

## CHAIRMAN'S SPEECH – ANNUAL GENERAL MEETING, 19 AUGUST 2021

*(In the event of any discrepancy between the oral and written version, the oral version prevails)*

Before I broach the subject of this year's report, I would like to take this opportunity to thank our shareholders for supporting us in the financial year we have just been through, at the start of which we managed to raise the capital that provided the basis for us to be able to execute on our strategy and navigate safely through a year marked by Covid-19.

Last year, I stood here in the same place as chairman for the first time, when we were looking at a world of great uncertainty. The whole of the past financial year was indeed marked by this terrible pandemic, which affected, and is still affecting, people, companies and societies throughout the world.

However, despite the many challenges of societies in lockdown, new ways of working and changes in consumer habits, Bang & Olufsen succeeded in delivering annual results that exceeded expectations and implementing the first phase of our strategy, which included becoming profitable again.

As you have probably heard our CEO Kristian Teär say many times in the media in the past year, "If you are not earning money, you only have one problem, and that is to earn money". So I and the entire board are delighted that we reached this important first milestone in our turnaround.

Our success is due in particular to our efficient and passionate workforce and business partners. They have all made a quite extraordinary effort to ensure that we executed on our strategy.

A good example of this is the passionate and efficient workforce in our aluminium factory here in Struer, which we also call the 5-er. They have had an extraordinarily busy year because of the positive trend in sales and, despite Covid-19, they have worked extremely hard in a three-shift system to get the company back into the black – while at the same time looking after one another and avoiding outbreaks of infection.

Factory 5 is an internationally top class aluminium factory that enables us to make products that nobody else can. This year it is exactly 50 years since Bang & Olufsen set up the factory, and they have played a major role in building the strong brand we have today. We are looking forward to the next 50 years.

On behalf of the entire board, I would like to say a big thank you to all B&O employees for their enormous effort in the past year and to the shareholders who gave their support to our capital increase.

When we started the year, we expected revenue of DKK 2.2 billion, negative EBIT before special items of DKK 100 million and negative free cash flow of DKK 200 million.

We managed to exceed these expectations by a considerable margin and we lifted our profit outlook twice during the year.

We ended the year with revenue of DKK 2.6 billion, which was 400 million better than expected. Our EBIT before special items was 38 million and our free cash flow 119 million. That is respectively 138 million and 319 million better than we forecast at the start of the financial year.

The pandemic did not hit us as hard as we had feared and we were helped by the fact that more consumers invested in new products for the home. However, generally speaking, in our opinion the pandemic was more of a disadvantage than an advantage for us.

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Many brick and mortar shops have been closed this year because of lockdowns in communities all over the world. The pandemic also resulted in a global shortage of components, which meant that during the year we found ourselves unable to produce enough products to meet customer demand and the cost of components and transport rose sharply. Lastly, we also had to find new ways of working together, because we asked the majority of our employees to work from home in order to reduce the risk of spreading the virus further.

All in all, we are satisfied with how the business has developed and with the results for 2020/21, which are due first and foremost to the fact that we have executed on the strategy we presented in April 2020.

As mentioned earlier, the positive trend in this financial year can largely be ascribed to the employees' strong determination to execute on our strategy and I would like to highlight here some of the most important results of their efforts.

First of all I would like to draw attention to our strong focus on our core markets, which has been crucial to our success. In this financial year we have focused on eight core markets. In Europe, where we focus on Germany, Switzerland, France, Spain, the UK and Denmark, we delivered growth of 26% compared with the previous year. In Asia, where the focus was on China and South Korea, revenue rose by 50% compared with the previous year.

This positive trend is partly due to the fact that we focused the majority of our sales and marketing resources on these eight markets, strengthened our local sales and marketing teams and improved our dialogue with our dealers and partners.

As I also mentioned last year, we chose to focus on those eight markets, because that is where we see the best conditions for increasing sales in the short and medium term. The Bang & Olufsen brand is well known in these eight markets and we also have a good sales infrastructure in place. The eight markets currently represent two-thirds of our revenue from product sales, so I am delighted to say that our focused effort on growth in these particular markets has borne fruit.

Secondly, it has been our ambition to create a firm foundation for profitable growth. This has included improving our digital initiatives, focusing on costs, targeting our marketing at our customer segments and, not least, strengthening our product portfolio. Here too we have seen good progress, which produced results in 2020/21 and also laid a firm foundation for the future.

Since the start of the pandemic we have boosted our digital capabilities, scaled up our e-commerce and improved our app and online experiences. We decided to accelerate our investment in the digital field because of Covid-19, and this has contributed to growth in both offline and online trading, including in our own e-shopping channel, where we delivered growth of 71% compared with last year.

On the marketing side, we continued our work on becoming more data-driven, improved the marketing of our products and raised awareness of the Bang & Olufsen brand among our four customer segments. This can be seen, for instance, from the increase in the number of customers in our app, which rose by 53% compared with the previous year.

Our cost reduction programme has been crucial for our return to profitability – and it is also an essential prerequisite for our ability to invest in growth in the future. The total savings amounted to 202 million on an annual basis, so better than the original target of annual savings of 175 million. These savings were made despite the fact that the global shortage of electronic components has made it difficult to achieve savings on production, which would otherwise have been one of our targets.

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In this financial year we also considerably improved our product portfolio. As mentioned at last year's AGM, we wanted to upgrade our product portfolio this year. We very much succeeded in doing so with the launch of 14 products, many of which were launched on new product platforms. We have also focused on updating the software in a number of older products in order to improve customer experience across our entire portfolio. Total customer experience before, during and after the purchase of a B&O product is an area in which we have made considerable improvement, for instance by investing in software development, service and quality. It is vital for us that customers should have a good experience with us, so that they will also want to buy more products and stick with us in future.

Lastly, I would like to draw attention to our work on establishing new partnerships. We sell products in more than 70 countries worldwide, but we risk failure if we focus our efforts equally on all markets at the same time. We have therefore, as previously mentioned, identified eight core markets. In many of the other markets we work instead with partners, who can promote sales professionally and efficiently without our having to compromise on customer experience.

In the course of the year we established new collaborations with leading distribution partners in Europe and the US. The new partners give us both scale and execution power in multi-brand and business-to-business, and we have reaped great benefits from these collaborations – especially in the second half of the year.

In addition, we have established a number of new brand and technology partnerships. Here I would draw particular attention to our partnerships with Xbox and Astralis, which have been important for the successful launch of the gaming headset Portal, both because we have gained access to new distribution channels via Microsoft in the US and because they make us visible to a target group that would not otherwise think of Bang & Olufsen as a gaming brand.

All in all, I am delighted with our progress, and we are now in a much stronger position as we move into the next phase of our strategy.

One of the challenges we drew attention to at the last AGM was the product portfolio. For a company like Bang & Olufsen it is of course absolutely vital to have a progressive and relevant portfolio of products that not only live up to customers' expectations but also exceed them if possible.

In the last 12 months we have launched 14 products across our three product categories. We have launched headphones, earphones, Bluetooth speakers, multi-room speakers and televisions. Most of our new products were launched on our two new product platforms and these platforms have also created a firm foundation for future products. In addition, we have introduced our classic range with the Beogram 4000c record player as the first product.

The new product platforms are important for Bang & Olufsen's future. We can already see that products launched on the new platforms give customers a better experience. At the same time, these platforms are also a key factor in enabling us to offer customers the latest and most relevant technologies, both through software updates on the products customers can buy today and in new products. Not least, this will ensure that our products interact better. This will be absolutely vital for achieving our ambition for more of our customers to own more than one, two or three products.

Finally, it has been extremely important for us to design products that will remain relevant for many years into the future. It has always been a characteristic of Bang & Olufsen that our products can last for years and decades. We want to continue to ensure this by making the products independent of new technology. With the launch of Beosound Level we introduced a new modular approach to design, meaning that if, for example, streaming technology changes at some point, it will be easy for customers to get a product's technological innards upgraded, so that it will be

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relevant, even if it is maybe 10-15 years old. In this way we are able to assure the product's value and good customer experience over many years.

We currently have an incredibly strong product portfolio and a team that will supply our customers with exciting new products in the coming years as well. This is a key factor for delivering future growth.

As I said in my introduction, we delivered strong revenue growth. Revenue was DKK 2.6 billion, a rise of 600 million or 31% in local currencies.

Had it not been for component shortages and temporary shop closures all around the world as a result of the pandemic, we would have been able to show even higher revenue.

We also improved our gross margin by 2.2 percentage points. The higher gross margin resulted from our having sold more products in our Staged and Flexible Living categories – i.e. more TVs, large speakers and multi-room speakers. In addition, and perhaps even more importantly, with our new products we have improved our margins compared with some of our earlier products, partly thanks to the product platforms I have already mentioned.

However, the margin was negatively affected by the steep rise in component prices in 2020/21, especially towards the end of the year. In addition, we were forced to use air freight to meet the demand we experienced. This also cost extra. We have estimated that the margin on our products would have been 2.7 percentage points higher if we had not been affected by component and logistics issues.

The EBIT margin became positive this year, improving from minus 15% last year to plus 1.4%. The improvement was the result of higher revenue, better gross margin and lower capacity costs. The improvement in capacity costs was driven by our savings programme. I will return to the capacity costs shortly.

The result after tax was negative at DKK 23 million. This took us into a minus for the year on our financial items. For example, we were hit by charges for establishing the credit facility that we were given when we implemented the capital increase.

Our capacity costs decreased by 5% compared with the previous year and this was mainly due to the positive effect of our savings programme.

The capacity costs also reflect the fact that we made a number of appointments in areas where we were short of skills. As I mentioned earlier, these include local sales and marketing people in our core markets and people in product development.

Our development costs decreased by 5% compared with last year. That is not to say that we have invested less in our products. On the contrary, the decrease is the result of lower amortisation on earlier projects and higher capitalisation of our costs, including those related to our new products. The underlying development costs rose compared with last year.

Distribution and marketing costs decreased by 2%. Generally speaking, the decrease relates to the effects of our savings programme.

Administrative costs decreased by 20%. In the previous year they were affected by large extraordinary items related to the cost reduction programme and severance pay to the former management. If we exclude these effects, costs decreased by 4%. Once again, this was an effect of our savings programme.

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We succeeded in turning last year's negative cash flow around and ended 2020/21 with positive cash flow of DKK 119 million. The positive trend was driven by our results and operations and also by a further reduction in our working capital.

As in the previous year, we maintained our focus on managing working capital. We succeeded in reducing working capital by a further DKK 126 million over the course of the year.

Receivables fell, reflecting the fact that our partners are in a better place financially

We have also further reduced our inventory so that it now consists primarily of new products. In previous years we have had too high a proportion of products that had gone out of production, which we had to sell at lower prices. However, part of the reduction was also due to our experiencing a shortage of products. The total inventory level is therefore lower than we would ideally have liked.

Investments were at around the same level as in the previous year. However, the composition has changed, as we have invested more in products and product development, while the need to invest in physical assets such as shops has been smaller, as many shops have been completely or partially closed during the year.

All in all, we are now in a markedly better liquidity position. Liquidity has risen from DKK 215 million to 593 million on 31 May 2021. The majority of this rise – i.e. DKK 359 million – relates to the capital increase we completed in July last year. In addition to that, we also managed to increase liquidity from our operations.

With this liquidity, we are in a strong position for the next phase of our strategy, and I will use the next few minutes to go into this in further detail.

In April 2020 we presented the company's new strategy and we also went through it at last year's AGM. The strategy will ensure that we address basic problems and then build up robustness in the business to enable us to create profitable, sustainable growth in the longer term.

As previously mentioned, we have now completed the first phase of the strategy, in which we resolved a number of fundamental problems and returned the company to profitability. This was an important milestone for the company and we are now working on the second phase of the strategy.

In the second phase we want to build on the sound progress we saw last year. We will focus strongly on further improving profitability, while also building robustness into our business, for instance by improving our processes, setting up the right systems and tools and strengthening our organisation.

One of our goals is to establish best practice solutions throughout our value chain, both in relation to suppliers and partners upstream and sales channels downstream. This means that we wish to create robust models for how we sell our products across regions, how we can most effectively win new customers and also how we can sell product number 2, 3 and 4 etc. to our customers once they have bought their first Bang & Olufsen product. If we scale up the business without having these models in place, we will fail, but if we manage to optimise them, we believe we can scale up our business, win more customers and grow our market shares.

Lastly, we also want to create a stronger bond with our customers, so we can attract even more loyal customers who have a deep love of the Bang & Olufsen brand and the products and experiences we create.

We want Bang & Olufsen to become what is known as a love-brand and create a stronger emotional bond with our customers.

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The three hearts on this slide symbolise the changes we want to make.

Firstly, we must ensure that our customers and fans want to engage with our brand and that they desire to own our products. We must make sure that we give them a unique experience both in our brick and mortar shops and on our digital platforms – before, during and after they purchase the product. We must therefore get even better at understanding how we can reach them and give them the best possible service.

Next, we must ensure that our customers want to buy more products. Our new product platforms give us a very strong starting point for ensuring that our products function seamlessly together and we must get better at bringing this over.

Lastly, our aim is to make our customers happy, loyal ambassadors for Bang & Olufsen. In this way they will become advocates for our brand and products when chatting with friends and family or meeting new people. I know that there are many ambassadors for our products among our shareholders, for which we are very grateful – and we would like even more people to join them.

In our latest campaigns, we are saying that our products are better when you have several of them, or "better together". That is an expression we also use internally in Bang & Olufsen. We can create the best results if we do it together. And in order to achieve our ambition, our entire organisation must focus on the customer experience. It will therefore be something we will be working on in every part of our business.

At last year's AGM we presented our strategy house. After completing the first phase, we have updated our strategy house.

The strategy house is built on three levels, which I will go through briefly.

If we look at the foundations of the house, we will continue to focus on people, processes and profitability in our business. We made great strides with this work in the first phase of our strategy.

Specifically, we will continue working on improving our profitability. We still have many options for working on our profitability, and we will be very much data-driven in the way we go about it. For example, we have several obvious options when we look at logistics – i.e. how we transport products around the world and how we produce our products.

In addition, we would like to be the best workplace for the best employees. This requires us both to attract new talented people and to retain the many talented employees we already have. We are therefore investing more in making ourselves a more attractive and inclusive workplace, in which employees can develop and contribute to the creation of a strong Bang & Olufsen for the future.

If we look at the middle level of the strategy house, we will ensure that we can scale up the business. First and foremost, this requires us to continue to expand our product portfolio, so that the products will meet customers' future needs and desires. Last year we considerably strengthened our product portfolio with 14 product launches. In the coming year we plan to launch more than seven products and platform innovations. The platform innovations include software updates, with which we will implement new functionalities in products that are already on the market, for example, stereo for our new multi-room speakers, so people can set up the speakers and create a new experience. We will create an ecosystem of products with world-class customer experiences.

Secondly, we would like to increase demand. You will see even more of us and our marketing across platforms such as social media. We will also make use of brand ambassadors throughout the world in order to reach more customers. Maybe some of you have already seen that we are

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collaborating with Fernando Alonso from Formula 1 and the British footballer Trent Alexander-Arnold of Liverpool.

We also want to improve the entire customer experience – both before and after purchase. Our customers meet us in many different ways, both physically in shops and online, and wherever they meet us they must have a good customer experience.

Lastly, we want to further accelerate our work on the digital ecosystem. We want to continue building on the great momentum we established in the first phase of the strategy process. Our digital capabilities are a key part of our strategy and we want to continue to inspire and interact with our customers through digital experiences as well.

On the top level are our pillars of growth, which are unchanged from the previous ones. We will continue to concentrate our sales and marketing resources in our six European and two Asian core markets.

We will also continue working on strategic partnerships. As you may have seen, at the end of June we extended our partnership with HP, and most recently we also announced that we have entered a partnership with Sagemcom on the sound in their set-top boxes.

With our strategy as the starting point, we expect that we will deliver double-digit growth again in this financial year, which covers 2021 and 2022, so our revenue is expected to end up at between DKK 2.9 and 3.1 billion.

We will invest more in the company, but we still expect to improve profitability. We therefore expect that our EBIT margin before special items will rise to between 2 and 4%.

We expect free cash flow to be positive at between 0 and 100 million. That is lower than last year, due to the expected changes in working capital. Our working capital was reduced considerably in previous years and we are expecting it to rise, for example as a result of increasing inventories, which are currently lower than we would ideally have liked. In addition, we also expect to have to invest more than we did last year.

At Bang & Olufsen we are constantly working on integrating CSR and sustainability into our day-to-day work, setting targets for the input and initiating activities that can help us achieve our ambitions to reduce our climate footprint and increase our positive contribution to the society we are part of.

At Bang & Olufsen we want to create and develop products that will support the trend towards a more circular, low-emission economy. So it is also gratifying that this year we were able to launch the first products based on our new, innovative and renewable streaming platform, which will make it possible to extend the life of our products.

The new products are built with a modular approach, in which the components are easy to replace. This makes it possible for us to upgrade the products, if the technology changes. The product is also easier to repair and upgrade if necessary, meaning that the speaker can have a longer life in our customers' homes. For many years we have been known for having long-lasting products and now we are taking another important step towards moving away from a throwaway culture as part of the green transition.

Unfortunately we did not achieve our goal of reducing the CO2 emissions from our buildings or those relating to the transport of our products. This is partly due to increased activity in the financial year but also to the fact that Covid-19 caused considerable logistical challenges, which meant that more products had to be transported around the world by air.

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This year we again focused strongly on employees' wellbeing and engagement, and once again we saw an improvement in our employee survey score, which increased from 72 to 74, despite the fact that many employees had to work from home while we were in the middle of implementing our turnaround.

All in all, the company achieved 8 out of 13 of the CSR targets set for this year. This is not satisfactory. We will review the company's sustainability strategy during the current financial year. In doing so we will also set new long-term targets for Bang & Olufsen.

You can read more about the strategy and our work in the CSR & Sustainability Report, which can be found on our website.

Bang & Olufsen has adopted a policy that sets out the framework for ensuring diversity in the company's management, because at Bang & Olufsen we consider diversity in management to be vital for the company's operations.

Half of the six board members elected by the AGM have an international background and two are women. We thus fulfil the rules on an equal distribution of women and men on the board of directors.

In order to ensure that the board of directors has the necessary skills and that collaboration works well both internally and with the executive board, we carry out an annual extensive evaluation of the board of directors, its chairman and the work of the individual board members by requiring the members of the board of directors and the executive board to fill in an electronic questionnaire anonymously. The results of the evaluation are summarised by an external consultant and subsequently presented to the full board of directors.

Last year's results showed that in general we have a well organised board of directors that functions well and has experience and understanding of the industry.

The evaluation identified only minor areas where there was a need for improvement.

In my role as Chairman of the Board of Directors, I also hold meetings with each individual board member to review their individual performance.

Here at the AGM we must also touch on corporate governance. At Bang & Olufsen we consider the work corporate governance to be an important and continuous process and we always act in accordance with the principles of corporate governance.

As a company listed on NASDAQ Copenhagen A/S and with reference to the Danish Financial Statements Act, Bang & Olufsen is subject to the corporate governance recommendations, and we are following these recommendations from November 2017.

This year the company's board of directors has again drawn up a corporate governance report for 2020/21. This report can be accessed on the company's website. Here you can also download the company's annual report and get further information on our products, company announcements, corporate social responsibility etc.

Finally, I would once again like to take the opportunity to thank Bang & Olufsen's employees and partners throughout the world.

As I have mentioned a couple of times, it has been a challenging year for both our employees and our partners.



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Our employees and partners have performed far beyond our expectations. In the course of the year we have carried out a number of surveys in order to ensure that we received their feedback on how the situation affected them.

We are pleased to see that our employee survey scores improved during the year and that our efforts to focus even more on our employees appear to have paid off. In connection with our capital increase, we chose to ask our board of directors, executive board and workforce whether they would voluntarily accept a temporary reduction in pay in order to help us get through the pandemic. The entire executive board and board of directors and a very large number of our employees agreed to do so. In the light of the good results for the year, it was a great pleasure to be able to repay the reduction in pay to our employees in May. The reduction was not repaid to the board of directors and the executive board.

And with that, I will hand the floor back to the chairman of the meeting.