Interim report 9M 2022/23

Q3 highlights

The quarter was impacted by a shift in COVID-19 policy in China, which adversely affected performance, a decline of 65%, and by continuing macroeconomic headwinds. Our company owned stores outperformed all other channels, underlining the strategic strength of our Win City focus.

Financial highlights

Revenue declined 18% (-20% in local currencies) in the quarter. Sales in China decreased significantly as the country was heavily affected by a change in COVID-19 policy in December, which led to a surge in infections negatively impacting consumer behaviour. The macroeconomic uncertainty affected the quarter and retail partners in the EMEA region remained cautious about inventory replenishment.

The decrease in reported revenue was related to total product sales, which declined by 21.5% (-25% in local currencies), while Brand Partnering & other activities grew by 16.7% (11% in local currencies).

While the decline in revenue (sell-in) was 18%, like-for-like sell-out declined by 4%. The decline in sell-out was driven by low demand in Asia. EMEA saw a slight decline, whereas Americas continued to grow. Across regions, our Staged category was on par year over year, being our best-performing category. Sell-out declined across channels, except for our company owned stores and etail, which both generated positive growth rates.

Gross margin was 43.6% against 44.0% last year. A change in product mix towards lower-margin products was partly offset by improved margins for the Staged and Flexible Living categories.

EBIT before special items was DKK -43m (Q3 21/22: DKK 6m), corresponding to an EBIT margin of -6.8% (Q3 21/22: 0.7%). Special items were DKK -15m, mainly due to a provision for redundancies. In February, we initiated a reorganisation as part of our continued focus on balancing strategic investments while securing a lean cost base.

EBIT and EBIT margin came in at DKK -58m and -9.1%, respectively (Q3 21/22: DKK 1m and 0.1%). The result for the period was a loss of DKK 55m (Q3 21/22: loss of DKK 16m).

Free cash flow was DKK 33m (Q3 21/22: DKK -14m), driven by a positive change in working capital. Available liquidity was DKK 208m (Q2 22/23: DKK 187m).

Progress on strategic priorities

We continued our efforts to increase brand awareness, onboard new customers and increase average product ownership. We grew our customer base by 5% while delivering a slight increase of 3% in the number of customers owning two or more products.

Our core market Americas delivered positive sell-out growth. The quarter also saw the opening of a partner-owned store in Orlando, Florida, which is an attractive area due to the density of Very High Net Worth Individual (VHNWI) customers.

A new partnership with Scuderia Ferrari for the 2023 Formula 1 season was announced in February. Ferrari and Bang & Olufsen share a passion for state-of-the-art design, technology and performance, and share much of the same audience. Formula 1 has 445m viewers a year. The new partnership got off to a good start and brought immense interest from the launch.

Outlook 2022/23

On 17 March, we adjusted our outlook due to lower-than-expected sales in China. The outlook is as follows:

- Revenue growth in local currencies: -9% to -3% (previously at the lower end of -4% to 5%)
- EBIT margin before special items: -4% to -1% (previously at the lower end of -2% to 3%)
- Free cash flow: DKK -100m to 0m (previously at the lower end of DKK -50m to 100m)

The outlook for 2022/23 is subject to unusually high uncertainty due to high inflation, rising interest rates and the war in Ukraine.

Revenue DKK million

635

Q3 21/22: 775

Growth in local currencies

-20%

Q3 21/22: 10%

EBIT before special items DKK million

-43

Q3 21/22: 6

Free cash flow DKK million

33

Q3 21/22: -14

Key financial highlights

	Q3		YTD		Year
(DKK million)	2022/23	2021/22	2022/23	2021/22	2021/22
Income statement					
Revenue	635	775	2,106	2,250	2,948
EMEA	333	361	971	1,030	1,360
Americas	73	71	242	222	307
Asia	145	270	611	798	983
Brand Partnering & other activities	84	73	282	200	298
Gross margin, %	43.6	44.0	41.9	44.4	45.3
EMEA	35.9	41.8	34.4	41.5	42.2
Americas	29.9	40.9	28.1	34.5	35.1
Asia	43.1	33.7	38.3	37.8	37.7
Regions, total	37.0	38.7	34.9	39.3	39.7
Brand Partnering & other activities	86.8	95.6	87.3	96.5	95.2
EBITDA	0	52	35	192	257
EBIT before special items	-43	6	-114	42	54
EBIT	-58	1	-130	35	46
Special items, net	-15	-5	-16	-7	-8
Financial items, net	3	-18	-26	-33	-54
Profit/loss before tax (EBT)	-55	-17	-156	2	-8
Profit/loss for the period	-55	-16	-152	-5	-30
Financial position					
Total assets	2,325	2,540	2,325	2,540	2,518
Share capital	613	613	613	613	613
Equity	955	1,119	955	1,119	1,100
Cash	212	225	212	225	162
Available liquidity	208	511	208	511	301
Net interest-bearing deposit/debt	36	318	36	318	111
Net working capital	269	187	269	187	335

	Q3		YTD		Year
(DKK million)	2022/23	2021/22	2022/23	2021/22	2021/22
Cash flows					
Cash flows from operating activities	74	61	100	173	76
Operational investments	-41	-75	-147	-155	-248
Free cash flow	33	-14	-47	18	-172
Cash flows from investing activities	-37	-75	-136	-151	-239
Cash flows from financing activities	-15	20	88	22	145
Cash flows for the period	22	6	52	44	-18
Key figures					
Growth in local currencies, %	-20	10	-9	19	10
EBITDA margin before special items, %	2.4	7.4	2.4	8.8	9.0
EBITDA margin, %	0	6.8	1.6	8.5	8.7
EBIT margin before special items, %	-6.8	0.7	-5.4	1.9	1.8
EBIT margin, %	-9.1	0.1	-6.2	1.6	1.6
Return on assets, %	-6.5	-0.2	-6.5	-0.2	-1.2
Return on invested capital, excl. goodwill, %	-7.1	12.8	-7.1	12.8	19.3
Return on equity, %	-15.9	-0.4	-15.9	-0.4	-2.7
Full-time employees (FTE) at end of period	1,037	1,063	1,037	1,063	1,073
Stock-related key figures					
Earnings per share (EPS), DKK	-0.5	-0.1	-1.2	-0.0	-0.2
Earnings per share, diluted (EPS-D), DKK	-0.5	-0.1	-1.2	-0.0	-0.2
Price/Earnings	-27.8	-150.9	-10.3	-526.0	-67.6
Revenue per share, DKK	5.3	6.5	17.6	18.8	24.7
Revenue per share, diluted, DKK	5.3	6.5	17.6	18.8	24.7

For definitions, see note 8.7 to the Annual Report 2021/22.

Management's review for Q3

Revenue declined 18% (-20% in local currencies) in the quarter, mainly caused by Asia, where China was heavily impacted by the change in COVID-19 restrictions.

Sell-out declined by 4%, primarily driven by Asia. EMEA experienced a small decline whereas Americas continued to grow. Sell-out improved across all regions towards the end of the quarter.

Gross margin was 43.6% against 44.0% last year. EBIT margin before special items was -6.8% (Q3 21/22: 0.7%).

Free cash flow was DKK 33m (Q3 21/22: DKK -14m), positively impacted by reduced net working capital.

After lockdowns were initiated yet again in China in April 2022, a radical shift in COVID-19 policy removed all restrictions early December 2022 in China. This led to a surge in COVID-19 cases, creating major uncertainty in many parts of the country. Demand was heavily affected, and lower-than-expected sales impacted performance in Q3.

The ongoing war in Ukraine, high inflation and rising interest rates continued to impact our overall performance in Q3.

General uncertainties related to the economic outlook and consumer behaviour impacted the quarter. In EMEA, monobrand partners remained cautious on replenishment of inventories. Americas was the least impacted region where in Q3 we added a new store in Orlando, Florida. Further, we expanded our partnership with Origin Acoustics, which operates within our custom installations (CI) channel.

All product categories were affected by the challenging environment. The biggest impact was felt in the Flexible Living category, mainly reflecting high comparables in China.

By contrast, our newly launched soundbar and TV solution, Beosound Theatre, had a positive impact on our financial performance for the quarter. The soundbar has received a number of best-in-class reviews and the positive sell-out trajectory continued.

Gross margin was slightly down against last year (down 0.4 pp). Change in product mix adversely impacted gross margin, offset by improved margins on the Staged and Flexible categories. The On-the-go category was adversely impacted by inventory depletion of specific headsets. Currency movements also had an adverse impact on margin.

We continue to see improved market conditions in the market for components with better supply-demand balance and fewer components in shortage. In Q3 we reduced the impact of component spot buys by a further 45% compared to Q2. From Q4 onwards, we expect minor effect from component spot buys.

EBIT margin before special items was -6.8% (Q3 21/22: 0.7%), driven by lower sales activity, while capacity costs decreased 1.5% year-on-year.

Special items amounted to an expense of DKK 15m, driven by redundancies, and EBIT margin came in at -9.1% (Q3 21/22: 0.1%).

Last year, we introduced a hiring freeze as part of our cost initiatives, and in February this year, 35 employees were made redundant as part of a reorganisation. The redundancies were part of a number of cost initiatives implemented as part of our efforts to secure a lean cost base while balancing strategic investments.

Free cash flow was DKK 33m (Q3 21/22: DKK -14m), reflecting a positive change in our net working capital, primarily driven by reduced inventory levels.

Like-for-like sell-out

Like-for-like sell-out declined by 4% compared to Q3 of last year. This was mainly related to a lack of market activity in China and some customer hesitancy in Europe.

Sell-out in EMEA declined by 2% in the quarter. The decline for the quarter was primarily driven by northern European markets. The company owned stores delivered solid sell-out growth of 55%.

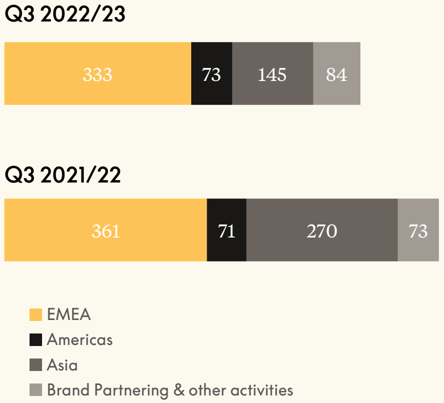
Like-for-like sell-out in Asia declined by 13%, primarily driven by reduced sell-out in China due to a change in

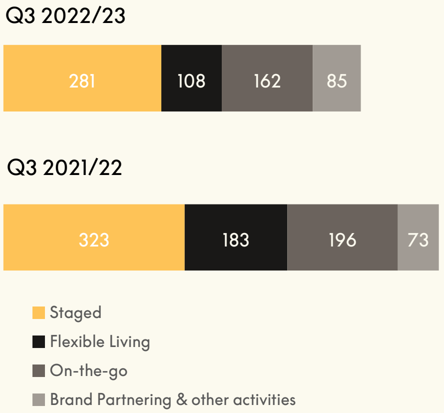
LIKE-FOR-LIKE SELL-OUT*

	Q3 22/23		Q3 22/23
EMEA	-2%	Staged	0%
Americas	3%	Flexible Living	-18%
Asia	-13%	On-the-go	-1%
Total	**-4%**	**Total**	**-4%**

* Defined as sell-out from the same stores, provided they were open and active in both periods.

Revenue split





consumer behaviour following the change in COVID-19 policy.

Sell-out in Americas grew 3%, mainly driven by the monobrand and etail channels. Strong growth in etail resulted in good performance from the On-the-go category.

Product category like-for-like sell-out
The situation in China impacted sell-out negatively in all product categories.

Staged category sell-out was on par with last year, driven by growth in TVs. Beosound Theatre was one of the best-performing products in terms of sell-out value, continuing the positive trend since the launch in Q2.

Flexible Living sell-out declined by 18%. We generally saw lower volumes, reflecting higher sensitivity in consumer behaviour caused by economic uncertainty. Beosound Emerge performed well following the relaunch in Q2.

Sell-out in the On-the-go category declined by 1%. We saw positive sell-out trends for headphones and earphones, while Bluetooth speakers declined. Our newest earphone, Beoplay EX, generated the highest sell-out value across all On-the-go products.

Revenue in Q3

Revenue in Q3 declined by 18.1% year-on-year (-20% in local currencies) to DKK 635m.

The decrease in reported revenue was related to total product sales, which declined by 21.5% (-25% in local currencies), while Brand Partnering & other activities grew by 15.3% (11% in local currencies).

Product revenue, regions
The change in product revenue was mainly driven by Asia, across all channels and categories. Revenue from China was severely impacted by a surge in COVID-19 cases and declined by 65% year-on-year. Revenue from China accounted for approximately 42% of total revenue in Asia.

Due to the prolonged lockdown conditions in China, some companies are cash-strapped, and some retail partners have built up excessive inventory, which impacts our business.

In EMEA, monobrand partners continued to be cautious on inventory replenishment, which adversely impacted growth.

In February 2022, we stopped all sales to Russia and Belarus as a result of the invasion of Ukraine. Excluding sales to the Russian market in Q3 of last year, the year-on-year increase was 1 pp higher for the Group and 2 pp higher on product revenue.

Product revenue, channels
Revenue from our company owned stores grew, driven by EMEA, whereas monobrand growth was negative due to the above-mentioned hesitance from retail partners and the low market activity in China.

Revenue from the multibrand channel declined, driven by Asia and due to the situation in China, which resulted in lower footfall. In EMEA, revenue related to multibrand increased. This was mainly due to low comparables.

	Monobrand		Multibrand	
Points of sale	End Q3 22/23	End Q2 22/23	End Q3 22/23	End Q2 22/23
EMEA	308	312	1,548	1,547
Americas	29	28	2,251	2,250
Asia	75	79	942	996
Total	**412**	**419**	**4,741**	**4,793**

Revenue from multibrand declined in Americas against last year due to relatively high comparables.

Online revenue was impacted by the low market activity in China, Our eCommerce sales accounted for approximately 4% (Q3 21/22: 4%) of product revenue in Q3 and our combined eCommerce and etail revenue accounted for around 14% (Q3 21/22: 16%) of regional product revenue.

The number of monobrand stores declined by seven during Q3, which was related to the store closures announced last year. We also completed several relocations of existing stores, and in the Americas we opened a new store in Orlando, Florida.

Revenue, Brand Partnering & other activities

The 16.7% growth in Brand Partnering & other activities was driven by both higher licence income and product revenue, related to our Cisco partnership and the automotive industry.

Staged category

Revenue declined by 13% to DKK 281m.The Staged category saw declining volumes from both TVs and speakers. By contrast, Beosound Theatre showed good performance following its launch in Q2 and was the biggest contributor to group revenue for the quarter.

The overall volume decline was partly offset by higher average prices.

Flexible Living category

Revenue declined by 40.9% to DKK 108m. We generally saw lower sales volumes compared to Q3 of last year, reflecting high comparables in China last year and the fact that this product category has higher sensitivity in consumer behaviour caused by economic uncertainty.

The decline was partly offset by the relaunch of Beosound Emerge and higher average prices.

On-the-go category

Revenue decreased by 17.6% to DKK 162m. The declining volumes came from Bluetooth speakers. Headphones were flat year-on-year whereas earphones increased. Beoplay EX performed well in the quarter, delivering higher revenue than the combined revenue from all other earphone products last year.

The decline in Bluetooth speakers mainly reflected high comparables in Americas, where we ran a campaign together with a partner. The decline was partly offset by improved average prices.

Gross profit

Gross profit was DKK 277m (Q3 21/22: DKK 341m). This was equivalent to a gross margin of 43.6% against 44.0% last year.

Gross profit from regional product sales was DKK 205m (Q3 21/22: DKK 271m), equivalent to a gross margin of 37.0% (Q3 21/22: 38.7%). The decline was primarily related to the On-the-go category and was mainly driven by efforts to reduce inventory on products with shorter lifecycles. All remaining component costs for spot buys across the categories have now been expensed.

Gross margin in the On-the-go category declined to 16.8% (Q3 21/22: 23.9%). Adjusted for the above-mentioned efforts to reduce inventories, gross margin came in at 19.0%. Furthermore, the fixed-costs-to-revenue ratio within this category eroded the margin.

We delivered improved gross margin on Staged and Flexible Living, partly due to price increases implemented.

We saw a positive development in logistics, as we managed to ship most freight by sea in Q3. This had a positive impact on both costs and emissions. We managed to reduce freight costs by around 45% compared to Q3 of last year.

Gross profit from Brand Partnering & other activities was DKK 72m (Q3 21/22: DKK 70m), equivalent to a gross margin of 86.8% (Q3 21/22: 95.6%). The decline in gross profit was mainly driven by our new collaboration with Cisco, where we have started to sell the Bang & Olufsen Cisco 980 headset for hybrid work. The change in mix, with more product sales, reduced gross margin in Q3 compared to the same period last year.

Currency movements, in particular USD, had an adverse impact on gross margin of approximately 1.5pp compared to Q3 of last year.

Capacity costs

Capacity costs were DKK 335m (Q3 21/22: DKK 340m), corresponding to a year-on-year decrease of 1.5%. The quarter was impacted by reversal of bonus of DKK 19m due to lower-than-expected performance partly offset by a provision for redundancies of DKK 14m.

	Q3		YTD	
GROSS MARGIN	**2022/23**	2021/22	**2022/23**	2021/22
Staged	44.9%	43.2%	44.4%	45.0%
Flexible Living	47.4%	46.9%	46.9%	46.4%
On-the-go	16.8%	23.9%	15.2%	24.8%
Products, total	**37.0%**	**38.7%**	**34.9%**	**39.3%**
Brand Partnering & other activities	86.8%	95.6%	87.3%	96.5%
Total	**43.6%**	**44.0%**	**41.9%**	**44.4%**

Development costs increased by DKK 16m to DKK 86m (Q3 21/22: DKK 70m). This was driven by higher incurred costs in combination with a lower capitalisation ratio compared to Q3 of last year. The increase in incurred costs was partly driven by the addition of more competencies, including in our new office in Sofia, Bulgaria, which is focused on software development.

Distribution and marketing costs decreased by DKK 20m to DKK 216m (Q3 21/22: DKK 236m). The decrease was mainly related to a one-off service cost relating to warranty obligations last year. The marketing cost ratio was 10.8% in Q3 compared to 8.2% in Q3 of last year. The increase was driven by higher marketing costs in the three regions as well as lower revenue.

Administrative expenses were stable at DKK 33m (Q3 21/22: DKK 34m).

Special items

Special items amounted to an expense of DKK 15m, mainly due to a provision for redundancies in February, when 35 employees were laid off as part of a reorganisation.

EBIT

EBIT was a negative DKK 58m (Q3 21/22: DKK 1m). This was equivalent to an EBIT margin of -9.1% (Q3 21/22: 0.1%).

The margin decline was related to the lower revenue. Currency movements had a negative impact of approximately 1.0pp compared to last year.

The EBIT margin before special items was -6.8% (Q3 21/22: 0.7%).

Financial items

Net financial items amounted to an income of DKK 3m versus an expense of DKK 18m last year. The increase was primarily driven by positive exchange rate adjustments and higher interest income.

Profit/loss

The result before tax was a loss of DKK 55m (Q3 21/22: DKK 17m) and income tax was approximately nil (Q3 21/22: income of DKK 1m).

The result for the period was a loss of DKK 55m (Q3 21/22: DKK 16m).

Cash flow

Free cash flow for the quarter was DKK 33m compared to DKK -14m last year. The year-on-year increase was related to higher cash flows from operating activities (DKK 13m) and lower operational investments, which were DKK 41m compared to DKK 75m in Q3 of last year.

The increase in cash flows from operating activities was mainly related to a positive impact from changes in net working capital and other non-cash items (mainly a change in provisions), partly offset by a lower EBITDA.

The change in net working capital was a positive DKK 66m compared to DKK 30m last year.

Cash flows from operational investments were an outflow of DKK 41m (Q3 21/22: DKK 75m). The decline related mainly to lower capitalisation of development projects due to timing.

Cash flows from financing activities were an outflow of DKK 15m (Q3 21/22: inflow of DKK 20m).. The cash inflow last year was related to net repo transactions of DKK 30m.

The cash position at the end of the quarter was DKK 212m (Q2 22/23: DKK 189m). Total available liquidity was DKK 208m (Q2 22/23: DKK 187m), made up of cash DKK 212m, securities DKK 396m less DKK 400m in bank loans related to repo transactions.

Our combined capital resources, consisting of available liquidity and the undrawn part of our ESG-linked credit facility, amounted to DKK 328m (Q2 22/23: DKK 307m).

Net working capital

Net working capital decreased by DKK 66m during the quarter to DKK 269m.

Trade receivables decreased by DKK 118m, driven by lower sales and focus on cash collection. Sales with extended credit accounted for 5% of revenue and were in line with Q3 of last year.

Inventories declined by DKK 69m during the quarter, coming from a relatively high level established in Q4 of last year, and mainly related to the lockdowns in China.

The inventory reduction was mainly related to On-the-go products, partly driven by a reduction in inventory of products with shorter lifecycles, both headphones and earphones. The inventory composition continued to improve and at the end of Q3 no components purchased on the spot market remained.

Other receivables decreased by DKK 22m, mainly related to VAT and derivatives.

Trade payables decreased by DKK 142m, mainly related to lower activities in the quarter and timing of payments.

Other liabilities decreased by DKK 12m during the quarter, primarily related to employee bonus.

Net working capital to the last 12 months' revenue was 9.6% (Q3 21/22: 6.2%). The net working capital ratio declined compared to the high level at the end of the previous financial year (11.4%) and the first two quarters of 2022/23.

Net interest-bearing deposit

Net interest-bearing deposit, including net lease liabilities of DKK 108m, amounted to DKK 36m, compared to net interest-bearing deposit of DKK 111m at year-end 31 May 2022. The decrease was mainly due to the negative free cash flow of DKK 47m for the year. During the quarter, the net interest-bearing deposit increased by DKK 32m, driven by the positive free cash flow for the quarter.

For further details, see note 8.

Equity

Equity was DKK 955m, corresponding to a decline of DKK 145m, driven by the loss for the year.

Financial performance 9M 2022/23

Revenue amounted to DKK 2,106m. This was equivalent to a year-on-year decline of 6.4% (9M 21/22: DKK 2,250m). Revenue declined by 9% in local currencies.

The On-the-go category grew by 1.7%, partly driven by inventory reduction, while both the Staged and Flexible Living categories declined. Our financial performance was adversely impacted by retail partners being more cautious, working to reduce their inventories due to current macroeconomic uncertainties. Recent product launches had a positive impact on growth. Revenue from Brand Partnering & other activities increased year-on-year and was driven by both higher licence income from the automotive industry and product revenue, mainly related to our Cisco partnership.

Gross margin was 41.9% (9M 21/22: 44.4%), equivalent to a year-on-year decrease of 2.5pp. Gross margin was positively impacted by price increases and lower component costs, offset by change in product mix and inventory depletion within the On-the-go category. Brand Partnering & other activities represented a larger portion of revenue, supporting the overall margin. Currency movements had an adverse effect on gross margin of approximately 1.8pp.

Capacity costs amounted to DKK 1,013m (9M 21/22: DKK 964m). The increase was driven by targeted investment into our strategic focus areas, where we have prioritised product development and sales and marketing.

EBIT was a negative DKK 130m (9M 21/22: positive DKK 35m), equivalent to a margin of -6.2% (9M 21/22: 1.6%). The decline was driven by the lower gross profit and higher capacity costs.

EBIT before special items was a negative DKK 114m (9M 21/22: positive DKK 42m) with a margin of -5.4% (9M 21/22: 1.9%).

Free cash flow was DKK -47m (9M 21/22: DKK 18m), primarily driven by lower cash flow from operating activities of DKK 73m. EBITDA was DKK 157m lower than the prior year, offset by a positive change in net working capital of DKK 66m.

Progress on key strategic priorities for 2022/23

Despite COVID-19 headwinds in China and continued macroeconomic pressure affecting consumer behaviour across all regions, we continued to see progress on our strategy in Q3.

We are confident that the transformation of our business in recent years has put us in a better position to navigate through challenging times and continue our focus on growing our business.

In January, we sharpened our strategic direction. This will enable us to differentiate ourselves even further, prioritise investments and drive growth.

Strategy execution in Q3 – delivering on our priorities

Strategic market update

Despite our European core markets being adversely impacted by macroeconomic headwinds throughout the quarter, we delivered sell-out growth in four out of six core European markets: UK, France, Switzerland and Spain. Our company owned stores were a primary driver of growth, and our Win City projects yielded results in both London and Paris.

Our core market Americas also delivered positive sell-out growth, primarily driven by our partnership with Origin Acoustics. With this partnership, we have managed to expand our presence in the custom installation (CI) channel in a short period of time. By the end of Q3, we had recruited more than 50 CI partners across the US. The quarter also saw the opening of a partner-owned store in Orlando, Florida, which is an attractive area for us to build a presence in due to the density of Very High Net Worth Individual (VHNWI) customers.

Generally, in our European core markets as well as for Americas, our monobrand channel was challenged during the quarter. Our monobrand partners in the regions exercised tight inventory management as they continued to be cautious with regards to replenishment.

In December 2022, China moved away from its zero-COVID-19 policy after an extended period of lockdowns. This led to a surge in COVID-19 cases, which created major uncertainty in many parts of the country and continues to impact consumer behaviour. These circumstances had a greater than expected impact on the company's performance in the quarter and are still having an adverse effect on consumer behaviour.

Despite the situation in China, our Lunar New Year Collection was well received in the market, and we executed strong influencer and SoMe activations as well as WeChat campaigns with brand and product endorsements. These marketing activities not only helped drive awareness, traffic and sales, they also built a stronger connection between our brand and a younger group of target customers.

Positive customer base development

We continued our dedicated efforts to increase brand awareness, onboard new customers and increase average Bang & Olufsen product ownership. We grew our customer base by 5% during the quarter while delivering a slight increase of 3% in the number of customers owning two or more Bang & Olufsen products. We also grew our newsletter subscription base by 6%.

Altogether, these customer-oriented metrics validate our ability to create brand and product desirability.

Our sharpened strategic direction guided critical priorities and achievements in the quarter

In Q2, we launched a sharpened strategic direction. A direction that echoes the best of our past while pointing us towards an exciting future.

The direction is outlined by five key strategic shifts to support our proposition of Luxury Timeless Technology and enable us to differentiate ourselves further, prioritise investments and drive growth.

1. Reigniting our brand to become a culturally relevant luxury love brand
2. Building a seamlessly connected product portfolio, bridging our past, present and future
3. Creating magical moments in connected touch points
4. Winning in key, global cities
5. Exploring existing and new adjacent opportunities

In Q3, we reached important strategic milestones within three of these five desired shifts.

Reigniting our brand to become a culturally relevant luxury love brand

Particularly two customer segments are important to our future, Gen Z / Young Millennial and VHNWI. We want to become culturally relevant, and to work with relevant brand ambassadors, partnerships and sponsorships to reach and get exposure within these segments.

Q3 saw the announcement of a new partnership with Scuderia Ferrari for the 2023 Formula 1 season. Ferrari and Bang & Olufsen share a passion for state-of-the-art design, technology and performance, as well as fan base similarities. Formula 1 has 445m viewers a year. (Source: Nielsen data, 2021 F1 viewers.)

The new partnership attracted immense interest from its early launch. Extensive media coverage brought about a combined publications audience of 2.41bn, and our social platforms saw high levels of interaction and boosted brand followers. The partnership is expected to bring much more than brand reach and awareness. Events and activations throughout the Formula 1 season will enable interaction and engagement with VHNWI customers and bring Bang & Olufsen product experiences to Formula 1 and Ferrari fans globally.

Building a seamlessly connected product portfolio, bridging our past, present and future

To cement our position in luxury, we want to continue and accelerate the creation of desirability for our products. Acknowledging that our target segments have an affinity for product customisations, Q3 saw the first launch of a B&O Atelier limited edition, a made-to-order collection of the award-winning EX true wireless earphones.

B&O Atelier is our studio in Struer which truly leverages our unparalleled craftsmanship capabilities and specialises in bespoke creations. Our first Atelier Edition is made-to-order only, truly personal and created inhouse by our team of experts.

Apart from meeting customer demand for customisation and creating product desirability, our Atelier Editions are further intended to reinforce our brand heritage, drive brand interest and create exclusivity and collectability in our offerings.

In the first hours following the announcement, 1,500 customers signed up to buy the first Atelier Edition EX, and we experienced a peak in the number of newsletter subscribers post launch. When the collection became available for sale, all units sold out in less than two hours.

More editions will launch throughout 2023 in a variety of unique colours, and B&O Atelier will work with other elements of bespoke, customised offerings.

In March we introduced our iconic speaker Beosound A9, 5th Generation on our Mozart platform. The heart of Bang & Olufsen's Mozart platform is the replaceable module, frontloaded with enough processing power to receive software updates and features for many years to come. If the connectivity and streaming technology ever becomes obsolete, the module can be replaced with the latest version – providing great sound experiences for years to come.

Winning in key, global cities

Through our Win London project, we have developed and validated a go-to-market approach that is scalable to other relevant cities of focus. Our Win London project has been in execution for some time, while Win Paris has gradually gone into execution and Win New York is in the planning phase and expected to go into execution in Q4.

Win London activations for the quarter included Gen Z influencer events and brand collaborations yielding a reach of 1.2 million people. The activations also zoomed in on the topic of longevity and featured hosting of longevity workshops and several other initiatives. The efforts for the quarter paid off, delivering solid sell-out growth of 75% for our company owned stores in London specifically and sell-out growth of 14% for the UK overall.

Win Paris activations kicked off in the quarter. A cornerstone activation was the first edition of "Écoutes en Scène", which is a planned series of listening events powered by our flagship product, Beolab 90, dedicated to the discovery of album releases and reeditions with renowned artists, on the main stage of historic concert hall Salle Pleyel, in the 8th arrrondissement of Paris. Tickets for the first event sold out in less than two minutes. The event enjoyed participation from around 200 guests, a large proportion of whom were VIP guests, and we made extensive use of media coverage to boost awareness and interest in our brand and in the forthcoming "Écoutes en Scène" events.

Additionally, we hosted a private DJ Master Class at Le Bon Marché with 40 invited VIP customers. We also co-hosted a pop-up event over five days with participation by a curated audience of Parisian target customers, journalists and influencers.

Our targeted Q3 Win Paris activation yielded positive results, with sell-out growth reaching 12% for our company owned stores compared to flat overall sell-out in France for the quarter.

We also executed a number of sub-elements of our five strategic shifts during the quarter, and we will continue to execute for the remainder of the fiscal year, while also sharpening our desired goals and critical milestones ahead.

EMEA

Like-for-like sell-out

Sell-out declined by 2%. Company owned stores delivered solid growth of 53% with positive growth in all markets, while the remaining channels were below last year. The development in monobrand varied significantly across countries. The northern European countries generally experienced lower demand, whereas the southern European countries saw a positive sell-out trend. Combined sell-out in the six core markets declined 2%.

The overall sell-out decline was mainly related to Flexible Living but also On-the-go products while Staged experienced sell-out growth.

Revenue

Revenue was DKK 333m (Q3 21/22: DKK 361m). This was equivalent to a decrease of 7.8% (-7% in local currencies). In February 2022, we stopped all sales to Russia and Belarus following the invasion of Ukraine. Excluding sales to Russia and Belarus last year, revenue decreased by 4% in local currencies.

The ongoing war in Ukraine, high Inflation and rising interest rates continued to impact our overall performance for the quarter.

The development in revenue was mainly driven by monobrand partners who continued to remain cautious and therefore held off replenishing inventories. The decline from monobrand was partly offset by growth in multibrand and company owned stores.

The market conditions mostly impacted our Flexible living category and to a lesser extent our On-the-go and Staged categories.

Total revenue from our Staged category declined by 7%. The launch of Beosound Theatre could not fully offset the decline, yet Beosound Theatre continued to see good sell-out performance. The remaining products in this category experienced lower revenue, which was partly offset by higher selling prices.

Revenue from the Flexible Living category declined by 16%. We experienced a general decline in the volume sold, which was partly mitigated by the relaunch of Beosound Emerge and higher selling prices.

Revenue from the On-the-go category declined by 6%. The main reason for the decline was Bluetooth speakers, whereas both headphones and earphones grew. We continued to see strong performance by Beoplay EX in the earphone category.

Gross profit

Gross profit amounted to DKK 120m (Q3 21/22: DKK 150m). This was equivalent to a gross margin of 35.9% (Q3 21/22: 41.8%).

The decline was mainly related to On-the-go and the remaining efforts to reduce inventory on products with shorter lifecycles. In addition, the fixed-costs-to-revenue ratio within this category eroded the margin.

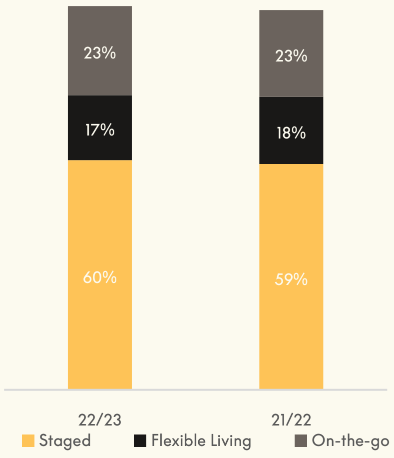
9M 2022/23

Revenue was DKK 972m (9M 21/22: DKK 1,030m). This represented a decline of 5.6% (-6% in local currencies). The decline was primarily driven by the Staged and Flexible Living categories, while On-the-go grew.

Gross margin decreased by 7.1pp to 34.4%, primarily driven by product mix and sale of On-the-go products as part of our efforts to reduce inventories with shorter lifecycles.

	Q3			YTD		
(DKK million)	**2022/23**	2021/22	Change	**2022/23**	2021/22	Change
Revenue	333	361	-28	972	1.030	-58
Growth in local currencies	-7%	-2%		-6%	11%	
Gross profit	120	150	-30	335	427	-92
Gross margin	35.9%	41.8%	-5.9%	34.4%	41.5%	-7.1%

Q3 revenue split (%)



Americas

Like-for-like sell-out
Sell-out increased by 3%. The growth was mainly driven by monobrand and etail. The main contribution to the sell-out growth in the monobrand channel came from the high-end products in the Staged category coupled with new products like Beosound Theatre and Beoplay EX.

Etail showed solid growth of 49% in the quarter, driven by successful campaigns, with the On-the-go category as the main contributor.

Revenue
Revenue was DKK 73m (Q3 21/22: DKK 71m), equivalent to an increase of 3.0% (-8% in local currencies).

The ramp-up of our expanded partnership with Origin Acoustics on custom installations (CI) contributed to the growth.

The etail channel also delivered solid growth, both within Flexible Living and On-the-go.

The monobrand channel declined overall, driven by the Staged category, and primarily related to Beolab speakers offset by Beosound Theatre. On-the-go grew, supported by both headphones and earphones.

The multibrand channel declined, mainly due to lower activity within On-the-go and inventory depletion of headsets in the previous quarter.

Revenue from our eCommerce channel declined slightly, but we saw growth within A9 and our premium headphone, H95.

Revenue from the Staged category grew by 2%. Our TV category grew by 66%, driven by the launch of Beosound Theatre, whereas Beolab speakers declined due to Beolab 50 and Beolab 90.

Revenue from the Flexible Living category was up 15% compared to last year. We saw good revenue growth across the portfolio, including from the relaunch of Beosound Emerge. The growth was supported by price increases implemented since Q2 of last year, which offset volume declines on some products.

Revenue from On-the-go declined by 4% compared to last year. The decline was driven by Bluetooth speakers, with campaign activities driving revenue last year. Headphones and earphones delivered solid growth. In the earphone category in particular, growth was driven by the strong performance of Beoplay EX.

Gross profit
Gross profit amounted to DKK 22m (Q3 21/22: DKK 30m). This was equivalent to a gross margin of 29.9% (Q3 21/22: 40.9%).

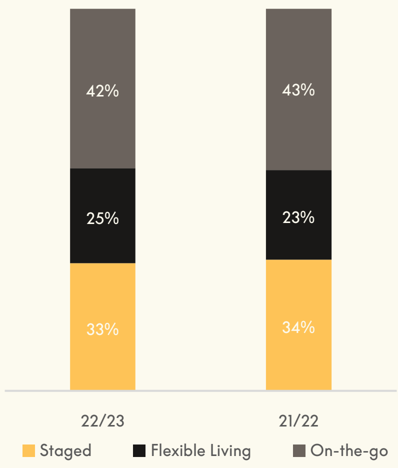
The decrease was related to lower margins across all categories.

9M 2022/23
Revenue was DKK 242m (9M 21/22: DKK 222m), equivalent to a year-on-year increase of 9.1% (-3% in local currencies). We saw positive performance from the Staged category and Flexible Living showed good growth in the period, while On-the-go declined.

Gross margin decreased by 6.4pp to 28.1%, driven by lower margins within On the-go. Overall, both product mix and Staged and Flexible Living margins have improved.

	Q3			YTD		
(DKK million)	**2022/23**	2021/22	Change	**2022/23**	2021/22	Change
Revenue	73	71	2	242	222	20
Growth in local currencies	-8%	32%		-3%	67%	
Gross profit	22	30	-8	68	77	-9
Gross margin	29.9%	40.9%	-10.9%	28.1%	34.5%	-6.4%

Q3 revenue split (%)



Asia

Like-for-like sell-out

Sell-out declined by 13%, mainly related to mainland China due to change in COVID-19 policy and the resulting impact on consumer confidence. Lower consumer confidence also affected other markets in the region, whereas Japan delivered solid growth rates.

Sell-out in China declined by 19% and was affected across channels. The lifting of COVID-19 restrictions in December resulted in uncertainty in large parts of the country being due to a surge in COVID-19 cases. The Chinese market saw early signs of improvement during February.

Due to the prolonged lockdown conditions, some companies are cash-strapped and some retail partners have built up excessive inventory, which impacts our business.

Revenue

Revenue was DKK 145m (Q3 21/22: DKK 270m), corresponding to a -46.4% decline (-50% in local currencies).

Revenue from our two core Asian markets declined by 59% in local currencies and accounted for approximately 62% of total revenue in Asia.

The development in the Asia region as a whole, and in our two core markets, was impacted by the continued lockdown conditions in China.

Revenue from the Staged category declined by 34.4%. The decline was within speakers and to a lesser extent TVs, driven by a positive impact from the launch of Beosound Theatre.

The Flexible Living category declined by 66%, mainly attributed to last year, when some products experienced very high growth. We saw positive contributions from the relaunch of Beosound Emerge.

The On-the-go category declined by 35.1%, driven by both Bluetooth speakers and earphones. By contrast, Beoplay EX made a positive contribution in the quarter.

Gross profit

Gross profit amounted to DKK 63m (Q3 21/22: DKK 91m), equivalent to a gross margin of 43.1% (Q3 21/22: 33.7%).

The increase was driven by improved margins within all categories. The margins were also supported by price increases earlier in the year.

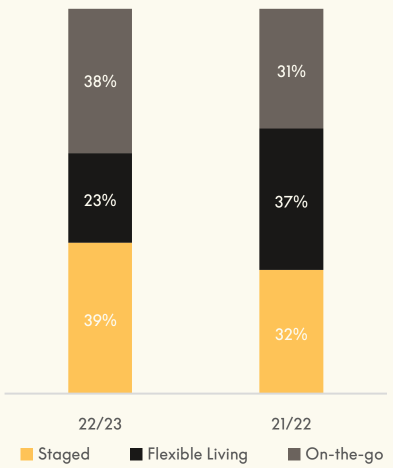
9M 2022/23

Revenue was DKK 611m (9M 21/22: DKK 798m), equivalent to a year-on-year decrease of 23.5% (-14% in local currencies). The decline was seen across all categories, with Flexible Living showing the biggest decline.

At 38.3%, gross margin was slightly better than last year. Overall, product categories improved, supported by price increases but offset by lower revenue and fixed-costs-to-revenue ratios.

	Q3			YTD		
(DKK million)	**2022/23**	2021/22	Change	**2022/23**	2021/22	Change
Revenue	145	270	-125	611	798	-187
Growth in local currencies	-50%	22%		-26%	29%	
Gross profit	63	91	-28	234	302	-68
Gross margin	43.1%	33.7%	9.4%	38.3%	37.8%	0.5%

Q3 revenue split (%)



Brand Partnering & other activities

Revenue

Revenue was DKK 84m (Q3 21/22: DKK 73m), corresponding to a 15.3% increase (11% in local currencies). The reported growth benefited from currency tailwind.

Licence fee revenue grew by 9%. The growth was mainly driven by the automotive industry, which was supported by a solid order backlog and easing of supply chains for car components. Licensing income accounted for 72% of total revenue in Brand Partnering & other activities.

Revenue from co-branded products provided a significantly larger part of growth than last year, mainly related to the ramp-up of the Bang & Olufsen Cisco 980 earphones. Revenue related to aluminium production for third parties also increased significantly compared to last year, largely due to the partnership with Harman.

Gross profit

Gross profit amounted to DKK 72m (Q3 21/22: DKK 70m), equivalent to a gross margin of 86.8% (Q3 21/22: 95.6%).

The decline in gross margin was related to the change in mix, as the category now includes a larger proportion of product revenue from our brand collaboration.

9M 2022/23

Revenue was DKK 281m (9M 21/22: DKK 200m), equivalent to a year-on-year increase of 40.6% (33% in local currencies). The increase came mainly from our Cisco partnership and the automotive industry.

Gross margin decreased by 9.2pp to 87.3%, driven by the above-mentioned change in mix.

	Q3			YTD		
(DKK million)	**2022/23**	2021/22	Change	**2022/23**	2021/22	Change
Revenue	84	73	11	281	200	81
Growth in local currencies	11%	9%		33%	-2%	
Gross profit	72	70	2	246	193	53
Gross margin	86.8%	95.6%	-8.8%	87.3%	96.5%	-9.1%

Key events in Q3

We continued to expand our partnership with Origin Acoustics

We have expanded our partnership with Origin Acoustics and together we will create a broader network of Bang & Olufsen integration-centric resellers across America. By the end of Q3, we had recruited more than 50 custom installation (CI) partners across the US.

Bang & Olufsen has a long track record in the CI market, including years of successful collaboration with Origin Acoustics.

Origin Acoustics will be responsible for bringing the full line of Bang & Olufsen products to a wider audience in the North American market.

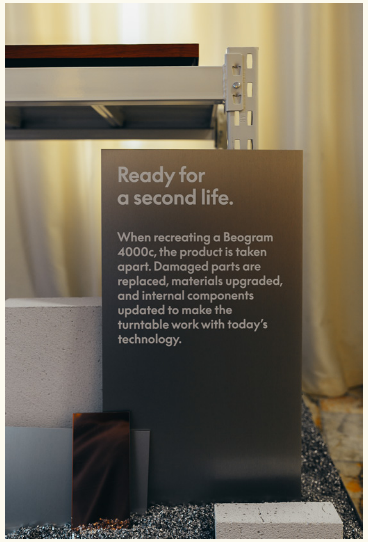
Positive reviews of Beosound Theatre

"Bang & Olufsen has no problem dispatching even the most significant dynamic shifts without breaking audible sweat." T3

"Let's cut to the case: the Beosound Theatre is problably the most dynamic sound I've ever heard. The speed of its transient response, the depth of its bass, is something else." TrustedReviews

"It's a better-balanced and more assertive listen than any soundbar you've ever heard; It's a visual delight and a conversation-piece." Stuff

"the Beosound Theatre is undoubtedly the most potent sound system we have tested yet." Flatpanels



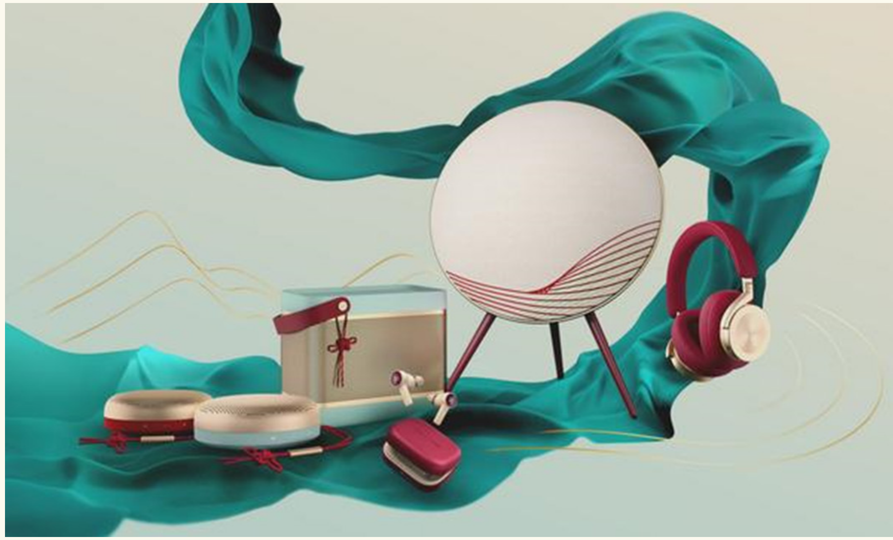
Pop-up store in Copenhagen

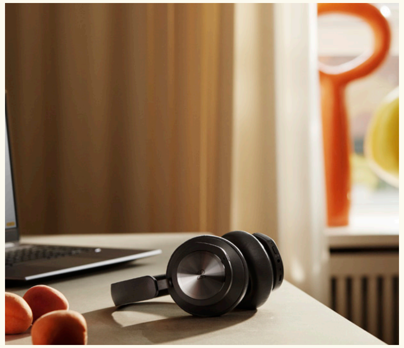
As part of our Longevity proposition, a refurbishment pop-up store in Copenhagen was open in January and February, offering customers the opportunity to bring in their classic B&O products to give them a new lease of life. The store service technicians welcomed all products, with a special focus on the iconic Beogram turntables – bridging our past, present and future.

Bang & Olufsen launched limited-edition collection celebrating the Lunar New Year

Celebrating the Lunar New Year 2023 in January 2023, we launched a limited collection inspired by the classic colours and elements of the ancient Silk Road in China.

The collection includes five iconic Bang & Olufsen products: the Beoplay A9 home speaker, the Beolit 20 Bluetooth speaker, the Beosound A1 portable speaker, Beoplay H95 headphones, and Beoplay EX true wireless active noise-cancelling earphones.





MS Teams certification of Beocom Portal

Last quarter, we launched our Beocom Portal to expand our enterprise proposition with a dedicated headset for the growing number of hybrid workers.

In February, Beocom Portal received MS Teams certification becoming our first Microsoft Teams certified device. It is optimised for use with Microsoft Teams, a popular video conferencing and collaboration platform used by businesses and organisations worldwide.

Available for sale from March with both Microsoft Teams and Zoom certification, Beocom Portal is fit for best-in-class hybrid work experience and made specifically to cater to the needs of professionals who want premium audio and design that is equally suitable for work as for leisure and sports.

Introducing Beoplay EX Atelier Editions – colour drops

In Q3, we announced a made-to-order collection of the award-winning Beoplay EX true wireless earphones. Starting with the shade Lime Green, this colour is the first drop in Atelier Editions – a new initiative from Bang & Olufsen's studio in Struer, Denmark, which specialises in bespoke creations.

The Lime Green edition was introduced in February and all units sold out in less than two hours.

Different Beoplay EX Atelier Editions will launch throughout 2023, showcasing the impressive customisation capabilities that are unique to Bang & Olufsen. Each colour will be completely unique to that drop – reflecting unique moments, tastes, and styles.

New partnership with Scuderia Ferrari

We have entered into a partnership with Scuderia Ferrari for the 2023 Formula 1 season.

In addition to Bang & Olufsen's logo featuring on the cars driven by Charles Leclerc and Carlos Sainz, Bang & Olufsen will work closely with Scuderia Ferrari to create best-in-class Formula 1 fan experiences. These will take place at Scuderia Ferrari's facilities trackside at the Formula 1 Grand Prix races as well as globally across Bang & Olufsen branded stores.

To fuel the magical moments trackside, we will install its high-end products such as the company's most advanced, powerful, and best-sounding Beolab loudspeakers as well as the immersive TV experiences that we are widely renowned for.

In Bang & Olufsen stores worldwide, customers can look forward to a series of immersive events that celebrate the love of speed and music.

BANG & OLUFSEN / FERRARI OFFICIAL PARTNER

Outlook for 2022/23 adjusted

On 17 March 2023, we adjusted our outlook for the full financial year.

The adjusted outlook is a result of lower-than-expected sales in China. In December 2022, China moved away from its zero-COVID-19 policy after an extended period of lockdowns. This led to a surge in COVID-19 cases, which created major uncertainty in many parts of the country.

These circumstances had a greater impact on the company's performance in Q3 than expected and are still having an adverse effect on consumer behaviour.

The outlook remains subject to unusually high uncertainty due to high inflation, rising interest rates and the war in Ukraine, which, in combination, have increased the risk of recession.

We will continue investments related to product and retail development, as well as marketing and product development.

Further, we plan to continue our investments in strategy execution, but the timing and size of these investments will be adjusted based on market developments.

Revenue growth in local currencies

- Revenue growth in local currencies is expected to be -9% to -3% from previously at the lower end of -4% to 5%.

EBIT margin before special items

- EBIT margin before special items is expected to be -4% to -1% from previously at the lower end of -2% to 3%.

Free cash flow

- Free cash flow is expected to be DKK -100m to 0m from previously at the lower end of DKK -50m to 100m.

The expectations are subject to the following assumptions:

- Improved market conditions in China during Q4, yet a slower pace than initially expected.
- Launch of three or more product innovations in Q4.
- No impact on product availability due to geopolitical changes or COVID-19 related lockdowns.
- No major COVID-19 related lockdowns in the remainder of the year.
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.
- Pressure on sourcing components through spot buys is expected to decline.
- Improved inventories.

Sensitivities

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

OUTLOOK 2022/23	March 2023	October 2022
Revenue growth in local currencies (%)	-9 to -3	-4 to 5
EBIT margin before special items (%)	-4 to -1	-2 to 3
Free cash flow (DKKm)	-100 to 0	-50 to 100

Condensed income statement

(DKK million)	Notes	Q3 2022/23	Q3 2021/22	YTD 2022/23	YTD 2021/22	Year 2021/22
Revenue	2, 4	**635**	**775**	**2,106**	**2,250**	**2,948**
Production costs		-358	-434	-1,223	-1,251	-1,612
Gross profit		**277**	**341**	**883**	**999**	**1,336**
Development costs	5	-86	-70	-236	-215	-279
Distribution and marketing costs		-216	-236	-676	-650	-875
Administrative expenses		-33	-34	-101	-99	-136
Operating profit/loss (EBIT)		**-58**	**1**	**-130**	**35**	**46**
Financial income		8	3	16	8	11
Financial expenses		-5	-21	-42	-41	-65
Financial items, net		**3**	**-18**	**-26**	**-33**	**-54**
Profit/loss before tax (EBT)		**-55**	**-17**	**-156**	**2**	**-8**
Income tax		-	1	4	-7	-22
Profit/loss for the period		**-55**	**-16**	**-152**	**-5**	**-30**
Earnings per share						
Earnings per share (EPS), DKK		-0.5	-0.1	-1.2	-0.0	-0.2
Diluted earnings per share (EPS-D), DKK		-0.5	-0.1	-1.2	-0.0	-0.2

Condensed statement of comprehensive income

(DKK million)	Q3 2022/23	Q3 2021/22	YTD 2022/23	YTD 2021/22	Year 2021/22
Profit/loss for the period	**-55**	**-16**	**-152**	**-5**	**-30**
Items that will be reclassified subsequently to the income statement:					
Foreign exchange adjustments of foreign entities	-1	7	-8	20	16
Fair value adjustments of derivatives	-7	-8	-2	-22	-13
Value adjustments of derivatives reclassified in					
Revenue	6	7	20	18	25
Production costs	-3	-2	-14	-3	-6
Tax on other comprehensive income/loss	1	1	-1	2	-1
Other comprehensive income/loss for the period, net of tax	**-4**	**5**	**-5**	**15**	**21**
Total comprehensive income/loss for the period	**-59**	**-11**	**-157**	**10**	**-9**

Condensed statement of financial position

ASSETS

(DKK million)	Notes	28-02-23	28-02-22	31-05-22
Goodwill		42	41	42
Acquired rights and software		75	53	57
Completed development projects		152	100	97
Development projects in progress	5	86	96	138
Intangible assets		**355**	**290**	**334**
Property, plant and equipment		214	207	215
Right-of-use assets		90	104	108
Tangible assets		**304**	**311**	**323**
Non-current other receivables		22	24	27
Deferred tax assets		89	106	77
Total non-current assets		**770**	**731**	**761**
Inventories		499	547	629
Trade receivables		327	462	397
Tax receivable		27	36	37
Other receivables		70	82	89
Prepayments		24	31	28
Securities	8	396	426	415
Cash	8	212	225	162
Total current assets		**1.555**	**1.809**	**1.757**
Total assets		**2.325**	**2.540**	**2.518**

EQUITY AND LIABILITIES

(DKK million)	Notes	28-02-23	28-02-22	31-05-22
Share capital		613	613	613
Translation reserve		24	36	32
Cash flow hedge reserve		-2	-15	-5
Retained earnings		320	485	460
Total equity		**955**	**1,119**	**1,100**
Lease liabilities		83	102	95
Pensions		12	13	12
Deferred tax		6	7	6
Provisions		36	38	41
Mortgage loans		56	59	58
Other non-current liabilities		7	20	21
Total non-current liabilities		**200**	**239**	**233**
Lease liabilities		31	28	39
Mortgage loans		4	4	4
Bank loans	8	400	140	276
Provisions		64	55	56
Trade payables		506	702	581
Tax payable		25	36	17
Other liabilities		140	217	212
Total current liabilities		**1,170**	**1,182**	**1,185**
Total liabilities		**1,370**	**1,421**	**1,418**
Total equity and liabilities		**2,325**	**2,540**	**2,518**

Condensed statement of cash flows

		Q3		YTD		Year
(DKK million)	Notes	2022/23	2021/22	2022/23	2021/22	2021/22
Profit/loss before tax (EBT)		-55	-17	-156	2	-8
Financial items, net		-3	18	26	33	54
Depreciation, amortisation and impairment		58	51	165	157	211
Operating profit/loss before depreciation, amortisation and impairment (EBITDA)		**0**	**52**	**35**	**192**	**257**
Other non-cash items		15	-5	2	19	17
Change in net working capital	6	66	30	66	0	-148
Interest received		8	3	16	8	11
Interest paid		-12	-8	-29	-21	-28
Income tax received/paid		-3	-11	10	-25	-33
Cash flows from operating activities		**74**	**61**	**100**	**173**	**76**
Purchase of intangible non-current assets		-32	-49	-114	-107	-181
Purchase of tangible non-current assets		-11	-27	-40	-49	-68
Sublease payment		1	-	2	2	3
Other cash flows from investing activities		1	1	5	-1	-2
Operational investments		**-41**	**-75**	**-147**	**-155**	**-248**
Free cash flow		**33**	**-14**	**-47**	**18**	**-172**
Purchase of securities		-	-173	-	-254	-447
Sale of securities		4	173	11	258	456
Financial investments		**4**	**-**	**11**	**4**	**9**
Cash flows from investing activities		**-37**	**-75**	**-136**	**-151**	**-239**

		Q3		YTD		Year
(DKK million)	Notes	2022/23	2021/22	2022/23	2021/22	2021/22
Repayment of lease liabilities		-9	-9	-30	-24	-36
Repayment of mortgage loans		-1	-1	-3	-3	-4
Proceeds from loans and borrowings		-3	125	124	335	712
Repayment of loans and borrowings		-	-95	-	-215	-456
Purchase of treasury shares		-	-	-	-37	-37
Settlement of matching share programme		-2	-	-3	-	-
Settlement to other liabilities		-	-	-	-34	-34
Cash flows from financing activities		**-15**	**20**	**88**	**22**	**145**
Cash and cash equivalents, opening balance		189	**214**	162	**178**	**178**
Foreign exchange gain/loss on cash and cash equivalents		1	5	-2	3	2
Change in cash and cash equivalents		**22**	**6**	**52**	**44**	**-18**
Cash and cash equivalents, closing balance		**212**	**225**	**212**	**225**	**162**
Available liquidity	8	208	511	208	511	301

Condensed statement of changes in equity

(DKK million)	Share capital	Translation reserve	Cash flow hedge reserve	Retained earnings	**Total**
Equity 1 June 2022	**613**	**32**	**-5**	**460**	**1,100**
Profit/loss for the period	-	-	-	-152	-152
Foreign exchange adjustments of foreign entities	-	-8	-	-	-8
Fair value adjustments of derivatives	-	-	-2	-	-2
Value adjustments of derivatives reclassified in					
Revenue	-	-	20	-	20
Production costs	-	-	-14	-	-14
Income tax on items that will be reclassified to the income statement	-	-	-1	-	-1
Comprehensive income/loss for the period	**-**	**-8**	**3**	**-152**	**-157**
Share-based payments	-	-	-	12	12
Equity 28 February 2023	**613**	**24**	**-2**	**320**	**955**
Equity 1 June 2021	**613**	**16**	**-10**	**514**	**1,133**
Profit/loss for the period	-	-	-	-5	-5
Foreign exchange adjustments of foreign entities	-	20	-	-	20
Fair value adjustments of derivatives	-	-	-22	-	-22
Value adjustments of derivatives reclassified in					
Revenue	-	-	18	-	18
Production costs	-	-	-3	-	-3
Income tax on items that will be reclassified to the income statement	-	-	2	-	2
Comprehensive income/loss for the period	**-**	**20**	**-5**	**-5**	**10**
Share-based payments	-	-	-	13	13
Acquisition of own shares	-	-	-	-37	-37
Equity 28 February 2022	**613**	**36**	**-15**	**485**	**1,119**

Notes

1 Basis of reporting

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim financial reports of listed companies.

No interim report has been prepared for the parent company.

The interim report follows the same accounting policies as the Annual Report for 2021/22.

New standards, interpretations and amendments adopted by Bang & Olufsen
Bang & Olufsen has implemented the International Financial Reporting Standards (IFRS) and amendments effective as of 1 June 2022 and endorsed by the EU. The implementation of new or amended standards and interpretations had no material impact on the interim financial statements.

2 Critical accounting estimates and judgements

In preparing the interim financial report, Management makes various accounting estimates and assumptions, which form the basis of the presentation, recognition and measurement of Bang & Olufsen's assets and liabilities. Estimates and judgements are regularly reassessed.

Due to the current high uncertainty and declining consumer confidence, increased risk of recession, increasing inflation, rising interest rates, the war in Ukraine, and geopolitical uncertainty and risks related to current and potential future regional COVID-19 related lockdowns, we have considered the recoverability of trade receivables and the value of inventories. We have also assessed the value of intangible assets, deferred tax assets and property, plant and equipment. We have not impaired any assets. Further, we have not capitalized the tax value of the loss for the period within deferred tax asset. The method of calculating both inventory obsolescence and write-downs on trade receivables remains unchanged.

Apart from this, critical accounting estimates and judgements are consistent with those applied in note 1.2 to the consolidated financial statements in the 2021/22 Annual Report, to which reference is made.

3 Seasonality

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

In the current situation, seasonality may be impacted by regional COVID-19 related lockdowns and effects related to the current high macroeconomic uncertainty described above.

4 Segment information – Q3

(DKK million)	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
Q3 2022/23						
Revenue	**333**	**73**	**145**	551	**84**	635
Production costs	-213	-51	-82	-346	-12	-358
Gross profit	**120**	**22**	**63**	205	**72**	277
Gross margin	35.9%	29.9%	43.1%	37.0%	86.8%	43.6%
Q3 2021/22						
Revenue	**361**	**71**	**270**	702	**73**	775
Production costs	-211	-41	-179	-431	-3	-434
Gross profit	**150**	**30**	**91**	271	**70**	341
Gross margin	41.8%	40.9%	33.7%	38.7%	95.6%	44.0%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Q3 2022/23						
Revenue	**281**	**108**	**162**	551	**84**	635
Production costs	-156	-56	-134	-346	-12	-358
Gross profit	**125**	**52**	**28**	205	**72**	277
Gross margin	44.9%	47.4%	16.8%	37.0%	86.8%	43.6%
Q3 2021/22						
Revenue	**323**	**183**	**196**	702	**73**	775
Production costs	-183	-98	-150	-431	-3	-434
Gross profit	**140**	**85**	**46**	271	**70**	341
Gross margin	43.2%	46.9%	23.9%	38.7%	95.6%	44.0%

Gross profit is a segment KPI. There are no unallocated elements, and total gross profit reconciles to the income statement.

Segment information – YTD

(DKK million)	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
2022/23						
Revenue	**972**	**242**	**611**	1,825	**281**	2,106
Production costs	-637	-174	-377	-1,188	-35	-1,223
Gross profit	**335**	**68**	**234**	637	**246**	883
Gross margin	34.4%	28.1%	38.3%	34.9%	87.3%	41.9%
2021/22						
Revenue	**1,030**	**222**	**798**	2,050	**200**	2,250
Production costs	-603	-145	-496	-1,244	-7	-1,251
Gross profit	**427**	**77**	**302**	806	**193**	999
Gross margin	41.5%	34.5%	37.8%	39.3%	96.5%	44.4%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
2022/23						
Revenue	**826**	**376**	**623**	1,825	**281**	2,106
Production costs	-460	-200	-528	-1,188	-35	-1,223
Gross profit	**366**	**176**	**95**	637	**246**	883
Gross margin	44.4%	46.9%	15.2%	34.9%	87.3%	41.9%
2021/22						
Revenue	**915**	**524**	**611**	2,050	**200**	2,250
Production costs	-503	-281	-460	-1,244	-7	-1,251
Gross profit	**412**	**243**	**151**	806	**193**	999
Gross margin	45.0%	46.4%	24.8%	39.3%	96.5%	44.4%

Gross profit is a segment KPI. There are no unallocated elements, and total gross profit reconciles to the income statement.

5 Development costs

(DKK million)	Q3 2022/23	Q3 2021/22	YTD 2022/23	YTD 2021/22	Year 2021/22
Incurred development costs before capitalisation	78	80	239	226	328
Of which capitalised	-19	-31	-79	-77	-138
Incurred development costs after capitalisation	59	49	160	148	190
Capitalisation (%)	24.6%	39.4%	33.0%	34.3%	42.0%
Total charges and impairment losses on development projects	27	21	76	67	89
Development costs recognised in the consolidated income statement	**86**	**70**	**236**	**215**	**279**
Incurred development costs before capitalisation ratio (% of revenue)	12.3%	10.3%	11.3%	10.0%	11.1%

6 Change in net working capital

(DKK million)	28/02/23	31/05/22	Change in Q3 2022/23 YTD	Change in Q3 2021/22 YTD	Change in 2021/22
Inventories	499	629	130	-178	-260
Trade receivables	327	397	70	-24	41
Other receivables*	68	88	20	10	2
Prepayments	24	28	4	1	4
Trade payables	-506	-581	-75	200	79
Other liabilities	-140	-212	-72	-9	-13
Deferred income - non-current	-3	-14	-11	0	-1
Total	**269**	**335**	**66**	**0**	**-148**

* Other receivables were adjusted for financial receivables related to leases of DKK 2m not included as net working capital at 28 February 2023 (31 May 2022: DKK 1m).

The decrease in other liabilities primarily related to provisions for employee bonus.

7 Special items

Special items consist of non-recurring expenses related to restructuring or structural changes that we do not consider to be a part of our ordinary operations such as redundancies and specific consultancy costs and transition costs in connection with organisational changes.

In Q3, 35 employees were laid off as part of a reorganisation.

	Q3		YTD		Year
(DKK million)	**2022/23**	2021/22	**2022/23**	2021/22	2021/22
Severance and garden leave, Executive Management Board	-1	4	-	4	4
Restructuring costs and severance	16	1	16	1	2
Consultants	-	-	-	2	2
Total	**15**	**5**	**16**	**7**	**8**

8 Net interest-bearing deposit/debt

Net interest-bearing deposit/debt consists of interest-bearing assets less interest-bearing debt. Interest-bearing assets consist of securities, cash, and finance lease receivables. Interest-bearing debt consists of mortgage loans, bank loans and lease liabilities. We have placed the majority of our cash in Danish mortgage bonds, all with an AAA S&P rating to minimise negative interest. To maintain short-term financial flexibility, we use repo transactions, whereby we can access liquidity on an intra-day basis if needed by lending our banks bonds in return for cash, while committing to a reverse transaction at a predetermined future date. Bonds are presented as securities on the balance sheet as ownership of the bonds remains with the company during the term of the repo. The obligation to return cash for bonds under such repo transactions is recognised as short-term bank loans. As of 28 February 2023, repo transactions amounted to DKK 400m.

During the quarter, the net interest-bearing deposit increased by DKK 32m to DKK 36m compared to DKK 111m at year-end 2021/22. Available liquidity amounted to DKK 208m (year-end 2021/22: DKK 301m).

(DKK million)	**28-02-23**	28-02-22	31-05-22
Mortgage loans (non-current)	-56	-59	-58
Mortgage loans (current)	-4	-4	-4
Bank loans (current)	-400	-140	-276
Lease liabilities (non-current)	-83	-102	-95
Lease liabilities (current)	-30	-28	-39
Other non-current liabilities*	-3	-6	-
Interest-bearing debt	**-577**	**-339**	**-472**
Finance lease receivables (non-current)	3	4	4
Finance lease receivables (current)	2	2	2
Cash (current)	212	225	162
Securities (current)	396	426	415
Interest-bearing assets	**613**	**657**	**583**
Net interest-bearing deposit/(debt)	**36**	**318**	**111**

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

During the quarter, net available liquidity increased by DKK 21m to DKK 208m (30 November 2022: DKK 187m), consisting of cash and securities offset by repo transactions. As of 31 May 2022, net available cash was DKK 301m.

(DKK million)	**28-02-23**	28-02-22	31-05-22
Cash (current)	212	225	162
Securities (current)	396	426	415
Bank loans (current)	-400	-140	-276
Available liquidity	**208**	**511**	**301**

Including the undrawn part of our ESG-linked credit facility, capital resources were DKK 328m (year-end 2021/22: DKK 433m), consisting of available liquidity of DKK 208m and undrawn committed credit facilities of DKK 120m.

9 Related parties

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

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

10 Share-based programmes

Pursuant to Bang & Olufsen A/S's Remuneration Policy, the Board of Directors has resolved to allocate restricted shares under Bang & Olufsen A/S's Combined Performance and Retention Share Programmes to the Executive Management Board, key employees and certain other employees.

The Long-Term Incentive Programme (LTIP) is a combined performance and retention share programme. The performance shares are eligible for vesting depending on the level of achievement of certain KPIs defined by the Board of Directors for each performance year. The remaining shares are retention shares, which are subject to the participants' continued employment and satisfactory people review ratings.

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

Costs related to the programmes have been recognised as staff costs and amounted to DKK 4m for the quarter (Q3 2021/22: DKK 3m) and DKK 15m YTD (9M 21/22: DKK 13m).

Programme	Performance period	Maximum shares	Total value at time of allocation	Release after Annual Report	Average share price at grant date	Remaining time to vesting
		Number	Number	Number	DKK	Months
2020/21	01.06.2020-31.05.2023	3,091,511	22	2022/23	12.93	6
2021/22	01.06.2021-31.05.2024	2,218,064	37	2023/24	33.11	18
2022/23	01.06.2022-31.05.2025	2,582,108	38	2024/25	14.28	30

11 Financial instruments

Financial instruments by category

(DKK million)	**28-02-23**	28-02-22	31-05-22
Non-current other receivables	22	24	27
Trade receivables	327	462	397
Other receivables	70	82	89
Cash	212	225	162
Financial assets at amortised cost	**631**	**793**	**675**
Securities	396	426	415
Fair value through income statement	**396**	**426**	**415**
Derivatives used for hedge accounting	3	6	9
Fair value through other comprehensive income	**3**	**6**	**9**
Financial assets	**1,030**	**1,225**	**1,099**
Mortgage loans	60	63	62
Bank loans	400	140	276
Lease liabilities	114	130	134
Trade payables	506	702	581
Financial liabilities at amortised cost	**1,080**	**1,035**	**1,053**
Derivatives used for hedge accounting	8	29	18
Fair value through other comprehensive income	**8**	**29**	**18**
Financial liabilities	**1,088**	**1,064**	**1,071**

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

Securities

Securities comprise listed Danish mortgage bonds and are measured at fair value with all changes in fair value recorded in the income statement. Bonds are measured using observable market values (level 1 in the fair value hierarchy). We use repo transactions and as ownership of the bonds remains with us during the term of the repo, the bonds remain on the balance sheet.

Derivative financial instruments

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

See note 7.3 to the 2021/22 Annual Report for an overview of foreign exchange contracts.

12 Capital structure

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

Capital resources were DKK 328m (year-end 2021/22: DKK 433m), consisting of available liquidity of DKK 208m and the undrawn part of our ESG-linked credit facility of DKK 120m.

The company holds a total of 2,983,739 treasury shares (30 November 2022: 3,122,870 shares) to cover outstanding long-term incentive programmes.

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

13 Subsequent events

Except as described elsewhere in these consolidated interim financial statements, no events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the consolidated financial statements.

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the interim report of Bang & Olufsen A/S for the period 1 June 2022 – 28 February 2023.

The interim report, which has not been audited or reviewed by the company's auditor, is presented in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim financial reports of listed companies.

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 28 February 2023, and of the results of the Group's operations and cash flows for the period 1 June 2022 – 28 February 2023. In our opinion, the Management's review includes a fair review of the development in the Group's operations and financial matters, the results for the period, and the financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group.

Struer, 13 April 2023

Executive Management Board:

Kristian Teär
CEO

Nikolaj Wendelboe
EVP, CFO

Line Køhler Ljungdahl
EVP, CLO

Board of Directors:

Juha Christensen
Chair

Albert Bensoussan
Vice Chair

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegeberg

Jesper Jarlbæk

M. Claire Chung

Søren Balling

Tuula Rytilä

Bang & Olufsen A/S, Bang & Olufsen Allé 1, DK-7600 Struer, Tel. +45 9684 1122, www.bang-olufsen.com, Reg. number: 41257911