

INTERIM REPORT

FIRST NINE MONTHS

2020/21

1 JUNE 2020 - 28 FEBRUARY 2021

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BANG & OLUFSEN

Q3 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Bang & Olufsen achieved double-digit growth for the third consecutive quarter and positive EBIT and free cash flow for the second quarter in a row.

In Q3, revenue grew by 16% in local currencies, driven by targeted sales and marketing initiatives, improved channel performance and high demand for home entertainment products.

All core channels performed, with multi-brand and own eCommerce recording the highest growth rates. The Flexible Living category continued the momentum from Q2, delivering 48% year-on-year growth.

Continued supply challenges related to component scarcity had an adverse impact on growth in the quarter.

The gross margin was 44.9%. This represents a 1.0pp increase year-on-year. The margin improvement reflected less end-of-life products, partly offset by higher component and logistics costs.

EBIT was DKK 28m, equivalent to an EBIT margin of 4.0% (Q3 19/20: -0.3%). The 4.3pp increase was driven by higher sales and improved gross profit, partly offset by higher capacity costs. The EBIT margin before special items was 4.9%.

Earnings for the period were a profit of DKK 13m compared to a loss of DKK 275m last year.

Free cash flow was DKK 8m (Q3 19/20: DKK 39m). The year-on-year decline was related to the change in working capital, partly offset by improved EBITDA.

Available liquidity was stable at DKK 573m (Q2 20/21: DKK 582m).

For the first nine months of the financial year, Bang & Olufsen delivered 13% revenue growth in local currencies, EBIT before special items of DKK 23m (9M 19/20: DKK -189m) and a positive free cash flow of DKK 85m (9M 19/20: DKK -135m).

STRATEGIC INITIATIVES

Despite supply challenges and mandatory store closures, the financial performance in Q3 proved that the strategy in place is effective.

The six European core markets delivered 13% growth in local currencies year-on-year. The growth was seen across all core channels and led by eCommerce and multibrand, which benefited from the efforts to reset the channel and onboard new multibrand and retail partners in H1.

The two Asian core markets delivered year-on-year growth of 12% in local currencies.

All eight core markets delivered growth-rates above company average, when adjusting for sales of end-of-life products last year.

With two products launched in Q3, the company is on track to deliver on the planned product launches for 20/21, thereby strengthening the product portfolio.

The company continued to execute key digital initiatives, which yielded 127% growth on the company's eCommerce platform in Q3.

Lastly, the cost reduction programme targeting DKK 175m in annual savings from 2021/22 progressed, and the company realised cost savings of DKK 42m in Q3 and DKK 105m year-to-date.

OUTLOOK

The company maintains the outlook for revenue and EBIT before special items, whereas the outlook for free cash flow has been narrowed to the upper end of the range. The company's outlook is as follows:

- Revenue: DKK 2.3bn to 2.5bn (unchanged)
- EBIT before special items: DKK -50m to +25m (unchanged)
- Free cash flow: DKK 0m to +100m (previously DKK -50m to +100m)

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

REVENUE
DKK MILLION

698

(6 1 3)

GROWTH IN LOCAL
CURRENCY

16%

(- 1 4 %)

EBIT BEFORE
SPECIAL ITEMS
DKK MILLION

34

(2)

FREE CASH FLOW
DKK MILLION

8

(3 9)

FINANCIAL HIGHLIGHTS

(DKK million)	Q3		YTD	
	2020/21	2019/20	2020/21	2019/20
Income statement				
Revenue	698	613	1,853	1,659
EMEA	362	315	918	806
Americas	52	37	130	107
Asia	218	193	603	550
Brand Partnering & other activities	66	68	202	196
Gross margin, %	44.9	43.9	44.3	41.6
EMEA	38.2	37.2	39.9	36.3
Americas	41.7	40.9	41.3	38.4
Asia	40.5	36.4	33.9	30.6
Regions, total	39.3	37.0	37.8	34.2
Brand Partnering & other activities	97.3	98.5	96.7	95.9
EBITDAC	32	22	66	-115
EBITDA	63	43	142	-53
EBIT before special items	34	2	23	-189
EBIT	28	-1	12	-207
Special items, net	-6	-3	-11	-18
Financial items, net	-11	-2	-38	-7
Earnings before tax (EBT)	17	-3	-26	-214
Earnings for the period	13	-275	-24	-441
Financial position				
Total assets	2,365	2,030	2,365	2,030
Share capital	613	432	613	432
Equity	1,125	967	1,125	967
Cash	284	327	284	327
Available liquidity	573	327	573	327
Net interest-bearing deposit	328	102	328	102
Net working capital	247	366	247	366

(DKK million)	Q3		YTD	
	2020/21	2019/20	2020/21	2019/20
Cash flow				
Cash flow from operating activities	63	91	201	-26
Cash flow from investing activities	-55	-52	-116	-109
Free cash flow	8	39	85	-135
Cash flow from financing activities	118	-10	-16	-30
Cash flow for the period	126	29	69	-165
Key figures				
Growth in local currencies, %	16	-14	13	-26
EBITDA margin before special items, %	9.9	6.5	8.3	-2.1
EBITDA margin, %	9.0	6.8	7.7	-3.2
EBIT margin before special items, %	4.9	0.3	1.2	-11.4
EBIT margin, %	4.0	-0.3	0.6	-12.5
Return on assets, %	0.5	-7.7	-1.0	-7.7
Return on invested capital, excl. goodwill, %	3.3	-18.9	1.4	-18.9
Return on equity, %	1.2	-14.3	-2.1	-14.3
Full-time employees at end of period	899	919	899	919
Stock-related key figures				
Earnings per share (EPS), DKK	0.1	-6.7	-0.2	-10.8
Earnings per share, diluted (EPS-D), DKK	0.1	-6.7	-0.2	-10.7
Price/Earnings	305.7	-4.9	-168.4	-3.1
Revenue per share, DKK	5.8	15.0	15.4	40.6
Revenue per share, diluted, DKK	5.8	14.9	15.4	40.2

For definitions, see note 7.7 to the 2019/20 Annual Report.

MANAGEMENT REPORT FOR Q3

With revenue growth of 16% in local currencies, the company delivered double-digit year-on-year growth for the third quarter in a row. It was also the second consecutive quarter with positive EBIT and positive free cash flow. The Q3 results were driven by targeted sales and marketing initiatives, improved channel performance and high demand for home entertainment products.

DEVELOPMENTS IN Q3

The financial performance in Q3 shows that the strategy is working despite the rapidly changing environment for global consumer electronics and luxury.

Revenue from product sales increased by 18% in local currencies. The growth was driven by both existing and new products. Flexible Living maintained the high momentum from Q2, growing by 48% year-on-year. Staged products, Bluetooth speakers and headphones all delivered double-digit year-on-year growth in Q3.

Like-for-like consumer sell-out also reflected high demand for speakers, ranging from Staged speakers and Bluetooth speakers to, most significantly, Flexible Living speakers.

Supply challenges had a negative impact on growth in Q3, especially in the Staged category. The supply challenges were a result of the component scarcity created

by, among other things, the high global demand for electronic components and consumer electronics.

The spread of COVID-19 in EMEA resulted in continued lockdowns in several countries. Around 40% of all monobrand stores were closed for much of the quarter due to lockdowns. The company has continued to improve its digital capabilities and maintained its focus on marketing and direct-to-consumer communication in order to stimulate consumer demand.

The six core European markets grew by 13% in local currencies in Q3. Adjusting for end-of-life products sold last year, the core European markets delivered above average growth in Q3. The company's eCommerce platform and multibrand and etail channels delivered triple-digit year-on-year growth. Monobrand delivered a solid performance, despite being adversely impacted by supply constraints of Beolab speakers and temporary store closures.

In the first half of 2020/21, the company worked on changing the multibrand operating model, partly by onboarding new channel-specific resources and new multibrand and etail partners. This work started to yield results in Q3, with multibrand and etail reporting combined growth of 152%.

The two core markets in Asia grew by 12% in local currencies in Q3. The core Asian markets delivered above average growth in Q3, when adjusting for end-of-life products sold last year. Flexible Living was the main growth driver, increasing by 77% year-on-year, and the biggest product category in Asia in Q3.

Bang & Olufsen has successfully improved its product offering since the previous financial year by launching several new products and upgraded products. These products have continued to gain momentum contributing to the growth. In Q3, the company launched the Flexible Living speaker, Beosound Level and the 2nd Gen of Beovision Eclipse 65".

In line with previous quarters, digital initiatives were prioritised in order to execute the strategy and mitigate the COVID-19 revenue risk caused by local market lockdowns. Key eCommerce activities for the quarter included:

- improving customer targeting and media effectiveness
- increasing the volume of customer communications through CRM

- launching the first versions of the Connected Speakers campaign
- launching Click & Collect in a number of stores in the UK.

The company continued the cost reduction programme launched in March 2020. In Q3, the company delivered savings of DKK 42m. Year-to-date, the company has saved DKK 105m and is well on the way to delivering the targeted annual savings of DKK 175m in 2021/22.

The company sustained its cost optimisation initiatives for product-related costs, although these are still being hampered by the global component shortage.

The high global demand for consumer electronics adversely impacted component and logistics costs. The continued scarcity of some components led to significant price increases.

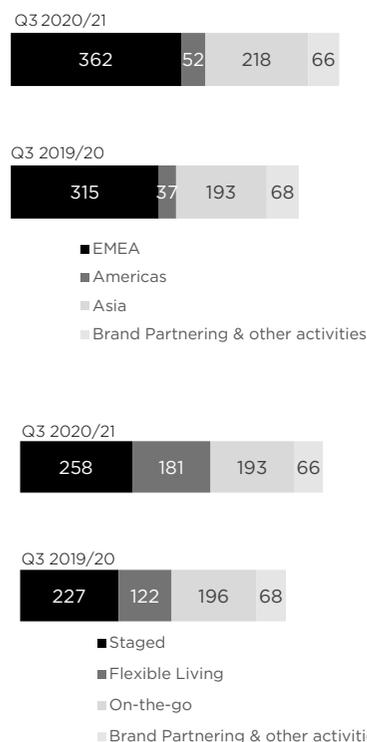
Although more products were shipped via rail freight, a larger than normal share of products were shipped by air in order to ensure delivery to partners. This had a negative effect on logistics costs.

Logistics costs had a negative impact on gross margin of approx. 2.5pp.

REVENUE IN Q3

Revenue increased by 13.9% (16% in local currencies) to DKK 698m year-on-year. The growth was related to product sales, which increased by 15.8% (18% in local currencies). Brand Partnering & other activities declined by 1.6% (up 1% in local currencies).

REVENUE SPLIT



Licensing income from brand partnerships was in line with Q3 of last year. Revenue increased, driven by PC demand, whereas licensing income from car audio products declined due to the global component shortage in the automotive industry.

The revenue growth from product sales was driven by improved channel performance. Products launched in the last 12 months accounted for approx. 28% of revenue in Q3.

The monobrand channel continued to deliver solid year-on-year growth, driven by improved sell-out. Growth was adversely impacted by the supply challenges related to component scarcity.

The multibrand channel delivered solid growth. The growth was supported by the changed operating model for multibrand in the core European markets. This work has included adding channel-specific resources and partnering up with new distribution partners.

With improved digital execution driving more traffic and demand, online sales delivered solid year-on-year growth. The company's eCommerce platform grew by 127% compared to Q3 of last year. This corresponds to approx. 5% of revenue from product sales, compared to less than 3% last year.

The number of monobrand stores was reduced by three to 464 in Q3. This was the net result of the closure of six stores and the opening of three new stores, including a new company-owned store in Bicester in the UK.

In Q3, the number of multibrand points of sale grew by 37 to 3,027. The growth was mainly related to EMEA, including Eastern Europe, whereas the focus in the core European markets was on reigniting relationships with key multibrand partners.

Staged category

Revenue grew by 13.3% to DKK 258m. The growth was related to TVs, while speakers were on par with Q3 of last year.

The growth from TVs was related to Beovision Contour launched late in Q2, and higher sales of Beovision Harmony.

Speaker sales were adversely impacted by the supply challenges related to component scarcity.

With the launch of Beovision Eclipse 65" 2nd Gen, the company has concluded the successful execution of the company's TV strategy to provide integrated TV solutions while decoupling from the sale of TV screens to our partners. However, revenue in Q3 was, extraordinarily, supported by sales of screens for the launch quantity of Beovision Contour.

Sell-out showed double-digit growth compared to Q3 of last year, in line with revenue growth. Sell-out was adversely impacted by product availability with partners due to the supply challenges.

Flexible Living category

Revenue grew by 47.7% to DKK 181m. All speakers delivered growth in the quarter, also supported by the launch of Beosound Level.

Beoplay A9 continued to be the best selling product in the category, delivering one of the quarter's highest growth rates.

Sell-out saw high double-digit growth compared to Q3 of last year. The growth was supported by increased consumer awareness of the company's multiroom connected speaker offering.

On-the-go category

Revenue declined by 1.1% to DKK 193m. The decline was related to end-of-life products, which supported Q3 revenue last year. Excluding end-of-life products, the underlying growth was approx. 50%.

The underlying growth was driven by both Bluetooth speakers and headphones. The growth in Bluetooth speakers was driven by Beosound A1 2nd Gen and Beolit 20. The underlying revenue from earphones was on par with last year.

Sell-out in the category was on par with Q3 of last year.

Points of sale	Monobrand		Multibrand	
	End Q3 20/21	End Q2 20/21	End Q3 20/21	End Q2 20/21
EMEA	353	355	1,713	1,660
Americas	26	25	291	290
Asia	85	87	1,023	1,040
Total	464	467	3,027	2,990

GROSS PROFIT

Gross profit was DKK 313m (Q3 19/20: DKK 269m). This was equivalent to a gross margin of 44.9% (Q3 19/20: 43.9%).

The higher gross margin was driven by product sales, which improved by 2.3pp to 39.3%. Gross margin from Brand Partnering & other activities declined by 1.2pp to 97.3%.

The improved gross margin from product sales was related to On-the-go, which last year was impacted by end-of-life products.

Higher component and logistics costs adversely impacted margin by around 2.5pp.

In addition to higher component and logistics costs, the Staged category was negatively impacted by screen sales for Beovision Contour. The screens are sold as pass through to retailers during the launch period. This adversely impacted margin in the Staged category by approx. 2.5pp. In Q3, more products were shipped via rail freight. However, to ensure delivery to partners, the company shipped a larger than normal share of products by air. Coupled with higher freight rates, this adversely impacted logistics costs.

CAPACITY COSTS

Capacity costs were DKK 285m (Q3 19/20: DKK 270m), corresponding to an increase of 6%.

Special items amounted to DKK 6m, mainly relating to consultancy services (DKK 4m) supporting the cost reduction programme initiated in December 2019. The remainder was related to restructuring and a severance payment adjustment (DKK 2m). Last year, special items amounted to DKK 3m, mainly related to the cost reduction programme.

Capacity costs increased by DKK 12m, when adjusting for special items. The increase was mainly related to general employee bonus provisions. Last year, bonuses were, to a large extent, cancelled due to the company's financial performance.

Development costs decreased by DKK 4m to DKK 56m as a result of lower amortisation and higher capitalisations. Development costs incurred were DKK 16m higher than last year, related to upcoming product launches.

Distribution and marketing costs increased by DKK 18m to DKK 191m (Q3 19/20: DKK 173m). The increase was related to the employee bonus accruals mentioned above, offset by lower marketing and travel costs due to COVID-19.

Administration costs were DKK 38m (Q3 19/20: DKK 37m). Excluding special items, administration costs decreased by DKK 1m. This decrease was mainly related to salaries and consultancy costs partly offset by bonus provisions.

EBIT

EBIT was DKK 28m (Q3 19/20: loss of DKK 1m). This was equivalent to an EBIT margin of 4.0% (Q3 19/20: -0.3%).

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

EBIT margin before special items was 4.9% (Q3 19/20: 0.3%).

FINANCIAL ITEMS

Net financial items were an expense of DKK 11m versus an expense of DKK 2m last year. This reflected value adjustments of securities, bank charges and exchange rate adjustments.

EARNINGS

Earnings before tax were DKK 17m (Q3 19/20: loss of DKK 3m) and income tax was an expense of DKK 4m (Q3 19/20: expense of DKK 272m).

Earnings for the first nine months were thus a profit of DKK 13m (Q3 19/20: loss of DKK 275m).

CASH FLOW

Free cash flow was DKK 8m compared to DKK 39m last year.

Cash flow from operating activities was DKK 63m (Q3 19/20: DKK 91m). The decline was related to changes in net working capital, which was negative by DKK 3m compared to a positive impact of DKK 34m last year. Working capital was impacted by the repayment of government support packages amounting to DKK 11m. EBITDA was DKK 20m higher year-on-year.

Cash flow from investing activities was DKK -55m (Q3 19/20: DKK -52m). Investments were primarily related to the development of new products and platforms. Investments in tangible assets declined following lower investments in retail development due to COVID-19.

Cash flow from financing activities was DKK 118m (Q3 19/20: DKK -10m). The cash inflow was related to repo transactions, which were used to access liquidity on an intra-day basis for short-term liquidity planning.

	Q3		YTD	
	2020/21	2019/20	2020/21	2019/20
GROSS MARGIN				
Staged	38.4%	47.7%	42.8%	45.8%
Flexible Living	49.0%	49.9%	48.4%	46.9%
On-the-go	31.4%	16.8%	23.8%	17.8%
Products, total	39.3%	37.0%	37.8%	34.2%
Brand Partnering & other activities	97.3%	98.5%	96.7%	95.9%
Total	44.9%	43.9%	44.3%	41.6%

Repayment of lease liabilities in accordance with IFRS 16 impacted cash flow negatively by DKK 12m.

The cash position was DKK 284m (Q3 19/20: DKK 327m). Total available liquidity was DKK 573m, made up of the sum of cash and securities (DKK 729m) less DKK 156m in bank loans related to repo transactions.

NET WORKING CAPITAL

Net working capital amounted to DKK 247m. This represented an increase of DKK 3m during the quarter.

Trade receivables decreased by DKK 26m. The decline was related to sales in Q2 being more back-end loaded than in Q3 and further driven by collection efforts in Q3. Sales with extended credit accounted for 7% (Q3 19/20: 11%) of revenue in the quarter related to product launches in Q3 and late product launches in Q2.

Trade payables decreased by DKK 45m, driven by payments to production partners following the ramp-up of production in Q2.

Inventories decreased during the period as a result of effective management and sales performance, but the company was also faced with scarcity of certain products.

Other liabilities increased by DKK 15m, primarily due to provisions for employee bonus and holiday allowance offset by the extra payments of VAT and withheld taxes that were previously postponed as part of the COVID-19 relief packages.

Net working capital to the last 12 months' revenue was 11.1% (Q3 19/20: 10.7%). The higher percentage was due to lower revenue in Q4 19/20 caused by COVID-19.

NET INTEREST-BEARING DEPOSIT

Net interest-bearing deposit amounted to DKK 328m, compared to net interest-bearing debt of DKK 7m at year-end 2019/20. The increase was mainly due to the net proceeds from the DKK 358m rights issue and positive free cash flow for the year of DKK 85m, offset by the non-current portion of the Danish holiday pay provision of DKK 34m. IFRS 16 reduced the net interest-bearing deposit by DKK 145m (year-end 2019/20: DKK 153m).

Adjusted for capitalised lease liabilities according to IFRS 16, net interest-bearing deposit was DKK 472m (year-end 2019/20: DKK 146m).

For further details, please see note 8.

EQUITY

Equity was DKK 1,125m, corresponding to an increase of DKK 293m for the year. This was due to the net proceeds from the rights issue of DKK 358m, offset by a DKK 24m net loss for the year and the purchase of own shares of DKK 42m in Q2.

FINANCIAL PERFORMANCE 9M 2020/21

Revenue amounted to DKK 1,853m. This was equivalent to a year-on-year increase of 13% in local currencies. The growth was related to the Staged and Flexible Living product categories, as well as headphones and Bluetooth speakers. The growth in Brand Partnering & other activities was driven by licensing income relating to increased demand for computers, partly offset by lower car manufacturing.

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

The gross margin was 44.3% (9M 19/20: 41.6%), equivalent to a year-on-year increase of 2.7pp. This was driven by improved margins across the regions and less end-of-life products, partly offset by increased component and logistics costs as well as pass-through screen sales for Beovision Contour. Last year was adversely impacted by a higher share of end-of-life products and a provision for component liabilities.

Capacity costs amounted to DKK 808m (9M 19/20: DKK 896m). The decline was seen across all functions, primarily as a result of the cost reduction programme, but also postponed activities due to COVID-19.

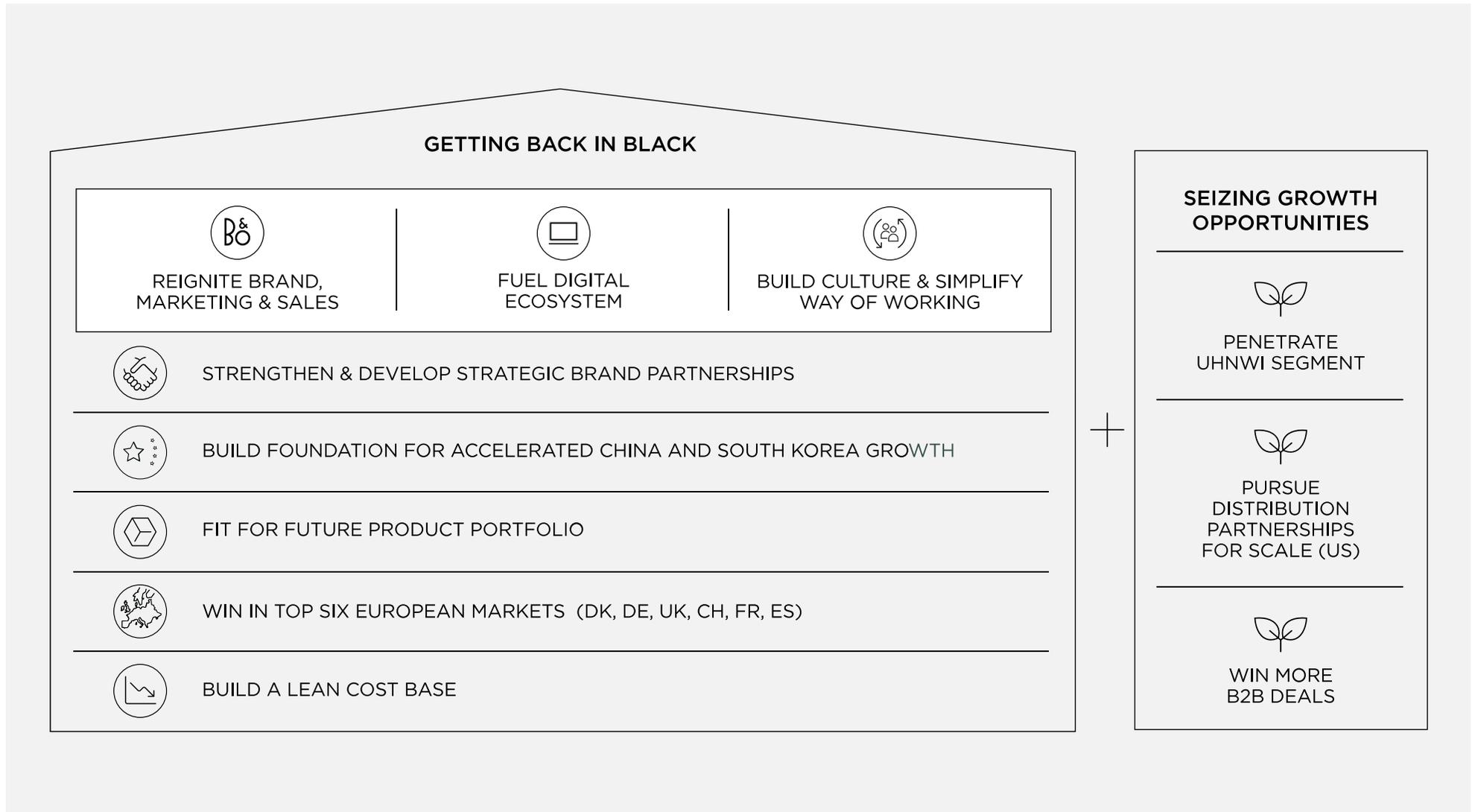
EBIT was DKK 12m (9M 19/20: loss of DKK 207m), equivalent to a margin of 0.6% (9M 19/20: -12.5%). EBIT margin before special items was 1.2% (9M 19/20: -11.4%).

Earnings before tax for the period were a loss of DKK 26m (9M 19/20: loss of DKK 214m), and earnings for the period were a loss of DKK 24m (9M 19/20: loss of DKK 441m).

Free cash flow was DKK 85m (9M 19/20: DKK -135m), positively affected by EBITDA of DKK 142m and the DKK 81m net working capital improvement, offset by investments of DKK 116m primarily relating to development projects.



STRATEGY HOUSE



PROGRESS ON KEY STRATEGIC PRIORITIES FOR 2020/21

Financial performance in Q3 proved that the strategy is working and the company is fixing the basics, while mitigating the effects of the changing and uncertain environment caused by the pandemic. The company delivered growth in core markets and across all channel verticals and successfully launched two products.

In Q3, the work on executing the strategy was governed by a firm focus and continuing the efforts initiated in the first two quarters of the financial year, while mitigating the effects of the challenges arising from supply constraints and market lockdowns. The focused execution yielded results in the quarter and provided evidence of the viability and potential of the strategy.

RIGHT-SIZING AND MAINTAINING A LEAN COST BASE

The company continued its cost reduction programme launched in March 2020, targeting annual savings of DKK 175m when fully implemented in 2021/22.

Savings realised in Q3 amounted to DKK 42m, taking year-to-date savings to DKK 105m.

The additional savings run-rate compared with H1 2020/21 was primarily driven by a reorganisation completed in December

2020, which simplified and consolidated the market support functions. The company sustained its manufacturing cost optimisation initiatives, while still slowed down by the global component shortage.

WINNING IN STRATEGIC CORE MARKETS

European core markets

Strong commercial execution in the six European focus markets resulted in 13% growth year-on-year in local currencies. The growth was significantly higher when adjusting for sales of end-of-life products last year.

Efforts in H1 2020/21 to reset the multi-brand channel and onboarding of new multibrand and etail partners yielded results in Q3. The multibrand and etail channels in the six core markets reported combined growth of 152%.

Multibrand and etail are important channels for brand exposure going forward, and the company continues to work diligently with being present with the right partners and offering the right brand experience.

Four out of six core markets faced lockdowns throughout the quarter. As a result, more than 60% of physical monobrand stores were closed.

Monobrand channel performance in the core European markets was affected by supply challenges related to component scarcity due to high global demand for electronic components and consumer electronics. Component scarcity on Staged category products, especially Beolab speakers, impacted performance in the channel. Q3 monobrand sales were thus on par with Q3 of last year.

Across the six core markets, the company wishes to reduce overreliance on a single channel vertical or product category, in order to balance sensitivity risk and seize the full potential of all channels and products. The company achieved a more balanced revenue split between channels and product categories in Q3 and will continue to work towards a more balanced business.

Asian core markets

In the two Asian core markets, the company delivered year-on-year growth of 12%, in local currencies. The growth was ad-

versely impacted by sales of end-of-life products last year.

The company continued to tap into the high demand for home entertainment products. The Flexible Living category grew by 77% in the two core Asian markets, while the Staged category grew by 6% year-on-year, reflecting component scarcity.

The On-the-go category in the two Asian core markets reported double-digit revenue growth, adjusted for end-of-life sales last year. The growth reflected strong commercial execution around Chinese New Year.

To accelerate growth in both markets, the company made management team changes in Q3 2020/21. Seasoned professionals with commercial experience were brought on board in the fields of digital technology, marketing and distribution. The company has thus strengthened the foundations for realising its strategic ambitions.

**FIT FOR FUTURE
PRODUCT PORTFOLIO**

New products were launched again in Q3, viz. Beovision Eclipse 65" 2nd Gen and the Flexible Living speaker, Beosound Level.

The launch of Beosound Level marked an important step in bringing desirable and lasting products to market.

Beosound Level leverages the core brand strength of longevity. While timeless design lasts for decades, the technology inside can be a limiting factor. With a modular build, Beosound Level makes the limiting factors replaceable to accommodate future technology developments, to the benefit of both customers and the planet.

Beosound Level was the second speaker to be launched on Bang & Olufsen's new product platform, first introduced in Beosound Balance last year. The majority of Beosound Balance's platform is reused for Beosound Level. The reusability, combined with customisation option, is a testament to the improved product development and scalability benefits that the new product platforms offer.

To celebrate Chinese New Year, Bang & Olufsen released a product collection dedicated to the Year of the Ox. The range featured five of the brand's classic products: Beoplay A9, Beosound 1, Beoplay E8 3rd Gen, Beosound A1 2nd Gen, and a special version of the new headphone Beoplay HX, pre-launched in Hong Kong (global launch on 25 March 2021).

Additionally, the company introduced a brand collaboration with Saint Laurent on Beoplay E8 3rd Gen. Saint Laurent has been a brand partner for several years,

with previous product collaborations spanning across the Bluetooth and WIFI speaker categories. The latest collaboration is driven by a nomadic use case and is expected to drive product differentiation and brand reach and to strengthen brand proposition with consumers.

Going into the 2020/21 financial year, the company committed to launching more than ten new products and upgraded products during the year. This was adjusted to more than 12 new products in the outlook presented in the Q2 report in January.

With nine successful global launches in the first three quarters and new product roll-outs planned for Q4, the company remains committed to delivering on target, thereby strengthening the product portfolio.

**REIGNITE BRAND,
MARKETING & SALES**

Reigniting the Bang & Olufsen brand and marketing to increase relevance to the target audience remains a key priority for 2020/21.

Two marketing campaigns were launched in Q3.

For the holiday season (December), the company launched a brand campaign: "share moments that last". This campaign featured a range of products, including a relaunch of the classic Beogram 4000c. The campaign activities reported strong awareness, engagement and sales.

The second campaign, "Your Sound. Your Space", which catered to the Working from Home trend, was launched with a

particular appeal to a younger, female audience enabled through a new tonality.

With the launch of Beogram 4000c (and the classics programme) in Q2 and Beosound Level in Q3, the company continues to receive positive market response and PR on product longevity and the benefits of this.

**FUEL DIGITAL
ECOSYSTEM**

In line with previous quarters, digital initiatives were accelerated to execute on the strategy and mitigate the COVID-19 revenue risk caused by local market lockdowns.

Key eCommerce activities for the quarter included:

- Improving customer targeting and media effectiveness
- Increasing the volume of customer communications through CRM
- Launching first versions of Connected Speakers campaign with speaker sets.

The accelerated digital efforts yielded 127% growth on the company's eCommerce platform in Q3.

**SEIZING GROWTH
OPPORTUNITIES**

In Q3, the company decided to expand its work-from-home product proposition by entering a new partnership with Huddly on a product bundle. Customers can buy the Huddly ONE camera with one of three Bang & Olufsen products: the portable Bluetooth speaker Beosound A1 2nd Gen, Beoplay E8 earphones or Beoplay H9 headphones. Fulfilment of the Huddly

bundle is supported by the company's existing distribution partner, TechData. This allows the company to tap into the scale and B2B capabilities of TechData.



EMEA

REVENUE

Revenue was DKK 362m. This was equivalent to an increase of 14.7% (16% in local currencies).

The growth was driven by all core channels, with multibrand and etail, including own eCommerce delivering the highest growth-rates. The improved multibrand channel execution resulted in year-on-year growth of nearly 150%. The company's eCommerce channel grew by 157%, driven by strong December sales. The eCommerce channel, together with etailers, accounted for around 10% of revenue in EMEA.

The growth in the monobrand channel was supported by strong consumer demand. However, growth was adversely affected by supply challenges, especially in relation to Beolab speakers and temporary store closures due to COVID-19.

The B2B channel declined due to sales of end-of-life products last year. Excluding this, B2B was on par with last year.

The six core markets accounted for approx. 70% of total revenue in EMEA and delivered 12% year-on-year growth (13% in local currencies). Adjusted for sales of end-of-life products last year, the core markets delivered above average growth in Q3.

Revenue from the Staged category grew by 6%. The growth was related to the TV portfolio, positively impacted by Beovision Contour. Revenue from speakers declined in the quarter due to supply issues related to component scarcity.

Revenue from the Flexible Living category grew by 19%, driven by online and multi-brand. Overall, the portfolio performed well and was supported by the launch of Beosound Level.

Revenue from the On-the-go category increased by 30%, driven by Bluetooth speakers and headphones, partly offset by earphones. Beosound A1 2nd Gen and the launch of Beolit 20 drove the increase in speakers, whereas Beoplay H95 was the main growth driver within headphones. The decline in earphones was related to

end-of-life products sold last year. Excluding end-of-life products, earphones were on par with last year.

GROSS PROFIT

Gross profit amounted to DKK 138m. This was equivalent to a gross margin of 38.2% (Q3 19/20: 37.2%), which represented a year-on-year improvement of 1.0pp. The improvement was driven by fewer end-of-life products, partly offset by higher component and logistics costs.

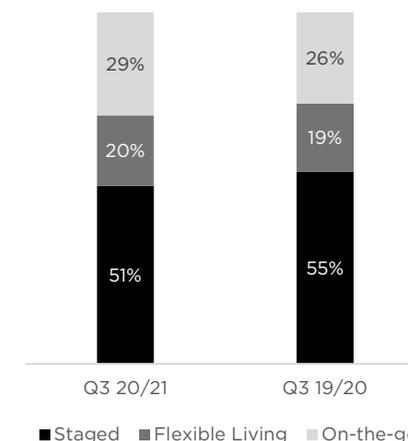
9 M 2020/21

Revenue was DKK 918m. This represented an increase of 13.8% (14% in local currencies). Growth was primarily driven by the Flexible Living category.

Gross margin increased by 3.6pp to 39.9%, primarily driven by product mix.



REVENUE SPLIT



(DKK million)	Q3			YTD		
	2020/21	2019/20	Change	2020/21	2019/20	Change
Revenue	362	315	47	918	806	112
Growth in local currencies	16%	-8%		13%	-33%	
Gross profit	138	117	21	366	292	74
Gross margin	38.2%	37.2%	1.0pp	39.9%	36.3%	3.6pp

AMERICAS

REVENUE

Revenue was DKK 52m (Q3 19/20: DKK 37m), equivalent to a year-on-year increase of 41.2% (50% in local currencies).

The growth was driven by the monobrand and etail channels and the company's eCommerce platform.

Revenue from etailers and the company's eCommerce platform grew by 55%, accounting for nearly 40% of revenue in Americas in Q3. The improved performance was driven by investments in digital channels and the increase in online demand as a result of COVID-19.

Revenue from the Staged category increased by 42%. The growth was driven by TVs, especially Beovision Harmony. The growth in speaker sales was adversely impacted by supply challenges.

Revenue from the Flexible Living category increased by 80% year-on-year, continuing the momentum from Q2. Growth was seen across all speakers, further supported by the launch of Beosound Level. The growth was largely driven by etailers and the company's eCommerce platform.

Revenue from On-the-go increased by 22% related to speakers and headphones. Speakers more than doubled, driven by Beosound A1 2nd Gen and Beolit 20. The growth from headphones was seen across all products. Revenue from earphones declined, mainly related to sales of end-of-life products last year.

GROSS PROFIT

Gross profit amounted to DKK 22m. This was equivalent to a gross margin of 41.7% (Q3 19/20: 40.9%), which represented an increase of 0.8pp versus last year. The margin was adversely impacted by changes in the USD exchange rate and higher component and logistics costs.

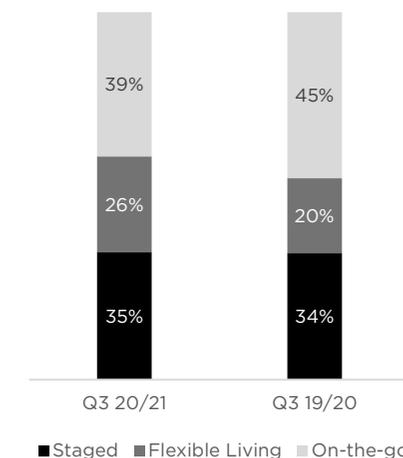
9M 2020/21

Revenue was DKK 130m, equivalent to a year-on-year increase of 22.4% (27% in local currencies). The growth was driven by improved channel performance and supported by higher demand for home entertainment.

Gross margin increased by 2.9pp to 41.3%, supported by product mix and lower sales of end-of-life products.



REVENUE SPLIT



(DKK million)	Q3			YTD		
	2020/21	2019/20	Change	2020/21	2019/20	Change
Revenue	52	37	15	130	107	23
Growth in local currencies	50%	-28%		18%	-34%	
Gross profit	22	15	7	54	41	13
Gross margin	41.7%	40.9%	0.8pp	41.3%	38.4%	2.9pp

ASIA

REVENUE

Revenue was DKK 218m (Q3 19/20: DKK 193m), corresponding to a 12.9% year-on-year increase (16% in local currencies). Supply challenges had an adverse impact on growth, especially within Staged and Flexible Living.

The two core markets accounted for approx. 75% of total revenue in Asia and delivered 9% year-on-year growth (12% in local currencies). Adjusted for sales of end-of-life products last year, the core markets delivered above average growth in Q3.

Revenue from the Staged category grew by 33% year-on-year. The growth was driven by speaker sales, with increased demand for all Beolab speakers.

Revenue from the Flexible Living category grew by 76% year-on-year, driven by all speakers and supported by the launch of Beosound Level.

Revenue from the On-the-go category decreased by 31% compared to last year. The decline was related to earphones,

which last year were supported by end-of-life products. Bluetooth speakers and headphones delivered solid growth, mainly driven by Beosound A1 2nd Gen and Beoplay H95.

GROSS PROFIT

Gross profit amounted to DKK 89m, equivalent to a gross margin of 40.5%. This represented a 4.1pp increase compared to Q3 of last year. The increase was mainly related to better product mix and less end-of-life products, partly offset by higher logistics and component costs.

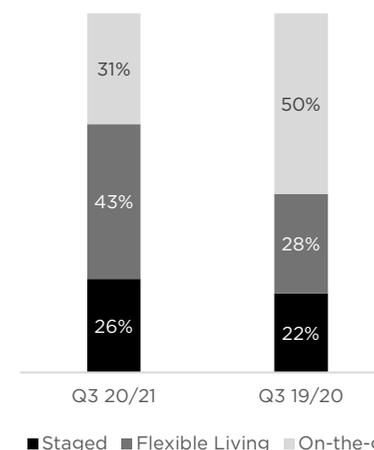
9M 2020/21

Revenue was DKK 603m, equivalent to a year-on-year increase of 9.7% (12% in local currencies). Growth was driven by the Staged and Flexible Living categories.

Gross margin increased by 3.3pp to 33.9%, supported by product mix and lower sales of end-of-life products. The gross margin was adversely impacted by higher component and logistics costs.



REVENUE SPLIT



(DKK million)	Q3			YTD		
	2020/21	2019/20	Change	2020/21	2019/20	Change
Revenue	218	193	25	603	550	53
Growth in local currencies	16%	-26%		10%	-22%	
Gross profit	89	70	19	205	168	37
Gross margin	40.5%	36.4%	4.1pp	33.9%	30.6%	3.3pp

BRAND PARTNERING & OTHER ACTIVITIES

REVENUE

Revenue declined by 1.6% (up 1% in local currencies) to DKK 66m.

The decline was related to aluminium components produced for third parties.

Licensing income from brand partnerships was on par with last year. Revenue from PC sales increased year-on-year driven by the higher global demand. By contrast, licensing income from car audio products declined compared to Q3 of last year due to component scarcity in global car manufacturing.

GROSS PROFIT

Gross profit amounted to DKK 64m, equivalent to a gross margin of 97.3%. This represented a decrease of 1.2pp on last year. The decline was related to product mix within aluminium work for third parties, partly offset by a higher share of revenue from licensing income.

9M 2020/21

Revenue was DKK 202m, equivalent to a year-on-year increase of 3.2% (5% in local currencies). Growth was driven by higher demand for PCs, partly offset by lower car manufacturing.

Gross margin increased by 0.8pp to 96.7%, driven by a higher share of revenue coming from licensing income, partly offset by product mix within aluminium work for third parties.



(DKK million)	Q3			YTD		
	2020/21	2019/20	Change	2020/21	2019/20	Change
Revenue	66	68	-2	202	196	6
Growth in local currencies	1%	27%		6%	19%	
Gross profit	64	67	-3	195	188	-3
Gross margin	97.3%	98.5%	-1.2pp	96.7%	95.9%	0.8pp

KEY EVENTS IN Q3

DECEMBER 2020

BEOVISION ECLIPSE 65" 2ND GEN

Bang & Olufsen introduced the second generation Beovision Eclipse TV in 55" in November and in 65" in December.

The TV features the latest LG OLED GX screen technology and a sound centre upgrade to cater for the new screen.



FEBRUARY 2021

BANG & OLUFSEN X SAINT LAURENT COLLABORATION

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

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

FEBRUARY 2021

BEOSOUND LEVEL

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

With Beosound Level Bang & Olufsen has introduced a new solution to fight technology obsolescence, enhance resource efficiency and improve longevity.

The speaker has been very well received in the media with favourable reviews.



FEBRUARY 2021

CHINESE NEW YEAR COLLECTION

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

All models come in a new colourway, "Dark Maroon," along with a laser-etched zodiac sign of the Ox.



FEBRUARY 2021

EXPANDED OFFER ON "WORK FROM ANYWHERE" TOGETHER WITH HUDDL Y

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

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



OUTLOOK FOR 2020/21

The company maintains its expectations for revenue of between DKK 2.3bn and 2.5bn and EBIT before special items of between DKK -50m and +25m. The company has narrowed the expected free cash flow range to DKK 0m to +100m. The outlook is highly uncertain due to COVID-19.

REVENUE

Revenue is subject to the following assumptions:

- The impact of COVID-19 in the remainder of 2020/21 will not be materially different from Q3 2020/21.
- Component scarcity will not impact product supply materially differently than in Q3 2020/21.
- Launch without delays of more than three new products in Q4, and new colour, material and finish (CMF) versions.
- Licensing income impacted by worsening of car manufacturing driven by the component shortages. PC sales expected to be maintained at the level seen in the first nine months of the year.
- Benefit from increased efficiency of sales and marketing spend due to focusing on more specific sales and marketing activities, mainly in the core markets.
- No significant changes to product prices.
- Continued work towards a consumer demand-driven sales model.

- No other material changes in the markets landscape, competitive situation (and any impact this may have on pricing) or regulatory changes, for example trade wars.

EBIT BEFORE SPECIAL ITEMS

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

- Component costs for the remainder of the financial year expected to be higher than in the first nine months of the year.
- Logistics costs maintained at the higher-than-normal level experienced in Q2 and Q3.
- Continuation of the planned product roadmap.
- Target and timing of savings programme maintained, but with originally planned impact of production cost savings later than planned due to current supply chain constraints.

- No material impairment losses relating to trade receivables due to, among other factors, COVID-19.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.

FREE CASH FLOW

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

- Adverse impact on Q4 cash flow from the use of government relief packages (postponement of taxes).
- No increase in payables due to the company choosing not to pay or not being able to pay claims as they fall due as a consequence of COVID-19.
- Capital expenditures reflecting product development continuing as planned.

COVID-19

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

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

SAFE HARBOUR STATEMENT

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

OUTLOOK 2020/21	8 April 2021	12 January 2021
Revenue	DKK 2.3bn to 2.5bn	DKK 2.3bn to 2.5bn
EBIT before special items	DKK -50m to +25m	DKK -50m to +25m
Free cash flow	DKK 0m to +100m	DKK -50m to +100m

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 2020 - 28 February 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 28 February 2021, and of the results of the Group's operations and cash flows for the period 1 June 2020 - 28 February 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, 8 April 2021

Executive Management Board:

Kristian Teär
President & CEO

Nikolaj Wendelboe
CFO

Christian Birk

Line Køhler Ljungdahl

Board of Directors:

Juha Christensen
Chairman

Albert Bensoussan
Vice Chairman

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegeberg

Jesper Jarlbæk

M. Claire Chung

Søren Balling

Tuula Ryttilä

INCOME STATEMENT

(DKK million)	Notes	Q3		YTD		Year
		2020/21	2019/20	2020/21	2019/20	2019/20
Revenue	2, 4	698	613	1,853	1,659	2,036
Production costs		-385	-344	-1,033	-970	-1,198
Gross profit		313	269	820	689	838
Development costs	5	-56	-60	-186	-211	-273
Distribution and marketing costs		-191	-173	-524	-558	-742
Administration costs		-38	-37	-98	-127	-170
Operating profit/(loss) (EBIT)		28	-1	12	-207	-347
Financial income		3	4	4	13	9
Financial expenses		-14	-6	-42	-20	-29
Financial items, net		-11	-2	-38	-7	-20
Earnings before tax (EBT)		17	-3	-26	-214	-367
Income tax		-4	-272	2	-227	-209
Earnings for the period		13	-275	-24	-441	-576
Earnings per share						
Earnings per share (EPS), DKK		0.1	-6.7	-0.2	-10.8	-14.1
Diluted earnings per share (EPS-D), DKK		0.1	-6.7	-0.2	-10.7	-14.1

STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	Q3		YTD		Year
	2020/21	2019/20	2020/21	2019/20	2019/20
Earnings for the period	13	-275	-24	-441	-576
Items that will be reclassified subsequently to the income statement:					
Foreign exchange adjustments of foreign entities	2	-	3	-4	-9
Fair value adjustments of derivatives	-7	-1	-20	-8	-4
Value adjustments of derivatives reclassified in					
Revenue	2	2	4	9	8
Production costs	-	-1	2	-8	-7
Tax on other comprehensive income	1	-	3	2	1
Other comprehensive income for the period, net of tax	-2	-	-8	-9	-11
Total comprehensive income for the period	11	-275	-32	-450	-587

STATEMENT OF FINANCIAL POSITION

ASSETS (DKK million)	Notes	28-02-21	29-02-20	31-05-20
Goodwill		41	44	44
Acquired rights and software		30	20	23
Completed development projects		96	79	98
Development projects in progress	5	82	65	59
Intangible assets		249	208	224
Land and buildings		78	83	83
Plant and machinery		40	45	44
Other equipment		11	8	17
Leasehold improvements		21	2	6
Tangible assets in course of construction and prepayments for tangible assets		27	47	36
Right-of-use assets		135	151	148
Tangible assets		312	336	334
Non-current other receivables		26	42	40
Deferred tax assets		79	90	58
Total non-current assets		666	676	656
Inventories		390	488	457
Trade receivables		391	408	290
Tax receivable		32	28	33
Other receivables		107	50	63
Prepayments		29	32	41
Securities	8	445	-	-
Cash	8	284	327	215
Assets held for sale		21	21	21
Total current assets		1,699	1,354	1,120
Total assets		2,365	2,030	1,776

EQUITY AND LIABILITIES (DKK million)	Notes	28-02-21	29-02-20	31-05-20
Share capital		613	432	432
Translation reserve		15	17	12
Reserve for cash flow hedges		-8	-	3
Retained earnings		505	518	385
Total equity		1,125	967	832
Lease liabilities		124	144	137
Pensions		14	15	15
Deferred tax		11	51	10
Provisions		34	31	32
Mortgage loans		63	66	65
Other non-current liabilities		35	31	30
Deferred income		15	-	15
Total non-current liabilities		296	338	304
Lease liabilities		34	39	42
Mortgage loans		4	4	4
Bank loans	8	156	-	-
Provisions		51	56	60
Trade payables		436	492	430
Tax payable		35	25	21
Other liabilities		224	82	65
Deferred income		4	27	18
Total current liabilities		944	725	640
Total liabilities		1,240	1,063	944
Total equity and liabilities		2,365	2,030	1,776

STATEMENT OF CASH FLOW

(DKK million)	Notes	Q3		YTD		Year
		2020/21	2019/20	2020/21	2019/20	2019/20
Operating profit (EBIT)		28	-1	12	-207	-347
Depreciation, amortisation and impairment		35	44	130	154	200
Operating profit before depreciation, amortisation and impairment (EBITDA)		63	43	142	-53	-147
Other non-cash items		13	19	-8	3	12
Change in net working capital	6	-3	34	81	44	82
Interest received		3	2	4	7	9
Interest paid		-8	-4	-17	-18	-24
Income tax paid		-5	-3	-1	-9	-12
Cash flow from operating activities		63	91	201	-26	-80
Purchase of intangible non-current assets		-37	-23	-89	-75	-115
Purchase of tangible non-current assets		-18	-30	-32	-53	-66
Sublease payment		1	-	6	-	12
Sales of tangible non-current assets		-	-	-	14	13
Other cash flow from investing activities		-1	1	-1	5	2
Cash flow from investing activities		-55	-52	-116	-109	-154
Free cash flow		8	39	85	-135	-234
Repayment of lease liabilities		-12	-9	-35	-27	-39
Repayment of loans		-1	-1	-3	-3	-4
Proceeds from short-term borrowings		131	-	156	-	-
Purchase of securities		-1	-	-451	-	-
Purchase of own shares		-	-	-42	-	-
Capital increase		1	-	359	-	-
Cash flow from financing activities		118	-10	-16	-30	-43
Change in cash and cash equivalents		126	29	69	-165	-277
Cash and cash equivalents, opening balance		158	298	215	492	492
Cash and cash equivalents, closing balance		284	327	284	327	215

STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Translation reserve	Reserve for cash flow hedges	Retained earnings	Total
Equity 1 June 2020	432	12	3	385	832
Earnings for the period	-	-	-	-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
Equity 1 June 2019	432	21	5	961	1,419
Earnings for the period	-	-	-	-441	-441
Foreign exchange adjustments of foreign entities	-	-4	-	-	-4
Fair value adjustments of derivatives	-	-	-8	-	-8
Value adjustments of derivatives reclassified in					
Revenue	-	-	9	-	9
Production costs	-	-	-8	-	-8
Income tax on items that will be reclassified to the income statement	-	-	2	-	2
Comprehensive income for the period	-	-4	-5	-441	-450
Share-based payments	-	-	-	-2	-2
Equity 29 February 2020	432	17	-	518	967

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 2020 and endorsed by the EU. The implementation of new or amended standards and interpretations had no material impact on the interim financial statements. Apart from this, the accounting policies and critical accounting estimates and judgements are consistent with those applied in notes 1.1 and 1.2 to the consolidated financial statements in the 2019/20 Annual Report, to which reference is made.

2 REVENUE

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

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

3 SEASONALITY

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

Seasonality may be impacted by COVID-19.

4 SEGMENT INFORMATION - Q3

(DKK million)	EMEA	Americas	Asia	Regions, total	Brand Partnering & other activities	All
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%
Q3 2019/20						
Revenue	315	37	193	545	68	613
Production costs	-198	-22	-123	-343	-1	-344
Gross profit	117	15	70	202	67	269
Gross margin	37.2%	40.9%	36.4%	37.0%	98.5%	43.9%
Q3 2020/21						
(DKK million)	Staged	Flexible Living	On-the-go	Products, total	Brand Partnering & other activities	All
Q3 2020/21						
Revenue	258	181	193	632	66	698
Production costs	-159	-92	-132	-383	-2	-385
Gross profit	99	89	61	249	64	313
Gross margin	38.4%	49.0%	31.4%	39.3%	97.3%	44.9%
Q3 2019/20						
Revenue	227	122	196	545	68	613
Production costs	-119	-61	-163	-343	-1	-344
Gross profit	108	61	33	202	67	269
Gross margin	47.7%	49.9%	16.8%	37.0%	98.5%	43.9%

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
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%
2019/20						
Revenue	806	107	550	1,463	196	1,659
Production costs	-514	-66	-382	-962	-8	-970
Gross profit	292	41	168	501	188	689
Gross margin	36.3%	38.4%	30.6%	34.2%	95.9%	41.6%
(DKK million)	Staged	Flexible Living	On-the-go	Products, total	Brand Partnering & other activities	All
2020/21						
Revenue	708	394	549	1,651	202	1,853
Production costs	-405	-203	-418	-1,026	-7	-1,033
Gross profit	303	191	131	625	195	820
Gross margin	42.8%	48.4%	23.8%	37.8%	96.7%	44.3%
2019/20						
Revenue	594	256	613	1,463	196	1,659
Production costs	-322	-136	-504	-962	-8	-970
Gross profit	272	120	109	501	188	689
Gross margin	45.8%	46.9%	17.8%	34.2%	95.9%	41.6%

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		YTD		Year
	2020/21	2019/20	2020/21	2019/20	2019/20
Incurred development costs before capitalisation	74	58	210	185	261
Hereof capitalised	-31	-20	-75	-62	-96
Incurred development costs after capitalisation	43	38	135	123	165
Capitalisation (%)	42.2%	34.7%	35.8%	33.5%	36.9%
Total charges and impairment losses on development projects	13	22	51	88	108
Development costs recognised in the consolidated income statement	56	60	186	211	273

6 CHANGE IN NET WORKING CAPITAL

(DKK million)	28-02-21	31-05-20	Change in	Change in	Change in
			Q3 2020/21 YTD	Q3 2019/20 YTD	2019/20
Inventories	390	457	-67	-108	-139
Trade receivables	391	290	101	-158	-276
Other receivables*	101	53	48	-13	-
Prepayments	29	41	-12	10	19
Trade payables	-436	-430	-6	218	280
Other liabilities	-224	-65	-159	-3	14
Deferred income	-4	-18	14	10	20
Total	247	328	-81	-44	-82

* Finance lease receivables of DKK 7m (31 May 2020: DKK 10m) have not been recognised as net working capital at 28 February 2021.

The increase in other liabilities primarily related to provisions for employee bonus and holiday allowance offset by payment of VAT and withheld taxes driven by COVID-19 postponements.

7 SPECIAL ITEMS

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

(DKK million)	Q3		YTD		Year
	2020/21	2019/20	2020/21	2019/20	2019/20
Severance, Executive Management Board	-1	2	-1	-13	-13
Restructuring costs, severance	-1	-	3	-	-20
Consultants, cost reduction programme	-4	-5	-13	-5	-10
Total	-6	-3	-11	-18	-43

8 NET INTEREST-BEARING DEPOSIT/(DEBT)

Net interest-bearing deposit/(debt) consists of interest-bearing assets less interest-bearing debt. Interest-bearing assets consist of securities, cash, sublease and finance lease receivables. Interest-bearing debt consists of mortgage loans, bank loans, lease liabilities, and from Q2 2020/21 also the non-current part of the Danish holiday pay provision. To minimise the impact from negative interest rates, the company has placed the majority of its cash in Danish mortgage bonds, all with an AAA S&P rating. To maintain short-term financial flexibility, the company uses repo transactions, whereby the company can access liquidity on an intra-day basis if needed by lending bonds to its bank in return for cash, while committing to a reverse transaction at a predetermined date in the future. Bonds are presented as securities on the balance sheet as ownership of the bonds remains with the company during the term of the repo. The obligation to return cash for bonds under such repo transactions is recognised as short-term bank loans. As of 28 February 2021, repo transactions amounted to DKK 156m.

Net interest-bearing deposit amounted to DKK 328m compared to net interest-bearing debt of DKK 7m at year-end 2019/20. The increase was mainly due to the net proceeds from the rights issue and positive free cash flow. IFRS 16 reduced net interest-bearing deposit by DKK 144m (year-end 2019/20: DKK 153m).

(DKK million)	28-02-21	29-02-20	31-05-20
Mortgage loans (non-current)	-63	-66	-65
Mortgage loans (current)	-4	-4	-4
Bank loans (current)	-156	-	-
Lease liabilities (non-current)	-124	-144	-137
Lease liabilities (current)	-34	-39	-42
Other non-current liabilities*	-34	-	-
Interest-bearing debt	-415	-253	-248
Finance lease receivables (non-current)	7	18	16
Finance lease receivables (current)	7	10	10
Cash (current)	284	327	215
Securities (current)	445	-	-
Interest-bearing assets	743	355	241
Net interest-bearing deposit/(debt)	328	102	-7
Net interest-bearing deposit/(debt) - excl. IFRS 16	472	257	146

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

Net available cash was DKK 573m (year-end 2019/20: DKK 215m), consisting of cash and securities offset by repo transactions.

(DKK million)	28-02-21	29-02-20	31-05-20
Cash (current)	284	327	215
Securities (current)	445	-	-
Bank loans (current)	-156	-	-
Available liquidity	573	327	215

9 RELATED PARTIES

Related parties with significant interests

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

Transactions with related parties

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

10 LONG-TERM INCENTIVE PROGRAMMES

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

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

On 2 October 2020, Bang & Olufsen A/S announced that pursuant to the Remuneration Policy, the Board of Directors had resolved to allocate restricted shares under Bang & Olufsen A/S's Combined Performance and Retention Share Programme for 2020/21 to the Executive Management Board, key employees and certain other employees.

Two-thirds of the restricted shares are Performance Shares that are eligible for vesting in equal tranches over the three financial years 2020/21, 2021/22 and 2022/23 depending on the level of achievement of certain KPIs defined by the Board of Directors for each performance year. The KPI metrics for 2020/21 relate to Bang & Olufsen A/S's revenue and EBIT (before special items) in 2020/21.

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

The maximum number of shares that participants will be able to receive pursuant to the programme is 3,449,154. Any vested restricted shares will be released after the annual general meeting's adoption of the Annual Report for 2022/23, with the provision that vesting and release may be accelerated in case of certain extraordinary events as described in the company's remuneration policy.

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

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

Bang & Olufsen A/S purchased a limited number of treasury shares to cover the obligation for the outstanding matching shares. The holding of treasury shares totalled 2,112,372 shares on 28 February 2021 (2,317,014 shares on 31 May 2020).

Costs related to long-term incentive programmes have been recognised as staff costs and amounted to DKK 9m for the first nine months of the year (2019/20: DKK 5m).

11 FINANCIAL INSTRUMENTS

Financial instruments by category

(DKK million)	28-02-21	29-02-20	31-05-20
Non-current other receivables	26	42	40
Trade receivables	391	408	290
Other receivables	107	50	63
Cash	284	327	215
Financial assets at amortised cost	808	827	608
Securities	445	-	-
Fair value through income statement	445	-	-
Hedge accounting	1	8	2
Fair value through other comprehensive income	1	8	2
Financial assets	1,254	835	610
Mortgage loans	67	70	69
Bank loans	156	-	-
Lease liabilities	158	183	179
Trade payables	436	492	430
Financial liabilities at amortised cost	817	745	678
Hedge accounting	-14	-11	-1
Fair value through other comprehensive income	-14	-11	-1

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

Securities

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

Derivative financial instruments

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

See note 6.4 to the 2019/20 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.

At an extraordinary general meeting of Bang & Olufsen A/S on 3 July 2020, a rights issue was adopted that raised gross proceeds of DKK 409m. The shareholders also adopted a resolution to reduce the nominal value of the company's shares. As a result, the company's share capital was reduced by nominally DKK 204,620,145 from nominally DKK 409,240,290 to nominally DKK 204,620,145 (following the cancellation of 2,273,449 treasury shares as approved by the annual general meeting on 21 August 2019).

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

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

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

13 SUBSEQUENT EVENTS

As described in the company's outlook for the financial year 2020/21, Bang & Olufsen is facing higher than normal risks and uncertainties related to the COVID-19 outbreak. These are factors such as the duration of the COVID-19 pandemic, 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 28 February 2021 which are expected to have a material impact on the Group's financial position.

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