Annual Report 2021/22

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Bang & Olufsen

At a glance

1,100
Employees

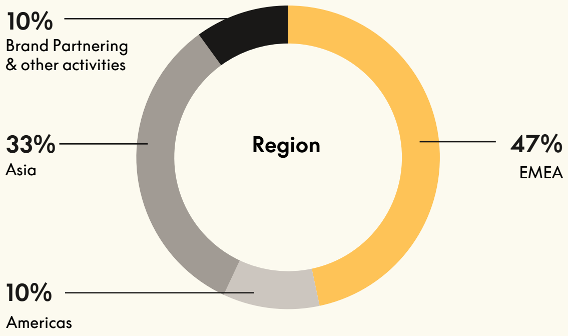
70
Markets

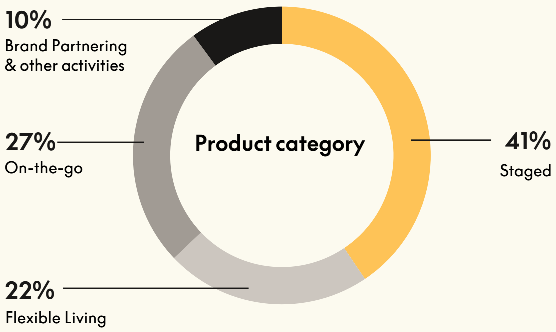
DKK 2.9bn
Revenue

Listed on
NASDAQ
Copenhagen

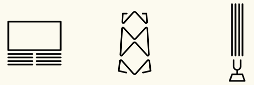
Bang & Olufsen is a luxury audio brand founded in 1925 in Struer, Denmark, by Peter Bang and Svend Olufsen whose devotion and vision remain the foundation for the company. For nearly a century, Bang & Olufsen has been pushing the boundaries of audio technology and the company continues to be at the forefront of acoustic innovation.

REVENUE SPLIT





PRODUCT CATEGORIES

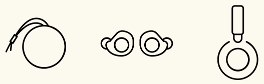


Staged

Immersive stereo music listening and cinematic viewing experiences.

Flexible Living

Connected sound for any room in an omni, stereo or multipoint set-up.



On-the-go

Products designed for travel, performance and urban life (work in and around the home)

Financial

Highlights 2021/22

Profitability

Gross margin

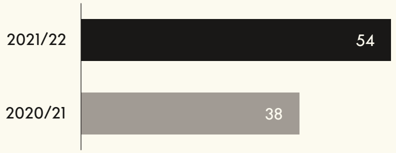
45.3%

2.0pp YoY

EBIT margin bsi*

1.8%

0.4pp YoY



Revenue development

Group revenue, DKK

2,948m

12% YoY (10% in LC**)

EMEA
5%
YoY growth
(4% in LC**)

Asia
12%
YoY growth
(8% in LC**)

Americas
61%
YoY growth
(55% in LC**)

Staged
19%
YoY growth

Flexible living
13%
YoY growth

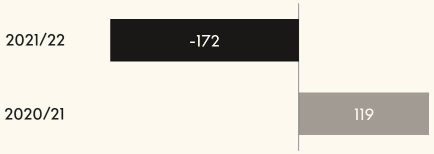
On-the-go
4%
YoY growth

Cash flow

Free cash flow, DKK

-172m

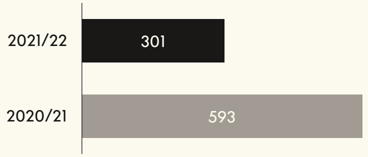
291m YoY



Available liquidity, DKK

301m

292m YoY



* Before special items ** Local currencies

Sustainability

Highlights of the year

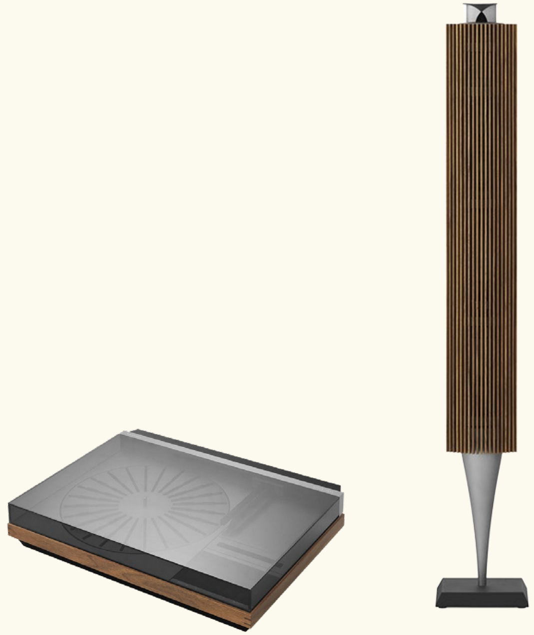
Launched the world's 1st

Cradle-to-cradle

certified consumer
electronics device

50 years

is the time between the launch of the Beosystem 72-22 in 2022 and the original launch of the Beogram 4000 in 1972. The Beosystem 72-22 allows the vinyl from the 1972 Beogram 4000 to be streamed via modern Beolab 18 speakers



20.8 GWh

was consumed in our global operations in in 2021/22. Our Danish energy footprint increased by 3% compared to 2020/21

30%

of B&O employees have been with the company for more than 10 years

~20,000

repairs and refurbishments completed at our repair centre in Struer, Factory 3, in 2021/22

2022

is the year we joined the Science Based Targets Initiative committing to science-based climate action in line with a 1.5°C scenario future across our whole value chain

LETTER FROM THE CHAIR AND THE CEO

Double-digit revenue growth and improved profitability despite headwinds

Juha Christensen
Chair

Kristian Teär
CEO

This was another year of solid progress for Bang & Olufsen despite strong headwinds. We grew revenue by 10% in local currencies to DKK 2,948m, which was in line with our guidance at the beginning of the year. We also improved our EBIT margin before special items to 1.8%. This was just below our original guidance of 2-4%. We delivered a negative free cash flow of DKK 172m. This was unsatisfactory, and not in line with our initial expectations of a free cash flow between DKK 0 and 100m. As communicated in our adjusted outlook in May, this development was mainly due to the extensive lockdowns in China, which resulted in lower sales and increasing inventory.

Driving continuous improvements and building robustness

This year, we entered the second phase of our strategy where we place emphasis on building robustness. We are doing this by making dedicated investments in, for example, our brand, sales, product innovations, go-to-market strategies, and people. The customer experience has been front and centre of all these investments as we continue to work towards our long-term ambition of becoming a love brand.

To grow significantly in the future, we need to expand awareness of our brand and our products to a larger audience. To that end, we invested more in sales and marketing and applied new strategies to capture the attention of our target audiences. More frequent and targeted digital and influencer campaigns, combined with local events and global partnerships like with Williams Racing, have helped us grow our brand and customer base. We also launched an ambitious go-to-market pilot in London, testing a 360-degree brand activation across channels and in focused areas of the city. Successes from the “Win London” project included sell-out growth of 103% from our monobrand stores in London. We will be looking to apply this model to other key cities around the world in the coming year. All in all, we grew our registered customer base by 31% in 2021/22.

In our six core European markets, we continued to improve like-for-like sell-out, which grew by 14%. The two core Asian markets grew by 5%, despite the extended lockdowns in China from March to June, which impacted sales. In 2021/22, we deployed more local sales and marketing people to build stronger local relationships in our core markets. The monobrand channel continues to be a key part of experiencing the Bang & Olufsen brand and our products. We are encouraged by the increased investments in our stores and in activations made by our partners.

In 2021/22, we continued to invest more in digital activation to build a stronger omnichannel experience. This fuelled our online sales, where we once again had strong sell-out growth – both in our eCommerce channel and among etailers. We also grew our licensing business. We extended the agreement with our long-standing partner HP, and we added new brand licensing partners and brand collaborations. All in all, we grew our brand partnering business by 10% in local currencies. We see many opportunities to expand our business in this area, and in 2021/22 we strengthened the team with new capabilities to help us unleash our full potential in this space going forward.

In 2020/21, we had a high number of product launches. With a strong portfolio in place, this year we focused on improving the customer experience through software updates. Introducing stereo pairing for products like Beosound Balance was one of the key launches and a feature that was very well received by our customers. We also launched Beolink, our proprietary multiroom system, on our most recent product platform. This was a milestone release from both an experience and a longevity perspective, enabling our customers to connect products from the 1980s to our present and future innovations.

Product longevity is at the heart of Bang & Olufsen, and in 2021/22 we became the first consumer electronics company to have a product Cradle-to-Cradle certified when our Beosound Level speaker received bronze level certification. This is the most ambitious product circularity standard in the world. It underlines our ambition to lead and inspire the industry towards a more circular, regenerative future by building long-lasting luxury technology products. Our longevity focus goes beyond new products. Through software upgrades and our new Product Health Centre, we are able to remotely help customers and proactively solve issues. Since January 2022, we have serviced more than 100,000 customers.

In 2021/22, we invested more in our people and facilities. We attracted many new talents within areas such as software, marketing, design, and sales, and we invested in our global locations to create a better working environment. COVID-19 had a major impact on our people as many were forced to work from home for extended periods, especially in China. We continue to be amazed by the resilience of our colleagues, and we were pleased to see that our people engagement score improved by four points, ending at 77. To support a diverse and inclusive workplace, we introduced several initiatives. For example, we established a Diversity, Equity & Inclusion Council to help us identify actions and drive progress, and we have already seen several positive outcomes of this work. We did not, however, achieve our gender diversity target for senior managers, and we will strive to continue to improve on our Diversity, Equity and Inclusion agenda in the coming years. In 2021/22, we launched a set of new company core values, which will be integral to our efforts to build the best workplace for the best people.

A year of extraordinary events

For the world, Bang & Olufsen, our colleagues and partners it was also a year with many unforeseen events and headwinds.

Our business was highly impacted by the global component shortage and logistics challenges, and we had to absorb DKK 220m in additional costs above normal level to ship our products and source components.

Russia's invasion of Ukraine in February shocked everyone, and we stand with the international community in condemning the war. We immediately stopped all sales to Russia and Belarus, and we continue to help our Ukrainian retail partner and his family. We want to take the opportunity to thank our colleagues for their desire to support those affected by the invasion. Through a company fundraiser we raised more than DKK 200,000 towards humanitarian aid provided by the Danish Red Cross.

As already mentioned, the COVID-19 lockdowns in China from March to June had a considerable impact on our sell-out in that market, and this meant that in May we had to adjust our financial outlook. Since the autumn, we have also seen increasing inflation, which has grown further following the war. This has not materially impacted our results. However, our retailers are indicating lower in-store footfall, and we continue to monitor consumer sentiments as uncertainty and inflation grow.

Despite these challenges, we achieved double-digit growth and improved our profitability for the second year in a row, and we did it with fewer product launches compared to previous years. These achievements are a testament to the improved robustness of our business. We now have a stronger ecosystem of products with great potential and better go-to-market strategies and execution.

Building a future-proof Bang & Olufsen

The past year, we have demonstrated that we have built a more robust Bang & Olufsen. This is perhaps more important than ever given today's uncertain environment, and we will maintain that focus for the coming year. We will, however, also start to reorient ourselves towards the future. For decades, Bang & Olufsen has brought magical sound experiences to its customers. That will not change. But we believe that the sound experiences of the future will have to incorporate a range of new technologies, platforms and designs that offer customers the opportunity to listen, create and share sound in an ecosystem of seamlessly connected products. We will begin to reorient Bang & Olufsen towards that future.

We also believe that the sound experiences of the future will be built to last beyond the average lifetime for a technology product. Today, we are taking the first small step towards that future with our new ESG & Sustainability strategy, which has product longevity at its heart. Designing for longevity has always been a hallmark of Bang & Olufsen, and our heritage of long-lasting, quality products shows that we understand longevity throughout the entire product lifecycle. With our new strategy, we will strengthen that focus to become an even more sustainable company and we will commit to new ambitious long-term sustainability targets to drive progress. In the future, Bang & Olufsen will continue to pioneer magical sound experiences that are designed for life with the ultimate goal of changing how people hear, see and feel the world.

A special thanks to our colleagues and partners

Our colleagues and partners continued to amaze us with their entrepreneurial spirit, care, and passion for Bang & Olufsen and our customers. We would like to extend our gratitude to all of them for their work this year and their continued commitment to the company.

Juha Christensen
Chair

Kristian Teär
CEO

Bang & Olufsen

Reorienting towards a new future

WHAT WE STRIVE TO DO

Magical Sound. Designed for Life.

Our vision connects our past with an exciting future. It guides us in our efforts to become a luxury technology company that humanises technology and moves culture for a better world around us.

WHY WE EXIST

To change how we all hear, see and feel the world.

At Bang & Olufsen we change how we all hear, see and feel the world. We will only have succeeded when we have liberated the moment in our customers' everyday lives.

HOW WE WORK

Be Entrepreneurial. Show Love. Create Magic.

Our core values define who we are, what we stand for, and how we act towards one another. They are deeply rooted in our DNA and in our never-failing will to create only the best. Our values reflect the true essence and special mentality of our company; the entrepreneurial imagination that so profoundly summarises our culture.

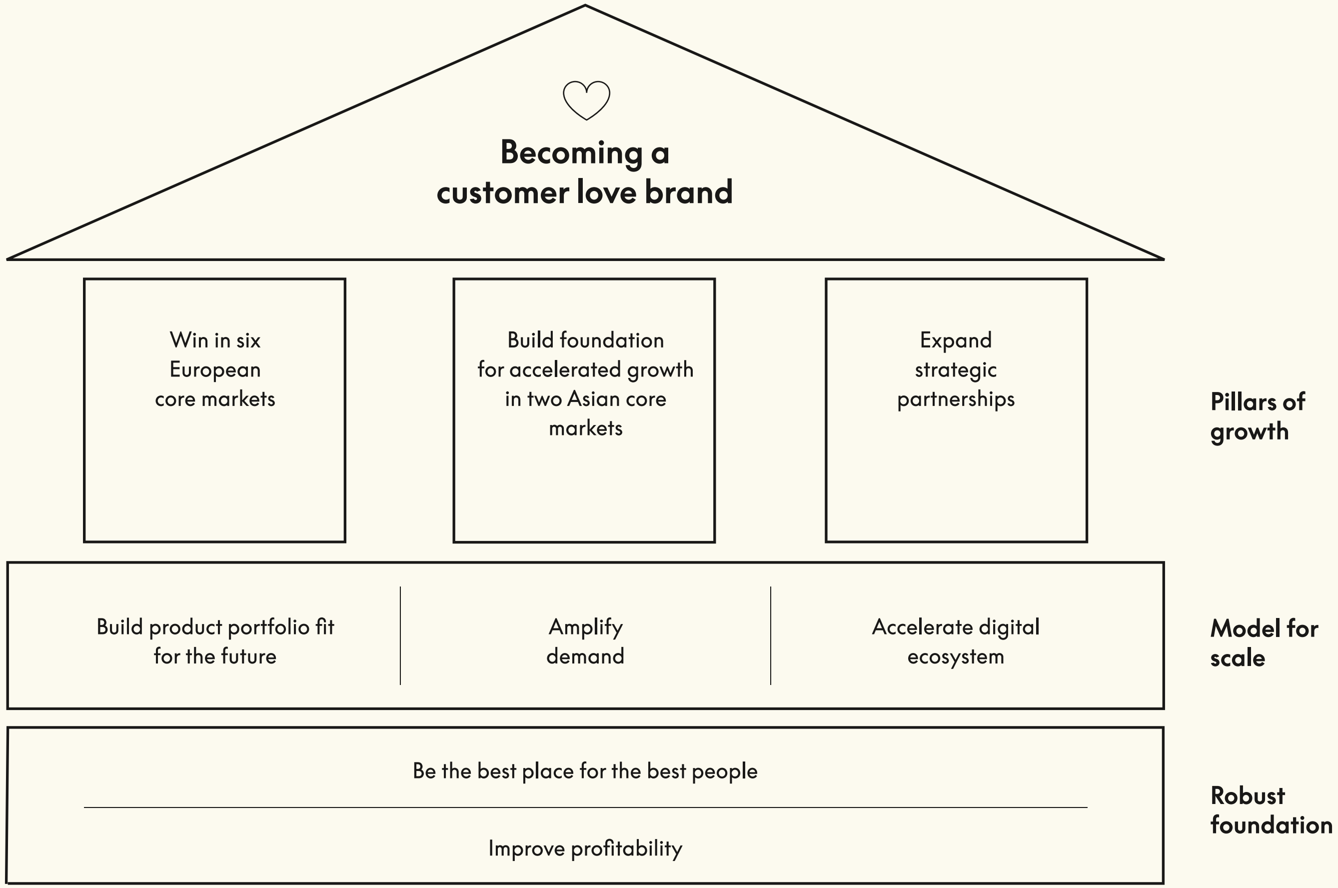
Strategy & outlook

Strategy

The second phase of transformation — A year of building robustness

Another year of transformational efforts has strengthened the business. Despite a challenging operating environment, the company continued to reap the benefits of its strategy execution, delivering on many of its commercial and operational ambitions.

The company moved into the next phase of its three-waved transformational roadmap, a year of strengthening the business to become more robust. The strategy house informed strategic priorities throughout the year, to realise the ambitions of i) securing a more robust foundation for future growth, ii) strengthening the model for scale, and iii) seizing three pillars of growth.



Progress on strategy execution

Pillars of growth

European core markets

14%
Sell-out growth

Solid performance across most channels. Win London project delivered 103% YoY sell-out growth from monobrand.

Focus on customer experience. Solid results from pilot with in-field VIP service team in France, and insourcing of Danish service centre.

Asian core markets

5%
Sell-out growth

Sell-out impacted by COVID-19 lockdowns in China. China grew 1% and South Korea 19%.

Restructured customer service with new service centre in Shanghai. Go-to market model solidified, replacing three of four distribution partners and expanding digital footprint.

Strategic partnerships

4
New partnerships

10% growth from Brand Partnering & other activities.

New partnerships. Hybrid work with Cisco. Combined sound and streaming for telecom providers with Sagemcom, Verizon and SK Broadband.

Model for scale

Product innovations

7
Product innovations

Five products launched and two significant software releases, Beolink and Stereo pairing.

Focus on longevity with Beolink, connecting old, current and future products, and Beosound Level, the world's first Cradle-to-Cradle certified speaker.

Amplify demand

31%
Customer growth*

Higher average ownership, with 37% growth in number of customers owning two or more products.

Improved brand awareness; three new brand ambassadors and partnership with Williams Racing. Follower base on SoMe grew 68% and 27m people reached through influencers and celebrities.

Accelerate digital ecosystem

12%
Growth in eCom

Own eCommerce launched in Japan, South Korea, Singapore and Australia.

Increased website traffic, conversion rate and average basket size.

Robust foundation

Be the best place for the best people

77
Employee score

Engagement score improved 4 points and improved perception score of managers. New people-centric initiatives launched such as a structured talent acquisition set-up and a Diversity, Equity and Inclusion council, and others were boosted, e.g. a Leadership Accelerator programme.

Improve profitability

1.8%
EBIT margin before special items

Profitability improved despite headwinds through price increases, less discounts and bonuses, optimisation of production planning and logistics, and establishing a distribution centre in the US.

*Registered customers in the B&O App

Strategy house execution

To secure a robust foundation, the company continued its profitability focus initiated with the cost programme in 2020. The company's EBIT margin before special items improved by 0.4pp compared to last year despite headwind from increased supply chain cost and lockdown in China. The profitability improvement was partly driven by revised pricing, optimised logistics particularly in China and the US, and new incentive structures for multibrand and monobrand partners. To accommodate for component scarcity, the company focused on reengineering some products to reduce its dependency on scarce components.

In addition to its profitability-related activities, the company pursued its ambition of becoming the best place to work for the best people. People-centric initiatives were launched throughout the year such as a structured talent acquisition set-up and a Diversity, Equity and Inclusion council, while other initiatives were enhanced such as a Leadership Accelerator programme growing key talents of the company. Improvements in the employee NPS for the year proved that the people agenda and initiatives create impact.

The company will maintain its focus on securing a robust foundation going forward, placing high emphasis on redesigning the operating model to make it fit for current purpose and the long-term future.

To strengthen the model for scale, the company continued its efforts to build a portfolio that is fit for the future. While delivering on the ambition for the year of seven new product innovations, the real impetus however was to build an ecosystem of seamlessly connected products with uncompromising customer experiences. Connecting the full portfolio unleashes potential for customers to buy and instal more Bang & Olufsen products for complete sound systems. Launches throughout the year consequently included both new product- and new software propositions, as well as continued software upgrades to improve product experience. These were proactively pushed to customers in the company's app-based digital Product Health Centre.

To enable the ecosystem ambition, the company initiated a significant capability ramp-up, particularly in platform and software engineering capabilities. This will continue in the year ahead.

Furthermore, an important milestone was reached with the launch of the world's first cradle-to-cradle certified speaker, Beosound Level, setting the standard for how audio products can be built more responsibly and for long-lasting lifespans.

Lastly, the company leveraged its distinct craftsmanship capabilities through the launch of a Bespoke programme for product personalisation. The programme specifically targets high net worth individuals in select markets.

To amplify customer demand, the company worked programmatically to boost brand awareness and brand equity. Through accelerated use of influencers and celebrities, the brand reached more than 27 million people during the year, and the brand's follower base across social media platforms grew by almost one million. This was augmented further by the Williams Racing partnership. With i) a cumulative TV audience of 1.5 billion, ii) an average audience per Grand Prix of more than 70 million, making it the fastest-growing sports league in terms of follower growth, and iii) the outperformance of all other sports in the digital arena, Formula 1 holds significant potential for increasing brand awareness. In addition, the partnership is expected to ensure brand relevancy for the target audience, through events and activations with the Williams Racing team. Monobrand store events in Barcelona and Monaco respectively demonstrated benefits from the partnership in the form of increased store sales, and Williams Racing-focused Instagram stories together with Twitter updates yielded comparatively high numbers of views and impressions.

Another vehicle for demand amplification was the first steps in a new, refreshed and forward-looking brand expression. Several new brand videos posted as reels on social media enjoyed record-breaking organic reaches. The new brand expression will continue to be executed and implemented across communication and sales channels.

The company has set an ambition of becoming a customer love brand, reflected in the onboarding of new customers, selling more to existing customers and keeping the customer base happy and loyal. For the fiscal year 2021/22, new registered customer growth reached 31% and the company grew the number of customers owning two or more products by 37%. Ambitions for customer base growth and average ownership growth for the fiscal year were thus met.

The company's digital ecosystem was further strengthened as planned. The company launched own eCommerce in South Korea, Singapore, Japan and Australia and improved performance across many areas. The Bang & Olufsen eCommerce site had more tracked visitors, increased conversion rate and grew average order value year-on-year. The organic social media reach increased by 39% to a total of 41 million people.

To seize potential in key pillars of growth, the company continued its focus and resource allocation for winning in its six European and two Asian core markets, and for exploring strategically relevant and commercially attractive partnership opportunities.

The European core markets delivered 14% sell-out growth, with sell-out performance lifts across all key channels.

To build robustness in the monobrand channel, a thorough structural assessment identified performance improvement potential with several partners and concluded on the termination of 38 stores in EMEA. The terminations will be effective early in the financial year 2022/23, and the network will be in better shape to deliver strong brand experiences for the future.

The multibrand channel also saw structural changes, with the ultimate aim of lifting the quality and viability of the multibrand network. While channel sell-out grew 30% year-on-year, the company took back inventory to ensure right-sized and relevant inventory with select partners in Switzerland and Germany respectively. Additionally, the company continued to improve in-store experience through the roll-out of a new product display system designed for enhanced customer experience, and for collecting and feeding back real-time data.

The company implemented its Win London plan throughout the year. The concept and commercial execution proved impactful. Sell-out from monobrand stores in London grew by 103% year-on-year. Brand awareness, customer base and repurchase also increased significantly compared to last year. The London execution continues into the new financial year, and the concept is planned to scale to other select cities.

In the quest to become a love brand, efforts to improve customer experience were undertaken throughout the year. An in-field VIP service team was launched in France, and the company insourced its Danish service centre operations to ensure consistent high-quality customer support. The company continuously assesses customer satisfaction and expects to launch more improvement initiatives in the year ahead, potentially scaling the VIP concept and service centre insourcing to other markets.

Sell-out in the two Asian core markets grew by 5%. In China, sell-out grew by 1%. The adverse impact of COVID-19 related lockdowns resulted in a 28% decline in sell-out in Q4. The company worked to solidify its go-to-market model by replacing three out of four multibrand partners and expanding the WeChat channel to include eCommerce and a VIP customer platform. The company also appointed Lay Zhang as brand ambassador along with programmatic onboarding and promotion of 40 other key opinion leaders. The Lay Zhang partnership was particularly successful on Chinese social media. The best-performing post for the year was with Lay Zhang reaching close to one million accounts, 90% of which were non-followers.

Additionally, the company restructured its customer service setup in the market by establishing a customer service centre in Shanghai, with the ultimate aim of ensuring a high-quality, consistent end-to-end customer experience.

In South Korea too, the company bolstered its go-to-market model, with sell-out increasing by 19% year-on-year. With the reopening of a brand flagship store in Seoul, the opening of Bang & Olufsen eCommerce and strengthening of the service set-up, the company delivered growth across multiple parameters.

Strategic brand partnerships remained a core priority throughout the year to drive up brand awareness and new customer acquisition. Revenue from new agreements drove up the financial performance in 2021/22. Four new partners were onboarded in the course of the year. The partnership with Cisco, announced earlier in the year, tapped into the hybrid work trend accelerated by COVID-19, and partnerships with telecom service providers Verizon, Sagemcom and SK Broadband brought the brand into new living rooms and increased brand presence in more channels through Verizon's distribution network. Furthermore, the company expanded its Harman collaboration with the luxury car brand Genesis. The company will continue its partnership focus in the future to expand brand reach and drive revenue.

Delivering on the robustness ambition – and beyond

Despite turbulence and sustained headwind throughout the fiscal year, results proved that the strategy continues to work. The ambition of the second phase of the transformation was to deliver profitable growth measured more specifically in revenue growth, positive EBIT, launch of planned new product and platform innovations, and customer base growth. While external factors challenged operations throughout the fiscal year, the company managed to grow and develop according to plan. With total revenue growth of 10% in local currencies, growth in EBIT margin before special items of 0.4pp, the launch of seven, planned product innovations, and 31% customer base growth, the company is confident that the strategy has created impact both commercially and operationally.

In today's uncertain environment, robustness is more important than ever, and so is a long-term lens on the company's value-creation logic. Several macro forces at play are influencing society, capital markets and industries as well as consumer behaviour. These forces are likely to redefine the competitive arena of consumer electronics and luxury in the decade ahead. While the company will continue to build business robustness, it will also orient itself towards a new future.

Bang & Olufsen has been bringing about magical sound experiences for decades – it is in the company's DNA. And it is what the future continues to be about – albeit designed for a new reality.

In the future, sound experiences will be created through new technology, platform logics, and designs that are in tune with both the past and the future. They will offer customers new opportunities for listening, creating and sharing sound.

The sound experiences of the future will be built to last – and built from responsible operations. This will enable customers to have more sustainable sound experiences that last longer than an average technology cycle.

The future will also be about moments of immersion and emotion no matter how and where customers interact with Bang & Olufsen. In a world of uncertainty and information overload such moments will be a true luxury and will ultimately change how people hear, see and feel the world.

In the future, Bang & Olufsen will continue to pioneer Magical Sound Designed for Life which will guide strategic priorities in the years ahead.

Business model

THE BANG & OLUFSEN BRAND

Since 1925, Bang & Olufsen has been designing the future, creating unconventional excellence for delightful living. In an ever-changing world, we believe innovative design and technology continue to change how we all hear, see and feel the world.

CUSTOMER TARGETING

The target audience is defined as Design & Music Lovers, with a particular focus on four distinct customer segments: Generation Z, Careerist, Well-established, and VHNWI*.

DESIGN & CREATION

Designing and creating innovative products at Bang & Olufsen begins with a vision, rooted in perspectives on how emerging and existing technology creates new opportunities, and how customer patterns create new demands.

MANUFACTURING

Asset-light manufacturing model focused on driving efficiency. Renowned inhouse aluminium processing enables us to develop unique components and bespoke solutions. Other parts of the manufacturing process are undertaken by ODMs** and production partners.

SALES

Multichannel go-to-market model builds brand experiences across physical and digital channels, reaching customers where they wish to engage. Physical retail includes company owned stores, partner owned monobrand stores, and multibrand stores. Digital channels include own eCommerce and etailers and new SoMe based digital channels.

CUSTOMER ACTIVATION

Brand and marketing activities are designed for the target audience and specific customer segments. Customer awareness, consideration and loyalty are boosted through demand creation activities across physical and digital channels.

VALUE CREATION

Bang & Olufsen strives to deliver iconic, reference-class products that integrate seamlessly with past, present and future technologies and endure and retain value. The company strives to create value for Design & Music Lovers through its brand and product propositions, for shareholders through diligent and consistent development of the company, and for society by being a responsible employer locally and globally.

* Very High Net Worth Individuals ** Original Design Manufacturer

Risk management

The company has identified the following key risks, which could potentially threaten Bang & Olufsen's ability to meet its financial targets, execute on its strategy, or maintain its licence to operate. However, this is not an exhaustive list of risks associated with the business.
Additional risks not mentioned here – such as climate-related and some geopolitical risks – may also have an adverse effect on the business. These are monitored on a regular basis and, if deemed necessary, risk assessments are made locally to determine adequate mitigating actions. Furthermore, there are internal operational risks that will impact the company if they materialise. The company has assessed that these have a low probability of materialising.

SUPPLY CHAIN DISRUPTION

Description
In the aftermath of the COVID-19 pandemic, scarcity of raw materials and components has led to significant cost inflation. Furthermore, lockdowns in China have resulted in logistics issues that have caused delays and challenges in both sales and supply, particularly in some regions in Asia.

Risk
As a consequence of both the geopolitical turmoil and the global scarcity of components and raw materials, Bang & Olufsen may experience increased costs and issues related to availability of key components and raw materials. The potential consequences could be a shortage of available products, impacting the ability to fulfil orders and thereby meet revenue and growth targets. Furthermore, the company's profitability may be adversely impacted by cost inflation.

Mitigating actions 2022/23
Revisit the operating model to secure supply, review manufacturing alternatives based on geographical location, and prioritise with suppliers to maximise available stock. In the short term, safety stock will be reestablished and selected products will be redesigned to de-risk the supply base.

IT SECURITY

Description
Bang & Olufsen's business depends to a large and increasing degree on reliable and secure IT systems.

Risk
If the company fails to protect its IT infrastructure, key systems and products against security incidents, the potential consequences could be unavailability of services, unintended disclosure of confidential data or sensitive personal data or loss of business-critical data. This could negatively affect Bang & Olufsen's competitive position, damage its reputation and/or result in fines.

Mitigating actions 2022/23
Continue and launch several network initiatives to further strengthen security of IT systems. Furthermore, updated cyber security awareness training courses will be conducted in combination with intensified monitoring of IT services and responsiveness.

SECURING FUTURE TALENTS

Description
The executing of the Bang & Olufsen strategy is highly dependent on its employees. It is essential to make the necessary recruitments and retain key employees to execute on the strategic direction and to build a solid talent base for future growth.

Risk
The company may not be able to attract and retain employees within certain competency areas in a timely manner, or to retain key employees, especially in a time of low unemployment. If the company is not able to fill and maintain key positions, this could impact strategy execution and operations.

Mitigating actions 2022/23
Develop an Employee Value Proposition linked to the new company culture to attract new employees. The new company culture will create a sense of belonging and boost motivation. The company will continue to push the Diversity, Equity and Inclusion agenda to ensure a collaborative workspace to further drive engagement and innovation. The company will enhance learning opportunities, motivate performance for growth and celebrate through events. Moreover, the company will enhance collaboration and co-creation across geographies and departments, while introducing a talent initiative.

PRODUCTS FOR THE FUTURE

Description

Bang & Olufsen's success depends on its ability to continuously strengthen its product portfolio to cater for consumer trends and ensure innovative designs and technological solutions for the future.

Risk

If the company is not able to execute on its product roadmap in a timely manner, potential consequences could be missed market opportunities, or failing to meet consumer demands and expectations, impacting the ability to create a sustainable business in the future and to meet growth targets.

Mitigating actions 2022/23

The company is in the process of developing its future innovation direction, including future innovation choices in line with the overall corporate strategy. Furthermore, the company is assessing improvements to the development process to ensure alignment to the new direction.

SECURING FUTURE GROWTH IN CORE MARKETS

Description

The company has identified eight core markets, six in Europe and two in Asia. The company's growth targets depend on Bang & Olufsen's ability to execute on its strategy in these markets and secure continued growth.

Risk

There is a risk that the company may be unable to determine the right growth strategy for the top six markets in EMEA, including how to grow the multibrand channel to create the necessary robustness for scaling. Furthermore, there is a risk that the company may be unable to define a model for optimising own eCommerce in balance with eTail. Moreover, recession risk together with the logistics and planning risk caused by lengthy lockdowns in China are hampering both demand and supply. If these elements are not mitigated, this will have a negative impact on growth targets.

Mitigating actions 2022/23

Target defined customer groups by enhancing cooperation with the monobrand network, and strengthening cooperation with key multibrand partners, while developing B2B, eTail and eCommerce to ensure a balanced channel mix.

Outlook for 2022/23

The outlook for 2022/23 is subject to unusually high uncertainty related to consumer sentiment due to high inflation, rising interest rates and the war in Ukraine, which has increased the risk of recession. Furthermore, there is higher geopolitical uncertainty and risk related to current and potential future regional COVID-19 related lockdowns in China.

The company plans to continue its investments in strategy execution, but the timing and size of these investments will be adjusted based on the development in the markets.

Revenue growth

Revenue growth is expected to be between -4% to 5%. The expectation is subject to the following assumptions:

- China expected to be impacted by regional lockdowns in Q1 and partly Q2.
- Launch of more than six product innovations, including relaunch of Beosound Emerge.
- Improved product availability compared to 2021/22.
- No impact on product availability due to geopolitical or COVID-19 related lockdowns.
- No major COVID-19 related lockdowns in the second half of the year.

EBIT margin before special items

EBIT margin before special items is expected to be between -2% to 3%. In addition to the company's assumptions regarding revenue growth, the expectations are based on the following assumptions:

- Cost of goods sold is expected to be impacted by the inflationary pressure currently experienced in the market, but the pressure on sourcing components through spot buys is expected to decline in the second half of the year.
- Continued investments into marketing and product development.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.

Free cash flow

Free cash flow is expected to be DKK -50m to DKK 100m. In addition to the company's assumptions regarding revenue growth and EBIT margin before special items, the company's expectations regarding free cash flow are based on the following assumptions:

- Improved net working capital.
- Extensive investments related to product and retail development as well as IT.

Sensitivities

The outlook for 2022/23 is subject to unusually high uncertainty related to consumer sentiment due to high inflation, rising interest rates and the war in Ukraine, which has increased the risk of recession. Furthermore, there is higher geopolitical uncertainty and risk related to current and potential future regional COVID-19 related lockdowns in China.

OUTLOOK 2022/23	Actual 2021/22	Outlook 2022/23
Revenue growth in local currencies (%)	10	-4 to 5
EBIT margin before special items (%)	1.8	-2 to 3
Free cash flow (DKKm)	-172	-50 to 100

Safe harbour statement

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

Results

Bang & Olufsen

Key events

Q1

Sports collection

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

Beovision Contour 55″

B&O introduced Beovision Contour in a 55″ screen size. It delivers an all-in-one TV and music experience thanks to sound technology based on the award-winning Beosound Stage.

Saint Laurent collaboration

The designer Anthony Vaccarello curated a new limited edition Beosound Edge.

B&O and HP renew partnership

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

B&O x Trent Alexander-Arnold

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

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

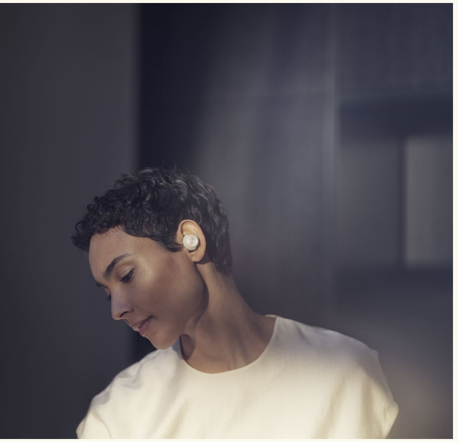
B&O partners with Sagemcom

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

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

Launch of Beoplay EQ earphones

Beoplay EQ are the company's first true wireless earphones with Adaptive Active Noise Cancellation.



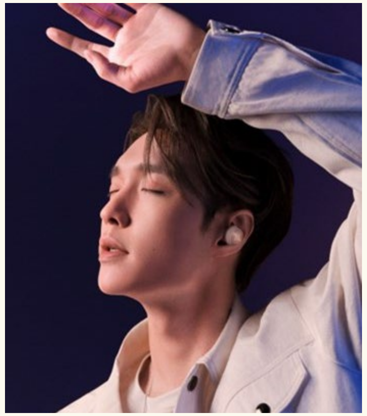
Stereo pairing

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

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

Lay Zhang as global brand ambassador

Chinese musician Lay Zhang is B&O's first global brand ambassador. Combining contemporary Chinese and Western pop music, Lay Zhang successfully promoted the launch of several new products during 2021/22. This has ensured strong product launches in China.



Q2

Beosound Level Cradle-to-Cradle Certified

B&O's Beosound Level was the first ever consumer electronics product to be Cradle to Cradle Certified®. B&O is also among the first companies to have received certification under the new Cradle-to-Cradle Certified Version 4.0 standard.

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

Upgrade kit for Beogram 4000 series

B&O has developed a service kit for its Beogram 4000 series. This makes it possible for everyone who owns a vintage Beogram turntable (available for Beogram 4000, 4002, 4004 and 6000) to restore and refurbish it as well as seamlessly connect it to modern speakers.

Product upgrades are performed as a service solution, where B&O-certified engineers disassemble and thoroughly inspect each turntable to make sure it can meet the high standards for classic products.

B&O official partner of the Race of Champions World Final

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

New colours for Beoplay H95

B&O's flagship headphones, Beoplay H95, were launched in two new colours, Navy Blue and Chestnut.

New features in the B&O App

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

The Setup Overview includes a 'Product Status' screen that visualises detailed Wi-Fi product information, available streaming services, software information, a how-to-optimise Wi-Fi feature, and a setup FAQ library.

Girls' Day in Science

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

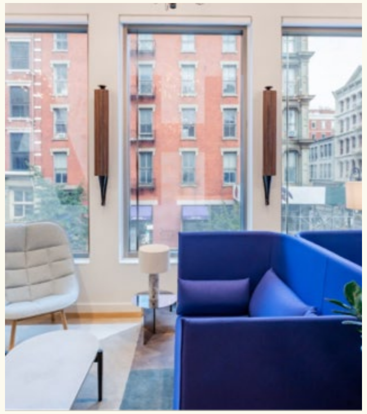
Senior high school students visited B&O in Struer, where they met with female specialists who gave them an introduction to scientific career paths in B&O.

Partnership with SERHANT.

B&O has equipped conference rooms, meeting spaces and common areas with a range of vanguard speakers and TVs to complement the design at SERHANT.'s headquarters in NYC.

SERHANT. is Ryan Serhant's real estate brokerage. Ryan Serhant is also known as one of the main stars of the TV series Million Dollar Listing.

SERHANT. has intimate knowledge of the high-end real estate market and the interior design space, and Ryan Serhant caters to the same audiences.



Awards for Beoplay Portal

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

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

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

New HP conferencing system

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

Nordic Ice Collection

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

B&O and Cisco partner to create luxury business headset

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

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

SK Broadband launches partnership with B&O

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

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

Bespoke programme launched

B&O launched its Bespoke programme under the banner "Dream it. Own it.". It allows purchasers to customise their products and choose colours and materials to create something unique.

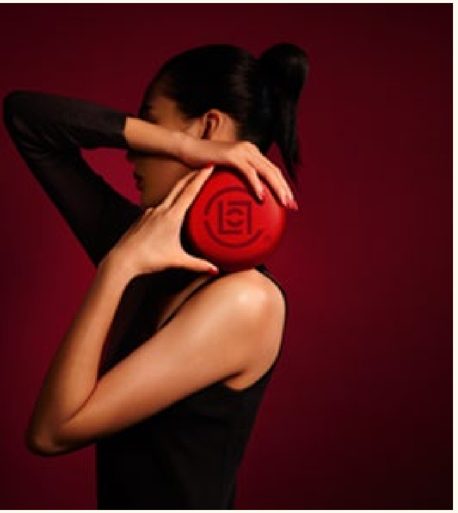
Every bespoke product is finished at the company's Factory 5 in Struer, Denmark.

Beolink Multiroom

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

Beolink makes it possible both to link new and older Wi-Fi products and to share audio sources in one unified system. This provides synchronised music in multiple rooms, including total control and simple operation through Touch to Join, Two Way Join and Expand. Moreover, the Beolink integration allows consumers to control all speakers and their home using the Beoremote Halo.

Q3



Collaboration with CLOT

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

Verizon launches soundbars made in collaboration with B&O

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

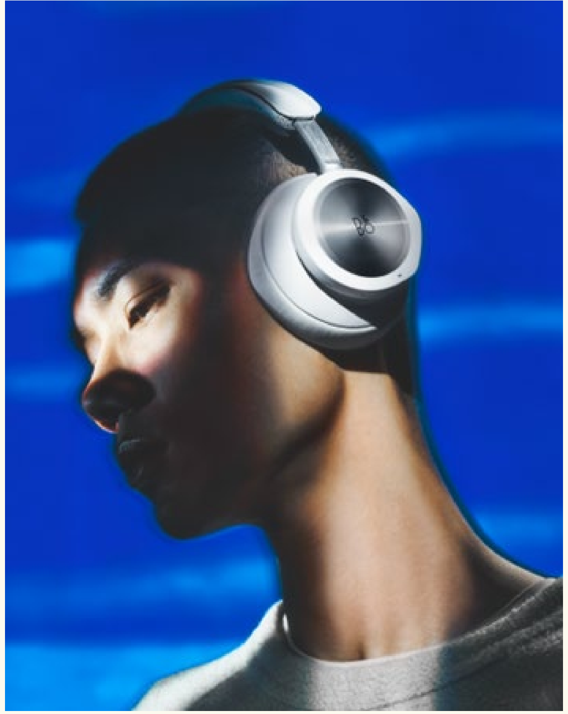
Moment Collection launches in China

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

New partnership with luxury carmaker Genesis

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

The system received an iF Design Award 2022 for Best Car Audio System.



Beoplay Portal for PC, PlayStation and mobile gamers

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

Beosystem 72-22

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

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

Q4

Beosound A1 DUNE Crafted Edition

Beosound A1 DUNE Crafted Edition is designed by Danish industrial designer Cecilie Manz.

The unique gradient design was created by hand, blending two colours through a unique anodising process developed especially by B&O experts.

One hundred pieces were made and they all sold out within a week.

Partnership with Williams Racing

B&O and Williams Racing announced a multi-year agreement.

In addition to the Bang & Olufsen logo adorning the FW44, Williams and B&O will work together to create impactful, immersive and multi-sensory customer and fan experiences. This will happen globally across Bang & Olufsen branded stores, at Williams Racing facilities trackside at various Grand Prix races, and at the Williams Racing headquarters in Grove, Oxfordshire, in the UK.

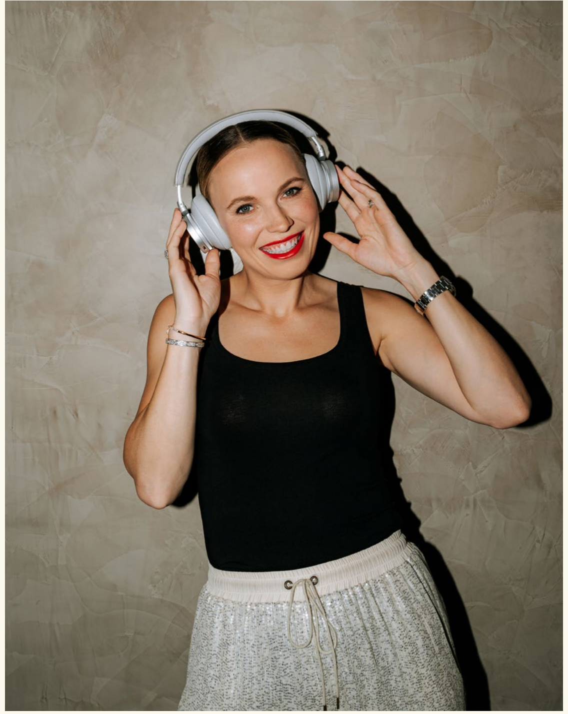
Formula 1 is followed in 170 countries and reaches an average of 87 million viewers per race or 1.5 billion viewers per season.

Beosound Level wins iF Design Award 2022 Gold

Beosound Level was awarded the iF Design Award 2022 Gold for the best portable HiFi music system.

Among other features, Beosound Level was praised for being developed and built for a long lifespan with its Cradle to Cradle certificate.

The iF Design Award is the oldest independent design seal in the world.



Caroline Wozniacki newest brand ambassador

Caroline Wozniacki, as Brand Ambassador, and her husband, former NBA All-Star David Lee, will work closely with the Danish luxury brand as she transitions from her athletic career to more lifestyle-focused pursuits, including projects such as custom designing a new family home in Miami.

Beoplay EX launched

Beoplay EX is the latest addition to B&O's wearable audio portfolio. With astounding sound, adaptive ANC and a fully waterproof design, Beoplay EX is B&O's most versatile true wireless earphone model to date.

The earphones have 9.2 mm speaker drivers, the biggest ever used for a true-wireless in-ear device by B&O. This results in a significant upgrade in the power of each audio moment, without compromising on comfort.

Key figures

(DKK million)	**2021/22**	2020/21	2019/20	2018/19	2017/18
Income statement					
Revenue	2,948	2,629	2,036	2,838	3,285
Gross margin, %	45.3	43.3	41.1	48.5	43.6
EBITDA	257	203	-146	248	397
EBIT before special items*	54	38	-304	59	122
Special items, net	-8	-19	-43	-	-
EBIT	46	19	-347	59	122
Financial items, net	-54	-52	-20	-26	-5
Earnings before tax (EBT)	-8	-33	-367	33	117
Earnings for the period	-30	-23	-576	19	81
Financial position					
Total assets	2,518	2,276	1,776	2,462	2,921
Share capital	613	613	432	432	432
Equity	1,100	1,133	832	1,419	1,709
Cash	162	178	215	492	1,155
Available liquidity	301	593	215	492	1,371
Net interest-bearing deposit	111	361	-7	420	985
Net working capital**	335	189	313	395	100

* The adjusted EBIT figure is used for year-on-year comparability, eliminating special items as defined in note 2.5.
** Net working capital for the financial years 2019/20 and 2018/19 has been adjusted by DKK 15m to include non-current deferred income.
Comparative figures for the financial years 2018/19 and 2017/18 have not been restated following the adoption of IFRS 16 Leases.

(DKK million)	**2021/22**	2020/21	2019/20	2018/19	2017/18
Cash flows					
Cash flows from operating activities	76	297	-80	-131	248
Operational investments	-248	-178	-154	-141	-163
Free cash flow	-172	119	-234	-272	85
Cash flows from investing activities	-239	-623	-154	-141	-163
Cash flows from financing activities	145	293	-43	-391	-9
Cash flows for the period	-18	-33	-277	-663	76
Key figures					
Growth in local currencies, %	10	31	-29	-15	2
EBITDA margin before special items, %	9.0	8.4	-5.1	8.7	12.1
EBITDA margin, %	8.7	7.7	-7.2	8.7	12.1
EBIT margin before special items, %	1.8	1.4	-15.0	2.1	3.7
EBIT margin, %	1.6	0.7	-17.1	2.1	3.7
Return on assets, %	-1.2	-1.0	-15.2	0.8	2.8
Return on invested capital, excl. goodwill, %	19.3	14.3	-26.1	2.0	11.9
Return on equity, %	-2.7	-2.1	-28.4	1.4	4.7
Full-time equivalents at end of period	1,073	947	899	957	1,028
Stock related key figures					
Earnings per share (EPS), DKK	-0.2	-0.2	-14.1	0.5	1.9
Earnings per share, diluted (EPS-D), DKK	-0.2	-0.2	-14.1	0.5	1.9
Price/Earnings	-67.6	-168.6	-1.7	109.8	76.2
Revenue per share, DKK	24.0	21.8	49.8	69.5	76.1
Revenue per share, diluted, DKK	24.0	21.8	49.8	69.4	76.1

For definitions, see note 8.7.

Financial review

Revenue amounted to DKK 2,948m, equivalent to 12.1% growth (10% in local currencies), and came from both product sales and Brand Partnering & other activities. The company managed to achieve double-digit growth despite being impacted by component shortages throughout the year and extended COVID-19 lockdowns in China in the last months of the year.

The company improved its profitability with an EBIT margin before special items of 1.8%, up from 1.4% last year. The margin reflects both the company's investments in building robustness but also significantly higher component costs. The combined extraordinary logistics and component costs amounted to DKK 220m, which was an increase of DKK 155m compared to last year, or a 5pp negative impact on the margin. The results show the strength of the strategy and the resilience that has been created in the company.

Free cash flow was negative by DKK 172m. It was adversely impacted by extended COVID-19 lockdowns in China in the last months of the year, which led to an increase in working capital following the delay in sales and subsequent inventory increase. The company expects net working capital to decline in 2022/23.

Development in 2021/22

In 2021/22, the company started working with the second phase of the turnaround strategy, which was focused on building robustness.

The focus was on leveraging the already strong product portfolio established during the previous year by launching further product upgrades. The company increased its investments into demand creation and local marketing activities. In London, the company tested the effects on demand and sales of using a targeted marketing and demand effort. The results from this pilot are very positive.

The company also continued its focus on brand awareness by engaging with brand ambassadors and influencers and through partnerships like Williams Racing.

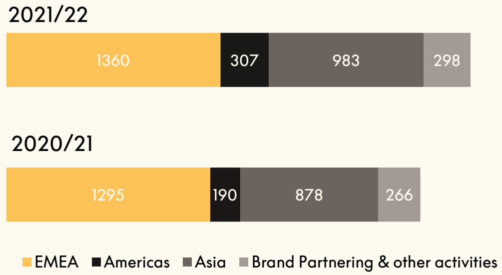
The company extended its agreement with HP and expanded its licensing business with new partnerships. The new partnerships helped mitigate the dependence on PC sales and the automotive industry, both of which have been adversely affected by component shortages.

The company managed to invest more in building robustness, despite facing significant adverse market conditions throughout the year. These included continued higher than normal costs for securing components for the company's products, and rising inflation, further exacerbated by Russia's war against Ukraine. Lastly, the spread of COVID-19 in China resulted in extended lockdowns in key regions and cities in the last months of the financial year.

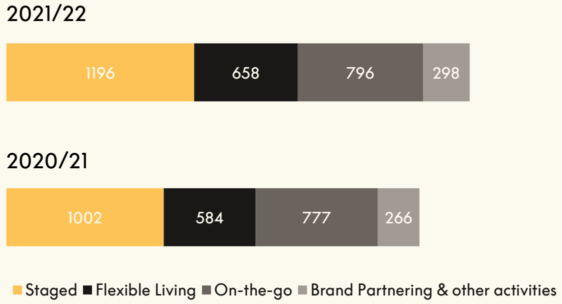
The year was characterised by continued component scarcity and higher costs as well as continued pressure on logistics. The combined component and logistics costs were DKK 220m above the normal level, equivalent to an increase of DKK 155m compared to last year. The total impact on product gross margin was approx. 8% equivalent to an increase of approx. 6pp compared to last year. In the previous year, the company established a component sourcing taskforce. This team has been working diligently to optimise availability of components to ensure production and deliveries to customers. However, some products had extended delivery times and the company had to temporarily stop production of Beosound Emerge in order to prioritise components for other products.

Logistics costs remained above the normal level, but the company successfully mitigated some of the costs by changing production planning and shipping more by rail and sea.

Revenue by segment, DKKm



Revenue by category, DKKm



Revenue

Group revenue was DKK 2,948m. This was equivalent to 12.1% growth compared to last year or 10% growth in local currencies. The growth was attributed to both product sales and Brand Partnering & other activities, both growing 10% in local currencies.

The increase in Brand Partnering & other activities was related to licensing income. This was supported by new partnerships, especially driven by the cooperation with Cisco and the launch of the Bang & Olufsen Cisco 980 headphone for hybrid work.

Product sales increased across all regions and product categories. The three regions EMEA, Americas and Asia grew by 4%, 55% and 8% respectively in local currencies. The growth in Asia was adversely impacted by the extended lockdowns in China in Q4.

Overall, demand remained positive, with like-for-like sell-out growing by 13% delivered by all product categories, regions and across all channels. Sell-out was adversely impacted by COVID-19 related lockdowns in Q4. Sell-out in China declined by 28% in Q4 as a consequence of lockdowns.

The growth was especially driven by the monobrand channel, digital channels and B2B. The number of monobrand stores was reduced by net 12 to 444. This was mainly related to stores in Russia and Belarus. In 2021/22, the company completed a thorough assessment of the monobrand network and partners. The assessment identified 38 stores to be closed, and this will be finalised in 2022/23.

Driving online sales remained a core focus throughout the year. Total online sales (eCommerce and eTail) accounted for around 20% of total product sales. The company's eCommerce channel grew by 12% compared to last year. The growth was adversely impacted in the second half of the year by temporary price inconsistency on select products following the company's price increases early January.

While sell-out from multibrand increased compared to last year, reported revenue from the multibrand channel declined. This was due to high comparables as last year the company onboarded new distribution partners in EMEA leading to high initial sell-in. The multibrand channel in EMEA, was furthermore impacted negatively by products taken back by the company, as improved sell-out and partner inventory insight identified some older slow-moving On-the-go products at a few multibrand partners in Germany and Switzerland. As these products did not sell out as expected, it was decided to make controlled product returns primarily during Q2. The multibrand channel grew in both Americas and Asia.

Overall, sales continued to be negatively impacted by supply constraints arising from the worldwide scarcity of electronic components.

Staged category

Revenue grew by 19.2%, which was mainly related to speakers, including Beolab 28, which was launched in Q4 of 2020/21.

Revenue from TVs declined compared to last year. Last year, revenue was supported by revenue from TV screens related to the first generation of Beovision Eclipse and the launch of Beovision Contour 48''. This year, TV screens were sourced directly by retail partners for the entire TV portfolio. Excluding screen-related revenue last

	Monobrand		Multibrand	
Points of sale	31-05-2022	31-05-2021	31-05-2022	31-05-2021
EMEA	340	349	1,715	1,637
Americas	26	26	2,466	2,456
Asia	78	81	942	979
Total	**444**	**456**	**5,123**	**5,072**

year, growth in the Staged category would have been approx. 3pp higher.

A number of the company's Staged products were impacted by component shortages, which had an adverse effect on sales.

The company has during the year adjusted prices on most of its Staged products. Some price increases were tactical - on products that the company has assessed that a higher price point can be maintained – while other adjustments were due to the cost inflation experienced in the market. Overall, the price increases had a positive impact on growth.

Compared to last year, sell-out was up by 14%.

Flexible Living category

Revenue grew by 12.8%. The growth was driven by Beoplay A9 as well as the company's most recently launched products, Beosound Balance and Beosound Level.

The growth suffered from component scarcity, which had a significant impact on products based on the previous product platforms, e.g. Beosound 1 and 2 and Beoplay A9. Furthermore, last year the company launched Beosound Emerge, which together with other recent product launches replaced Beoplay M3 and M5. Due to component scarcity, components used for Beosound Emerge were prioritised for other products, and the product range was consequently narrower than last year.

The company adjusted prices on several Flexible Living products to accommodate for the cost inflation experienced. The price increases supported revenue growth compared to last year.

Demand for Flexible Living products remained solid, and sell-out grew by 14% compared to last year.

On-the-go category

Revenue grew by 2.5%. The growth was driven by Americas, whereas EMEA and Asia declined. EMEA was impacted by high comparables especially in the second half of the year. Asia was impacted by the extended COVID-19 related lockdowns in Q4.

Portable speakers delivered a solid double-digit growth rate, driven by both existing and new products. The company's newest portable speaker, Beosound Explore, delivered the biggest contribution to growth.

Revenue from earphones and headphones was adversely impacted by the high comparables in EMEA and lockdowns in China.

In Q4, the company launched its newest earphone, Beoplay EX. Due to the lockdowns in China, the launch was both delayed and reduced to fewer launch colours than planned.

Compared to last year sell-out grew by 9%.

Gross profit

Gross profit amounted to DKK 1,336m, equivalent to a gross margin of 45.3% (FY 20/21: 43.2%).

The higher gross margin was driven by product sales, which improved by 2.4pp to 39.7%. The gross margin from Brand Partnering & other activities declined by 1.2pp to 95.2%.

The improved gross margin from product sales was supported by both higher product margins and a favourable shift in product mix towards Staged and Flexible Living.

All product categories were impacted by increasing component costs. The company successfully mitigated part of the logistics costs increase by moving production of certain products between Europe and China, to reduce freight costs. The company also shifted logistics to rail freight. However, the rail line between China and Europe runs through Russia and Ukraine, and due to the war in Ukraine, the company had to increase the use of air freight in the second half of the year resulting in higher costs.

The combined costs for components and logistics were DKK 220m above normal level, and DKK 155m higher than last year. The total impact on product gross margin was approx. 8%, equivalent to an increase of approx. 6pp compared to last year.

The company adjusted the prices on select products during the year. The price adjustments were based on a combination of tactical assessments and to mitigate cost inflation. The price adjustments were mainly related to the Staged and Flexible Living categories, which have a lower price elasticity.

The margin was positively impacted by lower discounts and bonuses compared to last year.

The increase in gross margin from the Staged category was mainly due to price increases and changes in product mix. Furthermore, the category margin benefitted from

GROSS MARGIN	2021/22	2020/21
Staged	45.1%	44.0%
Flexible Living	46.8%	47.8%
On-the-go	26.0%	20.8%
Products, total	**39.7%**	**37.3%**
Brand Partnering & other activities	95.2%	96.4%
Total	**45.3%**	**43.3%**

the fact that the company no longer sells TV screens, which instead are sourced directly by the retail partners.

The margin on Flexible Living declined by 1pp to 46.8%, which was mainly due to the increase in component and logistics costs.

The margin improvement in the On-the-go category was mainly related to earphones, which benefitted from higher margins on new products launched in 2021/22.

Capacity costs

Capacity costs were DKK 1,290m compared to DKK 1,120m last year. This represented an increase of 15%.

The increase related to sales and marketing and product development and reflected the company's strategy execution as part of the second wave of its strategy – building robustness.

Development costs increased by DKK 21m to DKK 279m. Incurred development costs increased DKK 41m compared to last year and the incurred development cost ratio increased by 0.2pp to 11.1%. The increase in incurred development cost was related to platform upgrades and investments in the product roadmap. Furthermore, the company hired additional resources, especially within software and platform development.

Distribution and marketing costs increased by DKK 149m to DKK 875m. The increase was related to higher marketing costs, hiring of sales and marketing resources, and warranty provisions, driven by increased customer focus. The increase in marketing costs was mainly driven by local marketing activities and activation. The ratio of marketing to revenue for the year increased by 0.5pp to 8.6%.

Administrative costs were DKK 136m, which was at the same level as last year, leading to a reduction in the cost ratio of 0.5pp to 4.6%. In 2021/22, the Group incurred higher costs related primarily to HR and ESG initiatives offset by lower provisions for employee bonuses.

Special items within capacity costs amounted to DKK 5m (2020/21: DKK 15m) and were primarily related to garden leave for an Executive Management Board member who left the company. In 2020/21, special items related primarily to specific consultancy costs in respect of the cost reduction programme.

EBIT

EBIT before special items was DKK 54m (2020/21: DKK 38m), corresponding to an EBIT margin before special items of 1.8% compared to 1.4%.

The margin improvement was related to revenue growth in combination with improved gross margin and cost control.

EBIT was DKK 46m (2020/21: DKK 19m), corresponding to an EBIT margin of 1.6% (2020/21: 0.7% last year).

Net financial items

Net financial items were an expense of DKK 54m (2020/21: DKK 52m expense). The increase primarily related to an increase in exchange rate adjustments and fair value adjustments of securities, offset by increased interest income from banks.

Earnings

Earnings before tax were a loss of DKK 8m (2020/21: DKK 33m loss).

Income tax was an expense of DKK 22m (2020/21: income of DKK 10m). The increased income tax was primarily related to interest limitation rules and adjustments to prior years. A full description can be found under the section recovery of deferred tax assets in note 2.5.

Cash flow

Free cash flow was an outflow of DKK 172m (2020/21: DKK 119m inflow), which was a decrease of DKK 291m compared to last year. This was in general a result of an increase in net working capital and operational investments, partly offset by improved earnings.

Cash flows from operating activities were DKK 76m (2020/21: DKK 297m). The decrease was driven by the change in net working capital of DKK -148m (2020/21: DKK 126m), offset by the improved EBITDA, which increased by DKK 54m to DKK 257m.

Cash flows from operational investments were an outflow of DKK 248m (2020/21: DKK 178m outflow). Investments were primarily related to the product roadmap and continued development of product platforms. Investments in tangible assets increased following investments in retail development and the company's aluminium factory.

The net inflow from financial investments was DKK 9m (2020/21: DKK -445m) and related to securities. Last year, the company invested DKK 445m net of its excess cash in bonds in order to reduce the impact of negative interest rates. The bonds are recognised under securities in the statement of financial position and presented as cash flow from investing activities in the statement of cash flows.

Cash flows from financing activities were DKK 145m (2020/21: DKK 293m). To maintain short-term financial flexibility, the company uses repo transactions, which enables it to access liquidity on an intra-day basis. At the end of the year, the company had borrowed DKK 276m via repo transactions.

Cash flows from financing activities were also impacted by the purchase of own shares amounting to DKK 37m (2020/21: DKK 42m) and a one-off payment of holiday pay provision of DKK 34m.

Last year, the company executed a rights issue with net proceeds of DKK 359m.

The cash position at the end of the year was DKK 162m (31 May 2021: DKK 178m).

Total available liquidity was DKK 301m (31 May 2021: DKK 593m). This was made up of cash and securities totalling DKK 577m (31 May 2021: DKK 613m) less DKK 276m (31 May 2021: DKK 20m) in bank loans related to repo transactions.

Net working capital

Net working capital increased during the year by DKK 148m to DKK 335m (31 May 2021: DKK 187m).

Net working capital to the last 12 months' revenue increased by 4.2pp to 11.4% (2020/21: 7.2%). The ratio was up driven by the lockdowns in China at the end of the year, which resulted in higher than expected inventory levels.

Inventories increased by DKK 260m to DKK 629m. The increase during the year was due to timing of supply and the lockdowns in China. The increase was partly related to raw materials and component spot buys.

Trade receivables decreased by DKK 41m to DKK 397m. Trade receivables decreased year on year as a result of collection efforts and lower performance in Q4 2021/22 than in the prior year driven by the lockdowns in China. Extended credit declined to 3% of revenue (2020/21: 6%).

Trade payables increased by DKK 79m to DKK 581m, driven by higher activity towards the end of the year and timing.

Other liabilities decreased by DKK 14m, primarily due to lower provisions for employee bonus.

Net interest-bearing deposits/debt

Net interest-bearing deposit decreased by DKK 250m during the year to DKK 111m (31 May 2021: DKK 361m).

The decrease was mainly due to investments in intangible and tangible assets of DKK -248m (2020/21: DKK -178m), offset by a positive cash flow from operational activities of DKK 76m (2020/21: 297m).

Purchase of treasury shares of DKK 37m (2020/21: DKK 42m) also reduced net interest-bearing deposits together with repayment of lease liabilities of DKK 36m (2020/21: DKK 40m) and settlement of other liabilities relating to a one-off payment to the Danish Holiday Fund of DKK 34m.

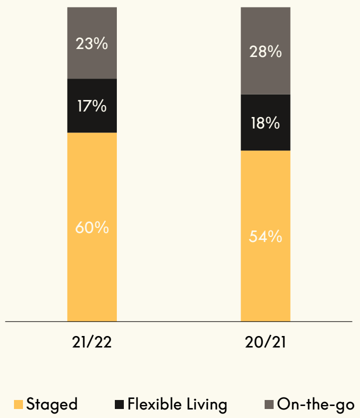
For further details, see note 6.1.

EMEA

Revenue	Growth in local currencies
DKK 1,360m	4%
(DKK 1,295m)	(27%)

Share of Group revenue	Gross margin
46%	42.2%
(49%)	(39.8%)

Revenue by product category, %



Revenue

Revenue was DKK 1,360m (2020/21: DKK 1,295m), which was 5% higher than last year (4% in local currencies).

Compared to last year, sell-out increased by 14% driven by most channels and all three product categories, with the biggest increases in the Staged and On-the-go categories.

The war in Ukraine resulted in the closure of all stores in Russia and Belarus. It had an immaterial effect on the financial performance in EMEA.

The growth was driven by the monobrand channel, eTail and B2B. The growth in the monobrand channel was driven by the company owned stores, in particular.

The multibrand channel was adversely impacted by high comparables, as the company benefitted from onboarding of new distribution partners last year. The multibrand channel was also impacted negatively by products taken back by the company, as improved sell-out and partner inventory insight identified some older slow-moving On-the-go products at a few multibrand partners in Germany and Switzerland. As these products did not sell out as expected, it was decided to make controlled product returns primarily during Q2.

The company's eCommerce channel declined by 4%. In the second half of the year, growth was adversely impacted by temporary price inconsistency on select products following the company's price increases early January.

The six core markets accounted for approx. 65% of revenue in the region. The six markets declined by 0.3% (2% in local currencies). The UK, France and Spain delivered solid double-digit growth rates. The decline was related to Denmark, Switzerland and Germany. Germany and Switzerland were impacted by the above-mentioned controlled product returns, while the decline in Denmark was mainly related to the multibrand channel.

The growth was driven by the Staged category, which grew by 16.0%. The growth was mainly driven by speakers. Revenue from TVs declined due to the transition to retail partners sourcing screens directly from LG. Excluding the effect of screen sales last year, growth in the Staged category would have been approx. 25%.

Revenue from Flexible Living grew by 0.8% compared to last year. Beoplay A9 and the company's most recently launched products, Beosound Level and Beosound Balance, delivered solid growth rates. Component scarcity adversely impacted availability of products on the old product platform.

Revenue from On-the-go declined by 13.9%, which was related to earphones and headphones. Bluetooth speakers delivered solid growth compared to last year.

Gross profit

Gross profit amounted to DKK 573m, equivalent to a gross margin of 42.2%. This represented a 2.4pp increase over last year.

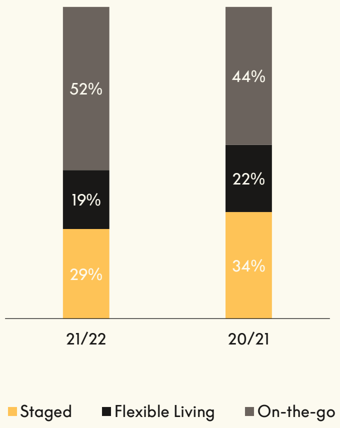
The increase was driven by price increases and change in product mix, partly offset by higher logistics and component costs.

Americas

Revenue	Growth in local currencies
DKK 307m	55%
(DKK 190m)	(42%)

Share of Group revenue	Gross margin
10%	35.1%
(7%)	(38.3%)

Revenue by product category , %



Revenue

Revenue was DKK 307m (2020/21: DKK 190m), corresponding to a 61% increase (55% in local currencies).

Compared to last year, sell-out grew by 28%, especially driven by monobrand, eTail and eCommerce.

The growth was driven by all sales channels. Revenue from etailers and the company's eCommerce platform grew by close to 60%, accounting for around 37% of revenue.

Revenue from the Staged category increased by 35.9%, driven by both TVs and speakers. The company's newest speaker, Beolab 28, saw particularly high demand and was the best-selling Staged speaker in 2021/22.

Revenue from the Flexible Living category increased by 40.8% year-on-year. The growth was seen across most speakers. However, the growth was adversely impacted by component scarcity. This impacted availability of products on the old product platform and led to a narrowing of the product offering as production of Beosound Emerge was temporarily suspended.

Revenue from On-the-go increased by 91.1% related to portable speakers, earphones and headphones. The growth was attributed to stronger execution across channels.

Gross profit

Gross profit amounted to DKK 108m, equivalent to a gross margin of 35.1%. This represented a decline of 3.2pp on last year.

The decline in gross margin was mainly attributed to the shift in product mix towards the On-the-go category. Furthermore, the margin was adversely impacted by higher logistics and component costs.

Asia

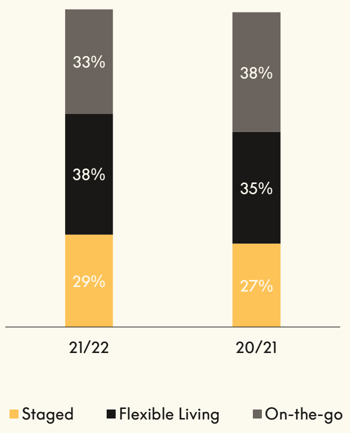
Revenue
DKK 983m
(DKK 878m)

Growth in local currencies
8%
(43%)

Share of Group revenue
34%
(34%)

Gross margin
37.7%
(33.5%)

Revenue by product category , %



Revenue

Revenue was DKK 983m (2020/21: DKK 878m), corresponding to a 12% year-on-year increase (8% in local currencies).

Sell-out was up by 8%, driven by all three product categories and across all channels.

The development in revenue and sell-out was adversely impacted by extended COVID-19 related lockdowns in China in the last months of the financial year. In Q4, sell-out declined by 28% in China.

The two core markets, China and South Korea, grew by 1% in local currencies. Growth in China was negative by 5%, impacted by the above-mentioned lockdowns. South Korea delivered solid growth of 37%.

Revenue from the Staged category grew by 24.0% year-on-year. Growth was driven by almost all Staged speakers.

Revenue from the Flexible Living category grew by 18.1% year-on-year. The growth was adversely impacted by component scarcity and availability of some products and some colour and material variants. Beoplay A9 and Beosound Level delivered the highest growth compared to last year.

Revenue from the On-the-go category decreased by 2.2% compared to last year. The decline was related to earphones, whereas both headphones and portable speakers delivered double-digit growth.

Gross profit

Gross profit amounted to DKK 371m, equivalent to a gross margin of 37.7%. This represented a 4.2pp increase compared to last year.

The increase was mainly related to a favourable shift in product mix towards higher-margin products, partly offset by higher logistics and component costs.

Brand Partnering & other activities

Revenue	Growth in local currencies
DKK 298m	10%
(DKK 266m)	(11%)

Share of Group revenue	Gross margin
10%	95.2%
(10%)	(96.4%)

Revenue

Revenue amounted to DKK 298m (DKK 266m). This represented a 12% increase (10% in local currencies).

Licence fee revenue grew by 6%, driven by revenue related to the automotive industry as well as new licensing partnerships. The growth was partly offset by declining income related to PC sales. Licensing income accounted for 81% of total revenue in Brand Partnering & other activities.

Product-related revenue from brand partnerships and aluminium manufacturing for third parties grew by 52%. This was mainly driven by product collaborations, including with Cisco, and the launch of the Bang & Olufsen Cisco 980 headphones. This launch supports the company's B2B ambition for select products.

Gross profit

Gross profit amounted to DKK 284m. This was equivalent to a gross margin of 95.2%, down by 1.2pp compared to last year. The decline was related to the increase in product sales within this segment, which drove down the overall margin.

ESG & sustainability

In 2021/22, Bang & Olufsen made strong progress on its ESG and sustainability agenda and launched a new strategy to lead and inspire a movement towards a more circular, regenerative future.

Bang & Olufsen has published a full ESG and sustainability report for 2021/22 on its environmental, social and governance performance. The report outlines the company's new ESG and sustainability strategy, initiatives and targets, and progress against the company's 2020/21 ambitions and the results achieved in the financial year. In addition, it outlines the outlook for the financial year 2022/23 and beyond. The full report is available at https://on.beo.com/esg-sustainability-2022.

The report has been prepared in accordance with GRI Reporting Standards: Core option and is compliant with sections 99a, 99b, 99c and 107d of the Danish Financial Statements Act and the EU Taxonomy regulation. The report and the accompanying GRI Index and ESG & Sustainability Data Accounting Principles are available on Bang & Olufsen's website: https://corporate.bang-olufsen.com/en/sustainability/policy.

ESG & sustainability at Bang & Olufsen

Pioneering technology innovations and design thinking is in Bang & Olufsen's DNA, and the company has an unparalleled history of creating enduring magical experiences through beautifully crafted, long-lasting products. In this way, the company continues to push the boundaries in a consumer electronics industry that is known for built-in obsolescence. Today, products that Bang & Olufsen colleagues crafted 50 years ago are still playing beautiful music and bringing joy to customers.

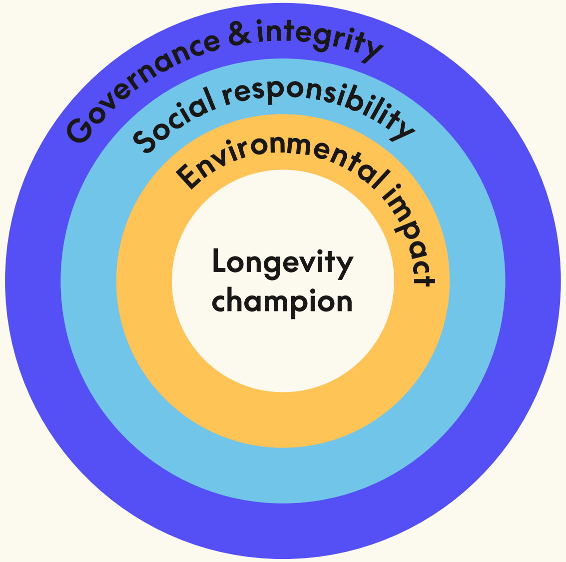
Bang & Olufsen's new ESG and sustainability ambition underlines the company's commitment to longevity, durability, circularity and upgradeability.. Bang & Olufsen wants to lead and inspire a movement towards a circular, regenerative future by creating long-lasting luxury technology products and experiences – from the first customer to the last.

The company believes that Bang & Olufsen can play an important role in the transition towards a regenerative, circular economy by focusing on customers keeping the company's products for longer and encouraging sustainable purchasing patterns. That is why the new sustainability ambition and strategic framework address ESG and sustainability with longevity at the heart. The strategy is rooted in science and aligned to the UN Sustainable Development Goals. It connects the company to the most important challenges for stakeholders, and the world, and focuses on where Bang & Olufsen can have the greatest impact as a company and a brand. It underlines Bang & Olufsen's commitment to the principles of responsible business, as outlined in the UN Global Compact charter, which the company became a signatory to in 2022.

The strategy demonstrates Bang & Olufsen's ambition to make a positive impact for the company's employees, customers, shareholders and society in general while operating in a way that respects planetary boundaries. To ensure there is progress on this agenda towards 2025, the company has identified ambitious targets related to product longevity and circularity, science-based climate action, and diversity, equity and inclusion. The company has mapped the strategy and these targets to the UN Sustainable Development Goals to ensure alignment with the 2030 agenda, which aims to achieve sustainable development in terms of peace, people, and prosperity.

Bang & Olufsen's ESG and sustainability strategy is embedded in the company's business strategy. Overall responsibility for both lies with the Board of Directors and the Executive Management Board. Bang & Olufsen's wider Global Leadership Team has the operational responsibility for achieving the company's sustainability targets.

More information on Bang & Olufsen's ESG and sustainability activities and approaches can be found in the company's ESG and sustainability report.



Activities and results for 2021/22

The year presented a breakthrough in terms of validating the company's modular and longevity approach to product development and design.

The company delivered the world's first ever consumer electronics device that has achieved certification according to the demanding cradle-to-cradle certification for product circularity and material health. Beosound Level achieved this certification in September 2021. In May 2022, this contributed to Beosound Level winning a prestigious iF design award in Berlin where the longevity and circularity attributes of the product were praised.

As part of Bang & Olufsen's Recreated Classics programme, the company launched a new upgrade service kit, which makes it possible for everyone who owns a vintage Beogram turntable to have it restored and refurbished and to seamlessly connect it to modern speakers. This demonstrates how the principles of circularity and modularity have enabled the company to design products for longevity and make them relevant beyond their first lifecycle. Customers are being inspired to service, repair and upgrade their audio products so that they can enjoy a lifetime of music with the products they love.

In January 2022, the company celebrated 40 years of industry-leading Multiroom audio by introducing Beolink Multiroom technology for products on the company's latest product platform. The automatic software update provides timeless connectivity between the past, present and future by connecting devices from as far back as 1986 to today. The connectivity spans different technologies and music formats. The update offers value to customers by giving them the freedom to upgrade and expand their collections, with the goal of ensuring a lifetime of music.

Progress was also made across the Environmental, Social and Governance agendas.

With the company's environmental impacts increasing across energy consumption, emissions and waste production due to higher order volumes for products and construction activities at the company's headquarters in Struer, Bang & Olufsen decided to phase out the use of fossil fuels in manufacturing and will source renewable electricity for its Danish operations from 2022/23 onwards. This is expected to lead to 100% renewable electricity across the company's global operations by 2024/25.

Bang & Olufsen supports start-ups via its partnership with Sound Hub Denmark in Struer. In collaboration with Sound Hub Denmark and local universities, Bang & Olufsen has been hosting an Innovation Summer Camp for many years that targets university-level engineering and acoustics students from around the world. The camp, which is back after being cancelled during the COVID-19 pandemic, is planned for summer 2022, when there will be added focus on sustainability and longevity in product design.

Bang & Olufsen's Executive Management Board consists of three members. These include one female (33%) and one member with an international background (33%). The company's Board of Directors consists of ten members, including four employee-elected representatives. Four board members are female (25%) and three have international backgrounds (33%). Of the shareholder-elected members of the Board, 33% are female and 50% have an international background. The Board of Directors believes that members should be chosen for their overall competencies and recognises the benefits of a diverse Board with respect to experience, culture and gender.

It was also an important year for Bang & Olufsen in terms of transparency. 2021/22 was the first year in which the company published ESG data in the ESG Factsheet. It was also the first year the company received review assurance from an independent third-party auditor on important ESG KPIs.

The company's performance against 2021/22 strategic ambitions as outlined last year is shown below. The company accomplished ten out of 12 targets for 2021/22.

Review of 2021/22 progress

The performance against our 2021/22 strategic ambitions, as outlined last year, is shown below.

	AMBITION / ACTIVITY	RESULTS 2021/22
Environmental impact	Continue to work to minimise greenhouse gas footprint in buildings and own logistics system through targeted initiatives	Partly accomplished*
	Determine the company's greenhouse gas footprint according to the Greenhouse Gas Protocol (Scopes 1-3) and set target for becoming climate neutral	Partly accomplished Scopes 1 and 2 reported; Scope 3 partially completed**
	Expand longevity and circularity product programmes to support the company's commitment to create more sustainable products and increase transparency across the value chain	Accomplished
Responsible employer	Increase focus on good employee experiences throughout employee journeys	Accomplished
	Establish a Diversity, Equity & Inclusion Council	Accomplished
	Ensure a fair, non-biased recruitment process with the right composition of gender, age, cultural background and competencies	Accomplished

* The company continued its work to minimise emissions and implemented initiatives. However, the company saw an increase in emissions due to higher activity levels. The target was therefore only partly accomplished.

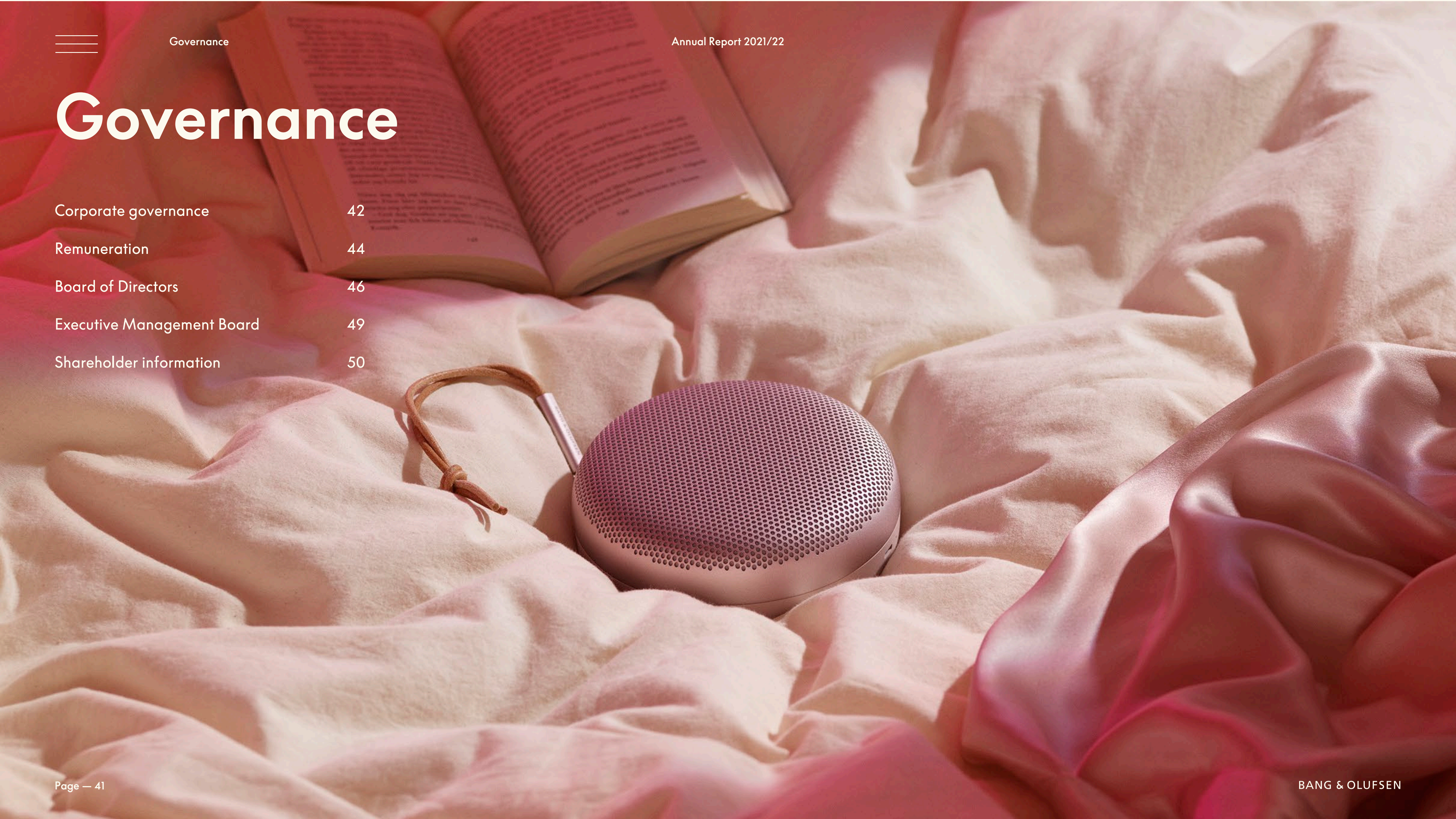
** Scopes 1 and 2 reported; Scope 3 partly accomplished. Therefore, the target was only partly accomplished.

	AMBITION / ACTIVITY	RESULTS 2021/22
Role in society	Develop partnership with Sound Hub Denmark and Danish Sound Cluster to support innovators and development of STEM education	Accomplished
	Maintain a focus on community engagement and stakeholder dialogue, including supporting STEM education	Accomplished
	Continue efforts to explore the impact of sound on people's health and well-being through research programmes	Accomplished
Responsible employer	Include relevant ESG statements in Business Conduct & Ethics Policy and People & Diversity Policy and set relevant compliance metrics	Accomplished
	Continue work with embedding compliance even more into our day-to-day operations and implement structured training programmes	Accomplished
	Report on internal speak-up setup (whistleblowing system)	Accomplished

ESG & sustainability outlook 2022/23

In the coming year, the company will focus on delivering across a number of important topics, in order to support its longevity champion ambition.

Theme	Outlook
Longevity	• Certification of more products according to the cradle-to-cradle methodology, including Beosound Emerge • Begin integrating cradle-to-cradle criteria into the design and development process
Environmental Impact	• Undertake a Scope 3 inventory of value chain greenhouse gas emissions and use this to set Science Based Targets • Standardise and extend waste and recycling management programmes • Begin a Lifecycle Assessment process for products to ensure the data needed to quantify the impact of material choice in product development • Eliminate natural gas as a fuel at the company's manufacturing site • Source renewable electricity across the operational footprint, achieving at least 100% of electricity consumed in operations according to a 2021/22 baseline by end of next fiscal year
Social Responsibility	• Analyse and review compensation across dimensions and, if deemed necessary, make actions regarding equal pay for equal work • Enhance ownership of the Diversity, Equity and Inclusion (DEI) agenda across the organisation by connecting DEI targets to functional business reviews and leadership KPIs • Ensure successful delivery of the 2022 Innovation Summer Camp in Struer in collaboration with several Danish universities • Pursue the ambition to establish a residential college in Struer for better geographical distribution of STEM education in Denmark
Governance and Integrity	• Continue to engage with the organisation to ensure there is up-to-date knowledge and high awareness of the different topics covered by the Business Ethics and Conduct Policy, including face-to-face training for senior management on compliance and ethics topics • Continue our important work on materials, including exploring how the company can improve incrementally on the sourcing side, for example through collaboration with industry on standards and traceability or through certification • Act on the recommendations of the human rights due diligence report conducted in 2021/22 • Work with high-risk supply chain partners to investigate non-compliances in their third-party audits



Governance

Corporate governance

Bang & Olufsen has a two-tiered management structure. In accordance with current practice in Denmark, responsibility is divided between the non-executive Board of Directors and the Executive Management Board, which are independent of each other. The Board of Directors determines the overall strategy and supervises Bang & Olufsen's activities, management and organisation, while the Executive Management Board is in charge of the day-to-day management. Members of the Executive Management Board do not serve on the Board of Directors.

The company's Board of Directors and Executive Management Board constantly strive to ensure transparency and accountability by building trusting relationships with shareholders, customers, suppliers and employees as well as the local communities in which the company operates.

Compliance with the Recommendations on Corporate Governance

Bang & Olufsen is subject to the Recommendations on Corporate Governance as updated in December 2020 (the Recommendations), prepared by the Danish Committee on Corporate Governance. The Board of Directors regularly reviews Bang & Olufsen's corporate governance framework and policies in relation to the Recommendations and any relevant statutory requirements, and continuously assesses the need for adjustments. At 31 May 2022, Bang & Olufsen was following all Recommendations.

Bang & Olufsen has prepared a detailed Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements Act. The report includes a description of the composition of the Board of Directors and its work over the past year as well as a description of the main elements of the company's internal control and risk management system. The Corporate Governance Report can be found at https://on.beo.com/corporate-governance-2022.

Board of Directors

The Board of Directors currently has ten members, six of whom are elected by the shareholders. Four Board members are elected by the employees in accordance with the Danish Companies Act. The shareholder-elected members are elected for terms of one year, while employee representatives are elected for terms of four years in accordance with current legislation. All shareholder-elected members are independent.

Normally, between eight and ten Board meetings are held each year, with ad hoc meetings being held if necessary. In 2021/22, 13 meetings were held.

The Board of Directors believes that members should be chosen on the basis of their overall competencies, and also recognises the benefits of Board diversity in respect of experience, cultural background and gender. Each year, the Board of Directors considers the skills and competencies that should be represented on the Board of Directors on the basis of a recommendation from the Nomination Committee. These skills are described in detail in the company's Corporate Governance Report.

For more information about individual Board members, including skills and competencies possessed by each Board member, see the section 'Board of Directors' on pages 46-49.

Board committees and Advisory Board

The Board of Directors has established five committees: a Remuneration Committee, a Nomination Committee, an Audit Committee, a Technology Committee and a Strategy Committee. The committees are tasked with preparing decisions and recommendations for assessment and approval by the Board of Directors. The committees report to the Board of Directors. Each

Board meeting and committee attendance

	Board meetings attended	Remuneration Committee	Audit Committee	Nomination Committee	Technology Committee	Strategy Committee[B]
Juha Christensen (Chair)	13 of 13	2 of 2		2 of 2	2 of 2	1 of 1
Albert Bensoussan (Vice Chair)	13 of 13		4 of 4			1 of 1
Anders Colding Friis	13 of 13	2 of 2		2 of 2		1 of 1
Jesper Jarlbæk	13 of 13		4 of 4	2 of 2		1 of 1
M. Claire Chung	12 of 13	2 of 2				
Tuula Rytilä	13 of 13				2 of 2	
Brian Bjørn Hansen[A]	13 of 13					
Britt Lorentzen Jepsen[A]	11 of 13					
Dorte Vegeberg[A]	13 of 13					
Søren Balling[A]	13 of 13					

A: Employee-elected
B: The Strategy Committee meets at least twice a year and held one meeting, six learning sessions and a two-day strategy seminar in 2021/22

committee has detailed terms of reference setting out its most important tasks and responsibilities. The tasks and work of the committees are described in more detail in the Corporate Governance Report.

Furthermore, the Board of Directors has established a China Advisory Board to (i) ensure that trends and learnings from China are captured and (ii) provide guidance and support to the Chinese part of the business in order to support the growth trajectory in China.

Board evaluation process

The Chair of the Board of Directors conducts an annual Board self-assessment and review of the Board's performance, addressing the effectiveness of the Board, the processes supporting its work, individual Board members' contributions, the Chair's performance, and the cooperation with the Executive Management Board.

The assessment is conducted by way of each individual Board member and member of the Executive Management Board anonymously completing a comprehensive online questionnaire, which is then summarised by an external consultant. Ratings and comments are consolidated and shared with the Board of Directors followed by a Board discussion on potential improvements.

The Chair also conducts a personal interview with each of the members of the Board of Directors to collect detailed feedback and input on the Board's performance and improvement areas.

The Chair presented the results of the evaluation to the Board of Directors in July 2022. According to the conclusion of the evaluation, the Board of Directors identified certain areas for improvement within the following areas:

- Increase focus on structured succession planning. This has also been an observation in previous years. However, as the organisation has been significantly changed and many managers in leadership positions have been replaced during the year, the succession planning process has not been materially improved yet.
- Local market visits.
- Allocation of more time for interaction with managers from different levels in the organisation

Steps are being taken to achieve improvements within these areas and a new set of annual wheels has been prepared to cater for these areas of improvement. The Chair has held individual meetings with each member of the Board of Directors to review their performance. The Chair has reviewed performance with each member of the Board of Directors and provided each member with feedback on their performance.

Risk management

The purpose of Bang & Olufsen's risk management programme is to protect the business and the brand. This is achieved by identifying key risks and mitigating these to an acceptable level. The company regularly assesses the extent to which individual risks are acceptable, and the extent to which these risks can be reduced to ensure an acceptable balance between risk and return.

The risk management process sets out a systematic approach to identify, evaluate and monitor key risks. A number of risk management tools and templates have been developed to lay the foundation for risk management and ensure a structured approach to managing risks across the company. These include:

- risk management guidelines
- risk governance structure
- annual wheel

The risk management guidelines set out the company's approach to risk management, the risk management process, the governance structure, and roles and responsibilities. A full description of risk governance is available on the company's website at https://investor.bang-olufsen.com/risk-management.

To contain risks within acceptable limits, the company continuously identifies, prioritises, assesses, mitigates, monitors and reports on risks. This includes discussions with the Executive Management Board and relevant stakeholders to evaluate identified risks on the basis of potential impact and probability. These discussions during the year enable a proactive approach to adapting business processes and controls to meet, manage or mitigate such risks, or to prevent potential increases in the current level of exposure.

Risk identification and assessment are conducted annually to identify and assess key risks based on the following:

- analysis of internal and external information and data
- interviews with the Executive Management Board and other key stakeholders, focusing on their fields of expertise and the company in general
- analysis and consolidation of identified risks based on potential impact and probability
- process for validation of identified risks by the Executive Management Board, including analyses and prioritisation to establish the company's risk profile
- biannual discussions with the Audit Committee

The assessment takes into account the potential impact and probability of each key risk. The impact relates to three dimensions: financial exposure, reputational damage, and licence to operate.

The purpose of the risk management process is to protect the company, meaning its reputation, people, business potential and assets. The risk management process is thus designed to identify and assess material risks associated with the business and its strategic direction. The focus is on monitoring, managing and mitigating risks while leveraging on related opportunities.

Tax Policy

The company has prepared a Tax Policy, which has been approved by the Board of Directors. More information is available in note 2.5 and the company's Tax Policy, which is available on the company's website at https://investor.bang-olufsen.com.

Data Ethics Policy

The company has prepared a Data Business Conduct and Ethics Policy including data ethics in accordance with section 99d of the Danish Financial Statements Act. The policy is available on the company's website https://on.beo.com/data-ethics-2022.

Remuneration

The remuneration of the Board of Directors and the Executive Management Board is designed to support the company's strategic goals and promote value creation for the benefit of the company's shareholders and other stakeholders. Remuneration levels must ensure that the company is able to attract, motivate and retain highly qualified members to both the Board of Directors and the Executive Management Board.

The company's Remuneration Policy is reviewed annually by the Remuneration Committee and the Board of Directors. The remuneration policy and the full remuneration report for the financial year 2021/22 can be found at https://on.beo.com/remuneration-2022.

Board of Directors

The remuneration of members of the Board of Directors comprises a fixed annual base fee and fixed annual supplementary fees for the Chair, the Vice Chair, and members and chairmen of permanent committees.

Members of the Board of Directors do not receive incentive-based remuneration. To align the interests of the Board of Directors with the company's shareholders, each member of the Board elected by the general meeting is obliged to invest in shares issued by the company not later than 12 months after the date of the member's election to the Board, for an amount at least corresponding to the annual base fee paid to an ordinary member of the Board according to the most recent annual report, and to keep such shareholding for as long as the individual is a member of the Board.

Remuneration of the Board of Directors 2021/22

(DKK thousand)	Annual fee	Remuneration Committee	Nomination Committee	Audit Committee	Technology Committee	Strategy Committee	China Advisory Board	**Total 2021/22**	**Total 2020/21**
Juha Christensen	1,050	95	95		95	59		1,393	1,069
Albert Bensoussan	525			100		59		684	406
Jesper Jarlbæk	350		75	300		59		784	499
Anders Colding Friis	350	75	75			59		559	414
M. Claire Chung	350	75					50	475	404
Tuula Rytilä	350				75			425	356
Brian Bjørn Hansen[A]	350							350	285
Britt Lorentzen Jepsen[A]	350							350	285
Dorte Vegeberg[A]	350							350	285
Søren Balling[A]	350							350	285
Joan Ng Pi O[B]	-							-	75
Mads Nipper[B]	-							-	66
Total	4,375	245	245	400	170	236	50	5,720	4,429

A Employee-elected
B Left the Board on 20 August 2020

Executive Management Board

Members of the Executive Management Board are entitled to annual remuneration in accordance with the remuneration policy. The remuneration may consist of the following fixed and variable components:

- Fixed base salary, including pension contribution
- Variable remuneration consisting of (i) non-share-based cash bonus and/or (ii) share-based remuneration
- Termination and severance payments
- Customary non-monetary employment benefits
- Extraordinary incentive grants, including an extraordinary short-term cash-based retention programme

The individual composition of remuneration is determined with a view to contributing to the company's ability to attract and retain competent key employees while ensuring that the Executive Management Board has an incentive through variable remuneration to create added value for the benefit of the company's shareholders. For detailed information on remuneration, see notes 3.2 and 3.3 and the remuneration report for 2021/22, which is available at https://investor.bang-olufsen.com.

BANG & OLUFSEN

Board of Directors

JUHA CHRISTENSEN

Danish, born 1964

Chair since 2020
Joined (until): 2016 (2022)
Independent

Committee memberships
Remuneration Committee
Technology Committee
Nomination Committee
Strategy Committee

Bang & Olufsen shares, year-end:
100,864 (2020/21: 100,864)

Competencies
■ Luxury lifestyle, omnichannel, retailing and marketing
■ Brand management
■ Consumer electronics knowledge
■ Key market insights
■ Partnership management
■ Innovation, digitalisation & technology
■ Stakeholder relations & ESG
□ Consumer product supply chain
■ New product introduction
■ International management & strategy development
□ Risk management
□ Finance & accounting
■ Corporate governance of listed companies

Directorships and other offices
CM Star Global, Inc. and associated subsidiaries, CloudMade Holdings Limited and associated subsidiaries
VC Netcompany A/S

ALBERT BENSOUSSAN

French, born 1959

Vice Chair since: 2020
Joined (until): 2020 (2022)
Independent

Committee memberships
Audit Committee
Strategy Committee

Bang & Olufsen shares, year-end:
18,000 (2020/21: 14,000)

Competencies
■ Luxury lifestyle, omnichannel, retailing and marketing
■ Brand management
□ Consumer electronics knowledge
■ Key market insights
■ Partnership management
□ Innovation, digitalisation & technology
■ Stakeholder relations & ESG
■ Consumer product supply chain
■ New product introduction
■ International management & strategy development
■ Risk management
■ Finance & accounting
□ Corporate governance of listed companies

Directorships and other offices
VC Adorisa Group SA, Lugano, Switzerland
O CEO and founder of AB Consultants Paris

ANDERS COLDING FRIIS

Danish, born 1963

Joined (until): 2018 (2022)
Independent

Committee memberships
Nomination Committee
Remuneration Committee
Strategy Committee

Bang & Olufsen shares, year-end:
23,400 (2020/21: 23,400)

Competencies
■ Luxury lifestyle, omnichannel, retailing and marketing
■ Brand management
□ Consumer electronics knowledge
■ Key market insights
■ Partnership management
□ Innovation, digitalisation & technology
■ Stakeholder relations & ESG
■ Consumer product supply chain
■ New product introduction
■ International management & strategy development
□ Risk management
□ Finance & accounting
■ Corporate governance of listed companies

Directorships and other offices
CM Officeguru A/S, Logisnap ApS
VC Goodwings ApS
BM Chr. Augustinus Fabrikker Aktieselskab, Caf Invest a/s, Augustinus Fonden

JESPER JARLBÆK

Danish, born 1956

Joined (until): 2011 (2022)
Independent

Committee memberships
Audit Committee
Nomination Committee
Strategy Committee

Bang & Olufsen shares, year-end:
26,372 (2020/21: 19,500)

Competencies
□ Luxury lifestyle, omnichannel, retailing and marketing
□ Brand management
□ Consumer electronics knowledge
□ Key market insights
□ Partnership management
□ Innovation, digitalisation & technology
□ Stakeholder relations & ESG
□ Consumer product supply chain
□ New product introduction
■ International management & strategy development
■ Risk management
■ Finance & accounting
■ Corporate governance of listed companies

Directorships and other offices
CM Able ApS, A-Solutions A/S, Basico Consulting Group, Catacap Management ApS, DanBAN FAIF ApS and related parties, Falcon Fondsmæglerselskab A/S, Groupcare Group, Happy Helper A/S, Materiel Udlejning Holding Group ApS, Polaris III Invest Fonden, Tjommi ApS
BM Berlin Invest 2017 ApS, Business Angels Fond II A/S, Earlbrook Holdings Group A/S, Lyngsoe Systems Group A/S, SCANVENTURE A/S, Smartshare Systems A/S
O JJ 2021 Holding ApS

CM = Chair VC = Vice Chair BM = Board member O = Other offices
■ Competencies possessed by Board member

M. CLAIRE CHUNG

Chinese, born 1968

Joined (until): 2019 (2022)
Independent

Committee memberships
Remuneration Committee

Bang & Olufsen shares, year-end:
26,000 (2020/2: 26,000)

Competencies
■ Luxury lifestyle, omnichannel, retailing and marketing
■ Brand management
□ Consumer electronics knowledge
■ Key market insights
■ Partnership management
■ Innovation, digitalisation & technology
■ Stakeholder relations & ESG
□ Consumer product supply chain
■ New product introduction
■ International management & strategy development
□ Risk management
□ Finance & accounting
□ Corporate governance of listed companies

Directorships and other offices
BM Delsey
O CEO of Ignae
Advisory Board Member, Shilling Founders Fund

TUULA RYTILÄ

Finnish, born 1967

Joined (until): 2019 (2022)
Independent

Committee memberships
Technology Committee

Bang & Olufsen shares, year-end:
24,300 (2020/21: 24,300)

Competencies
■ Luxury lifestyle, omnichannel, retailing and marketing
■ Brand management
■ Consumer electronics knowledge
■ Key market insights
■ Partnership management
■ Innovation, digitalisation & technology
□ Stakeholder relations & ESG
□ Consumer product supply chain
■ New product introduction
■ International management & strategy development
□ Risk management
□ Finance & accounting
□ Corporate governance of listed companies

Directorships and other offices
O Corporate Vice President at Microsoft in Seattle

BRIAN BJØRN HANSEN

Danish, born 1972

Employee-elected
Joined (until): 2015 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
3,996 (2020/21: 3,996)

Competencies
• Senior Business Manager, Head of CI and B2B North America

Directorships and other offices
-

BRITT LORENTZEN JEPSEN

Danish, born 1991

Employee-elected
Joined (until): 2019 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
1,755 (2020/21: 1,755)

Competencies
• Global Logistics, Consultant

Directorships and other offices
-

CM = Chair VC = Vice Chair BM = Board member O = Other offices
■ Competencies possessed by Board member

DORTE VEGEBERG

Danish, born 1972

Employee-elected
Joined (until): 2019 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
0 (2020/21: 0)

Competencies
• Radio and electronics worker, Production

Directorships and other offices
-

SØREN BALLING

Danish, born 1971

Employee-elected
Joined (until): 2017 (2023)
Not independent

Committee memberships
-

Bang & Olufsen shares, year-end:
8,622 (2020/21: 8,622)

Competencies
• Production Manager, Mechanics

Directorships and other offices
BM Øster Hjerm Bygningsartikler

CM = Chair VC = Vice Chair BM = Board member O = Other offices
■ Competencies possessed by Board member

Executive Management Board

KRISTIAN TEÄR

Swedish, born 1963

Chief Executive Officer

Employed since
8 October 2019

Bang & Olufsen shares, year-end:
188,000 (2020/21: 168,000)

Competencies
- MSc from The Royal Institute of Technology in Stockholm
- Executive programme at Columbia University, USA

Directorships and other offices
BM International Tennis Hall of Fame & Museum

NIKOLAJ WENDELBOE

Danish, born 1975

Executive Vice President
& Chief Financial Officer

Employed since
1 May 2019

Bang & Olufsen shares, year-end:
91,125 (2020/21: 84,200)

Competencies
- MSc Econ (cand.polit.) from University of Copenhagen

Directorships and other offices
BM GomSpace Group AB
CM Sparkle ApS
BM Strandgaarden Wine & Spirits A/S
O Director NWE Invest ApS

LINE KØHLER LJUNGDAHL

Danish, born 1978

Executive Vice President
& Chief Legal Officer

Employed since
1 January 2015

Bang & Olufsen shares, year-end:
23,877 (2020/21: 23,877)

Competencies
- Executive MBA from Copenhagen Business School
- Master in Law (LL.M) from Copenhagen University

Directorships and other offices
BM Statens Ejendomssalg A/S
BM Impero A/S

CM = Chair VC = Vice Chair BM = Board member O = Other offices

Shareholder information

The share price declined by 49.6% in 2021/22. The decline was heavily impacted by the turmoil in the financial markets in the second half of the financial year 2021/22. The technology sector was especially impacted, driven by higher inflation, rising interest rates, the war in Ukraine, and lockdowns in China. The extended lockdowns in China also had an adverse impact on the company's sales in the last quarter, and the company had to adjust its outlook on 10 May 2022.

During the year, the share price declined by 49.6% to DKK 16.64 on 31 May 2022. The decline was especially driven by turmoil in the financial markets, which were characterised by high volatility. The development was heavily impacted by higher uncertainty as the markets faced a rapid increase in inflation and interest rates since autumn 2021 as well as continued challenges related to component scarcity. The uncertainty was further exacerbated by the war in Ukraine from 24 February 2022 and extended lockdowns in China from late March 2022.

Technology and retail-related shares were especially impacted by this development. The Nasdaq OMX MidCap index, which Bang & Olufsen is part of, was more resilient but still declined by 4.0%.

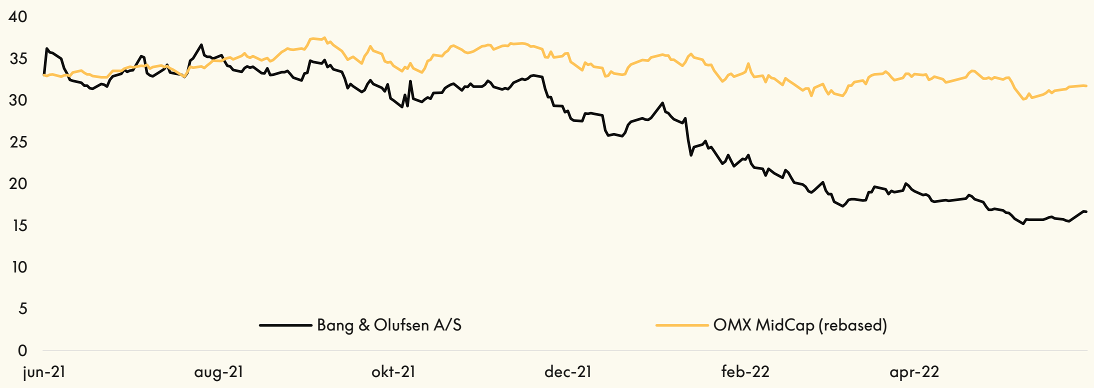
Shareholder composition

At the end of the financial year 2021/22, the company had around 31,000 shareholders. This was at the same level as a year earlier.

In terms of share capital, the shareholder base was predominantly Danish. It increased by 8pp, reaching 68% of the share capital. At the end of the year, the company had three major shareholders each owning more than 5%.

On 31 May 2022, the company owned treasury shares equivalent to 2.6% of the share capital, with the purpose of hedging the AGM-approved long-term combined performance and restricted share programme.

Share price development 1 June 2021 to 31 May 2022

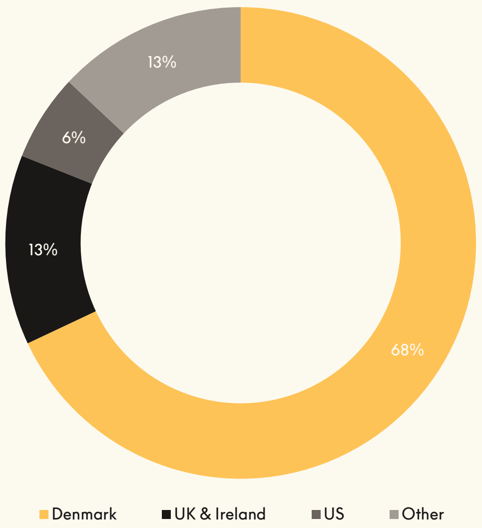


The Bang & Olufsen share

Stock exchange	NASDAQ Copenhagen A/S
Identification code (ISIN)	DK 0010218429

	31 May 2022	31 May 2021	31 May 2020
Closing price (DKK)	16.64	32.14	24.5
Market value (DKKm)	2,055	3,944	1,054
Average daily turnover (DKKm)	11.8	13.8	8.0
Shares issued	122,772,087	122,772,087	43,197,478
Treasury shares	3,249,522	2,112,372	2,317,014
Earnings per share (DKK)		-0.2	-14.1
Price/Earnings		-168.6	-1.7

Shareholder composition, 31 May 2022



Major shareholders, 31 May 2022
Three shareholders have notified Bang & Olufsen that they hold more than 5% of the company's share capital.

More than 10%:
- Sparkle Roll (Denmark) Limited
- Arbejdsmarkedets Tillægspension

More than 5%:
- Chr. Augustinus Fabrikker Aktieselskab

Capital structure

The capital structure is reviewed continuously with due consideration for Bang & Olufsen's financial performance and strategic developments, including investment requirements and shareholder interests.

In May 2022, the company extended its existing credit facility by another two years and increased it by DKK 50m to DKK 150m. On 31 May 2022, the company's combined capital resources, consisting of available liquidity and the undrawn part of the credit facility, amounted to DKK 433m.

The Board of Directors proposes that no dividends be paid for the financial year 2021/22 as the company continues to invest in its strategy execution and building robustness. Furthermore, uncertainties related to COVID-19 and consumer demand remain high, and this is also reflected in the company's outlook for 2022/23.

Investor Relations activities

Bang & Olufsen aims to maintain an open and constructive engagement with the market and to be perceived as reliable and transparent by ensuring that relevant and accurate information concerning the Group is made available to the market in due time. In addition to publishing financial results and other company announcements, Bang & Olufsen's Executive Management Board and Investor Relations use webcasts, roadshows, conferences and conference calls as their primary channels of communicating with stakeholders.

Investor Relations is responsible for maintaining the day-to-day engagement with current and potential shareholders as well as with sell and buy-side analysts. Information about analyst coverage, and access to investor-related materials and conference calls can be found at https://investor.bang-olufsen.com.

Financial calendar

2022

18 August	Annual General Meeting Bang og Olufsen Allé 1 7600 Struer Denmark Deadline for subjects and proposals to the agenda 7 July 2022
5 October	Interim report Q1 2022/23

2023

11 January	Interim report Q2 2022/23
13 April	Interim report Q3 2022/23
6 July	Annual report 2022/23

Q4 results

Q4 key financial highlights

(DKK million)	Q4 2021/22	Q4 2020/21	YTD 2021/22	YTD 2020/21
Income statement				
Revenue	698	776	2,948	2,629
EMEA	330	377	1,360	1,295
Americas	85	60	307	190
Asia	185	275	983	878
Brand Partnering & other activities	98	64	298	266
Gross margin, %	48.2	41.1	45.3	43.3
EMEA	44.8	39.7	42.2	39.8
Americas	39.4	31.2	35.1	38.3
Asia	35.0	32.2	37.7	33.5
Regions, total	41.0	36.1	39.7	37.3
Brand Partnering & other activities	92.8	94.4	95.2	96.4
EBITDA	65	61	257	203
EBIT before special items	12	15	54	38
EBIT	11	7	46	19
Special items, net	-1	-8	-8	-19
Financial items, net	-21	-14	-54	-52
Earnings before tax (EBT)	-10	-7	-8	-33
Earnings for the period	-25	1	-30	-23
Financial position				
Total assets	2,518	2,276	2,518	2,276
Share capital	613	613	613	613
Equity	1,100	1,133	1,100	1,133
Cash	162	178	162	178
Available liquidity	301	593	301	593
Net interest-bearing deposit	111	361	111	361
Net working capital	335	187	335	187

(DKK million)	Q4 2021/22	Q4 2020/21	YTD 2021/22	YTD 2020/21
Cash flows				
Cash flows from operating activities	-97	96	76	297
Operational investments	-93	-62	-248	-178
Free cash flow	-190	34	-172	119
Cash flows from investing activities	-88	-56	-239	-623
Cash flows from financing activities	123	-142	145	293
Cash flows for the period	-62	-102	-18	-33
Key figures				
Growth in local currencies, %	-12	109	10	31
EBITDA margin before special items, %	9.4	8.9	9.0	8.4
EBITDA margin, %	9.3	7.9	8.7	7.7
EBIT margin before special items, %	1.7	1.9	1.8	1.4
EBIT margin, %	1.6	0.9	1.6	0.7
Return on assets, %	-1.2	-1.0	-1.2	-1.0
Return on invested capital, excl. goodwill, %	19.3	14.3	19.3	14.3
Return on equity, %	-2.7	-2.1	-2.7	-2.1
Full-time equivalents at end of period	1,073	947	1,073	947
Stock-related key figures				
Earnings per share (EPS), DKK	-0.2	0.0	-0.2	-0.2
Earnings per share, diluted (EPS-D), DKK	-0.2	0.0	-0.2	-0.2
Price/Earnings	-81.2	3,878.0	-67.6	-168.6
Revenue per share, DKK	5.8	6.4	24.7	21.8
Revenue per share, diluted, DKK	5.8	6.4	24.7	21.8

For definitions, see note 8.7.

Q4 financial review

Revenue in Q4 declined by 10.1% (-12% in local currencies) due to the negative effect from extended COVID-19 related lockdowns in China and high comparables in EMEA. Americas maintained the growth momentum from previous quarters.

Gross margin increased 7.4pp, driven by higher margin on products, supported by price increases on select products and a reduction in discounts and bonus payments. The quarter was further impacted by less spot buys expensed compared to prior quarters due to timing and reduced inventory provision for spare parts.

Revenue

Group revenue declined by 10.1% (-12% in local currencies) to DKK 698m (Q4 2020/21: DKK 776m). The decline was related to Asia and EMEA, whereas Americas and Brand Partnering & other activities delivered strong growth.

Brand Partnering & other activities grew by 52.7% (50% in local currencies), driven by both brand licensing income and brand partnerships.

Revenue from product sales decreased by 15.1% (18% in local currencies). The decline was mainly related to Asia, which was impacted by extended COVID-19 related lockdowns in China and by high comparables in EMEA. Americas continued the high growth momentum from previous quarters, delivering 35% growth in local currencies. Component scarcity continued to adversely impact growth.

In Q4, the company launched its new earphone, Beoplay EX. Due to the lockdowns in China, the company had to delay the launch, and the product was launched in fewer colours than originally planned.

Compared to last year, sell-out grew by 1%. Sell-out was adversely impacted by COVID-19 related lockdowns in China in Q4. Sell-out in China declined by 28% compared to last year.

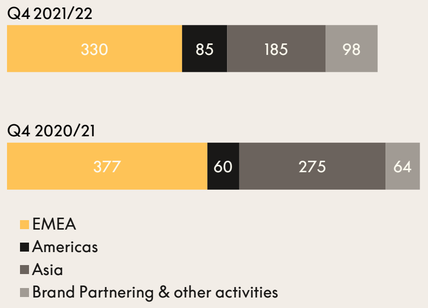
Staged

Revenue declined by 5.1%, mainly related to TVs, whereas speaker sales achieved double-digit growth compared to last year.

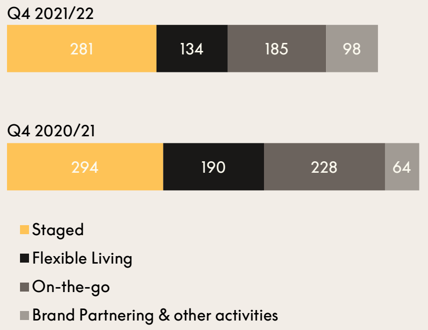
The decline in revenue from TVs was partly related to last year's launch of Beovision Contour 48", which

	Q4		YTD	
GROSS MARGIN	**2021/22**	2020/21	**2021/22**	2020/21
Staged	45.3%	41.9%	45.1%	44.0%
Flexible Living	47.5%	45.3%	46.8%	47.8%
On-the-go	29.9%	21.2%	26.0%	20.8%
Products, total	**41.0%**	**36.1%**	**39.7%**	**37.3%**
Brand Partnering & other activities	92.8%	94.4%	95.2%	96.4%
Total	**48.2%**	**41.1%**	**45.3%**	**43.3%**

Revenue by segment , DKKm



Revenue by category , DKKm



included screen sales. This year, revenue did not include any TV screen revenue.

The increase in speaker sales was driven by all speakers, with Beolab 90 and Beolab 50 contributing the highest percentage growth.

Furthermore, revenue was positively impacted by price increases implemented since Q4 of last year.

Compared to last year, sell-out was up by 12%,and maintained the solid performance from previous quarters.

Flexible Living
Revenue declined by 29.1%. The decline was partly related to component scarcity, which impacted availability of certain products, but also resulted in a temporary narrowing of the Flexible Living product range.

Last year, revenue in Asia was impacted by large B2B deals.

Sell-out declined by 7% compared to last year. The category was adversely impacted by component scarcity.

On-the-go
Revenue declined by 19.6%. The decline was related to earphones and headphones, whereas portable speakers delivered solid growth, mainly driven by Beosound Explore and Beolit 20.

The decline in revenue from earphones was partly due to high comparables. Last year, revenue was lifted by inventory clearing of Beoplay E8 3rd Gen in advance of the launch of Beoplay EQ.

The decline in revenue from headphones was partly related to high comparables. Last year, the company launched Beoplay HX and Beoplay Portal, and revenue was lifted by launch quantities sold to retail partners.

Sell-out declined by 5% compared to last year, which was related to lockdowns in China, whereas both EMEA and Americas delivered solid growth rates.

Gross profit
Gross profit increased by 5% to DKK 337m. This was equivalent to a gross margin of 48.2%, which was 7.1pp better than last year.

The gross margin on products increased by 4.9pp to 41.0%. The gross margin was positively impacted by price increases implemented since Q4 of last year and less use of discounts and bonuses.

Furthermore, last year the margin was negatively impacted by large B2B deals in China, inventory clearing of Beoplay E8 3rd Gen in advance of new product launches, and passthrough of screens sold during the launch period of Beovision Contour 48".

Higher component and logistics costs adversely impacted product margin by around 9pp, which was 3.5pp more than Q4 of last year.

Lastly, the company's continued focus on longevity and the Classics programme lowered inventory provision for spare parts and had a positive impact on gross profit for the quarter.

Capacity costs
Capacity costs amounted to DKK 326m (Q4 2020/21: DKK 312m), corresponding to an increase of 4%.

Development costs were DKK 64m, which was DKK 8m or 11% lower than Q4 of last year. The decrease was driven by higher capitalisation. Incurred development costs increased by 34% to DKK 103m (Q4 2020/21: DKK 77m), reflecting platform upgrades and investments in the product roadmap.

Distribution and marketing costs were DKK 225m, corresponding to an increase of 11% compared to Q4 of last year. The increase was related to higher marketing costs.

Administrative costs were stable at DKK 37m (Q4 2020/21: DKK 37m).

EBIT

EBIT before special items was DKK 12m, equivalent to a margin of 1.7% (Q4 2020/21: 1.9%).

EBIT was DKK 11m (Q4 2020/21: DKK 7m), which corresponded to an EBIT margin of 1.6% (Q4 2020/21: 0.9%). The improvement was primarily related to less special items in 2021/22.

Cash flow

Free cash flow was DKK -190m (Q4 2020/21: DKK 34m). The negative free cash flow was primarily related to the increased working capital of DKK -148m (Q4 2020/21: DKK 45m), resulting in operating cash flows of DKK -97m (Q4 2020/21: DKK 96m) and cash flows from investing activities of DKK-93m (Q4 2020/21: DKK -56m).

The lockdowns in China at the end of the year contributed to a higher net working capital, where particularly inventory levels increased.

Financing activities generated a DKK 128m cash flow (Q4 2020/21: DKK -142m). The cash flow related to repo transactions, which were used to access liquidity on an intra-day basis for short-term liquidity planning. For the full year, this amounted to a net repo loan of DKK 276m (31 May 2021: DKK 20m).

EMEA

Revenue

Revenue in EMEA was DKK 330m (Q4 2020/21: DKK 377m). This represented a 12.6% decrease compared to last year (-14% in local currencies).

The decline was partly related to high comparables as last year was supported by late deliveries of products that had been postponed from previous quarters due to component scarcity.

Sell-out was up by 8% compared to last year, mainly driven by the Staged and On-the-go categories.

The eCommerce channel, together with etailers, accounted for around 10% of revenue in EMEA.

Revenue from the Staged category declined by 3.6% compared to the same quarter of last year. The decline was mainly related to high comparables and component shortages.

Revenue from Flexible Living decreased by 28.6% compared to last year. The category was impacted by component shortages and a narrower product portfolio due to prioritisation of key components between products. In Q2, the company decided to temporarily stop production of Beosound Emerge and prioritise components for other products.

Revenue from On-the-go declined by 22.1%. The decline was mainly related to high comparables from headphones as the company launched Beoplay HX and Beoplay Portal in Q4 of last year.

Gross profit

Gross profit amounted to DKK 146m. This was equivalent to a gross margin of 44.8%, which was 5.1pp higher than last year.

Americas

Revenue

Revenue in Americas was DKK 85m (Q4 2020/21: DKK 60m), corresponding to a 41.1% increase (35% in local currencies).

Sell-out was up by 34% compared to last year, driven by all product categories and especially related to monobrand, eTail and eCommerce.

Growth was driven across all channels except multibrand, which last year was lifted by the renewed partnership with BestBuy.

The monobrand channel delivered strong growth. Revenue from etailers and the company's eCommerce platform grew by 50%, accounting for approx. 33% of revenue in Americas in Q4.

Revenue from the Staged category increased by 73.2% compared to last year. Both existing and new products drove growth in Q4. Speakers experienced the highest growth across all products.

Revenue from Flexible Living was up by 39.3% compared to last year, driven by most core products, in particular Beoplay A9.

Revenue from On-the-go grew by 24.5%. Growth was driven by portable speakers and earphones. Headphones declined, mainly due to high comparables with the launch of Beoplay HX and Beoplay Portal in Q4 of last year.

Gross profit

Gross profit amounted to DKK 31m. This was equivalent to a gross margin of 39.4% compared to 31.2% in the same quarter of last year.

Asia

Revenue

Revenue in Asia was DKK 185m (Q4 2020/21: DKK 275m), corresponding to a 32.7% decrease (-34% in local currencies).

The decline was mainly related to the extended COVID-19 related lockdowns in China, and it had an adverse impact on all product categories.

Furthermore, last year the Flexible Living category was also driven by large B2B deals, and the On-the-go category was impacted by inventory clearing of Beoplay E8 3rd Gen in advance of the launch of Beoplay EQ.

The lockdowns also impacted sell-out negatively. Sell-out in Asia declined by 12% driven by China which declined by 28%.

Gross profit

Gross profit amounted to DKK 69m. This was equivalent to a gross margin of 35.0%, which was 2.8pp higher than in Q4 of last year.

Brand Partnering & other activities

Revenue amounted to DKK 98m (Q4 2020/21: DKK 64m). This represented a 52.1% increase compared to Q4 of last year (50% in local currencies).

Growth was driven by brand licensing income, co-branded products and aluminium manufacturing for third parties.

Licensing income grew by 40% and accounted for 74% of revenue in Brand Partnering & other activities. The growth was attributed to both the automotive industry and PC sales. The growth was also supported by the company's new brand licensing partnerships.

Product revenue from the company's brand partnerships and other activities grew significantly. This was driven particularly by new partnerships, including with Cisco, and the launch of the Bang & Olufsen Cisco 980 headphones.

Gross profit

Gross profit amounted to DKK 91m. This was equivalent to a gross margin of 92.8%, which was 1.6pp lower than last year. The decrease related to the growth in product-related income and aluminium production for third parties.

Consolidated financial statements

Income statement

1 June – 31 May

(DKK million)	Notes	2021/22	2020/21
Revenue	2.1	2,948	**2,629**
Production costs	2.2, 2.3, 2.4	-1,612	-1,490
Gross profit		1,336	1,139
Development costs	2.2, 2.3, 2.4	-279	-258
Distribution and marketing costs	2.2, 2.3, 2.4	-875	-727
Administrative costs	2.2, 2.3, 2.4	-136	-135
Operating profit/(loss) (EBIT)		46	19
Financial income	6.5	11	6
Financial expenses	6.5	-65	-58
Financial items, net		-54	-52
Earnings before tax (EBT)		-8	-33
Income tax	2.5	-22	10
Earnings for the year		-30	-23
Earnings per share			
Earnings per share (EPS), DKK	8.2	-0.2	-0.2
Diluted earnings per share (EPS-D), DKK	8.2	-0.2	-0.2

Statement of comprehensive income

1 June – 31 May

(DKK million)	Notes	2021/22	2020/21
Earnings for the year		-30	**-23**
Items that will be reclassified subsequently to the income statement:			
Foreign exchange adjustments of foreign entities		16	4
Fair value adjustments of derivatives		-13	-25
Value adjustments of derivatives reclassified in			
Revenue		25	7
Production costs		-6	2
Tax on other comprehensive income	2.5	-1	3
Other comprehensive income for the year, net of tax		21	-9
Total comprehensive income for the year		-9	-32

Statement of financial position

Assets

(DKK million)	Notes	31-05-22	31-05-21
Goodwill		42	41
Acquired rights and software		57	41
Completed development projects		97	110
Development projects in progress		138	76
Intangible assets	5.1	334	**268**
Property, plant and equipment	5.1	215	180
Right-of-use assets	5.2	108	120
Tangible assets		323	**300**
Non-current other receivables		27	24
Deferred tax assets	2.6	77	87
Total non-current assets		761	**679**
Inventories	4.1	629	369
Trade receivables	4.2	397	438
Tax receivable	2.6	37	32
Other receivables		89	92
Prepayments		28	32
Securities	6.1, 6.2	415	435
Cash	6.1, 6.2	162	178
Assets held for sale	5.3	-	21
Total current assets		1,757	**1,597**
Total assets		2,518	**2,276**

Equity and liabilities

(DKK million)	Notes	31-05-22	31-05-21
Share capital	6.4	613	613
Translation reserve		32	16
Reserve for cash flow hedges		-5	-10
Retained earnings		460	514
Total equity		1,100	**1,133**
Lease liabilities	6.2, 6.3	95	117
Pensions	3.4	12	14
Deferred tax	2.6	6	7
Provisions	6.6	41	39
Mortgage loans	6.3	58	61
Non-current other liabilities	4.3	21	16
Total non-current liabilities		233	**254**
Lease liabilities	6.2, 6.3	39	24
Mortgage loans	6.3	4	4
Bank loans	6.1, 6.2	276	20
Provisions	6.6	56	49
Trade payables	6.2	581	502
Tax payable	2.6	17	31
Other liabilities	4.3, 4.4	212	259
Total current liabilities		1,185	**889**
Total liabilities		1,418	**1,143**
Total equity and liabilities		2,518	**2,276**

Statement of cash flows

1 June – 31 May

(DKK million)	Notes	2021/22	2020/21
Earnings before tax (EBT)		-8	-33
Financial items, net		54	52
Depreciation, amortisation and impairment		211	184
Operating profit(/loss) before depreciation, amortisation and impairment (EBITDA)		257	203
Other non-cash items		17	-5
Change in net working capital	4.4	-148	126
Interest received		11	6
Interest paid		-28	-23
Income tax paid		-33	-10
Cash flows from operating activities		76	297
Purchase of intangible non-current assets		-181	-134
Purchase of tangible non-current assets		-68	-50
Sublease payment		3	7
Other cash flows from investing activities		-2	-1
Operational investments		-248	-178
Free cash flow		-172	119
Purchase of securities	6.1	-447	-495
Sale of securities	6.1	456	50
Financial investments		9	-445
Cash flows from investing activities		-239	-623

(DKK million)	Notes	2021/22	2020/21
Repayment of lease liabilities	6.1, 6.3	-36	-40
Repayment of mortgage loans	6.1, 6.3	-4	-4
Proceeds from loans and borrowings	6.1, 6.3	712	472
Repayment of loans and borrowings	6.1, 6.3	-456	-452
Purchase of treasury shares	6.4	-37	-42
Capital increase	6.4	-	359
Settlement to other liabilities	6.3	-34	-
Cash flows from financing activities		145	293
Cash and cash equivalents, opening balance		178	215
Foreign exchange gain/loss on cash and cash equivalents		2	-4
Change in cash and cash equivalents		-18	-33
Cash and cash equivalents, closing balance		162	178
Available liquidity	6.1	301	593

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Accounting policies

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as earnings before tax adjusted for non-cash operating items, changes in working capital, payments of financial items and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of intangible assets, property, plant and equipment, acquisitions and disposals of securities in regards to repo, and other non-current assets.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs, the raising of loans including repo, as well as repayment of interest-bearing debt including lease liabilities.

Cash and cash equivalents comprise cash at bank and in hand.

Statement of changes in equity

1 June – 31 May

(DKK million)	Share capital	Translation reserve	Reserve for cash flow hedges	Retained earnings	**Total**
Equity 1 June 2021	613	16	-10	514	1,133
Earnings for the year	-	-	-	-30	-30
Foreign exchange adjustments of foreign entities	-	16	-	-	16
Fair value adjustments of derivatives	-	-	-13	-	-13
Value adjustments of derivatives reclassified in					
Revenue	-	-	25	-	25
Production costs	-	-	-6	-	-6
Income tax on items that will be reclassified to the income statement	-	-	-1	-	-1
Comprehensive income for the year	-	16	5	-30	-9
Share-based payments	-	-	-	13	13
Acquisition of own shares	-	-	-	-37	-37
Equity 31 May 2022	613	32	-5	460	1,100
Equity 1 June 2020	432	12	3	385	832
Earnings for the year	-	-	-	-23	-23
Foreign exchange adjustments of foreign entities	-	4	-	-	4
Fair value adjustments of derivatives	-	-	-25	-	-25
Value adjustments of derivatives reclassified in					
Revenue	-	-	7	-	7
Production costs	-	-	2	-	2
Income tax on items that will be reclassified to the income statement	-	-	3	-	3
Comprehensive income for the year	-	4	-13	-23	-32
Cancellation of shares	-23	-	-	23	-
Reduction of share capital	-205	-	-	205	-
Rights issue	409	-	-	-	409
Costs related to rights issue	-	-	-	-50	-50
Share-based payments	-	-	-	13	13
Tax related to the LTI programme	-	-	-	3	3
Acquisition of own shares	-	-	-	-42	-42
Equity 31 May 2021	613	16	-10	514	1,133

Notes

Section 1
Basis of reporting

1.1 Basis of reporting

Basis of preparation
Bang & Olufsen is a Danish company listed on Nasdaq Copenhagen. The Group reports in accordance with the rules and principles for accounting class D. The Annual Report is published on 6 July 2022 and will be presented to the shareholders for approval at the Annual General Meeting.

The Group's consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The accounting policies set out below have been used consistently with respect to the financial year and comparative figures, except as described in note 1.3 regarding changes in accounting policies.

Applying materiality
Significant items are presented individually in the financial statements as required by IAS 1.

Items that are not individually significant but support the understanding of Bang & Olufsen's business model and performance in the reporting period are also presented in the financial statements.

Currency
The Group's consolidated financial statements are presented in Danish kroner (DKK). Figures are rounded to the nearest DKK million, unless otherwise stated.

Basis of consolidation
The consolidated financial statements are prepared as a consolidation of the financial statements of the Parent Company, Bang & Olufsen A/S, and its subsidiaries in accordance with the Group's accounting policies.

All intra-group income, expenses, shareholdings, balances and dividends are eliminated on consolidation.

The accounting items of subsidiaries are included in full in the consolidated financial statements.

Translation of foreign currency
A functional currency is determined for each of the Group's reporting entities. The functional currency of the Parent Company is Danish kroner (DKK). Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Differences arising between the exchange rates at the transaction date and at the date of payment are recognised as financial income or expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date at which the receivable or payable arose or the exchange rate in the latest consolidated financial statements is recognised as financial income or expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency (DKK), the income statement and statement of cash flows are translated at the exchange rates prevailing at the transaction date, and the statement of financial position is translated at the exchange rates prevailing at the reporting date.

Differences arising from the translation of the opening balance of equity of foreign entities at the exchange rates prevailing at the reporting date, and on translation of the income statement from the transaction date to the reporting date, are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

iXBRL reporting
Bang & Olufsen A/S has filed the Annual Report in the new European Single Electronic Format (ESEF), an XHTML format that can be displayed in a standard browser. eXtensible Business Reporting Language (iXBRL) complies with the ESEF taxonomy included in the ESEF regulation and has been used to tag the primary statements and other financial information within the Annual Report. The file has been uploaded to the website together with the Annual Report.

1.2 Critical accounting estimates and judgements

When applying the Group's accounting policies, management is required to make a number of accounting judgements and estimates and to make assumptions about the carrying amounts of certain assets and liabilities and recognised revenue and costs, which cannot be derived directly from other sources. Significant judgements are made when assessing development projects, right-of-use assets, deferred tax assets, inventories, trade receivables and provisions. Management bases its estimates and judgements on historical experience and other relevant factors that are believed to be reasonable under the given circumstances. The actual outcome can differ from these estimates.

Estimates and the underlying assumptions are reviewed on a continuous basis. Changes made to accounting estimates are recognised in the financial period in which the change takes place and future financial periods if the change affects both the period in which the change takes place and future financial periods.

The direct revenue impact of the war in Ukraine was not significant as revenue related to Russia, Ukraine and Belarus accounted for only around 1% of total revenue in 2021/22. There were no receivables or cash accounts in these countries. Management assessed both the overall supply situation and consumer demand in relation to the war in Ukraine and concluded that the financial impacts consequently do not require significant judgements.

In Q4, stores in China and Hong Kong were temporarily closed due to COVID-19 related lockdowns. Some of the Group's production partners were also impacted, but with only limited effect on performance in EMEA and Americas. The estimates of the Group's operations and the valuation of its asset base and liquidity position are based on a thorough judgement of potential COVID-19 related impacts.

Estimates, which include all of the above, were updated at 31 May 2022 to assess the recoverability of the asset base, including development projects and deferred tax assets. Recoverability of trade receivables and inventory value was also assessed and the expected consequences of COVID-19 are reflected in these assessments. There is an inherent risk that the estimates and judgements made could change due to future escalation of the war in Ukraine and new COVID-19 outbreaks and lockdowns. Future changes in estimates and judgements may have an impact on the Group's results and financial position.

Critical accounting estimates and judgements are described under the sections to which they relate.

Note	Critical accounting estimates and judgements	Estimate/judgement	Extent of subjectivity
2.5	Deferred tax assets, value	Estimate	
4.1	Inventories, value of expected write-down	Estimate	
4.2	Trade receivables, value of expected credit losses	Estimate	
5.1	Development projects, fair value	Estimate	
5.2	Right-of-use assets, lease period and discount rate of prolongation or early termination of underlying contracts	Estimate	
6.6	Provisions, value	Estimate	

Extent to which accounting estimates and judgements are based on subjectivity and business practice:

Very objective/market conforming

Partly subjective/partly distinctive

Subjective/distinctive for Bang & Olufsen

1.3 Changes in accounting policies

The Group has adopted all new or amended standards (IFRS) and interpretations as adopted by the EU and effective for the financial year starting on 1 June 2021, including:

- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 – Phase 2
- Amendment to IFRS 16, Leases – COVID 19-Related Rent Concessions – Extension

As the amendment to IFRS 16 Leases has been assessed to have no material impact on the consolidated financial statements, the Group has chosen not to implement this amendment.

The implementation of the other new or amended standards and interpretations has also been assessed and had no material impact on the financial statements.

New or amended IFRS standards and interpretations not yet applicable within the EU

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2021/22 consolidated financial statements. The Group expects to implement these standards when they take effect.

None of the new standards issued is currently expected to have any significant impact on the consolidated financial statements when implemented.

Section 2 Operations

2.1 Revenue and operating segments

(DKK million)	2021/22 EMEA	2021/22 Americas	2021/22 Asia	2021/22 Regions, total	2021/22 Brand Partnering & other activities	2021/22 All	2020/21 EMEA	2020/21 Americas	2020/21 Asia	2020/21 Regions, total	2020/21 Brand Partnering & other activities	2020/21 All
Revenue by segment												
Revenue	1,360	307	983	2,650	298	2,948	1,295	190	878	2,363	266	2,629
Production costs	-787	-199	-612	-1,598	-14	-1,612	-779	-117	-584	-1,480	-10	-1,490
Gross profit	573	108	371	1,052	284	1,336	516	73	294	883	256	1,139
Gross margin	42.2%	35.1%	37.7%	39.7%	95.2%	45.3%	39.8%	38.3%	33.5%	37.3%	96.4%	43.3%
Capacity costs excl. depreciation, amortisation and impairment						-1,079						-933
Depreciation and amortisation						-211						-184
Impairment of non-current assets						-						-3
Financial items, net						-54						-52
Earnings before tax (EBT)						-8						-33

(DKK million)	2021/22 Staged	2021/22 Flexible Living	2021/22 On-the-go	2021/22 Products, total	2021/22 Brand Partnering & other activities	2021/22 All	2020/21 Staged	2020/21 Flexible Living	2020/21 On-the-go	2020/21 Products, total	2020/21 Brand Partnering & other activities	2020/21 All
Revenue by product category												
Revenue	1,196	658	796	2,650	298	2,948	1,002	584	777	2,363	266	2,629
Production costs	-657	-351	-590	-1,598	-14	-1,612	-559	-305	-616	-1,480	-10	-1,490
Gross profit	539	307	206	1,052	284	1,336	443	279	161	883	256	1,139
Gross margin	45.1%	46.8%	26.0%	39.7%	95.2%	45.3%	44.0%	47.8%	20.8%	37.3%	96.4%	43.3%

2.1 Revenue and operating segments (continued)

Group revenue was DKK 2,948m, which was equivalent to growth of 12.1% compared to last year or 10% growth in local currencies. The growth was attributed to both product sales and Brand Partnering & other activities, both growing 10% in local currencies.

The increase in Brand Partnering & other activities was related to licensing income supported by new partnerships and new brand partnerships, especially driven by the cooperation with Cisco and the launch of the Bang & Olufsen Cisco 980 headphone for hybrid work.

Product sales increased across all regions and product categories. The three regions, EMEA, Americas and Asia, grew by 4%, 55% and 8% respectively in local currencies. The growth in Asia was adversely impacted by the extended lockdowns in China in Q4.

Channels

The growth was especially driven by the monobrand channel, digital channels and B2B. The number of monobrand stores was reduced by net 12 to 444, which was mainly related to stores in Russia and Belarus. In 2021/22, the company completed a thorough assessment of the monobrand network and partners. The assessment identified 38 stores to be closed, which will be finalised in 2022/23.

While sell-out from multibrand increased compared to last year, the reported revenue from the multibrand channel declined. This was due to high comparables as last year the company onboarded new distribution partners in EMEA, leading to high initial sell-in. Furthermore, in EMEA this channel was impacted negatively by products taken back, as improved sell-out and partner inventory insight identified some older slow-moving products at a few multibrand partners. The channel grew in both Americas and Asia.

Categories

Revenue within the Staged category grew by 19.2%, which was mainly related to speakers. A number of the company's Staged products were impacted by component shortages, which had an adverse effect on the sales. Revenue from TVs declined compared to last year as last year, revenue was supported by revenue from TV screens related to the launch of e.g. Beovision Contour 48''. This year, TV screens were sourced entirely by retail partners. Excluding screen-related revenue last year, growth in the Staged category would have been approx. 3pp higher.

Within the Flexible Living category revenue grew by 12.8%. The growth was driven by Beoplay A9 as well as the most recently launched products, Beosound Balance and Beosound Level. The growth suffered from component scarcity, which had a significant impact on products based on the previous product platforms, e.g. Beosound 1 and 2 and Beoplay A9. The company adjusted prices on several Flexible Living products to accommodate for the cost inflation experienced. The price increases supported revenue growth compared to last year.

Revenue for the On-the-go category grew by 2.5%. The growth was driven by Americas, whereas EMEA and Asia decreased. EMEA was impacted by high comparables, especially in the second half of the year. Asia was impacted by the extended COVID-19 related lockdowns in Q4. Portable speakers delivered a solid double-digit growth rate, driven by both existing and new products. The company's newest portable speaker, Beosound Explore, delivered the biggest contribution to growth. Revenue from earphones and headphones was adversely impacted by the high comparables in EMEA and lockdowns in China. In Q4, the company launched its newest earphone, Beoplay EX. Due to the lockdowns in China, the launch was both delayed and reduced to fewer launch colours than planned.

	2021/22		2020/21	
(DKK million)	Revenue	Share of revenue, %	Revenue	Share of revenue, %
Denmark (domicile)	247	8%	269	10%
China	596	20%	568	22%
Germany	195	7%	196	7%
UK & Ireland	209	7%	165	6%
USA & Canada	301	10%	185	7%
Switzerland	99	3%	142	5%
South Korea	138	5%	100	4%
Hong Kong	66	2%	51	2%
France	95	3%	83	3%
Spain	51	2%	42	2%
Brand Partnering & other activities	298	10%	266	10%
Rest of world	653	23%	562	22%
Total	**2,948**	**100%**	**2,629**	**100%**

2.1 Revenue and operating segments (continued)

Accounting policies

Revenue recognition

Revenue from contracts with customers comprises sale of goods, licence fees and royalty income. 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.

Licence fees and royalty income are recognised when earned according to the terms of the licence agreements. Depending on the type of contract, licence fee revenue is recognised over time or at a point in time.

In general, all revenue is recognised at a point in time – both for product sales and licensing income.

A refund liability is recognised for products expected to be returned. The estimate for returned products is based on historical experience and expectations. Based on knowledge of the nature of returns, it is not considered highly probable that a material reversal of cumulative revenue recognised will occur. Provisions for rebates and discounts granted to customers are recognised as a reduction in revenue.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Amounts disclosed as net revenue exclude discounts, VAT and other duties.

The Group considers whether contracts include other promises that constitute separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration. No element of financing is deemed present.

Variable consideration

The Group grants or pays various discounts and fees depending on the nature of the customer and business. Customer discounts comprise invoice discounts, volume and activity-related discounts, including specific campaign prices, and other discounts.

Discounts arise from sales transactions where the customer receives an immediate reduction in the selling price. This includes cash discounts and incentives for early payments. Volume and activity-related discounts is a broad term covering incentives for customers to sustain business with the Group over a longer period of time and may be related to a current campaign or a sales target measured by volume or total value.

Accounting policies

Operating segments

Segment information has been prepared in accordance with the Group's accounting principles and follows the Group's management structure and the internal management reporting used by the Executive Management Board to evaluate results and resource allocation.

The geographical allocation of revenue and non-current assets is based on Bang & Olufsen's domicile and the largest contributors to Group revenue.

	Non-current assets*	
(DKK million)	2021/22	2020/21
EMEA**	587	485
Americas	70	94
Asia	27	13
Total	**684**	**592**

*Non-current assets less deferred tax assets .
**Of which DKK 528m in Denmark (31 May 2021: DKK 430m) .

2.2 Costs

(DKK million)	2021/22	2020/21
Breakdown by function:		
Production costs	1,612	1,490
Development costs	279	258
Distribution and marketing costs	875	727
Administrative costs	136	135
Total	2,902	2,610
Specification:		
Materials and consumables	1,483	1,387
Staff costs	777	691
Other costs	253	205
Depreciation, amortisation and impairment	211	184
Marketing costs	178	143
Total	2,902	2,610
Depreciation, amortisation and impairment		
Intangible assets, amortisation	112	90
Property, plant and equipment, depreciation	58	53
Impairment	-	3
Right-of-use assets, depreciation	41	38
Total	211	184
Depreciation, amortisation and impairment relate to:		
Production costs	40	38
Development costs	97	81
Distribution and marketing costs	66	58
Administrative costs	8	7
Total	211	184

In 2021/22, total operating expenses recognised in the income statement increased by DKK 292m to DKK 2,902m, corresponding to an increase of 11%. The increase reflected the increase in revenue and strategy execution.

Production costs increased during the year in line with the overall trend in activity. There was an increase in component and logistics costs, and also cost inflation started to increase.

Distribution and marketing costs increased by DKK 149m to DKK 875m. The increase was related to higher marketing costs, hiring of sales and marketing resources, and warranty provisions driven by higher activity.

Administrative costs were DKK 136m, in line with last year. In 2021/22, the Group incurred higher costs related to HR and ESG initiatives, offset by lower provisions for employee bonuses.

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Accounting policies

Production costs
Production costs comprise wages, consumption of inventory and indirect costs (including salaries, depreciation, amortisation and impairment losses) incurred for the purpose of generating revenue for the year.

Development costs
Development costs that do not meet the criteria for capitalisation as defined in note 5.1 are recognised in the income statement as development costs along with amortisation and impairment losses on capitalised development projects.

Distribution and marketing costs
Distribution and marketing costs comprise costs relating to sales and distribution of the Group's products. These include salaries for sales personnel, advertising and exhibition costs, and depreciation, amortisation and impairment losses. Costs in subsidiaries that are responsible exclusively for the sale of the Group's products are also allocated to distribution and marketing costs.

Administrative costs
Administrative costs comprise costs related to administrative personnel, management, office costs, and depreciation, amortisation and impairment losses.

2.2 Costs (continued)

(DKK million)	2021/22	2020/21
Development costs		
Incurred development costs before capitalisation	328	287
Of which capitalised	-138	-106
Incurred development costs after capitalisation	190	181
Capitalisation (%)	42.0%	36.8%
Total amortisation and impairment losses on development projects	89	77
Development costs recognised in the consolidated income statement	279	258
Incurred development costs before capitalisation ratio (% of revenue)	11.1%	10.9%

Development costs increased by DKK 21m to DKK 279m as a result of hiring of additional resources, especially within software and platform development. Incurred development costs were DKK 41m higher than last year, reflecting platform upgrades and investments in the product roadmap.

Capacity costs

A breakdown of capacity costs as presented in the income statement is provided below. It comprises development costs, distribution and marketing costs and administrative costs. Capacity costs consist of functional costs, depreciation, amortisation and impairment as well as other operating income and expenses.

(DKK million)	2021/22	2020/21
Development costs	279	258
Distribution and marketing costs	875	727
Administrative costs	136	135
Total	1,290	1,120

2.3 Government grants

(DKK million)	2021/22	2020/21
Government grants	1	0
Breakdown by function:		
Production costs	-	-1
Development costs	-	-1
Distribution and marketing costs	1	2
Administrative costs	-	-
Total	1	0

Government grants in 2021/22 related primarily to grants in China and Hong Kong.

In 2020/21, government grants consisted of adjustment of Danish COVID-19 packages of DKK -3m and grants in China and Hong Kong of DKK 3m.

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Accounting policies

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is deducted in reporting the related cost on a systematic basis over the periods that the related costs for which it is intended to compensate are expensed. A grant that is a compensation for costs already incurred is recognised in profit or loss for the period in which it becomes receivable.

2.4 Special items

(DKK million)	**2021/22**	2020/21
Severance and garden leave , Executive Management Board	4	1
Restructuring costs and severance	2	2
Consultants	2	16
Total	8	19
Production costs	3	4
Development costs	3	10
Distribution and marketing costs	1	4
Administrative costs	1	1
Total	8	19

In 2021/22, special items amounted to DKK 8m (2020/21: DKK 19m). Special items in 2021/22 related primarily to garden leave for an Executive Management Board member who left the company. Special items in 2020/21 related primarily to specific consultancy costs in respect of the cost reduction programme.

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Accounting policies

Special items consist of expenses related to restructuring or structural changes that the Group does not consider to be a part of its ordinary operations such as redundancies, specific consultancy costs and transitioning costs in connection with the offshoring of back-office functions.

2.5 Tax

(DKK million)	2021/22 Income statement	2021/22 Other comprehensive income	2021/22 Total tax	2020/21 Income statement	2020/21 Other comprehensive income	2020/21 Total tax
Tax for the year						
Current tax	18	-	18	18	-	18
Change in deferred tax during the year	-6	1	-5	-24	-3	-27
Change in deferred tax as a result of change in tax rate	-	-	-	-1	-	-1
Adjustments to tax for prior years	10	-	10	-3	-	-3
Total	22	1	23	-10	-3	-13

Tax for the year

Tax on profit was DKK 22m in 2021/22 against DKK -10m in 2020/21. The effective tax rate was -272.0% in 2021/22 against 28.8% in 2020/21. The effective tax rate was primarily affected by significant non-deductible costs related to the Danish interest limitation rules and adjustments to prior years related to the Danish tax credit rules and withholding tax without credit exemption. A detailed overview can be found on the next page.

Tax recognised in other comprehensive income relates to changes in the fair value of derivative financial instruments used as cash flow hedges and is recognised in retained earnings.

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Accounting policies

Income tax

Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of tax rate changes. The tax expense relating to the profit/loss for the year is recognised in the income statement, while the tax expense relating to items recognised in other comprehensive income is recognised in the statement of comprehensive income.

2.5 Tax (continued)

%	2021/22 Total	DK	DE	UK	CH	FR	ES	CN	US	Other	2020/21 Total
Effective tax rate for the year											
Calculated tax on result for the year before tax	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Non-deductible costs and non-taxable income	-129.4%	-11.6%	-	-0.1%	-	-	-	30.0%	40.0%	-0.9%	2.5%
Deviating tax rates in foreign subsidiaries	-21.3%	-	3.5%	-3.0%	3.4%	3.0%	3.0%	3.0%	5.0%	-4.2%	-8.2%
Changes in tax rates	5.3%	-	-	-	-	15.9%	-	-	-	-6.1%	3.2%
Adjustments to prior periods	-125.2%	-9.5%	5.3%	-	-17.6%	54.5%	4.7%	1.4%	13.5%	-7.8%	9.3%
Impairment of deferred tax assets	3.3%	-	-	-	-	-26.4%	-	-	-	-	0.0%
Other	-26.7%	-2.4%	-	-	-	-	-	-	0.1%	-	0.0%
Effective tax rate for the year	-272.0%	-1.5%	30.8%	18.9%	7.8%	69.0%	29.7%	56.4%	80.6%	3.0%	28.8%

(DKK million)	2021/22 Total	DK	DE	UK	CH	FR	ES	CN	US	Other	2020/21 Total
Tax expense for the year											
Calculated tax on result for the year before tax	-1.8	-19.9	2.4	0.9	0.7	0.2	0.3	9.4	1.9	2.3	-7.4
Non-deductible costs and non-taxable income	10.5	10.4	-	-	-	-	-	0.1	-	-0.1	2.8
Deviating tax rates in foreign subsidiaries	1.7	-	0.4	-0.1	0.1	-	-	1.3	0.4	-0.4	-0.9
Changes in tax rates	-0.4	-	-	-	-	0.2	-	-	-	-0.6	-1.1
Adjustments to prior periods	10.2	8.5	0.6	-	-0.5	0.6	0.1	0.6	1.2	-0.8	-3.1
Impairment of deferred tax assets	-0.3	-	-	-	-	-0.3	-	-	-	-	-
Other	2.2	2.2	-	-	-	-	-	-	-	-	-
Tax expense for the year	22.1	1.2	3.4	0.8	0.3	0.7	0.4	11.4	3.5	0.4	-9.7

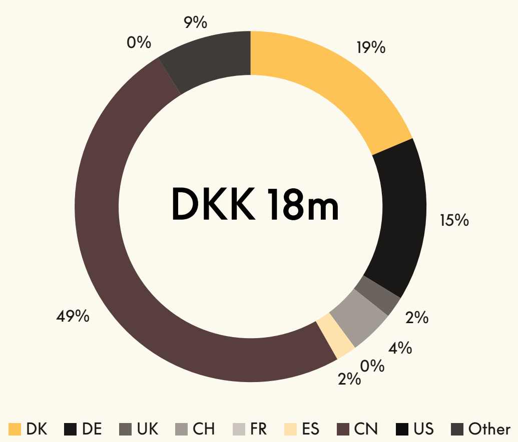
2.5 Tax (continued)

(DKK million)	DK	DE	UK	CH	FR	ES	CN	US
Country-by-country data, focus markets								
Total revenue	1,272	156	133	92	68	41	525	290
FTE	790	14	30	8	16	12	55	30
Profit/loss before tax	-90	11	4	3	1	1	43	9

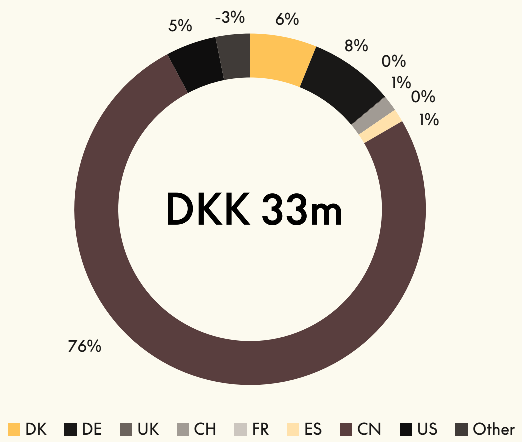
Country by country

The Group acknowledges the important role that taxes play for public finances and in developing effective, accountable and transparent societal institutions as expressed in UN Sustainable Development Goal 16.6. As a part of being more transparent on corporate taxes, the Group discloses specific country-by-country data for focus markets.

Income tax accrued



Income tax paid



Deferred tax

At 31 May 2022, net deferred tax assets amounted to DKK 71m (31 May 2021: DKK 80m). The decrease reflected net operating tax loss, provisions and other assets/liabilities, e.g. share-based payments.

Deferred tax assets have been recognised based on expected earnings in the foreseeable future. The assessment takes into account the possibility of utilising losses in each relevant jurisdiction.

Deferred tax assets totalled DKK 77m (31 May 2021: DKK 87m), of which DKK 43m related to the Group's jointly taxed companies in Denmark, DKK 10m related to China, and DKK 9m to the US, whereas the remaining DKK 15m related to other foreign legal entities in the Group.

Tax loss carryforwards at 31 May 2022 amounted to DKK 10m (31 May 2021: DKK 19m).

The Group's tax policy is available on the Group's website

	Assets		Liabilities		Net assets	
(DKK million)	**31-05-22**	31-05-21	**31-05-22**	31-05-21	**31-05-22**	31-05-21
Deferred tax						
Non-current assets	32	30	6	7	26	23
Inventories	17	-	-	-	17	-
Receivables	-	3	-	-	-	2
Provisions	4	10	-	-	4	10
Tax loss carryforwards	10	19	-	-	10	19
Other	14	25	-	-	14	26
Total	**77**	**87**	**6**	**7**	**71**	**80**

2.5 Tax (continued)

(DKK million)	2021/22	2020/21
Change in deferred tax, net during the year		
Non-current assets	3	7
Inventories	17	-3
Receivables	-2	-1
Provisions	-7	10
Tax loss carryforwards	-9	5
Other	-11	14
Total	**-9**	**32**

At 31 May 2022, the value of unrecognised deferred tax assets amounted to DKK 309m. Of this amount, DKK 265m related to Denmark, DKK 35m to the US, and DKK 9m to other legal entities abroad. A total of DKK 235m related to tax loss carryforwards. DKK 196m of the tax loss carried forward can be utilised indefinitely. The unrecognised deferred tax assets have been assessed on a prudent approach. The deferred tax asset will be recognised as income as they are utilised or when there is convincing evidence that they will be utilised in the foreseeable future.

Critical accounting estimates and judgements

Deferred tax assets

In 2019/20, management performed an impairment test of the deferred tax asset and recognised an impairment of DKK 265m. This year, no impairment charges or reversals of impairment charges were recognised. Based on the Group's satisfactory performance and its continued strategy work, management revisited the carrying amount of the tax asset based on expected positive earnings and concluded that the amount was appropriate as of 31 May 2022.

The Group recognises deferred tax assets, including the tax base of tax loss carryforwards, if it is assessed that the respective tax assets can be offset against positive taxable income in the foreseeable future (3-5 years). This assessment is based on budgets and business plans for the following years, including planned business initiatives. Deferred tax assets are tested annually and are only recognised if they are likely to be utilised.

Accounting policies

Deferred tax

Deferred tax on all temporary differences between the carrying amount and the tax base of assets and liabilities is measured using the balance sheet liability method.

No recognition is made of deferred tax on temporary differences relating to amortisation or depreciation of goodwill, properties and other items if disallowed for tax purposes. Such temporary differences arose on the date of acquisition without affecting the results or taxable income. In cases where it is possible to calculate the tax value according to different taxation rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised as other non-current assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and liabilities simultaneously.

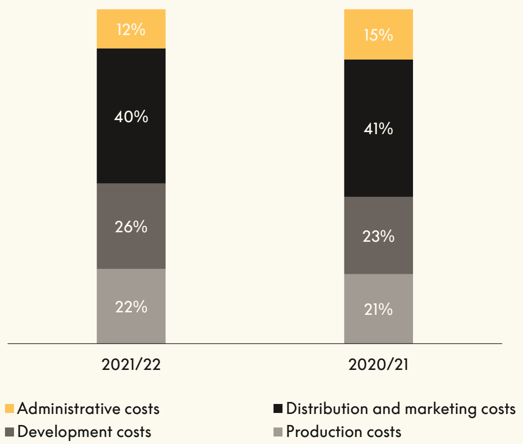
Deferred tax is measured according to the tax rules and at the tax rates applicable in the relevant countries at the reporting date and when the deferred tax is expected to materialise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Section 3 Staff costs, share-based payments and pensions

3.1 Staff costs

(DKK million)	2021/22	2020/21
Wages and other remuneration	693	626
Share-based payments	13	13
Pensions	40	35
Other social security costs	31	17
Total staff costs	777	691
Average number of employees	1,033	889
Staff costs relate to:		
Production costs	173	142
Development costs	199	158
Distribution and marketing costs	314	288
Administrative costs	91	103
Total staff costs	777	691

Allocation of staff costs , %



Accounting policies

Wages and salaries, social security contributions, leave and sick leave, bonuses and non-monetary benefits are recognised in the financial year in which services are rendered.

The cost of share-based payments, which are expensed over the vesting period of the programme according to the service conditions, is recognised in staff costs and equity.

Termination benefits are recognised at the time an agreement between the Group and the employee is made, and no future service is rendered by the employee in exchange for the benefits.

3.2 Remuneration of management

Total remuneration to the Executive Management Board amounted to DKK 42m. This represented a decrease of DKK 9m compared to 2020/21.

Total remuneration showed a decrease compared to the prior year. This was primarily driven by two factors (i) lower short and long-term incentive payout as the performance for the financial year 2021/22 did not meet the same payout level as prior year, and (ii) no termination or severance payments.

For 2021/22, the financial performance reached certain targets, and both the cash bonus and share bonus programmes will result in pay-outs in the fiscal year 2022/23.

With a view to ensuring retention of the members of the Executive Management Board, the Board of Directors decided in July 2020 to establish an extraordinary special short-term cash-based retention programme covering the financial years 2020/21 and 2021/22. The programme is subject to requirements of continued service and satisfactory people review ratings, and was established with the aim of stabilising the Executive Management Board during the turnaround of the company and until the long-term incentive programmes (LTIP) had been fully implemented as a retention mechanism.

(DKK million)	2021/22 Board of Directors	2021/22 Executive Management Board	2021/22 Other key employees	2020/21 Board of Directors	2020/21 Executive Management Board	2020/21 Other key employees
Wages, salaries and fees	6	16	22	4	16	21
Pensions	-	1	2	-	1	1
Bonus	-	20	20	-	27	24
Termination and severance payments	-	-	-	-	-	5
Total	6	37	44	4	44	51
Share-based payments	-	5	3	-	7	3
Total remuneration	6	42	47	4	51	54

The Executive Management Board also accepted a temporary voluntary fee reduction of 20% last year – from June 2020 to August 2020 – as part of the company's COVID-19 initiatives. Overall, fees were at the same level due to timing of members entering and leaving the Executive Management Board.

No termination or severance payments were made in 2021/22. Termination and severance payments paid in 2020/21 primarily related to a change of management in Asia.

The terms of notice of the members of the Executive Management Board are consistent with normal market conditions (up to 24 months).

Board of Directors

In 2021/22, the Board of Directors received total remuneration of DKK 6m (2020/21: DKK 4m). Last year, the Board of Directors accepted a temporary voluntary fee reduction of 20% from June 2020 to August 2020 as part of the company's COVID-19 initiatives.

The full remuneration report for the financial year 2021/22 can be found at https://investor.bang-olufsen.com.

3.3 Share-based programmes

Matching share programmes (MSP) recalibrated
The Board of Directors implemented matching share programmes (MSP) for 2018/19 and 2019/20 as a variable component of compensation 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 1 to 5 matching shares for each share purchased, depending on specific performance criteria being met.

In 2020, the Board of Directors resolved to recalibrate the two programmes for selected employees still employed by the Group. 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 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. For the MSP, it is a condition that the employee must not have resigned before vesting.

The accounting value is the value of the maximum number of matching shares to be granted times the likelihood of the shares vesting. The value is adjusted on a timely basis until vesting.

Both programmes have now ended and 2 shares were paid out for the 2018/19 programme and 2.75 shares for the 2019/20 programme.

In accordance with market practice, the recent rights issue involved the issuance of new shares in the company at a discount to market price. The Board of Directors has consequently resolved to compensate certain participants still employed by the Group for the dilutive effect of the rights issue by granting them the right to receive cash compensation of DKK 12.49 per matching share they actually realise under the programmes.

In total, DKK 0.2m has been paid out for the 2018/19 programme and DKK 3.3m for the 2019/20 programme.

The total costs for the MSP in 2021/22 were DKK 2m (2020/21: DKK 1m), which includes both the cost of the shares and the cash compensation.

Programme	Performance period	Average share price at grant date	Executive Management Board	Other key employees	Maximum number of shares in programme	Maximum market value at launch (DKK million)	Number of shares exercised	Accumulated cost recognised (DKK million)	Award date	Remaining time to vesting (months)
2018/19	01.06.2020-31.05.2021	11.99	2,208	17,672	19,880	0	17,680	0	06.07.2020	-
2019/20	01.06.2020-31.05.2022	11.99	295,820	86,400	382,220	5	263,189	3	06.07.2020	3
Total			298,028	104,072	402,100	5	280,869	3		

Long term incentive programmes (LTIP)

Pursuant to Bang & Olufsen A/S's Remuneration Policy, the Board of Directors has resolved to allocate restricted shares under Bang & Olufsen A/S's Combined Performance and Retention Share Programmes 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 three financial years, depending on the level of achievement of certain KPIs defined by the Board of Directors for each performance year. The remaining shares are retention shares, which are subject to the participants' continued employment and satisfactory people review ratings. The retention shares also vest in three equal tranches over the period. Each financial year has a maximum payout of index 200 depending on the level of achievements made.

Any vested restricted shares will be released after the Annual General Meeting's adoption of the Annual Report at the end of the third financial year for each programme, with the provision that vesting and release may be accelerated in case of certain extraordinary events.

The programmes are accounted for on an accrual basis over the three-year vesting period. The value of each programme is adjusted on a timely basis until vesting based on the likelihood that certain KPIs will be met.

The costs for the LTIP programmes for the year were DKK 11m (2020/21: DKK 12m).

Total costs related to all the share-based programmes have been recognised as staff costs and amounted to DKK 13m for the year (2020/21: DKK 13m).

Number of shares	Performance period	Average share price at grant date	Shares 31 May	Maximum market value at launch (DKK million)	Accumulated cost recognised (DKK million)	Estimated remaining maximum value to be expensed (DKK million)	Award date	Exercise date
Programme start date								
02.10.2020	01.06.2020-31.05.2023	12.93	2,242,954	45	16	12	02.10.2020	Aug 2023
12.07.2021	01.06.2021-31.05.2024	33.11	1,579,994	74	9	37	12.07.2021	Aug 2024
Total			3,822,948	119	25	49		

Long term incentive programmes (LTIP) - continued

The table below summarises the maximum outstanding shares within the programmes.

Bang & Olufsen A/S has purchased a limited number of treasury shares to cover the obligation for the outstanding shares. The holding of treasury shares totalled 3,244,692 shares on 31 May 2022 (31 May 2021: 2,112,372 shares).

Shares outstanding	Executive Management Board	Other employees	Total
2021/22			
Shares outstanding at 1 June	1,301,181	1,689,968	2,991,149
Shares granted during the year	345,353	700,586	1,045,939
Shares lapsed during the year	-	- 214,140	- 214,140
Total number of shares outstanding	1,646,534	2,176,414	3,822,948
2020/21			
Shares outstanding at 1 June	-	-	-
Shares granted during the year	1,301,181	1,689,968	2,991,149
Total number of shares outstanding	1,301,181	1,689,968	2,991,149

Accounting policies

Share-based programmes in which the Executive Management Board and selected other key employees are given the right to receive shares in the Parent Company (equity-settled programmes) are measured at the fair value of the equity instruments at grant date and recognised in the income statement as part of staff costs during the period when the employees become entitled to buy the shares.

The existing share-based programmes give Bang & Olufsen A/S an option to settle in cash. However, as it is expected that the programmes will be settled in shares, they will be accounted for as equity-settled programmes.

3.4 Pension and similar retirement obligations

(DKK million)	2021/22	2020/21
Amount recognised in the income statement		
Defined contribution plans	42	35
Defined benefit plans	-	-
Total pension amount charged to the income statement	**42**	**35**
Amount recognised in the balance sheet		
Wholly unfunded defined benefit plans	3	3
Wholly or partly funded defined benefit plans	17	19
Present value of defined benefit obligation 31 May	**20**	**22**
Fair value of plan assets	-8	-8
Defined benefit plan obligation 31 May	**12**	**14**

(DKK million)	2021/22	2020/21
Present value of future payments	17	19
Fair value of plan assets	-8	-8
Actuarially calculated net obligation	9	11
Wholly unfunded defined benefit plans	3	3
Defined benefit plans 31 May, net	**12**	**14**
Actuarial assumptions		
Discount rate p.a.	2.5%	1.2%
Expected salary increase p.a.	2.0%	1.5%
Expected rate of return p.a.	2.0%	1.5%

The Group's defined benefit plans are managed by independent pension funds. None of the plan assets are connected to any of the Group companies.

The defined benefit plans in Germany are partly funded through an independent pension fund.

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Accounting policies

As an employer, the Bang & Olufsen Group participates in pension plans according to normal practice in the countries in which the Group operates. The majority of the pension plans operated by the Group are defined contribution plans. The only exceptions are defined benefit plans operated in Germany.

Under defined contribution plans, the Group recognises pension contributions, which can either be a fixed amount or a fixed percentage of the monthly salary in the income statement as they are paid to separate independent companies. Any unpaid contributions are recognised in the financial position as other liabilities. Once the contributions have been paid, the Group has no further obligations and the risk related to the value of the pension insurance at retirement lies with the individual employee.

Under defined benefit plans the Group has an obligation to pay a fixed amount or a fixed percentage of the salary at retirement. This means that the Bang & Olufsen Group carries the risk of any changes in the actuarially calculated capital value of the pension plans.

The present value of the future benefits that employees are entitled to is calculated annually. The present value is calculated based on a number of assumptions relating to the future development in salary levels and interest, inflation and mortality rates. The present value of the defined benefit obligation net of the fair value of the plan assets is recognised in the balance sheet as a pension liability.

The costs of defined benefit plans are recognised in the income statement and include service costs as well as net interest based on actuarial estimates and the financial outlook at the beginning of the year.

Changes in assumptions as well as differences between the expected and the realised return on plan assets are classified as actuarial gains and losses. Such gains and losses are recognised in other comprehensive income in the period in which they arise.

If a defined benefit plan constitutes a net asset, the asset is recognised only if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

Section 4 Net working capital

4.1 Inventories

(DKK million)	2021/22	2020/21
Inventory before write-downs	714	450
Write-downs	-85	-81
Total	629	369
Raw materials	30	39
Work in progress	20	19
Spare parts	63	39
Finished goods	488	272
Prepayments for goods	28	-
Total	629	369
Cost of sales recognised in production costs	1,483	1,387

Prepayments for goods is related to spot buys driven by component scarcity.

Critical accounting estimates and judgements

A specific assessment of the need for write-downs for obsolescence of inventories is made based on an assessment of the future sales potential. The assessment takes into account expected technological developments and expected service periods. The provision is primarily related to finished goods and spare parts. The applied principles are unchanged compared to the prior year.

Accounting policies

Inventories are measured at the lower of cost price according to the FIFO principle and net realisable value. The cost price of raw materials, consumables and purchased goods comprises the acquisition price including delivery costs. The cost price of finished goods and work in progress comprises costs of materials and direct labour plus indirect production costs.

Indirect production costs include indirect materials and wages, maintenance and depreciation on plant and machinery, factory buildings and other equipment used in the production process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the expected selling price less costs of completion and costs necessary to make the sale.

4.2 Trade receivables

(DKK million)	2021/22	2020/21
Trade receivables at 31 May, before impairment	456	496
Impairment at 1 June	-58	-73
Impairment losses recognised	-7	-6
Realised impairment losses	2	6
Reversed impairment losses	4	15
Impairment at 31 May	-59	-58
Trade receivables at 31 May	397	**438**

Receivables are recognised when control has been transferred as the consideration to be paid is reasonably assured. Receivables are generally due within 30-60 days and all receivables are consequently classified as current. The price specified in the contract is not adjusted for any financing element as payment terms never exceed 12 months.

While realised losses are immaterial and low still, the Group has continued to assess the impact from COVID-19. This has not led to increased impairment on receivables for the year. Realised losses remain within the expected range.

	31-05-22		31-05-21	
(DKK million)	Amount	Impairment	Amount	Impairment
Maturity analysis:				
Amounts not due	356	-1	362	-
Past due up to 30 days	-	-	5	-
Past due between 31 and 60 days	8	-	31	-1
Past due between 61 and 90 days	2	-	15	-
Past due between 91 and 120 days	2	-	7	-1
Past due more than 120 days	88	-58	76	-56
Trade receivables	456	-59	**496**	**-58**

See note 7.1 for details about credit risk associated with trade receivables.

Critical accounting estimates and judgements

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macro-economic factors affecting credit risk.

Management continues to assess credit risks in order to ensure that credit risk never exceeds the recognised write-down on trade receivables. For a further description of credit risk, see note 7.1. Changes in impairment are presented in the table above.

Accounting policies

On initial recognition, trade receivables are measured at fair value and subsequently at amortised cost less loss allowance for expected credit losses. Trade receivables comprise sale of goods and services and income from licences. Other receivables comprise VAT receivables, loans to partners, interest receivables and derivatives.

The Group applies the simplified approach to measure expected credit losses. This entails recognising a lifetime expected loss allowance for all trade receivables. Loss rates are determined based on grouping of trade receivables sharing the same characteristics.

Impairment of trade receivables is recognised in distribution and marketing costs in the income statement.

4.3 Contract assets and liabilities

(DKK million)	**2021/22**	2020/21
Trade receivables	397	438
Right-of-return assets*	8	3
Total contract assets	405	**441**
Deferred income - non-current**	14	15
Deferred income - current**	7	4
Refund liabilities**	15	6
Total contract liabilities	36	**25**

* Right-of-return assets have been recognised in current other receivables.

** Deferred income and refund liabilities has been recognised in other liabilities.

Generally, trade receivables are recognised at the same point in time as revenue and invoicing. Payment terms vary within different customer segments due to local and specific agreements. In some cases, the Group receives upfront payments which are deducted in the actual invoicing. The income from the associated contract is recognised over time, resulting in contract liabilities.

Right-of-return assets and the associated refunds refer to a few multibrand customers.

Deferred income consists of prepayments from customers. Deferred income mainly constitutes revenue related to the licence agreement with Harman (brand licensing income from car audio products). This includes deferred revenue from future licensing income.

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Accounting policies

Contract assets and liabilities

The refund liability for estimated sales returns is recognised when there is historical experience or when a reasonably accurate estimate of expected future returns can otherwise be made. The income effect recognised is the gross margin of the expected returns. Changes to right-of-return assets and refund liabilities are recognised gross in the income statement, i.e. as both revenue and cost of sales.

Deferred income comprises payments received related to revenue in subsequent financial years. Deferred income is measured at cost price. Licensing income is recognised at a point in time based on products produced.

No costs to obtain contracts with customers were capitalised as part of contracts with customers either in 2021/22 or previous years. This is common practice in the Group.

4.4 Net working capital

(DKK million)	**31-05-22**	31-05-21	Change
Inventories	629	369	-260
Trade receivables	397	438	41
Other receivables*	88	90	2
Prepayments	28	32	4
Trade payables	-581	-502	79
Other liabilities**	-212	-225	-13
Deferred income - non-current	-14	-15	-1
Total	335	**187**	**-148**

* Other receivables were adjusted for financial receivables related to leases of DKK 1m not included as net working capital at 31 May 2022 (31 May 2021: DKK 2m).

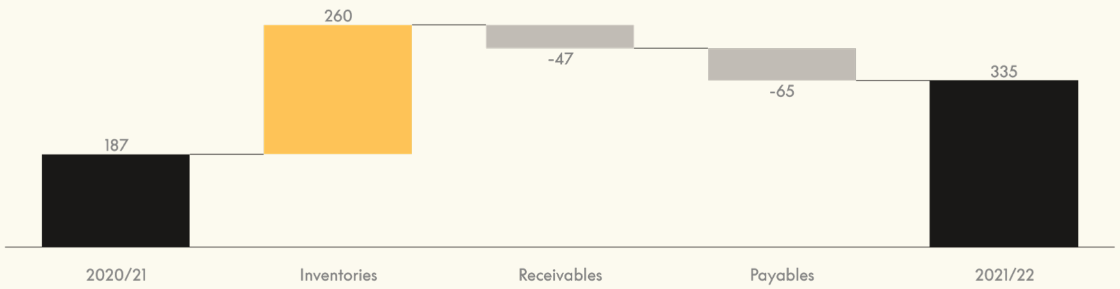
** Other liabilities were adjusted at 31 May 2021 for a provision of DKK 34m under the Danish Holiday Act not included as net working capital. Due to pay-out in Q2 2021/22, this was no longer applicable at 31 May 2022.

Net working capital increased during the year by DKK 148m to DKK 335m (31 May 2021: DKK 187m).

Trade receivables decreased year over year as a result of collection efforts and lower performance in Q4 2021/22 than the prior year, driven by the lockdowns in China. Trade payables increased by DKK 79m, driven by higher activity towards the end of the year and timing. Inventories increased during the year due to the lockdowns in China and timing of supply. The increase was partly related to finished goods and component spot buys.

Other liabilities decreased by DKK 13m, primarily due to lower provisions for employee bonus.

Change in net working capital, DKKm



Accounting policies

Prepayments

Prepayments comprise incurred costs related to subsequent financial years. Prepayments are measured at cost.

Other liabilities

Other liabilities mainly comprise provisions for employee-related costs, VAT and deferred income. Other liabilities are measured at cost.

Section 5
Invested capital

5.1 Intangible assets and property, plant and equipment

(DKK million)	Goodwill	Acquired rights and software	Completed development projects	Development projects in progress	**Intangible assets**	Land and buildings	Plant and machinery	Other equipment	Leasehold improvements	Property, plant and equipment under construction	**Property, plant and equipment**
Cost											
At 1 June 2020	63	144	639	59	905	275	719	115	26	36	1,171
Adjustment to prior year	-	-	-	-	-	-19	-	-	-	-	-19
Additions	-	28	42	64	134	6	12	7	2	23	50
Disposals	-	-	-156	-	-156	-	-4	-	-6	-	-10
Completed development projects and assets	-	3	47	-47	3	2	9	-	17	-31	-3
At 31 May 2021	63	175	572	76	886	264	736	122	39	28	1,189
Additions	-	39	16	122	177	2	15	13	1	41	72
Disposals	-	-	-38	-	-38	-	-1	-7	-4	-	-12
Reclassification from asset held for sale to land and buildings	-	-	-	-	-	84	-	-	-	-	84
Completed development projects and assets	-	-	60	-60	-	2	21	1	6	-30	-
Exchange rate adjustments	1	-	-	-	1	-	-	2	3	-	5
At 31 May 2022	**64**	**214**	**610**	**138**	**1,026**	**352**	**771**	**131**	**45**	**39**	**1,338**
Depreciation, amortisation and impairment											
At 1 June 2020	-19	-121	-541	-	-681	-192	-675	-98	-20	-	-985
Adjustments to prior year	-	-	-	-	-	19	-	-	-	-	19
Amortisation and depreciation	-	-13	-77	-	-90	-9	-28	-11	-5	-	-53
Impairment losses	-3	-	-	-	-3	-	-	-	-	-	-
Disposals	-	-	156	-	156	-	4	-	6	-	10
At 31 May 2021	-22	-134	-462	-	-618	-182	-699	-109	-19	-	-1,009
Amortisation and depreciation	-	-23	-89	-	-112	-10	-32	-10	-6	-	-58
Disposals	-	-	38	-	38	-	1	6	3	-	10
Reclassification from asset held for sale to land and buildings	-	-	-	-	-	-63	-	-	-	-	-63
Exchange rate adjustments	-	-	-	-	-	-	-	-2	-1	-	-3
At 31 May 2022	**-22**	**-157**	**-513**	**-**	**-692**	**-255**	**-730**	**-115**	**-23**	**-**	**-1,123**
Carrying amount											
At 31 May 2022	**42**	**57**	**97**	**138**	**334**	**97**	**41**	**16**	**22**	**39**	**215**
At 31 May 2021	41	41	110	76	268	82	37	13	20	28	180

5.1 Intangible assets and property, plant and equipment (continued)

Impairment

Recognised impairment

No impairment was recognised in 2021/22.

In 2020/21, an impairment loss of DKK 3m related to distribution in Brazil was recognised.

Impairment test of goodwill

The carrying amount of goodwill amounted to DKK 42m (31 May 2021: DKK 41m) and related to the distribution network in the Netherlands.

The impairment test was carried out with the activities in the Netherlands considered as the cash generating unit. The recoverable amount was based on value in use and estimated using input from local and Group management.

The test included a five-year budget period followed by a terminal period.

Key assumptions applied in the impairment test were expected revenue, gross margin, capacity cost, discount rate and growth rate in the terminal period. Sensitivity tests of key assumptions were carried out. These showed gross margin, WACC and the growth rate to be the assumptions with the largest impact on value in use. In the test, a growth assumption of 1.5% (2020/21: 1.5%) and a discount rate of 7.5% were applied (2020/21: 7.5%).

The impairment test showed headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable.

5.1 Intangible assets and property, plant and equipment (continued)

Critical accounting estimates and judgements

Development projects

Development costs are capitalised only after the technical and commercial feasibility of the project has been established. In connection with the capitalisation of development costs, the expected useful life of the product is determined. Management has assessed that the amortisation period is usually 2 to 6 years. Management also makes assumptions when assessing the possible impairment of development projects.

The applied principles are unchanged from the prior year. Development projects amounted to DKK 235m at 31 May 2022 (31 May 2021: DKK 186m). The main additions in the 2021/22 financial year were development projects relating to product development.

Accounting policies

Cost

Intangible assets and property, plant and equipment are initially recognised at cost and subsequently measured at cost less accumulated amortisation or depreciation and impairment losses.

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, wages and salaries, and capitalised borrowing costs on specific or general borrowings attributable to the construction of the asset.

Research and development costs are recognised in the income statement as incurred. Development costs are recognised under development projects in progress if the costs are expected to generate future economic benefits.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Subsequent costs, for example in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised from the statement of financial position and recognised as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Useful life, amortisation, depreciation and impairment losses

Useful life and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Amortisation and depreciation are recognised on a straight-line basis over the expected useful life of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of assets. Goodwill with an indefinite life is not amortised but instead tested for impairment on an annual basis.
Development projects, acquired rights and software, land and buildings, plant and machinery, other equipment and leasehold improvements are tested for impairment whenever there is any indication that the recoverable amount may be lower than the carrying amount.

Depreciation is calculated on the basis of the cost less the residual value and impairment losses.

Amortisation and depreciation are recognised under cost of sales, distribution and marketing expenses, and administrative expenses.

Expected useful lives are as follows:

Asset class	Useful life
Goodwill	No amortisation. Tested for impairment on an annual basis
Development projects (under construction)	Amortised from time of completion - Projects under construction are tested for impairment annually
Development projects (completed)	2-6 years, or remaining term of intellectual property right if shorter
Acquired rights and software	2-6 years, or remaining term of intellectual property right if shorter
Land and buildings	Land: None Buildings: 40 years Installations: 10 years
Plant and machinery	Single-purpose production tools: 3-6 years Other plant and machinery: 8-10 years
Other equipment	Other equipment: 3-10 years
Leasehold improvements	Leasehold improvements: Over lease term, max. 10 years
Property, plant and equipment under construction	None

5.2 Right-of-use assets

(DKK million)	Land and buildings	Other equipment	Total
Costs			
At 1 June 2020			
Leases entered into prior to 2020	170	11	181
Additions	23	1	24
Remeasurements	-12	-1	-13
Terminations	-5	-4	-9
At 31 May 2021	176	7	183
Additions	11	2	13
Remeasurements	16	-	16
Terminations	-2	-3	-5
At 31 May 2022	**201**	**6**	**207**
Depreciation , amortisation and impairment			
At 1 June 2020	-29	-4	-33
Depreciation	-34	-4	-38
Terminations	4	4	8
At 31 May 2021	-59	-4	-63
Depreciation	-38	-3	-41
Terminations	2	3	5
At 31 May 2022	**-95**	**-4**	**-99**
Carrying amount			
At 31 May 2022	**106**	**2**	**108**
At 31 May 2021	117	3	120

Repayment of lease liability amounted to DKK 36m in 2021/22 (2020/21: DKK 40m). Expenses relating to low-value leases were insignificant.

(DKK million)	**2021/22**	2020/21
Amounts recognised in the income statement:		
Interest expenses	-6	-7
Short-term leases	-2	-5
Income from subleases	3	7
Lease liabilities		
Non-current	95	117
Current	39	24
Total lease liabilities	134	**141**

Critical accounting estimates and judgements

Individual right-of-use assets and the corresponding liabilities are highly impacted by the estimated lease term and the discount rate, where the underlying contracts can be prolonged or terminated early. Leases mainly comprise stores, office buildings, cars and other equipment.

The average incremental borrowing rate applied to the lease liabilities on 31 May 2022 was around 4.9% (31 May 2021: 4.9%).

5.2 Right-of-use assets (continued)

Estimated useful life at 31 May 2022 can be summarised as follows:

Asset class	Useful life
Stores	The lease term for stores is assessed to be up to 10 years depending on an internal store rating based on location, revenue and earnings.
Office buildings	1-10 years
Other equipment	The life is equal to the non-cancellable lease term and extensions are not considered for these.

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Accounting policies

Leases are recognised as right-of-use assets with the corresponding liability at the time the asset is available for use by the Group. Assets and liabilities arising from a lease are measured on a present value basis. Right-of-use assets are recognised at the commencement date of the lease when the asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. When a sublease is classified as a finance lease, the right-of-use asset is derecognised as a right-of-use asset and recognised as a lease receivable under other receivables. An assessment is made at each reporting date of whether there is any indication that a right-of-use asset may be impaired. If any such indication exists, an impairment test for the relevant CGU is carried out.

Lease liabilities comprise expected fixed payments throughout the expected lease term (including options to extend the lease when exercise is reasonably certain), less any lease incentives. Payments relating to services are not included in lease liabilities. Some property leases contain variable payment terms linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs and are not included in the lease liability.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used, because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term or a change in lease payments.

Lease costs for low value assets and short-term leases are recognised as operating expenses on a straight-line basis over the lease term.

5.3 Assets held for sale

(DKK million)	**31-05-22**	31-05-21
Land and buildings	-	21
Total	-	21

As of Q2 2021/22, "the Farm", previously used as the headquarters in Struer, was no longer for sale and was used for own purposes. The building has consequently been reclassified to land and buildings under property, plant and equipment and depreciated accordingly.

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Accounting policies

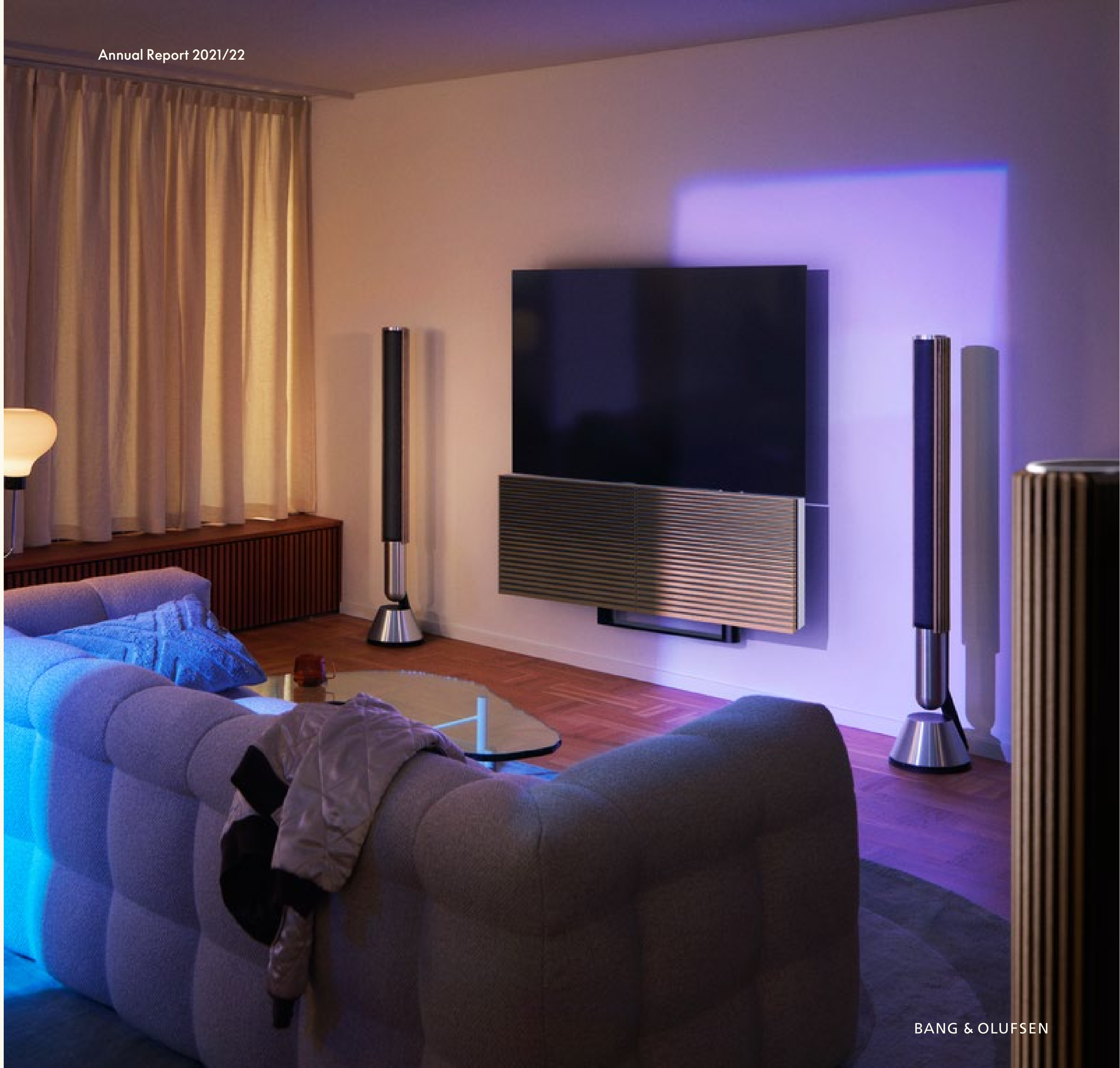
Assets classified as held for sale comprise assets of which the value is highly probable to be recovered through a sale within 12 months rather than through continued use.

Assets classified as held for sale are measured at the lower of the carrying amount at the time of classification as held for sale or at market value less costs to sell. The carrying amount is measured in accordance with the Group's accounting policies.

No depreciation is recognised subsequent to the reclassification of an asset as held for sale.

Held for sale assets are presented in a separate line in the statement of financial position. Previous periods have not been restated.

Section 6 Capital structure and provisions



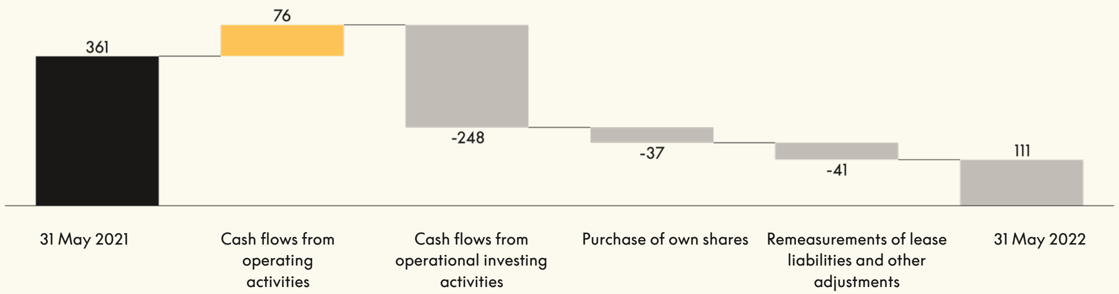
6.1 Net interest-bearing deposit/(debt)

Net interest-bearing deposit/(debt) consists of interest-bearing assets less interest-bearing debt. Interest-bearing assets consist of securities, cash, sublease and finance lease receivables. Interest-bearing debt consists of mortgage loans, bank loans, lease liabilities, and from Q2 2020/21 also the part of the Danish holiday pay provision for "Lønmodtagernes Feriemidler".

The Group has placed the majority of its cash in Danish mortgage bonds, all with an AAA S&P rating to minimise negative interest. To maintain short-term financial flexibility, the Group uses repo transactions, whereby the Group can access liquidity on an intra-day basis if needed by lending bonds to its bank in return for cash, while committing to a reverse transaction at a predetermined date in the future. Bonds are presented as securities on the balance sheet as ownership of the bonds remains with the Group during the term of the repo. The obligation to return cash for bonds under such repo transactions is recognised as short-term bank loans. At 31 May 2022, repo transactions amounted to DKK 276m (31 May 2021: DKK 20m).

Net interest-bearing deposit amounted to DKK 111m (31 May 2021: DKK 361m). The decrease was mainly due to the negative free cash flow of DKK 172m (2020/21: positive DKK 119m).

Change in net interest bearing deposit/(debt), DKKm



(DKK million)	31-05-22	31-05-21
Mortgage loans (non-current)	-58	-61
Mortgage loans (current)	-4	-4
Bank loans (current)	-276	-20
Lease liabilities (non-current)	-95	-117
Lease liabilities (current)	-39	-24
Other current liabilities*	-	-34
Interest-bearing debt	**-472**	**-260**
Finance lease receivables (non-current)	4	6
Finance lease receivables (current)	2	2
Cash (current)	162	178
Securities (current)	415	435
Interest-bearing assets	**583**	**621**
Net interest-bearing deposit/(debt)	**111**	**361**

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

Net available liquidity was DKK 301m (31 May 2021: DKK 593m), consisting of cash and securities offset by repo transactions.

(DKK million)	31-05-22	31-05-21
Cash (current)	162	178
Securities (current)	415	435
Bank loans (current)	-276	-20
Available liquidity	**301**	**593**

In addition to the Group's available liquidity, the Group held a revolving credit facility of DKK 150m (31 May 2021: DKK 100m) with its primary bank.

6.2 Financial instruments by category

(DKK million)	**31-05-22**	31-05-21
Non-current other receivables	27	24
Trade receivables	397	438
Other receivables	89	92
Cash	162	178
Financial assets at amortised cost	675	732
Securities	415	435
Fair value through income statement	415	435
Derivatives used for hedge accounting	9	1
Fair value through other comprehensive income	9	1
Financial assets	1,099	1,168
Other current liabilities	-	34
Mortgage loans	62	65
Bank loans	276	20
Lease liabilities	134	141
Trade payables	581	502
Financial liabilities at amortised cost	1,053	762
Derivatives used for hedge accounting	18	16
Fair value through other comprehensive income	18	16
Financial liabilities	1,071	777

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

Hedge accounting is only related to the management of foreign exchange rate risk.

(DKK million)	Less than one year	Between one and five years	More than five years	**Total**	**Carrying amount**
Contractual maturity analysis for financial liabilities					
31-05-22					
Mortgage loans	4	13	45	62	62
Lease liabilities	45	90	15	150	134
Bank loans	276	-	-	276	276
Trade payables	581	-	-	581	581
31-05-21					
Mortgage loans	4	14	47	65	65
Lease liabilities	37	83	27	147	141
Bank loans	20	-	-	20	20
Trade payables	502	-	-	502	502

Accounting policies

Financial assets include loans, receivables, securities and cash. Loans and receivables are initially recognised at fair value, including direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix to calculate the minimum impairment, which includes impairment for not-due receivables. For other receivables and loans, a write-down is made for expected losses based on specific individual or Group assessments.

Financial liabilities are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities.

Securities comprise bonds that are measured at market value on an ongoing basis in conformity with the Group's investment policy. Changes in market value are recognised in profit/(loss) for the year as financial income and expenses. Purchase and sale of securities are recognised at the settlement date.

For listed securities, market value equals the market price, and for unlisted securities, market value is estimated based on generally accepted valuation methods and market data.

Divested securities where repurchase agreements have been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held (Level 1). The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit/(loss) for the year over the term as interest. The return on the securities is recognised in profit/(loss) for the year.

6.3 Mortgage loans and lease liabilities

(DKK million)	Nominal interest value	Year of maturity	31-05-22 Carrying amount	31-05-21 Carrying amount
Terms and repayment schedule				
Fixed rate loans, DKK	-0.4%	2040	62	65
Total loans			62	65

(DKK million)	31-05-20	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-21	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-22
Terms and repayment schedule									
Lease liabilities	179	-40	2	-	141	-36	29	-	134
Long-term borrowings	65	-	-	-4	61	-	-	-4	58
Short-term borrowings	4	-4	-	4	4	-4	-	4	4
Settlement to other liabilities	34	-	-	-	34	-34	-	-	-
Bank loans	-	20	-	-	20	256	-	-	276
Total	282	-24	2	-	260	182	29	-	472

The Group has a mortgage loan with a three-year interest refinancing period. During 2021/22, no extraordinary repayments were made on the mortgage loan. The mortgage loan was most recently refinanced in 2019/20 at -0.4% plus contribution margin, providing an annual percentage rate of 1.0%.

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Accounting policies

Financial liabilities, including mortgage loans, are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discounts are recognised as financial expenses over the term of the loans.

6.4 Capital structure and share capital

	Number		Nominal value (DKK million)		% of share capital	
	2021/22	2020/21	**2021/22**	2020/21	**2021/22**	2020/21
Treasury shares						
1 June	2,112,372	2,317,014	11	23	1.8	5.4
Share capital reduction, cancellation of treasury shares	-	-2,273,449	-	-23	-	-5.3
Acquired in connection with long-term incentive programme	1,150,000	2,068,807	6	11	0.9	1.7
Granted share-based programme	-17,680	-	0	-	-	-
31 May	3,244,692	2,112,372	17	11	2.7	1.8

All treasury shares are owned by Bang & Olufsen A/S.

(DKK million)	**2021/22**	2020/21
Share repurchases for the year	37	42

The capital structure consists mainly of equity and working capital financing. The Group capital structure also includes minor mortgage financing of the HQ buildings in Struer.

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 existing and future commitments. In addition to the Group's capital structure, the Group holds a revolving credit facility of DKK 150m (31 May 2021: DKK 100m) with its primary bank.

During 2021/22, the Group purchased 1,150,000 shares totalling DKK 37m to hedge the Combined Performance and Retention Share Programme for 2021/22. The Group holds a total of 3,244,692 treasury shares for the purpose of hedging the value of its share-based programmes.

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

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Accounting policies

Dividend

Dividend is recognised as a liability at the time it is approved by the Annual General Meeting.

Treasury shares

Acquisition and selling prices for treasury shares and dividend received on these shares are recognised directly in equity under retained earnings.

Translation reserve

The translation reserve in the consolidated financial statements comprises exchange rate differences that occur when translating foreign subsidiaries' financial statements from their functional currency into the Group's presentation currency.

On disposal of net investments, the exchange rate differences on the individual investment are recognised in the income statement. The reserve is a distributable reserve.

Reserve for cash flow hedges

Reserve for cash flow hedges comprises accumulated changes in the fair value of derivative financial instruments that qualify for hedging of future cash flows, where the hedged position has not yet been realised. The changes in fair value are transferred to the income statement when the hedged positions are realised.

6.5 Financial items

(DKK million)	**2021/22**	2020/21
Interest income from banks	10	6
Other financial income	1	-
Financial income	11	**6**
Interest expenses to banks	-16	-16
Other financial expenses	-6	-11
Fair value adjustments of securities	-12	-7
Interest expenses on lease liabilities	-6	-7
Exchange rate loss, net	-25	-17
Financial expenses	-65	**-58**
Financial items, net	-54	**-52**

Financial income and expenses related to securities are measured at fair value. Financial income and expenses related to the remaining financial assets and liabilities are not measured at fair value.

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Accounting policies

Financial income and expenses include interest, fair value adjustment of securities, foreign currency gains and losses and impairment of securities, payables and foreign currency transactions as well as amortisation of financial assets and liabilities, including lease liabilities. Furthermore, realised and unrealised gains and losses on derivative financial instruments that cannot be classified as hedging contracts are included.

6.6 Provisions

(DKK million)	Warranty and fairness	Employee anniversary benefit	Other provisions	Total
At 31 May 2020	54	2	36	92
Provisions in the year	46	0	4	50
Provisions used during the year	-33	0	-21	-54
At 31 May 2021	67	2	19	88
Provisions in the year	52	0	6	58
Provisions used in the year	-36	0	-13	-49
At 31 May 2022	83	2	12	97
Maturity analysis for provisions				
Due between 1-5 years	34	2	5	41
Due after 5 years	-	-	-	-
Non-current provisions	34	2	5	41
Due within one year	49	0	7	56
At 31 May 2022	83	2	12	97

Provisions for warranty and fairness of DKK 83m were recognised at 31 May 2022 (31 May 2021: DKK 67m) to cover expected warranty and fairness claims. The size and timing of the provisions are based on previous experience of the level and timing of repairs and returns.

Other provisions of DKK 12m (31 May 2021: DKK 19m) related primarily to restructuring and legal provisions.

Critical accounting estimates and judgements

Bang & Olufsen repairs or replaces products that do not function satisfactorily both within the warranty period or in certain situations after the warranty period. Consequently, provisions made are for future repairs and returns. Provisions are made based on historical data for repairs and returns and based on management's judgements.

Future repairs and returns may differ from the historical pattern, but management has assessed that the estimate of provisions is reasonable and appropriate.

The Group provides 2-5 years of warranty on certain products and is therefore committed to repairing or replacing products that do not function satisfactorily. Some products are repaired after the end of the warranty period, and a provision is made regarding such potential fairness claims.

Accounting policies

Provisions comprise provisions for warranty, provisions for fairness and other provisions. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period.

Provisions are recognised when there is a legal or constructive obligation as a result of events in the financial year or previous years, and it is probable that an outflow of financial resources will be required to settle the obligation. Provisions are measured at the present value of the expected expenditure required to settle the obligation.

Section 7 Financial risk management

7.1 Financial risks

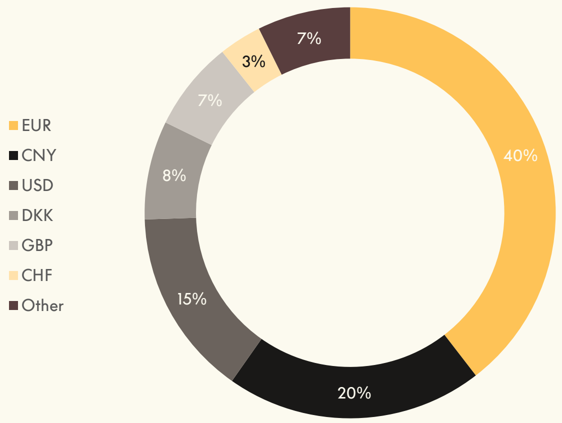
The Group has global activities that expose it to a range of financial risks.

The Group has centralised the management of financial risks. The overall objectives and policies for the Group's financial risk management are outlined in a Treasury guideline. Financial risk management is carried out by the Group Treasury department.

Foreign exchange rate risk

The Group's presentation currency is DKK, but the majority of its activities and investments are denominated in other currencies than DKK. Consequently, there is a substantial risk of exchange rate fluctuations having an impact on the Group's reported results.

The Group is subjected to transaction risk related to sales and purchases in foreign currencies, and translation risk when translating foreign entities into the Group's presentation currency.



In 2021/22, 92% of the Group's revenue (2020/21: 89%) was in foreign currencies.

Entities in	Functional currency	Change during 2021/22 (in %)
Eurozone	EUR	-0.05%
China	CNY	8.02%
US	USD	4.14%
UK	GBP	4.95%
Switzerland	CHF	2.60%

Changes in exchange rates increased revenue by 3.0% in 2021/22 (2020/21: decreased by 2.0%).

The Group is primarily exposed to currency risks related to the net inflow of CNY and the net outflow of USD. Due to DKK being pegged to EUR, the risk from EUR is considered to be low. According to the Group's Treasury guideline, up to 75% of the expected exposure is hedged using mainly FX forward contracts.

The Group only hedges commercial exposures and does not enter into derivative positions or transactions for trading or speculative purposes. The Group does not hedge balance sheet items (translation risk).

7.1 Financial risks (continued)

Interest rate risk
The Group's exposure to interest rate risk is considered to be limited and is subjected to ongoing evaluation and monitoring in accordance with the Treasury policy. The Group does not hold material levels of long-term interest-bearing debt, but in the current macroeconomic environment the Group's interest-bearing assets are impacted negatively. Increasing macroeconomic uncertainty and high inflationary pressure impact the market value of the Group's holdings of Danish mortgage bonds negatively, and as interest rates are increasing fast, the market value of the Group's bond portfolio is decreasing.

The Group's interest-bearing assets mainly consisted of bank deposits and securities. Bank deposits, which totalled DKK 162m (2020/21: DKK 178m), yield interest in the short-term money market, but as the Group had positive bank deposits mainly in DKK and EUR throughout the financial year, this resulted in a negative deposit interest rate. Securities, which totalled DKK 415m (2020/21: DKK 435m), consisted of a portfolio of bonds primarily held for maturity. The bond portfolio is recognised at fair value; hence the Group is exposed to an interest rate risk during the maturity of the bonds. During 2021/22, the value of the bond portfolio decreased by DKK 12m due to market value adjustments of the underlying bonds.

Interest-bearing debt consisted of bank loans of DKK 276m (2020/21: DKK 20m); mortgage debt of DKK 62m (2020/21: DKK 65m), with a floating rate that is fixed until March 2023; and lease liabilities of DKK 134m (2020/21: DKK 141m). At the end of the financial year, the Group's net interest-bearing deposit totalled DKK 111m (2020/21: DKK 361m), corresponding to 4% of the total financial position (2020/21: 16%).

See note 6.1 for further details on net interest-bearing deposit/(debt).

Credit risk
The Group is exposed to risks associated with commercial and financial counterparties. Financial instruments are entered into with counterparties with investment grade ratings. Similarly, the Group uses reputable insurance companies with investment grade ratings for insuring receivables.

Credit risk associated with trade receivables is managed centrally based on fixed procedures and guidelines. Credit limits are set as deemed appropriate for the individual customer, considering current local market conditions and individual risk profiles. To reduce credit risk, all commercial counterparts are subject to ongoing financial evaluation. The Group mainly utilises credit insurance to mitigate its credit risk, and 42% of total trade receivables were insured via credit insurance as of 31 May 2022.

The Group has a limited number of large key partners, which constitutes a concentration risk on receivables. Top 5 debtors accounted for 34% of total trade receivables (2020/21: 38%). The nature of the Group's business involves a few major key partners and several smaller important partners. Concentration risk is monitored closely and mitigated via credit insurance. Top 5 debtors are all long-standing partners with a good payment history and low credit risk.

For trade receivables, Bang & Olufsen applies the expected credit loss prescribed by IFRS 9. To measure the expected credit loss, trade receivables are assessed individually for credit risk characteristics and ageing of the receivable. In accordance with IFRS 9, not-due trade receivables are also tested for impairment. See note 4.2 for further details on trade receivables.

During 2021/22, the Group did not experience any significant bad debt losses directly related to COVID-19, nor any losses of significance in general. As a consequence of the Russian invasion of Ukraine, the Group immediately stopped all activities in Russia and focused on reducing risk and exposure due to the initial invasion and economic sanctions imposed. As a result, the Group did not experience any losses related to this event, nor will it experience any losses as all exposures have been eliminated.

7.1 Financial risks (continued)

Liquidity risk

Liquidity is managed centrally by Group Treasury and continually assessed. It is the objective to ensure that sufficient financial resources are available where and when needed.

At 31 May 2022, cash and cash equivalents amounted to DKK 162m (2020/21: DKK 178m). Including securities and repo, available liquidity amounted to DKK 301m (2020/21: DKK 593m).

The Group has a committed revolving credit facility with its main bank as part of its capital and liquidity readiness. The facility was only partially drawn and only utilised for extending bank guarantees etc. to third parties. The credit facility was refinanced in May 2022, in which the commitment was increased to DKK 150m (31 May 2021: DKK 100m) and with an extended duration of two years plus an option for one additional year.

Commodity risk

The Group is mainly exposed to commodity risk through its energy consumption and purchase of raw materials. Macroeconomic events during 2021/22 affected commodity risk so that instead of being mainly a price risk it was both a price and a supply risk.

The largest exposure to changes in the market price of raw materials is from the purchase of aluminium. The total purchase of aluminium raw material corresponded to approximately 5% of the Group's production costs (2020/21: 3%). The Group is mitigating the price and supply risk by purchasing aluminium in larger quantities to provide better price stability and ensure a sufficient supply of aluminium to meet production requirements.

During 2021/22, the Group had an increased focus on energy risk, as energy markets were affected by macroeconomic events. The Group has taken several precautionary measures to manage energy risk, e.g. by starting to switch from natural gas to green electricity to mitigate both price and supply risk.

The Group does not mitigate commodity risk using financial derivatives or contracts but mitigates its commodity risk through pricing and ordering agreements with key suppliers.

7.2 Sensitivity analysis

Interest rate sensitivity

A one percentage point increase in the interest rate is estimated to have an effect of a negative DKK 3.3m on financial items (2020/21: negative DKK 6.0m). The effect is mainly driven by securities, which consist of a portfolio of fixed and floating rate bonds. Increased interest from floating rate bonds would drive a DKK 2.4m increase (2020/21: DKK 3.0m), offset by a fair value adjustment of a negative DKK 6.0m (2020/21: negative DKK 10.0m). The effect from other interest-bearing debt and deposits would be DKK 0.3m (2020/21: DKK 1.0m), mainly driven by bank deposits.

The estimate is calculated on an all-else-equal basis and assumes a parallel change in all relevant yield curves.

Exchange rate sensitivity

The effects on revenue and earnings are derived from changes in selected currencies compared to average annual rates. The effect on equity is derived from changes in the 31 May 2022 closing rates for selected currencies. The estimates on an unhedged basis are presented below.

		2021/22			2020/21		
(DKK million)	Increase	Revenue	Earnings before tax	Equity before tax	Revenue	Earnings before tax	Equity before tax
USD	5.0%	22	-17	5	18	-24	4
GBP	5.0%	10	8	2	8	6	1
CNY	5.0%	30	30	11	28	26	10
CHF	5.0%	5	5	2	7	7	2
Other	5.0%	11	9	0	6	6	1
Total		78	35	20	**67**	**21**	**18**

7.3 Derivative financial instruments

Derivative financial instruments comprise primarily foreign exchange contracts used to hedge the foreign exchange risk related to unrecognised future transactions. The value adjustments from forward contracts affect the income statement on a monthly basis throughout the hedging period.

For information on financial risks and management of those risks, see note 7.1.

Derivatives contracted by the Group to hedge the foreign exchange risk related to future transactions are specified below:

	31-05-22					31-05-21				
(DKK million)	Net exposure	Hedging period	Average hedging rate	Fair value	Contract value	Net exposure	Hedging period	Average hedging rate	Fair value	Contract value
Foreign exchange forward contracts										
USD	Negative	12 months	6.56	7	154	Negative	12 months	6.18	-4	236
GBP	Positive	12 months	8.70	0	73	Positive	12 months	8.42	-1	70
CHF	Positive	12 months	7.04	-1	43	Positive	12 months	6.77	0	54
CNY	Positive	12 months	0.98	-13	279	Positive	12 months	0.91	-9	241
SGD	Negative	12 months	4.93	0	20	Negative	12 months	4.67	0	15
Total				-7	569				-14	616
Foreign exchange swaps										
USD/DKK				-	-				-	28
USD/DKK				-	-				-1	-13
GBP/DKK				0	11				-	6
CHF/DKK				0	10				-	13
CHF/DKK				-	-				-	-4
SGD/DKK				-	-				-	2
SGD/DKK				-	-				-	-2
CNY/DKK				-2	35				-	-
CNY/DKK				0	-4				-	-
Total				-2	52				-1	30
Derivatives for hedging				-9	621				-15	646

7.3 Derivative financial instruments (continued)

The fair value of derivative financial instruments is recognised in the statement of financial position as follows:

(DKK million)	31-05-22	31-05-21
Other receivables, current	9	1
Other liabilities, current	-18	-16
Total	-9	-15

The fair value is based on observable market data and is part of level 2 in the fair value hierarchy.

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input, other than listed prices on level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Input for the asset or liability is unobservable and not based on market data input

The derivatives are not traded on an active market based on quoted prices but are individual contracts. The fair value of these assets is determined using valuation techniques that apply market data such as exchange rates, credit risk and volatilities.

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Accounting policies

Derivative financial instruments are recognised on the trading date at fair value and subsequently measured at fair value at the reporting date. The fair value of derivative financial instruments is recognised under other receivables or other financial liabilities, respectively, in the statement of financial position. The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised.

When realised, the accumulated gains/losses are transferred to the items under which the hedged transactions are recognised.

The ineffective portion of hedge transactions and changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as financial income or expenses.

Section 8 Other disclosure requirements

8.1 Fees to auditors

(DKK million)	**2021/22**	2020/21
Statutory audit	3.2	3.2
Other assurance services	0.1	0.2
Other services	0.6	1.4
Total	3.9	4.8

Fees for services other than statutory audit of the financial statements provided by EY to the Bang & Olufsen Group mainly consist of fees related to ad hoc projects.

8.2 Earnings per share

(1,000 shares)	**2021/22**	2020/21
Earnings for the year, DKKm	-30	-23
Average number of shares outstanding	122,772	122,772
Dilutive effect of average outstanding shares	-	-
Average number of shares outstanding, including dilutive effect	122,772	122,772
Earnings per share (EPS), DKK	-0.2	-0.2
Earnings per share, diluted (EPS-D), DKK	-0.2	-0.2

8.3 Contingent liabilities, collateral and other financial commitments

Bang & Olufsen Group has issued guarantees in an amount of DKK 89m (2020/21: DKK 93m). The guarantees mainly relate to a rent obligation related to the formerly owned Czech production facility and bank guarantees.

Mortgage and securities

Land and buildings were mortgaged for an amount of DKK 62m (2020/21: DKK 65m) as security for DKK 62m of the Group’s mortgage loan (2020/21: DKK 65m).

Other tangible assets relating to land and buildings are included in mortgage loans. The carrying amount of the Group’s mortgaged land and buildings was DKK 97m (2020/21: DKK 103m).

When entering into repo transactions with its bank, Bang & Olufsen uses a proportional part of its securities as collateral against the repo transaction with the bank. At 31 May 2022, repo transactions amounted to DKK 276m.

The Group has pledged inventories and debtors as security for its committed credit facility with its bank via a Danish first priority floating charge (in Danish: virksomhedspant) amounted to DKK 100m, and a Dutch floating charge over its finished goods inventory located in the Netherlands.

Legal and arbitration proceedings

In the ordinary course of its business, the Group is and will from time to time become involved in discussions, disputes and legal proceedings, including claims relating to e.g. commercial counterparties, employees, intellectual property infringement or violations and other business-related disputes.

The results of such disputes and legal proceedings may be hard to predict, and the Group’s assessment of relevant disputes and proceedings may change as they unfold. The Group expenses legal fees as incurred and records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any material legal matter may result in damages being awarded, injunctions and/or termination of product lines, all of which could have financial implications exceeding any provisions made and thus an adverse effect on the Group’s business, operating results, cash flow and financial position.

The Group is currently engaged in discussions involving claims against the Group regarding alleged infringements of third-party rights in relation to specific jurisdictions and specific ranges of the Group’s present and past products and features and technologies included therein. The Group is also a party to claims involving the termination of certain retail partners in some jurisdictions. Such claims are not uncommon in the industry, and the Group addresses and defends itself against such claims as part of its ordinary course of business, assisted by external advisors where necessary. While by their nature such claims could potentially have a significant adverse effect on the Group in case of an unfavourable outcome, it is the Group’s current expectation that none of these claims will have such an effect.

8.4 Related parties

The Bang & Olufsen Group has no related parties with control over the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors, the Executive Management Board and other key management personnel.

Board of Directors, Executive Management Board and other key management personnel

No significant transactions were made in 2021/22 other than ordinary remuneration, as described in notes 3.2 and 3.3, and sales of products on employee terms and conditions.

Other transactions

No transactions with related parties took place.

8.5 Events after the reporting period

As described in the company's outlook for the financial year 2022/23, Bang & Olufsen is facing higher than normal risks and uncertainties. These are factors such as the duration of the COVID-19 pandemic, and the potential impact in the company's different geographical markets and on supply chain and logistics, currently especially related to China. Furthermore, Russia’s war against Ukraine could potentially impact consumer demand in some countries. Inflation has also increased, leading to higher input prices in day-to-day operations. The company is working actively to mitigate these implications, but there may be a financial impact from these risks.

Except as described above or elsewhere in this annual report, no events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the consolidated financial statements.

8.6 Companies in the Bang & Olufsen Group

Company name	Domicile	Currency	Share capital in local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Denmark (domicile country)					
Bang & Olufsen A/S	Struer, DK	DKK	613,860,435		
Bang & Olufsen Operations A/S	Struer, DK	DKK	156,000,000	100.0%	
Bang & Olufsen Danmark A/S	Struer, DK	DKK	3,000,000	100.0%	
B&O PLAY A/S	Struer, DK	DKK	7,500,000	100.0%	
EMEA					
Bang & Olufsen AS	Oslo, NO	NOK	3,000,000	100.0%	
Bang & Olufsen Svenska AB	Stockholm, SE	SEK	4,150,000	100.0%	
Bang & Olufsen Deutschland G.m.b.H.	Unterhaching, DE	EUR	1,022,584	100.0%	
Bang & Olufsen AG	Urdorf, CH	CHF	200,000	100.0%	
Bang & Olufsen Ges. m.b.H	Vienna, AT	EUR	1,744,148	100.0%	
Bang & Olufsen UK Ltd.	London, GB	GBP	2,600,000	100.0%	2
Bang & Olufsen France SAS	Paris, FR	EUR	3,585,000	100.0%	1
Bang & Olufsen España S.A.	Madrid, ES	EUR	1,803,036	100.0%	
Bang & Olufsen Italia S.r.l.	Milan, IT	EUR	10,000	100.0%	
S.A. Bang & Olufsen Belgium N.V.	Brussels, BE	EUR	942,000	100.0%	
Bang & Olufsen B.V.	Amsterdam, NL	EUR	18,000	100.0%	
Americas					
Bang & Olufsen America Inc.	New York, NY, US	USD	34,000,000	100.0%	3
Asia					
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100.0%	
Bang & Olufsen Enterprise Management (Shanghai) Co. Ltd	Shanghai, CN	CNY	67,000,000	100.0%	
Bang & Olufsen Limited	Hong Kong, HK	HKD	1,000,000	100.0%	
Bang & Olufsen Japan KK	Tokyo, JP	JPY	10,000,000	100.0%	
Bright Future International Limited	Hong Kong, HK	HKD	1	100.0%	
Jingji Trading (Shanghai) Ltd., Co.	Shanghai, CN	CNY	955,696	100.0%	

8.7 Key figure definitions

Item	Key figures and ratios	Definition
1	EBIT	Earnings before interest and tax (result before financial items and income taxes)
2	EBIT before special items	Earnings (profit) before interest, tax and special items
3	EBIT margin	EBIT as a percentage of revenue
4	EBIT margin before special items	EBIT before special items as a percentage of revenue
5	EBITDA	Earnings (profit) before interest, tax, depreciation, amortisation and impairment
6	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortisation, impairment and special items
7	EBITDA margin	EBITDA as a percentage of revenue
8	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
9	Gross margin	Gross profit as a percentage of revenue
10	Growth in local currencies	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
11	Earnings per share (EPS)	Result attributable to shareholders of Bang & Olufsen A/S relative to average number of outstanding shares
12	Diluted earnings per share	Result attributable to shareholders of Bang & Olufsen A/S as a percentage of diluted average number of outstanding shares
13	Price/earnings	Share price/Earnings per share (nom. DKK 5)
14	Incurred development costs ratio	Incurred development costs before capitalisation as a percentage of revenue
15	Operating expenses	Production costs, development costs, distribution and marketing costs and administrative costs
16	Capacity costs	Development costs, distribution and marketing costs and administrative costs
17	Capacity cost ratio	Capacity costs as a percentage of revenue
18	Net interest-bearing deposit/(debt)	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash
19	Available liquidity	Cash and securities, offset by repo transactions
20	Free cash flow	Cash flow from operating activities less cash flow from operational investments
21	Return on assets, %	Earnings for the year x 100/Assets
22	Return on equity, %	Earnings for the year x 100/Equity
23	Invested capital	Net working capital, tangible assets and intangible assets excl. goodwill
24	ROIC excl. goodwill, %	Net operating profit after tax x 100/Invested capital, excl. goodwill
25	Working capital	Current assets less current liabilities (excluding interest-bearing items and provisions)
26	Working capital ratio	Average working capital LTM (latest twelve months) as a percentage of revenue

8.7 Key figure definitions (continued)

Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures that are not defined under IFRS. A reconciliation from these alternative performance measures to the nearest IFRS measure is presented below.

Growth in local currencies

Growth in local currencies reflects the underlying performance of the Group. As such, this excludes the impact of acquisitions or divestments and foreign exchange movements. Below is a reconciliation from the movement in reported revenue according to IFRS.

(Percentage)	**2021/22**	2020/21
Revenue growth (according to P&L)	12	29
Foreign exchange	-2	2
Growth in local currencies	10	**31**

Operating performance

In addition to measuring the Group's financial performance based on its operating result, EBIT and EBITDA before special items are also used.

We consider EBITDA to be a useful measure because it approximates the underlying performance by eliminating depreciation and amortisation. The adjusted EBITDA figures are used in order to be comparable year over year, due to the implementation of new accounting standards and the elimination of special items that are not comparable year over year.

(DKK million)	**2021/22**	2020/21
EBIT	46	19
Depreciation, amortisation and impairment	211	184
EBITDA	257	**203**
Special items, net	8	19
EBITDA before special items	265	**222**
EBIT	46	19
Special items, net	8	19
EBIT before special items	54	**38**

Parent company financial statements

Income statement and statement of comprehensive income

1 June – 31 May

(DKK million)	Notes	2021/22	2020/21
Revenue	3	513	400
Production costs	4, 5, 6	-49	-46
Gross profit		464	354
Development costs	4, 5, 6	-265	-248
Distribution and marketing costs	4, 5, 6	-227	-212
Administrative costs	4, 5, 6	-121	-113
Operating profit/(loss) (EBIT)		-149	-219
Income from investment in subsidiaries		860	-
Financial income	9	12	5
Financial expenses	9	-65	-61
Financial items, net		-53	-56
Earnings before tax (EBT)		658	-275
Income tax	10	19	64
Earnings for the year		677	-211
Total comprehensive income for the year		677	-211
Distribution of profit/(loss) for the year:			
Reserve for development costs		38	40
Retained earnings		639	-251
Total		677	-211

Statement of financial position

Assets

(DKK million)	Notes	31-05-22	31-05-21
Acquired rights		50	32
Completed development projects		97	110
Development projects in progress		138	76
Intangible assets	11	285	218
Property, plant and equipment	11	81	53
Right-of-use assets	12	13	16
Tangible assets		94	69
Investment properties		36	36
Investment in subsidiaries		607	607
Deferred tax assets	10	32	47
Total non-current assets		1,054	977
Trade receivables		55	33
Tax receivable		181	133
Interest-bearing receivables from subsidiaries		245	-
Other receivables		42	9
Prepayments		12	6
Securities		415	435
Cash		0	0
Assets held for sale	15	-	21
Total current assets		950	637
Total assets		2,004	1,614

Equity and liabilities

(DKK million)	Notes	31-05-22	31-05-21
Share capital	17	613	613
Reserve for development costs		208	170
Retained earnings		56	-559
Total equity		877	224
Lease liabilities	12, 18	7	10
Deferred tax	10	13	-
Provisions		2	1
Mortgage loans		58	61
Non-current other liabilities		15	15
Total non-current liabilities		95	87
Lease liabilities	12, 18	7	6
Mortgage loans	18	4	4
Bank loans	20	761	294
Interest-bearing debt to subsidiaries	20	47	753
Trade payables	20	121	126
Provisions		6	5
Other liabilities		86	115
Total current liabilities		1,032	1,303
Total liabilities		1,127	1,390
Total equity and liabilities		2,004	1,614

Statement of cash flows

1 June – 31 May

(DKK million)	Notes	2021/22	2020/21
Earnings before tax (EBT)		658	-275
Financial items, net		53	56
Income from investment in subsidiaries		-860	-
Depreciation, amortisation and impairment		122	97
Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA)		-27	-122
Other non-cash items		-4	10
Change in net working capital		-95	-4
Change in interest-bearing receivables from subsidiaries		-245	37
Change in interest-bearing debt from subsidiaries		-706	-22
Interest received		12	5
Interest paid		-34	-43
Income tax paid		-	6
Cash flows from operating activities		-1,099	-133
Purchase of intangible non-current assets		-170	-129
Purchase of tangible non-current assets		-19	-9
Income from investment in subsidiaries		860	-
Operational investments		671	-138
Free cash flow		-428	-271
Purchase of securities		-447	-495
Sale of securities		456	50
Financial investments		9	-445
Cash flows from investing activities		680	-583

(DKK million)	Notes	2021/22	2020/21
Repayment of lease liabilities	18	-6	-6
Repayment of mortgage loans	18	-4	-4
Proceeds from loans and borrowings	18	923	746
Repayment of loans and borrowings	18	-456	-452
Purchase of own treasury shares		-37	-42
Capital increase		-	359
Cash flows from financing activities		420	601
Cash and cash equivalents, opening balance		0	116
Exchange rate adjustment, cash and cash equivalents		-1	-1
Change in cash and cash equivalents		1	-115
Cash and cash equivalents, closing balance		0	0

Statement of changes in equity

1 June – 31 May

(DKK million)	Share capital	Reserve for development costs	Retained earnings	**Total**
Equity 1 June 2021	613	170	-559	224
Earnings for the year	-	38	639	677
Comprehensive income for the year	-	38	639	677
Share-based payments	-	-	13	13
Purchase of own shares	-	-	-37	-37
Equity 31 May 2022	613	208	56	877
Equity 1 June 2020	432	130	-466	96
Earnings for the year	-	40	-251	-211
Comprehensive income for the year	-	40	-251	-211
Cancellation of shares	-23	-	23	-
Reduction of share capital	-205	-	205	-
Rights issue	409	-	-	409
Costs related to rights issue	-	-	-50	-50
Share-based payments	-	-	13	13
Tax related to LTI programme	-	-	3	3
Purchase of own shares	-	-	-36	-36
Equity 31 May 2021	613	170	-559	224

Notes

1 Accounting policies

Bang & Olufsen A/S is a Danish company. The company reports in accordance with the rules and principles for accounting class D. The Annual Report is published on 6 July 2022 and will be presented to the shareholders for approval at the Annual General Meeting.

The financial statements of Bang & Olufsen A/S for 2021/22 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies.

Accounting policies are unchanged from last year and identical to the accounting policies for the Group, with the following exceptions:

Accounting policies different from the Group

Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the carrying amount is reduced to this lower amount. Gains or losses on sale of investments in subsidiaries are calculated as the difference between the carrying amount of the sold investment and the fair value of the proceeds from the sale.

Dividends

Dividends from investments in subsidiaries are recognised when the final right to receive the dividends is established. This is typically at the time of the Annual General Meeting's approval of the distribution of dividend from the company in question. Dividends are recognised as a liability at the time of their approval by the Annual General Meeting.

Investment properties

Investment properties are held to earn rental income or capital appreciation. Investment properties consist of a number of properties that are owned for the purpose of renting them mainly to other Group companies. Investment properties are measured at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight-line basis over 40 years.

Changes in accounting policies

The description in note 1.3 to the consolidated financial statements regarding new standards issued effective for the 2021/22 Annual Report fully covers the Parent Company as well.

2 Critical accounting estimates and judgements

When applying the Parent Company's accounting policies, management is required to make a number of accounting assessments and estimates and to make assumptions about the carrying amounts of certain assets and liabilities and recognised revenue and costs, which cannot be derived directly from other sources. Significant judgements are made when assessing development projects and deferred tax assets.

Management bases its estimates and assumptions on historical experience and other relevant factors that are believed to be reasonable under the given circumstances. The actual outcome can differ from these estimates.

Estimates made and the underlying assumptions are reviewed on a continuous basis. Changes made to accounting estimates are recognised in the financial period in which the change takes place and future financial periods, if the change affects both the period in which the change takes place and future financial periods.

For further accounting estimates and judgements regarding the war in Ukraine and the COVID-19 situation in China, please see note 1.2 to the consolidated financial statements.

The following accounting estimates and judgements are assessed to be material for the parent company financial statements.

Development projects

Development costs are capitalised only after the technical and commercial feasibility of the projects has been established. In connection with the capitalisation of development costs, the expected useful life of the products is determined. Management has assessed that the amortisation period is usually 2-6 years.

Deferred tax assets

Deferred tax assets are recognised in the balance sheet at the value the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, an assessment is made of whether it is probable that sufficient taxable income will be generated in future, so that the deferred tax asset can be utilised.

3 Revenue

(DKK million)	**2021/22**	2020/21
Geographical breakdown:		
Denmark	384	285
Rest of world	129	115
Total	513	**400**
Breakdown by nature:		
Sale of services	-	12
Royalty	445	326
Rental income	68	62
Total	513	**400**

4 Staff costs

(DKK million)	**2021/22**	2020/21
Wages and other remuneration	318	300
Share-based payments	13	13
Pensions	23	19
Other social security costs	3	3
Total staff costs	357	**335**
Staff costs relate to:		
Production costs	29	31
Development costs	156	120
Distribution and marketing costs	87	90
Administrative costs	85	94
Total staff costs	357	**335**
Average number of employees	400	352

All pension costs relate to defined contribution plans. Pension contributions, which can either be a fixed amount or a fixed percentage of the monthly salary, are recognised in the income statement as they are paid to independent pension insurance companies. Any unpaid contribution is recognised in the balance sheet as a liability. Once the contributions have been paid, the company has no further obligations and the individual employee carries the risk for the value of the pension insurance at retirement.

See note 3.2 to the consolidated financial statements for further information about the remuneration of the Board of Directors, the Executive Management Board and other key employees.

5 Development costs

(DKK million)	**2021/22**	2020/21
Incurred development costs before capitalisation	314	277
Of which capitalised	-138	-106
Incurred development costs after capitalisation	176	171
Capitalisation (%)	43.9%	38.1%
Total amortisation and impairment losses on development projects	89	77
Development costs recognised in the income statement	265	248

6 Depreciation, amortisation and impairment

(DKK million)	**2021/22**	2020/21
Depreciation, amortisation and impairment		
Intangible assets, amortisation	103	80
Property, plant and equipment, depreciation	9	8
Investment properties, depreciation	3	3
Right-of-use assets, depreciation	7	6
Total	122	**97**
Depreciation, amortisation and impairment relate to:		
Production costs	8	7
Development costs	95	79
Distribution and marketing costs	12	5
Administrative costs	7	6
Total	122	**97**

7 Government grants

(DKK million)	**2021/22**	2020/21
Government grants	-	4
Breakdown by function:		
Production costs	-	1
Development costs	-	1
Distribution and marketing costs	-	1
Administrative costs	-	-
Financial expenses	-	1
Total	-	**4**

No government grants were received in 2021/22.

Government grants in 2020/21 were related to Danish COVID-19 packages of DKK 4m.

8 Special items

(DKK million)	**2021/22**	2020/21
Severance, Executive Management Board	4	1
Restructuring costs and severance	2	2
Consultants	2	16
Total	8	19

(DKK million)	**2021/22**	2020/21
Production costs	3	4
Development costs	3	10
Distribution and marketing costs	1	4
Administrative costs	1	1
Total	8	19

Special items consist of expenses related to restructuring or structural changes that Bang & Olufsen does not consider to be a part of its ordinary operations such as redundancies and specific consultancy costs.

9 Financial items

(DKK million)	**2021/22**	2020/21
Interest income from banks	9	4
Interest income from subsidiaries	1	1
Other financial income	2	-
Financial income	12	**5**
Interest expenses	-29	-18
Interest expense to subsidiaries	-15	-25
Interest expenses on lease liabilities	-1	-
Exchange rate losses, net	-20	-18
Financial expense	-65	**-61**

Financial income and expenses related to securities are measured at fair value. Financial income and expenses related to the remaining financial assets and liabilities are not measured at fair value.

10 Tax

(DKK million)	2021/22	2020/21
Tax for the year		
Current tax	-44	-56
Change in deferred tax during the year	8	-7
Adjustments to tax for prior years	17	-1
Total	-19	-64

	2021/22		2020/21	
	%	DKKm	%	DKKm
Effective tax rate for the year				
Calculated tax on result for the year before tax	22.0%	145	22.0%	-61
Non-deductible costs and non-taxable income	-27.8%	-183	0.7%	-2
Adjustments to prior periods	2.7%	17	0	-1
Other	0.3%	2	-0.1%	-
Effective tax rate for the year	-2.8%	-19	23.0%	-64

	Assets		Liabilities		Net assets	
(DKK million)	31-05-22	31-05-21	31-05-22	31-05-21	31-05-22	31-05-21
Deferred tax						
Non-current assets	-	-	13	2	-13	-2
Tax loss carryforwards	6	19	-	-	6	19
Other	26	30	-	-	26	30
Total	32	49	13	2	19	47

For the assessment of the future utilisation of deferred tax assets, see note 2.5 to the consolidated financial statements.

(DKK million)	2021/22	2020/21
Change in deferred tax, net during the year		
Non-current assets	-11	-22
Tax loss carryforwards	-13	13
Other	-4	19
Total	-28	10

At 31 May 2022, the net deferred tax asset totalled DKK 19m (31 May 2021: DKK 47m). The decrease of DKK 26m was mainly due to a decrease in tax loss carryforwards.

11 Intangible assets and property, plant and equipment

(DKK million)	Acquired rights	Completed development projects	Development projects in progress	**Intangible assets**	Land and buildings	Other tangible assets	**Property, plant and equipment**
Cost							
At 1 June 2020	113	639	59	811	110	95	205
Additions	23	42	64	129	-	3	3
Disposals	-	-156	-	-156	-	-	-
Completed development projects and assets	3	47	-47	3	-	-5	-5
At 31 May 2021*	139	572	76	787	110	93	203
Additions	32	16	122	170	-	16	16
Disposals	-	-38	-	-38	-	-	-
Reclassification of assets from assets held for sale to land and buildings	-	-	-	-	83	-	83
Completed development projects and assets	-	60	-60	-	1	-1	-
At 31 May 2022*	**171**	**610**	**138**	919	**194**	**108**	302
Depreciation, amortisation and impairment							
At 1 June 2020	-104	-541	-	-645	-58	-84	-142
Amortisation and depreciation	-3	-77	-	-80	-6	-2	-8
Disposals	-	156	-	156	-	-	-
At 31 May 2021	-107	-462	-	-569	-64	-86	-150
Reclassification of assets from assets held for sale to land and buildings	-	-	-	-	-62	-	-62
Amortisation and depreciation	-14	-89	-	-103	-7	-2	-9
Disposals	-	38	-	38	-	-	-
At 31 May 2022	**-121**	**-513**	-	-634	**-133**	**-88**	-221
Carrying amount							
At 31 May 2022	**50**	**97**	**138**	285	61	20	81
At 31 May 2021	32	110	76	218	46	7	53

*There are no contractual obligations regarding the purchase of property, plant and equipment.

12 Right-of-use assets

(DKK million)	Land and buildings	Other equipment	Total
Costs			
At 1 June 2020	7	6	13
Additions	-	1	1
Remeasurements	14	-	14
Terminations	-	-1	-1
At 31 May 2021	**21**	**6**	**27**
Additions	2	2	4
Terminations	-	-2	-2
At 31 May 2022	**23**	**6**	**29**
Depreciation , amortisation and impairment			
At 1 June 2020	-4	-2	-6
Depreciation	-4	-2	-6
Terminations	-	1	1
At 31 May 2021	**-8**	**-3**	**-11**
Depreciation	-5	-2	-7
Terminations	-	2	2
At 31 May 2022	**-13**	**-3**	**-16**
Carrying amount			
At 31 May 2022	**10**	**3**	**13**
At 31 May 2021	13	3	16

See note 18 for a maturity analysis for lease liabilities.

(DKK million)	**2021/22**	2020/21
Amounts recognised in the income statement:		
Interest expenses	-1	-
Lease liabilities		
Non-current	7	10
Current	7	6
Total lease liabilities	**14**	**16**

Repayments of lease liabilities amounted to DKK 6m in 2021/22 (2020/21: DKK 6m). Expenses relating to short-term and low-value leases were insignificant.

13 Investment properties

(DKK million)	
Cost	
At 1 June 2020	166
Additions	6
Completed assets	2
At 31 May 2021	174
Additions	3
Completed assets	0
At 31 May 2022	**177**
Depreciation and impairment	
At 1 June 2020	-135
Depreciation during the year	-3
At 31 May 2021	-138
Depreciation during the year	-3
At 31 May 2022	**-141**
Net book value	
At 31 May 2022	**36**
At 31 May 2021	36

Investment properties consist of a number of properties that are owned for the purpose of renting them to other Group companies and, to some extent, external parties.

All investment properties are located in Struer, Denmark, and are used for production, warehousing and offices. Due to the size and type of the buildings and the location of the investment properties, there is no active market for these, and it is consequently not possible to estimate their fair value, since the fair value is completely dependent on the Group companies' continued use of the properties. Independent valuers have not been used.

There are no contractual obligations to purchase, construct or develop investment properties.

Rental income of DKK 68m was received from investment properties in 2021/22 (2020/21: DKK 62m). Directly attributed operating expenses were DKK 26m (2020/21: DKK 25m).

Investment properties are leased to the subsidiaries. The lease term is 3-34 months.
According to the existing leases, rental income of DKK 15m will be received in the three months that are included in the lease term.

14 Impairment of non-current assets

Intangible and tangible assets – impairment losses during the year
No impairment losses were recognised in 2021/22 or 2020/21.

The assessment of the recoverable amount of intangible assets is based on calculations of the value in use of the assets. The value is calculated based on the expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 7.5% (2020/21: 10.0%).

Financial assets – impairment losses during the year
No impairment losses were recognised on non-current financial assets in 2021/22 or 2020/21.

15 Assets held for sale

There were no assets held for sale at 31 May 2022. The building included in assets held for sale at 31 May 2021 was also presented as held for sale for the Group. See note 5.3 to the consolidated financial statements.

16 Investments in subsidiaries

(DKK million)	**31-05-22**	31-05-21
Bang & Olufsen Operations A/S	600	600
B&O Play A/S	7	7
Total	607	**607**

At 31 May 2022, investments in subsidiaries amounted to DKK 607m (31 May 2021: DKK 607m). There were no acquisitions or disposals in 2021/22 (2020/21: none).

See note 8.6 to the consolidated financial statements for an overview of Group companies.

17 Share capital

At 31 May 2022, the share capital consisted of 122,772,087 shares (31 May 2021: same) with a nominal value of DKK 5 each. Each share entitles the holder to one vote. No shares carry special rights. There are no limitations to transferability and no voting restrictions. All shares are listed on Nasdaq Copenhagen.

	Number		Nominal value (DKK million)		% of share capital	
	2021/22	2020/21	**2021/22**	2020/21	**2021/22**	2020/21
Treasury shares						
1 June	2,112,372	2,317,014	11	23	1.8	5.4
Share capital reduction, cancellation of treasury shares	-	-2,273,449	-	-23	-	-5.3
Acquired in connection with long-term incentive programme	1,150,000	2,068,807	6	11	0.9	1.7
Granted matching shares programme	-17,680	-	0	-	-	-
31 May	3,244,692	2,112,372	17	11	2.7	1.8

All treasury shares are held by Bang & Olufsen A/S.

At 31 May 2022, the following investors had reported holdings of more than 5% of Bang & Olufsen A/S's share capital:

Major shareholders, 31 May 2022
Three shareholders have notified Bang & Olufsen that they hold more than 5% of the company's share capital.

More than 10%:
- Sparkle Roll (Denmark) Limited
- Tillægspension

More than 5%:
- Chr. Augustinus Fabrikker Aktieselskab

18 Mortgage loans and lease liabilities

(DKK million)	Nominal interest value	Year of maturity	31-05-22 Carrying amount	31-05-21 Carrying amount
Terms and repayment schedule				
Fixed-rate loans, DKK	-0.4%	2040	62	65
Total loans			62	65

The company had a mortgage loan with a three-year interest refinancing period. No extraordinary repayments were made on the mortgage loan in 2021/22. In 2020/21, the interest on mortgage loans was refinanced at -0.4% plus a contribution margin, providing an annual percentage rate of 1.0%.

(DKK million)	31-05-20	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-21	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-22
Terms and repayment schedule									
Repayment of lease liabilities	8	-6	14	-	16	-6	4	-	14
Long-term borrowings	65	-	-	-4	61	-	-	-4	58
Short-term borrowings	4	-4	-	4	4	-4	-	4	4
Bank loans	-	294	-	-	294	467	-	-	761
Total	77	284	14	-	375	457	4	-	837

19 Share-based payments

The matching share programmes described in note 3.3 to the consolidated financial statements are issued by Bang & Olufsen A/S.

The majority of the matching shares are granted to employees in Bang & Olufsen A/S. An amount of DKK 13m (2020/21: DKK 13m) was recognised in the year as part of staff costs.

20 Financial instruments by category

(DKK million)	**31-05-22**	31-05-21
Trade receivables	55	33
Interest-bearing receivables from subsidiaries	245	-
Cash	0	0
Financial assets at amortised cost	300	**33**
Securities	415	435
Fair value through income statement	415	**435**
Financial assets	715	**468**
Mortgage loans	62	65
Bank loans	761	294
Lease liabilities	14	16
Interest-bearing debt from subsidiaries	47	753
Other liabilities	-	20
Trade payables	121	126
Financial liabilities at amortised cost	1,005	**1,274**

(DKK million)	Less than one year	Between one and five years	More than five years	**Total**	**Carrying amount**
Contractual maturity analysis for financial liabilities					
31-05-22					
Mortgage loans	4	13	45	62	62
Bank loans	761	-	-	761	761
Lease liabilities	7	8	-	15	14
Interest-bearing debt to subsidiaries	47	-	-	47	47
Trade payables	121	-	-	121	121
31-05-21					
Mortgage loans	4	14	47	65	65
Bank loans	294	-	-	294	294
Lease liabilities	6	12	-	18	16
Interest-bearing debt to subsidiaries	753	-	-	753	753
Trade payables	126	-	-	126	126

See note 7.1 to the consolidated financial statements for a description of the Group's management of financial risks.

21 Fees to auditors appointed by the General Meeting

(DKK million)	**2021/22**	2020/21
Statutory audit	0.1	0.1
Other assurance services	0.1	0.1
Other services	0.4	1.3
Total	0.6	1.5

Fees for services other than statutory audit of the financial statements provided by EY mainly consist of fees related to ad hoc projects.

22 Contingent liabilities, collateral and other financial commitments

The Bang & Olufsen Group has issued guarantees totalling DKK 89m (2020/21: DKK 92m). The guarantees mainly relate to a rent obligation related to the former Czech production facilities and bank guarantees. Bang & Olufsen A/S has provided guarantees concerning the continuous operation and payment of liabilities in 2021/22 for some of its subsidiaries.

Bang & Olufsen A/S is taxed jointly with the Danish companies in the Bang & Olufsen Group. As the management company, Bang & Olufsen A/S has unlimited as well as joint and several liability together with the other jointly taxed companies for Danish taxes and VAT related to the jointly taxed companies.

Legal and arbitration proceedings

See note 8.3 to the consolidated financial statements.

Mortgages and securities

See note 8.3 to the consolidated financial statements.

23 Related parties

Bang & Olufsen A/S has no related parties with control of the Group and no related parties with significant influence other than key management personnel – mainly in the form of the Board of Directors, the Executive Management Board and other key management personnel.

Board of Directors, Executive Management Board and other key management personnel

No significant transactions were made in 2021/22 other than ordinary remuneration, as described in notes 3.2 and 3.3 to the consolidated financial statements, and sales of products on employee terms and conditions.

Associates and subsidiaries

Transactions with subsidiaries included the following:

(DKK million)	**2021/22**	2020/21
Purchase of services – subsidiaries	38	26
Rental income – subsidiaries	68	60
Income from investment in subsidiaries	860	-
Royalty income – subsidiaries	317	225

Bang & Olufsen A/S had receivables from subsidiaries of DKK 245m (2020/21: DKK 0m) and payables of DKK 47m (2020/21: DKK 753m).

All receivables and payables with subsidiaries fall due within one year.

The carrying amount is expected to be a reasonable approximation of the fair value.

No impairment was identified in subsidiaries in 2021/22 or 2020/21.

Other transactions

Bang & Olufsen A/S has issued guarantees for its related parties, see note 16. None of the guarantees is expected to result in any losses.

No other transactions with related parties took place.

24 Events after the reporting period

As described in the company's outlook for the financial year 2022/23, Bang & Olufsen is facing higher than normal risks and uncertainties. These are factors such as the duration of the COVID-19 pandemic, and the potential impact in the company's different geographical markets and on supply chain and logistics, currently especially related to China. Furthermore, Russia's war against Ukraine could potentially impact consumer demand in some countries. Inflation has also increased, leading to higher input prices in day-to-day operations. The company is working actively to mitigate these implications, but there may be a financial impact from these risks.

Except as described above or elsewhere in this annual report, no events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the financial statements of Bang & Olufsen A/S.

Reports

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report of the Bang & Olufsen Group and the Parent Company for 2021/22.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 May 2022, and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 June 2021 – 31 May 2022.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the result for the year, and of the Group's and the Parent Company's financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group and the Parent Company.

In our opinion, the Annual Report of Bang & Olufsen A/S for the financial year 1 June 2021 to 31 May 2022 with the file name reports\52990018KGR3ILFDNJ20-2022-05-31-en.xhtml has been prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the Annual General Meeting approves the Annual Report.

Struer, 6 July 2022

Executive Management Board:

Kristian Teär
CEO

Nikolaj Wendelboe
EVP, CFO

Line Køhler Ljungdahl
EVP, CLO

Board of Directors:

Juha Christensen
Chair

Albert Bensoussan
Vice Chair

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegeberg

Jesper Jarlbæk

M. Claire Chung

Søren Balling

Tuula Rytilä

Independent auditor's report

To the shareholders of Bang & Olufsen A/S

Report on the audit of the Consolidated Financial Statements and Parent Company Financial Statements

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Bang & Olufsen A/S for the financial year 1 June 2021 – 31 May 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 May 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 June 2021 – 31 May 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor
We were initially appointed as auditor of Bang & Olufsen A/S for the financial year 2012/13. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 10 years up until the financial year 2021/22.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2021/22. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue recognition from sale of goods
Revenue is recognised when control of the goods has been transferred to the customer and is measured at the fair value of the expected consideration to be received, less rebates, discounts, sales taxes, duties and expected sales returns. We refer to Note 2.1 Revenue and operating segments of the consolidated financial statements. Revenue recognition was a significant matter in our audit due to the estimates and judgements necessary by Management in respect of timing of transfer of control to the customers and completeness and measurement of rebates and discounts.

Our procedures included considering the appropriateness of the Group’s accounting policies in relation to revenue against applicable accounting standards, performing analytical procedures over rebates and discounts in relation to revenue and testing provisions for rebates and discounts by inspecting supporting documentation including customer contracts on sample basis. We have applied data analytics on sales and performed sample testing of sales transactions close to the balance sheet date as well as credit notes issued after the balance date to verify whether those transactions were recognised in the correct period and at correct amounts.

Valuation of deferred tax assets
The Group has recognised deferred tax assets of DKK 77 million as at 31 May 2022 (31 May 2021: DKK 87 million)

of which DKK 10 million relate to tax loss carry forwards and DKK 67 million relate to temporary differences. The Group has recognised the deferred tax assets to the extent that the realisation of the related tax benefits through future taxable profits are probable within a foreseeable future. We refer to Note 2.5 – Tax of the consolidated financial statements. This area was significant to our audit due to the amount of the recognised deferred tax assets as well as the inherent uncertainty related to Management’s estimates in forecasting future taxable profits, including expectations for future revenue and margin developments.

Our audit procedures included evaluating Management’s assumptions for forecasting future taxable profits by assessing Management’s underlying business plans, comparing previous forecasts to actual results and testing consistency between the forecasts used in the measurement of deferred tax assets against the long-term forecast and business plans of the Group. Further, we evaluated the sensitivity of the impairment model for deferred tax assets. Furthermore, we assessed the adequacy of the disclosures in Note 2.5 - Tax of the consolidated financial statements against applicable financial reporting standards.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements of Bang & Olufsen A/S we performed procedures to express an opinion on whether the annual report for the financial year 1 June 2021 – 31 May 2022 with the file name reports\52990018KGR3ILFDNJ20-2022-05-31-en.xhtml is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and

- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor’s judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;

- Obtaining an understanding of the company’s iXBRL tagging process and of internal control over the tagging process;

- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;

- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and

- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report for the financial year 1 June 2021 – 31 May 2022 with the file name reports\52990018KGR3ILFDNJ20-2022-05-31-en.xhtml is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, 6 July 2022

EY
Godkendt Revisionspartnerskab
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