ANNUAL REPORT 2019/20

Godkendt på Selskabets ordinære generalforsamling, d. 28 / 8 2020

Dirigent

Bang & Olufsen A/S
Bang & Olufsen Allé 1
DK-7600 Struer

Tel. +45 9684 1122
www.bang-olufsen.com
Reg. number: 41257911

BANG & OLUFSEN

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ABOUT BANG & OLUFSEN

Bang & Olufsen is a global design icon operating in the intersection between consumer electronics and luxury. The Company was founded in 1925 in Struer, Denmark, by Peter Bang and Svend Olufsen, whose devotion and vision remains the foundation for the company.

The rich heritage built around the relentless determination to create products that push the boundaries of audio technology continues to place the company at the forefront of audio innovation. Every Bang & Olufsen product continues to be characterised by the unique combination of beautiful sound, timeless design, and unrivalled craftsmanship.

The company's innovative and progressive products are sold worldwide in mono- and multibrand stores, online and business-to-business. Bang & Olufsen also engages in brand collaborations and brand licensing. The company employs around 900 people and operates in more than 70 markets. Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

BANG & OLUFSEN'S CORE CAPABILITIES

SOUND, DESIGN & CRAFTSMANSHIP

BEAUTIFUL SOUND

All products are created to deliver the most seamless and powerful sound experience no matter the circumstances – natural, authentic and as the artist intended, regardless of size or shape.

TIMELESS DESIGN

Design starts by seeking true innovation to make each product better. Innovation is the inspiration that drives form and expression and the end result is design that is performance-driven and magical.

UNRIVALLED CRAFTSMANSHIP

Only materials of the highest quality are used in Bang & Olufsen products. From pearl-blasted anodised aluminium, authentic leather, Scandinavian wood and the fabrics that cover the products, the company's commitment to craftsmanship is unique.

2019/20 AT A GLANCE

It was a disappointing year due to lack of progress with the ongoing transition from a wholesale to a demand-driven retail model and the COVID-19 pandemic and subsequent lock-down of societies around the world. A new CEO was appointed and a new strategy was presented in April. Due to COVID-19 a capital increase with net proceeds of approx. DKK 356m was completed to ensure momentum on the new strategy and get Bang & Olufsen safely through the crisis

REVENUE SPLIT

REGION

EMEA	Americas	Asia	Brand Partnering & other activities
50%	7%	31%	12%

PRODUCT CATEGORY

Staged	Flexible Living	On-the-go	Brand Partnering & other activities
37%	16%	35%	12%

REVENUE DKK	GROSS MARGIN	EBIT MARGIN*	FREE CASH FLOW DKK
2,036M	41%	(15)%	(234)M
∨ 29%**	∨ -7.4pp	∨ 17.1pp	∧ DKK 38M

* EBIT margin before special items
** In local currencies

BUSINESS DEVELOPMENT

485 monobrand stores
Declined by 7%, mainly related to lower performing stores. To support the consumer experience, focus has been on upgrading in-store presence.

3,316 multibrand Points of Sale
Focused on upgrading instore presence e.g. by installing branded spaces with key multibrand retailers

Own eCom platform offering all product categories in response to COVID-19

Increased number of new products launched and reinvigorated existing products with new technology, design or colors. Several awards and best-in-class reviews in all categories

SOCIETAL AND CLIMATE IMPACT

Partnered with Soundfocus, Wavecare and Aalborg University on a DKK 40m project funded by Innovation Fund Denmark focused on developing systems for homes and hospitals to reduce unwanted sound, which can help improve life quality

CO_2 in buildings reduced by 15% and own logistics by 35%

More products sent by sea instead of air to reduce CO_2 emissions

Launch of new sustainable packaging strategy

RESPONSIBLE EMPLOYER

22% women in senior management positions increased from 19% in 2018/19

Improved employee engagement score from 70 to 72 through several focused initiatives

LETTER TO SHAREHOLDERS

Dear shareholders,
2019/20 was a disappointing year for Bang & Olufsen. Revenue declined by 29% compared to last year and our EBIT margin before special items dropped to -15%. The shortfall in revenue adversely impacted our profitability and despite a positive development in net working capital, we realised a negative free cash flow of DKK 234m. This was an improvement compared to last year due to our strict cost focus and working capital management. The results were within the latest financial outlook published on 13 March 2020.

We did not achieve the desired progress with the ongoing transition from a wholesale to a demand-driven retail model and the impact on our sell-in performance of this transition was larger than expected. In addition, we were adversely impacted by higher-than-expected sales from unauthorised channels.

We launched several initiatives to address these challenges, starting with the appointment of Kristian Teär as CEO in October. But just as we were starting to see the first results of these efforts, we were hit by the COVID-19 pandemic and the lock-down of countries around the world. That meant we had to downgrade our financial guidance for the second time in 2019/20, and in May we announced that we needed to raise new capital to get us safely through the COVID-19 crisis.

The results for 2019/20 are clearly not satisfactory, and this is the second time in two years, we have failed to deliver on our expectations and in turn disappointed our shareholders. To change the negative trajectory, we presented our new strategy plan in April with the aim to strengthen Bang & Olufsen's financial performance.

Capital raise to get us through the COVID-19 crisis
As many other global consumer brands, Bang & Olufsen was, and still is, impacted by the COVID-19 pandemic. At one point more than 60% of our monobrand

Juha Christensen, Chairman

stores were closed, and most of our employees worked from home. We were proud to see how fast and determined our employees, retail, distribution and manufacturing partners and suppliers adapted to this unprecedented situation and came together to keep the company operational and service our consumers through increased digital efforts, among other things. Today, we have most of our employees back in the offices, and almost all stores have reopened, but health and safety continue to be our first priority.

It was quickly evident that COVID-19 would continue to impact markets and consumer behavior – also beyond this financial year. Therefore, we had to strengthen our capital base to get through the crisis. In May, we announced a rights issue to raise approx. DKK 409m in new capital, and on 3 June we got the shareholders backing at the Extraordinary General Meeting. The offering was successful with demand exceeding the number of new shares offered. We would like to thank you, our shareholders, for your support.

New CEO and strengthened sales focus

In October, the company appointed Kristian Teär as new CEO to make the changes necessary to strengthen our financial performance. Kristian has extensive experience within the consumer electronics industry and has been instrumental in companies facing similar challenges as Bang & Olufsen. Subsequently, we launched a number of initiatives to improve our performance. We made an organisational change to increase the global sales and marketing focus and reduce complexity, launched several new sales and marketing related initiatives to better support sell-out and improved proximity with retail partners.

During the year, we upgraded selected parts of our monobrand network as well as reinvigorated our focus on multibrand with the aim to strengthen our presence in that channel. Also, we continued to invest in our e-commerce platform and digital presence, and we accelerated our digital efforts during COVID-19 to mitigate the impact of the lock-down imposed in most markets.

While we still have issues to address, prior to the outbreak of COVID-19 we were pleased to see a positive impact of our efforts. We have increased our ability to monitor sell-out data, reduced retail inventory levels, improved our net working capital, enhanced our marketing support to partners and improved the consumer experience.

Award-winning products based on core capabilities

In 2019/20, we launched several innovative products that are true manifestations of the company's core capabilities of sound, design and craftsmanship. In September, we announced Beosound Stage, our first ever soundbar, and we can now offer our signature sound to any TV. In October, our latest TV innovation, Beovision Harmony, was introduced to the market, and in the fourth quarter we launched our multiroom speaker Beosound Balance.

We also continued to reinvigorate existing products by adding new technology, an updated design or by offering a broader pallet of colors. For instance, the 3rd generation of our very popular E8 in-ear headphones was launched in January. In early 2020, we revealed the Contrast Collection created with Norm Architects and in May, we launched the 2nd generation of our iconic A1 Bluetooth speaker, designed by Cecilie Manz, in a slimmer design that is waterproof and with significantly improved performance.

Overall, we have increased the number of products launched this year, and we have received several awards and best-in-class reviews in all categories. This underlines the fact that Bang & Olufsen continues to be on the forefront of innovation and relevant for consumers across use cases. This year, we launched the first products on our new technology platforms. The new platforms will enable us to improve the user experience and become more efficient in terms of product development and financial performance as it allows us to continue to improve our time to market and maintain a high frequency in launches.

In addition, we made further progress in our efforts to minimise the climate and environmental impact of the company and our products. We decreased the CO_2 emissions related to our own logistics system and we achieved an important milestone with the launch of our new sustainable packaging strategy, which will minimise the climate impact and increase resource efficiency for future products.

New strategy and outlook for 2020/21

In December, we initiated a strategy process that was completed in April with the presentation of the new strategy in connection with the third quarter interim report. The main purpose of the new strategy is to fix the fundamental issues in our core business, which will enable us to become profitable again in the short to medium term, while simultaneously re-orientate our business towards more focused growth in the long-term.

For the short to medium term, we have identified several key priorities. First, we will build a leaner cost base and to achieve this we launched a cost reduction programme in March with targeted savings of DKK 175m in 2021/22 when fully implemented. Secondly, we will concentrate our resources (sales and marketing in particular) on six European and two Asian markets. By focusing on fewer and selected markets, we will ensure that the go-to-market execution is right and scalable. Another growth driver is a strong product roadmap with frequent launches and updates, particularly focused at improving user experience and quality. We have already taken measures to solve some legacy quality issues within our existing portfolio to improve the consumer experience, and we will continue to ensure that we have an ambitious launch plan with strong and progressive products. Also, we will strengthen and develop our brand partnerships. The last couple of years, we have formed partnerships with several innovative companies and brands, most recently with Xbox. These partnerships will become an even more integral part of our business and help increase the awareness of the brand, while also driving revenue and profitability.

All priorities will be fueled by a re-tuned marketing engine, an internal cultural journey with focus on values and purpose and an increased digital effort that will enable us to cater for the digital consumer journey. In addition, we will seize growth opportunities in select business-to-business segments and in non-core markets by leveraging distribution partners. In May, we signed an agreement with ASBIS, a major global distributor that will help us strengthen our sales and retail footprint in both Eastern and Central Europe. In the strategy section of this report, the strategy plan is outlined in more detail.

In 2020/21, we expect revenue of approx. DKK 2.2bn, EBIT before special items of approx. DKK -100m and a free cash flow of approx. DKK -200m. This is an improvement compared to our financial performance in 2019/20, but the outlook also reflects that we continue to deploy our new strategy plan amid the uncertainty caused by the COVID-19 crisis.

Thanks to the employees

We acknowledge that 2019/20 has been a challenging year for our employees with many changes to the organisation, a new strategy and an unprecedented COVID-19 situation that impacted not only our work life, but also our private life. As part of our response to the COVID-19 crisis, we also asked our employees to join a voluntary salary reduction for three months. An overwhelming number of employees responded positively to our request, which just underlines their passion and dedication for Bang & Olufsen. We would like to express our sincere gratitude to all of our employees.

A special thanks to former Chairman Ole Andersen

Finally, we would like to say a special thanks to Ole Andersen, our former Chairman. It was with great sadness that we received the news of Ole's passing on 2 June. It has been a privilege to work with Ole, and we thank him for his great contribution to Bang & Olufsen over the years.

Juha Christensen
Chairman

IN MEMORY OF OLE GJESSØ ANDERSEN

On Tuesday 2 June 2020, Ole Andersen passed away unexpectedly. Ole had been part of Bang & Olufsen since 2009, first as member of the Board of Directors and then from 2010 as Chairman.

Ole played an instrumental role in securing the survival of Bang & Olufsen following the 2007/08 financial crisis. He guided the company through a number of important transactions and business initiatives throughout the 2010s in response to rapidly changing market conditions. Most notably were the introduction of the B&O PLAY brand in 2012, the sale of the Automotive department to Harman International Industries in 2015, and the establishment of a range of new strategic partnerships with global technology and supply chain partners. These changes have fundamentally transformed Bang & Olufsen from being a traditional manufacturer to a modern company with an asset-light and scalable business model that has enabled Bang & Olufsen to cater to the fast-changing consumer behavior and stay on the forefront of innovation.

Ole Andersen's time at Bang & Olufsen coincided with a major disruption of the consumer electronics industry that also impacted Bang & Olufsen. Despite the commercial and financial challenges facing the company during this period, Ole's knowledge of Bang & Olufsen, combined with his vast experience as chairman and board member in several other Danish companies, gave him a solid foundation for steering the company through these challenges. Before his passing, he worked tirelessly to ensure that Bang & Olufsen secured the capital needed to get through the crisis triggered by the COVID-19 pandemic, and on 1 July that transaction was successfully completed.

As Chairman, Ole always approached his role with thoroughness, integrity, an affection for Bang & Olufsen and, not least, with a clear vision for the company. For 10 years, he was an outstanding Chairman dedicated to build a stronger Bang & Olufsen, while maintaining the values that have characterised the company for 95 years. Ole Andersen would be the first to acknowledge that many others contributed to the transformation of the company the past 10 years, but there is no doubt that Bang & Olufsen is much better equipped to succeed in the 2020s as a direct result of Ole's hard work.

Ole Gjessø Andersen

Ole had a true passion for Bang & Olufsen. This passion also explains why he never shied away from the task as Chairman, no matter how challenging it was. It was more than just "another" company to Ole. In his last major media interview in May 2020, Ole was asked about Bang & Olufsen's future and he told the reporter: "I sometimes wish that there was a bit more support for us to succeed in the outside world and the media. Not just for the sake of our shareholders, but for the company, for Struer and for Denmark."

May his memory live on.

STRATEGY & OUTLOOK

STRATEGY

Bang & Olufsen is a global design icon, operating in the intersection between consumer electronics and luxury. Through 95 years of history, the company has built a unique heritage combining acknowledged Danish design traditions with modern technology to create popular and timeless product icons. Sound, design and craftsmanship remain the core capabilities of Bang & Olufsen

Since its foundation, the company has consistently strived to find the right and sustainable path to delivering truly exceptional sound experiences. For the past ten years specifically, the company has gone through a transformation aiming for scalable growth. This has created an asset-light and flexible operating model, strong in-house software and digital capabilities, and proof-of-concept with target consumers in new growth markets such as China.

The transformation has strengthened Bang & Olufsen's capabilities, but the company has not managed to fully leverage these. This has resulted in poor financial performance in the financial year 2018/19 and 2019/20. This led the company to initiate a strategy process in December 2019. The goal was to design solutions for a turn-around in the short to medium term, ultimately to bring the company safely into the future. The strategy was launched on 3 April 2020.

THE BANG & OLUFSEN HERITAGE

Peter Bang and Svend Olufsen's first product, the Eliminator power adaptor, made high-maintenance batteries obsolete. This single, engineering-driven breakthrough made listening to the radio much easier and a more satisfying experience to consumers. In the following years, the founders established excellence in sound, design, and craftsmanship as the core capabilities by which Bang & Olufsen continues to define the brand.

People require inspiration and joy to truly thrive, and many get that from design, music, film, and connecting with others. Whether people are busy creating, looking to lift their spirits, or just relaxing, such experiences can profoundly impact lives. This is the reason why Bang & Olufsen has always held itself to a high standard. The emotional power of design, music, film, and interpersonal connection is elevated by superior acoustic performance, with the kind of accuracy of sound that gives goosebumps. It is the reason for everything Bang & Olufsen designs. The company applies science and technology to elevate these experiences so that they transport, energise, and inspire.

The company values longevity, and takes a great deal of care to engineer substance and precision into everything built. The deep satisfaction of exceptional built quality, timeless, purposeful design, and the finest materials makes products stay in customers' lives longer. And they are not hidden away — because Bang & Olufsen products harmonise beautifully in the well-orchestrated surroundings, they are featured. The products play a more visible, and longer-lived, role in consumers' lives. Bang & Olufsen is a brand that is passed down from generation to generation.

There is a calm, Nordic confidence that can be felt. Superior performance and attention to detail are self-evident. It is the power of excellence in sound, design, and craftsmanship which Peter Bang and Svend Olufsen set out ninety-five years ago, and it is what distinguishes Bang & Olufsen today.

GETTING BACK IN BLACK

- REIGNITE BRAND, MARKETING & SALES
- FUEL DIGITAL ECOSYSTEM
- BUILD CULTURE & SIMPLIFY WAY OF WORKING

- STRENGTHEN & DEVELOP STRATEGIC BRAND PARTNERSHIPS
- BUILD FOUNDATION FOR ACCELERATED CHINA AND SOUTH KOREA GROWTH
- FIT FOR FUTURE PRODUCT PORTFOLIO
- WIN IN TOP SIX EUROPEAN MARKETS (DK, DE, UK, CH, FR, ES)
- BUILD A LEAN COST BASE

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SEIZING GROWTH OPPORTUNITIES

- PENETRATE UHNWI SEGMENT
- PURSUE DISTRIBUTION PARTNERSHIPS FOR SCALE (US)
- WIN MORE B2B DEALS

Fixing fundamentals while refocusing for growth

Bang & Olufsen has a remarkable heritage. The history of the products is unique, the brand commands a premium and blends seamlessly with luxury and lifestyle brands in other consumer verticals.

A large base of dedicated core consumers who appreciate the products and the values they embody, testifies a market demand. While the past years of transformation at Bang & Olufsen have strengthened parts of the operation, the company's business model has not been brought to its full potential, leaving critical issues unsolved for example:

- Core consumers have become less loyal, resulting in decreasing repurchase rates
- The company's potential in luxury consumer electronics has not been fully realised, leading to unlocked brand capitalisation
- Too few releases of products with key technology features have resulted in lost growth opportunities

Resolving the issues is imperative for the company, to avoid diminishing returns on future growth investments. The new company strategy is therefore designed to address these issues, ultimately to restore a healthy, sustainable financial performance while re-orienting the business towards more focused growth and scale.

Restoring a healthy financial performance; Getting Back in Black

To get Back in Black and create a solid foundation for the longer term, the instrumental starting point for the company is to right size the cost base. Additionally, the company will concentrate resources (sales and marketing efforts in particular) into six European and two Asian markets. By focusing in on few, selected markets, the company will ensure go-to-market execution is right and scalable, to win in more markets subsequently.

Another driver of growth is a strong product roadmap with frequent launches and updates, particularly focused at improving user experience and quality.

Finally, a more systematic leverage of the Bang & Olufsen brand is expected to drive growth through brand licensing, distribution partners in non-core markets, and selected business-to-business verticals.

All priorities are fuelled by a re-tuned marketing engine, an internal cultural journey, along with strengthened digital efforts to win in a new market reality.

Build a lean cost base

The company has initiated a cost reduction programme to establish a lower break-even point, ultimately to strengthen the financial performance.

The programme has identified savings through optimisation of product related- and non-product-related spend, and through organisational simplification to eliminate complexity and duplicate functions.

Additionally, the programme has identified routes to a more effective and focused organisation, by removing redundancy, and through a leaner, and flatter organisation, more fit for purpose and execution.

The cost reduction programme has a targeted annual saving of DKK 175m, when fully implemented in FY 2021/22. A large part of the cost reduction is expected in FY 2020/21.

Win in top six European markets

The company will increase focus and concentrate resources to win six core European markets: Denmark, France, Germany, Spain, Switzerland and the United Kingdom. The prioritisation of these markets is based on strength of current market position (measured by brand awareness, established partner network and current performance), relative market size and density of target audiences.

Improvement of the monobrand network

The monobrand network remains a key asset to the company, especially in the European market. The monobrand channel is a key driver of revenue and brand experience. Therefore, the company aims to future-proof the network by working in closer cooperation with monobrand partners and through fewer, but stronger, monobrand points of sale in selected cities in the six core European markets. The Bang & Olufsen store of the future creates unique experiences around the range of Bang & Olufsen's products and services, and remains a hub for installation and general aftersales services within the region. Selected points of sale are planned to relocate to high-traffic locations.

The company will continue the cluster strategy to have strong partners operate multiple points of sale within the same city or region, for critical mass and stronger partner profitability.

Improvement of existing multibrand footprint

Multibrand channels continue to be strategically important. These channels offer brand exposure to a large-volume audience, which is critical for driving scale and capturing additional traffic.

The company will centralise resources in fewer high-performance points of sale, with a stronger in-store presence intended to underline the exclusivity of the brand. The company will work with different types of multibrand segments and sales formats, i.e. shop-in-shop formats and branded spaces.

Continuous eCommerce focus to support true omnichannel experience

True omnichannel experience requires seamless integration of physical and digital touch points. The aim of stronger online presence is to tap into the accelerating preference of online purchase – both in the consumer electronics market and in the luxury industry. The company will continue to build online experiences and expand eCommerce. The company will also support selected multibrand partners (eTailers included) in improving the company's presence on their respective platforms.

Fit for future product portfolio

A cornerstone in the strategy is to continue bringing innovative and competitive products to the market across product categories. Systematic product tiering will ensure stronger fit to variations in target audience preferences. Additionally, company resources have been earmarked for improvements to existing product portfolio, recognising that quality and user experience are prerequisites for repeat consumer purchase and brand loyalty.

Furthermore, the company will leverage its core capabilities and assets, and package these systematically into unique offerings on limited editions, classic editions, and bespoke programmes, to drive up brand awareness and ensure market differentiation.

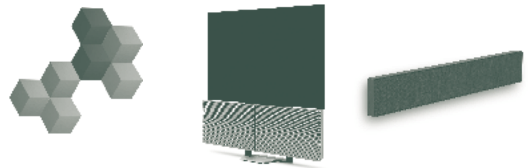
The product priorities are steered by consumer segment preference, and the product strategy continues to build on the three existing product categories.

Build a foundation for accelerated growth in China and South Korea

China represents the company's single biggest market, and the best performing market over the last years in terms of growth. The company has proven the potential of On-the-go products particularly, and the brand generally enjoys recognition from Chinese luxury consumers. With China representing approximately one third of global luxury spending, the Chinese market remains an important growth market for the company.

The company has initiated a China (and South Korea) focused development plan

PRODUCT CATEGORIES & PROGRAMMES

	ON - THE - GO	FLEXIBLE LIVING	STAGED
CATEGORY			
PURPOSE	Become the preferred luxury earphone, headphone, and portable speaker brand, through unparalleled and differentiated sound performance and design.	Capture market share in the high-end multiroom speaker market, by offering unique products perceived as investments with sustainable longevity (the company offers continuous software feature updates).	Become top of mind for immersive music and movie experiences. Create a halo for other categories and build equity for brand licensing opportunities.
USE CASE	The product portfolio is guided by the lifestyle and preference of target segments, and include: travel, performance and urban life (work and in- and around the home).	Connected sound for any room in either an omni-, stereo- or multipoint set-up.	Immersive stereo music listening and cinematic multichannel screen viewing experiences. The company intends to expand the screen portfolio to accommodate the accessibility, need and preference for target segments, and to cater to product bundle preferences.

PRODUCT-PROGRAMS

- Bespoke (On-the-go, Flexible living, Staged)
- Limited editions (On-the-go, Flexible living, Staged)
- B&O Classics (Staged)

to capitalise further on the existing platform and have established a China Advisory Board to support the development.

Strengthen & develop strategic brand partnerships

In recent years, the company has built brand partnerships with some of the largest and most innovative companies in the world. It has become an important part of the company's core business, and a platform for exposing potential consumers to the Bang & Olufsen brand.

The company will intensify its brand partnering activities to improve and leverage brand value by seeking new brandlicensing agreements.

Reignite brand, marketing & sales

Brand and marketing activities will be re-targeted to a new audience of four consumer segments. The company intends to reignite the current brand position and platform to refresh the brand expression, ultimately, to increase relevancy and attractiveness to the redefined audience. The company will continue to engage in brand collaborations with luxury and lifestyle brands and influencers.

The marketing efforts will be focused on reaching the target segments in European focus markets and in China and South Korea. This implies a reallocation of marketing spend from 17 geographies to eight (i.e. six European and two Asian markets).

Fuel digital ecosystem

The company's digital ecosystem is a key enabler to both the strategy and the new business reality on the backdrop of COVID-19. Digital capabilities are instrumental for staying relevant and attractive to the target audience, which expects continuous digital engagement throughout the consumer journey – from inspiration, through points of sale, product setup and upgrades, to aftersales services.

The company's digital efforts will focus on direct-to-consumer eCommerce, allowing for a 360-degree view on the company's consumers. These insights will inform future marketing and consumer priorities. Additionally, the company will work to further strengthen e-commerce channels and experience in China.

Build culture & simplify way of working

Several years of transition, changes in the executive management team, and organisational restructuring comes at a risk of damaging the organisational health. To mitigate such risk, the company will continue to build unity and engagement, and strive for being perceived as a safe and attractive work environment. The company will continue to strengthen organisational capabilities – particularly in the front-end. An example of this is the recent redesign of the European sales organisation, and the onboarding of seasoned, commercially strong salespeople across Europe and North America.

Additionally, the company will continuously calibrate its operating model to strike the right balance between global standards and local flexibility, and autonomy to build scale and speed simultaneously.

Seizing growth opportunities

While the company concentrates resources on fewer priorities within the core business to succeed before exploring adjacent avenues of growth, it has identified three incremental growth opportunities with a potential for rapid scale at minor investments.

(i) Target Ultra-High-Net-Worth-Individuals

As a global luxury brand, Bang & Olufsen's most obvious audience is Ultra-High-Net-Worth-Individuals (UHNWI) constituting the vast majority of global luxury spending.

The UHNWI segment has different purchasing patterns compared to other consumer groups and requires different go-to-market instruments. The company will build a sustainable sales channel to this segment and create brand exposure and demand in locations where UHNWIs interact.

Longer term, the company intends to build a more systematic UHNWI offering and go-to-market model.

(ii) Pursue distribution partnerships for scale

In selected markets, the company has struggled to build market traction. Revenue and growth in markets such as North America, Latin America, and Eastern Europe do not reflect the potential of these markets. Recognising that the monobrand model scales slowly, combined with historical challenges of attracting the right monobrand partners to operate the network, the company has decided to pursue large-scale (regional or national) distribution partners in non-core markets.

In May, the company announced the collaboration with ASBIS in Bang & Olufsen's Eastern European markets. Together with ASBIS, the company plans to scale the business, move closer to local retail partners and strengthen its presence in key markets.

For the North American market specifically, the company will – in addition to pursuing a larger scale distribution partner – continue to work with existing monobrand partners to grow their business and to support the two company-owned stores.

Also, the company will further explore partnerships for delivery model areas, and other go-to-market related areas.

(iii) Win more business-to-business deals

Business-to-business (B2B) revenue is a significant revenue driver in the global consumer electronics industry. Currently, the company has a loyal client base driving the majority of B2B revenue, but larger business opportunities remain untapped. The company will focus on partnering in selected verticals such as telecom providers, which have a natural presence in the homes of the target audience, and the company will look for new ways of collaborating to build stronger combined consumer offerings.

Re-orienting the business towards more focused growth

The company has initiated a strategic reorientation, redirecting strategic focus and execution across markets. The aim of this is to become well-positioned in the market, realise growth potential, and to capitalise on the scalable business model in the coming years.

The reorientation is anchored in the ambition of truly winning four new target consumer segments in selected markets through competitive and differentiated products, and use-cases tailored to needs and preferences of the segments.

New target segments

The company is an inclusive brand catering to a broad group of consumers in terms of age, income, and preference. As part of the company's journey from wholesale "sell-in" focus to a retail-driven "sell-out" focus, consumer insight has improved in line with improved sell-out visibility.

Based on consumer studies, the company has identified four target consumer segments, which will be actively targeted:

- The first target segment **Generation Z** is typified by young Chinese and South Korean consumers who live at home or in rented accommodation. They are new to luxury and often first generation in their families with a penchant to luxury, which they see as a symbol of status towards their surroundings. They are highly trend-driven and seek out-of-the-ordinary shopping experiences.
- The second target segment **The Careerist** has a defined career path and lives in larger cities. Careerist consumer purchases are conscious choices, and their interests include travelling and close connections to friends and family.

- The third target segment **The Well-established** is a segment of urban dwellers with a more settled lifestyle. They live in aspirational households, potentially own a second home and are young at heart. They are parents with grown up children who have moved out, or they have never had children. Their interests include entertainment at home.

- The forth target segment **Ultra high net worth individual (UHNWI)** is a wealthy segment with high disposable income. Yet, they are financially prudent and give their purchases careful considerations. UHNWIs enjoy finer things in life, and require hassle-free experiences with a high degree of perfection. They are music lovers, but not audiophiles.

STRATEGIC RE-ORIENTATION ANCHORED IN CONSUMER SEGMENT ORIENTATION

SEGMENT	GENERATION Z	CAREERIST	WELL -ESTABLISHED	ULTRA HIGH NET WORTH INDIVIDUAL
FOCUS MARKETS	China & South Korea	Western Europe China	Western Europe	Selected global destinations
PRODUCT FOCUS	Headphones & earphones Portable speakers	Flexible living speakers Headphones & earphones	Sound for screen solutions Staged speakers	Best of Staged as centerpieces for full audio and screen solution across home
CHANNELS	Lead with online	Lead with multibrand stores	Lead with monobrand stores	Lead with architects and interior designers

BUSINESS MODEL

■ Internal value streams
■ Partner-driven value streams

CONSUMER CENTRIC

Bang & Olufsen strives to become the most desired audio brand in the world, by constantly improving the experience delivered to consumers.

PRODUCT INNOVATION

Create progressive and innovative products based on the core capabilities of sound, design and craftsmanship, together with key technology partners and external designers.

Key partners (ex)

- Selected designers
- HARMAN
- LG
- Google/Apple/Amazon

MANUFACTURING

Ensure high quality products through own aluminium processing, and together with production partners drive efficiency throughout the value chain.

Key partners (ex)

- Tymphany
- Merry
- LG
- Toong In

RETAIL

Omnichannel setup ensuring branded retail experience across monobrand and multibrand stores and own eCom platform. Collaboration with global logistics partners ensures timely delivery and brand partnerships/collaborations create brand exposure to new consumer groups.

Key partners (ex)

- Multibrand retailers
- Distributors (e.g. ASBIS)
- Cluster partners (monobrand)
- HP

ASSET-LIGHT AND SCALABLE OPERATING MODEL

Bang & Olufsen's operating model builds on partner collaboration in everything from design to production and distribution. Advanced innovative features in top-range products flow to the rest of the portfolio.

The asset-light operating model enables Bang & Olufsen to adapt to changes and makes operations and the financial performance more robust.

OUTLOOK FOR 2020/21

The outlook for 2020/21 is subject to increased uncertainty due to COVID-19 and the impact it has on performance. For 2020/21 the company expects revenue to be approx. DKK 2.2bn, EBIT before special items of approx. DKK -100m and free cash flow of approx. DKK -200m

Revenue
Revenue is subject to the following assumptions:

- Successful launch without delays, of more than 10 new products, and upgrades as well as new colour, material and finish (CMF) versions of existing products, which further assumes that original design and joint design manufacturers are not materially impacted by COVID-19.
- Continued opening of markets in Asia and gradually opening of markets in EMEA, including a normalisation of consumer behaviour. The rate, pace and degree of normalisation is subject to a high degree of uncertainty.
- Revenue from Brand partnering is assumed to increase throughout 2020/21 including through new opportunities. It is noted, however, that a substantial part of the company's current brand partnering revenue depends on the market for car sales and consumer electronics both of which are subject to adverse effects of COVID-19.
- Benefit from increased efficiency of its sales and marketing spend due to focusing on more specific sales and marketing activities in selected countries and markets.
- The product mix is assumed to be in line with historical composition and with no significant changes to product prices being necessary due to the current market situation.
- Continue to work towards a consumer demand driven sales model.
- No other material changes in the markets landscape, competitive situation (and any impact this may have on pricing) or regulatory changes, for example trade wars.

EBIT before special items
In addition to the company's assumptions as to revenue, the company's expectations regarding EBIT before special items are principally based on the following assumptions.

- Manufacturing and logistics costs are assumed to not materially change compared to 2019/20.
- Successful continuation of the planned development of new products, product upgrades and CMF versions to maintain the planned product pipeline.
- Successfully continue to implement the cost-reduction program, including continued reduction of non-product related costs, administrative costs and improvement of supply chain through better management of freight, component liability and purchase price control.
- No material impairment losses regarding trade receivables due to, among others, COVID-19.
- Currency exchange rates against DKK, including in particular USD, CNY and EUR, are on an overall level assumed to be in line with current currency exchange rate levels.

Free cash flow
In addition to the company's assumptions as to revenue and EBIT margin before special items, the company's

OUTLOOK 2020/21

	Actual 2019/20	Outlook 2020/21
Revenue	DKK 2.0bn	Approx. DKK 2.2bn
EBIT before special items	DKK -304m	Approx. DKK -100m
Free cash flow	DKK -234m	Approx. DKK -200m

expectations regarding free cash flow are principally based on the following assumptions:

- Management of working capital and use of government relief packages (postponement of VAT and other taxes) in 2019/20 will adversely impact cash flow in especially Q1 2020/21.
- The development of COVID-19 is assumed to have a significant impact on retail partners and result in a further increase in overdue receivables in the first part of 2020/21 with an expected normalisation in the second part of the year.
- The company is assumed to not experience an increase in payables due to the company choosing not to pay, or not being able to pay, as claims fall due, as a consequence of COVID-19.
- Capital expenditures are assumed to reflect product development continuing as planned.

COVID-19 sensitivity

As part of a sensitivity analysis, the company has considered the impact of several adverse scenarios including one, where the duration of the COVID-19 pandemic extends further into 2020/21 and approximately 50% of points of sale in Europe and North America being closed for the majority of the first and second quarter before starting to normalise at a slow pace towards a 30% closure in the fourth quarter. In this scenario China is assumed to be less impacted with around 30% of points of sale closed for the first half of the financial year before starting to normalise. In this adverse scenario, the company's calculation models project revenue could decrease to DKK 1.6 billion with an EBIT margin before special items of -25% and a free cash flow of negative DKK 400 million.

In an alternative scenario, where the implications of COVID-19 are less severe than reflected in the preliminary guidance above, the company's calculation models project that break-even based on EBIT before special items could be achievable at a revenue of approximately DKK 2.4bn. The preliminary guidance, and the above projections in relation to alternative scenarios, naturally remain subject to a high degree of uncertainty given COVID-19.

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 among other things general economic and commercial factors, including market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit and liquidity risk.

RESULTS

KEY EVENTS

June 2019

COLLABORATION WITH SAINT LAURENT

Bang & Olufsen and Saint Laurent curated a limited edition speaker collection: a mirror black and golden tone Beoplay A9 with a black Saint Laurent logo printed on the back, and an all-black Beoplay A1 portable speaker with Saint Laurent signature. Both speakers were sold exclusively at Saint Laurent and on their website.

July 2019

INNOVATION CAMP

Bang & Olufsen, together with European and Asian Universities, invited 30 students from all over the world to take part in an innovation process with the task: make an audio product specifically for urban Chinese consumers. Based on more than 100 interviews with consumers, six insightful product concepts were created.

July 2019

BEOPLAY E8 AND E6 MOTION IN GRAPHITE

Beoplay E8 and E6 Motion were launched in graphite. The Motion series include a range of silicon fins for a better fit during exercise. Exclusive to the two earphones, is an enhanced bass sound profile in the Bang & Olufsen app.

August 2019

NEW MEMBERS IN THE BOARD OF DIRECTORS

Bang & Olufsen Annual General Meeting were held in Bang & Olufsen's Innovation Lab 21 August 2019. Tuula Rytilä, Joan Ng Pi O and M. Claire Chung were elected as new members of the Board of Directors.

September 2019

SEASONAL COLLECTION

The seasonal collection stages a monochrome styling in the colours tan, brown and pink. The collection included Beoplay H9 headphone and Beoplay E6 earphone and the Bluetooth speakers Beoplay A1 and P6.

September 2019

BEOSOUND 1 NEW YORK EDITION

The limited-edition speaker features a unique graduation in colour – from piano black to natural aluminium – which is intended to resemble the iconic New York City skyline. It is an example of real craftsmanship, as it required a new process to be able to make the graduated colour tone.

September 2019

CEDIA EXPO

Bang & Olufsen displayed a selection of products in the Staged category with special relevance to the custom integration channel, including Beosound Shape, Beovision Harmony and Beosound Stage. Beovision Harmony was selected as a finalist for the 2019 CEDIA Awards in the category of Best New Hardware.

September 2019

BEOSOUND EDGE WINS DESIGN AWARD

Beosound Edge was voted best design by consumers by the Danish Design Awards, Denmark's national design prize.

September 2019

LONDON FASHION WEEK

For the first time in the UK, a selection of On-the-go products were styled on the catwalk at London Fashion Week. The models of fashion brand Marques Almeida showed off the Autumn/ Winter 2019 seasonal collection.

September 2019

PARIS DESIGN WEEK

Bang & Olufsen strengthened its position as a luxury brand as many key opinion leaders, architects and interior designers came to Paris for the Maison & Objet Fair and the design week. The new store in Le Marais organised a consumer and influencer event.

September 2019

LAUNCH OF FIRST SOUNDBAR – BEOSOUND STAGE

Beosound Stage is the first soundbar that brings the Bang & Olufsen Signature Sound to any TV. The simple, elegant frame is available in natural aluminium, bronze tone aluminium or smoked oak. The frame runs all the way around the speaker and houses a seamless-integrated engraved sensory control panel. The soundbar was available in the first stores in late November 2019 and is sold through both monobrand and multibrand channels. It has received strong reviews and was awarded best soundbar in 2020 by the magazine T3.

October 2019

KRISTIAN TEÄR APPOINTED NEW CEO

On 8 October, Bang & Olufsen appointed Kristian Teär as new CEO. Kristian Teär has most recently been in the Swiss company Logitech as Vice President and Head of EMEA. Kristian has previously held executive positions in BlackBerry as Global Chief Operating Officer and Sony Ericsson as Executive Vice President with global responsibility for sales and marketing and as regional President at Ericsson for Southeast Asia, German-speaking Europe and Central America.

October 2019

FLANNELS FLAGSHIP STORE WITH B&O SOUND

Bang & Olufsen delivered the sound system providing the musical backdrop to luxury multibrand retailer Flannels new flagship store on Oxford Street in London. Instead of a hidden sound system, Bang & Olufsen were commissioned to showcase over 45 speakers across four floors. A selection of Bang & Olufsen products within On-the-go and Flexible Living is sold through the store as well.

October 2019

BEOPLAY H4 2ND GEN LAUNCHED

The second generation of the Beoplay H4 headphone launched with an updated design and new features such as added Voice Assistant.

October 2019

RIMOWA X BEOPLAY H9i WINS TRAVEL AWARD

The collaboration with premium luggage maker RIMOWA was recognised by Surface Magazine by winning one of their prestigious 2019 Travel Awards.

October 2019

POP-UP AT ESQUIRE TOWNHOUSE

As the official sound and vision partner of Esquire Townhouse, a pop-up members' club in London, Bang & Olufsen delivered an immersive brand experience for the guests. A few select members from the press were invited to see the Beosound Stage for the first time.

October 2019

BEOVISION HARMONY

Beovision Harmony, which was unveiled at Milan Design Week in April 2019, was available in stores as planned in October in a 77'' version. A 65'' version of Beovision Harmony was launched in November, expanding Bang & Olufsen's portfolio of TV's.

October 2019

NEW BRAND COLLABORATION DANIEL ARSHAM AND SELFRIDGES

Bang & Olufsen entered into a collaboration with high-end department store Selfridges and American artist Daniel Arsham who has redesigned Beoplay A9. The limited-edition speaker features an image of a blue moon derived from an original painting by Arsham.

October 2019

IMPROVE HEALTH AND LIFE QUALITY THROUGH SOUND

Together with Soundfocus, Wavecare and Aalborg University, Bang & Olufsen is part of the research project Isobel (Interactive Sound Zones for Better Living). Isobel fit the company's CSR strategy by using Bang & Olufsen's core capability within sound to help improve quality of life. The company will contribute in research as well as creating awareness of the positive effect sound can have on people's health and well-being.

October - November 2019

LIFESTYLE POP-UP STORES IN KEY CITIES

In the period from October to December, Bang & Olufsen was present with pop-up stores or shop-in-shops in key cities.

November 2019

BANG & OLUFSEN'S WEBSITE WON GOLD AWARD

Bang & Olufsen's website won a Gold Award for 'Best use of digital from the retail sector' at the London based Digital Impact Awards which has a long-standing reputation in the digital community as the leading event honouring the best corporate digital work.

November 2019

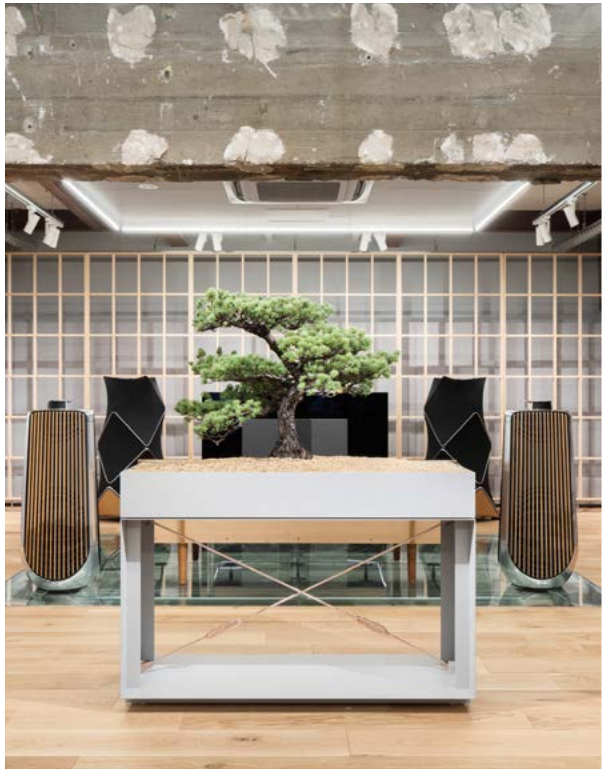
NEW ORGANISATIONAL STRUCTURE TO STRENGTHEN GLOBAL SALES FOCUS

Bang & Olufsen made changes to the company's organisational structure to strengthen the global sales focus. This entailed that regional VP's of sales reports directly to CEO Kristian Teär. The Board of Directors also appointed Christian Birk as EVP for Marketing, Digital & Customer Experience and member of the Executive Management Board.

December 2019

NEW FLAGSHIP STORE IN TOKYO

New flagship store in Tokyo's exclusive Ginza district, which is a design collaboration between Bang & Olufsen's own design and the acclaimed, emerging Japanese architect Daisuke Motogi.



January 2020

COLLABORATION WITH 1017-ALYX-9SM

Together with Milan based fashion house 1017-ALYX-9SM, Bang & Olufsen launched a limited-edition Beoplay E8 Motion in black with both Bang & Olufsen and 1017-ALYX-9SM logo on the earbuds and the leather charging case.

January 2020

LAUNCH OF BEOPLAY E8 3RD GEN

Beoplay E8 3rd generation addresses consumer demand for enhanced comfort, better call clarity and longer battery life. The size has been reduced by 17% providing a better fit, and the number of microphones has been doubled to ensure that voice is delivered seamlessly. Moreover, battery life has been improved by 119%.

January 2020

WEBSITE SHORTLISTED FOR 2020 ONE SHOW AWARDS

Bang & Olufsen's website has been shortlisted in two disciplines at the 2020 One Show Awards – in the "Digital Craft discipline" and the "Interactive & Online discipline".

January 2020

LAUNCH OF CONTRAST COLLECTION

The Contrast Collection is a limited eight-piece collection created in collaboration with Danish design studio Norm Architects. The Contrast Collection consists of eight speakers and wireless headphones: Beoplay A1, Beoplay H9, Beoplay A9, Beosound Stage, Beosound Shape, Beosound Edge, Beosound 1 and Beosound 2.

February 2020

IF DESIGN AWARD FOR MACH-E CAR AUDIO SYSTEM

Bang & Olufsen won an iF Design Award for the car audio system in the all-new Ford Mustang Mach-E, together with Ford and HARMAN. The instrument panel design is characterised by being fully integrated into the interior, instead of being separate design elements.

March 2020

LAUNCH OF BEOSOUND BALANCE

Beosound Balance is a Flexible Living multiroom speaker designed in collaboration with the British industrial design studio LAYER. It is an interior-first and shelf-friendly speaker that does not compromise on the sound experience in large living spaces. It has received very positive reviews from many tech sites.

April 2020

UNIQUE BEOSOUND 2 FOR QUEEN MARGRETHE II OF DENMARK

A special version of Beosound 2 in white with golden illustrations from the fairy tale "The Snow Queen" was made for the Queen Margrethe II of Denmark on her 80th birthday. It has been anodized in three colours – the cabinet is white, the ribs at the top are black, and the laser marked motives from the fairy tale and the Queen's monogram are anodized in gold.

This is a unique product that demonstrates the opportunities Bang & Olufsen has when using the capabilities within design, sound and craftsmanship and pack them systematically into unique offerings.

May 2020

ASBIS AS NEW DISTRIBUTOR IN EASTERN AND CENTRAL EUROPE

A key part of the new strategy is to onboard new strong retail partners and distributors. ASBIS will be the new distributor in Eastern and Central Europe. ASBIS has deep insights into the consumer electronics industry and a strong track record in Eastern and Central Europe. Together with ASBIS, the goal is to scale the business, move closer to local retail partners and strengthen Bang & Olufsen's presence in key markets.

May 2020

LAUNCH OF BEOSOUND A1 2ND GEN

Beosound A1 2nd Gen comes with a slimmer design that is fully dust and waterproof, has a significantly improved battery life with up to 18 hours of play time at typical volume, an overhauled user interface and - a first for a Bluetooth only speaker - a built-in Alexa voice assistant. The new Beosound A1 2nd Gen has received very positive reviews.

May 2020

LAUNCH OF 88-INCH BEOVISION HARMONY

Bang & Olufsen Beovision Harmony launched in an 88-inch version. The TV features not only the world's first 88-inch 8K OLED TV, but also the largest OLED screen ever created by LG Electronics.

KEY FIGURES

(DKK million)	**2019/20**	2018/19	2017/18	2016/17	2015/16
Income statement:					
Revenue	2,036	2,838	3,285	2,954	2,633
Gross margin, %	41.1	48.5	43.6	38.1	36.1
EBITDAC	(242)	169	291	25	(106)
EBITDA	(146)	248	397	199	46
EBIT before special items*	(304)	59	122	(129)	(202)
Special items*, net	(43)	-	-	-	-
EBIT	(347)	59	122	(129)	(202)
Financial items, net	(20)	(26)	(5)	(37)	(39)
Earnings before tax (EBT)	(367)	33	117	(166)	(242)
Earnings for the year	(576)	19	81	(117)	(208)
Financial position:					
Total Assets	1,776	2,462	2,921	2,847	2,832
Share capital	432	432	432	432	432
Equity	832	1,419	1,709	1,586	1,725
Cash	215	492	1,155	1,079	789
Net interest-bearing deposit/ (debt)**	(7)	420	985	900	599
Net working capital	328	410	100	27	319

* The adjusted EBIT figure is used in order to become comparable YOY eliminating special items as defined in note 2.5.
** Impacted negatively by lease liabilities of DKK 153m end of 2019/20 due to the implementation of IFRS 16.
*** The key figure has been adjusted by the impairment of the deferred tax asset of DKK 265m in 2019/20.

Comparative figures have not been restated following the adoption of IFRS 16 Leases. Note 1.3 provides comparison figures according to the old standard.

(DKK million)	**2019/20**	2018/19	2017/18	2016/17	2015/16
Cash flow:					
– from operating activities	(80)	(131)	248	352	(5)
– from investment activities	(154)	(141)	(163)	(45)	(182)
Free cash flow	(234)	(272)	85	307	(187)
– from financing activities	(43)	(391)	(9)	(17)	(223)
Cash flow for the period	(277)	(663)	76	291	(409)
Key figures:					
Growth local currencies	(29)	(15)	2	14	9
EBITDA-margin before special items, %	(5.1)	8.7	12.1	6.7	1.8
EBITDA-margin, %	(7.2)	8.7	12.1	6.7	1.8
EBIT-margin before special items, %*	(15.0)	2.1	3.7	(4.4)	(8.4)
EBIT-margin, %	(17.1)	2.1	3.7	(4.4)	(8.4)
Return on assets, %***	(15.2)	0.8	2.8	(6.9)	(10.2)
ROIC excl. goodwill and right-of-use assets, %	(26.1)	2.0	11.9	20.1	(4.1)
Return on equity, %***	(28.4)	1.4	4.7	(7.0)	(11.4)
Full time equivalents at the end of the year	899	957	1,028	1,169	1,734
Stock related key figures:					
Earnings per share (EPS), DKK	(14.1)	0.5	1.9	(2.7)	(4.8)
Earnings per share, diluted (EPS-D), DKK	(14.1)	0.5	1.9	(2.7)	(4.8)
Price/Earnings	(1.7)	109.8	76.2	(38.0)	(13.3)
Revenue per share, DKK	49.8	69.5	76.1	68.4	61.0
Revenue per share, diluted, DKK	49.8	69.4	76.1	68.4	61.0

For definitions refer to section 7.7.

FINANCIAL REVIEW

The increased efforts to migrate the business approach towards a sell-out focus as well as inventory depletion with retail partners impacted the financial performance for the year negatively. Furthermore, COVID-19 has had a significant impact, especially in the fourth quarter. Revenue declined by 29% in local currencies to DKK 2,036m. EBIT margin before special items was -15% impacted by the decline in revenue and lower gross margin. Free cash flow was DKK -234m impacted positively by working capital management. To improve the capital base, a rights issue with net proceeds of approx. DKK 356m was completed on 1 July 2020

COVID-19

Bang & Olufsen was significantly impacted by the lockdowns imposed in most countries across the world following the outbreak of COVID-19. COVID-19 resulted in a temporary closure of points of sale across all regions and markets.

Asia was the first region to be impacted by the outbreak of COVID-19 and subsequent store closures. On-the-go products sold through etailers drove the large part of revenue in Asia. As online channels remained open this had some mitigating effect on sales in the region.

In Europe, Southern Europe and UK were especially impacted by the outbreak of COVID-19 and more than 90% of stores in these regions have been temporarily closed. In other regions, some monobrand stores were able to stay open subject to certain precautionary measures, whereas shopping malls in most countries were forced to close all non-essential stores impacting the company's mono- and multibrand channels.

The US was the last key region to be impacted by the COVID-19 outbreak resulting in temporary closures of the majority of monobrand stores.

Sales related to travel is normally a substantial contributor to sales of On-the-go products like earphones and headphones. As the COVID-19 pandemic more or less stopped all travel, this had a significant adverse impact on the company's On-the-go category.

To support monobrand partners, the company temporarily increased e-commerce revenue sharing as well as expanded the product range available for online purchase. Consumers were given the option to purchase all products and orders in the Staged product category were forwarded to the closest monobrand partner for completion of the purchase.

Revenue

Group revenue declined by 28.3% (29% in local currencies) to DKK 2,036m. The revenue decline was seen in all regions, with EMEA declining by 30%, Americas down by 37% and Asia declined by 32%. Brand Partnering & other activities grew by 8%.

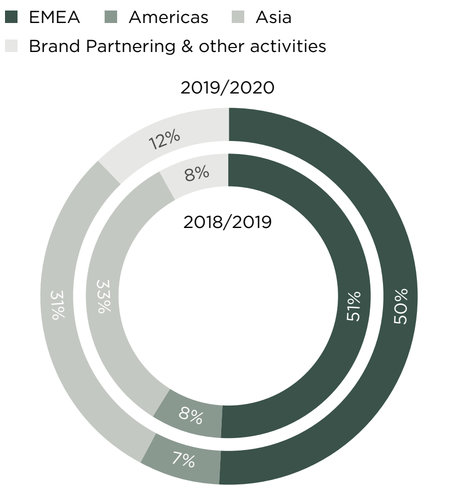
The revenue decline was seen in both the monobrand and multibrand channel. For both channels, the outbreak of COVID-19 and the resulting temporary closure of points of sale in the last part of Q3 and throughout Q4, had a significant negative impact. Consumers moved some purchases online and Bang & Olufsen experienced an increase in revenue from the company's e-commerce platform.

In especially the first half of the year, revenue was impacted by the transition to focus on demand-driven sales, among other things driven by curtailing extended credit and moving from sell-in

POINTS OF SALE

	Monobrand		Multibrand	
	31 May 2020	31 May 2019	**31 May 2020**	31 May 2019
EMEA	363	405	1,900	2,566
Americas	24	26	291	751
Asia	98	91	1,125	1,465
Total	**485**	**522**	**3,316**	**4,782**

REVENUE PER SEGMENT
(%)



support to sell-out allowance towards the company's retail partner network. Furthermore, unhealthy inventory levels held by retail partners resulted in an effort to normalise inventories and hence had a negative impact on revenue. Throughout the year, the company has continuously improved sell-out visibility and based on sell-out data the company saw a reduction in retail partners' inventory.

Furthermore, the company experienced problems with sales through unauthorised channels which had a negative effect on demand for especially products in the On-the-go category.

The number of monobrand and multibrand points of sale declined by 37 and 1,466 respectively. The decline in monobrand stores is to a large extent related to lower performing stores. The company has focused on upgrading instore presence for example by installing branded spaces with key multibrand retailers.

To improve the quality of the distribution network, the company reduced the number of non-performing multibrand points of sale. Furthermore, the company reassessed to which stores, the company is actively selling products and not just the total number of stores with the distributor. The changed methodology resulted in a downward revision of the number of multibrand points of sale.

Staged
Revenue was DKK 750m (DKK 967m), corresponding to a decline of 22%.

The decline was seen across speakers and TV's. The launch of the soundbar Beosound Stage and the new TV Beovision Harmony, both launched in the second quarter, accounted for close to 30% of revenue in the Staged category.

Flexible Living
Revenue declined by 27% to DKK 322m (DKK 442m).

The decline was seen across all products partly mitigated by the launch of Beosound Balance in early March. Beosound Balance was launched as the markets in Europe started to close as a consequence of the COVID-19 pandemic. The new speaker accounted for a little less than 10% of revenue in the Flexible Living category.

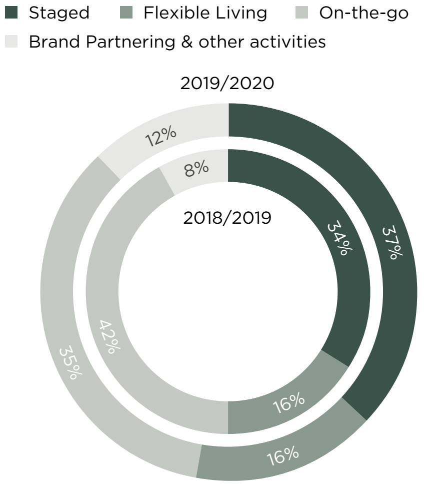
On-the-go
Revenue declined by 40% to DKK 716m (DKK 1,200m).

During the year On-the-go had especially been impacted by sales through unauthorised channels as well as COVID-19 and the resulting decline in travel.

The company launched Beoplay E8 3rd Gen in January and Beosound A1 2nd Gen in May as well as several CMF versions throughout the year. The two product launches accounted for approx. 20% of revenue in the On-the-go category.

GROSS MARGIN PER CATEGORY	2019/20	2018/19
Staged	44.2%	53.5%
Flexible Living	46.6%	51.2%
On-the-go	16.5%	35.0%
Brand Partnering & other activities	96.4%	93.0%
Total	**41.1%**	**48.5%**

REVENUE PER CATEGORY
(%)



Brand Partnering & other activities
Revenue amounted to DKK 247m, which was 8% higher than last year.

The increase was related to brand licensing income and impacted positively by a good performance from HP and HARMAN. Revenue from HARMAN was impacted negatively by COVID-19 in Q4.

Gross profit

Gross profit amounted to DKK 838m equivalent to a gross margin of 41.1%. The gross margin declined by 7.4pp and excluding the effects of currency hedging gross margin declined by 4.9pp compared to last year.

The decline was seen across all product categories. The misalignment between sales and production in 2018/19 resulted in more end-of-life products than in previous years. Consequently, end-of-life products accounted for a higher relative share of total revenue. To reduce the risk of cannibalisation of the primary channels, the company's priority has been to sell these products through targeted channels. End-of-life products have been sold at lower prices, which impacted the gross margin negatively.

Furthermore, allocation of production-related capacity costs accounts for a higher share when revenue declines thereby impacting gross margin negatively.

Gross margin from Brand Partnering & other activities increased by 3.4pp to 96.4%, which was a result of higher brand licencing income.

Capacity costs

Capacity costs were DKK 1,185m compared to DKK 1,318m last year, corresponding to a decrease of 10%. Excluding special items related to the cost reduction programme, capacity costs amounted to DKK 1,142m.

Distribution and marketing costs amounted to DKK 742m, which was 15% lower than last year. The decline was among other things related to lower spending in marketing, as the company has prioritised upgrading in-store fixtures, which have been capitalised. Furthermore, last year included costs related to company owned stores in China, which have since been divested. Following the outbreak of COVID-19, the company focused marketing activities towards online activation, which also resulted in cost savings.

Administration costs were DKK 170m, which was 16% higher than last year. Administration costs were impacted by special items amounting to DKK 31m related to severance costs for the previous management, costs related to the cost reduction programme and restructuring. Excluding special items, administration costs decreased by 13%. The decrease was driven by lower activity and strict cost focus.

Development costs declined by 15% to DKK 273m. The reduction was mainly related to a combination of higher capitalisations and lower amortisations. Incurred development costs amounted to DKK 261m and declined by 8m, which was mainly due to timing.

The company has offset COVID-19 related relief packages of DKK 24m in the operating expenses for the year 2019/20 which related to production costs of DKK 6m, development costs of DKK 9m, distribution and marketing costs of DKK 8m and administration costs of DKK 1m.

EBIT

EBIT was DKK -347m (DKK 59m), corresponding to an EBIT margin of -17.1% (2.1% last year).

The margin decline was related to the decline in revenue in combination with lower gross margin partly offset by lower capacity costs. Furthermore, last year's EBIT was impacted positively by other operating income of DKK 24 million relating to a legal dispute.

Special items amounted to DKK 43m, which was primarily related to severance costs to former management and redundancy costs together with specific consultancy costs in respect of the cost reduction programme launched in March. Please refer to note 2.5.

COVID-19 relief packages improved EBIT by DKK 24m as per the above.

EBIT before special items was DKK -304m (DKK 59m), corresponding to an EBIT margin before special items of -15.0% (2.1% last year).

Net financial items
Net financial items were DKK -20m (DKK -26m).

Earnings
Earnings before tax were a loss of DKK 367m (profit of DKK 33m).

Income tax was DKK -209m (DKK 14m) impacted by an impairment charge following a reassessment of expected future taxable income. A full description can be found under the section recovery of deferred tax assets in note 2.7.

Earnings for the period were a loss of DKK 576m (profit of DKK 19m).

Cash flow
Free cash flow was DKK -234m (DKK -271m), which was an improvement of DKK 37m compared to last year. Free cash flow was positively impacted by IFRS 16 with DKK 39m. Excluding this effect, free cash flow was DKK 2m worse than last year.

Cash flow from operating activities was DKK -80m (DKK -130m). Excluding effects of IFRS 16, the improvement was related to a positive development in net working capital.

Cash flow from investing activities was DKK -154m (DKK -141m). Investments in 2019/20 were primarily related to the development of new products and technology platforms as well as investment into in-store fixtures, primarily in multibrand channels.

Cash flow from financing activities was DKK -43m (DKK -391m). Last year was impacted by the share buyback programme as well as an extraordinary debt repayment instalment whereas 2019/20 was impacted negatively by the effect of IFRS 16 amounting to DKK 39m.

Net working capital
Net working capital amounted to DKK 328m, which was an improvement of DKK 82m compared to last year.

The reduction in net working capital was primarily related to reduced inventory and lower trade receivables partly offset by lower trade payables.

The company has throughout the year had a focus on reducing net working capital. An improved alignment between production and sales has resulted in inventory being reduced by DKK 139m. Trade receivables has been reduced as a consequence of lower sales as well as a reduction in use of extended credit. Extended credit was reduced to 9% of revenue compared to 29% of revenue last year. In Q4, extended credit accounted for 14% of revenue. The level is impacted by the decline in sales due to COVID-19, whereby display units accounted for a higher relative part of total revenue.

Trade payables were reduced impacting net working capital negatively by DKK 280m. Last year's misalignment between production and sales resulted in a high level of trade payables which in especially Q1 was paid to suppliers. Secondly, the lower production in 2019/20 further reduced trade payables.

Net interest-bearing deposits/debt
Net interest-bearing debt amounted to DKK 7m compared to a deposit of DKK 420m last year. IFRS 16 accounted for DKK 153m of the reduction in net interest-bearing deposits. See note 6.5.

The cash position at the end of the year was DKK 215m (DKK 492m).

EMEA

Revenue
Revenue was DKK 1,020m (DKK 1,459m), which was 30.0% lower than last year (-31% in local currency). The lower revenue was across all major markets in EMEA.

The decline was related to both the mono- and multibrand channels. Revenue from the company's e-commerce platform delivered growth throughout the year and boosted by the changed consumer buying behaviour following the outbreak of COVID-19.

Staged
The staged category continues to be the biggest product category in EMEA, accounting for more than 50% of revenue in the region. Revenue was down 27% compared to last year significantly impacted by the reduction in retail partners' inventory. The decline in revenue from Beovision Horizon which is end-of-life was more than offset by revenue from the soundbar Beosound Stage.

As expected, revenue from Beovision Eclipse declined, partly related to the before mentioned inventory reductions. The launch of Beovision Harmony mitigated part of the reduction.

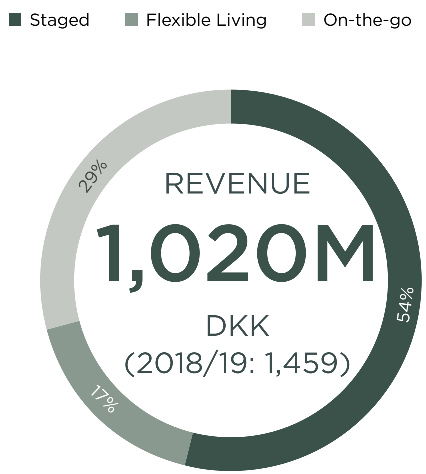
Flexible Living
Revenue was down by 30% compared to last year and was related to all products. The launch of Beosound Balance impacted the performance positively.

On-the-go
Revenue declined by 35% primarily related to headphones and earphones. Bluetooth speakers were positively impacted by the launch of Beosound A1 2nd Gen. On-the-go has been impacted by the performance in multibrand and further exacerbated by COVID-19 and the impact it had on travel.

Gross profit
Gross profit amounted to DKK 360m equivalent to a gross margin of 35.3% which was 10.8pp lower than last year. The margin contraction was impacted by sales of end-of-life products at lower prices as well as the use of sell-out allowances to support inventory depletion with retail partners.

(DKK million)	2019/20	2018/19	Change
Revenue	1,020	1,459	(30.0)%
Growth local currency	(31)%	(15)%	(16)pp
Gross profit	360	672	(312)
Gross margin	35.3%	46.1%	(10.8)pp

EMEA



GROSS MARGIN
35.3%
(2018/19: 46.1%)

AMERICAS

Revenue

Revenue in Americas was DKK 141m (DKK 223m) corresponding to a 36.8% decline (-43% in local currency).

The decline was primarily seen within the multibrand channel and the On-the-go category, where the footprint was reduced during the year. Revenue from the company's e-commerce platform delivered growth throughout the year and was boosted by the changed consumer buying behaviour following the outbreak of COVID-19.

Staged

Revenue was down by approx. 16% compared to last year. The decline was primarily related to speakers. The launches of Beovision Harmony and Beosound Stage partly offset the overall decline in this category.

Flexible Living

Revenue was down by 19% compared to last year. Revenue was impacted positively by the launch of Beosound Balance and higher sales of Beoplay A9.

On-the-go

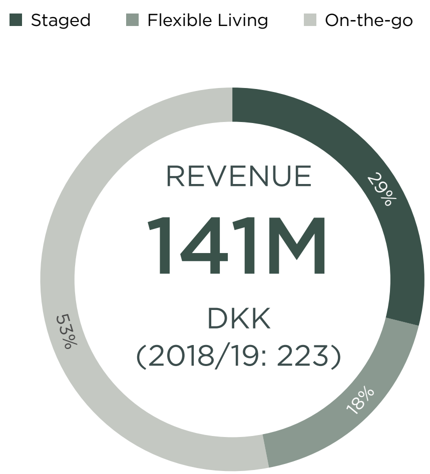
Revenue declined by 48% predominantly as a consequence of reduced presence in consumer electronics as well as sales through unauthorised channels. The decline was most significant in headphones and earphones, however, partly offset by the launch of Beoplay E8 3rd Gen. Bluetooth speakers were impacted positively by the launch of Beosound A1 2nd Gen.

Gross profit

Gross profit amounted to DKK 47m equivalent to a gross margin of 33.4%, which was 8.1pp lower than last year. The reduction in gross margin was largely an effect of a higher proportion of revenue coming from end-of-life products which are sold at lower prices.

(DKK million)	**2019/20**	2018/19	Change
Revenue	141	223	(36.8)%
Growth local currency	(43)%	(27)%	(16)pp
Gross profit	47	93	(46)
Gross margin	33.4%	41.5%	(8.1)pp

AMERICAS



GROSS MARGIN
33.4%
(2018/19: 41.5%)

ASIA

Revenue
Revenue in Asia was DKK 628m (DKK 927m) corresponding to a 32.3% decline (-30% in local currency).

The decline was seen across all distribution channels, with the biggest impact from the multibrand channel.

Staged
Revenue declined by 14%. Revenue from speakers declined, whereas revenue from TV's including soundbars, delivered growth during the year. Revenue was supported by the launch of Beovision Harmony and Beosound Stage. Furthermore, Beosound Stage was the product generating the highest revenue in the Staged category in Asia.

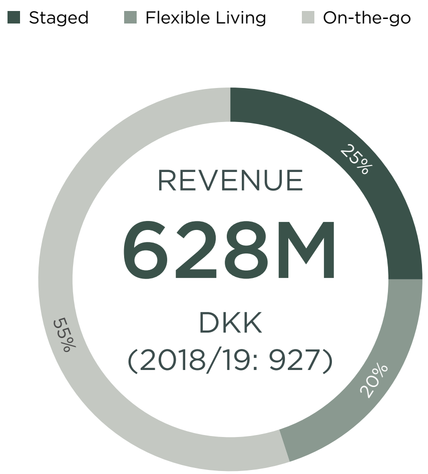
Flexible Living
Revenue declined by 24% compared to last year. The decline was seen across all products except for Beoplay A9, which was supported by a large business-to-business order. The launch of Beosound Balance had a positive effect on performance.

On-the-go
On-the-go revenue declined by 40%. The decline was seen across Bluetooth speakers, headphones and earphones. The decline was partly offset by the launch of Beosound A1 2nd Gen, Beoplay E8 3rd Gen and full-year effect from Beoplay H9 3rd Gen, which was launched late Q4 last year.

Gross profit
Gross profit declined compared to last year and amounted to DKK 193m equivalent to a gross margin of 30.7%, which was 12.4pp lower than last year. The margin contraction was primarily a consequence of end-of-life products being sold at lower prices and accounted for a higher proportion of total revenue.

(DKK million)	**2019/20**	2018/19	Change
Revenue	628	927	(32.3)%
Growth local currency	(30)%	(6)%	(24)pp
Gross profit	193	400	(207)
Gross margin	30.7%	43.1%	(12.4)pp

ASIA



GROSS MARGIN

30.7%

(2018/19: 43.1%)

BRAND PARTNERING & OTHER ACTIVITIES

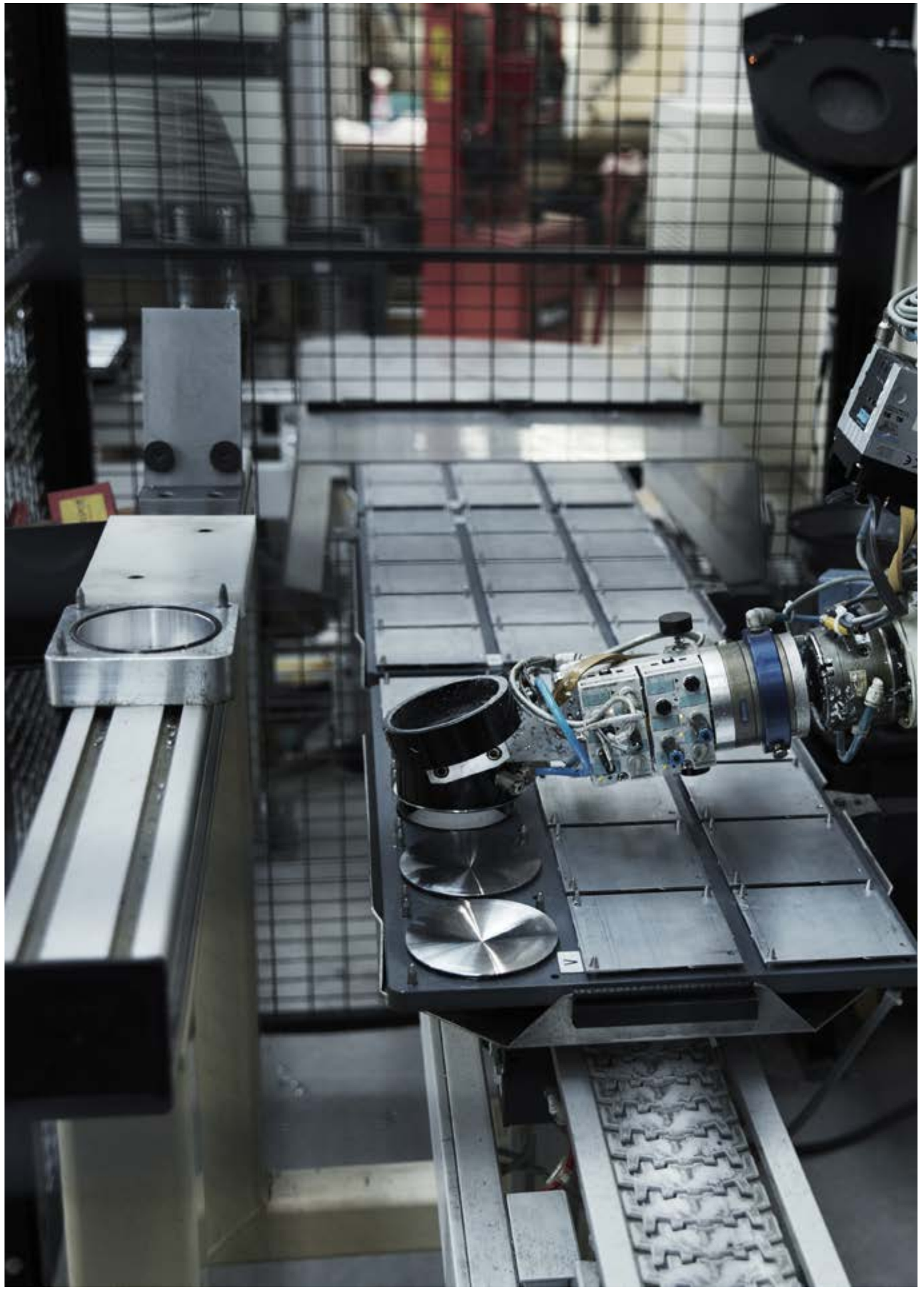
Brand Partnering is a key strategic priority where Bang & Olufsen has established partnerships with innovative companies like HARMAN and HP. Brand licencing was a significant revenue contributor as well as helping to increase the awareness of the Bang & Olufsen brand. Other activities include aluminium component production for third parties.

Revenue
Reported revenue amounted to DKK 247m (DKK 229m), which was equivalent to a 7.9% increase (7% in local currency).

The increase was related to brand licencing income for the first nine months of the year while COVID-19 had a negative impact on performance in Q4. Revenue from the company's aluminium production for third parties declined further in 2019/20.

Gross Profit
Gross profit amounted to DKK 238m equivalent to a gross margin of 96.4%, which was 3.8pp higher than last year. The improved margin was predominantly a result of brand licencing income, which represented a larger share of the segment.

(DKK million)	**2019/20**	2018/19	Change
Revenue	247	229	7.9%
Growth local currency	7%	(4)%	11pp
Gross profit	238	212	26
Gross margin	96.4%	92.6%	3.8pp



CSR & SUSTAINABILITY

In 2019/20, Bang & Olufsen made good progress on the company's corporate social responsibility (CSR & Sustainability) efforts and achieved 13 of 16 key targets for the year

Bang & Olufsen has published a full CSR & Sustainability report for 2019/20. The report outlines the company's strategy, key targets, initiatives and results achieved in the financial year. In addition, the report outlines the key targets for the next financial year, 2020/21.

The report complies with sections 99a and 99b of the Danish Financial Statements Act, and it is available in its entirety on the Bang & Olufsen website at: **https://corporate.bang-olufsen.com/en/csr**

UPDATE ON STRATEGIC INITIATIVES FOR 2019/20

In 2017/18, Bang & Olufsen launched a three-year CSR & Sustainability strategy. The strategy has four focus areas: Environmental & Climate Impact, Responsible Employer, Role in Society and Responsible Partner with eight three-year CSR-commitments. Action plans, annual targets and initiatives have been developed across all focus areas to ensure progress.

ENVIRONMENTAL & CLIMATE IMPACT

Bang & Olufsen is committed to minimising the adverse impact on the environment and climate from the company's own operations and its supply chain as well as to continuously reducing the footprint of the company's products over their entire lifecycle.

TARGETS FOR 2019/20	STATUS	
• Reduce CO_2 in buildings with at least 5%	**Accomplished** 15%	✓
• Reduce CO_2 emissions of own logistics system by 5-10%	**Accomplished** 35%	✓
• Implement new design guidelines for sustainable packaging during 2019/2020	**Accomplished**	✓
• Start to explore new models for lifetime prolongation and use of recycled content in products	**Partly accomplished***	(✓)

* The company has recently initiated a project with University of Aalborg to explore this, but this is yet to yield any results. Therefore it is only partly accomplished.

RESPONSIBLE EMPLOYER

Bang & Olufsen wants to be recognised as a people-oriented and responsible company. Therefore the company has a strong focus on empowering employees and helping them develop their competencies as well as promoting the health and well-being of people working. Furthermore, Bang & Olufsen promotes diversity across gender, culture, nationality and competencies.

TARGETS FOR 2019/20	STATUS	
• Increase focus on initiatives related to mental health	**Accomplished**	✓
• Continue focus on promoting diversity and hiring a diverse workforce	**Accomplished**	✓
• Improve share of women in senior management to at least 25% (director+)	**Not accomplished** 22%	✗
• Improve employee engagement score from 70 to 72	**Accomplished** 72	✓

ROLE IN SOCIETY

Bang & Olufsen operates in a responsible and transparent manner and is committed to creating value to all the company's stakeholders. The company will continue to share knowledge and making the company's expertise available to society and stakeholders, while continuing to support community initiatives in the societies in which the company operates.

TARGETS FOR 2019/20	STATUS	
• Support at least 15 startups	**Not accomplished** 12	✗
• Run at least 5 initiatives to help and promote STEM competencies for young people	**Accomplished** 6	✓
• Continue work with 2 key research projects within sound and health	**Accomplished**	✓
• Partner with global organization to raise awareness of the positive impact of music	**Not accomplished**	✗

RESPONSIBLE PARTNER

Bang & Olufsen wants to ensure partner relationships by engaging with suppliers to raise responsibility standards and work with retail partners to ensure a strong compliance culture to ensure that they live up to the company's ethical and social standards and expectations from all stakeholders.

TARGETS FOR 2019/20	RESULTS	
• Strengthen training in and awareness of the procurement processes among employees	**Accomplished**	✓
• Strengthen internal compliance function	**Accomplished**	✓
• Complete revision of Business Conduct & Ethics Policy and complete training of key stakeholders	**Accomplished**	✓
• Continue roll-out of updated contractual framework to retail partners	**Accomplished**	✓

KEY CSR TARGETS 2020/21

ENVIRONMENTAL & CLIMATE IMPACT

- Reduce CO_2 in buildings with at least 5%
- Implement sustainable packaging strategy for upcoming products in the On-the-go and Flexible Living categories
- Reduce CO_2 emissions of own logistics system by 5-10% per kilo
- Introduction of formalised circular product design program

RESPONSIBLE EMPLOYER

- Improve share of women in senior management to at least 25% (director+)
- Improve Employee Engagement score from 72 to at least 74

RESPONSIBLE PARTNER

- Strengthen training in the procurement processes in the organisation
- Launch internal compliance training program
- Establish global compliance committee
- Improved due diligence onboarding process for high risk commercial partners

ROLE IN SOCIETY

- Support at least 10 startups through collaboration with Sound Hub Denmark
- Run at least 5 initiatives to help and promote STEM competencies for young people
- Continue work with key research projects within sound and health and share knowledge with key stakeholders

GOVERNANCE

CORPORATE GOVERNANCE

Bang & Olufsen has a two-tiered management structure. As per 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, consumers, suppliers, employees and 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 November 2017 (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 as well as any relevant statutory requirements and continuously assesses the need for adjustments. At 31 May 2020, Bang & Olufsen followed all Recommendations.

Bang & Olufsen has prepared a detailed Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements Act, which 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://investor.bang-olufsen.com.

Board of Directors

The Board of Directors currently has eleven members, seven 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. For more information about the individual board members, please see the section 'Board of Directors' on pages 55-56.

Between eight and ten board meetings are held each year, with ad hoc meetings being held if necessary. In 2019/20, the Board of Directors held 18 meetings.

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 skills and competences possessed by each respective member of the Board of Directors, please see the section 'Board of Directors' on pages 55-56.

Board committees and advisory Board

The Board of Directors has established four committees: a Remuneration Committee, a Nomination Committee, an Audit Committee and a Technology 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 and each committee has a detailed charter 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 have established a China Advisory Board to (i) ensure that trends and learnings from China are captured and (ii) provide guidance and support for

BOARD MEETING AND COMMITTEE ATTENDANCE AS PER 1 JUNE 2020

	BOARD MEETINGS ATTENDED	REMUNERATION COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE	TECHNOLOGY COMMITTEE
Ole Andersen	18 of 18	3 of 3		3 of 3	
Juha Christensen	18 of 18	3 of 3			4 of 4
Anders Colding Friis	18 of 18		5 of 5		
Jesper Jarlbæk	18 of 18		5 of 5	3 of 3	1 of 1
Joan Ng Pi O[B]	12 of 13				2 of 3
M. Claire Chung[B]	12 of 13	2 of 2			
Mads Nipper	17 of 18			3 of 3	
Tuula Rytilä[B]	13 of 13				2 of 3
Brian Bjørn Hansen[A]	18 of 18				
Britt Lorentzen Jepsen[A, B]	13 of 13				
Dorte Vegeberg[A, B]	13 of 13				
Søren Balling[A]	17 of 18				
Albert Bensoussan[C]	4 of 5		1 of 1		
Geoff Martin[A,C]	5 of 5				
Ivan Tong Kai Lap[C]	5 of 5		1 of 1		
Majken Schultz[C]	1 of 1				

A Employee elected
B Appointed 21 August 2019: Britt Lorentzen, Dorte Vegeberg, Joan Ng, M. Claire Chung, Tuula Rytilä
C Left the board 21 August 2019: Albert Bensoussan, Geoff Martin, Ivan Tong, Majken Schultz

the Chinese part of the business to support the growth trajectory in China.

The table illustrates Board meeting and committee attendance over the past year.

Board evaluation process
The Chairman 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 Chairman'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 by 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 Chairman presented the results of the evaluation to the Board of Directors in July 2020. According to the conclusion of the evaluation, the Board of Directors is generally well organised, well-functioning and work on the Board is characterised by an open and trusting relationship and cooperation both among the members of the Board and with the Executive Management Board. The self-assessment also concluded that the Board of Directors continues to demonstrate industry knowledge and experience which is well suited to support Bang & Olufsen's business and strategic direction reflected in the recent Strategy Plan developed during the period November 2019 - March 2020.

The evaluation identified two main areas for improvement:

(i) 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. The Board will maintain focus on this area and steps have been and will be taken to improve the company's succession planning

(ii) Allocation of more time for deep-dive discussions at each Board meeting

In addition, the evaluation also identified certain minor areas for improvement. These will be considered, and steps will be taken to improve the situation.

The Chairman has reviewed the performance with each of the members of the Board of Directors and has provided each member with feedback on their performance.

REMUNERATION

The remuneration of the Board of Directors and the Executive Management Board is designed to support the strategic goals of the company and to promote value creation for the benefit of the company's shareholders and

REMUNERATION OF THE BOARD OF DIRECTORS 2019/20

(DKK thousand)	Annual fee	Remuneration Committee	Nomination Committee	Audit Committee	Technology Committee	China Advisory Board	Total 2019/20	Total 2018/19
Ole Andersen	900	75	75				1,050	1,050
Juha Christensen	450	75			75		600	600
Anders Colding Friis	300			75			375	300
Jesper Jarlbæk	300		75	150	25		550	600
Joan Ng Pi O[B]	233				50	13	296	
M. Claire Chung[B]	233	50				13	296	
Mads Nipper	300		75				375	375
Tuula Rytilä[B]	233				50		283	
Brian Bjørn Hansen[A]	300						300	300
Britt Lorentzen Jepsen[A, B]	233						233	
Dorte Vegeberg[A, B]	233						233	
Søren Balling[A]	300						300	300
Albert Bensoussan[C]	67			17			84	375
Geoff Martin[A,C]	67						67	300
Ivan Tong Kai Lap[C]	67			17			84	375
Majken Schultz[C]	67	17					84	375
Total	**4,283**	**217**	**225**	**259**	**200**	**26**	**5,210**	**4,950**

A Employee elected
B Appointed 21 August 2019: Britt Lorentzen, Dorte Vegeberg, Joan Ng, M. Claire Chung, Tuula Rytilä
C Left the board 21 August 2019: Albert, Bensoussan, Geoff Martin, Ivan Tong, Majken Schultz

other stakeholders. Remuneration levels must ensure that the company is able to attract, motivate and retain highly qualified members for both the Executive Management Board and the Board of Directors.

The company's remuneration policy is reviewed annually by the Remuneration Committee and the Board of Directors. The remuneration policy as well as the full remuneration report for the financial year 2019/20 can be found at https:// investor.bang-olufsen.com.

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 Chairman, the VIce Chairman, and members and chairmen of permanent committees.

Members of the Board of Directors do not receive incentive-based remuneration. However, 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.

Executive Management Board
Members of the Executive Management Board are entitled to an annual remuneration in accordance with the remuneration policy which may consist of the following fixed and variable remuneration 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

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, at the same time, 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 as well as the remuneration report for 2019/20, which is available at https:// investor.bang-olufsen.com

RISK MANAGEMENT

The purpose of Bang & Olufsen's risk management programme is to protect the business by identifying key risks and mitigate these to an acceptable level. The extent to which individual risks are acceptable or perhaps even desirable, as well as the extent to which these risks can be reduced to ensure an acceptable balance between risk and return are assessed on a regular basis

At Bang & Olufsen, the risk management process sets forth a systematic approach. A number of risk management tools and templates have been developed to set the foundation for risk management and to ensure a structured approach to managing risks across the company. This includes the formulation of:

- a risk management guideline,
- risk governance structure, and
- an annual wheel.

The risk management guideline states the company's approach to risk management, the process for risk management as well as the governance structure and roles and responsibilities.

The risk governance structure is used to assign roles, responsibility and accountability for decisions concerning risk and mitigations in Bang & Olufsen. The roles and responsibilities are structured in a three-level structure with a Governance level first followed by an Executive level and finally an Operational risk management level. Please refer to https://investor.bang-olufsen.com/risk-management for more information on governance structure.

The annual wheel outlines the key risk management activities that are carried out over a year to identify, prioritise, assess, mitigate, monitor, and report on risks in order to contain risks within acceptable limits. This includes thorough discussions with the Executive Management Board and relevant stakeholders and evaluations of identified risks on basis of possible impact and probability.

The risk identification and assessment are conducted on an annual basis to identify and assess key risks across Bang & Olufsen. The risk assessment is based on the following:

- analysis of internal and external information and data
- interviews with the Global Leadership Team, which includes the Executive Management Board, and other key stakeholders with focus on their field of expertise and the company overall
- analysis and consolidation of identified risks based on their potential impact and probability
- validation process by the Global Leadership Team of the identified risks, including analyses and prioritisation to establish the company's risk profile.
- discussion with the Audit Committee bi-annually

The evaluation of the potential impact is based on a number of criteria, including strategic direction, reputational and financial impact, and the probability of the risk materialising. As a part of the risk assessment process, risk ownership of the top strategic risks is assigned to relevant members of the Global Leadership Team, who are subsequently responsible for managing those risks in day-to-day business operations. Furthermore, risks are discussed by the Global Leadership Team during the year to evaluate the current risk profile and identify new risks as early as possible, thereby enabling 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.

Meeting the expectations of shareholders, consumers, employees, partners, and suppliers is important in succeeding with the new strategic direction. Therefore, the risk management process is designed to balance risk and opportunity throughout the business operations to ensure that risks are managed at the appropriate level by the people, who have the ability to act on the risk.

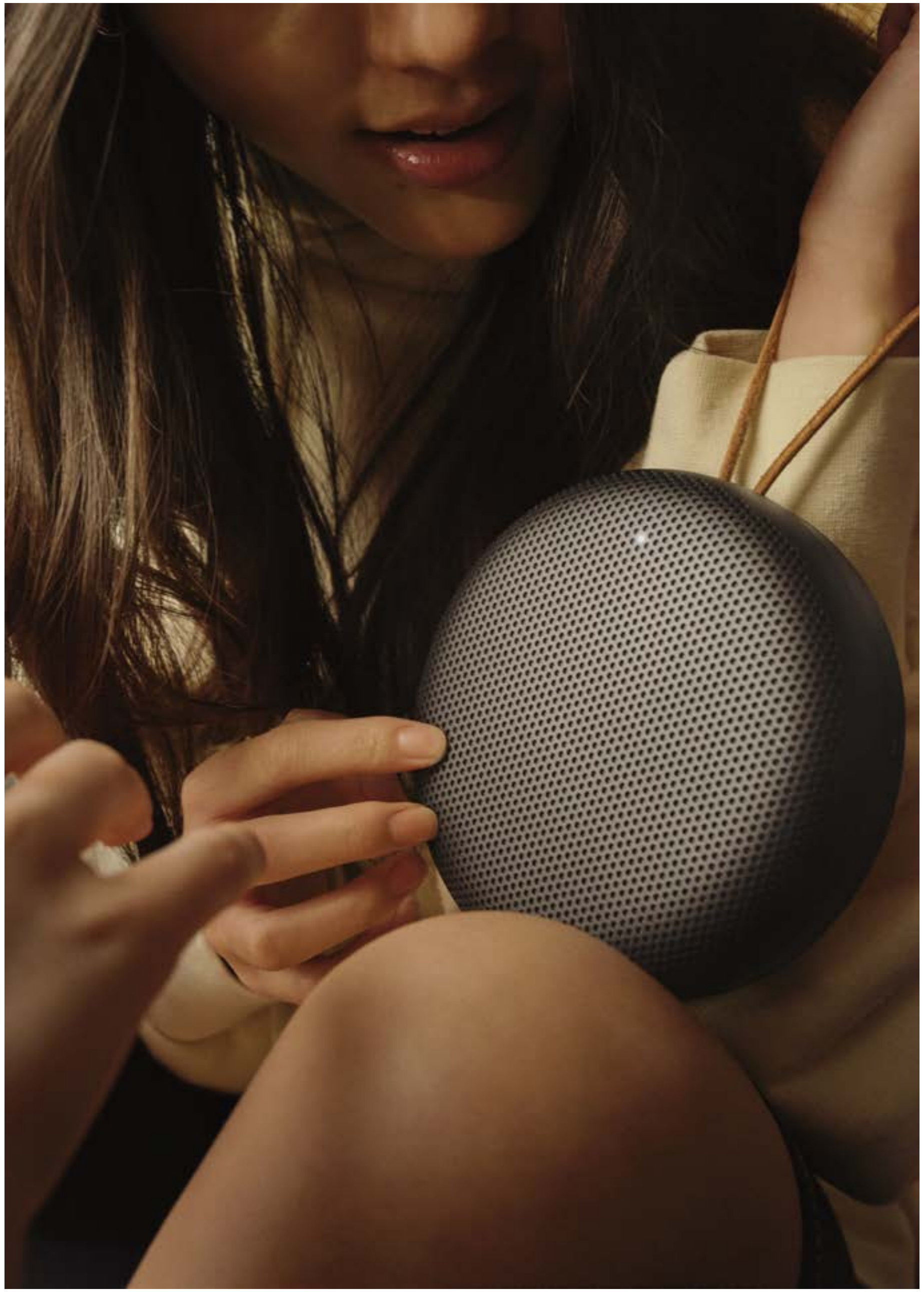
KEY DEVELOPMENTS AND ACTIVITIES IN 2019/20

In addition to the ongoing management of the company's risks related to the daily business, several targeted risk management activities have been performed over the past year. This entails that the company in 2019/20 has focused on the further development of risk management capabilities, including clearly anchoring the area in the organisation. Moreover, a dedicated resource has been engaged for handling the company's risk management process going forward.

During the year, the identified risks have been assessed and attempted mitigated, but even so, the risk profile was significantly impacted by the COVID-19 outbreak, which slowed down many of the planned mitigation actions, and caused an adjustment and initiation of new mitigation actions. Management and mitigating actions of the top risks for 2019/20 are outlined below.

Management and mitigation of top risks in the financial year 2019/20

The following section contains a description of the top risks and mitigating activities identified for 2019/20, which was divided into two categories: brand and distribution risks and operational risks. The risks are not listed in any order of priority as to impact or probability.



BRAND AND DISTRIBUTION RISK

Bang & Olufsen's products are anchored in three core capabilities: Sound, Design and Craftsmanship. The company aims to establish an exclusive and seamless consumer experience across both physical and digital channels. This entails certain risks, and the following were identified as top risks for the financial year 2019/20:

AREA	DESCRIPTION	MITIGATING ACTIONS 2019/20
CONSUMER AND PRODUCT TRENDS	Bang & Olufsen continuously develops and adjusts the product portfolio to follow consumer trends in a rapidly changing environment. Financial expectations are based on an ability to foresee and meet market demand. This involve risks associated with developing relevant products and being able to execute and launch such products in a timely manner.	More rapid prototype testing has been established in the early phases of concept work to ensure consumer pain points and needs are fully captured before initiating the design and specification phase. A cross functional insights function has been established and charged with ensuring that all market trends are captured.
BRAND PARTNERSHIPS	In recent years, Bang & Olufsen has entered into brand partnerships with some of the largest and most innovative companies in the world, such as HP, HARMAN and LG. This involve risks of not being able to sustain and develop the current brand partnerships into improved support of the brand value.	Bang & Olufsen continued to strengthen the engagement with existing core partners while at the same time establishing a more structured approach towards engaging with potential new partners.
TRANSFORMING DISTRIBUTION AND IMPROVING EXECUTION	Scaling the company's existing market platform in the Americas and Asia was identified as a significant opportunity. However, growth in these regions was associated with risk due to the highly competitive markets in these regions. Bang & Olufsen's omnichannel strategy transforming both the monobrand and multibrand store network as well as eCom entailed a risk linked to the financial impact of transforming the monobrand stores simultaneously with establishing new partnerships and clusters. Through eCom, Bang & Olufsen is aiming to establish a uniform brand experience whilst fully benefiting from a broad digital presence. There is however a risk related to maintaining the luxury brand experience on digital channels and hence an inability to control the consumer experience and to gather the necessary consumer data and insights to increase consumer lifetime value.	Bang & Olufsen has in the identified opportunity markets focused on building a strong network of monobrand stores that can provide consumers with the unique Bang & Olufsen in-store consumer experience. In the multibrand area, the company sought to carefully select partners, resulting in further closures of some partnerships and the establishment of new ones. The company was also upgrading store presence with branded spaces to enhance consumer experience. However, due to COVID-19, the retail development was delayed in Q4. Due to the COVID-19 outbreak, e-com was fuelled to meet changes in consumer behaviour. Furthermore, the company continued to focus on developing strong executional capabilities within retail and sales operations to further build on and enhance operations in the multibrand environment.

OPERATIONAL RISK

Bang & Olufsen has an asset-light and agile operating model established around outsourcing and partnerships. This leads to certain operational risks, and the following were identified as top risks:

AREA	DESCRIPTION	MITIGATING ACTIONS 2019/20
OUTSOURCING AND PARTNERSHIPS	Bang & Olufsen's asset-light operating model with a focus on fewer partners involves a risk in relation to product supply in the event of a severe incident or other developments due to dependency on single source partners for components, production or products. The consequences can impact the ability to deliver products to the market in a timely manner.	Bang & Olufsen has implemented a thorough supplier selection process to ensure that suppliers meet Bang & Olufsen's requirements to long-term partners. In addition to monitoring systems, which verify the performance of the product and component suppliers and provides early warnings of deviations, the company has established regular business reviews with major product platform providers. Where possible, Bang & Olufsen has pursued a dual sourcing strategy aimed at ensuring the ability to source the same type of components from at least two different suppliers. For certain unique suppliers, other measures have been implemented to reduce the risk, such as dual sets of production equipment.
IT SECURITY	Bang & Olufsen's business depends to a large and increasing degree on reliable and secure IT systems. Failure to adequately protect the IT infrastructure and key systems against the risk of security incidents could potentially lead to unavailability of services, unintended disclosure of business-critical confidential data or sensitive personal data, which may negatively impact Bang & Olufsen's competitive position, damage its reputation and/or result in fines.	An updated 360-degree risk assessment was conducted, and the roadmap for implementation of the additional findings were initiated. This roadmap included several network initiatives to further strengthen security of systems as well as updated cyber security awareness training courses.

TOP RISKS IDENTIFIED FOR 2020/21

The company has identified the following top risks for next financial year, based on i.a. the operating model and the revised strategy. The key risks can be divided into two categories: risks related to strategy execution and overall business risks.

The majority of the identified risks continues to be related to the ability to execute on the company strategy. Many identified top risks are similar to the risks identified last year, but they now reflect the revised strategic direction and the risks entailed in the execution thereof, e.g. focus on new consumer segments and the ability to realise and act timely upon market and product findings.

COVID-19
The COVID-19 outbreak continues to be a substantial risk to the company's business, operating results and financial position.

COVID-19 has had and will continue to have a severe adverse effect on the business, including severe financial and economic uncertainties which may cause an adverse effect on demand, severe disruptions, delays, price variations and quality variations in supply chain, production and/or manufacturing channels, delay in product launches, severe disruptions in the financial systems, general IT systems and support functions, significant fluctuations in consumer and partner behaviour, potential interruption or delay in logistics setup and transportation services and increase in related costs, and quarantines and lockdowns of employees or suppliers, partners, etc., and governmental shutdowns.

The magnitude and duration will depend on the future developments of COVID-19, including on whether any further outbreaks will occur in 2020 or later. Such developments and potential future outbreaks are inherently unpredictable, as

STRATEGY AREA	DESCRIPTION	MITIGATING ACTIONS 2020/21
STRENGTHEN & DEVELOP STRATEGIC BRAND PARTNERSHIPS	The company will intensify its brand partnering activities to improve and leverage brand value by seeking new brand licensing agreements. There is a risk of not being able to nurture and develop the current brand partnerships into improved support of the brand value.	Bang & Olufsen will continue to strengthen the engagement with existing core partners, e.g. HP and HARMAN, while at the same time engaging with potential new partners to secure future pipeline across relevant segments.
BUILD FOUNDATION FOR ACCELERATED CHINA AND SOUTH KOREA GROWTH	With China representing approximately one third of global luxury spending, the Chinese market remains an important growth market for the company. As part of the company's strategy, China was identified as key focus market to ensure proper focus. There is a risk that Bang & Olufsen is unable to build foundation for accelerated growth in China. The potential consequences can be inability to reach the anticipated growth in China as set out in the strategy.	Bang & Olufsen will focus on increasing the marketing efforts, while preparing a specific strategic direction for China and related implementation plan. In order to strengthen market understanding, the company has established a China Advisory Board with local experts, among other things. The China Advisory Board will also oversee and support the balance between a centralised advisory role and decentralised execution.

Bang & Olufsen cannot assess the duration and severity of the outbreak, and the implications of the actions taken in response to COVID-19. There is a significant risk that the current and potential future outbreaks of COVID-19 could continue to adversely affect the business, operating and financial results, cash flows, financial position, and/or prospects in both current and future financial years.

STRATEGY AREA	DESCRIPTION	MITIGATING ACTIONS 2020/21
FIT FOR FUTURE PRODUCT PORTFOLIOS	Bang & Olufsen must continue to bring new innovative, competitive products to the market across product categories. Furthermore, the company will leverage its distinct capabilities and assets, and package these systematically into unique offerings on limited editions, classic editions, and bespoke programmes. There is a risk that Bang & Olufsen is not able to execute on its product roadmap in a timely manner, or is unable to maintain and sustain revenue growth as a consequence of changing market requirements in a fast-moving market where competition is moving rapidly.	A systematic product tiering will ensure stronger fit to variations in target audience preference. Focus on consumer insight to be aligned with product roadmap and ensuring product quality and user experience to strengthen consumer loyalty and repurchase rate. New insight will be focusing on the new defined consumer segments (see Strategy section). Furthermore, product execution process will be revised to ensure speed and accuracy, and alignment in process will be strengthened.
WIN IN TOP SIX EUROPEAN MARKETS	The company will increase focus and concentrate resources to fully win the identified six core European markets. There is a risk that Bang & Olufsen is unable to boost sales and thereby sustain and maintain growth by implementing new strategic direction with specific focus on top six markets, consequently defocusing on remaining European markets.	Bang & Olufsen will enhance the close cooperation with the monobrand network and strengthen cooperation with key multibrand partners to create stronger points of sale in selected cities within the six European markets. Relevant points of sale will be upgraded to create unique experiences in multibrand. This entails upgrade of branded spaces and shop-in-shops. Furthermore, selected points of sale are planned to relocate to high traffic locations. Moreover, the company will strengthen its sales teams locally to ensure stronger focus on sales and marketing to the new defined consumer segments.
BUILD A LEAN COST BASE	The company has initiated a cost reduction programme with a targeted annual saving of DKK 175m, when fully implemented in FY 2021/22. There is a risk that Bang & Olufsen is unable to reach expected outcome of the strategic plan while reducing cost base as planned. The potential consequences can be inability to reach the targets set out in the strategy plan.	Bang & Olufsen will monitor identified savings on a close and frequent basis to ensure that planned savings are realised. Furthermore, the company will implement planned outsourcing in a controlled matter whilst ensuring that competencies are in place to work efficiently in an outsourcing set-up.

AREA	DESCRIPTION	MITIGATING ACTIONS 2020/21
OVERALL BUSINESS RISKS	In addition to the top risks related to the strategy execution, other key risks were identified as overall business risks. These key risks include protection of IT, intellectual property rights and risks in relation to recruiting, retaining, and developing employees during a time of turbulence.	Several mitigating actions have been defined, and implementation has been initiated which includes implementation of an IT roadmap for addressing additional findings from the 360-degree risk assessment, improved internal communication and retention initiatives as well as reward programmes.

ADDITIONAL KEY RISKS

In addition to the key risks identified and addressed under the risk management process, other risks are being evaluated and addressed by the company on a continuous basis. Those risks include financial risks such as currency risk and credit risk, corporate compliance risks, as well as possible risks in respect of external trends such as Brexit and/or trade wars.

BOARD OF DIRECTORS

- Chairman
- Vice Chairman
- Board member
- Director

	FACTS	COMMITTEE MEMBERSHIPS	COMPETENCES	DIRECTORSHIPS AND OTHER OFFICES
	**JUHA CHRISTENSEN** Danish, born 1964 Chairman since 2020 Joined (until): 2016 (2020) Independent **Bang & Olufsen shares, year-end:** 6,000 (2018/19: 6,000)	Technology Committee Nomination Committee Remuneration Committee	• Luxury lifestyle omnichannel retailing and marketing • Brand management • Consumer electronics knowledge • Key market insights • Partnership management • Innovation, digitalisation & technology • New product introduction • International management & strategy development	Star Global, Inc. and associated subsidiaries Netcompany A/S CloudMade Holdings Limited and associated subsidiaries
	**ANDERS COLDING FRIIS** Danish, born 1963 Joined (until): 2018 (2020) Independent **Bang & Olufsen shares, year-end:** 7,800 (2018/19: 7,800)	Audit Committee	• Luxury lifestyle omnichannel retailing and marketing • Brand management • Key market insights • Partnership management • Stakeholder relations & CSR • Consumer product supply chain • New product introduction • International management & strategy development • Risk management • Corporate governance of listed companies	Goodwings ApS Chr. Augustinus Fabrikker Aktieselskab Caf Invest a/s Officeguru A/S
	**JESPER JARLBÆK** Danish, born 1956 Joined (until): 2011 (2020) Independent **Bang & Olufsen shares, year-end:** 6,500 (2018/19: 6,500)	Audit Committee Nomination Committee	• International management & strategy development • Risk management • Finance & accounting • Corporate governance of listed companies	Able ApS A-Solutions A/S Basico Consulting Group Berlin Invest 2017 ApS Bookboon Corporate Group A/S Business Angels Fond II A/S Catacap Management ApS Earlbrook Holdings Group A/S Falcon Fondsmæglerselskab A/S Groupcare Group Happy Helper A/S Lyngsoe Systems Group A/S Materiel Udlejning Holding Group ApS Polaris III Invest Fonden Smartshare Systems A/S

- Chairman
- Vice Chairman
- Board member
- Director

	FACTS	COMMITTEE MEMBERSHIPS	COMPETENCES	DIRECTORSHIPS AND OTHER OFFICES
	**JOAN NG PI O** British, born 1960 Joined (until): 2019 (2020) Independent	Technology Committee	• Luxury lifestyle omnichannel retailing and marketing • Brand management • Consumer electronics knowledge • Key market insights • Partnership management • New product introduction • International management & strategy development	Advisor to the Executive Board in Swarovski
	**M. CLAIRE CHUNG** Chinese, born 1968 Joined (until): 2019 (2020) Independent	Remuneration Committee	• Luxury lifestyle omnichannel retailing and marketing • Brand management • Key market insights • Partnership management • Stakeholder relations & CSR • Innovation, digitalisation & technology • New product introduction	Previous General Manager, China, for Yoox-Net-APorter Group Board of Directors of Delsey, Non-Executive Director
	**MADS NIPPER** Danish, born 1966 Joined (until): 2014 (2020) Independent **Bang & Olufsen shares, year-end:** 9,770 (2018/19: 9,770)	Nomination Committee	• Luxury lifestyle omnichannel retailing and marketing • Brand management • Partnership management • Stakeholder relations & CSR • Innovation, digitalisation & technology • Consumer product supply chain • New product introduction • International management & strategy development	Group President & CEO at Grundfos Danish Crown A/S
	**TUULA RYTILÄ** Finnish, born 1967 Joined (until): 2019 (2020) Independent	Technology Committee	• Luxury lifestyle omnichannel retailing and marketing • Brand management • Consumer electronics knowledge • Key market insights • Partnership management • Innovation, digitalisation & technology • New product introduction	Corporate Vice President at Microsoft in Seatle

- Chairman
- Vice Chairman
- Board member
- Director

	FACTS	COMMITTEE MEMBERSHIPS	COMPETENCES	DIRECTORSHIPS AND OTHER OFFICES
	**BRIAN BJØRN HANSEN** Danish, born 1972 Employee elected Joined (until): 2015 (2023) Not independent **Bang & Olufsen shares, year-end:** 1,332 (2018/19: 1,332)	None	• Senior Business Manager, Smart Home	None
	**BRITT LORENTZEN JEPSEN** Danish, born 1991 Employee-elected Joined (until): 2019 (2023) Not independent **Bang & Olufsen shares, year-end:** 405 (2018/19: 285)	None	• Project Manager, IT	None
	**DORTE VEGEBERG** Danish, born 1972 Employee-elected Joined (until): 2019 (2023) Not independent	None	• Radio- and electronic worker, Production	None
	**SØREN BALLING** Danish, born 1971 Employee-elected Joined (until): 2019 (2023) Not independent **Bang & Olufsen shares, year-end:** 2,714 (2018/19: 2,714)	None	• Production Engineer, Mechanics	Øster Hjerm Bygningsartikler

EXECUTIVE MANAGEMENT BOARD

- Chairman
- Deputy Chairman
- Board member
- Director

	FACTS	COMPETENCES	DIRECTORSHIPS AND OTHER OFFICES
	**KRISTIAN TEÄR** Swedish, born 1963 CEO Employed since 8 October 2019 **Bang & Olufsen shares, year-end:** 56,000 (2019/20)	• Master of Science from The Royal Institute of Technology in Stockholm • Executive program at Columbia University, USA	International Tennis Hall of Fame & Museum
	**NIKOLAJ WENDELBOE** Danish, born 1975 Executive Vice President & CFO Employed since 1 May 2019 **Bang & Olufsen shares, year-end:** 13,400 (2019/20)	• M.Sc. Econ from University of Copenhagen (cand.polit)	Strandgaarden Wine & Spirits A/S Sparkle ApS NWE Invest ApS
	**SNORRE KJESBU** Norwegian, born 1969 Executive Vice President, Design, Creation & Fulfilment Employed since 1 March 2019 **Bang & Olufsen shares, year-end:** 20,000 (2019/20)	• M.Sc. in Mobile Communications and Signal Processing from University of Bristol • B.Eng in Electronics Engineering from University of Bristol	Q-free Strømme Foundation
	**CHRISTIAN BIRK** Danish, born 1985 Executive Vice President, Marketing, Digital and Customer Experience Employed since 16 October 2017 **Bang & Olufsen shares, year-end:** 10,000 (2019/20)	• BSc in International Business from Copenhagen Business School • PLD from Harvard Business School	None

THE BANG & OLUFSEN SHARE

The share price development in 2019/20 reflected the low financial performance in the first half of the year and the impact from COVID-19. On 1 July 2020 the capital increase was completed, which strengthened the capital base of the company with net proceeds of approx. DKK 356m

The share price declined by 53% to DKK 24.4 on 31 May 2020, before adjustments for the dilution related to the capital increase. For the first part of the year, the financial performance and the subsequent profit warning on 17 December had a negative impact on the share price.

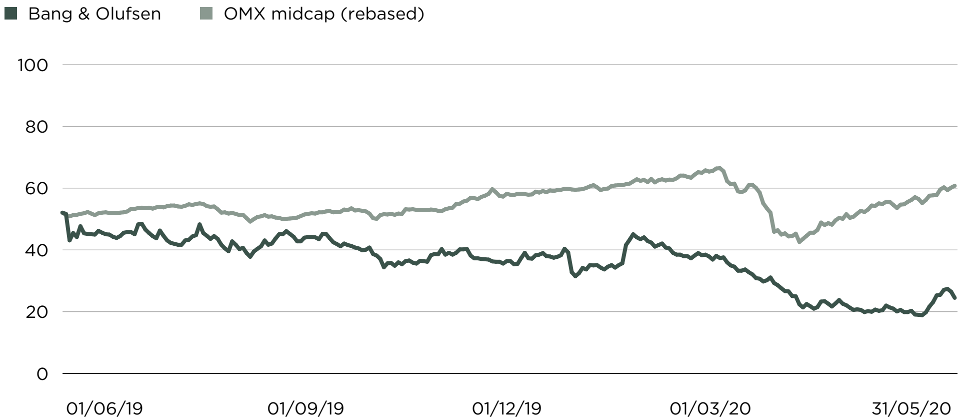
The primary reason for the declining share price was, however, the financial impact of COVID-19, which led to a sharp decline in share price in February and March. The Nasdaq Mid-Cap Index displayed a similar reaction.

Shareholder composition
By the end of the financial year 2019/20, the company had around 25,000 shareholders. In terms of capital, the shareholder base is predominantly Danish accounting for more than 60% of the share capital.

At 31 May 2020, four shareholders had notified Bang & Olufsen that they hold more than 5% of the company's share capital. Additionally, the company owned treasury shares totalling 5.4% of the share capital. On 3 June 2020 the company cancelled treasury shares and hereafter held 0.1% of the company's total share capital.

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

SHARE PRICE DEVELOPMENT 1 JUNE 2019 TO 31 MAY 2020

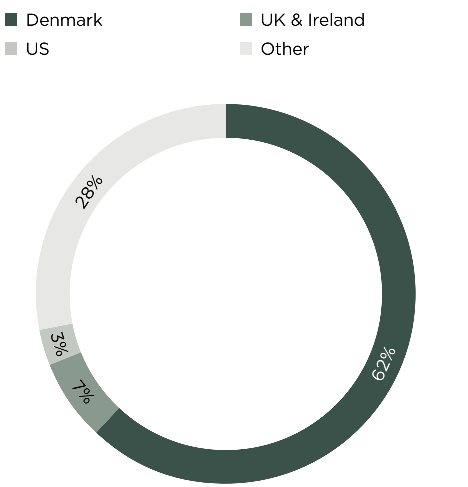


THE BANG & OLUFSEN SHARE

Stock exchange:			NASDAQ Copenhagen A/S
Identification code (ISIN)			DK 0010218429
	1 July 2020*	31 May 2020	31 May 2019
Closing price (DKK)	13.18	24.4	52.0
Market value (DKKm)	1,618	1,054	2,246
Average daily turnover (DKKm)	-	8.0	12.2
Shares issued	122,772,087	43,197,478	43,197,478
Treasury shares	43,565	2,317,014	2,383,439
Earnings per share (DKK)	-	-14.1	0.5
Price/Earnings	-	-1.7	109.8

* After the completion of the rights issue.

SHAREHOLDER COMPOSITION



The COVID-19 pandemic had a significant adverse impact on the company's financial performance in the last quarter of the year and is expected to also impact financial performance in 2020/21. This again adversely impacted the company's capital position and the company therefore launched a fully underwritten rights issue with gross proceeds of DKK 409m (net proceeds of approx. DKK 356m), which was completed on 1 July 2020.

The Board of Directors proposes not to pay out dividend due to the extraordinary circumstances related to COVID-19 and the impact it has had on the financial results for the financial year 2019/20 and expectations for the coming year.

Annual General Meeting
Bang & Olufsen A/S's Annual General Meeting will be held on Thursday 20 August 2020 at Bang og Olufsen Alle 1, 7600 Struer.

Investor Relations policy
Bang & Olufsen aims to maintain an honest 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 and Investor Relations use webcasts, roadshows and conference calls as their primary channels, when interacting with the stakeholders.

Investor Relations are 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, access to investor-related materials and conference calls can be found at https://investor.bang-olufsen.com.

MAJOR SHAREHOLDERS

Four shareholders have notified Bang & Olufsen that they hold more than 5% of the company's share capital.

Name	Capital/Votes (%)
Sparkle Roll (Denmark) Limited	14.9
Arbejdsmarkedets Tillægspension	12.4
Chr. Augustinus Fabrikker Aktieselskab	5.8
Færchfonden	5.1

FINANCIAL CALENDAR

2020

20 August	Annual General Meeting Deadline for subjects and proposals to the agenda 9 July 2020
1 October	Interim report Q1 2020/21

2021

12 January	Interim report Q2 2020/21
8 April	Interim report Q3 2020/21
7 July	Annual report 2020/21

Q4 RESULTS

KEY FINANCIAL HIGHLIGHTS Q4

(DKKm)	4th Quarter 2019/20	4th Quarter 2018/19	YTD 2019/20	YTD 2018/19
Income statement:				
Revenue	377	618	2,036	2,838
EMEA	214	298	1,020	1,459
Americas	34	62	141	223
Asia	78	193	628	927
Brand Partnering & other activities	51	65	247	229
Gross margin, %	39.4	48.5	41.1	48.5
EMEA, %	31.9	47.8	35.3	46.1
Americas, %	18.0	28.6	33.4	41.5
Asia, %	32.4	40.7	30.7	43.1
Brand Partnering & other activities, %	98.0	94.4	96.4	92.6
EBITDAC	(127)	(44)	(242)	169
EBITDA	(92)	(19)	(146)	248
EBIT before special items*	(113)	(66)	(304)	59
Special items, net*	(27)	-	(43)	-
EBIT	(140)	(66)	(347)	59
Financial items, net	(13)	(4)	(20)	(26)
Earnings before tax (EBT)	(153)	(70)	(367)	33
Earnings for the year	(135)	(60)	(576)	19
Financial position:				
Total assets	1,776	2,462	1,776	2,462
Share capital	432	432	432	432
Equity	832	1,419	832	1,419
Cash	215	492	215	492
Net interest-bearing deposit/(debt)**	(7)	420	(7)	420
Net working capital	328	410	328	410

(DKKm)	4th Quarter 2019/20	4th Quarter 2018/19	YTD 2019/20	YTD 2018/19
Cash flow:				
– from operating activities	(54)	(29)	(80)	(130)
– from investment activities	(45)	(40)	(154)	(141)
Free cash flow	(99)	(69)	(234)	(271)
– from financing activities	(13)	(48)	(43)	(391)
Cash flow for the period	(112)	(117)	(277)	(662)
Key figures:				
Growth local currencies	(39)	(23)	(29)	(15)
Gross margin	39.4	48.5	41.1	48.5
EBITDA-margin, before special items %	(17.3)	(3.1)	(5.1)	8.7
EBITDA-margin, %	(24.5)	(3.1)	(7.2)	8.7
EBIT-margin before special items, %*	(30.0)	(10.7)	(15.0)	2.1
EBIT-margin, %	(37.1)	(10.7)	(17.1)	2.1
Return on assets, %***	(15.2)	0.8	(15.2)	0.8
ROIC excl. goodwill and right-of-use assets, %	(26.1)	6.0	(26.1)	6.0
Return on equity, %***	(28.4)	1.4	(28.4)	1.4
Full time equivalents at the end of the period	899	957	899	957
Stock related key figures:				
Earnings per share (EPS), DKK	(3.3)	(1.1)	(14.1)	0.5
Earnings per share, diluted (EPS-D), DKK	(3.3)	(1.1)	(14.1)	0.5
Price/Earnings	(7.4)	(48.7)	(1.7)	109.8
Revenue per share, DKK	9.2	15.1	49.8	69.5
Revenue per share, diluted, DKK	9.2	15.1	49.8	69.4

For definitions refer to section 7.7 in the Annual Report.

* The adjusted EBIT figure is used in order to become comparable YOY eliminating special items as defined in note 2.5.

** Impacted negatively by lease liabilities of DKK 153m end of 2019/20 due to the implementation of IFRS 16.

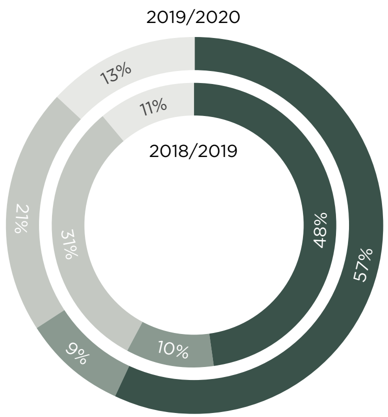
*** The key figure has been adjusted by the impairment of the deferred tax asset of DKK 265m in 2019/20.

FOURTH QUARTER FINANCIAL REVIEW

COVID-19 had a significant impact on operational and financial performance in Q4 as temporary store closures impacted revenue which declined by 39.0% (39% in local currencies) to DKK 377m. Gross margin declined by 9.1pp to 39.4% impacted by the lower revenue whereby end-of-life products accounted for a higher share of sales. Consequently, EBIT margin before special items was -30% and free cash flow was DKK -99m. The decline in EBIT margin and free cash flow was partly offset by government relief packages and strict cost focus

REVENUE PER SEGMENT (%)

EMEA · Americas · Asia · Brand Partnering & other activities



Revenue

Group revenue declined by 39.0% (39% in local currency) to DKK 377m (DKK 618m). The impact from the COVID-19 outbreak and resulting temporary store closures in all markets was the main reason for the decline in revenue. During Q4, more than 60% of monobrand stores worldwide were at one point simultaneously closed. Multibrand stores were similarly impacted. The revenue decline was therefore seen in all four segments and across all three product categories. Please see page 31 for a more detailed description of COVID-19 implications.

Revenue from monobrand and multibrand points of sale declined by nearly 40% and 70% respectively compared to Q4 2018/19. Revenue from the company's e-commerce platform more than doubled in Q4, and accounted for approx. 6% of group revenue.

Revenue from Brand Partnering and other activities declined by 22% due to COVID-19 and mainly related to brand licensing income.

By the end of May, the company had validated sell-out data representing 60% of revenue from monobrand stores in Europe, Hong Kong and North America. Sell-out vs. sell-in data indicated that retail partners' inventory was relatively stable in Q4.

Staged

Revenue was DKK 157m (DKK 230m) corresponding to a decline of 32%. The decline was predominantly related to the effects of COVID-19.

Revenue from Beovision Eclipse declined by more than 50%. The decline could not be offset by incoming revenue from the new TV Beovision Harmony. When comparing revenue from Beovision Eclipse and Harmony, it is important to note that screens for Beovision Harmony are sourced directly from LG by the retailers whereas Beovision Eclipse is sold by Bang & Olufsen including the screen. All speakers in the category declined in Q4.

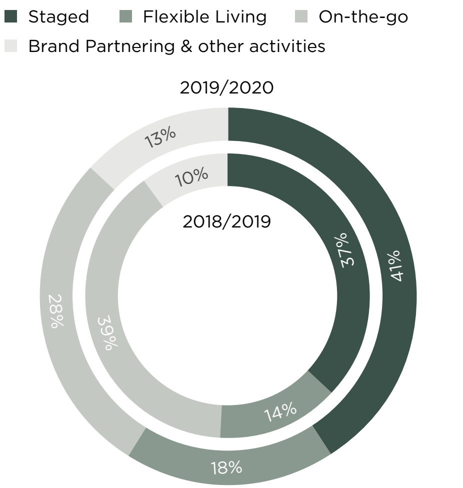
Revenue from Beovision Horizon declined by more than 85% as the TV is end-of-life and has been largely sold out of the inventory. Revenue from the Beosound Stage soundbar offset a large part of this revenue decline despite the impact from COVID-19.

Flexible Living

Revenue declined by 25% to DKK 66m (DKK 88m) reflecting the impact of COVID-19.

Revenue saw a positive impact from the launch of Beosound Balance on 5 March 2020. The impact from Beosound Balance was around DKK 13m in Q4, which was lower than expected due to COVID-19.

REVENUE PER CATEGORY (%)



On-the-go

Revenue declined by 56% to DKK 103m (DKK 236m). Store closures in the multibrand channel and worldwide travelling stop due to COVID-19 had a significant impact on the On-the-go category. The decline was within both the headphones and earphones categories.

Revenue from Bluetooth speakers increased by 5%, which was related to sell-in in connection with the launch of Beosound A1 2nd Gen. This amounted to approx. DKK 20m.

Brand Partnering & other activities

Revenue from Brand Partnering & other activities amounted to DKK 50m (DKK 64m), which was 22% lower than last year. The decline was primarily due to lower revenue from HARMAN, as car manufacturing was affected by the COVID-19 outbreak.

Gross profit

Gross profit declined by 50% to DKK 149m corresponding to a gross margin of 39.4%, which was 9.1pp lower than last year. Excluding the effect of currency hedges, gross margin declined by 6.0pp.

Gross margin was impacted negatively by several factors related to COVID-19 e.g. higher discounts on certain products as well as higher revenue sharing for sales through the company's e-commerce platform. Furthermore, the decline was impacted by sales of end-of-life products which in the quarter accounted for a larger share of sales.

Allocation of production-related capacity costs, accounts for a higher share when revenue declines and therefore impacted the overall margin for the quarter negatively.

All product categories declined, while Brand Partnering & other activities had a higher gross margin.

Last year, gross margin was impacted negatively by a one-off effect related to Beoplay Earset compensation.

Capacity costs

Capacity costs came in at DKK 289m (DKK 365m), corresponding to a decrease of 20.8%. Excluding special items related to the cost reduction programme, capacity costs amounted to DKK 265m.

Distribution and marketing costs were DKK 184m, corresponding to a decrease of 23.7% compared to Q4 last year. Due to COVID-19, the company adjusted marketing activities to the changes

Gross margin per category	**2019/20**	2018/19
Staged	38.6%	50.7%
Flexible Living	45.4%	55.9%
On-the-go	10.5%	31.3%
Brand Partnering & other activities	96.0%	95.3%
Total	**39.4%**	**48.5%**

in the market: for instance focusing more on online activation and postponing retail marketing and distribution development initiatives.

Administration costs were DKK 43m (DKK 41m). The increase was primarily related to special items of DKK 13m concerning the cost reduction programme launched in March.

Development costs were DKK 62m, which was DKK 22m lower than Q4 last year. The decrease was related to a combination of higher capitalisations and lower amortisations compared to last year. Incurred development costs were stable at DKK 76m (DKK 75m).

The company has offset COVID-19 related relief packages of DKK 18m in the capacity costs for the quarter, which primarily related to development costs of DKK 7m and distribution and marketing costs of DKK 6m.

EBIT

EBIT was DKK -140m (DKK -66m), which corresponds to an EBIT margin of -37.1% (-10.7%). The development in the margin reflects the decline in revenue combined with lower gross margin, partly offset by lower capacity costs. Excluding special items, EBIT margin was -30.0% (-10.7%).

Cash flow

Free cash flow was DKK -99m (DKK -69m). The negative free cash flow was primarily related to an EBITDA of DKK -94m and cash flow from investing activities of DKK -45m. Changes in net working capital partly offset and contributed with a positive cash flow of DKK 38m. IFRS 16 improved the free cash flow by DKK 12m compared to last year.

Cash flow from financing activities was DKK -14m (DKK -48m). Last year, cash flow was impacted by the share buyback programme. In accordance with IFRS 16 on leases cash flow in Q4 2019/20 was impacted by repayment of lease liabilities amounting to DKK 13m.

EMEA

Revenue

Revenue in EMEA was DKK 214m (DKK 298m), which was 27.8% lower than last year (-28% in local currency).

All markets were affected by COVID-19, but it had the biggest impact on UK and Southern Europe, where more than 90% of stores have been temporarily closed in the period. Efforts have been to capture online sales. EMEA recovered better through Q4 than expected.

Both mono- and multibrand were impacted by the temporary closure of stores. The largest relative decline came from the multibrand channel. Due to store closures online sales increased on the company's e-commerce platform.

However, the increased only partly offset the lower revenue from physical stores.

Staged

Revenue was down 26% compared to the same quarter last year mainly because of COVID-19.

Revenue from both speakers and TV's declined. Revenue was positively impacted by revenue from Beovision Harmony and Beosound Stage, which, however, could not offset the decline from other products.

Flexible Living

Revenue was down by 6% compared to last year reflecting the temporary store closures in both the mono- and multibrand channels due to COVID-19. The launch of Beosound Balance impacted revenue positively.

On-the-go

Revenue declined by 45%. The market for headphones and earphones was impacted negatively by closed multibrand points of sale and travel restrictions following COVID-19. Revenue from Bluetooth speakers was impacted positively by the launch of Beosound A1 2nd Gen.

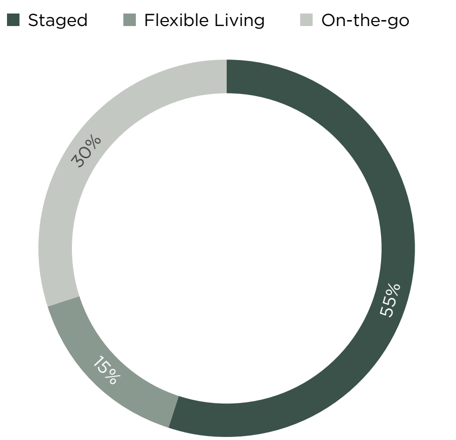
Gross profit

Gross profit amounted to DKK 68m equivalent to a gross margin of 31.9% which was 15.9pp lower than last year driven by sales of end-of-life products as well as the use of sell-out allowances to support inventory depletion with retail partners.

Furthermore, allocation of production-related capacity costs accounts for a higher share when revenue declines thereby impacting gross margin negatively.

(DKK million)	2019/20	2018/19	Change
Revenue	214	298	(28.2)%
Growth local currency	(28)%	(27)%	(1)pp
Gross profit	68	143	(75)
Gross margin	31.9%	47.8%	(15.9)pp

EMEA



AMERICAS

Revenue

Revenue in Americas was DKK 34m (DKK 62m) corresponding to a 45.3% decline (-45% in local currency).

COVID-19 had a significant impact on revenue from both the mono- and multi-brand channels, whereas the company delivered growth from business-to-business and the company's e-commerce platform. Americas was the last region to be impacted by COVID-19 and subsequent temporary store closures.

Staged

Revenue declined by 42% compared to last year. The development was primarily related to speakers. Lower revenue from Beovision Eclipse was largely offset by additional revenue from Beosound Stage and Beovision Harmony.

Flexible Living

Revenue declined by 21% compared to last year and revenue was supported by the launch of Beosound Balance.

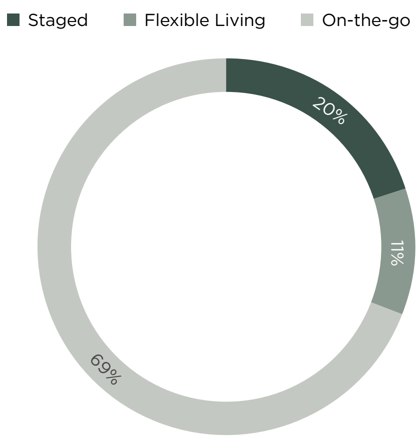
On-the-go

Revenue declined by 43%. This was primarily related to headphones. Earphones declined by around 15%, which was mainly due to last year being positively impacted by a large end-of-life order of Beoplay Earset. Revenue from Bluetooth speakers declined by around 10% but was positively impacted by the launch of Beosound A1 2nd Gen despite COVID-19.

Gross profit

Gross profit amounted to DKK 6m equivalent to a gross margin of 17.9% compared to 27.2% in the same quarter last year. The quarter was impacted by sales of end-of-life products as well as returns from a distributor.

AMERICAS



(DKKm)	2019/20	2018/19	Change
Revenue	34	62	(45.3)%
Growth local currency	(22)%	(21)%	(1)pp
Gross profit	6	18	(12)
Gross margin	18.0%	28.6%	(18.6)pp

ASIA

Revenue
Revenue in Asia was DKK 78m (DKK 193m) corresponding to a 59.6% decline (-61% in local currency).

The decline was related to both the monobrand and multibrand channels. COVID-19 was the main reason for the decline in revenue for the period. The majority of stores had reopened by the end of Q4, but normalisation of sell-in to retail partners was slower than expected.

Staged
Revenue declined by 43% compared to same quarter last year reflecting that monobrand stores have been closed in part of the quarter.

The decline was related to both speakers and TV's, although Beosound Stage and Beovision Harmony had a positive impact.

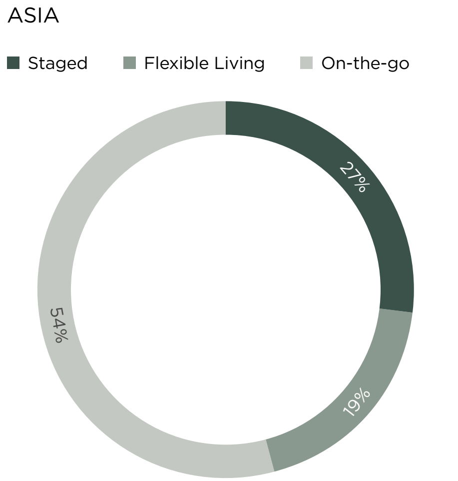
Flexible Living
Revenue declined by 47% compared to the fourth quarter last year due to the impact from COVID-19 on both the mono- and multibrand channels.

The launch of Beosound Balance supported revenue in the quarter.

On-the-go
Revenue declined by 68% compared to Q4 last year. The decline was to a large extent impacted by COVID-19, e.g. the effect on global travel.

The decline was seen across both Bluetooth speakers, headphones, and earphones. Revenue was supported by revenue from Beoplay E8 3rd Gen launched in Q2 and Beosound A1 2nd Gen.

Gross profit
Gross profit amounted to DKK 25m equivalent to a gross margin of 32.4%, which was 8.3pp lower than Q4 last year. Last year, gross margin was impacted negatively by Beoplay Earset compensation.



(DKK million)	2019/20	2018/19	Change
Revenue	78	193	(59.6)%
Growth local currency	(61)%	(30)%	(31)pp
Gross profit	25	79	54
Gross margin	32.4%	40.7%	(8.3)pp

BRAND PARTNERING & OTHER ACTIVITIES

Brand Partnering is a key strategic priority where Bang & Olufsen has established partnerships with innovative companies like HARMAN and HP. Brand licencing was a significant revenue contributor as well as helping to increase the awareness of the Bang & Olufsen brand. Other activities include aluminium component production for third parties.

Revenue
Revenue amounted to DKK 51m (DKK 65m) equivalent to a 21.9% decrease compared to Q4 last year (-22% in local currency).

The decrease was related to licensing income from HARMAN as most car production was impacted by COVID-19.

Gross profit
Gross profit amounted to DKK 50m equivalent to a gross margin of 98.0%, which was 3.6pp above last year. The increase was predominantly a result of a higher share brand licensing income.

(DKKm)	**2019/20**	2018/19	Change
Revenue	51	65	(21.5)%
Growth local currency	(22)%	3%	(25)%
Gross profit	50	61	(11)
Gross margin	98.0%	94.4%	3.6pp

FINANCIAL STATEMENTS

INCOME STATEMENT

1 June – 31 May

(DKK million)	Notes	2019/20	2018/19
Revenue	2.2	**2,036**	**2,838**
Production costs	2.3	(1,198)	(1,461)
Gross profit		**838**	**1,377**
Development costs	2.3	(273)	(321)
Distribution and marketing costs	2.3	(742)	(875)
Administration costs	2.3	(170)	(146)
Other operating income		-	24
Operating profit (EBIT)		**(347)**	**59**
Financial income	2.6	9	7
Financial expenses	2.6	(29)	(33)
Financial items, net		(20)	(26)
Earnings before tax (EBT)		**(367)**	**33**
Income tax	2.7	(209)	(14)
Earnings for the year		**(576)**	**19**
Earnings per share			
Earnings per share (EPS) DKK	7.2	(14.1)	0.5
Diluted earnings per share (EPS-D) DKK	7.2	(14.1)	0.5

STATEMENT OF COMPREHENSIVE INCOME

1 June – 31 May

(DKK million)	Notes	2019/20	2018/19
Earnings for the year		**(576)**	**19**
Items that will be reclassified subsequently to the income statement:			
Foreign exchange adjustment of foreign entities		(9)	4
Fair value adjustments of derivatives		(4)	(94)
Value adjustments of derivatives reclassified in:			
Revenue		8	(5)
Production costs		(7)	69
Tax on other comprehensive income	2.7	1	7
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/losses on defined benefit plans		-	1
Tax on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		**(11)**	**(18)**
Total comprehensive income for the year		**(587)**	**1**

STATEMENT OF FINANCIAL POSITION

Assets

(DKK million)	Notes	31 May 2020	31 May 2019
Goodwill		44	44
Acquired rights and software		23	14
Completed development projects		98	116
Development projects in progress		59	54
Intangible assets	5.1	**224**	**228**
Land and buildings	5.1	83	89
Plant and machinery	5.1	44	57
Other equipment	5.1	17	10
Leasehold improvements	5.1	6	2
Tangible assets in course of construction and prepayments for tangible assets	5.1	36	9
Right-of-use assets	5.2	148	-
Tangible assets		**334**	**167**
Non-current other receivables		**40**	**27**
Deferred tax assets	2.7	**58**	**261**
Total non-current assets		**656**	**683**
Inventories	4.1	**457**	**596**
Trade receivables	4.2	290	566
Tax receivable		33	14
Other receivables		63	53
Prepayments		41	22
Total receivables		**427**	**655**
Cash		**215**	**492**
Assets held for sale	5.3	**21**	**36**
Total current assets		**1,120**	**1,779**
Total assets		**1,776**	**2,462**

Liabilities

(DKK million)	Notes	31 May 2020	31 May 2019
Share capital	6.5	432	432
Translation reserve		12	21
Reserve for cash flow hedges		3	5
Retained earnings		385	961
Total equity		**832**	**1,419**
Lease liabilities	6.1, 6.3	137	-
Pensions	3.4	15	15
Deferred tax	2.7	10	11
Provisions	6.6	32	36
Mortgage loans	6.3	65	69
Other non-current liabilities		30	11
Deferred income	4.3	15	15
Total non-current liabilities		**304**	**157**
Lease liabilities	6.1, 6.3	42	-
Mortgage loans	6.3	4	3
Provisions	6.6	60	49
Trade payables	6.1	430	710
Tax payable	2.7	21	7
Other liabilities		65	79
Deferred income	4.3	18	38
Other current liabilities		**640**	**886**
Total liabilities		**944**	**1,043**
Total equity and liabilities		**1,776**	**2,462**

STATEMENT OF CASH FLOW

1 June – 31 May

(DKK million)	Notes	2019/20	2018/19
Operating profit (EBIT)		(347)	61
Depreciation, amortisation and impairment		200	190
Operating profit before depreciation, amortisation and impairment		**(147)**	**251**
Other non-cash items		12	(50)
Change in net working capital	4.4	82	(311)
Interest received		9	7
Interest paid		(24)	(18)
Income tax paid		(12)	(9)
Cash flow from operating activities		**(80)**	**(130)**
Purchase of intangible non-current assets		(115)	(96)
Purchase of tangible non-current assets		(66)	(58)
Sublease payment		12	-
Sales of tangible non-current assets		13	1
Change in financial receivables		2	12
Cash flow from investing activities		**(154)**	**(141)**
Free cash flow		**(234)**	**(271)**
Repayment of lease liabilities	6.3	(39)	-
Repayment of loans	6.3	(4)	(97)
Purchase of own treasury shares		-	(279)
Settlement of matching share programme		-	(15)
Cash flow from financing activities		**(43)**	**(391)**
Change in cash and cash equivalents		**(277)**	**(662)**
Cash and cash equivalents, opening balance		492	1,155
Cash and cash equivalents, closing balance		**215**	**492**

Accounting policies

Cash flow is calculated using the indirect method and is based on earnings before interest and tax. Cash flow cannot be derived directly from the statement of financial position and income statement. Cash and cash equivalents comprise of 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 2018	**432**	**17**	**28**	**1,232**	**1,709**
Earnings for the year	-	-	-	19	19
Foreign exchange adjustment of foreign entities	-	4	-	-	4
Fair value adjustments of derivatives	-	-	(94)	-	(94)
Value adjustments of derivatives reclassified in:					
Revenue	-	-	(5)	-	(5)
Production costs	-	-	69	-	69
Income tax on items that will be reclassified to the income statement	-	-	7	-	7
Actuarial gains/(losses) on defined benefit plans	-	-	-	1	1
Comprehensive income for the year	**-**	**4**	**(23)**	**20**	**1**
Share-based payment	-	-	-	(12)	(12)
Purchase of own shares	-	-	-	(279)	(279)
Equity 31 May 2019	**432**	**21**	**5**	**961**	**1,419**
Equity 1 June 2019	**432**	**21**	**5**	**961**	**1,419**
Earnings for the year	-	-	-	(576)	(576)
Foreign exchange adjustment of foreign entities	-	(9)	-	-	(9)
Fair value adjustments of derivatives	-	-	(4)	-	(4)
Value adjustments of derivatives reclassified in:					
Revenue	-	-	8	-	8
Production costs	-	-	(7)	-	(7)
Income tax on items that will be reclassified to the income statement	-	-	1	-	1
Comprehensive income for the year	**-**	**(9)**	**(2)**	**(576)**	**(587)**
Equity 31 May 2020	**432**	**12**	**3**	**385**	**832**

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SECTION 1 BASIS OF REPORTING

1.1 BASIS OF REPORTING

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

The accounting policies set out below have been used consistently with respect to the financial year and the 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 the 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) and 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 according to Group's accounting policies.

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

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 reporting entities of the Group. 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 rate 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 items are 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.

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When applying the Group's accounting principles, it is necessary that management makes a number of accounting judgements and estimates as well as makes assumptions about the carrying amount of certain assets and liabilities and the 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.

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

COVID-19

The financial impacts of COVID-19 require significant judgements and are included in the estimates of the activity of the Group, the valuation of the asset base and the liquidity situation.

As of 31 May 2020, estimates are updated to assess the recoverability of the asset base, including development projects and deferred tax assets. Recoverability of trade receivables and inventory value has also been assessed and the expected consequences of COVID-19 are embedded in the assessments. Depending on the escalation of COVID-19 in the future and thereby the long-term impact for the Group, there is an inherent risk that the estimates and judgements made, could change. Future changes in estimates and judgement may have an impact on the Group's result and financial position.

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

Note	Critical accounting estimates and judgements	Extent of subjectivity
2.7	Deferred tax assets	
4.1	Inventories	
4.2	Trade receivables	
5.1	Development projects	
5.2	Right-of-use asset	
6.6	Provisions	

Extent to which the 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 accounting policies applied for recognition, measurement and classification in the Annual Report are consistent with those applied in the consolidated financial statements for 2018/19, except for the following changes due to the implementation of new IFRS Standards, improvements and interpretations adopted as of 1 June 2019:

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over Income Tax Treatment

Of the standards and amendments implemented, only IFRS 16 Leases has a material impact on the Group's Financial Statements.

IFRS 16 - Leases
IFRS 16 has been implemented as of 1 June 2019. The Group has transitioned to IFRS 16 in accordance with the modified retrospective approach. Accordingly, prior period comparative figures are not restated.

The Group recognised all leases, including operating leases under the former IAS 17, except for the exemptions listed below, on the balance sheet as right-of-use assets with a corresponding lease liability. The lease liability is equal to the present value of all future lease payments. The right-of-use assets correspond to the lease liability adjusted by the amount of any prepaid or accrued lease payment recognised in the statement of financial position immediately before the date of application.

The Group has elected to use the following exemptions, as allowed by the standard:

- Not to recognise lease contracts for which the lease terms end within 12 months as of the date of the initial application, and lease contracts for which the underlying asset is of low value.
- Apply only one discount rate to a portfolio of leases with similar characteristics.
- Not to reconsider if existing contracts are, or include, a lease.
- Initial direct costs have been excluded from the measurement of the right-of-use asset.
- Use of hindsight, to determine the lease term, if a contract contains options to extend or terminate the contract.

Implementation impact

(DKK million)	31 May 2019	Increase (+) Decrease (-)	1 June 2019
Right-of-use assets	-	+160	160
Other receivables, current and non-current	-	+33	33
Lease liability, current and non-current	-	+193	193

Differences between the operating lease commitments at 31 May 2019 disclosed in the 2018/19 Annual Report and lease liabilities recognised in the opening balance at 1 June 2019 in accordance with IFRS 16 are specified as followed:

(DKK million)	
Operating lease commitments 31 May 2019	**140**
Adjustment for expected lease periods longer than the non-terminable period	87
Discounting of cash flow	(31)
Short-term and low-value leases recognised as an expense	(3)
Lease liability recognised 1 June 2019	**193**
Non-current	156
Current	37

The average incremental borrowing rate applied to the lease liabilities on 1 June 2019 was approx. 6.0%. Please also refer to note 2.5.

1.3 CHANGES IN ACCOUNTING POLICIES (continued)

Effect from implementation of IFRS 16

Statement of financial position at 31 May 2020

(DKK million)	Before IFRS 16 - Leases	IFRS 16 impact	After IFRS 16 - Leases
Intangible assets	224	-	224
Right-of-use assets	-	148	148
Other tangible assets	186	-	186
Non-current other receivables	24	16	40
Deferred tax assets	58	-	58
Total non-current assets	**492**	**164**	**656**
Current assets	1,110	10	1,120
Total assets	**1,602**	**174**	**1,776**
Equity	838	(6)	832
Lease liabilities	-	137	137
Deferred tax	9	1	10
Other non-current liabilities	157	-	157
Total non-current liabilities	**166**	**138**	**304**
Lease liabilities	-	42	42
Other current liabilities	598	-	598
Total current liabilities	**598**	**42**	**640**
Total equity and liabilities	**1,602**	**174**	**1,776**

Consolidated income statement 1 June 2019 - 31 May 2020

(DKK million)	Before IFRS 16 - Leases	IFRS 16 impact	After IFRS 16 - Leases
Revenue	**2,036**	**-**	**2,036**
Production costs	(1,198)	-	(1,198)
Gross Profit	**838**	**-**	**838**
Development costs	(273)	-	(273)
Distribution and marketing costs	(744)	2	(742)
Administration costs	(170)	-	(170)
Operating profit (EBIT)	**(349)**	**2**	**(347)**
Financial income	8	1	9
Financial expenses	(19)	(10)	(29)
Financial items, net	(11)	(9)	(20)
Earnings before tax (EBT)	**(360)**	**(7)**	**(367)**
Income tax	(210)	1	(209)
Earnings for the year	**(570)**	**(6)**	**(576)**
Depreciation on right-of-use assets	-	35	35
EBITDA	(183)	37	(146)
EBITDA margin, %	(9.0)	1.8	(7.2)
EBIT	(349)	2	(347)
EBIT margin, %	(17.1)	0.1	(17.0)
Repayment of lease commitments	-	(39)	(39)
Free cash flow, adjusted for repayment of lease commitments	(273)	(39)	(234)
Invested capital	747	(174)	921
ROIC excl. goodwill and right-of-use assets, %	(26.1)	(7.0)	(33.1)
Net interest-bearing deposit/debt (NIBD)	146	153	(7)
NIBD to EBITDA, x	(0.8)	(0.9)	0.1

1.3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRIC 23 - Uncertainty over Income Tax Treatment
IFRIC 23 specifically addresses whether an entity considers each uncertain tax position separately or together with one or more other uncertain tax positions. The approach that better predicts the resolution of the uncertainty is followed, and uncertain tax positions are measured at the most likely outcome.

The Group recognises the increased awareness and focus on tax issues and consequent allocation of profit to the relevant countries. While the subsidiaries in the Group pay corporate tax in the countries in which they operate, the Group will continue to be part of tax audits in different countries. Judgement is applied to assess the expected outcome of such tax disputes which is provided for in provision for uncertain tax positions.

The Group has assessed that the application of IFRIC 23 has no material impact on the consolidated financial statements, and believes that the provisions made for uncertain tax positions, not yet settled with the local tax authorities at year-end, is adequate.

Other changes
Apart from the changes mentioned above, new standards, improvements, amendments and interpretations had no impact on the Group's accounting policies, as they cover areas that are not material and/or relevant to the Group.

New and 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 2019/20 consolidated financial statements. The Group expects to implement these standards when they take effect.

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

SECTION 2
OPERATIONS

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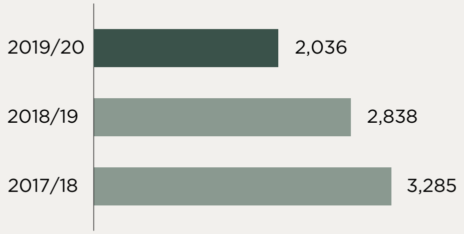
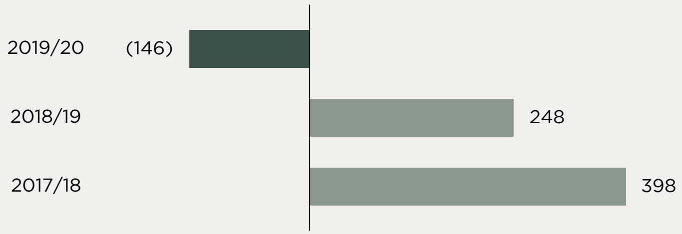
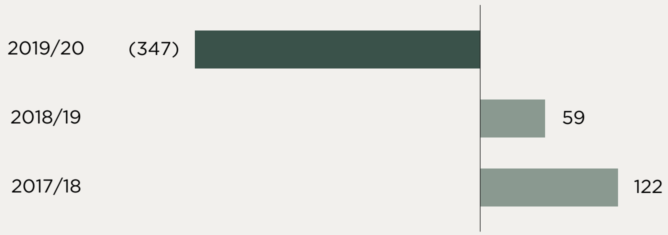
REVENUE
(DKK million)



EBITDA
(DKK million)



EBIT
(DKK million)



2,036M

DKK REVENUE IN 2019/20

Compared to DKK 2,838m in 2018/19

(347M)

DKK EBIT IN 2019/20

Compared to DKK 59m in 2018/19

(15%)

EBIT MARGIN BEFORE SPECIAL ITEMS

Compared to 2.1% in 2018/19

2.1 OPERATING SEGMENT INFORMATION

Revenue by segment

	2019/20					2018/19				
(DKK million)	EMEA	Americas	Asia	Brand Partnering & other activities	All	EMEA	Americas	Asia	Brand Partnering & other activities	All
Revenue	**1,020**	**141**	**628**	**247**	**2,036**	**1,459**	**223**	**927**	**229**	**2,838**
Production costs	(660)	(94)	(435)	(9)	(1,198)	(787)	(130)	(527)	(17)	(1,461)
Gross profit	**360**	**47**	**193**	**238**	**838**	**672**	**93**	**400**	**212**	**1,377**
Gross margin	*35.3%*	*33.4%*	*30.7%*	*96.4%*	*41.1%*	*46.1%*	*41.5%*	*43.1%*	*92.6%*	*48.5%*
Capacity costs					(1,053)					(1,182)
Depreciation and amortisation					(132)					(150)
Impairment of non-current assets					-					(10)
Other income					-					24
Financial items, net					(20)					(26)
Earnings before tax (EBT)					**(367)**					**33**

Revenue by product category

	2019/20					2018/19				
(DKK million)	Staged	Flexible Living	On-the-go	Brand Partnering & other activities	All	Staged	Flexible Living	On-the-go	Brand Partnering & other activities	All
Revenue	**751**	**322**	**716**	**247**	**2,036**	**967**	**442**	**1,200**	**229**	**2,838**
Production costs	(419)	(172)	(598)	(9)	(1,198)	(450)	(216)	(780)	(16)	(1,461)
Gross profit	**332**	**150**	**118**	**238**	**838**	**517**	**226**	**420**	**213**	**1,377**
Gross margin	*44.2%*	*46.6%*	*16.5%*	*96.4%*	*41.1%*	*53.5%*	*51.2%*	*35.0%*	*93.0%*	*48.5%*

2.1 OPERATING SEGMENT INFORMATION (continued)

Geographic

(DKK million)	Revenue	2019/20	2018/19	Non-current assets (*) 2019/20	Non-current assets (*) 2018/19
Denmark (domicile)	9%	193	299	522	363
China	18%	376	534	3	1
Germany	9%	179	219	1	-
United Kingdom & Ireland	8%	159	218	5	5
USA	7%	137	221	-	-
Switzerland	5%	107	99	-	-
South Korea		82	112	-	-
Hong Kong		60	98	3	3
France		50	58	-	-
Spain		31	49	-	-
Rest of the world**	33%	662	931	64	50
Total	Total	**2,036**	**2,838**	**598**	**422**

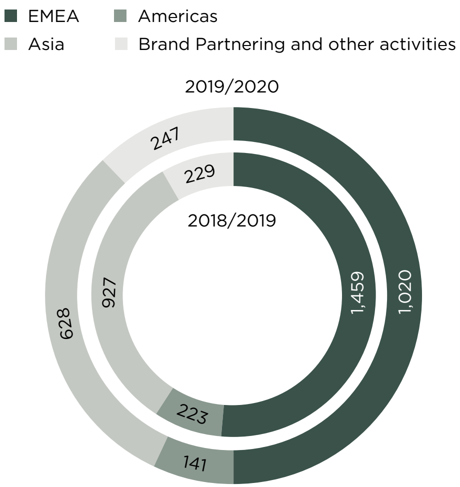
(*) Non-current assets less deferred tax asset. Comparative figures are not restated with the effect of IFRS 16.
(**) Rest of the world also includes revenue from Brand Partnering & other activities.

Accounting policies

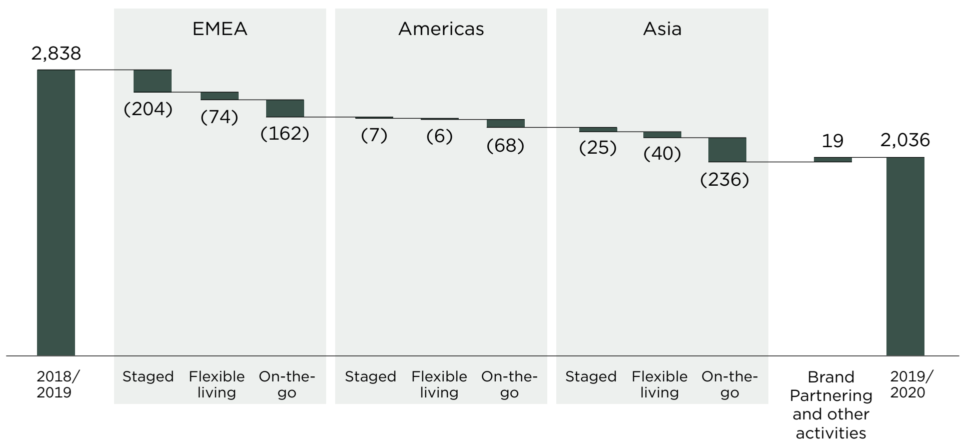
Segment information has been prepared in accordance with the Group's accounting principles and follows the Group's management structure and the internal management reporting that is used by the Executive Management Board to evaluate results and resource allocation.

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

SEGMENT REVENUE



DEVELOPMENT IN REVENUE
(DKK million)



2.2 REVENUE

Revenue impacted by both the changed business approach as the company focuses on sell-out with retail partners and the impact of COVID-19
Group revenue declined by 28.3% (29% in local currencies) to DKK 2,036m. The revenue decline was seen in all regions, with EMEA declining by 30%, Americas down by 37% and Asia declined by 32%. Brand Partnering & other activities grew by 7%.

The revenue decline was seen in both the mono- and multibrand channels. For both channels, the outbreak of COVID-19 and the resulting temporary closure of points of sale in the last part of Q3 and throughout Q4, had a significant negative impact. Consumers moved some sales to online and Bang & Olufsen experienced a solid increase in revenue from the company's own e-commerce.

Further, the company experienced problems with sales through unauthorised channels which had a negative effect on demand for especially products in the On-the-go category.

Revenue for Staged was DKK 751m (DKK 967m), corresponding to a decline of 22%. The decline was seen across both speakers and TV's. The launch of the soundbar Beosound Stage and the new TV Beovision Harmony, both launched in the second quarter, accounted for close to 30% of revenue in the Staged category.

For Flexible Living revenue declined by 27% to DKK 322m. The decline was seen across all products partly mitigated by the launch for Beosound Balance with sell-in in late Q2 and available for consumers early March. Beosound Balance was launched as the markets in Europe started to close as a consequence of the COVID-19 pandemic. The new speaker accounted for slightly less than 10% of revenue in the Flexible Living category.

Revenue for the On-the-go category declined by 40% to DKK 716m. Especially this category have during the year been impacted by sales through unauthorised channels as well as COVID-19 and the resulting decline in travel.

The company launched Beoplay E8 3rd Gen in January and Beosound A1 2nd Gen in May as well as several CMF versions throughout the year. The two product launches accounted for approx. 20% of revenue in the On-the-go category.

Revenue for Brand Partnering & other activities amounted to DKK 247m, which was 8% higher than last year. The increase was related to brand licensing income and impacted positively by a good performance from HP and HARMAN. Revenue from HARMAN was impacted negatively by COVID-19 in Q4.

Accounting policies
Revenue from contracts with customers comprises sale of goods, license fees, and royalty income. Revenue from the sale of goods is recognised at the point in time when the control of goods has 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.

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

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 considered highly probable that a significant reversal of cumulative revenue recognised will not 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 and 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 pays various discounts and fees depending on the nature of the customer and business. Customer discounts comprise of invoice discounts, volume- and activity-related discounts, including specific campaign prices offered, and other discounts.

Furthermore, customer discounts include the difference between the present value and the nominal amount of on-trade loans to customers. Discounts arise from sales transactions where the customer receives an immediate reduction in the selling price. This also 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 in volumes or total value.

2.3 COSTS

(DKK million)	2019/20	2018/19
Split by functions		
Production costs	1,198	1,461
Development costs	273	321
Distribution and marketing costs	742	875
Administration costs	170	146
Total	**2,383**	**2,803**
Specification:		
Materials	1,114	1,397
Staff costs	596	609
Marketing costs	183	251
Other costs	290	356
Depreciation, amortisation and impairment	200	190
Total	**2,383**	**2,803**
Depreciation, amortisation and impairment		
Intangible assets, amortisation	118	137
Tangible assets, depreciation	47	43
Impairments	-	10
Right-of-use assets, depreciation	35	-
Total	**200**	**190**
Depreciation, amortisation and impairment relate to:		
Production costs	39	31
Development costs	116	139
Distribution and marketing costs	41	10
Administration costs	4	10
Total	**200**	**190**

In 2019/20 the total operating expenses recognised in the income statement decreased by DKK 420m to DKK 2,383m, corresponding to a decline of 15%. The decline reflects the development in revenue.

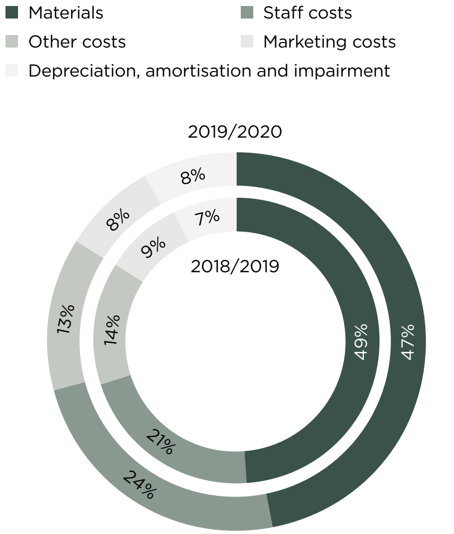
Production costs declined in the year which follows the overall trend in activity. Please refer to the management section for more details on the gross margin development.

Distribution and marketing costs decreased by DKK 133m to DKK 742m. Marketing was impacted by the divestment of company owned stores in China, focus on cost spending and on instore upgrades (where part of the costs are capitalised).

Administration costs increased by DKK 24m. Overall, the company saw savings within salaries offset by higher advisory costs relating to the ongoing transformation of the company. Furthermore, the costs included special items, totaling DKK 31m related to severance, restructuring and consultancy services, supporting the cost reduction programme announced in March 2020. Please refer to note 2.5.

The company has offset COVID-19 related relief packages of DKK 24m in the operating expenses for the year 2019/20.

COST SPLIT BY TYPE



Accounting policies

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

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, depreciation/amortisation and impairment losses. Costs in subsidiaries, which are responsible exclusively for the sale of the Group's products, are also allocated to distribution and marketing costs.

Administration costs
Administration costs comprise costs of administrative personnel, management, office costs, depreciation/amortisation and impairment losses.

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.

2.3 COSTS (continued)

(DKK million)	2019/20	2018/19
Development costs		
Incurred development costs before capitalisation	261	269
Hereof capitalised	(96)	(79)
Incurred development costs after capitalisation	165	190
Capitalisation (%)	36.9%	29.5%
Total charges and impairment losses on development projects	108	131
Development costs recognised in the consolidated income statement	**273**	**321**
Incurred development costs ratio (% of revenue)	12.8%	9.5%

Development costs decreased by DKK 48m to DKK 273m in 2019/20. The decline was primarily related to lower amortisations. The incurred development costs declined by 8m, which was mainly due to timing of development costs. Capitalisations increased by DKK 17m due to high development activity which has also contributed to a higher R&D ratio of 12.8% compared to 9.5% in prior year.

Capacity costs

Below is a breakdown of capacity costs, as presented in the income statement. Capacity costs consists of functional costs, depreciations, amortisations and impairment as well as other operating income and expenses.

(DKK million)	2019/20	2018/19
Development costs	(273)	(321)
Distribution and marketing costs	(742)	(875)
Administration costs	(170)	(146)
Other operating income	-	24
Total	**(1,185)**	**(1,318)**

2.4 GOVERNMENT GRANTS

(DKK million)	2019/20	2018/19
Government grants	**35**	**5**
Split by function:		
Production costs	6	-
Development costs	9	-
Distribution and marketing costs	17	5
Administration costs	1	-
Financial expenses	2	-
Total	**35**	**5**

Government grants in 2019/20 related to grants in China of DKK 9m (DKK 5m) and COVID-19 relief packages of DKK 26m. DKK 24m of the relief packages impacted EBIT, of which DKK 6m was in gross profit and DKK 18m in capacity costs. In 2018/19 government grants consisted of grants in China.

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 of the period in which it becomes receivable.

2.5 SPECIAL ITEMS

(DKK million)	**2019/20**	2018/19
Severance former Executive Management	13	-
Restructuring costs, redundancy	20	-
Consultants, cost reduction programme	10	-
Total	**43**	**-**
Production costs	1	-
Development costs	2	-
Distribution and marketing costs	9	-
Administration costs	31	-
Total	**43**	**-**

In 2019/20, special items amounted to DKK 43m. The special items primarily related to severance to former management and redundancy costs together with specific consultancy costs in respect of the cost reduction programme that was announced March 2020.

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.

2.6 FINANCIAL ITEMS

(DKK million)	**2019/20**	2018/19
Interest income from banks	6	4
Other financial income	2	3
IFRS 16 financial income	1	-
Financial income	**9**	**7**
Interest expenses to banks	(11)	(21)
Other interest expenses	(3)	(4)
IFRS 16 financial expenses	(10)	-
Exchange rate loss, net	(5)	(8)
Financial expence	**(29)**	**(33)**
Financial items, net	**(20)**	**(26)**

All financial income and costs are related to financial assets and liabilities, which are not measured at fair value.

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

2.7 TAX

(DKK million)	2019/20 Income Statement	2019/20 Other compre-hensive income	2019/20 Total tax	2018/19 Income Statement	2018/19 Other compre-hensive income	2018/19 Total tax
Tax for the year						
Current tax	1	-	1	13	(1)	12
Change in deferred tax during the year	201	(1)	200	1	(6)	(5)
Change in deferred tax as a result of change in tax rate	(2)	-	(2)	1	-	1
Adjustments to tax for prior years	9	-	9	(1)	-	(1)
Total	**209**	**(1)**	**208**	**14**	**(7)**	**7**

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

	2019/20 %	2019/20 DKKm	2018/19 %	2018/19 DKKm
Effective tax rate for the year				
Calculated tax on result for the year before tax	22.0	(81)	22.0	7
Non-deductible costs and non-taxable income	(1.3)	5	11.1	4
Deviating tax rates in foreign subsidiaries	(0.3)	1	11.4	4
Changes in tax rates	0.7	(2)	3.6	1
Adjustments to prior periods	(2.4)	9	(2.1)	(1)
Impairment on deferred tax assets	(72.3)	265	-	-
Other	(3.4)	12	(4.2)	(1)
Effective tax rate for the year	**(57.0)**	**209**	**41.8**	**14**

Comment to income tax
Total tax for the year amounted to DKK 209m and was negatively impacted by the impairment of deferred tax assets amounting to DKK 265m in Q3 2019/20. Furthermore, adjustments to local tax filings impacted tax for the year by DKK 9m.

Accounting policies
Income tax
Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of a change in the tax rate. 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.

2.7 TAX (continued)

(DKK million)	Assets		Liabilities		Net assets	
	31 May 2020	31 May 2019	**31 May 2020**	31 May 2019	**31 May 2020**	31 May 2019
Deferred tax						
Non-current assets	24	48	8	11	16	37
Inventories	3	3	-	-	3	3
Receivables	4	12	1	-	3	12
Provisions	1	20	-	-	1	20
Tax loss carryforwards	14	149	-	-	14	149
Other	11	29	-	-	11	29
Total	**57**	**261**	**9**	**11**	**48**	**250**

(DKK million)	**2019/20**	2018/19
Change in deferred tax, net during the year		
Non-current assets	(21)	4
Inventories	-	1
Receivables	(9)	7
Provisions	(19)	2
Tax loss carry forwards	(135)	-
Other	(18)	(2)
Total	**(202)**	**12**

Comment to deferred tax

As per 31 May 2020 the net deferred tax asset amounted to DKK 48m (31 May 2019: DKK 250m), where the decrease of DKK 202m mainly relates to the tax impairment of DKK 265m.

Deferred tax assets have been recognised based on expected earnings for the next four years. The assessment takes into account the possibility to utilise losses in each relevant jurisdiction.

The total deferred tax asset amounted DKK 57m (31 May 2019: DKK 261m) of which DKK 48m related to the jointly taxed Danish Group, DKK 1m related to China, DKK 5m related to USA, whereas the remaining DKK 3m related to other foreign legal entities in the Group.

The tax loss carry forward as per 31 May 2020 represented DKK 14m (31 May 2019: DKK 149m), whereas DKK 6m related to the jointly taxed Danish Group and the remaining DKK 8m related to other legal entities abroad.

As per 31 May 2020 the value of unrecognised deferred tax assets amounted to DKK 307m, where DKK 246m related to Denmark, DKK 37m related to USA, DKK 24m related to other legal entities abroad. A total of DKK 232m related to tax loss carry forward, hereof DKK 41m can be carried forward up to 20 years, while the remaining DKK 191m can be carried forward indefinitely. The unrecognised deferred tax will be recognised as income as they are utilised or when there is convincing evidence that they will be utilised in a foreseeable future.

2.7 TAX (continued)

Critical accounting estimates and judgements

Recovery of deferred tax assets – tax impairment

The Group has previously fully capitalised tax loss carry forwards for the Danish Group on the company's balance sheet. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available, in the foreseeable future (3-5 years), against which tax loss carry forwards etc., can be offset.

The amount to be recognised as deferred tax assets is determined on the basis of an estimate of the probable timing and amount of future taxable profits and taking into account current tax legislation.

Based on among others the Group's strategy work, management have revisited the carrying value of the tax asset based on expected positive earnings and decided to take a more conservative approach and limit the evaluation period to 4 years.

Due to the unsatisfactory performance during 2019/20 and based on the strategy work, management performed an impairment test of the deferred tax asset and recognised an impairment of DKK 265m in Q3 2019/20. The non-capitalised tax asset may be recognised as income if the company reports the necessary positive results. This was a non-monetary event.

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 the 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 carry-forwards, are recognised as other non-current assets at the expected value of their utilisation, either by 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 set off 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.

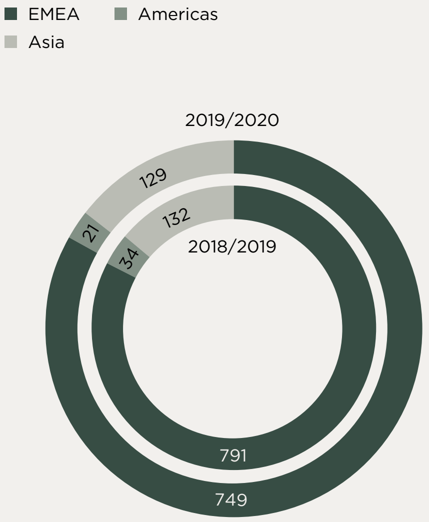
Deferred tax is measured according to the tax rules and at the tax rates applicable in the relevant countries at the reporting date and when the deferred tax is expected to materialise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

SECTION 3
STAFF COSTS, SHARE-BASED PAYMENTS AND PENSIONS

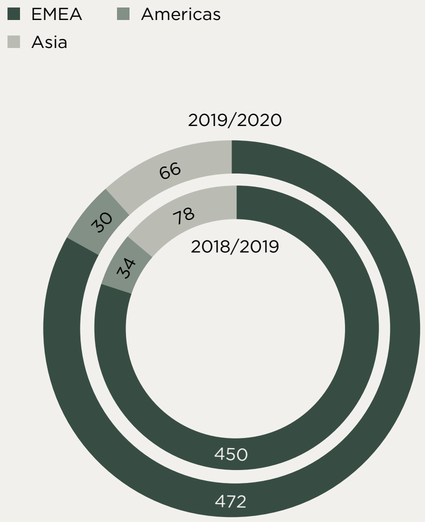
CONTENTS

3.1 Staff costs
3.2 Remuneration
3.3 Share-based payments
3.4 Pension and similar retirement obligations

HEADCOUNT PER REGION OF EMPLOYMENT
At 31 May



STAFF COSTS PER REGION OF EMPLOYMENT (MDKK)



596M

DKK TOTAL STAFF COSTS IN 2019/20 DECREASED BY DKK 13M COMPARED TO 2018/19

915

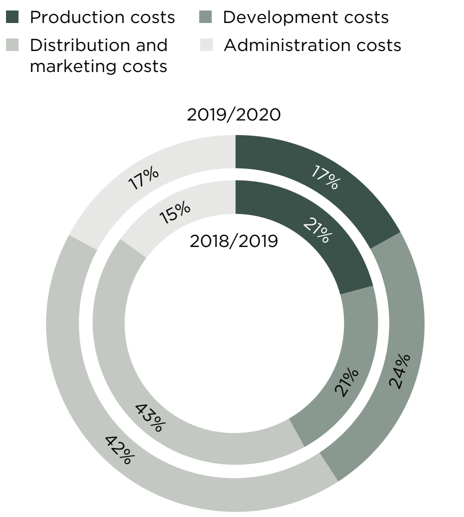
AVERAGE NUMBER OF EMPLOYEES IN 2019/20 DECREASED BY 68 COMPARED TO 2018/19

Total staff cost decreased by 2%, while the average number of employees decreased by 7% compared to 2018/19 driven by the cost reduction programme

3.1 STAFF COSTS

(DKK million)	2019/20	2018/19
Wages and other remuneration	543	555
Share-based payment	-	4
Pensions	36	37
Other social security costs	17	13
Total staff costs	**596**	**609**
Average number of employees	915	983
Staff costs relate to:		
Production costs	95	130
Development costs	140	130
Distribution and marketing costs	247	260
Administration costs	114	89
Total staff costs	**596**	**609**

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 is 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

(DKK million)	2019/20 Board of Directors	2019/20 Executive Management Board	2019/20 Other key employees	2018/19 Board of Directors	2018/19 Executive Management Board	2018/19 Other key employees
Wages, salaries and fees	5	20	17	5	15	20
Pensions	-	1	1	-	1	2
Bonus	-	2	2	-	7	4
Termination benefits	-	12	-	-	-	-
Total	**5**	**35**	**20**	**5**	**23**	**26**
Share-based payment	-	-	-	-	4	2
Total remuneration	**5**	**35**	**20**	**5**	**27**	**28**

In 2019/20 the Board of Directors received a total remuneration of DKK 5m (2018/19: DKK 5m).

The remuneration to the Executive Management Board (EMB) increased from DKK 27m in 2018/19 to DKK 35m in 2019/20. The increase was driven by full year impact of the CFO hired at the end of last year and an extended EMB team. Further, the increase is explained by termination benefits related to Henrik Clausen and John Mollanger in the amount of DKK 12m related to base pay.

Share-based payments for the year were zero as the current programmes do not meet the minimum requirements and the escape clause is expected to be breached.

Executive Management's terms of notice is consistent with normal market conditions (up to 24 months).

The entire remuneration report for the financial year 2019/20 can be found at https://investor.bang-olufsen.com.

3.3 SHARE-BASED PAYMENTS

	Executive Management Board	Other key employees	Total	Average share price at grant date	Total fair value at time of grant
	Number	Number	Number	DKK	DKK million
Outstanding matching shares	295,940	190,156	486,096	-	-
Granted	90,672	77,328	168,000	132.79	6
Exercised	(59,404)	(30,042)	(89,446)	141.32	-
Expired	(59,404)	(34,230)	(93,634)	-	-
Forfeited	-	(16,352)	(16,352)	-	-
Outstanding at 31 May 2019	**267,804**	**186,860**	**454,664**	**-**	**-**
Exercisable at 31 May 2019	**95,920**	**55,916**	**151,836**	**-**	**-**
Granted	519,530	460,930	980,460	42.27	8
Exercised	(95,920)	(55,916)	(151,836)	-	-
Forfeited	-	(2,732)	(2,732)	-	-
Outstanding at 31 May 2020	**694,414**	**589,142**	**1,280,556**	**-**	**-**
Exercisable at 31 May 2020	**81,212**	**50,884**	**132,096**	**-**	**-**

	2019/20		2018/19	
	Matching shares	Remaining term to maturity	Matching shares	Remaining term to maturity
	Number	Months	Number	Months
Matching shares 2016/17			151,836	5
Matching shares 2017/18	132,096	5	134,828	17
Matching shares 2018/19	168,000	17	168,000	29
Matching shares 2019/20	980,460	29		
Outstanding at 31 May 2020	**1,280,556**		**454,664**	

At the end of May 2020, no shares are expected to be vested under the programmes, as the escape clause is expected to be breached.

3.3 SHARE-BASED PAYMENTS (continued)

Matching Shares
The Board of Directors has implemented a matching share programme (MSP) as a variable component in compensation offered to the Executive Management Board and key employees. The participating employees are given the opportunity to acquire shares in Bang & Olufsen A/S at their own cost, which after three years of ownership will provide the right to receive 1-5 matching shares per investment share, depending on fulfillment of certain performance criteria.

The programme is accounted for on an accrual basis over the three-year vesting period, as it is a condition that the employee has not resigned before vesting. The accounting value is the value of the maximum number of matching shares to be granted times the probability of the shares vesting. This probability is adjusted every year until vesting. At the end of May 2020, no shares are expected to be vested under the programmes, as the escape clause is expected to be breached.

The average share price at the grant date for the 2019/20 Program was DKK 42.3 (2018/19: DKK 132.8). Staff costs recognised in the income statement in relation to share-based payments were DKK 0m (2018/19: DKK 4m).

Accounting policies
Share-based incentive 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 are 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 incentive programmes give Bang & Olufsen A/S an option to settle in cash, however as it is expected programmes will be settled in shares, the programmes will be accounted for as equity-settled programmes.

3.4 PENSION AND SIMILAR RETIREMENT OBLIGATIONS

(DKK million)	**2019/20**	2018/19
Amount recognised in the income statement		
Defined contribution plans	36	37
Defined benefit plans	-	-
Total pension amount charged to the income statement	**36**	**37**
Amount recognised in the balance sheet		
Wholly unfunded defined benefit plans	2	2
Wholly or partly funded defined benefit plans	24	25
Present value of defined benefit obligation 31 May	**26**	**27**
Fair value of plan assets	(12)	(12)
Defined benefit plan obligation 31 May	**14**	**15**
Actual return on plan assets	-	-

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

The defined benefit plans in Germany and Norway are partly funded by means of an independent pension fund.

3.4 PENSION AND SIMILAR RETIREMENT OBLIGATIONS (continued)

	Germany		Norway		Total	
(DKK million)	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
Present value of future payments	19	20	5	5	24	25
Fair value of plan assets	(8)	(8)	(4)	(4)	(12)	(12)
Actuarially calculated net obligation	11	12	1	1	12	13
Wholly unfunded defined benefit plans					2	2
Defined benefit plans at 31 May, net					**14**	**15**
Actuarial assumptions						
Disount rate p.a.	1.3%	1.4%	1.7%	2.3%	1.4%	1.7%
Expected salary increase p.a.	1.5%	1.5%	2.3%	2.8%	1.7%	1.9%
Expected rate of return p.a.	1.5%	1.5%	1.7%	2.3%	1.6%	1.8%

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 and Norway.

Under defined contribution plans the Group recognises the 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 individual employee carries the risk for the value of the pension insurance at retirement.

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.

On an annual basis, calculations are made of the present value of the future benefits that the employees are entitled to. The present value is calculated based on a number of assumptions relating to the future development in salary levels, 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, net interest based on actuarial estimates and financial expectations at the beginning of the year.

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

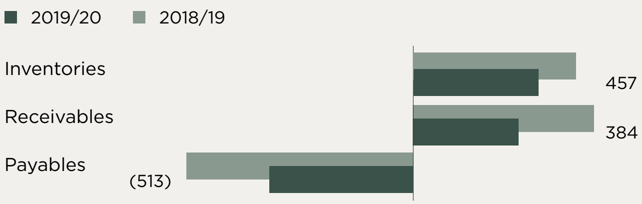
If a defined benefit plan constitutes a net asset, the asset is recognised only if it offsets future refunds from the plan or will lead to reduced future payments to the plan.

SECTION 4
NET WORKING CAPITAL

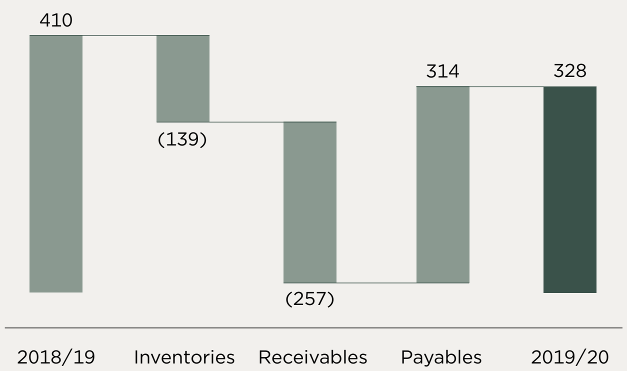
CONTENTS

4.1 Inventories
4.2 Trade receivables
4.3 Contract assets and liabilities
4.4 Net working capital

NET WORKING CAPITAL AT 31 MAY



CHANGE IN NET WORKING CAPITAL



16%

NET WORKING CAPITAL / REVENUE INCREASED FROM 14% IN 2018/19

328M

DKK NET WORKING CAPITAL IMPROVED BY DKK 82M COMPARED TO 2018/19

278M

DKK DECREASE IN TRADE RECEIVABLES COMPARED TO 2018/19

4.1 INVENTORIES

(DKK million)	**2019/20**	2018/19
Inventory before write-downs	526	650
Writedowns	69	54
Total	**457**	**596**
Raw materials	20	28
Work in progress	15	20
Spare parts	35	48
Finished goods	387	500
Total	**457**	**596**
Cost of sales recognised in production costs	1,114	1,397

It is Group policy that spare parts should be available for a number of years after sale of the product. Accordingly, DKK 29m (2018/19: DKK 31m) are expected to be realised after more than 12 months.

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 the expected technological developments and the expected service periods. The applied principles are unchanged compared to 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)	**2019/20**	2018/19
Trade receivables at 31 May, before impairment	363	619
Impairment at 1 June	(53)	(31)
Impairment losses recognised during the year	(27)	(37)
Realised impairment losses	7	15
Reversed impairment losses	-	-
Impairment at 31 May	(73)	(53)
Trade receivables at 31 May	**290**	**566**

When control has been transferred, a receivable is recognised as the consideration to be paid is reasonable 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 applied an increased risk factor due to COVID-19. This has led to an increased impairment on receivables for the year. Realised losses remain within the expected range.

(DKK million)	**31 May 2020**		31 May 2019	
Maturity analysis:				
Amounts not due	220	(7)	518	(6)
Overdue up to 30 days	2	-	7	-
Overdue between 31 and 60 days	41	(7)	16	(1)
Overdue between 61 and 90 days	35	(10)	30	(8)
Overdue between 91 and 120 days	16	(9)	-	-
Overdue more than 120 days	49	(40)	48	(38)
Trade receivables	**363**	**(73)**	**619**	**(53)**

Refer to note 6.2 for details about credit risk associated with trade receivables.

4.2 TRADE RECEIVABLES (continued)

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 macroeconomic factors affecting the credit risk.

Management continues to assess credit risks in order to ensure credit risk never exceeds the recognised write-down on trade receivables. For a further description of credit risk, see note 6.2. 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 licenses. 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)	**2019/20**	2018/19
Trade receivables	290	566
Right-of-return asset	1	1
Total contract assets	**291**	**567**
Deferred income – non-current	15	15
Deferred income – current	18	38
Refund liabilities	2	2
Total contract liabilities	**35**	**55**

Generally, trade receivables are recognised at the same point in time as revenue recognition and invoicing. Payment terms vary within the different customer segments due to local and specific agreements. In some cases, the Group receives upfront payments which are deducted in the actual invoicing and 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 mainly constitutes revenue related to the license agreement with HARMAN. This includes deferred revenue from the aluminum production agreement and future license income.

Deferred income also includes prepayments from customers.

The Group has applied the practical expedient in paragraph C5(d) of IFRS 15, and the amount of the transaction price allocated to the remaining performance obligations and the timing is not disclosed.

4.3 CONTRACT ASSETS AND LIABILITIES (continued)

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 the right-of-return asset and refund liability are recognised gross in the income statement, i.e. as both revenue and cost of sales.

Deferred income comprises received payments related to revenue in the following financial years. Deferred income is measured at cost price.

Revenue from licenses is recognised over time because customers simultaneously receive and consume the benefits provided from the licenses.

The fact that the benefit is obtained over time from the license agreements demonstrates that the customers simultaneously receive and consume the benefits over the license period.

No costs to obtain contracts with customers have been capitalised as part of contracts with customers either in 2019/20 or previous years. This is common practice in the Group.

4.4 NET WORKING CAPITAL

(DKK million)	31 May 2020	31 May 2019	31 May 2020 changes
Inventories	457	596	139
Trade receivables	290	566	276
Other receivables*	53	53	-
Prepayments	41	22	(19)
Trade payables	(430)	(710)	(280)
Other liabilities	(65)	(79)	(14)
Deferred income	(18)	(38)	(20)
Total	**328**	**410**	**82**

Net working capital had a positive development in 2019/20 and the company reduced net working capital during the year by DKK 82m.

* Other receivables were adjusted for financial receivables related to leases of DKK 10m not included as net working capital at 31 May 2020 (31 May 2019: DKK 0m).

Accounting policies

Prepayments

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

Other financial liabilities

Other financial liabilities comprise trade payables etc. and are measured at amortised cost.

SECTION 5
INVESTED CAPITAL

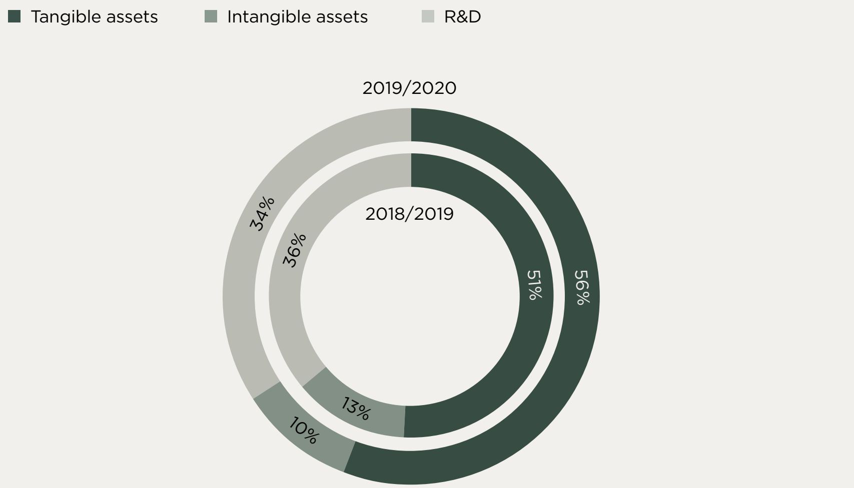
CONTENTS

5.1 Intangible and tangible assets

5.2 Right-of-use assets

5.3 Assets held for sale

SPLIT BETWEEN INTANGIBLE AND TANGIBLE ASSETS



12.8%

INCURRED DEVELOPMENT COSTS RATIO INCREASED BY 3.3PP FROM 9.5% IN 2018/19

181M

DKK CAPEX INCREASED BY DKK 27M COMPARED TO 2018/19

148M

DKK RIGHT-OF-USE ASSETS NET BOOK VALUE

5.1 INTANGIBLE AND TANGIBLE ASSETS

(DKK million)	Goodwill	Acquired rights and software	Completed devel-opment projects	Devel-opment projects in progress	**Total intangible assets**	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets under con-struction	**Total tangible assets**
Cost											
At 1 June 2018	63	165	731	41	1,000	358	773	108	41	7	1,287
Additions	-	17	27	52	96	9	31	8	1	9	58
Disposals	-	(55)	-	-	(55)	(61)	(92)	(15)	(19)	(1)	(188)
Moved to assets held for sale	-	-	-	-	-	(83)	-	-	-	-	(83)
Completed development projects and assets	-	-	39	(39)	-	5	-	1	-	(6)	-
Exchange rate adjustments	-	-	1	-	1	-	(1)	-	1	-	-
At 31 May 2019	63	127	798	54	1,042	228	711	102	24	9	1,074
Adjustment to prior year	-	-	-	-	-	44	-	-	-	-	44
Additions	-	19	42	54	115	2	15	14	5	30	66
Disposals	-	(2)	(249)	(1)	(252)	-	(8)	(1)	(3)	(1)	(13)
Completed development projects and assets	-	-	48	(48)	-	1	1	-	-	(2)	-
At 31 May 2020*	**63**	**144**	**639**	**59**	**905**	**275**	**719**	**115**	**26**	**36**	**1,171**
Depreciation, amortisation and impairment											
At 1 June 2018	(19)	(163)	(550)	-	(732)	(242)	(717)	(103)	(41)	-	(1,103)
Amortisation and depreciation	-	(5)	(132)	-	(137)	(9)	(29)	(4)	(1)	-	(43)
Impairment losses	-	-	-	-	-	(10)	-	-	-	-	(10)
Disposals	-	55	-	-	55	60	92	15	19	-	186
Moved assets to held for sale	-	-	-	-	-	62	(1)	-	1	-	62
Exchange rate adjustments	-	(1)	-	-	(1)	-	1	-	-	-	1
At 31 May 2019	(19)	(113)	(682)	-	(814)	(139)	(654)	(92)	(22)	-	(907)
Adjustments to prior year	-	-	-	-	-	(44)	-	-	-	-	(44)
Amortisation and depreciation	-	(10)	(108)	-	(118)	(9)	(30)	(7)	(1)	-	(47)
Disposals	-	2	249	-	251	-	9	1	3	-	13
At 31 May 2020	**(19)**	**(121)**	**(541)**	**-**	**(681)**	**(192)**	**(675)**	**(98)**	**(20)**	**-**	**(985)**
Carrying amount											
At 31 May 2020	**44**	**23**	**98**	**59**	**224**	**83**	**44**	**17**	**6**	**36**	**186**
At 31 May 2019	44	14	116	54	228	89	57	10	2	9	167

* Excluding right-of-use assets

5.1 INTANGIBLE AND TANGIBLE ASSETS (continued)

Impairment

Recognised impairments
In 2019/20 no impairments were recognised.

In 2018/19, an impairment loss of DKK 10m related to the former headquarter in Struer, Denmark, was recognised.

Impairment test of goodwill
The carrying amount of goodwill amounted to DKK 44m (31 May 2019: DKK 44m) and relates to the distribution network in the Netherlands.

The impairment test is carried out with the activities in the Netherlands considered as the cash generating unit. The recoverable amount is based on value in use and is estimated on input from local and group management. The test includes a five year budget period followed by a terminal period.

Key assumptions applied in the impairment test are expected revenue, gross margin, capacity cost, discount rate and growth rate in the terminal period. Sensitivity tests over the key assumptions have been carried out showing gross margin, WACC and the growth rate to be the assumptions with the largest impact to the value-in-use. In the test a growth assumption of 1.5% (2018/19: 1.5%) and a discount rate of 7.5% have been applied (2018/19: 7.5%).

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

5.1 INTANGIBLE AND TANGIBLE ASSETS (continued)

Critical accounting estimates and judgements

Development projects

Development costs are capitalised only after technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the product is to be 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 prior year. Development projects amounted to DKK 157m as at 31 May 2020 (DKK 170m as at 31 May 2019). The main additions in the 2019/20 financial year are development projects relating to software platforms and Beovision Harmony.

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 other intangible assets 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 and other intangible assets with an indefinite lifetime are not amortised but instead impairment tests are carried out on a yearly basis.

For other intangible assets and property, plant and equipment impairment tests are performed when indications of recoverable amounts 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, sales and distribution expenses, and administrative expenses.

Expected useful lives are as follows:

Asset class	Useful life
Goodwill	No amortisation. Tested for impairment on a yearly basis
Development projects (under construction)	Amortised from the time of completion - Projects under construction are tested annually for impairment
Development projects (completed)	2 - 6 years, or the remaining term of intellectual property right if shorter.
Acquired rights and software	2 - 6 years, or the remaining term of intellectual property right if shorter.
Land and buldings	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 term of lease, max 10 years
Tangible assets in course of construction	None

5.2 RIGHT-OF-USE ASSETS

(DKK million)	Land and buildings	Other equipment	Total
Cost			
At 1 June 2019	-	-	-
Lease contracts entered into prior to 2019	150	10	160
Additions	21	2	23
Terminations	(1)	(1)	(2)
At 31 May 2020	**170**	**11**	**181**
Depreciation and impairment			
At 1 June 2019	-	-	-
Depreciation	(30)	(5)	(35)
Terminations	1	1	2
At 31 May 2020	**(29)**	**(4)**	**(33)**
Carrying amount			
At 31 May 2020	**141**	**7**	**148**

Repayment of lease liability amounts to DKK 39m in 2019/20. Expenses relating to low-value leases are insignificant.

(DKK million)	2019/20
Amounts recognised in the income statement:	
Interest expenses	(9)
Short-term leases	(7)
Income from sub-leases	12
Lease liabilities	
Non-current	137
Current	42
Total lease liabilities	**179**

Critical accounting estimates and judgements

The individual right-of-use assets and the corresponding liabilities are highly impacted by the estimated lease period 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 2020 was around 5.3%.

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. The 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 sub-lease is classified as a finance lease, the right-of-use asset is derecognised as right-of-use asset and recognised as a lease receivable under other receivables. It is assessed each reporting date if there is any indication that a right-of-use asset may be impaired. If any such indication exists, an impairment testing for the relevant CGU is carried out.

Lease liabilities are comprised of expected fixed payments throughout the expected lease period (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 that are 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 the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

Lease costs for low value assets and short-term leases are included as operational costs throughout the period based on a straight-line basis.

As of 31 May 2020 estimated useful life can be summarised as follows:

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

5.3 ASSETS HELD FOR SALE

(DKK million)	31 May 2020	31 May 2019
Land and buildings	21	21
Investment property	-	15
Total	**21**	**36**

During 2019/20 the investment property was divested. At 31 May 2020, assets held for sale consist of the former headquarter in Struer, Denmark.

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

Subsequently to the reclassification of assets as held for sale no depreciations will be recognised.

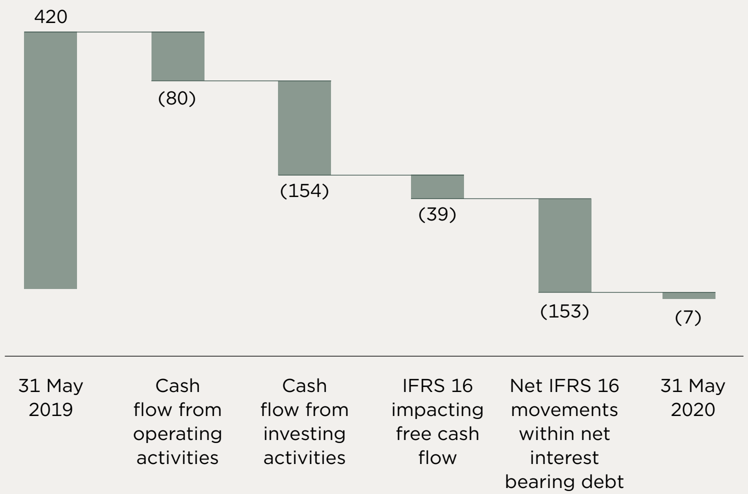
Held for sale are presented in one separate line in the statement of financial position. Previous periods have not been restated.

SECTION 6
FINANCING, EQUITY AND PROVISIONS

CONTENTS

6.1 Financial instruments by category
6.2 Financial risks
6.2.1 - Foreign exchange rate risk
6.2.2 - Interest rate risk
6.2.3 - Credit risk
6.2.4 - Liquidity risk
6.3 Mortgage loans and lease liabilities
6.4 Derivative financial instruments
6.5 Capital structure and share capital
6.6 Provisions

CHANGE IN NET INTEREST BEARING DEPOSIT/(DEBT)
(DKK million)



46%

EQUITY TO ASSETS WAS 46% AT 31 MAY 2020 (58% 31 MAY 2019)

15M

DKK RESTRUCTURING PROVISION RELATED TO OUTSOURCING OF ADMINISTRATIVE FUNCTIONS

(7M)

NET INTEREST BEARING DEBT AMOUNTS TO DKK 7M AT 31 MAY 2020 COMPARED TO NET INTEREST BEARING DEPOSIT OF DKK 420M LAST YEAR

6.1 FINANCIAL INSTRUMENTS BY CATEGORY

(DKK million)	2019/20	2018/19
Non-current other receivables	40	27
Trade receivables	290	566
Other receivables	63	53
Cash	215	492
Financial assets at amortised cost	**608**	**1,138**
Hedge accounting	2	19
Fair value through other comprehensive income	**2**	**19**
Financial assets	**610**	**1,157**
Other non-current liabilities	-	1
Mortgage loans	69	72
Lease liabilities	179	-
Trade payables	430	710
Financial liabilities at amortised cost	**678**	**783**
Hedge accounting	(1)	(12)
Fair value through other comprehensive income	**(1)**	**(12)**

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

Accounting policies

Financial assets includes loans, receivables and cash. Loans and receivables are initially recognised at fair value including directly 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 an impairment for non-due receivables. For other receivables and loans, 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.

(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 May 2020					
Mortgage loans	4	14	51	**69**	**69**
Lease liabilities	49	109	58	**216**	**179**
Trade payables	430	-	-	**430**	**430**
31 May 2019					
Other non-current liabilities	1	-	-	**1**	**1**
Mortgage loans	3	21	48	**72**	**72**
Trade payables	710	-	-	**710**	**710**

6.2 FINANCIAL RISKS

The Group has global activities which exposes it to a range of financial risks.

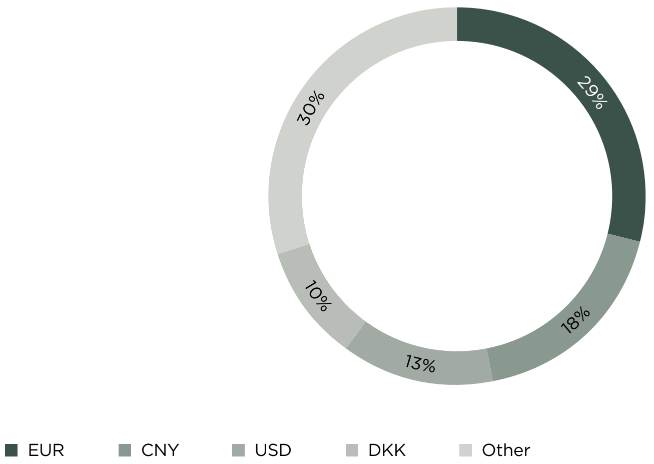
The Group has centralised the management of financial risks. The overall objectives and policies for the Group's financial risk management are outlined in a treasury policy. Financial risk management is carried out by the Group Treasury department.

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

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 2019/20, 90% of the Group's turnover (2018/19: 89%) was in foreign currencies.

REVENUE BY FUNCTIONAL CURRENCY (%) – 2019/20



Entities in	Functional currency	Change in average FX rate
Euro-zone	EUR	0.09%
China	CNY	0.14%
United States	USD	3.55%
United Kingdom	GBP	0.55%
Switzerland	CHF	5.13%

Developments in exchange rates had a positive impact of 0.4% on revenue in 2019/20.

The Group is primarily exposed to currency risks related to net inflow of CNY and net outflow of USD. According to the Group's treasury policy, 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.

Sensitivity analysis
The effect on EBIT and equity derived from changes in selected currencies compared to average annual rates estimated on an unhedged basis are presented below.

		2019/20		2018/19	
(DKK million)	Increase	Earnings before tax	Equity before tax	Earnings before tax	Equity before tax
USD	5%	(28)	4	(49)	4
CNY	5%	15	6	37	5
CHF	5%	5	2	4	1
GBP	5%	3	2	7	2
Other	5%	5	1	4	-
Total		**-**	**15**	**3**	**12**

6.2 FINANCIAL RISKS (continued)

Interest rate risk
The Group's exposure to interest rate risk is considered limited and is subjected to ongoing evaluation and monitoring in accordance with the treasury policy.

The Group's interest-bearing assets mainly consists of bank deposits, which at the end of the financial year totaled DKK 215m (2018/19: DKK 492m). Bank deposits yield interests in the short-term money market, but as the Group has had positive bank deposits mainly in DKK and EUR throughout the financial year, this had a negative deposit interest rate.

Interest-bearing debt consist of mortgage debt of DKK 69m (2018/19: DKK 72m), with a floating-rate which is fixed for the coming three years, and lease liabilities of DKK 179m.

At the end of the financial year, the Group's net interest-bearing debt totaled DKK 7m (2018/19: net interest-bearing deposit DKK 420m) corresponding to -0.4% of the total financial position (2018/19: 17.1%).

See note 6.5 for further details on net interest-bearing 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 level ratings.

Similarly, the Group uses reputable insurance companies with investment grade ratings for insurance of receivables.

Credit risk associated with trade receivables are managed centrally based on fixed procedures and guidelines. Credit limits are set as deemed appropriate for the individual customer, taking into account current local market conditions.

To reduce credit risk, all commercial counterparts are subject to ongoing financial evaluation. The Group mainly utilises credit insurance to mitigate its credit risk.

The Group has no significant trade receivables risk concentrated in specific countries but has some single significant trade debtors.

For trade receivables, Bang & Olufsen applies the simplified approach towards expected credit losses prescribed by IFRS 9. To measure the expected credit loss, trade receivables have been grouped based on credit risk characteristics and ageing of the receivable. In accordance with IFRS 9, not-due trade receivables are also impaired. See note 4.2 for further details on trade receivables.

In light of the global COVID-19 pandemic the overall credit risk of the Group is considered to be higher than normal, but still considered to be moderate. Through close collaboration and dialogue with a large number of partners, the Group has so far managed to balance the COVID-19 risk in a commercially and financially viable balance.

The Group has not changed its expected credit loss assumptions due to COVID-19, partly because it is considered a non-recurring event and partly because credit risk is covered via credit insurance. But as COVID-19 is expected to impact trade receivables, Bang & Olufsen has made additional provisions for loss on debtors related to COVID-19 based on assumptions about development in our retail partners ability to repay their outstanding debts to Bang & Olufsen.

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

Bang & Olufsen employs, where possible, a group-wide cash pool, to optimize cash positions and centralize liquidity.

At 31 May 2020, cash and cash equivalents amounted to DKK 215m (2018/19: DKK 492m).

Please refer to note 6.5 and 7.5 for further details on the rights issue.

6.3 MORTGAGE LOANS AND LEASE LIABILITIES

(DKK million)	Nominal interset value	Year of maturity	31 May 2020 Carrying amount	31 May 2019 Carrying amount
Terms and repayment schedule				
Floating rate loans, DKK	(0.4)%	2040	69	72
Total loans			**69**	**72**

(DKK million)	31 May 2018	Financing cash flow	Reclassi-fications	31 May 2019	IFRS 16 opening	Financing cash flow	Reclassi-fications	31 May 2020
Terms and repayment schedule								
Repayment of lease liabilities	-	-	-	-	193	(39)	25	179
IFRS 16, net additions	-	-	-	-	-	-	(25)	(25)
Long-term borrowings	161	(88)	(3)	69	-	-	(4)	65
Short-term borrowings	9	(9)	3	3	-	(4)	4	4
Total	**170**	**(97)**	**-**	**72**	**193**	**(43)**	**-**	**223**

In 2019/20 the interest on mortgage loans was refinanced at -0.4% plus contribution margin arriving at an annual percentage rate of 1.1%. The Group has a mortgage loan with a three year interest refinancing period. During 2019/20 no extraordinary repayments have been made.

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 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise primarily of foreign exchange contracts used to hedge the foreign exchange risk related to unrecognised future transactions.

For information about financial risks and management of those risks, refer to note 6.2.

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

	31 May 2020		31 May 2019	
(DKK million)	Fair value	Contract value	Fair value	Contract value
Foreign exchange forward contracts				
USD	2	(65)	15	(491)
GBP	-	-	1	120
CNY	-	-	(1)	79
CHN	-	-	(8)	324
Total	**2**	**(65)**	**7**	**32**
Foreign exchange swaps				
USD/DKK	(1)	39	-	-
DKK/USD	-	(39)	-	-
GBP/DKK	-	20	-	-
DKK/GBP	-	(10)	-	-
DKK/CNY	-	39	2	(49)
CNY/DKK	-	-	(2)	49
Total	**(1)**	**49**	**-**	**-**
Derivatives for hedging	**1**	**(16)**	**7**	**32**

The foreign exchange forward and swap contracts fall due in Q1 2020/21.

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

(DKK million)	31 May 2020	31 May 2019
Other receivables, current	2	19
Other liabilities, current	(1)	(12)
Total	**1**	**7**

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.

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 the derivative financial instruments are 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 transaction are recognised.

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

6.5 CAPITAL STRUCTURE AND SHARE CAPITAL

The capital structure consists mainly of equity and working capital financing. It is the objective of Bang & Olufsen's capital management to ensure the best possible return to shareholders on their investment in Bang & Olufsen. While also ensuring that Bang & Olufsen will be able to meet all the commitments it has now and in the future. See note 7.2 for further details on shareholder return.

During 2019/20 there has been no share repurchases, dividends or other activities to compensate the shareholders of Bang & Olufsen, other than the market development in share price.

Capital structure and distribution policy are reviewed continually with due consideration for Bang & Olufsen's financial performance, strategic developments, market trends and shareholder interest. The net interest-bearing deposit/(debt) can be specified as follows:

(DKK million)	**31 May 2020**	31 May 2019
Mortgage loans (non-current borrowings)	(65)	(69)
Mortgage loans (current borrowings)	(4)	(3)
Lease liabilities (non-current)	(137)	-
Lease liabilities (current borrowings)	(42)	-
Gross financial debt	**(248)**	**(72)**
Sublease current asset	10	-
Financial lease receivables	16	-
Cash and cash equivalants	215	492
Net interest-bearing deposit/(debt)	**(7)**	**420**

After the reporting period Bang & Olufsen has initiated a rights issue to raise additional capital to overcome the financial challenges arising from COVID-19. As part of that Bang & Olufsen has cancelled the 2.3m shares, which were acquired during the share-buy-back program conducted in 2018/19.

For more details on the rights issue and capital structure please refer to note 7.5.

6.5 CAPITAL STRUCTURE AND SHARE CAPITAL (continued)

	Number		Nominal value (DKK million)		% of share capital	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
Own treasury shares						
1 June	2,383,439	22,999	24	-	5.6	-
Acquired in connection with the share buy-back program	-	2,273,449	-	23	-	5.3
Acquired in connection with the matching share programmes	-	-	-	-	-	0.2
Granted matching shares incentive program	(66,425)	86,991	(1)	1	(0.2)	-
31 May	**2,317,014**	**2,383,439**	**23**	**24**	**5.4**	**5.5**

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

(DKK million)	**2019/20**	2018/19
Share repurchases for the year	**-**	**279**

On 21 August 2019, Bang & Olufsen A/S's annual general meeting resolved to adopt a proposal by the Board of Directors to reduce the company's share capital by nominally DKK 22,734,490 by cancellation of 2,273,449 treasury shares.

In anticipation of the proposed rights issue described in company announcements 19.22, 19.23 and 20.02, the company has on 3 June 2020 resolved to complete the cancellation of the treasury shares.

After the cancellation, the company's share capital amounts to nominally DKK 409,240,290 divided into 40,924,029 shares each carrying 1 voting right, corresponding to a total of 40,924,029 voting rights, cf. section 32 of the Danish Capital Markets Act.

The revised Articles of Association can be found on the company's website, https://investor.bangolufsen.com.

In accordance with section 31 of the Danish Capital Markets Act, the company discloses that following cancellation of the treasury shares, the company's holding of treasury shares amounts to 43,565 shares, corresponding to 0.1% (rounded) of the company's total share capital and voting rights.

Accounting policies

Dividend
Dividend is recognised as a liability at the time of approval by the Annual General Meeting.

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

Translation reserve
The translation reserve for exchange rate differences in the consolidated financial statements comprises exchange rate differences that occur when translating the 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 hedge
Reserve for cash flow hedges comprises accumulated changes in fair value of derivative financial instruments, which meets the conditions 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 account, when the hedged posistens are realised.

6.6 PROVISIONS

(DKK million)	Warranty and fairness	Employee anniversary benefit	Other obligations	**Total**
At 31 May 2018	59	3	8	70
Provisions during the year	38	1	22	61
Provisions used during the year	(40)	-	-	(40)
Provisions reversed during the year	-	(1)	(5)	(6)
At 31 May 2019	57	3	25	85
Provisions during the year	29	-	25	54
Provisions used during the year	(32)	-	(14)	(46)
Provisions reversed during the year	-	(1)	-	(1)
At 31 May 2020	**54**	**2**	**36**	**92**
Maturity analysis for provisions				
Falling due within 1-5 year	20	2	10	32
Falling due after 5 years	-	-	-	-
Non-current provisions	20	2	10	32
Falls due within one year	34	-	26	60
At 31 May 2020	**54**	**2**	**36**	**92**

Comments to provisions

Provisions for warranty and fairness of DKK 54m have been recognised as at 31 May 2020 (31 May 2019: DKK 57m) to cover expected warranty and fairness claims. The size and timing of the provisions is based on previous experience of the level and timing of repairs and returns.

Other obligations of DKK 36m included provisions for restructuring of DKK 15m (31 May 2019: DKK 0m) in relation to the cost reduction programme announced in March 2020.

Critical accounting estimates and judgements

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

The future repairs and returns can differ from the historical pattern, but management assesses that the estimate of the 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 which do not function satisfactorily. Some products are repaired after the end of the warranty period, and a provision is made regarding this potential fairness claim.

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
OTHER DISCLOSURE REQUIREMENTS

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7.1 Fees to auditors appointed by the General Meeting
7.2 Earnings per share
7.3 Contingent liabilities and other financial commitments
7.4 Related parties
7.5 Events after the reporting period
7.6 Companies in the Bang & Olufsen Group
7.7 Key figure definitions

7.1 FEES TO AUDITORS APPOINTED BY THE GENERAL MEETING

(DKK million)	2019/20	2018/19
Statutory audit	3.2	3.2
Other assurance services	3.0	0.2
Tax assurance services	0.0	0.2
Other services	0.3	0.8
Total	**6.5**	**4.4**

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 the rights issue.

7.2 EARNINGS PER SHARE

(1,000 shares)	2019/20	2018/19
Earnings for the year	(576)	19
Average number of shares outstanding	40,847	42,006
Dilutive effect of average outstanding shares	-	57
Average number of shares outstanding, including dilutive effect	40,847	42,063
Earnings per share (EPS), DKK	**(14.1)**	**0.5**
Earnings per share, diluted (EPS-D), DKK	**(14.1)**	**0.5**

7.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Bang & Olufsen Group has issued guarantees in an amount of DKK 100m (2018/19: DKK 103m). The guarantees are mainly related to a rent obligation from the formerly owned Czech production facility and bank guarantees.

Mortgage and securities
Land and buildings and investment property have been mortgaged for an amount of DKK 69m (2018/19: DKK 72m) as security for DKK 69m of the Group's mortgage loan (2018/19: DKK 72m).

Other tangible assets relating to land and buildings are included in the mortgages. The carrying amount of the Group's mortgaged land and buildings is DKK 104m (2018/19: DKK 110m).

No intangible assets, financial assets or inventories are pledged as security for liabilities.

Legal and arbitration proceedings
As part of its ordinary course of business, the Group is and will from time to time be 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 the 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 unfavorable outcome to any material legal matter may result in damages being awarded, injunctions and/or termination of product lines, all which could have financial implications exceeding any provisions made and therefore have an adverse effect on the Group's business, operating results, cash flow and financial position.

The Group is presently 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 party to claims involving termination of partners in some jurisdictions. Claims such as these are not uncommon in the industry, and the Group addresses and defends itself against these claims as part of the ordinary course of

7.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS (continued)

business with the assistance of external advisors where necessary. While by their nature the 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.

The Group is also party to claims and legal proceedings involving the Group's termination of certain retail partners in some jurisdictions. It is the Group's current expectation that none of these claims will have a material effect on the Group's financial position or future earnings.

Operational lease commitments
Following the implementation of IFRS 16, operating leases are recognised in the statement of financial position in 2019/20.

At May 2019, the total lease commitments amounted to DKK 140m of which DKK 46m was due within 1 year, DKK 92m was due between 1-5 years and DKK 2m was due after 5 years. The net rental and lease payments for 2019/20 was DKK 84m.

7.4 RELATED PARTIES

Bang & Olufsen Group 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, Executive Management Board and other key management personnel.

Board of Directors, Executive Management Board and other key management personnel
No transactions were made in 2019/20 other than ordinary remuneration, as described in notes 3.2 and 3.3.

Other transactions
No transactions have taken place with related parties.

7.5 EVENTS AFTER THE REPORTING PERIOD

Apart from the events recognised or disclosed in the consolidated financial statements, the following events have occurred after the reporting period.

On the company's extraordinary general meeting held on 3 June 2020, the shareholders approved a reduction of the nominal value of the company's shares from DKK 10 to DKK 5, corresponding to a total share capital reduction from nominally DKK 409,240,290 to nominally DKK 204,620,145.

The Extraordinary General Meeting also approved a rights issue by a share capital increase by nominally DKK 409,240,290 from nominally DKK 204,620,145 to nominally DKK 613,860,435 with pre-emptive subscription rights for the company's existing shareholders with a subscription ratio of 2:1 and a subscription price per new share of DKK 5. The existing authorisations to issue new shares was at the same time repealed.

The net proceeds are expected to be approximately DKK 356m.

On 1 July 2020 the new shares were admitted to trading and official listing on Nasdaq Copenhagen under the permanent ISIN code DK0010218429.

7.6 COMPANIES OF THE BANG & OLUFSEN GROUP

Company Name	Domicile	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Denmark (domicile country)					
Bang & Olufsen A/S	Struer, DK	DKK	431,974,780		
Bang & Olufsen Operations A/S	Struer, DK	DKK	156,000,000	100 %	
Bang & Olufsen Danmark A/S	Struer, DK	DKK	3,000,000	100 %	
Bang & Olufsen Expansion A/S	Struer, DK	DKK	7,000,000	100 %	
B&O PLAY A/S	Struer, DK	DKK	7,500,000	100 %	
EMEA					
Authenticity Ltd.	London, UK	GBP	2,250,000	100 %	
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen AS	Oslo, N	NOK	3,000,000	100 %	
Bang & Olufsen B.V.	Naarden, NL	EUR	18,000	100 %	
Bang & Olufsen Deutschland G.m.b.H.	Munich, D	EUR	1,022,584	100 %	
Bang & Olufsen España S.A.	Madrid, E	EUR	1,803,036	100 %	
Bang & Olufsen France S.A.	Levallois-Perret, F	EUR	3,585,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulln, AT	EUR	1,744,148	100 %	
Bang & Olufsen Italia S.r.l.	Milano, I	EUR	774,000	100 %	
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
Bang & Olufsen Retail SAS (France)	Paris, F	EUR	152,500	100 %	
Bang & Olufsen Svenska AB	Stockholm, S	SEK	4,150,000	100 %	
Bang & Olufsen UK Ltd.	Berkshire, GB	GBP	2,600,000	100 %	
Eastbrook Finance Ltd.	London, UK	GBP	100	100 %	
S.A. Bang & Olufsen Belgium N.V.	Dilbeek, B	EUR	942,000	100 %	
Americas					
Bang & Olufsen America Inc.	Deerfield, IL, USA	USD	34,000,000	100 %	3
Asia					
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100 %	
Bang & Olufsen Enterprise Management (Shanghai) Co. Ltd.	Shanghai, CH	CNY	67,000,000	100 %	
Bang & Olufsen Hong-Kong Pty Ltd	Hong Kong, HK	HKD	1,000,000	100 %	
Bang & Olufsen Japan KK	Tokyo, JP	JPY	10,000,000	100 %	
Bright Future International Limited	Hong Kong, CH	HKD	1	100 %	
Jingji Shanghai Trading Co. Ltd	Shanghai, CH	CNY	955,696	100 %	

Dormant companies have not been included.

7.7 KEY FIGURE DEFINITIONS

Item	Key figures and ratios	Definition
1	Capacity cost ratio	Capacity costs as a percentage of revenue
2	Diluted earnings per share	Result attributable to shareholders of Bang & Olufsen A/S as a percentage of diluted average number of outstanding shares
3	EBIT	Earnings before interest and tax (result before financial items and income taxes)
4	EBIT before special items	Earnings (profit) before interest, tax and special items
5	EBIT margin	EBIT as a percentage of revenue
6	EBIT margin before special items	EBIT before special items as a percentage of revenue
7	EBITA	Earnings before interests, tax and amortisation
8	EBITA margin	EBITA as a percentage of revenue
9	EBITDA	Earnings (profit) before interest, tax, depreciation, amortisation and impairment
10	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortisation, impairment and special items
11	EBITDA margin	EBITDA as a percentage of revenue
12	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
13	EBITDAC	Earnings before interest, tax, depreciation, amortisation, impairment losses and capitalisation
14	EBITDAC margin before special items	EBITDAC x 100/Revenue
15	Earnings per share	Profit/(loss) for the year/Average number of shares in circulation (diluted)
16	Earnings per share (EPS)	Result attributable to shareholders of Bang & Olufsen A/S relative to average number of outstanding shares
17	Free cash flow	Cash flow from operating activities less cash flow from investing activities
18	Gross margin	Gross profit as a percentage of revenue
19	Growth in local currencies	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
20	Incurred development costs ratio	Incurred development costs before capitalisation as a percentage of revenue
21	Invested capital	Network capital, tangible assets and intangible assets excl. goodwill
22	Operating expenses	Consists of production costs, development costs, distribution and marketing costs and administration costs
23	Net interest-bearing deposit/(debt)	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash
24	Price/earnings	Quatation/Earnings per share (nom DKK 10)
25	Return on assets, %	Earnings for the year x 100/Assets
26	Return on equity, %	Earnings for the year x 100/Equity
27	ROIC excl. goodwill and right-of-use assets, %	Earnings for the year x 100/Invested capital, excl. goodwill
28	Solvency ratio	Equity attributable to shareholders of Bang & Olufsen A/S as a percentage of total assets
29	Working capital	Current assets minus current liabilities (excluding interest-bearing items and provisions)
30	Working capital ratio	Average working capital LTM (latest twelve month) as a percentage of revenue

7.7 KEY FIGURE DEFINITIONS (continued)

Alternative performance measures
The Group assesses its performance using a variety of alternative performance measures which 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 is a measure that 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)	**2019/20**	2018/19
Revenue growth (according to P&L)	(28)	(14)
Foreign exchange	(1)	(1)
Growth in local currencies	(29)	(15)

Operating performance
In addition to measuring financial performance of the Group based on 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 depreciations and amortisations. The adjusted EBITDA figures are used in order to be comparable year over year, due to the implementation of new accounting standards as well as eliminating special items, which are not comparable year over year.

(DKK million)	**2019/20**	2018/19
Earnings before interest and tax (EBIT)	(347)	59
Depreciation, amortisation and impairment	201	189
EBITDA	**(146)**	**248**
Special items, net	43	-
EBITDA before special items	**(103)**	**248**
EBIT	(347)	59
Special items, net	43	-
EBIT before special items	**(304)**	**59**

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INCOME STATEMENT AND COMPREHENSIVE INCOME

1 June – 31 May

(DKK million)	Notes	2019/20	2018/19
Revenue	3	**123**	**455**
Production costs	4, 5, 6	(47)	(65)
Gross profit		**76**	**390**
Development costs	4, 5, 6	(270)	(346)
Distribution and marketing costs	4, 5, 6	(152)	(105)
Administration costs	4, 5, 6	(151)	(118)
Operating profit (EBIT)		**(497)**	**(179)**
Financial income	9	11	36
Financial expenses	9	(30)	(30)
Financial items, net		(19)	6
Earnings before tax (EBT)		**(516)**	**(173)**
Income tax	10	(75)	42
Earnings for the year		**(591)**	**(131)**
Total comprehensive income for the year		**(591)**	**(131)**
Appropriation of earnings for the year:			
Reserve for development costs		(3)	(89)
Retained earnings		(588)	(42)
Total		**(591)**	**(131)**

STATEMENT OF FINANCIAL POSITION

Assets

(DKK million)	Notes	31/05/20	31/05/19
Acquired rights		9	-
Completed development projects		98	116
Development projects in progress		59	54
Intangible assets	11	**166**	**170**
Land and buildings	11	52	61
Other tangible assets	11	11	10
Right-of-use assets	12	7	-
Tangible assets		**70**	**71**
Investment properties	13	**31**	**27**
Investments in subsidiaries	16	607	607
Financial assets		**607**	**607**
Deferred tax assets	10	**37**	**154**
Total non-current assets		**911**	**1,029**
Trade receivables		18	1
Tax receivable		81	44
Interest-bearing receivables from subsidaries		37	65
Other receivables		14	7
Prepayments		18	4
Total receivables		**168**	**121**
Cash		**116**	**314**
Assets held for sale	15	**21**	**36**
Total current assets		**305**	**471**
Total assets		**1,216**	**1,500**

Liabilities

(DKK million)	Notes	31/05/20	31/05/19
Share capital	17	432	432
Reserve for development costs		130	133
Retained earnings		(466)	122
Total equity		**96**	**687**
Lease liabilities	12, 18	3	-
Provisions		1	1
Mortgage loans	18	65	69
Other non-current liabilities		17	12
Deferred income		15	-
Total non-current liabilities		**101**	**82**
Lease liabilities	12, 18	5	-
Mortgage loans	18	4	3
Interest-bearing debt to subsidiaries	20	775	544
Trade payables	20	165	117
Provisions		10	-
Other liabilities		47	49
Deferred income		13	18
Total current liabilities		**1,019**	**731**
Total liabilities		**1,120**	**813**
Total equity and liabilities		**1,216**	**1,500**

STATEMENT OF CASH FLOW

1 June – 31 May

(DKK million)	2019/20	2018/19
Operating profit (EBIT)	(497)	(179)
Depreciation, amortisation and impairment	127	156
Operating profit before depreciation, amortisation and impairment	**(370)**	**(23)**
Other non-cash items	(2)	(14)
Change in net working capital	36	(1)
Change in interest bearing receivables from subsidiaries	28	(65)
Change in interest bearing debt to subsidiaries	231	(70)
Interest received	11	3
Interest paid	(23)	(15)
Income tax paid	(1)	(3)
Cash flow from operating activities	**(90)**	**(188)**
Purchase of intangible non-current assets	(106)	(79)
Purchase of tangible non-current assets	(7)	(15)
Sales of tangible non-current assets	13	2
Change in financial receivables	-	11
Cash flow from investing activities	**(100)**	**(81)**
Free cash flow	**(190)**	**(269)**
Repayment of lease liability	(5)	-
Repayment of long-term loans	(3)	(97)
Purchase of own shares	-	(279)
Settlement of matching share programme	-	(15)
Cash flow from financing activities	**(8)**	**(391)**
Change in cash and cash equivalents	**(198)**	**(660)**
Cash and cash equivalents, opening balance	314	974
Cash and cash equivalents, closing balance	**116**	**314**

Accounting policies

Cash flow is calculated using the indirect method and is based on earnings before interest and tax. Cash flow cannot be derived directly from the statement of financial position and income statement. Cash and cash equivalents comprise of cash at bank and in hand.

STATEMENT OF CHANGES IN EQUITY

1 June – 31 May

(DKK million)	Share capital	Reserve for development costs	Retained earnings	**Total**
Equity 1 June 2018	**432**	**222**	**455**	**1,109**
Earnings for the year	-	(89)	(42)	(131)
Comprehensive income, net of tax	**-**	**(89)**	**(42)**	**(131)**
Purchase of own shares	-	-	(279)	(279)
Share-based payment	-	-	(12)	(12)
Equity 31 May 2019	**432**	**133**	**122**	**687**
Equity 1 June 2019	**432**	**133**	**122**	**687**
Earnings for the year	-	(3)	(588)	(591)
Comprehensive income, net of tax	**-**	**(3)**	**(588)**	**(591)**
Equity 31 May 2020	**432**	**130**	**(466)**	**96**

Bang & Olufsen A/S has lost more than 50% of its share capital. The share capital is being reestablished by a share capital increase, refer to note 24.

NOTES

1 ACCOUNTING POLICIES

The financial statements for 2019/20 for Bang & Olufsen A/S 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. When selling investments in subsidiaries gains or losses are calculated as the difference between the carrying amount of the sold investments 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 are 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 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, which are owned with the purpose of renting them to mainly 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 Annual Report for 2019/20 fully covers the Parent Company as well. The implementation of IFRS 16 Leases has not materially affected the results of the Parent Company as leasing arrangements are limited to an office building and cars. Bang & Olufsen A/S has recognised right-of-use assets and lease liabilities of DKK 12m on 1 June 2019. The implementation had only a marginal impact on EBIT.

The measured discounted value of lease liabilities is calculated applying incremental borrowing rates, which on average was around 6.75%.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When applying the parent company's accounting principles it is necessary that management makes a number of accounting assessments and estimates as well as makes assumptions about the carrying amount of certain assets and liabilities and the recognised revenue and costs, which cannot be deduced 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.

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

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 technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the products is to be 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 set off against future positive taxable income. At each balance sheet date, it is assessed if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised.

3 REVENUE

(DKK million)	2019/20	2018/19
Geographical split		
Denmark	24	366
Rest of world	99	89
Total	**123**	**455**
Split by nature:		
Sale of services	12	12
Royalty	49	383
Rental income	62	60
Total	**123**	**455**

4 STAFF COSTS

(DKK million)	2019/20	2018/19
Wages and salaries etc.	265	219
Share-based payments	-	4
Pensions	20	17
Other social security costs	3	3
Total	**288**	**243**
Staff costs relate to:		
Production costs	15	16
Development costs	118	92
Distribution and marketing costs	67	57
Administration costs	88	78
Total	**288**	**243**
Average number of full-time employees	373	355

The pension costs all 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.

4 STAFF COSTS (continued)

Refer to note 3.2 in the consolidated financial statements for further information about the remuneration of the Board of Directors, Executive Management Board and other key employees.

5 DEVELOPMENT COSTS

(DKK million)	**2019/20**	2018/19
Incurred development costs before capitalisation	256	293
Hereof capitalised	(96)	(79)
Incurred development costs after capitalisation	160	214
Capitalisation (%)	*37.5%*	*26.9%*
Total amortisation charges and impairment losses on development projects	108	132
Development costs recognised in the consolidated income statement	**268**	**346**

6 DEPRECIATION COSTS

(DKK million)	**2019/20**	2018/19
Depreciation costs		
Depreciation, amortisation and impairment		
Intangible assets, amortisation	109	133
Tangible assets, depreciation	9	11
Investment properties, depreciation	3	-
Impairments	-	10
Right-of-use assets, depreciation	6	-
Total	**127**	**154**

(DKK million)	**2019/20**	2018/19
Depreciation, amortisation and impairment relate to:		
Production costs	7	6
Development costs	112	138
Distribution and marketing costs	3	-
Administration costs	5	10
Total	**127**	**154**

7 GOVERNMENT GRANTS

(DKK million)	**2019/20**	2018/19
Government grants	12	-
Split by function:		
Production costs	2	-
Development costs	7	-
Distribution and marketing costs	1	-
Administration costs	1	-
Interest expenses	1	-
Total	**12**	**-**

Government grants in 2019/20 related to COVID-19 relief packages of DKK 12m. DKK 11m of the relief packages impacted EBIT, hereof DKK 2m in gross profit and DKK 9m in capacity costs.

8 SPECIAL ITEMS

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, specific consultancy costs and transitioning costs in connection with the offshoring of back-office functions.

(DKK million)	2019/20	2018/19
Severance former Executive Management	13	-
Restructuring costs, redundancy	11	-
Consultants, cost reduction programme	11	-
Total	**35**	**-**
Development costs	2	-
Distribution and marketing costs	3	-
Administration costs	30	-
Total	**35**	**-**

9 FINANCIAL ITEMS

(DKK million)	2019/20	2018/19
Interest income from banks	5	3
Interest income from subsidiaries	3	3
Other financial income	3	-
Exchange rate gains, net	-	30
Financial income	**11**	**36**

(DKK million)	2019/20	2018/19
Interest expenses	12	16
Interest expense to subsidiaries	10	14
IFRS 16 financial expenses	1	-
Exchange rate losses, net	7	-
Financial costs	**30**	**30**

All financial income and costs are related to financial assets and liabilities, which are not measured at fair value.

10 TAX

(DKK million)	2019/20	2018/19
Tax for the year		
Current tax	(42)	(31)
Change in deferred tax during the year	117	(8)
Adjustments to tax for prior years	-	(3)
Total	**75**	**(42)**

	2019/20		2018/19	
	%	DKK million	%	DKK million
Effective tax rate for the year				
Calculated tax on result for the year before tax	22.0	(113)	22.0	(38)
Non-deductible costs and non-taxable income	(0.6)	3	0.6	(1)
Adjustments to prior periods	-	-	1.7	(3)
Impairment of deferred tax assets	(35.7)	184	-	-
Other	(0.2)	1	-	-
Effective tax rate for the year	**(14.5)**	**75**	**24.3**	**(42)**

	Assets		Liabilities		Net assets	
(DKK million)	31 May 2020	31 May 2019	31 May 2020	31 May 2019	31 May 2020	31 May 2019
Deferred tax						
Non-current assets	20	8	-	-	20	8
Tax loss carry-forwards	6	124	-	-	6	124
Other	11	22	-	-	11	22
Total	**37**	**154**	**-**	**-**	**37**	**154**

Refer to note 2.7 in the consolidated financial statements for the assessment of future utilisation of the deferred tax assets.

(DKK million)	2019/20	2018/19
Change in deferred tax, net during the year		
Non-current assets	12	13
Tax loss carry-forwards	(118)	8
Other	(11)	(2)
Total	**(117)**	**19**

As per 31 May 2020, the net deferred tax asset accumulated to DKK 37m (DKK 154m in 2019), where the decrease of DKK 117m was mainly due to the impairment of deferred tax assets of DKK 184m.

11 INTANGIBLE AND TANGIBLE ASSETS

(DKK million)	Acquired rights	Completed devel-opment projects	Devel-opment projects in progress	**Total intangible assets**	Land and buildings	Other tangible assets	**Total tangible assets**
Cost							
At 1 June 2018	155	731	41	927	218	107	325
Additions in the year	-	27	52	79	9	6	15
Disposals in the year	(52)	-	-	(52)	(61)	(17)	(78)
Completed development projects and assets	-	39	(39)	-	5	(5)	-
Exchange rate adjustments	-	1	-	1	-	-	-
At 31 May 2019	103	798	54	955	88	91	179
Correction to prior year	-	-	-	-	44	-	44
Reclassification of assets from tangible assets to investment property	-	-	-	-	(24)	-	(24)
Additions in the year	10	42	54	106	2	5	7
Disposals in the year	-	(249)	(1)	(250)	-	-	-
Completed development projects and assets	-	48	(48)	-	-	(1)	(1)
At 31 May 2020*	**113**	**639**	**59**	**811**	**110**	**95**	**205**
Amortisation, depreciation and impairment							
At 1 June 2018	(154)	(550)	-	(704)	(130)	(96)	(226)
Moved to assets held for sale	-	-	-	-	62	-	62
Amortisation and depreciation	(1)	(132)	-	(133)	(9)	(2)	(11)
Impairment losses	-	-	-	-	(10)	-	(10)
Reversed amortisation and depreciation on disposals	52	-	-	52	60	17	77
At 31 May 2019	(103)	(682)	-	(785)	(27)	(81)	(108)
Correction to prior year	-	-	-	-	(44)	-	(44)
Reclassification of assets from tangible assets to investment property	-	-	-	-	19	-	19
Amortisation and depreciation during the year	(1)	(108)	-	(109)	(6)	(3)	(9)
Reversed amortisation and depreciation on disposals	-	249	-	249	-	-	-
At 31 May 2020	**(104)**	**(541)**	**-**	**(645)**	**(58)**	**(84)**	**(142)**
Carrying amount							
At 31 May 2020	**9**	**98**	**59**	**166**	**52**	**11**	**63**
At 31 May 2019	-	116	54	170	61	10	71

* Excluding right-of-use assets.

There are no contratual obligations regarding purchase of tangible assets.

12 RIGHT-OF-USE ASSETS

(DKK million)	Land and buildings	Other equipment	Total
Cost			
At 1 June 2019			
Lease contracts entered into prior to 2019	7	5	12
Additions	-	1	1
At 31 May 2020	**7**	**6**	**13**
Depreciation and impairment			
At 1 June 2019			
Depreciation	(4)	(2)	(6)
At 31 May 2020	**(4)**	**(2)**	**(6)**
Carrying amount			
At 31 May 2020	**3**	**4**	**7**

See note 19 for maturity analysis for the lease liabilities.

(DKK million)	2019/20
Amounts recognised in the income statement:	
Interest expenses	1
Lease liabilities	
Non-current	3
Current	5
Total liase liabilities	**8**

Repayments of lease liability amounts to DKK 6m in 2019/20. Expenses relating to short-term and low-value leases are insignificant.

13 INVESTMENT PROPERTIES

(DKK million)	
Cost	
At 1 June 2018	219
Moved to assets held for sale	(79)
At 31 May 2019	140
Reclassification of assets from tangible assets to investment properties	24
Additions	1
Completed development projects and assets	1
At 31 May 2020	**166**
Depreciation and impairment	
At 1 June 2018	(175)
Depreciation during the year	(2)
Moved to assets held for sale	64
Reversed depreciation on disposals	-
At 31 May 2019	(113)
Reclassification of assets from tangible assets to investment properties	(19)
Depreciation during the year	(3)
At 31 May 2020	**(135)**
Net book value	
At 31 May 2020	**31**
At 31 May 2019	27

13 INVESTMENT PROPERTIES (continued)

Investment properties consist of a number of properties which are owned with 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 due to the location of the investment properties, where there are no active market for these types of buildings, it is not possible to estimate the fair value of the properties, 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 62m has been received from the investment property in 2019/20 (2018/19: DKK 60m), and directly attributed operating expenses were DKK 46m (2018/19: DKK 44m).

Investment properties are leased to the subsidiaries on operating leases with a lease term of 3-34 months. According to the existing operating leases rental income of DKK 16m will be received in the 3 months which are included in the lease term of the operating leases.

14 IMPAIRMENT OF NON-CURRENT ASSETS

Tangible assets – impairment losses during the year
No impairment losses have been recognised in 2019/20 (2018/19 DKK 10m).

Intangible assets – impairment losses during the year
No impairment losses have been recognised in 2019/20 and 2018/19.

The assessment of the recoverable amount of the intangible assets excl. goodwill is based on calculations of value in use of the assets. The value is calculated based on 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 10.0% (2018/19: 10.0%).

Financial assets – impairment losses during the year
No impairment losses have been recognised on non-current financial assets in the parent company in 2019/20 or 2018/19.

15 ASSETS HELD FOR SALE

Assets held for sale includes the one building at 31 May 2020 also presented as held for sale for the group. Refer to note 5.3 in the consolidated financial statements.

16 INVESTMENTS IN SUBSIDIARIES

(DKK million)	**31/05/20**	31/05/19
Bang & Olufsen Operations A/S	600	600
B&O Play A/S	7	7
Total	**607**	**607**

As of 31 May 2020 investments in subsidiaries amounted to DKK 607m (31 May 2019: DKK 607m). There have been no acquisitions or disposals in 2019/20 (2018/19: none).

Refer to note 7.6 in the consolidated financial statements for an overview of the group companies.

17 SHARE CAPITAL

At 31 May 2020 the share capital consists of 43,197,478 (31 May 2019: 43,197,478) shares with a nominal value of DKK 10 each. Each share gives one vote. No shares have special rights. There are no limitations to transferability and no voting restrictions. All shares are listed on Nasdaq Copenhagen stock exchange.

	Number		Nominal value (DKK million)		% of share capital	
	2019/20	2018/19	**2019/20**	2018/19	**2019/20**	2018/19
Own shares						
1 June	2,383,439	22,999	24	-	5.5	-
Aquired in connection with the share buy-back programme	-	2,273,449	-	23	-	5.5
Acquired in connection with the matching share programmes	-	86,991	-	1	-	0.2
Granted matching shares incentive programme	(66,425)	-	(1)	-	(0.2)	-
31 May	**2,317,014**	**2,383,439**	**23**	**24**	**5.4**	**5.5**

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

As of 7 July 2020, the following investors have reported holdings of more than 5% of Bang & Olufsen A/S' share capital:

	Capital/ Votes (%)
Sparkle Roll (Denmark) Limited	14.9%
Arbejdsmarkedets Tillægspension	12.4%
Chr. Augustinus Fabrikker	5.8%
Færchfonden	5.1%

18 MORTGAGE LOANS AND LEASE LIABILITIES

(DKK million)	Nominal interset value	Year of maturity	31 May 2020 Carrying amount	31 May 2019 Carrying amount
Terms and repayment schedule				
Floating rate loans, DKK	(0.40%)	2040	69	72
Total loans			**69**	**72**

In 2019/20 the interest on mortgage loans was refinanced at -0.4% plus contribution margin arriving at an annual percentage rate of 1.1%. The Group has a mortgage loan with a three year interest refinancing period.

During 2019/20 no extraordinary repayments have been made.

(DKK million)	31 May 2018	Financing cash flow	Reclassifications	31 May 2019	IFRS 16 opening	Financing cash flow	Reclassifications	31 May 2020
Terms and repayment schedule								
Repayment of lease liabilities	-	-	-	-	13	(5)	-	8
Long-term borrowings	161	(88)	(3)	69	-	-	(4)	65
Short-term borrowings	9	(9)	3	3	-	(3)	4	4
Total	**170**	**(97)**	**-**	**72**	**13**	**(8)**	**-**	**77**

19 SHARE BASED PAYMENT

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. No expenses (2018/19: DKK 4m) have been recognised in the year as part of staff costs.

20 FINANCIAL INSTRUMENTS BY CATEGORY

(DKK million)	31 May 2020	31 May 2019
Trade receivables	18	1
Interest-bearing receivables from subsidaries	37	65
Cash	116	314
Financial assets at amortised cost	**171**	**380**
Mortgage loans	69	72
Lease liabilities	8	-
Interest bearing debt to subsidiaries	775	544
Trade payables	165	117
Financial liabilities at amortised cost	**1,017**	**733**

(DKK million)	Less than one year	Between one and five years	More than five years	Total	Carrying amount
Contractual maturity analysis for financial liabilities					
2019/20					
Mortgage loans	4	15	50	**69**	**69**
Lease liabilities	5	3	-	**8**	**8**
Interest bearing debt to subsidiaries	775	-	-	**775**	**775**
Trade payables	165	-	-	**165**	**165**
2018/19					
Mortgage loans	3	21	48	**72**	**72**
Interest bearing debt to subsidiaries	544	-	-	**544**	**544**
Trade payables	117	-	-	**117**	**117**

Refer to note 6.2 in 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)	2019/20	2018/19
Statutory audit	0.1	0.1
Other assurance services	3.0	-
Tax services	-	0.1
Other services	0.2	0.5
Total	**3.3**	**0.7**

Fees for services other than statutory audit of the financial statements provided by EY mainly consist of fees related to the rights issue.

22 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Bang & Olufsen Group has issued guarantees in total of DKK 99m (2018/19: DKK 96m). The guarantees are mainly related to a rent obligation from the former Czech production facilities and bank guarantees. Bang & Olufsen A/S has provided guarantees concerning the continuous operation and payment of liabilities in 2019/20 for some of the 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
Refer to note 7.3 in the consolidated financial statements.

Mortgages and securities
Refer to note 7.3 in the consolidated financial statements.

Operational lease commitments
Following the implementation of IFRS 16, operating leases are recognised in the statement of financial position in 2019/20.

At May 2019, the total lease commitments amounted to 11 of which DKK 6m was due within 1 year and DKK 5m was due between 1-5 years. The net rental and lease payments for 2018/19 were DKK 25m.

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, Executive Management Board and other key management personnel.

Board of Directors, Executive Management Board and other key management personnel
No transactions were made in 2019/20 other than ordinary remuneration, as described in notes 3.2 and 3.3.

Associates & subsidiaries
Transactions with subsidiaries has included the following:

(DKK million)	**2019/20**	2018/19
Purchase of services - subsidiaries	25	27
Rental income - subsidiaries	59	50
Royalty income - subsidiaries	(38)	310

Bang & Olufsen A/S had a receivables from subsidiaries of DKK 37m and payables of DKK 775m, net payable to subsidiaries of DKK 738m at 31 May (2018/19: payable DKK 479m).

All receivables and payables with subsidiaries fall due within 1 year.

The carrying amount is expected to be a reasonable approximation of the fair value.

No impairment was identified in subsidiaries in 2019/20 or 2018/19.

Other transactions
Bang & Olufsen A/S has issued guarantees for its related parties, cf. note 16. None of the guarantees are expected to result in any losses.

No other transactions have taken place with related parties.

24 EVENTS AFTER THE REPORTING PERIOD

Apart from the events recognised or disclosed in the consolidated financial statements, the following events have occurred after the reporting period.

On the company's extraordinary general meeting held on 3 June 2020, the shareholders approved a reduction of the nominal value of the company's share from DKK 10 to DKK 5, corresponding to a total share capital reduction from nominally DKK 409,240,290 to nominally DKK 204,620,145.

The Extraordinary General Meeting also approved a rights issue by a share capital increase by nominally DKK 409,240,290 from nominally DKK 204,620,145 to nominally DKK 613,860,435 with pre-emptive subscription rights for the company's existing shareholders with a subscription ratio of 2:1 and a subscription price per new share of DKK 5. The existing authorisations to issue new shares was at the same time repealed.

The net proceeds are expected to be approx. DKK 356m.

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 2019/20.

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's financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 May 2020 and of the results of the Group's and the Parent Company's operations and cash flow for the financial year 1 June 2019 – 31 May 2020.

Further, in our opinion the Management 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 as well as describing the significant risks and uncertainties affecting the Group and the Parent Company.

We recommend that the Annual General Meeting approve the Annual Report.

Struer, 7 July 2020

Executive Management Board:

Kristian Teär
CEO

Nikolaj Wendelboe
CFO

Christian Birk

Snorre Kjesbu

Board of Directors:

Juha Christensen
Chairman

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegebjerg

Jesper Jarlbæk

Joan Ng Pi O

M. Claire Chung

Mads Nipper

Søren Balling

Tuula Rytilä

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bang & Olufsen A/S

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 2019 – 31 May 2020, which comprise income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity 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 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 June 2019 – 31 May 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 8 years up until and including the financial year 2019/20.

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 2019/20. 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 Operating Segment information and note 2.2 Revenue 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 measurement of rebates and discounts.
Our procedures included considering the appropriateness of the Group's accounting policies in relation to revenue, assessment of internal controls related to timing and measurement of revenue and test of a sample of customer contracts to assess the completeness and measurement of recognised rebates and discounts. We have applied data analytics 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. Furthermore, we assessed the appropriateness of the disclosures in note 2.1 Operating Segment information and in note 2.2 Revenue against applicable financial reporting standards.

Valuation of deferred tax assets
The Group has recognised deferred tax assets of DKK 48m at 31 May 2020 (31 May 2019: DKK 261m) of which DKK 16m relate to tax loss carry forwards and DKK 32m 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. During 2019/20 Management recognised a write-down of tax assets of approximately DKK 200m. We refer to note 2.7 Tax of the consolidated financial statements. This area was significant to our audit due to the amount of the recognised deferred tax assets and recognised write-down 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 and methodologies, and testing consistency between the assumptions used in the measurement of deferred tax assets against the long-term forecast and strategy plans. Furthermore, we assessed the appropriateness of the disclosures in note 2.7 Tax of the consolidated financial statements against applicable financial reporting standards.

Liquidity and capital structure
The performance during 2019/20, the circumstances related to COVID-19 and the impact on the Group's cash position and ability to execute the planned strategy have increased the focus on the cash position and capital structure of the Group. After the balance sheet date, on an extraordinary general meeting at 3 June 2020, the shareholders approved a rights issue by a share capital increase. The capital increase was completed at 26 June 2020 providing a net proceeds of DKK 356m. We refer to note 6.5 Capital structure and share capital and note 7.5 – Events after the reporting period. This area was significant to our audit due to the impact it could have on the Group cash position and capital structure and the presentation thereof in the consolidated financial statements.

As part of our procedures we have evaluated Management's assessment of the cash position and capital structure following the subsequent share capital increase. Furthermore, we assessed the appropriateness of the disclosures in note 6.5 Capital structure and share capital and note 7.5 Events after the reporting period 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 nt.

- Conclude on 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, related safeguards.

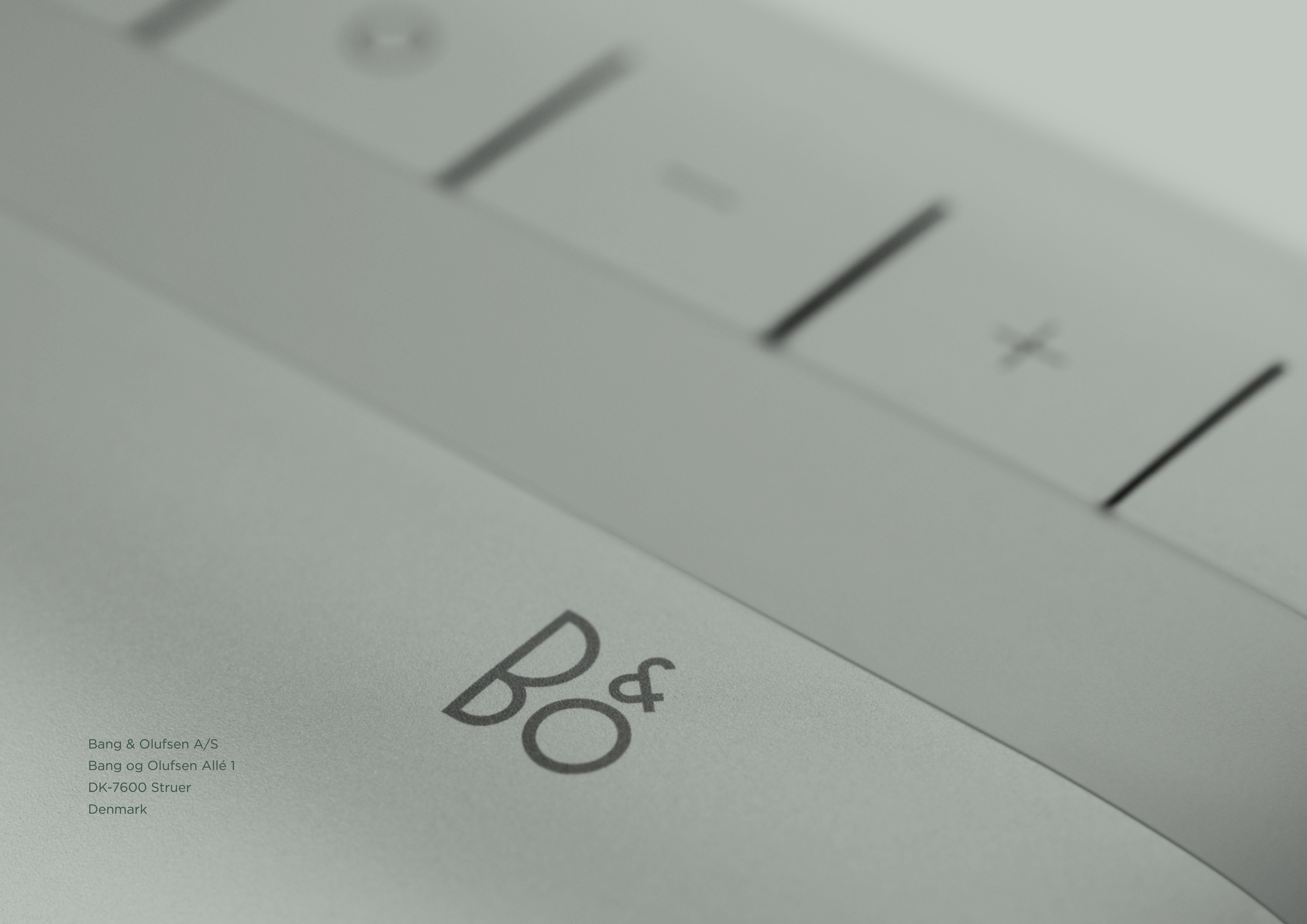
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these 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.

Aarhus, 7 July 2020

EY
Godkendt Revisionspartnerskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687

Morten Friis
State Authorised Public Accountant
mne32732



Bang & Olufsen A/S
Bang og Olufsen Allé 1
DK-7600 Struer
Denmark