/21: outflow of DKK 55m). Investments were primarily related to the product roadmap and continued development of product platforms. Investments in tangible assets increased following investments in retail development and the company's aluminium factory.

Cash flows from financing activities mainly consisted of net proceeds from repo transactions of DKK 30m. The net cash flow from financing activities amounted to DKK 20m (Q3 20/21: DKK 118m).

The cash position was DKK 225m (Q3 20/21: DKK 284m).

Total available liquidity was DKK 511m, consisting of cash and securities of DKK 651m less DKK 140m in bank loans related to repo transactions.

Net working capital

Net working capital amounted to DKK 187m. This represented a decrease of DKK 30m during the quarter.

Trade receivables decreased by DKK 24m during the quarter, reflecting timing of revenue and collection efforts. Sales with extended credit accounted for 5% of revenue (Q3 20/21: 7%).

Trade payables declined by DKK 20m related to timing of payments.

Inventories increased by DKK 10m during the quarter due to timing of supply. The increase was partly related to raw materials and component spot buys.

Other liabilities increased by DKK 23m during the quarter, mainly due to higher provisions for employee bonus.

Net working capital to the last 12 months' revenue was 6.2% (Q3 20/21: 11.4%).

Financial performance 9M 2021/22

Revenue amounted to DKK 2,250m. This was equivalent to year-on-year growth of 19% in local currencies. The growth was related to all product categories, with the Staged and Flexible Living categories delivering the highest growth rates. Revenue from Brand Partnering & other activities was at the same level as last year.

The gross margin was 44.4% (9M 20/21: 44.3%), in line with the prior year. This was driven by product mix and price increases, offset by higher component and logistics costs. The higher cost for components and logistics amounted to more than DKK 150m in the first nine months, equivalent to an approx. 8pp impact on product gross margin compared to 1.5pp the previous year. In addition, Brand Partnering & other activities constituted a smaller portion of revenue, reducing the overall margin.

Capacity costs amounted to DKK 964m (9M 20/21: DKK 808m). The increase was in development costs and distribution and marketing costs, reflecting the strategy execution with focus on building robustness. Administrative costs were at the same level year-on-year.

EBIT was DKK 35m (9M 20/21: DKK 12m), equivalent to a margin of 1.6% (9M 20/21: 0.6%).

EBIT before special items was DKK 42m (9M 20/21: DKK 23m) with a margin of 1.9% (9M 20/21: 1.2%).

Earnings before tax for the period were a profit of DKK 2m (9M 20/21: loss of DKK 26m), and earnings for the period were a loss of DKK 5m (9M 20/21: loss of DKK 24m).

Free cash flow was DKK 18m (9M 20/21: DKK 85m), positively affected by EBITDA of DKK 192m, offset by investments of DKK 155m.

Net interest-bearing deposit

Net interest-bearing deposit amounted to DKK 318m, compared to DKK 361m at year-end 2020/21. The decrease was mainly due to the purchase of treasury shares for a consideration of DKK 37m, investments in securities and repayment of lease liabilities, offset by a positive free cash flow of DKK 18m.

For further details, see note 8.

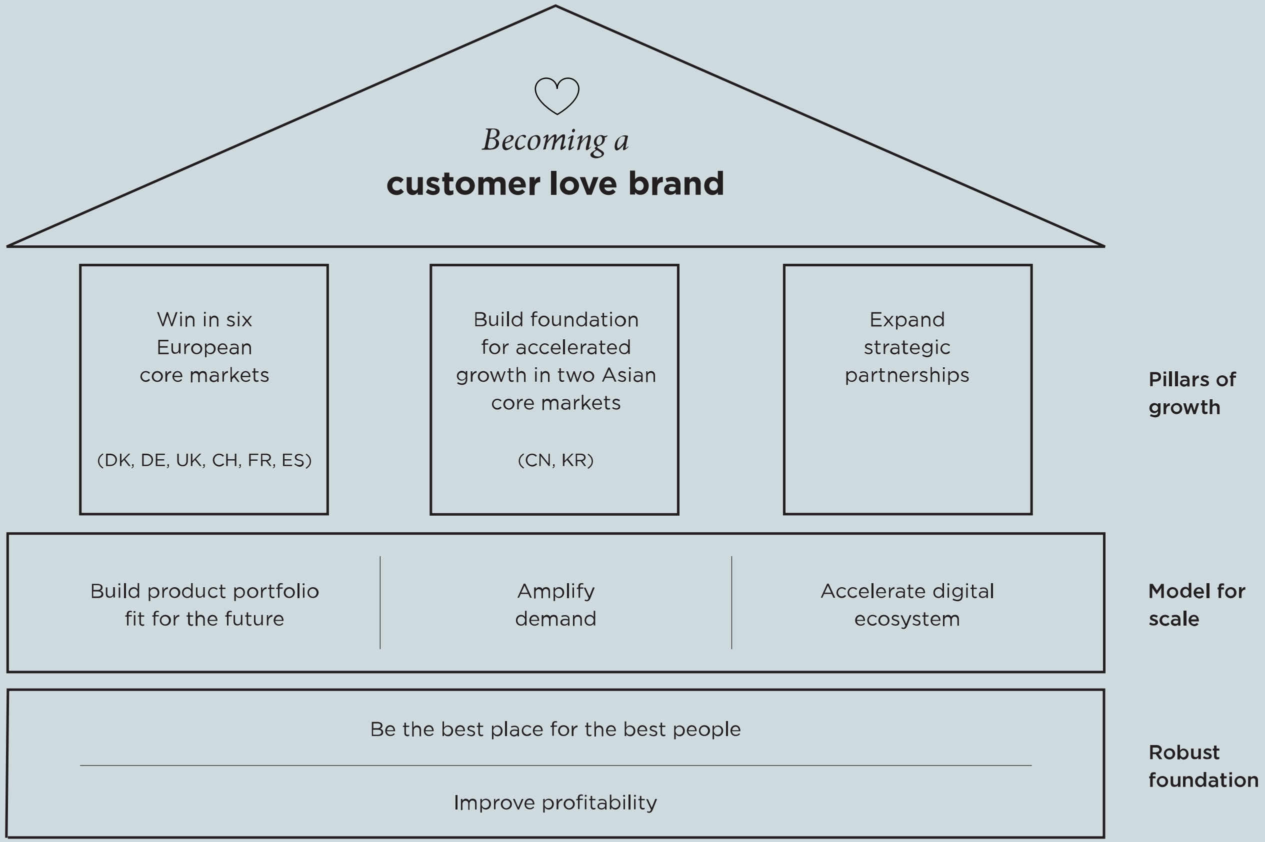
Assets held for sale

In Q2 2021/22, the building "the Farm" was reclassified to land and buildings under tangible assets because it will be used for own purposes.

Equity

Equity was DKK 1,119m, corresponding to a decrease of DKK 14m for the year.

Building robustness



Progress on key strategic priorities for 2021/22

Q3 was yet another quarter where component scarcity impacted the business. Agility continued to be critically important in the company's marketing planning to dynamically accommodate for available products.

Strategy execution continued and, as in previous quarters, was anchored in an ambition to build robustness in the business. In Q3, execution activities centred around building a strong and resilient market position through brand differentiation and customer conversion.

Securing a robust business foundation

The company has implemented several initiatives to improve profitability and robustness.

Since launching its strategy in April 2020, the company has substantially improved its agility and resilience. Securing components has been an integral part of establishing this resilience by ensuring supply to meet market demand, despite increasing scarcity and higher component costs.

On 1 January 2022, the company implemented portfolio-wide price increases as a planned response to three factors, in particular: i) margin erosion due to price inflation on components and raw materials, ii) high demand in the consumer electronics and luxury industry in general, and iii) another step towards a desired position in aspirational luxury.

The implementation of price increases was followed by a period of pricing inconsistency on select products which challenged performance, particularly in eCommerce.

Profitability remains an important driver of business robustness, but people, capabilities and structures to support strategy execution are equally important. Throughout Q3, the company onboarded new skills, particularly for the engineering teams and local market organisations, strengthening both front-end sales and marketing execution and back-end software and hardware development.

Model for scale

Another critical part of creating business robustness is to build a scalable business model. This means essentially creating a systemic mix of attractive propositions, sold through the right marketing and distribution channel mix, so that the business can grow organically.

Product portfolio fit for the future

Q3 saw the launch of a new version of the gaming headphone Beoplay Portal. This brought the total number of product innovations to six for the first nine months of the year.

The new Beoplay Portal is fully compatible with PC and PlayStation consoles alongside mobile device gaming. It offers dual excellence in gaming and everyday use, making it easy and convenient for customers to choose and use. The new edition has increased connectivity, a new wireless dongle, and improved battery life of up to 42 hours. The company believes that the launch of the new edition will cement its position in gaming, and the company will continue exploring opportunities in the fast-growing gaming market.

The company's Recreated Classics initiative was further expanded with the launch of BeoSystem 72-22. This system was created exclusively for the US and Canada and only 30 units were made of this limited-edition system which were all sold within the first day. At the heart of the BeoSystem 72-22 lies the recreated Beogram 4000c turntable, paired with matching Beolab 18 stereo speakers and a Beoremote Halo remote control. It is a purposeful initiative designed to reverse the increasingly short product lifespans that characterise the consumer electronics industry of today, and to demonstrate the longevity and long-lasting luxury of B&O designs. The initiative is part of a strategic ambition of working systematically with product programmes leveraging the unique capabilities of the company and building unique propositions for differentiation.

Another product programme is the Bespoke programme launched in Q2. Throughout Q3, the company experienced a consistent inflow of product requests without significant marketing activation. The vast majority of bespoke requests year-to-date (95%) were customisations, where customers mix and match existing colours, materials or finishes for a specific product. The remaining 5% were bespoke orders, where products are tailored exclusively to the individual customer. The programme is a deliberate effort to increase relevancy and attractiveness towards specific subsegments of the company's target audience in the Very High Net Worth Individuals and Well-Established customer segments.

In Q3, the company launched a limited-edition Beosound A1 speaker in partnership with the streetwear label and lifestyle brand CLOT. The collaboration was designed to tap into CLOT's creative movement in bridging Eastern and Western cultures in order to drive awareness and affinity with a younger segment of, particularly, Chinese consumers.

Amplify demand
Demand creation was driven by both local and global campaigns. In addition, the company launched a headphone campaign with engaging, warm and connecting brand visuals, and strong campaign interaction across channels. The campaign lifted performance in the headphone category and Beoplay H95 in all channels.

To support the headphone campaign and to drive brand awareness overall, the company activated its ambassador partnerships with Lay Zhang and Trent Alexander Arnold respectively, initiated further celebrity seeding and activated more key opinion leaders in the core European and Asian markets. As a result, Q3 saw significant uptakes in both reaches generated by influencers and in the brand's follower base across social media platforms.

The company continued its digital acceleration through improved check-out functionality on its eCommerce site, rolling out one-click payment functionality with ApplePay and GooglePay in the European markets. The ongoing improvements in the eCommerce platform yielded positive results in customer satisfaction scores, which reached record-levels for the quarter. Sales performance was, however, impacted by temporary price inconsistency following the implementation of price increases.

In Q3, the company initiated a churn campaign, retargeting the database of customers who had not been purchasing for the past six months or more. The early results proved positive, with incremental sales and re-engagement with customers, which is a testament to the perceived brand value and loyalty from existing customers. The company plans to continue systemic retargeting efforts in the quarters ahead.

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

Year to date, new customer growth reached 25% and the company managed to maintain a stable average product ownership rate. The company met its expectations for customer base growth and average ownership for the fiscal year. With retargeting of existing customers, the company also saw early indications of loyalty and desirability for owning two or more B&O products. The number of customers owning two products or more grew by 32% year to date.

Pillars of growth
The ambition of winning in six European and two Asian core markets continued to drive priority and focus throughout Q3.

European core markets
The positive demand trend in the European core markets continued throughout the quarter, with total sell-out growth of 10%. Nonetheless, revenue declined by 10% in local currencies compared to last year, primarily as a result of high comparables from last year fuelled by reset of the operating model for multibrand and etail.

The monobrand channel, including the company owned stores, delivered revenue growth of 11% in the six core markets. Although supply constraints challenged the Staged and Flexible Living categories, local teams and partners continued close collaboration to meet demand with the products available.

Multibrand realised negative year-on-year revenue growth due to high comparables. However, demand and sell-out continued the positive trajectory. Multibrand sell-out growth reached 28% and etail 76%, primarily driven by Amazon. The deliberate efforts to build experienced sales teams and proper structures combined with focused activation with Amazon delivered commercial results.

The company's strategic decision to win in London continued to yield strong results. UK performance in the quarter was testament to the positive impact of this approach, with year-on-year revenue growing 11% and sell-out growth reaching 31%. For London specifically, sell-out growth in company owned stores reached 80%, outperforming both the rest of the UK and the EMEA region. In addition, brand awareness, customer base and repurchase increased significantly compared to last year.

The physical footprint was enhanced with store launches in London Heathrow T3 and T2 featuring experiential store fronts focusing on headphones and promoters selling products. Partnering with a number of different brands, the company opened a pop-up store in Shoreditch, Central London, which was open from late November until Christmas. The store reached new customers and appealed to a younger, more diverse audience. In select multibrand stores, the consumer experience was improved as sales staff was trained and actively selling products. In addition, the company had several activations together with influencers, events and product placements in key locations where people could experience Bang & Olufsen.

The local team continued roll-out efforts and impact tracking to validate the new concept and approach.

The company plans to roll out the city concept to more locations once a continued impact record is documented.

Asian core markets
The two Asian core markets, China and South Korea, continued the growth trajectory from previous quarters, reaching 28% year-on-year growth in local currencies.

The company executed planned go-to-market tactics to build and sustain a robust position in the Chinese market. The multibrand distribution set-up was revamped in the course of Q2 and Q3. All previous distributors, except for one, were terminated and new distributors onboarded, with the last distributor signed in Q3.

In addition, monobrand revamp tactics are in progress to improve store network performance through a few new store openings, upgrades, store closures and relocations. A monobrand store upgrade in Shanghai was completed in Q3 with immediate recorded sell-out effects.

The termination of previous distribution partners and onboarding of new partners had an adverse effect on sell-out from multibrand and etail. Including all channels, sell-out was at the same level as Q3 of last year, with monobrand including company owned stores delivering more than 10% like-for-like growth.

Safeguarding the brand in the Chinese market is crucial for Bang & Olufsen. To ensure this, contractual conditions for the new multibrand distributors include penalty schemes for selling in unauthorised sales channels. Furthermore, the company onboarded a new partner to strengthen brand protection in China.

Lastly, the company reactivated the Lay Zhang partnership and this drove considerable brand reach. Year-to-date brand reach performance trends well above fiscal year expectations.

Strategic brand partnerships
Brand Partnering activity remains a critical component of the business model as it drives awareness and new customer acquisition. Performance in the quarter grew by 9%, primarily as a result of aluminium sales related to Harman's addition of the Genesis car brand.

In Q3, Verizon launched two soundbars featuring Verizon's on-demand streaming solution built-in and with Bang & Olufsen sound. The two different soundbar propositions are both designed for big movie experiences in the living room with no need for additional speakers or receivers. Verizon continues to be a strategically important partner to the company. Since the official announcement of the partnership in August 2020, Bang & Olufsen has worked to bring a curated selection of products to Verizon's extensive store network and significant customer base. With the launch of the Verizon soundbar, the distribution partnership has been expanded to include opportunities in brand partnering and product collaborations.

In addition, the company's partner Sagemcom onboarded Telecom Italia. This is the third partner onboarded and follows agreements with Vodafone Spain and TotalPlay Mexico earlier in the fiscal year.

EMEA

Revenue

Revenue declined by 2% in local currency with reported revenue at the same level as Q3 of last year.

Like-for-like sell-out grew by 10% driven by all channels except the company's eCommerce platform. Ecommerce was adversely impacted by temporary price inconsistency following the price increases in January.

The monobrand channel delivered the biggest absolute growth in EMEA, with the company owned stores driving the highest growth rates.

Multibrand declined year on year, reflecting high comparables last year, as the company benefitted from the reset of the operating model within multibrand and etail in EMEA. Sell-out showed an improved performance, with multibrand and etail growing 38% and 75% respectively.

The company delivered solid progress on B2B, which grew by 78% compared to Q3 of last year.

The six core markets accounted for close to two-thirds of total revenue in EMEA and declined by 10% in local currencies. This was attributable to the previous year's aforementioned high comparables from etail and multibrand. Monobrand delivered solid year-on-year growth of 10%.

Revenue from the Staged category grew by 17%, despite continued scarcity of key components. Last year, revenue was boosted by pass-through of screen revenue for the launch of Beovision Contour. Adjusted for screen revenue, the growth was around 21%. The growth was driven by both TVs and speakers – in particular Beolab 28, which was launched in Q4 of last year.

Revenue from the Flexible Living category declined by 7%. The decline was related to component scarcity for products on the previous ASE product platform. In addition, Beoplay M3 and M5 have gone end-of-life since Q3 of last year and production of Beosound Emerge has been temporarily suspended due to optimisation of components between products on the new product platform. Beosound Balance and Beosound Level, which are on the new product platform, delivered solid growth.

Revenue from the On-the-go category declined by 23%, attributed to the high comparables from the reset of the multibrand and etail channels.

Gross profit

Gross profit amounted to DKK 150m (Q3 20/21: DKK 138m). This was equivalent to a gross margin of 41.8%, which represented a year-on-year increase of 3.6pp. The improvement was driven by product mix and price increases. In addition, last year was adversely impacted by pass-through of screen sales for the launch of Beovision Contour. The increase in component costs adversely impacted margin.

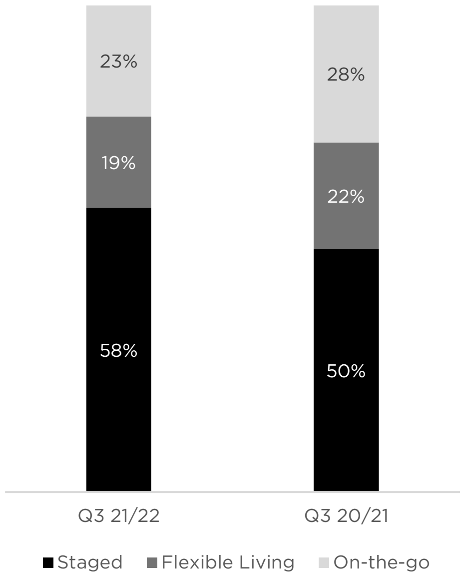
First 9M 2021/22

Revenue grew by 12.3% (11% in local currencies). Growth was driven by the Staged and Flexible Living categories.

Gross margin increased by 1.6pp to 41.5%, primarily driven by product mix and price increases, offset by higher component costs.

	Q3			YTD		
(DKK million)	2021/22	2020/21	Change	2021/22	2020/21	Change
Revenue	361	362	-1	1,030	918	112
Growth in local currencies	-2%	16%		11%	13%	
Gross profit	150	138	12	427	366	61
Gross margin	41.8%	38.2%	3.6pp	41.5%	39.9%	1.6pp

REVENUE SPLIT (%)



Americas

Revenue

Revenue increased by 32% in local currencies, driven by all product categories and distribution channels.

Like-for-like sell-out grew by 18%, mainly attributed to monobrand, including company owned stores and etail.

The company owned and operated stores and eCommerce channel have delivered considerable growth in recent quarters and in Q3 accounted for around one-third of revenue in Americas.

The highest relative growth came from multibrand, etail and B2B. The monobrand channel grew by more than 20% year on year. Americas had a high adoption of online-driven sales. Etail and eCommerce accounted for around 40% of revenue and grew by more than 40% year on year.

Revenue from the Staged category increased by 36%, driven by speaker sales across the product range. The company's flagship speakers, Beolab 90 and 50 as well as Beolab 28 launched in Q4 of last year, experienced particularly high demand.

Revenue from the Flexible Living category grew by 25%. The growth was driven by Beoplay A9 and by products on the company's new product platform. Component scarcity on the previous ASE product platform adversely impacted availability and thus growth.

Revenue from the On-the-go category increased by 48%, driven by headphones, earphones and portable speakers.

Gross profit

Gross profit amounted to DKK 30m. This was equivalent to a gross margin of 40.9%, which represented a decrease of 0.8pp versus last year. The decrease was mainly related to changes in product mix towards the On-the-go category as well as higher component costs, partly offset by price increases.

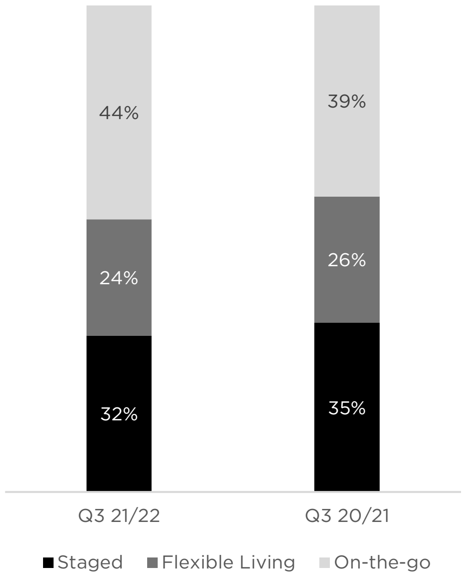
First 9M 2021/22

Revenue grew by 70.9% (67% in local currencies). Growth was seen across all channels, in particular multibrand, etail and eCommerce.

Gross margin decreased by 6.8pp to 34.5%, driven by changes in product mix and higher component costs.

	Q3			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	71	52	19	222	130	92
Growth in local currencies	32%	50%		67%	18%	
Gross profit	30	22	9	77	54	23
Gross margin	40.9%	41.7%	-0.8pp	34.5%	41.3%	-6.8pp

REVENUE SPLIT (%)



Asia

Revenue

Revenue increased by 22% in local currencies, mainly driven by the Staged and On-the-go categories.

Like-for-like sell-out was at the same level as last year. The Chinese New Year began earlier this year, which had an adverse effect on sell-out. Furthermore, etail and multibrand were negatively impacted by the transition to new distribution partners which impacted sell-out performance in the quarter.

The two core markets accounted for approx. 80% of total revenue in Asia and delivered 28% year-on-year growth in local currencies.

All key channels delivered solid growth rates.

Revenue from the Staged category grew by 50%. The growth was driven by both TVs and speakers across the full product range, despite the negative impact from supply constraints.

Revenue from the Flexible Living category grew by 6%, partly reflecting component scarcity, which adversely impacted availability of products on the previous ASE product platform.

Revenue from the On-the-go category increased by 25%, driven by portable speakers and earphones.

Gross profit

Gross profit amounted to DKK 91m, equivalent to a gross margin of 33.7%. This represented a 6.8pp decline compared to Q3 of last year. The decrease was mainly related to higher component costs.

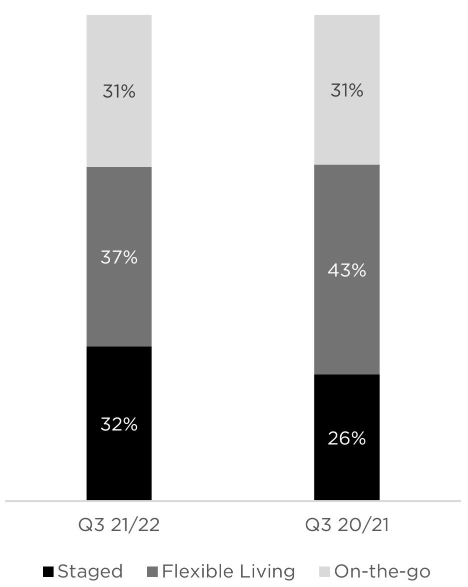
First 9M 2021/22

Revenue grew by 32.2% (29% in local currencies), mainly driven by the Staged and Flexible Living categories. Growth was seen across all channels.

Gross margin increased by 3.9pp to 37.8%, supported by product mix, partly offset by higher component costs.

	Q3			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	270	218	52	798	603	195
Growth in local currencies	22%	16%		29%	10%	
Gross profit	91	89	2	302	205	97
Gross margin	33.7%	40.5%	-6.8pp	37.8%	33.9%	3.9pp

REVENUE SPLIT (%)



Brand Partnering & other activities

Revenue

Revenue increased by 9.7% (9% in local currencies).

The increase was related to aluminium components produced for third parties, whereas licensing income was at the same level as Q3 of last year.

The company's new brand partners, Verizon and Sagemcom, contributed with solid growth in the quarter. Sagemcom also successfully onboarded Telecom Italia as the third partner for the Video Soundbox™ home entertainment unit. However, the growth from the new licensing partners was offset by the decline in the automotive industry as component scarcity had a negative impact on car manufacturers.

The increase from aluminium components was driven by onboarding of the new luxury car brand Genesis.

In Q3, new partnerships accounted for around 8% of revenue. The increase in partnerships has reduced the dependency on single sectors.

Gross profit

Gross profit amounted to DKK 70m, equivalent to a gross margin of 95.6%. This represented a decrease of 1.7pp on last year, which was attributed to the increase in aluminium components relative to licensing income.

First 9M 2021/22

Revenue was DKK 200m, equivalent to a year-on-year decrease of 1.2% (2% in local currencies). The decline came from lower licensing income due to component scarcity.

Gross margin decreased by 0.2pp to 96.5%.

	Q3			YTD		
(DKK million)	**2021/22**	2020/21	Change	**2021/22**	2020/21	Change
Revenue	73	66	7	200	202	-2
Growth in local currencies	9%	1%		-2%	6%	
Gross profit	70	64	6	193	195	-2
Gross margin	95.6%	97.3%	-1.7pp	96.5%	96.7%	-0.2pp

Key events in Q3

DEC '21

One-of-a-kind Beogram 4000c auctioned off

Bang & Olufsen created a one-of-a-kind edition of the Beogram 4000c turntable. It was auctioned off in collaboration with Lauritz.com, with all profits going directly to support Mødrehjælpen, which works to help families in Denmark with children to enjoy a merry Christmas. It sold for nearly DKK 200,000.

Limited edition of Beosound A1 in collaboration with CLOT

Bang & Olufsen and fashion brand CLOT collaborated to create a limited-edition Beosound A1 speaker. The aluminium grill surface is tinted in a bright metallic red and the CLOT logo is printed onto the speaker grill. CLOT is a fashion label from Hong Kong with the aim of bridging the East and the West through thoughtfully designed apparel and goods.

Verizon launches soundbars made in collaboration with B&O

Verizon introduced two premium soundbars featuring built-in on-demand streaming and B&O's signature sound. The soundbars are sold to Verizon customers in the US.

JAN '22

Moment Collection launches in China

B&O launched the Moment Collection in China to celebrate the Chinese New Year on 1 February 2022. The collection consists of four products.

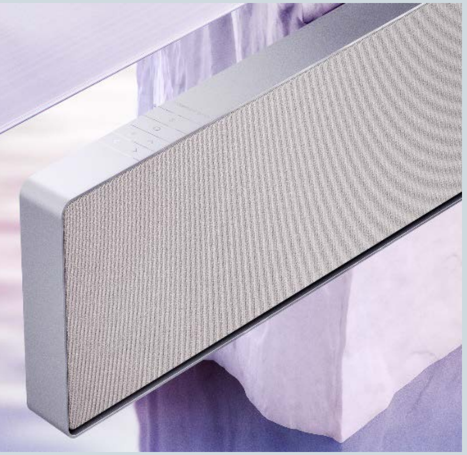
New partnership with luxury carmaker Genesis

Bang & Olufsen entered a partnership with Genesis, a new luxury car brand. Genesis is a highly progressive luxury Korean carmaker, a member of the Hyundai Motor Company Group.

Bang & Olufsen supplies the aluminium covers for the speakers in the car.

Beosound Stage wins ’People’s Choice’ award in the Nordics

The readers of the Nordic magazine Lyd & Billede awarded Beosound Stage the prestigious ‘People’s Choice’ award in the soundbar category.



FEB ‘22

Beoplay Portal for PC, PlayStation and mobile gamers

B&O launched a new edition of the wireless gaming headphones Beoplay Portal. The new edition is fully compatible with PC and PlayStation consoles, alongside mobile device gaming, which marks a substantial expansion in connectivity across world-leading platforms. The new edition comes with a wireless dongle, and battery life has been improved, offering up to 42 hours of playtime

Beosystem 72-22, a music system connecting 1972 to 2022

To celebrate the 50th anniversary of the Beogram 4000 Series turntables, B&O created 30 limited-edition units of this music system exclusively for the US and Canada. The system is part of the Classics Initiative.

The fully integrated music system includes a Beogram 4000 Series turntable originally designed by Jacob Jensen in 1972, matching Beolab 18 speakers, and a Beoremote Halo. Each component is connected through a central hub within the solid wood walnut gift box the system arrives in. The cabinet can be repurposed for use as a turntable stand, with storage for records, wireless connectivity hub, and Halo remote charging station.

All units sold within the first day.

Outlook for 2021/22

The company maintains the outlook for 2021/22, but due to higher component costs, the company now expects EBIT margin before special items and free cash flow to be in the low end of the earlier communicated range.

The company sees continued high uncertainty related to component sourcing and to COVID-19, especially related to recent lockdowns in China.

Revenue

The outlook for revenue is maintained at between DKK 2.9bn and DKK 3.1bn and is subject to the following assumptions for the remainder of the year:

- No significant worsening of product availability, for example due to scarcity of components or major lockdown of production partners in China due to COVID-19.
- No major lockdowns due to COVID-19 lockdowns in China.
- No revenue in Q4 from sales to Russia and Belarus due to the war in Ukraine and the sanctions imposed.
- The launch of 1+ product innovation in Q4.
- 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 outlook is maintained at 2-4%. In addition to the assumptions regarding revenue, the expectations are based on the following assumptions:

- Component markets and costs will not worsen compared to Q3 2021/22.
- Higher logistics costs due to the war in Ukraine.
- Higher costs for demand creation, especially in marketing and product development.
- Exchange rates against DKK, including in particular USD, CNY and EUR, generally in line with current exchange rate levels.

Free cash flow

The outlook is maintained at between DKK 0m to DKK 100m. In addition to the assumptions regarding revenue and EBIT margin before special items, the expectations are based on the following assumptions:

- No material changes in overdue receivables.
- CAPEX at the same level as in Q3 2021/22, related to both product and retail development.

Sensitivities

The outlook is subject to increased uncertainty related to supply chain and consumer demand due to higher inflation, the war in Ukraine and COVID-19 lockdowns in China.

OUTLOOK 2021/22	April 2022	January 2022
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

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.

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 – 28 February 2022.

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 28 February 2022, and of the results of the Group's operations and cash flows for the period 1 June 2021 – 28 February 2022. 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, 7 April 2022

Executive Management Board:

Kristian Teär
President & CEO

Nikolaj Wendelboe
CFO

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

		Q3		YTD		Year
(DKK million)	Notes	**2021/22**	2020/21	**2021/22**	2020/21	2020/21
Revenue	2, 4	**775**	**698**	**2,250**	**1,853**	**2,629**
Production costs		-434	-385	-1,251	-1,033	-1,490
Gross profit		**341**	**313**	**999**	**820**	**1,139**
Development costs	5	-70	-56	-215	-186	-258
Distribution and marketing costs		-236	-191	-650	-524	-727
Administrative costs		-34	-38	-99	-98	-135
Operating profit (EBIT)		**1**	**28**	**35**	**12**	**19**
Financial income		3	3	8	4	6
Financial expenses		-21	-14	-41	-42	-58
Financial items, net		**-18**	**-11**	**-33**	**-38**	**-52**
Earnings before tax (EBT)		**-17**	**17**	**2**	**-26**	**-33**
Income tax		1	-4	-7	2	10
Earnings for the period		**-16**	**13**	**-5**	**-24**	**-23**
Earnings per share						
Earnings per share (EPS), DKK		-0.1	0.1	-0.0	-0.2	-0.2
Diluted earnings per share (EPS-D), DKK		-0.1	0.1	-0.0	-0.2	-0.2

Statement of comprehensive income

	Q3		YTD		Year
(DKK million)	**2021/22**	2020/21	**2021/22**	**2020/21**	2020/21
Earnings for the period	**-16**	**13**	**-5**	**-24**	**-23**
Items that will be reclassified subsequently to the income statement:					
Foreign exchange adjustments of foreign entities	7	2	20	3	4
Fair value adjustments of derivatives	-8	-7	-22	-20	-25
Value adjustments of derivatives reclassified in					
Revenue	7	2	18	4	7
Production costs	-2	-	-3	2	2
Tax on other comprehensive income	1	1	2	3	3
Other comprehensive income for the period, net of tax	5	-2	15	-8	-9
Total comprehensive income for the period	**-11**	**11**	**10**	**-32**	**-32**

Statement of financial position

ASSETS

(DKK million)	Notes	28-02-22	28-02-21	31-05-21
Goodwill		41	41	41
Acquired rights and software		53	30	41
Completed development projects		100	96	110
Development projects in progress	5	96	82	76
Intangible assets		**290**	**249**	**268**
Land and buildings		97	78	82
Plant and machinery		46	40	37
Other equipment		13	11	13
Leasehold improvements		22	21	20
Tangible assets in course of construction and prepayments for tangible assets		29	27	28
Right-of-use assets		104	135	120
Tangible assets		**311**	**312**	**300**
Non-current other receivables		24	26	24
Deferred tax assets		106	79	87
Total non-current assets		**731**	**666**	**679**
Inventories		547	390	369
Trade receivables		462	391	438
Tax receivable		36	32	32
Other receivables		82	107	92
Prepayments		31	29	32
Securities	8	426	445	435
Cash	8	225	284	178
Assets held for sale		-	21	21
Total current assets		**1,809**	**1,699**	**1,597**
Total assets		**2,540**	**2,365**	**2,276**

EQUITY AND LIABILITIES

(DKK million)	Notes	28-02-22	28-02-21	31-05-21
Share capital		613	613	613
Translation reserve		36	15	16
Reserve for cash flow hedges		-15	-8	-10
Retained earnings		485	505	514
Total equity		**1,119**	**1,125**	**1,133**
Lease liabilities		102	124	117
Pensions		13	14	14
Deferred tax		7	11	7
Provisions		38	34	39
Mortgage loans		59	63	61
Other non-current liabilities		6	35	1
Deferred income		14	15	15
Total non-current liabilities		**239**	**296**	**254**
Lease liabilities		28	34	24
Mortgage loans		4	4	4
Bank loans	8	140	156	20
Provisions		55	51	49
Trade payables		702	436	502
Tax payable		36	35	31
Other liabilities		204	224	255
Deferred income		13	4	4
Total current liabilities		**1,182**	**944**	**889**
Total liabilities		**1,421**	**1,240**	**1,143**
Total equity and liabilities		**2,540**	**2,365**	**2,276**

Statement of cash flows

(DKK million)	Notes	Q3 2021/22	Q3 2020/21	YTD 2021/22	YTD 2020/21	Year 2020/21
Earnings before tax (EBT)		-17	17	2	-26	-33
Financial items, net		18	11	33	38	52
Depreciation, amortisation and impairment		51	35	157	130	184
Operating profit before depreciation, amortisation and impairment (EBITDA)		**52**	**63**	**192**	**142**	**203**
Other non-cash items		-5	13	19	-8	-5
Change in net working capital	6	30	-3	0	81	126
Interest received		3	3	8	4	6
Interest paid		-8	-8	-21	-17	-23
Income tax paid		-11	-5	-25	-1	-10
Cash flows from operating activities		**61**	**63**	**173**	**201**	**297**
Purchase of intangible non-current assets		-49	-37	-107	-89	-134
Purchase of tangible non-current assets		-27	-18	-49	-32	-50
Sublease payment		-	1	2	6	7
Other cash flows from investing activities		1	-1	-1	-1	-1
Operational investments		**-75**	**-55**	**-155**	**-116**	**-178**
Free cash flow		**-14**	**8**	**18**	**85**	**119**
Purchase of securities		-173	-	-254	-	-495
Sale of securities		173	-	258	-	50
Financial investments		**-**	**-**	**4**	**-**	**-445**
Cash flows from investing activities		**-75**	**-55**	**-151**	**-116**	**-623**

(DKK million)	Notes	Q3 2021/22	Q3 2020/21	YTD 2021/22	YTD 2020/21	Year 2020/21
Repayment of lease liabilities		-9	-12	-24	-35	-40
Repayment of mortgage loans		-1	-1	-3	-3	-4
Proceeds from loans and borrowings		125	131	335	156	472
Repayment of loans and borrowings		-95	-1	-215	-451	-452
Purchase of treasury shares		-	-	-37	-42	-42
Capital increase		-	1	-	359	359
Settlement to other liabilities		-	-	-34	-	-
Cash flows from financing activities		**20**	**118**	**22**	**-16**	**293**
Cash and cash equivalents, opening balance		**214**	**158**	**178**	**215**	**215**
Foreign exchange gain/loss on cash and cash equivalents		5	-	3	-	-4
Change in cash and cash equivalents		**6**	**126**	**44**	**69**	**-33**
Cash and cash equivalents, closing balance		**225**	**284**	**225**	**284**	**178**
Available liquidity		511	573	511	573	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	-	-	-	-5	-5
Foreign exchange adjustments of foreign entities	-	20	-	-	20
Fair value adjustments of derivatives	-	-	-22	-	-22
Value adjustments of derivatives reclassified in					
Revenue	-	-	18	-	18
Production costs	-	-	-3	-	-3
Income tax on items that will be reclassified to the income statement	-	-	2	-	2
Comprehensive income for the period	**-**	**20**	**-5**	**-5**	**10**
Share-based payments	-	-	-	13	13
Acquisition of own shares	**-**	**-**	**-**	**-37**	**-37**
Equity 28 February 2022	**613**	**36**	**-15**	**485**	**1,119**
Equity 1 June 2020	**432**	**12**	**3**	**385**	**832**
Earnings for the period	-	-	-	-24	-24
Foreign exchange adjustments of foreign entities	-	3	-	-	3
Fair value adjustments of derivatives	-	-	-20	-	-20
Value adjustments of derivatives reclassified in					
Revenue	-	-	4	-	4
Production costs	-	-	2	-	2
Income tax on items that will be reclassified to the income statement	-	-	3	-	3
Comprehensive income for the period	**-**	**3**	**-11**	**-24**	**-32**
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	-	-	-	9	9
Acquisition of own shares	-	-	-	-42	-42
Equity 28 February 2021	**613**	**15**	**-8**	**505**	**1,125**

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.

The Group has also considered and assessed the impact from Russia's invasion of Ukraine to have very limited direct impact. No impairment or write-downs have been 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 – Q3

(DKK million)	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
Q3 2021/22						
Revenue	**361**	**71**	**270**	**702**	**73**	**775**
Production costs	-211	-41	-179	-431	-3	-434
Gross profit	**150**	**30**	**91**	**271**	**70**	**341**
Gross margin	41.8%	40.9%	33.7%	38.7%	95.6%	44.0%
Q3 2020/21						
Revenue	**362**	**52**	**218**	**632**	**66**	**698**
Production costs	-224	-30	-129	-383	-2	-385
Gross profit	**138**	**22**	**89**	**249**	**64**	**313**
Gross margin	38.2%	41.7%	40.5%	39.3%	97.3%	44.9%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Q3 2021/22						
Revenue	**323**	**183**	**196**	**702**	**73**	**775**
Production costs	-183	-98	-150	-431	-3	-434
Gross profit	**140**	**85**	**46**	**271**	**70**	**341**
Gross margin	43.2%	46.9%	23.9%	38.7%	95.6%	44.0%
Q3 2020/21						
Revenue	**258**	**181**	**193**	**632**	**66**	**698**
Production costs	-144	-92	-147	-383	-2	-385
Gross profit	**114**	**89**	**46**	**249**	**64**	**313**
Gross margin	44.3%	49.0%	23.7%	39.3%	97.3%	44.9%

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	**1,030**	**222**	**798**	**2,050**	**200**	**2,250**
Production costs	-603	-145	-496	-1,244	-7	-1,251
Gross profit	**427**	**77**	**302**	**806**	**193**	**999**
Gross margin	41.5%	34.5%	37.8%	39.3%	96.5%	44.4%
2020/21						
Revenue	**918**	**130**	**603**	**1,651**	**202**	**1,853**
Production costs	-552	-76	-398	-1,026	-7	-1,033
Gross profit	**366**	**54**	**205**	**625**	**195**	**820**
Gross margin	39.9%	41.3%	33.9%	37.8%	96.7%	44.3%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
2021/22						
Revenue	**915**	**524**	**611**	**2,050**	**200**	**2,250**
Production costs	-503	-281	-460	-1,244	-7	-1,251
Gross profit	**412**	**243**	**151**	**806**	**193**	**999**
Gross margin	45.0%	46.4%	24.8%	39.3%	96.5%	44.4%
2020/21						
Revenue	**708**	**394**	**549**	**1,651**	**202**	**1,853**
Production costs	-390	-203	-433	-1,026	-7	-1,033
Gross profit	**318**	**191**	**116**	**625**	**195**	**820**
Gross margin	44.9%	48.4%	21.1%	37.8%	96.7%	44.3%

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)	Q3 2021/22	Q3 2020/21	YTD 2021/22	YTD 2020/21	Year 2020/21
Incurred development costs before capitalisation	80	74	225	210	287
Hereof capitalised	-31	-31	-77	-75	-106
Incurred development costs after capitalisation	49	43	148	135	181
Capitalisation (%)	39.4%	42.2%	34.3%	35.8%	36.8%
Total charges and impairment losses on development projects	21	13	67	51	77
Development costs recognised in the consolidated income statement	**70**	**56**	**215**	**186**	**258**

6 Change in net working capital

(DKK million)	28-02-22	31-05-21	Change in Q3 2021/22 YTD	Change in Q3 2020/21 YTD	Change in 2020/21
Inventories	547	369	-178	-67	88
Trade receivables	462	438	-24	101	-148
Other receivables*	80	90	10	48	-37
Prepayments	31	32	1	-12	9
Trade payables	-702	-502	200	-6	72
Other liabilities**	-204	-221	-17	-159	156
Deferred income - non-current	-14	-15	-1	-	-
Deferred income - current	-13	-4	9	14	-14
Total	187	187	**0**	**-81**	**126**

* Other receivables were adjusted for financial receivables related to leases of DKK 2m not included as net working capital at 28 February 2022 (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 28 February 2022.

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.

	Q3		YTD		Year
(DKK million)	**2021/22**	2020/21	**2021/22**	2020/21	2020/21
Severance, Executive Management Board	4	1	4	1	1
Restructuring costs and severance	1	1	1	-3	2
Consultants	-	4	2	13	16
Total	**5**	**6**	**7**	**11**	**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 28 February 2022, repo transactions amounted to DKK 140m.

Net interest-bearing deposit amounted to DKK 318m compared to net interest-bearing deposit of DKK 361m at year-end 2020/21.

(DKK million)	**28-02-22**	28-02-21	31-05-21
Mortgage loans (non-current)	-59	-63	-61
Mortgage loans (current)	-4	-4	-4
Bank loans (current)	-140	-156	-20
Lease liabilities (non-current)	-102	-124	-117
Lease liabilities (current)	-28	-34	-24
Other non-current liabilities*	-6	-34	-
Other current liabilities	-	-	-34
Interest-bearing debt	**-339**	**-415**	**-260**
Finance lease receivables (non-current)	4	7	6
Finance lease receivables (current)	2	7	2
Cash (current)	225	284	178
Securities (current)	426	445	435
Interest-bearing assets	**657**	**743**	**621**
Net interest-bearing deposit/(debt)	**318**	**328**	**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 511m (year-end 2020/21: DKK 593m), consisting of cash and securities offset by repo transactions.

(DKK million)	**28-02-22**	28-02-21	31-05-21
Cash (current)	225	284	178
Securities (current)	426	445	435
Bank loans (current)	-140	-156	-20
Available liquidity	**511**	**573**	**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 2021/22 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 these programmes have been recognised as staff costs and amounted to DKK 3m for the quarter (Q3 2020/21: DKK 3m) and DKK 13m YTD (9M 2020/21: DKK 9m).

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	-
2019/20	01.06.2020-31.05.2022	295,820	86,400	382,220	12	6

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	18
2021/22	01.06.2021-31.05.2024	2,218,064	37	2023/24	33	29

11 Financial instruments

Financial instruments by category

(DKK million)	**28-02-22**	28-02-21	31-05-21
Non-current other receivables	24	26	24
Trade receivables	462	391	438
Other receivables	82	107	92
Cash	225	284	178
Financial assets at amortised cost	**793**	**808**	**732**
Securities	426	445	435
Fair value through income statement	**426**	**445**	**435**
Hedge accounting	6	1	1
Fair value through other comprehensive income	**6**	**1**	**1**
Financial assets	**1.225**	**1.254**	**1.168**
Other non-current liabilities	-	-	34
Mortgage loans	63	67	65
Bank loans	140	156	20
Lease liabilities	130	158	141
Trade payables	729	436	502
Financial liabilities at amortised cost	**1.062**	**817**	**762**
Hedge accounting	29	14	16
Fair value through other comprehensive income	**29**	**14**	**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.

For an overview of foreign exchange contracts, see note 7.3 to the 2020/21 Annual Report.

12 Capital structure

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

During October 2021, the company purchased 1,150,000 treasury shares for a total consideration of DKK 37m to cover outstanding long-term incentive programmes. The company holds a total of 3,244,692 treasury shares (31 May 2021: 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. 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, currently especially related to China. Furthermore, Russia's invasion of Ukraine is impacting supply chains and prices on raw materials. The company is working actively to mitigate these implications, but there may be a financial impact from the effects of COVID-19 and the war in Ukraine.

Except as described above or elsewhere in these consolidated interim financial statements, the company is not aware of any events subsequent to 28 February 2022 which are expected to have a material impact on the Group's financial position.

BANG & OLUFSEN

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