

Bang & Olufsen interim report for Q1 2022/23:

Challenging macroeconomic environment continued in Q1

The company continued to see robust demand for its products. Sell-out in EMEA was down 2%, with demand moving to more travel and outdoor-related products compared to last year. Sell-out in Americas grew by 14%, while Asia declined by 27%, mainly due to China, which was impacted by lockdowns and declining consumer confidence. All in all, sell-out declined by 9% compared to Q1 of last year.

Revenue declined by 8.2% (-10% in local currencies) to DKK 612m. The company continued to be adversely impacted by lockdowns in China. Also, the increased uncertainty and declining consumer confidence led to some of the company's retail partners reducing their inventories and being more cautious when replenishing.

The gross margin was 36.6%, adversely impacted by product mix, higher cost for components purchased last year, lockdowns and sale of a large quantity of earphones at a lower price. This also had a negative impact on the company's EBIT margin before special items and free cash flow which was -14.1% and DKK -81m respectively.

Bang & Olufsen initiated measures to mitigate the effects of increasing uncertainty and declining consumer confidence. These included a general hiring freeze, a lowered production forecast and phasing of investments. The company will continue to execute on core parts of its strategy, accelerate selected marketing efforts and make the US a core focus market.

CEO Kristian Tær comments:

"The challenging macroeconomic environment continued in the first quarter of 2022/23, which, seasonally, is our smallest quarter of the year. Despite that, we saw robust demand for our products with higher sell-out performance than sell-in in all markets except China. However, regional lockdowns and the economic climate in China had a direct impact on our sales, and rising interest rates, the war in Ukraine and higher inflation affected consumer confidence across Europe. As a result, revenue declined compared to last year."

"We can see our strategy is working. We have created a strong portfolio with award-winning products and significantly improved our sales and marketing efforts, which will help us realise our growth potential. We have a strong focus on our cost base, adjusting our investment plans to reflect the high uncertainty. However, we will continue to invest in building robustness, and launch of products and initiatives that can help drive growth in the short-term and also ensure our long-term success. This includes our city-focused strategy, where we will build on the success in London and expand the concept to New York and Paris during the coming quarters."

Financial highlights, Q1 2022/23

- The company continued to see robust demand for its products. Sell-out in EMEA was down 2%, with demand moving to more travel and outdoor-related products compared to last year. Sell-out in Americas grew by 14%, while Asia declined by 27%, mainly due to China, which was impacted by lockdowns and declining consumer confidence. All in all, sell-out declined by 9% compared to Q1 of last year.
- Compared to last year, revenue declined by 8.2% to DKK 612m. The decline was related to regional product sales, which declined by 13.7% (-16% in local currencies). Brand Partnering & other activities grew by 51.7% (44% in local currencies). The company's exit from the Russian and Belarusian markets had a 1pp negative impact on growth.
- Due to the increased uncertainty in the markets, the company saw retail partners reduce their inventories and being more cautious about replenishing. This impacted financial performance, especially in EMEA and Asia.
- Gross profit was DKK 224m (Q1 21/22: DKK 299m). This was equivalent to a gross margin of 36.6% (Q1 21/22: 44.8%). The decline reflected product mix, higher costs, mainly from components purchased late last

year, and sale of a large quantity of earphones at a lower price. Lastly, the higher fixed-costs-to-revenue ratio and currency movements contributed to the overall margin decline.

- EBIT was DKK -85m (Q1 21/22: DKK 7m). This corresponded to an EBIT margin of -14.1% (Q1 21/22: 1.1%). No special items were recognised in Q1 and the EBIT margin before special items was therefore also -14.1% (Q1 21/22: 1.4%).
- The result for the period was a loss of DKK 100m (Q1 21/22: profit of DKK 1m).
- Free cash flow was DKK -81m (Q1 21/22: DKK 21m), driven by EBITDA. Available liquidity was DKK 207m (Q4 21/22: DKK 301m).

Progress on strategic initiatives

- In Q1, the company launched its most modular product design to date with the soundbar Beosound Theatre. The modularity value of Beosound Theatre is twofold, as the soundbar fits almost any TV screen and outlasts traditional product cycles due to its upgradability in design and technology.
- With an ambition to build a seamlessly connected product ecosystem, the company continued to strengthen software capabilities. In Q1, Bang & Olufsen opened a new office in Sofia, Bulgaria, which will supplement the company's software team in Denmark.
- Bang & Olufsen also launched the Balenciaga Speaker Bag, one of its most successful brand collaborations to date, thanks to the global media reach and brand interest.
- The company continued its growth trajectory in London with sell-out from the company owned stores growing 71% year on year. The Win London project continues and the company has decided to expand to New York and Paris in the coming quarters in order to leverage methodology and learnings.

Outlook 2022/23

The company maintains its outlook, which is as follows:

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| • Revenue growth (in local currencies): | -4% to 5% |
| • EBIT margin before special items: | -2% to 3% |
| • Free cash flow (DKKm): | -50 to 100 |

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, especially in China.

Conference call for analysts and investors

The company will host a webcast on 5 October 2022 at 10:00 CEST, where the financial development for Q1 2022/23 will be presented.

The webcast can be accessed at <https://streams.eventcdn.net/bo/2022q1>

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