Annual Report 2022/23

Table of Contents

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Management Review

Overview

Strategy & outlook

Results

Governance

ESG & sustainability

Financial statements

Consolidated financial statements

Parent company financial statements

Reports

Bang & Olufsen

At a glance

997
Employees

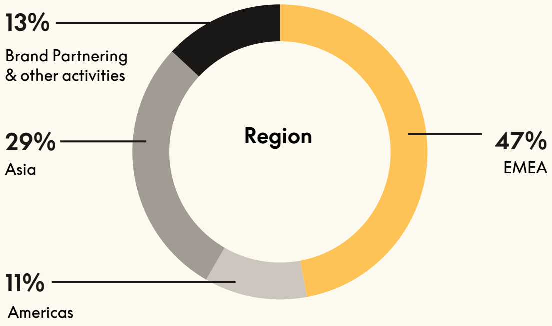
70
Markets

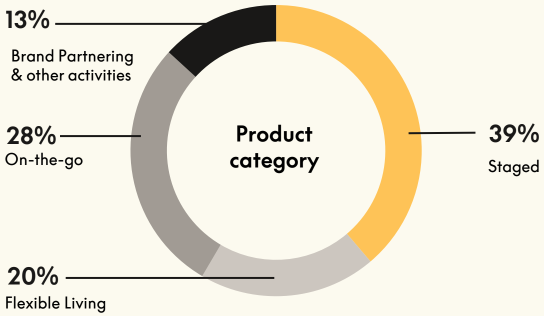
DKK 2.8bn
Revenue

Listed on
NASDAQ
Copenhagen

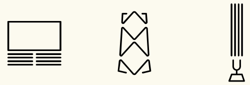
Bang & Olufsen is a luxury audio brand founded in 1925 in Struer, Denmark, by Peter Bang and Svend Olufsen whose devotion and vision remain the foundation for the company. For nearly a century, Bang & Olufsen has been pushing the boundaries of audio technology and design, and the company continues to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

REVENUE SPLIT





PRODUCT CATEGORIES

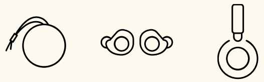


Staged

Immersive stereo music listening and cinematic viewing experiences.

Flexible Living

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



On-the-go

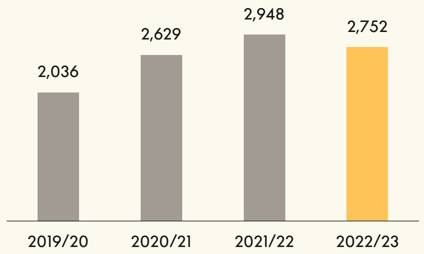
Products designed for travel, work and urban life

Highlights 2022/23

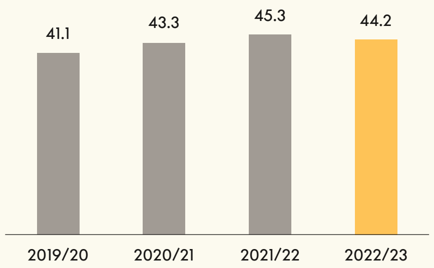
Financials

Group

Revenue



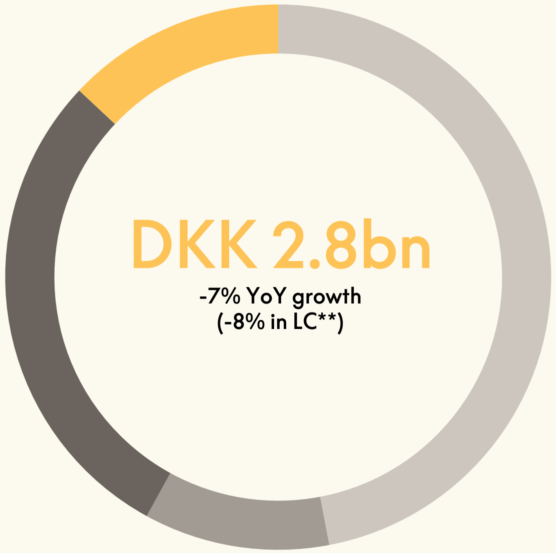
Gross margin



Segments

↑ **Brand partnering**
22%
YoY growth
(17% in LC**)

↓ **Asia**
-19%
YoY growth
(-21% in LC**)



↓ **EMEA**
-6%
YoY growth
(-6% in LC**)

↑ **Americas**
2%
YoY growth
(-6% in LC**)

EBIT and cash flow

EBIT margin bsi*
-3.8%
↓ -5.6pp YoY

Free cash flow, DKK
-20m
↑ 152mYoY

Available liquidity, DKK
224
↓77mYoY

* Before special items ** Local currencies

Highlights 2022/23

Sustainability

80%

reduction in our Scope 1 and 2 greenhouse gas emissions compared to last year

2

Cradle to cradle certified consumer electronics devices*

CERTIFIED cradletocradle BRONZE

100%

zero-emission electricity in our own operation

55

nationalities working at B&O, up from 49 compared to last year

~20,000

repairs and refurbishments completed at our repair centre in Struer, Factory 3, in 2022/23

Net-Zero Targets

We have set emissions reduction targets according to the SBTi framework**
Operational Net Zero in 2027 (scope 1 and 2)
Near-term reduction in Scope 3 emissions in line with a 1.5°C reduction in 2030
Net Zero across our value chain in 2040 (Scope 3)

* Beosound Emerge submitted for approval within the fiscal year and certification received in June 2023**We will achieve our operational net zero target in 2026/27, our near-term Scope 3 target in 2029/30 meaning that we will have achieved an absolute reduction in our Scope 3 emissions of at least 37.8% in 2029/30, and our long-term net zero target in 2039/40. All targets are subject to validation by the SBTi.

LETTER FROM THE CHAIR AND THE CEO

A clear direction for the future

Juha Christensen
Chair

Kristian Teär
CEO

We progressed with our transformation and sharpened our strategy in a challenging year marked by tough headwinds

For nearly a century, we have delighted people with our audio and vision products, and our purpose of creating 'magical moments, designed for life' is today more relevant than ever. Our purpose not only drives us to deliver value to our customers, shareholders, and employees, but also to the world. We are part of an industry known for short lifecycles and planned obsolescence. We want to change that by building products that can last a lifetime and beyond and by leading a movement towards a more regenerative, circular future.

In the past year, we made good progress with our strategic priorities. However, our business was heavily impacted by COVID-19 lockdowns in China, macroeconomic headwinds, and the war in Ukraine. The fiscal year ended, in line with recent guidance, with a revenue of DKK 2.8bn, 7% lower than last year. We generated a gross margin of 44.2%, despite continued pressure from higher component costs in the first three quarters. In the last quarter, we generated a gross margin of 51.4%. EBIT margin before special items was negative 3.8%. We improved our free cash flow by DKK 152m and ended the year with a free cash flow of negative DKK 20m after generating positive free cash flow for the last three consecutive quarters.

We had anticipated a year with high uncertainty. However, our financial performance was particularly affected by the unexpected COVID-19 development in China, our biggest single market. Regional lockdowns and travel restrictions were followed by a sudden decision to abandon all restrictions in December. That led to a surge of infected people. This had an adverse impact on sales and meant that we had to adjust our outlook in March 2023. We had positive sell-out figures year-on-year and saw improvements in the market conditions in the last couple of months of 2022/23, yet uncertainty persists. Overall, reported revenue in Asia declined by 19% due to challenges in China. In EMEA, revenue declined 6%, while the Americas had reported growth of 2%.

Throughout the year, we continued our work to ensure a lean cost base while balancing our investments to reflect market conditions. In the autumn, we implemented a hiring freeze followed by a redundancy round in February.

Building a robust Bang & Olufsen that can scale sustainably is our key priority. We have since 2020 made prioritised investments in building the right capabilities and technologies and have strengthened our brand and go-to-market approach. We believe we today are much better positioned to realise our growth potential long-term.

Luxury Timeless Technology

In January, we launched our sharpened strategic direction, which links our past, present and future. With our Luxury Timeless Technology proposition, we aim to carve out our position in the luxury niche, moving away from the mainstream consumer electronics industry. We want to pursue a differentiated and unparalleled position in luxury audio. We will continue to leverage our heritage of building the best performing long-lasting, circular products, in timeless design, and with the finest material and craftmanship while exploring and introducing new technologies to enhance the customer experience. We will provide our target audience of affluent design and music lovers with a true luxury experience across products, services and channels.

In our sharpened direction we have defined five strategic shifts, enabling us to differentiate ourselves further and drive growth and profitability. These include creating a culturally relevant brand, making a connected portfolio of products, ensuring magical experiences in all touchpoints, winning in key cities, and growing our adjacent business opportunities.

Progress with our transformation

We are creating a portfolio of seamlessly connected products based on our proprietary software platforms. In 2022/23, we launched seven product innovations to strengthen our portfolio with the soundbar Beosound Theatre and portable speaker Beosound A5 among the key additions to our portfolio. We also presented the first Atelier Editions. Our new in-house Atelier enables us to do customisations and limited editions. Offering bespoke solutions is critical to cater to the needs of our target audience, and it will also help us drive more awareness.

This year, Beosound Emerge became the second product we submitted for the Cradle to Cradle certification, the world's most ambitious product circularity standard. Our software platforms support our modular design approach and our ambition to build for a long product lifetime. These platforms enable us to utilise new technology and connect past, present and future products, ensuring the longevity of our product experiences.

We have a strong portfolio that caters not only for our private customers, but also businesses, high-end hotels and brand partnering among others.

We continue to grow our customer base and the number of customers with two or more products. This is a testament to the improved quality of our product propositions, but also a result of our focused efforts to strengthen our brand awareness. In 2022/23, we launched several new initiatives. Among others, we partnered with Scuderia Ferrari for the 2023 Formula 1 season. More than 450 million people follow Formula 1 every year, and the sponsorship is a way to increase our visibility and engage with Ferrari owners and fans worldwide.

In May, we announced a product collaboration with Ferrari, which will be available in 2023/24 in our own – and Ferrari's channels. Overall, we saw good progress with our brand partnering and collaboration business in 2022/23 and grew Brand partnering with 22%. We also launched several collaborations during the year with Balenciaga being the most noticeable. Together, we created a Speaker Bag that featured at their fashion show in Paris in June. The demand was high, and the limited edition sold out. The collaboration was highly visible worldwide through social and standard media coverage.

We saw a strong performance from our Win City concepts in London and Paris. Through an integrated go-to-market model focusing on a smaller geographical area with a high density of our target audience. We will now expand this model to selected cities worldwide, starting by adding New York.

We continue our focus to enhance the brand experience in all channels, where mystery shopping plays an essential part. Our branded stores remain our most important sales channels, and we have worked with our monobrand dealer network to ensure they invest in their stores. We deem this to be the key to drive higher revenue.

From an operations perspective, we continued to progress with making more reliable data available to measure sell-out performance in our channels. This is key to our transition to a more customer-centric and sell-out driven company and will also enable us to better plan production and supply.

Motivated people and good progress with our sustainability targets

We are pleased to see that our people engagement score was maintained at index 77. We believe that a diverse and inclusive workplace is a prerequisite for our people to grow and contribute to the success of Bang & Olufsen, and we introduced several new initiatives to support that. Among others, our Global Leadership Team started to report on individual Diversity, Equity & Inclusion targets in connection with our quarterly business review process. We hope this, in combination with several other initiatives, will help foster broader awareness and actions to support workplace equity.

Last year, we introduced 10 new long-term sustainability targets with emphasis on product longevity. We also have strong focus on our impacts across environmental, social and governance issues. A key achievement this year was the submission of our long-term climate targets, these are now pending approval from the Science Based Target initiative. By 2027, we will achieve net zero in own operations, and by 2040 we aim to achieve net zero across the value chain. We will monitor our performance against these targets. We view this as future proofing our business for the low carbon economy and taking responsibility for our impact as a company. This is also the first year that we fully integrate our financial and sustainability reporting. This reflects that sustainability is integrated into our daily operations and corporate strategy.

Entering another year with uncertainty

2022/23 has undoubtedly been a challenging year. With the necessary measures taken, we have improved our operational robustness for the coming years, and as we enter another fiscal year with continued uncertainty, we are confident that our strategic efforts will take us important steps in the right direction. Therefore, we expect revenue growth in the range of 0-9% in local currencies, improved earnings in the range of 0-6% in EBIT margin before special items and a free cash flow of DKK -50 to 100 million.

Our colleagues and partners continued to amaze us with their love and passion for Bang & Olufsen and their dedicated efforts to serve our customers wherever they are. We would like to extend our gratitude to all of them for their work this year and their commitment to B&O. In addition, we would like to thank our shareholders for their continued support.

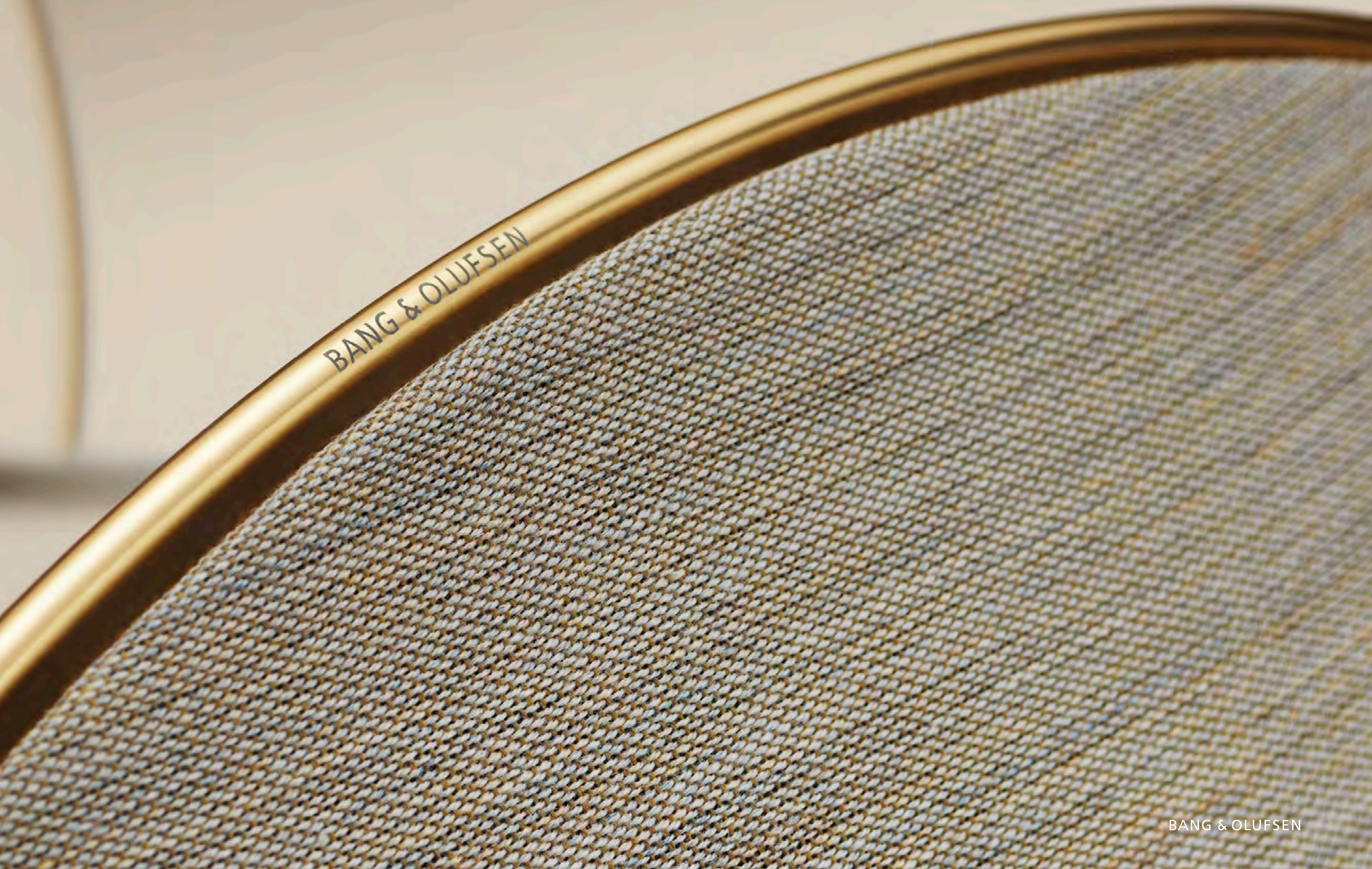
Juha Christensen Chair of the Board	Kristian Teär CEO

Bang & Olufsen

Reorienting towards a new future

WHY WE EXIST	WHAT WE STRIVE TO DO	HOW WE WORK
Magical Moments, Designed for Life.	Luxury Timeless Technology	Be Entrepreneurial. Show Love. Create Magic.

Strategy & outlook



Strategy

At Bang & Olufsen, we create **Magical Moments, Designed for Life**. This is our purpose and our driving force. It echoes the best of our past while pointing us towards an exciting future.

Creating Magical Moments, Designed for life is our purpose and from which we strive to delight our target audience of **Affluent Design and Music Lovers.**

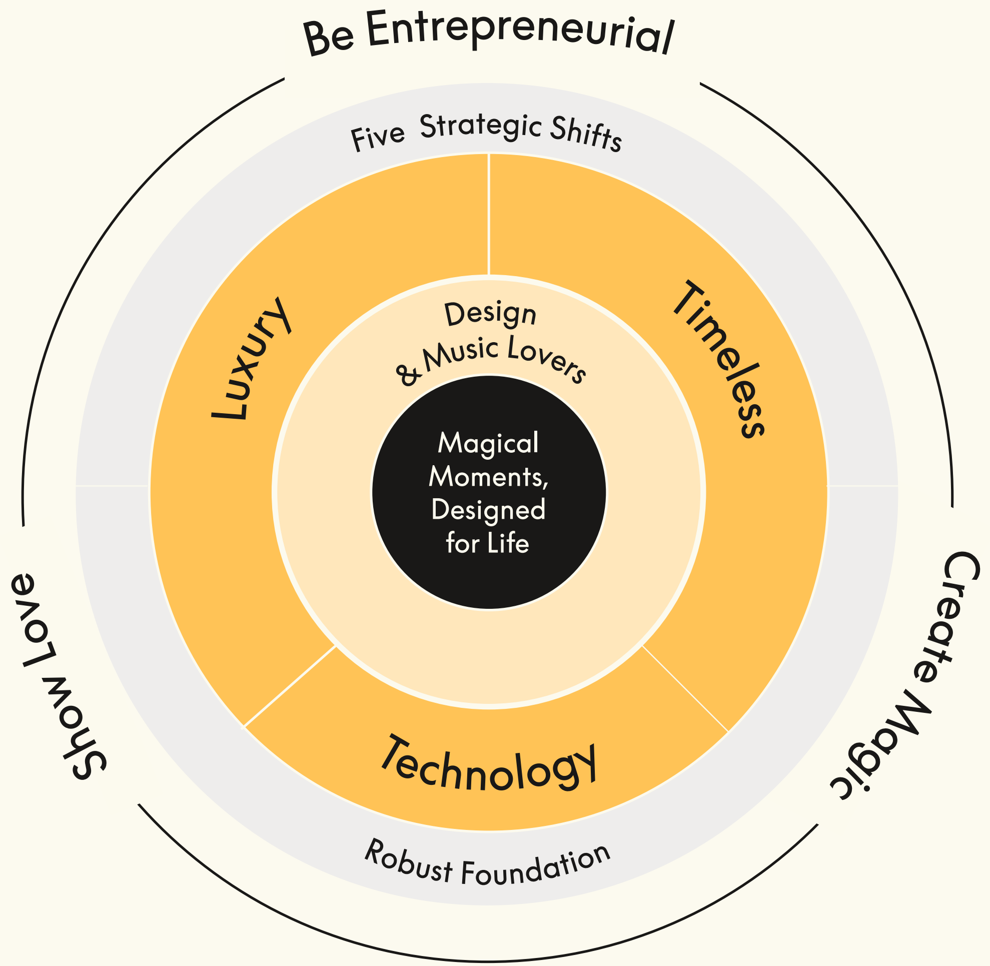
Our audience desires luxurious audio quality with the highest clarity and performance: three-dimensional, immersive, adaptive and interactive. They want the freedom to experience music alone and together, anytime and anywhere. They demand expressive designs that reflect values, individuality and progressiveness. They want a better future for our planet, and they act responsibly. They see a Bang & Olufsen product as a collectible that is passed on to the next generation.

We are the unrivalled leader of luxury audio. Our unique proposition of **Luxury Timeless Technology** positions us at the forefront of the market, continuing our century long trajectory of redefining what audio can sound, look and feel like.

This proposition carves out our position in the luxury niche. We continue our heritage of building long-lasting products, and we explore and leverage technology. We also challenge industry conventions of short product lifecycles and frequent product replacements. And this makes our proposition even more exciting, relevant and important. We are shifting from the mainstream consumer electronics market to a differentiated and unparalleled position in luxury audio, thereby defining our own blue ocean.

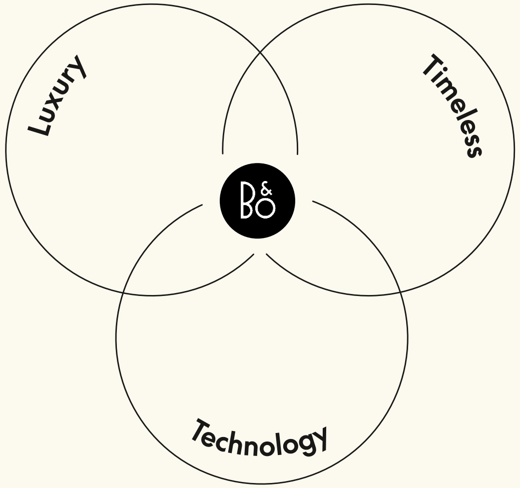
We have just begun our shifts towards our Luxury Timeless Technology proposition. Due to the high uncertainty, we currently see in the world, we need to ensure we have a solid foundation in place to support the changes we want to make.

We are continuing our focus on building a **Robust Foundation,** ensuring a lean and resilient business, as well as an operating model fit for the future. This is supported by our commitment to foster an inclusive workplace where curious and compassionate people thrive and where our three core values of **Being Entrepreneurial, Showing Love and Creating Magic** guides our culture.



Executing on our sharpened strategic direction

We are making five strategic shifts to captivate our audience of Affluent Design & Music Lovers with our proposition of **Luxury Timeless Technology**



Our Audience

We aim to win over two specific segments of our target audience: the younger customer generations (Gen Z and young millennials) and Very High Net Worth Individuals (VHNWIs). The next generation of customers are affluent young Millennials and Gen Zs, and they require us to adapt to their values and expectations. The VHNWIs are a perfect fit to our propositions. We believe that these two segments - being trend setters and taste makers - will help elevate the visibility, attractiveness, and exclusivity of our brand and help drive demand among our other two segments of Careerists and Well-Established.

In our core markets, we have identified more than 200 million affluent design and music lovers, spanning our four customer segments.

Reigniting our brand to become a culturally relevant luxury love brand

Our brand is strong, but it lacks unaided awareness. That is why we continue our current brand reigniting efforts, engaging more directly with our audience, driving conversations, and taking a more active role in culture.

We have been running Formula 1 activations throughout 2022/23. After ending our sponsorship with Williams Racing, we continued with a Scuderia Ferrari partnership, a top performing Formula 1 team and renowned luxury car brand. With this like-minded brand, we are pushing the boundaries in our industries, sharing a passion for excellence, and a desire for making state of the art technology and cutting-edge design. Speaking to a similar audience, we believe the Scuderia Ferrari partnership is an opportunity to scale our brand and a perfect fit to our proposition. We have activated the partnership through several events and PR activities. Our grand prix activations include trackside product placements in addition to relevant Formula 1 and VIP venues. This includes meeting race drivers and race watching and a suite of retail activities aimed at driving traffic to our stores and interacting with our customers through a mutual Formula 1 passion.

Our presence at and association with the races are expected to drive up our brand awareness. At the same time, our grand prix activations are designed to improve our brand equity and to boost brand relevance and advocacy with our local target audience. In 2023/24, we continue our activities and explore ways of developing our partnership.

Positive development in our customer base

We managed to grow our customer base by more than 25% for the year and increasing the number of customers owning two or more products by 27%. Our newsletter subscription base grew by a total of 7%.

These results validate our ability to create brand and product desirability, and we will continue our work to grow them further. This will be supported by our brand reignition efforts, which are planned to focus more on branding for the new fiscal year. We will activate our heritage to a greater extent as this is our licence to operate in luxury and a clear differentiator in consumer electronics.

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

We have a very strong portfolio. We see desire, interest and growth across our product categories and have improved our Net Promotor Score (NPS) product over the years.

We continue to build a product ecosystem and ensure our technology and product platforms enable interoperability. We create desirable and award-winning propositions for our target audience across our product categories. In the future, we will strengthen our focus on developing propositions for our younger audience and full spectre solutions for our VHNWI customers.

We know that our target audiences have an affinity for customised products. Through our new Atelier service, we will increasingly leverage our capabilities in design and craftsmanship to offer personalisation and a full suite bespoke programme. Testifying to the timelessness of our products - and our ability to connect past icons with current and future products - we intend to expand our Classics program. In addition, we are committed to Cradle to Cradle certification for all new product developments, and we will continue to develop our modular design capabilities to allow for product repair and upgradability on both hardware and software.

Throughout 2022/23 we launched a total of seven new product innovations

In Q2, we launched our new soundbar Beosound Theatre that offers unparalleled spatial sound features for immersive, magical experiences. The soundbar is a powerful one-product solution and can also be used as a dedicated sound centre in customers' home cinemas.

We introduced new versions of two of our product icons. Our Beosound A9 and Beosound 2 were launched with our Mozart software platform enabling seamless ecosystem integration and interoperability, new features and remote product health centre for automated software upgrades. Most products in our Flexible Living portfolio now run on our proprietary Mozart platform.

Secondly, our Beovision Harmony now comes with a 97-inch screen option, strengthening our luxury home theatre use case.

In April, we launched the Beosound A5 designed in collaboration with Danish-Italian design duo GamFratesi. Being our most powerful portable speaker to date, the Beosound A5 provides an immersive sound experience. Its timeless and modular design enables easy servicing and repair to maximise and extend product lifetime. In addition, and due to its exchangeable front covers, the speaker can evolve in style and identity thereby withstanding the test of time, trends and technological developments. Built on our Mozart software platform, it offers the most novel features across audio, connectivity, and software design, and it connects seamlessly to our customers' ecosystems. The product was launched with multiple marketing activations across all our regions.

In addition, we launched our limited-edition Beosystem 72-23 Nordic Dawn. This is a music system connecting our past of vinyl music with our present of digital streaming and immersive music experiences. This music system is a second launch within our Recreated Classics Program, initiated in 2021. As with the first product launch in the programme, a limited quantity of the Beogram 4000c that comprises the Beosystem 72-23 were brought back to Bang & Olufsen's factory in Struer, Denmark, where they first originated in the early 1970s, and were meticulously restored and recreated. The limited-edition consists of only 100 units, each engraved with a unique identification number. Besides the Beogram 4000c, the Beosystem 72-23 consists of a pair of matching Beolab 28 speakers, a built in Beosound Core and Beolab transmitter for wireless connectivity, and a customized Beoremote Halo for seamless system control. The Beosystem 72-23 honours decades of music experiences, evolving design principles, unique brand legacy, and uncompromised craftsmanship. It is aimed at bridging our past, present and future while delivering on our proposition of luxury timeless technology.

In 2023/24, we want to bring more than six new product innovations to market, and we will have more Cradle to Cradle certified products: this is in line with our ambition of 10 Cradle to Cradle product certifications by 31 May 25.

Creating magical moments in connected touch points

We have a strong channel footprint. In the future, we want to build a channel ecosystem offering superior, consistent and seamless experiences on par with luxury peers.

Our monobrand network plays a crucial role in providing magical brand experiences to our customers during the pre purchase, purchase and post purchase or at any time. We continue to improve our network together with our partners.

Our multibrand and etail channels continue to serve an important purpose in our channel mix. We want to strengthen our presence with partners sharing similar brand positioning and values.

Our own channels are of increasing importance given that these serve not only as points of sales but also as brand showrooms and experience grounds. Our own eCommerce platform is an ideal universe for brand experience and customer engagement. We continue our efforts to accelerate the transformation towards a true omnichannel experience. The same logic applies to our company-owned stores which are an important component of our Win City concept.

In addition, we focus on delivering high quality service experiences in the after-sales touch points. We are exploring new routes to market that supplement our current channel mix, to meet our customers where they are and to ensure superior brand experience end-to-end in our customer journey. We want to grow our direct-to-consumer engagement, also to demonstrate our ability to create magical experiences and engage directly with and learn from our end customers.

Inherent focus on quality of store network to create magical brand moments

We have worked with our monobrand partners to create a sequence of retail events that brings magical moments to our customers. We will continue this in 2023/24 to drive traffic to the stores and strengthen brand relevancy. In EMEA, we reduced our monobrand footprint by 40 stores to 300. This was done after a thorough assessment of the monobrand network and partners. We are working diligently with our monobrand network to improve our luxury store experiences and performance. Our monobrand stores remain a key component of reaching our audience and creating unparalleled brand experiences.

In Americas, we slightly reduced our multibrand footprint to ensure presence with partners supporting our luxury positioning. We worked more strategically with our portfolio in the multibrand channel towards more selective distribution ultimately to support product desirability through scarcity and exclusivity. We will continue working with selective distribution on a global scale, striking the balance between maintaining and enhancing our brand image and reaching a wide audience in the right channels

Further, we increasesed our presence with Origin Acoustics in the North American market. Both to expand our presence in the market and to penetrate a professional segment through which particularly the VHNWI customers can be reached.

In Asia, we worked with channel specific product activations, and overall brand visibility in line with our brand reignite plans. In South Korea, we initiated a structural assessment of our mulitbrand set-up to improve our brand experiences in the channel.

Our company-owned channel continued its growth trajectory driven by EMEA: this is a testament to the effectiveness of our strategic prioritisation of running own stores in strategically important locations.

Ecommerce on the other hand was challenged and declined compared to last year. Our eCommerce channel is an important vehicle for brand content, and digital experiences, and important for a well functioning channel ecosystem.

In the new fiscal year, we will prioritise digital spending in order to drive traffic to our site, and we will increase our focus on improving our customer experience even further to boost conversion on our site.

Our overall channel development efforts throughout the year were intended to improve our network quality and to ensure seamless integration and co-existence of our channels. We will continue these efforts in the year to come, including our post-purchase channels to ensure seamlessness and consistency across.

Winning in key, global cities

Our target audience live, work and socialize in cities, and selective global cities function as hubs and epicentres of cultural and commercial exchange.

We want to establish our presence and grow substantially in key cities by 2025/26. In the future, our city focus will be at the heart of our geographical expansion and market penetration. This means that our core markets will no longer serve as a basis for market prioritisation. On the other hand, and in combination with our city strategy, our three regions have identified growth pockets where regional efforts and resources will be deployed.

Positive commercial traction in our key cities throughout the year

For the full year, we continued to see positive performance from our Win City concept.

In London, we ended the year with sell-out growth of 24% supported by strong performance in our company-owned and monobrand stores. Marketing activities were particularly centred on the new product introductions, particularly our Beosound A5 and Beosystem 72-23. Our company-owned store in Selfridges had the best quarter ever in Q4.

For the last quarter, sell-out in Paris grew 18%: this was driven primarily by company-owned stores but also by monobrand and eCommerce. Marketing activities in Paris also centred on our new product introductions.

New York sell-out declined 6% for the last quarter, while our company-owned stores declined 2%, performing relatively better. We started executing our Win City concept in Q4, with several, continuous instore activities and activations on our new product introductions. With only one quarter of programmatic execution, we expect a positive trajectory throughout the new fiscal year.

Across all three cities, our execution focus continues, and our local teams have pipelines of brand activations in place.

Our London execution will be further strengthened through the opening of our New Bond Street store. Additionally, we will expand our Win City concept with one select city in the Asia region; this is scheduled for roll-out during the second half of the fiscal year. This means that we will have a total of four cities in execution: two in EMEA, one in Americas and one in Asia for the next fiscal year. We have a playbook and a methodology in place but continue to learn from our executions. We are therefore taking a conservative approach to our roll-out cadence by ensuring that our winning formula is proven and sufficiently funded.

Exploring existing and new adjacent opportunities

We continually explore adjacent business opportunities. Our brand partnerships continue to be of great importance, not only as a driver of commercial value, but also as a brand awareness and customer acquisition engine. We remain focused on exploring further opportunities in our current brand partnerships and with new, potential partners if and when they support our core business and our strategy.

Throughout the year, we made significant progress overall in the business to business area, landing several high-end luxury hotels in our customer portfolio, and extending our Beocom Portal certification suite.

In Q4, we announced an upcoming series of co-branded audio products with Ferrari. By extending our Formula 1 partnership to also include product collaborations with the Ferrari brand, we are taking an important step in working more strategically with our partners.

We also continue our business-to-business efforts, tapping into trends towards hybrid working, where demand for multi-purpose devices drives willingness to invest in high quality, long-lasting audio equipment. We maintain our growth ambitions in the high-end hospitality segment, which represents an ideal environment for our products as well as expanding exposure to our target audience.

In February, our Beocom Portal obtained a Microsoft Teams certification which further strengthened our enterprise audio portfolio, thereby catering to the needs of hybrid workers who require top-quality audio and connectivity with expressive design for both work and leisure. And a testament to our strategy of becoming a larger part of our customers' lives now also covering their work time and devices.

In addition, we continue to explore and prototype how we might conceptualise our core capabilities in technology, engineering and acoustic innovation to bring novel propositions to market, and thereby commercialise our inventions.

With these efforts, intellectual property becomes an ever more important aspect of our business. As we want to continue being a leading innovator, capitalising on the significant opportunity these market dynamics create, we wish to gradually ramp up our focus and efforts in patenting and protecting our inventions.

Designing the future since 1925 – and for decades ahead

With our sharpened strategic direction, we take a firm market position, we leverage the heritage, DNA, and the unique strengths of the company, and we tap into trends and market dynamics which represent a unique opportunity. We are reorienting the company towards a longer-term future, expanding our blue ocean while moving our industry to a different and a better place.

As we execute on our strategic ambitions for the next fiscal year, we will have taken a significant and important step in the sharpened and focused direction.

Business model

How we deliver value to society and our key stakeholders.

Key resources

Our brand

Innovation with leadership in design, sound and craftsmanship

Intellectual property

High quality raw materials

Financial resources

Diverse talents

Our Business

Magical Moments, Designed for Life

Design and creation
Development is based on our unique combination of capabilities in sound, design, technology and craftsmanship and targeted affluent design and music lovers.

Distribution and sales points
Our footprint extends to 70 markets and a growing digital presence. Our exclusive network of over 400 B&O branded stores provides the whole brand experience.

Manufacturing
We operate an "asset-right" model. We maintain key capabilities internally, including our world-leading aluminium facility and Atelier Studio to deliver bespoke solutions. We have a high degree of outsourcing to leverage the scale and capabilities of partners.

Value creation

Customer experience
Becoming a culturally relevant brand. Creating a connected portfolio of circular products that customers can use for decades.

People focus
Continuing to create a diverse and inclusive workplace. Since 2020, our people engagement score has increased by 5 index points.

Financials
Creating robust foundation to support future growth. Grown the business by 40% since 2020.

Community engagement
Continuing to support the communities where we operate. Reached 100,000 people on the value of circularity and long-lasting products.

Climate action
Setting climate targets aligned with the Paris Agreement. Own operations now running entirely on zero-emission electricity.

Outlook for 2023/24

The outlook for 2023/24 is subject to uncertainty related to consumer sentiment due to high inflation, rising interest rates and the war in Ukraine. In addition, there is higher geopolitical uncertainty. Factors that could lead to risk of recession. The reopening and pace hereof in China are also subject to uncertainty.

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

In addition, 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

Revenue growth in local currencies is expected to be between 0% to 9%.

EBIT margin before special items

EBIT margin before special items is expected to be between 0% to 6%.

Free cash flow

Free cash flow is expected to be DKK -50m to DKK 100m.

Assumptions

The expectations are subject to the following assumptions:

- Improved market conditions in China
- Macroeconomic conditions in Europe and US will improve during the year
- Launch of six or more product innovations
- No impact on product availability due to geopolitical changes or COVID-19 related lockdowns
- No major COVID-19 related lockdowns
- Exchange rates against DKK, including in particular USD, CNY and EUR, in line with current exchange rate levels, overall.
- No pressure on sourcing components through spot buys
- Improved inventories

Sensitivities

The outlook for 2023/24 is subject to uncertainty related to consumer sentiment due to high inflation, rising interest rates and the war in Ukraine. In addition, there is higher geopolitical uncertainty. Factors that could lead to risk of recession. The reopening and pace hereof in China are also subject to uncertainty.

OUTLOOK 2023/24	Actual 2022/23	Outlook 2023/24
Revenue growth in local currencies (%)	-8	0% to 9%
EBIT margin before special items (%)	-3.8	0% to 6%
Free cash flow (DKKm)	-20	-50 to 100

Safe harbour statement

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

Results

Bang & Olufsen

Key events

Q1

Three T3 awards

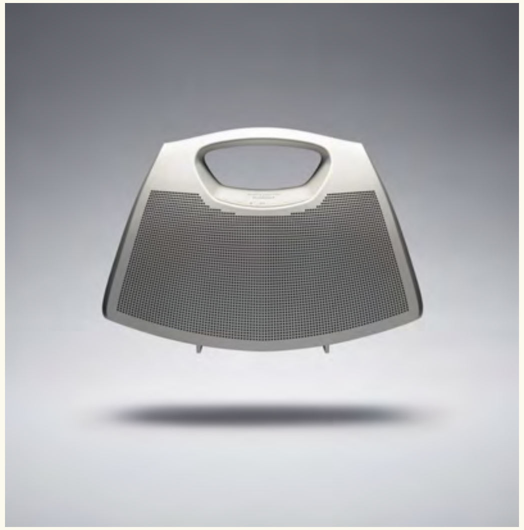
We won three T3 awards. One of the highlights being that the Beosound A1 (2nd Gen) won 'Best Portable Speaker' and Beolab 28 won 'Design Icon' in the 'Luxury' category.

T3 is one of the most influential tech magazines, attracting more than 10 million monthly views.

New flagship store in Beijing

In August, we opened a new flagship store in China World Mall in Beijing, which features an extensive selection of luxury boutiques and brands.

The Mall caters to many customers within the UHNWI segment, and with the location of the new store we have high expectations that we will reach a large number of customers who are passionate about luxury brands.



Collaboration with Balenciaga

We developed a bespoke loudspeaker in the shape of a handbag together with one of the world's leading luxury brands, Balenciaga.

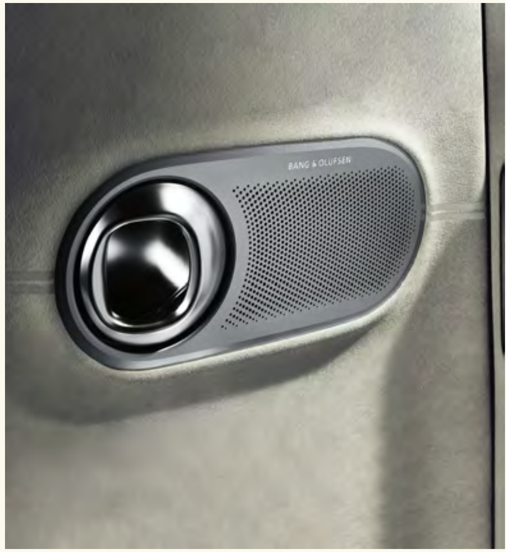
The unique loudspeaker was carried by models at a fashion show, providing all the audio in the show. The event generated a lot of attention.

Collaboration with Supreme

We entered into our fourth collaboration with Supreme, this time to create Beosound Explore Supreme Edition as part of Supreme's Spring/Summer collection.

Red Dot design award for Genesis sound system

The Genesis G90 and GV60 luxury cars both won a Red Dot award for their sound system. The Red Dot award is one of the most prestigious, internationally renowned design awards.



Q2

Beosound Balance in Natural Aluminium

Beosound Balance is one of Bang & Olufsen's most popular Flexible Living speakers. In Q2, we presented Beosound Balance in a new Natural Aluminium colourway, crafted with a luxurious and modern finish and with a Scandinavian aesthetic.

Launch of first NFT drop: The DNA Collection

To make the leap from the physical into the digital universe, Bang & Olufsen has reimagined how its products might look, feel, and work by collaborating with pioneering Web3 artists, including Hackatao, Thomas Lin and Shavonne Wong, to fuse art and music into a first-of-its-kind collection.

The customers of tomorrow are already present in the digital universe, and we want to build new brand relevance and tap into a younger audience.

Each NFT is made from a unique combination of materials, art and music. The first drop was made available in November.

Joined the First Movers Coalition

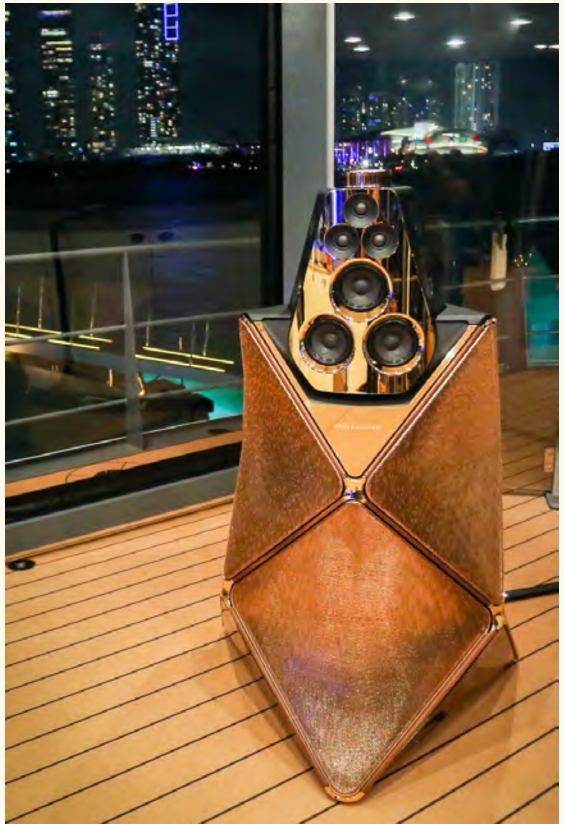
The First Movers Coalition (FMC) is a public-private partnership driven by the World Economic Forum. The FMC aims to leverage the purchasing power and supply chains of companies to create markets for innovative clean energy technologies and to decarbonise seven industrial hard-to-abate sectors. Out of the seven industries, counting cement, steel among others, we have joined the aluminium sector to take part in the ambitious efforts. We are one of ten new companies that have joined the FMC.

Bang & Olufsen has committed to a target aiming for at least 10% of the company's primary aluminium purchases must have near-zero carbon emissions by 2030. We have also committed to ensure that by 2030 a minimum of 50% of the aluminium we use in our production is recycled. The commitments aim to be collectively significant enough to commercialise decarbonisation technologies.

Art Basel fair

We participated in an event during Art Basel in Miami, where we revealed bespoke products created for very high net worth individuals, demonstrating our atelier capabilities.

We presented a select range of products that were plated in gold. The products drew a lot of attention from the more than 200 specially invited guests who attended our event. All photos from the event in this report are courtesy of Lensology.



Art of the A9

Beoplay A9 was launched ten years ago and has become a timeless classic. Today, it remains one of the most loved and best-selling products in our portfolio. It is a testament to our longevity ambitions, which is a key part of our strategy.

For this celebration, Bang & Olufsen commissioned a series of designs by leading creatives working across the fields of art, design and music. They customised the canvas cover of Beoplay A9 in their own inimitable style in order to create a series of highly limited-edition cover artworks.

Launch of Beosound Theatre

In Q2, we launched our new soundbar, Beosound Theatre. The soundbar is based on the principles of modularity. Customers can transform the soundbar into a complete wall-mounted or floor-standing Bang & Olufsen TV experience.

The modular design also applies to the TV screens and the cover of the soundbar, both of which are replaceable and can fit several screen sizes. Beosound Theatre can thus outlast many TVs in its lifetime.

Beosound Theatre is a powerful one-product solution. It can also be used as a dedicated sound centre in customers' home cinemas. Starting with its own seven built-in outputs and supporting up to 16 external loudspeakers, it can be the heart of a full-blown Dolby Atmos 7.1.4 surround configuration. In this setup, Beosound Theatre functions as a centre speaker that merges the Dolby Atmos decoding and custom-tuned post-processing with Bang & Olufsen's proprietary True Image algorithm to maximise the capabilities of all Bang & Olufsen loudspeakers.

Q3

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 chase: 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

Partnership with Scuderia Ferrari

In February, we 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 are installing our high-end products such as the most advanced, powerful, and best-sounding Beolab loudspeakers as well as the immersive TV experiences.

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

BANG & OLUFSEN / FERRARI OFFICIAL PARTNER

MS Teams certification of Beocom Portal

In Q2, 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.

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 both work and for leisure and sports.

Longevity Pop-up store in Copenhagen

As part of our Longevity proposition, a refurbishment pop-up store in Copenhagen was open in Q3, 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.

Introducing Beoplay EX Atelier Editions

In Q3, we announced a made-to-order collection of the award-winning Beoplay EX true wireless earphones. Starting with Lime Green, this shade was the first drop in Atelier Editions – a new initiative from Bang & Olufsen's atelier 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.

Q4

More Beoplay EX Atelier Editions

In addition to the Lime Green, two colour drops were introduced in Q4 in limited editions.

Pineapple Yellow, our second colourway, was launched in March and Peach Pink, our third, dropped in April. Both colours sold out. More colour drops will launch during 2023.

Future-proofing Beosound A9 and Beosound 2

Originally launched in 2012, the famous circular-shaped design, created by Oivind Slaatto, the Beosound A9 is still one of the most popular products, sitting at the cutting edge of design.

The 5th generation launch of Beosound A9 embodies the original features that made it a success over 10 years ago, with detailed improvements. There are a new set of standard finishes, and adding the Mozart software module to Beosound A9 means that the 5th generation is also built for the future, with better connectivity, compatibility and new capabilities being added for the years to come.

A staple of Bang & Olufsen's portfolio, Beosound 2 is a powerful multiroom speaker that matches a unique high-design aesthetic with stand-out sound. Originally launched in 2016 and now in its third iteration, Beosound 2 has been transported into the new generation of Bang & Olufsen sound. Like Beosound A9, one of the major updates to Beosound 2 is the introduction of Mozart, ensuring the exterior craftsmanship and software longevity last for many years in equal measure, and that the speaker seamlessly integrates into any luxurious multiroom system.

Beosound A5 - Inspired by the past, designed for the future

In April, we introduced the new high-end portable Beosound A5, which combines our long-standing approach to timeless design with our vision on sound for the future.

Designed in collaboration with the Danish-Italian design duo GamFratesi, Beosound A5 bridges northern and southern design cultures wit immersive sound, meticulous craftsmanship and product longevity.

With its IP65 water and dustproof rating, Beosound A5 can also be taken outside, and with more than 12 hours of playtime and a wireless phone charger integrated into the top panel of the speaker, Beosound A5 is our most versatile speaker to date. It is controlled by either a sleek user-interface or directly from the Bang & Olufsen App.

Beosound A5 is available in two colours: Natural aluminium with a woven paper fibre front and the black anthracite aluminium version paired with a dark oak wood speaker cover and handle.

Beovision Harmony available in 97”

In May, a 97” version was added to our Beovision Harmony offering, making the Harmony tv available in five sizes ranging from 65” to 97”.

Bang & Olufsen Sound System in the Ford Maverick wins iF Design Award 2023

We have been partners with Ford since 2017, and together with Harman, we have designed, produced and delivered sound systems for more than 20 car models - including in 2020 with the award-winning sound system in the Ford Mach-E. In May, we won another iF design award, this time for the B&O sound system in the Ford Maverick.

The sound system inside the Ford Maverick delivers Bang & Olufsen’s sound, design and craft principles with Harman’s top quality automotive audio components.

iF Design Award is one of the most prestigious, internationally renowned design awards.

Introducing the Beosystem 72-23

In May, a limited-edition Beosystem 72-23 Nordic Dawn was launched, a time-transcending music system that connects the years 1972 and 2023 by merging immersive music experiences from both vinyl and digital streaming. There are only 100 units in this limited-edition, each engraved with a unique identification number.

The timeless turntable is accompanied by a matching pair of the modern Beolab 28 stereo speakers for a refined and immersive stereo sound experience, customised in the same warm finishes.

With a built-in Beosound Core and Beolab Transmitter units, wireless connectivity is ensured, and a customised Beoremote Halo in an Amber Tone aluminium finish allows for seamless control of the system.

The Beosystem 72-23 follows the launch the Beosystem 72-22 in 2022, that connected the classic Beogram 4000 with modern Beolab 28.

Production collaboration with Ferrari

Following the sponsorship with Scuderia Ferrari for the 2023 season, we are joining forces with Ferrari to make an exclusive series of co-branded audio products. The products will be available in the second half of 2023.

Ferrari stands for exclusivity, world-class performance, and timelessness and we share those values, fuelled by a passion for creating magical moments for our customers. With Ferrari, we will make a stunning special collection of products that can do just that.

Key figures

(DKK million)	**2022/23**	2021/22	2020/21	2019/20	2018/19
Income statement					
Revenue	2,752	2,948	2,629	2,036	2,838
Gross margin, %	44.2	45.3	43.3	41.1	48.5
Special items, net	-19	-8	-19	-43	-
EBITDA before special items*	117	265	222	-103	248
EBITDA	98	257	203	-146	248
EBIT before special items*	-105	54	38	-304	59
EBIT	-124	46	19	-347	59
Financial items, net	-28	-54	-52	-20	-26
Profit/loss before tax (EBT)	-152	-8	-33	-367	33
Profit/loss for the year	-141	-30	-23	-576	19
Financial position					
Total assets	2,385	2,518	2,276	1,776	2,462
Share capital	613	613	613	432	432
Equity	958	1,100	1,133	832	1,419
Cash	216	162	178	215	492
Available liquidity	224	301	593	215	492
Net interest-bearing deposit	19	111	361	-7	420
Net working capital	222	335	189	313	395

* The adjusted EBIT and EBITDA figures are used for year-on-year comparability, eliminating special items as defined in note 2.5.
Comparative figures for the financial year 2018/19 have not been restated following the adoption of IFRS 16 Leases.

(DKK million)	**2022/23**	2021/22	2020/21	2019/20	2018/19
Cash flows					
Cash flows from operating activities	198	76	297	-80	-131
Operational investments	-218	-248	-178	-154	-141
Free cash flow	-20	-172	119	-234	-272
Cash flows from investing activities	-204	-239	-623	-154	-141
Cash flows from financing activities	64	145	293	-43	-391
Cash flows for the period	58	-18	-33	-277	-663
Key figures					
Growth in local currencies, %	-8	10	31	-29	-15
EBITDA margin before special items, %	4.3	9.0	8.4	-5.1	8.7
EBITDA margin, %	3.6	8.7	7.7	-7.2	8.7
EBIT margin before special items, %	-3.8	1.8	1.4	-15.0	2.1
EBIT margin, %	-4.5	1.6	0.7	-17.1	2.1
Return on assets, %	-5.9	-1.2	-1.0	-15.2	0.8
Return on invested capital, excl. goodwill, %	0.4	19.3	14.3	-26.1	2.0
Return on equity, %	-14.7	-2.7	-2.1	-28.4	1.4
Full-time equivalents (FTE) at end of period	996	1,073	947	899	957
Stock related key figures					
Earnings per share (EPS), DKK	-1.2	-0.2	-0.2	-14.1	0.5
Earnings per share, diluted (EPS-D), DKK	-1.2	-0.2	-0.2	-14.1	0.5
Price/Earnings	-9.8	-67.6	-168.6	-1.7	109.8
Revenue per share, DKK	22.4	24.0	21.8	49.8	69.5
Revenue per share, diluted, DKK	22.4	24.0	21.8	49.8	69.4

For definitions, see note 8.7.

Financial review

Like-for-like sell-out declined by 2%, primarily driven by China. EMEA had a small decline, while Americas grew 4%.

Revenue was DKK 2,752m, a decline of 6.6% (-8% in local currencies) primarily caused by lower sales in China. Brand Partnering & other activities delivered double-digit growth.

Gross margin was 44.2% against 45.3% last year. Gross margin improved during the year and was at 51.4% in Q4. EBIT margin (bsi) was -3.8%, down from 1.8% last year.

Free cash flow was negative DKK 20m, up DKK 152m against last year. Net working capital improved significantly during the year.

Development in 2022/23

The year was characterised by continued global uncertainty, high inflation, increasing interest rates and declining consumer confidence. Developments in China, in particular, impacted the year. On 17 March, we adjusted our outlook for 2022/23 and performance for the year was in line with recent outlook.

Lockdowns were initiated yet again in China in April 2022 and impacted our performance early in the fiscal year. 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. The shift heavily affected demand and lower-than-expected sales impacted performance in Q3. Further, the recovery came at a slower pace than expected and impacted sales for Q4.

In 2022/23, we have implemented certain measures to align with market developments while continuing to execute on core parts of our strategy. 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 several cost initiatives.

To mitigate inflation effect and higher cost levels and in line with our strategic initiatives, we made price adjustments across the portfolio in March.

Furthermore, we lowered our production forecasts to ensure efficient inventory development. Lastly, we are phasing some investments over a longer duration of time.

In terms of component and logistics costs, we no longer experienced significant issues with product availability from Q1 and by end of year we saw a more normalised market. Logistic costs remained above the normal level, but we successfully mitigated some of the costs by changing production planning and shipping more by sea.

Although decreasing from last year, costs related to component and logistic costs still impacted profitability significantly. Cost amounted to DKK 160m against DKK 220m last year. The total impact on product gross margin was approx. 6% equivalent to a decrease of approx. 9pp compared to last year.

We launched several product innovations during the year. In Q2, we launched our new soundbar and TV solution, Beosound Theatre. The soundbar has been well received by both reviewers and customers and the sell-out trajectory after the launch was positive catering for both retail and hospitality. In March, we announced Beosound A9 5th gen and Beosound 2 3rd Gen on our new platform, thereby future proofing some of our iconic products in the portfolio. In Q4, we introduced our A5 speaker. In addition, we introduced our first Atelier editions colour drops of Beoplay EX.

Like-for-like sell-out

Like-for-like sell-out declined by 2% compared to 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 1%, primarily driven by our Nordic markets. The decline was mainly driven by Monobrand. The company-owned stores delivered sell-out growth of 16%. Staged and On-the-go sell-out grew in the period, while Flexible living declined.

Like-for-like sell-out in Asia declined by 7%, primarily driven by reduced sell-out in China. This was due to a change in consumer behaviour following the regional lockdowns and the shift in COVID-19 policy in December. The decline was across product categories and channels except for our eCommerce platform that saw sell-out growth. In Q4, we saw slow recovery and sell-out was positive with 30%.

LIKE-FOR-LIKE SELL-OUT*

	FY 2022/23		FY 2022/23
EMEA	-1%	Staged	-1%
Americas	4%	Flexible Living	-12%
Asia	-7%	On-the-go	2%
Total	**-2%**	**Total**	**-2%**

* Like-for-like is defined as sell-out from the same stores, provided they were open and active in both periods

Sell-out in Americas grew 4% driven by Monobrand, company-owned stores and eTail channels. In terms of product categories, On-the-go performed well, as did Staged, while Flexible Living declined.

Product category like-for-like sell-out
Our On-the-go category had positive sell-out of 2%. The Staged category sell-out had a decline of 1% and Flexible Living declined 12%. We generally saw lower volumes in the Flexible Living category, reflecting higher sensitivity in consumer behaviour caused by economic uncertainty.

Revenue
Group revenue was DKK 2,752m, corresponding to a decline of 6.6% compared to last year or (-8% in local currencies.)

The decrease in reported revenue was related to total product sales, which declined by 9.8% (-11% in local currencies), while Brand Partnering & other activities grew by 21.8% (17% in local currencies).

Product revenue, regions
The decline in product revenue was mainly driven by Asia, across all channels and categories. Revenue from China was severely impacted by regional lockdowns and a surge in COVID-19 cases and declined by 28% year-on-year. Revenue from China accounted for approximately 16% of total revenue compared to 20% in 2021/22.

Due to the prolonged lockdown conditions in China, some companies are cash-strapped and some retail partners have built up excessive inventory. Although the market is in recovery, this has adversely impacted our revenue performance for the year.

In EMEA, monobrand partners continued to be cautious on inventory replenishment, which adversely impacted growth. In general, the ongoing war in Ukraine, high inflation and rising interest rates continued to impact consumer behaviour and our overall performance for the year.

In Americas, 2022/23 was positive impacted by last year's ramp-up of our partnership with Origin Acoustics on custom installations (CI). On the other hand, we also saw consumer behaviour affected by the current macroeconomic environment. For the multibrand channel we took a strategic directional shift ensuring we are in the right multibrand channels to meet our target audience.

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 last year, the year-on-year increase was 1 pp higher for both the Group and product revenue.

Product revenue, channels
Revenue from our company-owned stores grew, driven by EMEA. 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 significantly, driven by Asia and secondly Americas, due to the previously mentioned change in strategic shift, whereas EMEA increased. EMEA grew mainly due to low comparable as we had executed on inventory rotation in 2021/22, where certain products were taken back from partners.

The number of monobrand stores was reduced by net 41 to 403. This was mainly related to stores in EMEA. In 2021/22, the company completed a thorough assessment of the monobrand network and partners. The assessment identified 40 stores to be closed, which was finalised in 2022/23.

As part of our strategic focus, we have made efforts during the year to assess product offerings in our online channels. Total online sales (eCommerce and eTail) declined 11% year-on-year.

Revenue, Brand Partnering & other activities
The increase in Brand Partnering & other activities mainly related to automotive performance and the ramp-up of the Bang & Olufsen Cisco 980 earphones, partly offset by lower license income from HP.

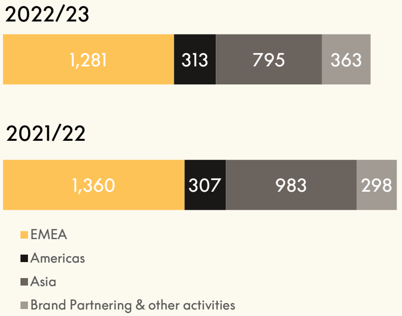
Staged category
Revenue declined by 10.8%. TV soundbars increased supported by demand for Beosound Theatre, launched in Q2. Speakers overall declined, while Beolab 90 generated higher revenue year-on-year. In general, the category was affected by economic headwinds in the markets and by monobrand partners reducing inventories.

Flexible Living category
Revenue declined by 17.6%. In general, we saw lower sales volumes compared to last year, reflecting high comparables in China. Also, this product category is more sensitive to consumer behaviour caused by economic uncertainty. The decline was partly offset by the relaunch of Beosound Emerge and the Launch of A5.

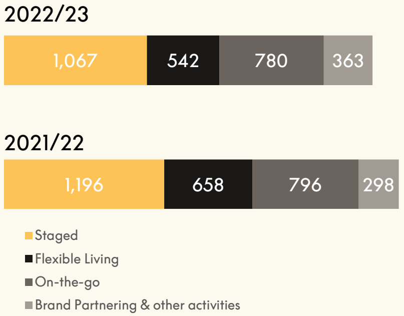
Average prices increased, as we adjusted prices on several Flexible Living products to accommodate for

	Monobrand		Multibrand	
Points of sale	31-05-2023	31-05-2022	31-05-2023	31-05-2022
EMEA	300	340	1,550	1,715
Americas	28	26	2,251	2,466
Asia	75	78	948	942
Total	**403**	**444**	**4,749**	**5,123**

Revenue by segment, DKKm



Revenue by category, DKKm



the cost inflation experienced as well as tactical price adjustments.

On-the-go category

Revenue declined by 2.0%. The declining volumes came from Bluetooth speakers while headphones and earphones increased year-on-year. Both revenue from headphones and earphones were supported by two large deals on end-of-life products as part of our efforts to reduce our inventory. Beoplay EX performed well, 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 last year ran a campaign together with a partner in the multibrand channel.

Gross profit

Gross profit amounted to DKK 1,215m, equivalent to a gross margin of 44.2% (2021/22: 45.3%).

Gross margin was positively impacted by price increases and lower component costs, offset by change in product mix towards lower-margin products. 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 1.2pp.

Gross margin from product sales was 37.5% (2021/22 39.7%). We delivered improved gross margin on Staged and Flexible Living, partly due to implementing price adjustments. We have increased prices on selected products during the year, based on a combination of strategic assessments and to mitigate cost inflation. The decline year-on-year was primarily related to a change in product mix towards the On-the-go category, where efforts were made to reduce inventory on products with shorter lifecycles. Gross margin in the On-the-go category declined to 18.8% (2021/22: 26.0%).

All product categories were impacted by continued high component and logistics cost, yet at a lower level than last year. The combined costs for components and logistic were DKK 160m which was a reduction of DKK 60m compared to last year. The total impact on product gross margin was approx. 6pp against approx. 10pp last year.

We saw a general positive development in logistic costs, due to improved planning and better availability to ship more freight by sea in 2022/23. This had a positive impact on both costs and emissions resulting in a reduction in freight costs by around 29% compared to last year.

Gross margin from Brand Partnering & other activities was 87.9% (2021/22: 95.2%). The decline in gross margin was mainly driven by our new collaboration with Cisco, where we have started to sell the Bang & Olufsen Cisco 980 headset for hybrid working. The change in mix, with more product sales, reduced gross margin compared to last year.

Capacity costs

Capacity costs were DKK 1,339m compared to DKK 1,290m last year. This represented an increase of 4%.

The increase related to sales and marketing and product development. This supported our five strategic shifts to win our audience of Affluent Design & Music Lovers with our Luxury Timeless Technology proposition.

Development costs increased by DKK 22m to DKK 301m. Incurred development costs increased DKK 12m compared to last year and the incurred development cost ratio increased by 0.5pp to 11.6%. The increase in incurred development cost was related to our continued platform upgrades, additional software resources and investments in the product roadmap.

Distribution and marketing costs increased by DKK 35m to DKK 910m. The increase was related to higher marketing costs and hiring of sales and marketing resources to support our above-mentioned strategic shift and focus. The increase was offset by lower warranty costs and a reduction in bonus. The increase in marketing was driven by the regions, brand awareness and marketing execution. The ratio of marketing to revenue for the year increased by 1.4pp to 10.0%.

Administrative costs decreased by DKK 8m to DKK 128m, leading to a cost ratio of 4.7%, up 0.1pp.

We incurred higher costs related to restructuring, offset by lower provisions for employee bonuses and advisory costs.

Special items within capacity costs amounted to DKK 17m (2021/22: DKK 5m) and related primarily to restructuring and severance costs in respect of the reorganisation announced in Q3 and garden leave for one key employee.

EBIT

EBIT before special items was a loss of DKK 105m (2021/22: profit of DKK 54m), corresponding to an EBIT margin before special items of -3.8% compared to 1.8% last year.

The margin was impacted by the overall revenue decline, the decline in gross margin and increased capacity costs.

EBIT was negative DKK 124m (2021/22: DKK 46m), corresponding to an EBIT margin of -4.5% (2021/22: 1.6% last year).

Net financial items

Net financial items were an expense of DKK 28m (2021/22: DKK 54m expense). The decrease primarily related to an increased interest income from banks, partly offset by a decrease in exchange rate adjustments and increased interest expenses.

Profit /loss

Profit/loss before tax wase a loss of DKK 152m (2021/22: DKK 8m loss).

Income tax was an income of DKK 11m (2021/22: expense of DKK 22m). The increased income tax was primarily related to interest limitation rules and adjustments to previous years. A full description can be found under the recovery of deferred tax assets section in note 2.5.

Profit/loss for the year was a loss of DKK 141m (2021/22: DKK 30m loss).

Cash flow

Free cash flow was an outflow of DKK 20m (2021/22: DKK -172m). This was a significant improvement of DKK 152m compared to last year. It was primarily a result of the decrease in net working capital of DKK 113m and a decrease in operational investments; however, it was partially offset by lower earnings.

Cash flows from operating activities were DKK 198m (2021/22: DKK 76m). The increase was driven by the change in net working capital of DKK 113m (2021/22: DKK -148m), offset by the lower EBITDA, which decreased by DKK 159m to DKK 98m.

Cash flows from operational investments were an outflow of DKK 218m (2021/22: DKK 248m outflow). Investments were primarily related to capitalization of development projects along with acquired rights and software. Investments in tangible assets increased following investments in retail development and our aluminium factory.

The net inflow from financial investments was DKK 14m (2021/22: DKK 9m) and related to securities.

Cash flows from financing activities were DKK 64m (2021/22: DKK 145m). To maintain short-term financial flexibility, we use repo transactions, which enables us to access liquidity on an intra-day basis. At the end of the year, we had borrowed DKK 386m (31 May 2022: 276m) via repo transactions.

The cash position at the end of the year was DKK 216m (31 May 2022: DKK 162m). Total available liquidity was DKK 224m (31 May 2022: DKK 301m). This was made up of cash and securities totalling DKK 610m (31 May 2022: DKK 577m) less DKK 386m (31 May 2022: DKK 276m) in bank loans related to repo transactions.

Net working capital

Net working capital decreased during the year by DKK 113m to DKK 222m (31 May 2022: DKK 335m).

Net working capital to the last 12 months' revenue decreased by 3.3pp to 8.1% (2021/22: 11.4%). The ratio was down driven by the lower inventory levels offset by the decrease in revenue.

Inventories decreased by DKK 130m to DKK 499m. The decrease during the year was due to continued focus on inventory management and the fact that at year end the inventory was no longer impacted by component spot buys. Further, during the year we have depleted certain end of life headphones and earphones. This has led to a healthier inventory end of year.

Trade receivables decreased by DKK 56m to DKK 341m. Trade receivables decreased year-on-year as a result of collection efforts and lower revenue performance in Q4 2022/23 compared to last year. Extended credit increased to 6% of revenue at year end (2021/22: 5%) driven by product launches in Q4.

Trade payables decreased by DKK 16m to DKK 565m, driven by the lower activity and timing of payments.

Other liabilities decreased by DKK 69m, primarily due to lower accruals for employee bonus.

Net interest-bearing deposit/debt

Net interest-bearing deposits decreased by DKK 92m during the year to DKK 19m (31 May 2022: DKK 111m).

The decrease was mainly due to investments in intangible and tangible assets of DKK 218m (2021/22: DKK 248m), offset by a positive cash flow from operational activities of DKK 198m (2021/22: DKK 76m).

For further details, see note 6.1.

EMEA

Revenue

DKK 1,281m

(DKK 1,360m)

Growth in local currencies

-6%

(4%)

Share of Group revenue

47%

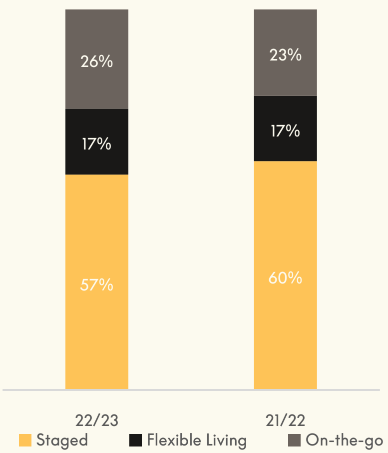
(46%)

Gross margin

37.2%

(42.2%)

Revenue by product category, %



Like-for-like sell-out

Sell-out declined by 1%. Company-owned stores, multibrand and eTail grew, while the Monobrand stores declined during the period. Staged and On-the-go grew whereas Flexible Living declined. In the last quarter of the year, the categories Flexible living and Staged grew.

EMEA core markets grew 2% in the period, where all markets except for Denmark and Spain delivered growth.

Revenue

Revenue was DKK 1,281m (2021/22: DKK 1,360m), which was 5.8% lower than last year (-6% in local currencies).

In general, the ongoing war in Ukraine, high inflation and rising interest rates continued to impact our overall performance for the year. The development in revenue was mainly driven by monobrand partners who continued to remain cautious and therefore held off replenishing inventories.

Revenue from company-owned stores grew 22% in the period, supported by good traction in all stores and the London stores, in particular.

Revenue from Monobrand declined 12%. After completion of a thorough assessment of the monobrand network and partners in 21/22, 40 stores were identified to be closed, which was finalised in 2022/23.

Multibrand increased significantly, which was mainly due to low comparable in 2021/22. Revenue from headphones was also supported by a one-off deal as part of our efforts to reduce our inventory. The relaunch of Beosound Emerge and sale of Beosound Explore, Beoplay H95 and Beoplay HX performed very well. Last year, our improved sell-out data and partner inventory insight identified some older slow-moving On-the-go products that did not sell out as expected. Therefore, it was decided to make controlled product returns in 21/22.

E-Tail and our eCommerce channel declined by 12% combined. The development was impacted by focus on pricing.

The war in Ukraine resulted in the closure of all stores in Russia and Belarus. Excluding these territories would improve the overall decline in EMEA by 2.1 pp.

The six core markets accounted for approx. 66% of revenue in the region. The six markets declined by 5% (5% in local currencies). Company-owned stores delivered growth in all markets. The UK and Spain delivered growth rates, where the UK generated solid double-digit growth, supported by company-owned stores and multibrand. The decline was related to Denmark, Switzerland, Germany and France.

The Staged category declined by 11%. The decline was across both TV soundbars and speakers. Beosound Theatre had solid growth after the launch in Q2, catering for both retail and hospitality demand. Revenue from Theatre constituted more than 50% of the TV soundbar sale. Speakers declined except for Beolab 90, that grew in the period.

Revenue from Flexible Living declined by 4% compared to last year. Flexible speakers declined overall, while Beosound Emerge delivered solid growth and A5 saw good traction in Q4 after the launch in April.

Revenue from On-the-go grew 10%. Both headphones and earphones grew in the period supported by the previously mentioned one-off deals. Our new earphone Beoplay EX outperformed last year revenue from earphones combined. Bluetooth speakers declined during the period.

Gross profit

Gross profit amounted to DKK 477m, equivalent to a gross margin of 37.2%. This represented a 5.0pp decrease over last year.

The decrease in the underlying margin was driven by a change in product mix towards lower-margin products. In addition, inventory depletion of end-of-life products in On-the-go category adversely affected the margin.

Americas

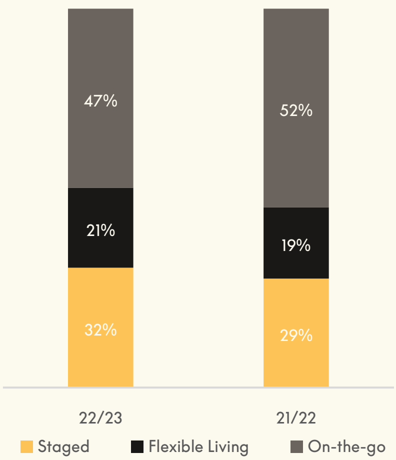
Revenue
DKK 313m
(DKK 307m)

Growth in local currencies
-6%
(55%)

Share of Group revenue
11%
(10%)

Gross margin
31.6%
(35.1%)

Revenue by product category, %



Like-for-like sell-out

Sell-out increased by 4%, driven by monobrand, company-owned stores and eTail. Staged and On-the-go saw growth in sell-out whereas Flexible Living declined in the period.

Revenue

Revenue was DKK 313m (2021/22: DKK 307m), corresponding to a 2% increase (-6% in local currencies).

In general, the market was impacted by macroeconomic headwinds, affecting consumer confidence during the year.

The ramp-up of our expanded partnership with Origin Acoustics on custom installations (CI) had solid growth of 144% and constituted 25% of revenue in 2022/23. In addition, Monobrand delivered growth in the period.

Multibrand declined 81% in the period. The decline was in particular within Bluetooth speakers, as we last year ran a campaign together with a partner. In 2022/23, we took a strategic directional shift ensuring we are in the right multibrand channels to meet our target audience and thereby accepted a decline for the year.

Company-owned stores declined slightly year-on-year. Win City New York went into execution in Q4.

The e-tail channels delivered growth driven by campaigns during the year, whereas eCommerce declined mainly due to price inconsistencies in the market.

Revenue from the Staged category increased by 14%. Growth was across most speakers, while our newest soundbar, Beosound Theatre, saw particularly high demand and was the best-selling soundbar in 2022/23.

Revenue from the Flexible Living category increased by 16% year-on-year. Beosound A9 5th Gen., launched in Q3 saw good demand as well as our newly launched Beosound A5.

Revenue from On-the-go declined by 7%. Bluetooth speakers declined, partly offset by growth in headphones and earphones. Beoplay EX saw significant growth.

Gross profit

Gross profit amounted to DKK 99m, equivalent to a gross margin of 31.6%. This represented a decline of 3.5pp compared to last year.

The decline in the underlying gross margin was mainly attributed to lower margin in the On-the-go category. In Q1, a large quantity was sold to a partner which adversely affected the gross margin. Gross margin increased for the Staged category and was supported by higher average selling prices.

Asia

Revenue

DKK 795m

(DKK 983m)

Growth in local currencies

-21%

(8%)

Share of Group revenue

29%

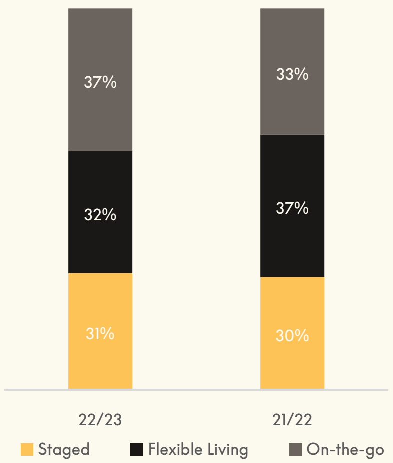
(34%)

Gross margin

40.3%

(37.7%)

Revenue by product category, %



Like-for-like sell-out

Sell-out was down by 7%, driven by all three product categories and across all channels, except for eCommerce.

Sell-out was mainly impacted by China and the regional lockdowns in first half of the fiscal year, while the change in COVID-19 policy in December 2022 continued to have an impact on consumer confidence. Sell-out in China declined 12% for the year but we saw growth in the last quarter of the fiscal year of 50%. Sell-out in the region grew 30% in Q4.

Japan saw significant sell-out growth of 39% in the period, while South Korea had sell-out growth of 3%.

Revenue

Revenue was DKK 795m (2020/21: DKK 878m), corresponding to a decline of 19.1% year-on-year (-21% in local currencies).

The development in revenue was adversely impacted by the above mentioned regional COVID-19 related lockdowns in China and the change in COVID-19 policy in December. China saw a slow recovery in Q4.

Due to the prolonged lockdown conditions, some companies are cash-strapped and some retail partners have built up excessive inventory, which impacted our business and performance for 2022/23.

Revenue in China declined by 28% (29% in local currencies) impacted by the above-mentioned lockdowns and policy change. China constituted 53% of the revenue in the region in 2022/23. Japan saw growth in the period while South Korea declined. As China, we also saw South Korea building up inventory in connection with the regional lockdowns last year.

All channels were impacted in the period, except for our e-Com which saw a modest increase.

Revenue from the Staged category declined by 16% year-on-year. Our Soundbar Theatre contributed to an overall increase in TV soundbars, while speakers declined.

Revenue from the Flexible Living category declined by 30% year-on-year, mainly driven by high comparable as some partners stocked up inventory and lockdowns in China. We saw positive contributions from the relaunch of Beosound Emerge and the launch of Beosound A5 in April 2023.

Revenue from the On-the-go category decreased by 9% compared to last year. The decline was mainly related to earphones, which was partly offset by solid growth in Beoplay EX.

Gross profit

Gross profit amounted to DKK 320m, equivalent to a gross margin of 40.3%. This represented a 2.6pp increase compared to last year.

The development in the underlying margin was driven by improved margin in all categories supported by increased focus on pricing.

Brand Partnering & other activities

Revenue
DKK 363m
(DKK 298m)

Growth in local currencies
17%
(10%)

Share of Group revenue
13%
(10%)

Gross margin
87.9%
(95.2%)

Revenue

Revenue amounted to DKK 363m (2021/22: DKK 298m). This represented a 21.8% increase (17% in local currencies).

Licence fee revenue grew by 9%, driven by revenue related to the automotive industry as well as new licensing partnerships. The growth was partly offset by declining license income from HP. Licensing income accounted for 74% of total revenue in Brand Partnering & other activities.

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

Gross profit

Gross profit amounted to DKK 319m (2021/22: DKK 284m). This was equivalent to a gross margin of 87.9%, down by 7.3pp compared to last year. The decline was related to the increased share of product sales within this segment, which naturally drove down the overall margin.

Q4 results

Q4 key financial highlights

(DKK million)	Q4 2022/23	Q4 2021/22	YTD 2022/23	YTD 2021/22
Income statement				
Revenue	646	698	2,752	2,948
EMEA	309	330	1,281	1,360
Americas	71	85	313	307
Asia	184	185	795	983
Brand Partnering & other activities	82	98	363	298
Gross margin, %	51.4	48.2	44.2	45.3
EMEA	46.0	44.8	37.2	42.2
Americas	43.3	39.4	31.6	35.1
Asia	46.7	35.0	40.3	37.7
Regions, total	45.9	41.0	37.5	39.7
Brand Partnering & other activities	89.8	92.8	87.9	95.2
EBITDA before special items	66	66	117	265
EBITDA	63	65	98	257
EBIT before special items	9	12	-105	54
EBIT	6	11	-124	46
Special items, net	-3	-1	-19	-8
Financial items, net	-2	-21	-28	-54
Profit/loss before tax (EBT)	4	-10	-152	-8
Profit/loss for the period	11	-25	-141	-30
Financial position				
Total assets	2,385	2,518	2,385	2,518
Share capital	613	613	613	613
Equity	958	1,100	958	1,100
Cash	216	162	216	162
Available liquidity	224	301	224	301
Net interest-bearing deposit/debt	19	111	19	111
Net working capital	222	335	222	335

(DKK million)	Q4 2022/23	Q4 2021/22	YTD 2022/23	YTD 2021/22
Cash flows				
Cash flows from operating activities	98	-97	198	76
Operational investments	-71	-93	-218	-248
Free cash flow	27	-190	-20	-172
Cash flows from investing activities	-68	-88	-204	-239
Cash flows from financing activities	-24	123	64	145
Cash flows for the period	6	-62	58	-18
Key figures				
Growth in local currencies, %	-10	-12	-8	10
EBITDA margin before special items, %	10.2	9.4	4.3	9.0
EBITDA margin, %	9.8	9.3	3.6	8.7
EBIT margin before special items, %	1.4	1.7	-3.8	1.8
EBIT margin, %	0.9	1.6	-4.5	1.6
Return on assets, %	-5.9	-1.2	-5.9	-1.2
Return on invested capital, excl. goodwill, %	0.4	19.3	0.4	19.3
Return on equity, %	-14.7	-2.7	-14.7	-2.7
Full-time employee (FTE) at end of period	996	1,073	996	1,073
Stock-related key figures				
Earnings per share (EPS), DKK	0.1	-0.2	-1.2	-0.1
Earnings per share, diluted (EPS-D), DKK	0.1	-0.2	-1.2	-0.1
Price/Earnings	125.5	-81.2	-9.8	-67.6
Revenue per share, DKK	5.3	5.7	22.4	24.0
Revenue per share, diluted, DKK	5.3	5.7	22.4	24.0

For definitions, see note 8.7.

Q4 financial review

Sell-out grew by 7%, showing increased demand in China compared to last year.

Revenue in Q4 declined by 7.5% (-10% in local currencies). The quarter was impacted by slower recovery than expected in China and general lower consumer confidence.

Gross margin was 51.4%, an improvement of 7.8pp against Q3 2022/23 and 3.2pp year-on-year. The gross margin level reflected lower logistics and component costs and was supported by price adjustments.

Like-for-like sell-out

Sell-out grew by 7% compared to the same period last year, driven by solid growth rate in Asia of 30%. EMEA had growth of 1% while Americas declined 5%.

Sell-out was positive across channels and our company-owned stores grew 10% in the quarter.

In our digital channels, eTail saw growth while eCommerce declined in the period.

Revenue

Group revenue was DKK 646m (Q4 2021/22: DKK 698m) and declined by 7.5% (-10% in local currencies). The decline was driven by both product revenue and Brand Partnering & other activities.

Revenue from product sales decreased by 5.9% (-8% in local currencies). The decline was mainly driven by EMEA and Americas. In general, the markets were affected by macroeconomic headwinds, adversely impacting consumer behaviour. In EMEA, partners continued to be cautious in inventory replenishment.

After China was impacted by regional lockdowns last year, the country saw recovery after the change in COVID-19 policy in December. The recovery was slower than expected and revenue was on par with last year.

Monobrand increased in the period while company-owned stores were on par with last year. We saw good growth in the enterprise segment supported by our ramp-up of Origin Acoustics in Americas.

ETail and eCommerce declined in the period mainly due to focus on pricing in the channels.

Brand Partnering & other activities declined by 16.1% (-20% in local currencies) mainly driven by lower license income from HP. Product collaboration from Cisco had a small decline, coming from a high level in Q4 last year with the launch order for Cisco.

Staged

Revenue declined by 14% related to both TV soundbars and speakers, partly offset by good traction for Beosound Theatre.

Flexible Living

Revenue grew by 24%. The growth rate was supported by good tractions from our newly launched products, Beosound 2 and Beosound A5.

On-the-go

Revenue declined by 15%. The decline was related to Bluetooth speakers and earphones whereas headphones increased driven by both Beoplay HX and Beoplay H95.

Gross profit

Gross profit was DKK 332m. against DKK 337m year-on-year. This was equivalent to a gross margin of 51.4%, which was a 3.2pp improvement from last year, mainly due to lower components and logistics cost.

The gross margin on products increased by 4.9pp to 45.9%. No component spot buys affected the quarter and freight cost was significantly below last year. Logistics costs adversely impacted product margin by around 1pp (around 3pp. in Q4 of last year).

In addition, Q4 of last year was positively impacted lowered inventory provision for spare parts.

The gross margin was positively impacted by price adjustments implemented since Q4 of last year.

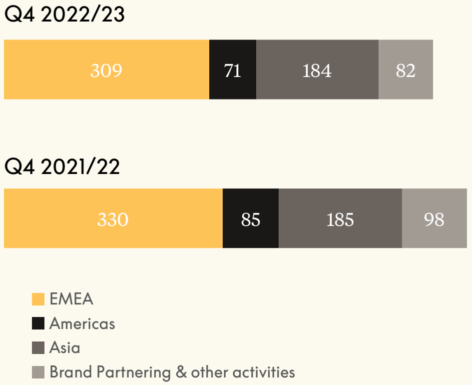
LIKE-FOR-LIKE SELL-OUT*

	Q4 2022/23
EMEA	1%
Americas	-5%
Asia	30%
Total	**7%**

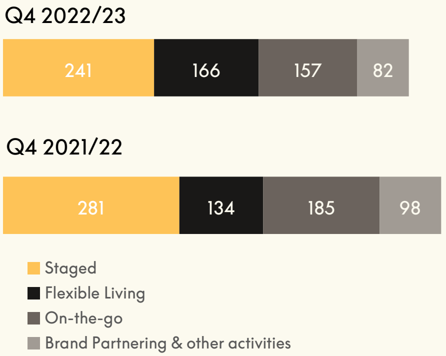
	Q4 2022/23
Staged	5%
Flexible Living	5%
On-the-go	11%
Total	**7%**

* Like-for-like is defined as sell-out from the same stores, provided they were open and active in both periods

Revenue by segment, DKKm



Revenue by category, DKKm



Currency movements had an adverse effect on gross margin of approximately 1.3pp.

Capacity costs

Capacity costs amounted to DKK 326m, which were at the same level as last year (Q4 2021/22: DKK 326m).

Development costs of DKK 65m were at the same level as last year. Incurred development costs decreased by 22% to DKK 80m (Q4 2021/22: DKK 103m), offset by decreased capitalisations.

Distribution and marketing costs were DKK 234m, corresponding to an increase of 4% compared to Q4 of last year. The increase was primarily related to training, advisory and warranty costs.

Administrative costs decreased by 27% to DKK 27m driven by lower bonus and advisory costs (Q4 2021/22: DKK 37m).

EBIT

EBIT before special items was DKK 9m, equivalent to a margin of 1.4% (Q4 2021/22: 1.7%).

EBIT was DKK 6m (Q4 2021/22: DKK 11m), which corresponded to an EBIT margin of 0.9% (Q4 2021/22: 1.6%). The development was related to lower revenue offset by an improved margin and the same capacity cost level.

Cash flow

Free cash flow was DKK 27m (Q4 2021/22: DKK -190m). This was a significant improvement compared to last year. The positive free cash flow was primarily related to a positive operating cash flow of DKK 98m (Q4 2021/22: DKK-97m), offset by operational investments of DKK -71m (Q4 2021/22: DKK-93m).

Networking capital decreased during the quarter with a positive cash flow effect of DKK 47m (Q4 2021/22: DKK -148m) due to timing of payments offset by increased receivables.

Financing activities generated a negative cash flow of DKK 24m (Q4 2021/22: positive DKK 123m). The cash flow is primarily related to repo transactions, which were used to access liquidity on an intra-day basis for short-term liquidity planning. For the full year, this amounted to a net repo loan of DKK 386m (31 May 2022: DKK 276m).

EMEA

Like-for-like sell-out

Sell-out grew by 1% supported by company-owned stores. Monobrand was on par, while the digital channels declined. Staged grew 4%, while Flexible Living grew by 6%. On-the-go declined by 14% in the period.

	Q4		YTD	
GROSS MARGIN	**2022/23**	2021/22	**2022/23**	2021/22
Staged	52.5%	45.2%	46.2%	45.1%
Flexible Living	49.5%	47.5%	47.7%	46.8%
On-the-go	32.3%	29.6%	18.8%	26.0%
Products, total	**45.9%**	**41.0%**	**37.5%**	**39.7%**
Brand Partnering & other activities	89.8%	92.8%	87.9%	95.2%
Total	**51.4%**	**48.2%**	**44.2%**	**45.3%**

Revenue

Revenue in EMEA was DKK 309m (Q4 2021/22: DKK 330 m). This represented a 6.2% decrease compared to last year (-6% in local currencies).

The development in revenue was mainly driven by monobrand partners who continued to remain cautious and therefore held off replenishing inventories.

Company-owned stores grew revenue by 10% in the period and monobrand was on par, whereas Multibrand declined. Revenue from digital channels declined due to pricing focus.

Revenue from the Staged category declined by 16% compared to the same quarter of last year. The decline was across products, partly offset by good traction from Beosound Theatre.

Revenue from Flexible Living increased by 58% compared to last year. The launch of both Beosound 2 3rd Gen and Beosound A5 in Q4 had a positive impact in the quarter.

Revenue from On-the-go declined by 16%. The decline was from both Bluetooth speakers, headphones and earphones, partly offset by growth in Beoplay HX and EX.

Gross profit

Gross profit amounted to DKK 142m. This was equivalent to a gross margin of 46.0%, which was 1.2pp higher than last year. The increase in the underlying margin was due change in product mix towards higher-margin products and supported by price adjustments.

Americas

Like-for-like sell-out

Sell-out declined by 5% across the channels except for eTail. Company-owned stores declined by 1% while monobrand declined by 3%. All categories saw negative growth due to increased economic uncertainty in the US.

Revenue

Revenue in Americas was DKK 71m (Q4 2021/22: DKK 85m), corresponding to a 16.1% decrease (-23% in local currencies).

The decline was across all channels except Enterprise (Custom Installations) that delivered solid growth in the period and constituted 25% of revenue. Both company-owned stores and Monobrand declined, reflecting general lower consumer confidence on the backdrop of economic headwinds.

Multibrand declined due to strategic channel optimisation. For the digital channels, eTail and eCommerce decreased year-on-year due to focus on pricing in the channels.

BANG & OLUFSEN

Revenue from the Staged category declined by 22% across products, compared to last year, partly offset by Beosound Theatre, which generated solid revenue in the period.

Revenue from Flexible Living was up by 28% compared to last year, driven by most core products. Beosound A5, generated good traction within the quarter.

Revenue from On-the-go declined by 27%. The decline was mainly due to a decline in Bluetooth speakers partly offset by growth in Headphones and Earphones in the period. Beoplay EX, in particular had solid growth. Last year was impacted by a large deal on Bluetooth speakers.

Gross profit

Gross profit amounted to DKK 31m (Q4 2021/22: DKK 31m). This was equivalent to a gross margin of 43.3% against 39.4% in the same quarter of last year. The increase in the underlying margin was mainly due to price adjustments and focus on pricing in own channels.

Asia

Like-for-like sell-out

Sell-out grew by 30% across most channels. All product categories saw solid growth rates. Staged increased by 25%, Flexible Living by 8% and On-the-go by 53%. China grew 50% in sell-out with positive traction across all channels and categories, coming from low comparable due to regional lockdowns last year. Japan had growth while South Korea declined.

Revenue

Revenue in Asia was DKK 184m (Q4 2021/22: DKK 185m) and was on par with last year (-5% in local currencies).

The development was mainly related to the extended COVID-19 related lockdowns in China followed by the change in their COVID-19 policy, which had an adverse impact on all product categories.

After the impact of the regional lockdowns last year, China saw recovery following the change in COVID-19 policy in December and surge of infections. The recovery was slower than expected and therefore revenue was on par with last year.

South Korea was impacted by excess inventory related to the regional lockdowns last year.

The staged category increased by 10% driven by Beovision Harmony and Beosound Theatre.

Flexible Living increased 1%. Last year the Flexible Living category was impacted by some partners stocking up inventory.

On-the-go category declined 6%. The category had high comparable from the launch of Beoplay EX in Q4 last year in Asia, partly offset by growth in Bluetooth speakers and headphones.

Gross profit

Gross profit amounted to DKK 86m. (Q4 2021/22: DKK 69m). This was equivalent to a gross margin of 46.7%, up 11.7pp from Q4 last year. The development in the underlying margin was positively impacted by focus on price increases and a low comparable last year due to discounted deals.

Brand Partnering & other activities

Revenue amounted to DKK 82m (Q4 2021/22: DKK 98m). This represented a 16.1% decrease compared to Q4 of last year (-20% in local currencies).

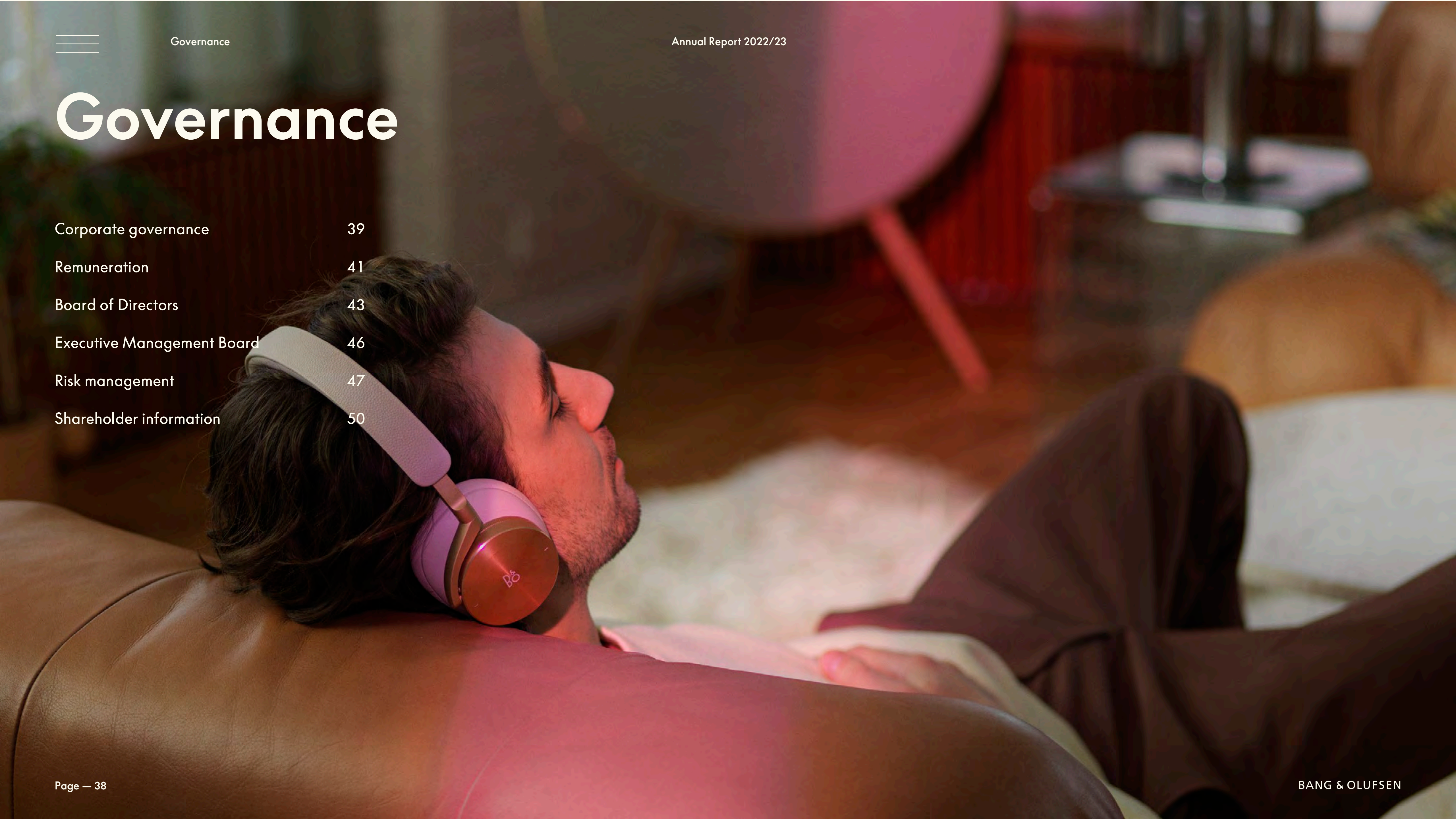
The development was mainly driven by lower license income from HP and a high comparable for product related income. The automotive industry was on par with last year.

Licensing income declined by 14%% and accounted for 78% of revenue in Brand Partnering & other activities.

Product collaboration from Cisco had a small decline, coming from a high level in Q4 last year with the launch order for Cisco.

Gross profit amounted to DKK 73m (Q4 2021/22: DKK 91m). This was equivalent to a gross margin of 89.8%, which was 3.0pp lower than last year. The decrease was expected and related to a higher share of product-related income as last year revenue included above-mentioned launch order for Cisco.

Governance



Corporate governance

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

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

Compliance with the Recommendations on Corporate Governance

Bang & Olufsen is subject to the Recommendations on Corporate Governance as updated in December 2020 (the Recommendations), prepared by the Danish Committee on Corporate Governance. The Board of Directors regularly reviews Bang & Olufsen's corporate governance framework and policies in relation to the Recommendations and any relevant statutory requirements, and continuously assesses the need for adjustments. At 31 May 2023, Bang & Olufsen was following all Recommendations.

Bang & Olufsen has prepared a detailed Corporate Governance Report in accordance with Section 107b of the Danish Financial Statements Act. The report includes a description of the composition of the Board of Directors and its work over the past year as well as a description of the main elements of the company's internal control and risk management system. The Corporate Governance Report can be found at https://on.beo.com/corporate-governance-2023.

Board of Directors

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

Normally, between eight and ten Board meetings are held each year, with ad hoc meetings being held if necessary. In 2022/23, 12 meetings were held.

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

For more information about individual Board members, including skills and competencies possessed by each Board member, see the section 'Board of Directors' on pages 43-45.

Board committees and Advisory Board

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

Board meeting and committee attendance

	Board meetings attended	Remuneration Committee	Audit Committee	Nomination Committee	Technology Committee	Strategy Committee[B]
Juha Christensen (Chair)	11 of 12	3 of 3		2 of 2	4 of4	1 of 1
Albert Bensoussan (Vice Chair)	10 of 12		6 of 6			1 of 1
Anders Colding Friis	12 of 12	3 of 3		2 of 2		1 of 1
Jesper Jarlbæk	12 of 12		6 of 6	2 of 2		1 of 1
M. Claire Chung	10 of 12	3 of 3				
Tuula Rytilä	12 of 12				4 of 4	
Brian Bjørn Hansen[A]	11 of 12					
Britt Lorentzen Jepsen[A]	12 of 12					
Dorte Vegeberg[A]	12 of 12					
Søren Balling[A]	12 of 12					

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

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

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

Board evaluation process

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

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

The external consultant has also conducted a personal interview with each of the members of the Board of Directors and the Executive Management Board to collect detailed feedback and input on the Board's performance and improvement areas.

The external consultant presented the results of the evaluation to the Board of Directors in May 2023. The evaluation also identified certain minor areas for improvement within the following areas:

- Increase focus on structured succession planning. This has also been an observation in previous years. However, as the organisation has been significantly changed and many managers in leadership positions have been replaced during the past years, the succession planning process has not been materially improved yet.
- More frequent interaction between Board meetings between the Board and the Executive Management Board to ensure that the Board’s competencies are used effectively on an ongoing basis.
- Frequent review of impact and execution KPI’s related to the sharpened strategic direction.

Steps are being taken to achieve improvements within these areas. The Chair has discussed and reviewed performance with and provided individual feedback to each member of the Board of Directors.

Risk management

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

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

- risk management guidelines
- risk governance structure
- annual wheel

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

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

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

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

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

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

Tax Policy

The company’s Tax Policy is available on the company’s website at https://investor.bang-olufsen.com/policies-and-charters.

Data Ethics Policy and report

The company’s Data Ethics Policy pursuant to section 99d of the Danish Financial Statements Act is embedded in the company’s Business Conduct and Ethics policy. The policy and the data ethics report are available on the company’s website https://investor.bang-olufsen.com/policies-and-charters.

Remuneration

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

The company's Remuneration Policy is reviewed annually by the Remuneration Committee and the Board of Directors. The remuneration policy and the full remuneration report for the financial year 2022/23 can be found at https://on.beo.com/remuneration-2023.

Board of Directors

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

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

Remuneration of the Board of Directors 2022/23

(DKK thousand)	Annual fee	Remuneration Committee	Nomination Committee	Audit Committee	Technology Committee	Strategy Committee	China Advisory Board	**Total 2022/23**	**Total 2021/22**
Juha Christensen	1,050	100	100		80	75		1,405	1,393
Albert Bensoussan	525			100		75		700	684
Jesper Jarlbæk	350		75	300		75		800	784
Anders Colding Friis	350	75	75			75		575	559
M. Claire Chung	350	75					50	475	475
Tuula Rytilä	350				95			445	425
Brian Bjørn Hansen[A]	350							350	350
Britt Lorentzen Jepsen[A]	350							350	350
Dorte Vegeberg[A]	350							350	350
Søren Balling[A]	350							350	350
Total	**4,375**	**250**	**250**	**400**	**175**	**300**	**50**	**5,800**	**5,720**

A Employee-elected

Executive Management Board

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

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

The individual composition of remuneration is determined with a view to contributing to the company's ability to attract and retain competent key employees while ensuring that the Executive Management Board has an incentive through variable remuneration to create added value for the benefit of the company's shareholders. For detailed information on remuneration, see notes 3.2 and 3.3 and the remuneration report for 2022/23, which is available at https://investor.bang-olufsen.com.

Board of Directors

JUHA CHRISTENSEN

Danish, born 1964

Chair since 2020
Joined (until): 2016 (2023)
Independent

Committee memberships
Remuneration Committee
Technology Committee
Nomination Committee
Strategy Committee

Bang & Olufsen shares, year-end:
200,864 (2021/22: 200,864)

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

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

ALBERT BENSOUSSAN

French, born 1959

Vice Chair since: 2020
Joined (until): 2020 (2023)
Independent

Committee memberships
Audit Committee
Strategy Committee

Bang & Olufsen shares, year-end:
18,000 (2021/22: 18,000)

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

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

ANDERS COLDING FRIIS

Danish, born 1963

Joined (until): 2018 (2023)
Independent

Committee memberships
Nomination Committee
Remuneration Committee
Strategy Committee

Bang & Olufsen shares, year-end:
23,400 (2021/22: 23,400)

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

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

JESPER JARLBÆK

Danish, born 1956

Joined (until): 2011 (2023)
Independent

Committee memberships
Audit Committee
Nomination Committee
Strategy Committee

Bang & Olufsen shares, year-end:
26,372 (2021/22: 26,372)

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

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

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

M. CLAIRE CHUNG

Chinese, born 1968

Joined (until): 2019 (2023)
Independent

Committee memberships
Remuneration Committee

Bang & Olufsen shares, year-end:
26,000 (2021/22: 26,000)

Competencies

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

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

TUULA RYTILÄ

Finnish, born 1967

Joined (until): 2019 (2023)
Independent

Committee memberships
Technology Committee

Bang & Olufsen shares, year-end:
24,300 (2021/22: 24,300)

Competencies

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

Directorships and other offices
BM Breville Group, Australia
BM eBrands Global Ltd.

BRIAN BJØRN HANSEN

Danish, born 1972

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

Committee memberships
-

Bang & Olufsen shares, year-end:
3,996 (2021/22: 3,996)

Competencies

- ■ Senior Business Manager, Head of 3rd party and partner portfolio

Directorships and other offices
-

BRITT LORENTZEN JEPSEN

Danish, born 1991

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

Committee memberships
-

Bang & Olufsen shares, year-end:
1,755 (2021/22: 1,755)

Competencies

- ■ Project Manager, Business Development

Directorships and other offices
-

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

DORTE VEGEBERG

Danish, born 1972

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

Committee memberships
-

Bang & Olufsen shares, year-end:
0 (2021/22: 0)

Competencies
- ■ Radio and electronics worker, Production

Directorships and other offices
-

SØREN BALLING

Danish, born 1971

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

Committee memberships
-

Bang & Olufsen shares, year-end:
8,622 (2021/22: 8,622)

Competencies
- ■ Production Manager, Mechanics

Directorships and other offices
BM Øster Hjerm Bygningsartikler

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

Executive Management Board

KRISTIAN TEÄR

Swedish, born 1963

Chief Executive Officer

Employed since
8 October 2019

Bang & Olufsen shares, year-end:
343,931 (2021/22: 188,000)

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

Directorships and other offices
BM International Tennis Hall of Fame & Museum
BM Oh My Greens AB

NIKOLAJ WENDELBOE

Danish, born 1975

Executive Vice President
& Chief Financial Officer

Employed since
1 May 2019

Bang & Olufsen shares, year-end:
127,975 (2021/22: 91,125)

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

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

LINE KØHLER LJUNGDAHL

Danish, born 1978

Executive Vice President
& Chief Legal Officer

Employed since
1 January 2015

Bang & Olufsen shares, year-end:
35,669 (2021/22: 23,877)

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

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

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

Risk management

The purpose of Bang & Olufsen's risk management framework is to protect and support the business and the brand. Key risks are identified and mitigated to an acceptable level. Bang & Olufsen regularly assesses the extent to which individual risks are acceptable or tolerable, as well as the extent to which these risks can be reduced to ensure balance between risk and return.

Bang & Olufsen has a systematic approach to risk management, where risk management tools and templates have been developed to ensure a structured approach to managing risks across the company. These includes:

- risk management guideline;
- risk governance structure; and
- annual wheel.

The risk management procedure sets out Bang & Olufsen's approach to risk management, the process for risk management, as well as the governance structure including roles and responsibilities. A full description of the risk governance is available on the company's website: https://investor.bang-olufsen.com/risk-management.

To contain risks within acceptable limits, Bang & Olufsen continuously monitors risks and assesses whether mitigating actions have the sufficient impact. This involves discussions with the Executive Management Board and relevant stakeholders to evaluate risks and mitigating actions based on possible impact and probability. These discussions throughout the year enable a proactive approach to adapting business processes and controls to meet, manage or mitigate such risks, or prevent potential increases in the current level of exposure.

The annual risk identification and assessment identifies and assesses key risks based on the following:

- analysis of internal status and external impacts and data;
- interviews with the Executive Management Board and other key stakeholders with a focus on their field of expertise and the company in general;
- analysis and consolidation of identified risks based on their potential impact and probability;
- validation process by the Executive Management Board of the identified risks, including analyses and prioritisation to establish the company's risk profile; and
- regular interactions with the Audit Committee in the form of bi-monthly updates and bi-annual discussions.

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

The purpose of the risk management process is to protect the company, meaning the reputation, the people, the business potential and the assets. Thus, the risk management process is designed to identify and assess material risks associated with the ongoing business and strategic direction.

Key risks and additional risks

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

Key Risks 2023/24

PRODUCTS FOR THE FUTURE

Description

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

Risk

There is a risk that Bang & Olufsen is not able to develop valuable, reliable, new technologies and incrementally improve the core technologies when needed, enabling future relevance and growth. This includes capturing the technological trends to ensure development of relevant and competitive products and timely execution of the product roadmap. The potential consequences can be failure to meet consumer expectations and demand, missed market opportunities, impact inability to create a sustainable business in the future and to meet growth targets.

Mitigating actions 2023/24

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

SECURING FUTURE GROWTH IN KEY MARKETS

Description

Bang & Olufsen's strategic markets are, EMEA, Americas and Asia. The achievement of the company's growth targets depends on Bang & Olufsen's ability to execute on its strategy in these areas and secure continued growth.

Risk

There is a risk that Bang & Olufsen is unable to secure continued growth in key markets. The potential consequences include the inability to grow the markets further or to maintain current revenue growth rates.

Mitigating actions 2023/24

Focus is to execute on the revised strategic orientation, reinforcing luxury positioning whilst securing growth. This entails laying the foundation for the longer-term strategic reorientation for the regions, including enhancing the close cooperation with the monobrand network and strengthening cooperation with key multibrand partners while also developing B2B and eTail to ensure a balanced channel mix.

SECURING FUTURE TALENTS

Description

Overall, "the Great Resignation" is still influencing retention. However, it is extremely important to continue with the necessary recruitments and retain key employees to execute on the strategic direction.

Risk

There is a risk that Bang & Olufsen is not able to attract, develop and retain key employees. If the company cannot fill and maintain key positions, the potential consequences can be a negative impact on strategy execution and operations. The financial targets will be difficult to meet and a solid talent base for future growth will be difficult to build.

Mitigating actions 2023/24

Mitigation is based on long-term actions that are prioritised according to impact, the most important being activation of core values, defining and implementing leadership principles and rolling out a new performance and reward strategy.

IT SECURITY

Description

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

Risk

There is a risk that Bang & Olufsen fails to adequately protect the IT infrastructure, key systems and Bang & Olufsen products against security incidents. The potential consequences can be unavailability of services, unintended disclosure of confidential data or sensitive personal data or loss of business-critical data, which may negatively affect Bang & Olufsen's competitive position, damage its reputation and/or result in fines.

Mitigating actions 2023/24

The company has conducted a detailed risk assessment and prepared a plan to implement extensive initiatives to strengthen the IT security setup. Furthermore, updated cyber security awareness training courses will be conducted in combination with intensified monitoring of IT services and responsiveness

DELIVERING ON ESG AND SUSTAINABILITY PROMISE (SEE MORE ON PAGE 55 OF THIS REPORT)

Description

The company faces increasing demands from multiple stakeholder groups to demonstrate progress and transparency on the company's ESG and sustainability efforts. In addition, the company needs to prepare for a potential future of climate change disruption. In 21/22, Bang & Olufsen introduced a new and ambitious ESG & Sustainability strategy with KPIs to address these concerns, contribute positively to society and fight global climate changes.

Risk

There is a risk that Bang & Olufsen cannot deliver the desired progress on its sustainability & ESG strategy. The potential consequences can be failing to live up to stakeholder expectations or being associated with greenwashing. Thereby, consumer willingness to buy our products or partnership opportunities could be reduced.

Mitigating actions 2023/24

The focus is on delivering both on the product longevity and on the Cradle-2-Cradle (C2C) part of the strategy, including provision of a credible foundation. Focus is on using data to create transparency on product and product systems impacts, while obtaining C2C certifications.

GLOBAL MACRO-ECONOMIC AND GEOPOLITICAL UNCERTAINTY

Description

The high uncertainty related to consumer sentiment due to high inflation, rising interest rates, geopolitical tensions, the unrest in Ukraine and the recovery in China are impacting predictability and thereby the overall operations.

Risk

There is a risk that Bang & Olufsen cannot sustain revenue due to the macroeconomic headwinds and geopolitical uncertainty in certain parts of the world where Bang & Olufsen is operating. The potential consequences can be an inability to meet growth targets.

Mitigating actions 2023/24

The company has worked diligently to secure a robust foundation with a lean cost base to navigate in times of turbulence. The general uncertainty impacts the majority of the identified risks for 2023/24 and consequently, mitigating actions are taking this into account. Furthermore, supply chain is being evaluated to reduce dependency and diversify the global footprint. Finally, the new target segments with focus on VHNWI will reduce sensitivity towards recession.

Shareholder information

Bang & Olufsen strives to provide all stakeholders with timely and relevant information, through an open, transparent, and active dialogue.

On 31 May 2023, the total market value of Bang & Olufsen was DKK 1.3 billion, excluding treasury shares. During the fiscal year 2022/23, the share price declined by 33% to DKK 11.20 on 31 May 2023. In comparison, the Nasdaq OMX MidCap index, which Bang & Olufsen is part of, declined by 1.3% in the period.

From beginning of 2023 to end of reporting period, the Bang & Olufsen share price increased by 37% despite the company adjusting the outlook on 17 March 2023 due to lower-than-expected sales in China. In the same period the OMX Midcap index grew by 2.1%.

High volatility continued to impact the financial markets in 2022/23, affected by high inflation, rising interest rates, and the war in Ukraine. In addition, higher component prices and freight rates persisted, impacting supply chains in the first half of the fiscal year. This began easing during the second half of the year.

Shareholder composition

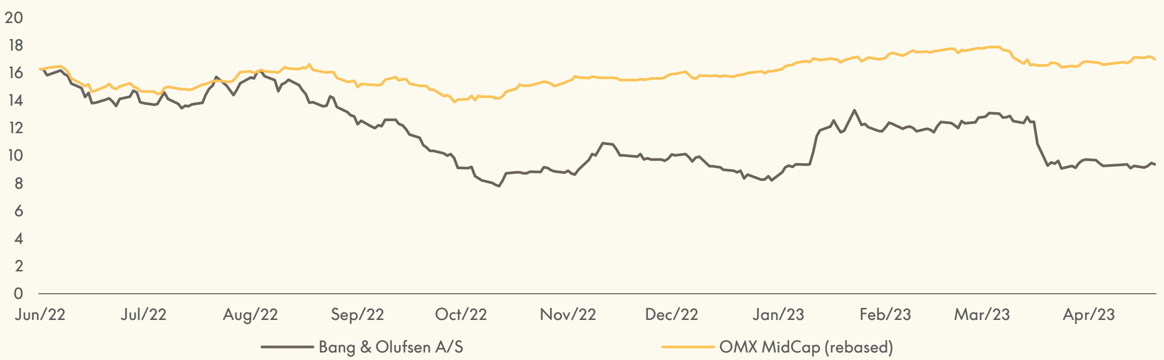
At the end of the financial year 2022/23, the company had around 31,000 shareholders. This was at the same level as a year earlier.

The shareholder base is predominantly Danish and constituted 67% of the total share capital at end of May 2023, against 68% at beginning of the fiscal year.

By end of fiscal year, two shareholders had notified Bang & Olufsen of holdings more than 10% and one shareholder a holding of more than 5%.

On 31 May 2023, the company owned treasury shares equivalent to 2.4% of the share capital, with the purpose of hedging the AGM-approved long-term combined performance and restricted share programme.

Share price development 1 June 2022 to 31 May 2023

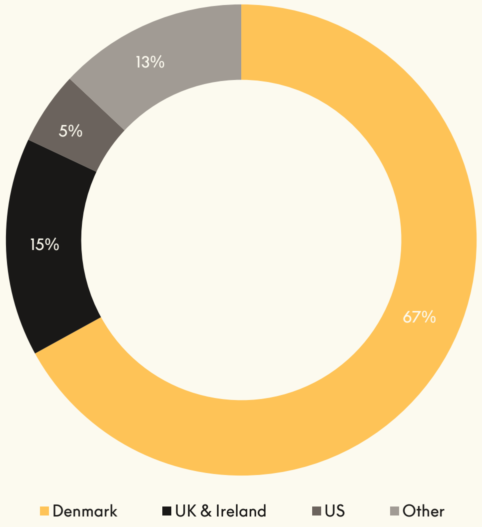


The Bang & Olufsen share

Stock exchange	NASDAQ Copenhagen
Identification code (ISIN)	DK 0010218429

	31 May 2023	31 May 2022	31 May 2021
Closing price (DKK)	11.24	16.64	32.14
Market value (DKKm)	1,380	2,055	3,944
Average daily turnover (DKKm)	2.0	11.8	13.8
Shares issued	122,772,087	122,772,087	122,772,087
Treasury shares	2,983,739	3,244,692	2,112,372
Earnings per share (DKK)	-1.2	-0.2	-0.2
Price/Earnings	-9.8	-67.6	-168.6

Shareholder composition, 31 May 2023



Major shareholders, 31 May 2023

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

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

More than 5%:
- Chr. Augustinus Fabrikker Aktieselskab

Capital structure

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

To enhance flexibility for the next fiscal year, the commitment of the credit facility was increased by DKK 50m to DKK 200m in May 2023. On 31 May 2023, the company's combined capital resources, consisting of available liquidity DKK 224m and the undrawn part of the ESG-linked credit facility DKK 160m, amounted to DKK 384m. (year-end 2021/22: DKK 421m).

The Board of Directors proposes that no dividends be paid for the financial year 2022/23 as the company continues to invest in its strategy execution and building robustness. Furthermore, uncertainties related to COVID-19, the war in Ukraine and consumer demand remain high, and this is also reflected in the company's outlook for 2023/24.

Investor Relations activities

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

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

Financial calendar

2023

17 August	Annual General Meeting Bang og Olufsen Allé 1 Denmark Deadline for subjects and proposals to the agenda 6 July 2023
11 October	Interim report Q1 2023/24

2024

10 January	Interim report Q2 2023/24
10 April	Interim report Q3 2023/24
4 July	Annual report 2023/24

ESG & Sustainability

This chapter concerns the environmental, social, and governance performance of Bang & Olufsen A/S. It is prepared with reference to the GRI Standards. Certain ESG data points presented, denoted with an *, have received limited assurance for their data collection processes by an independent third-party assessor, and the report is compliant with sections 99a , 99b, 99d (see page 41 of the report) and 107d of the Danish Financial Statements Act and the EU Taxonomy regulation. The accompanying GRI Index is available on our website: https://corporate.bang-olufsen.com/en/sustainability/policy

Our progress towards a regenerative and circular future

Today, the consumer electronics industry is characterised by short product lifecycles, non-circular business models and planned obsolescence. This is polluting the environment and enabling exploitation in the value chain. We are consciously moving away from this mainstream business model and providing an alternative for the industry and global consumers of audio and vision products: designing products to last a lifetime and beyond to support a more circular future.

This approach is an integral part of our corporate strategy and ambition to strengthen our Luxury Timeless Technology proposition – and is reflected in our purpose of creating "Magical Moments; Designed for Life". In this way, we create value not only for our target audience of Design & Music Lovers, but also for our shareholders, employees and society at large. Our core values of 'being entrepreneurial', 'show love' and 'creating magic' underpin our purpose.

Our sustainability ambition is to lead and inspire a movement towards a circular, regenerative future by creating long-lasting luxury technology products and experiences – from the first customer to the last. We are committed to addressing our most material issues, and today our most significant impact is the environmental emissions from our upstream supply chain. We aim to minimise or avoid it by creating products that last a lifetime or even last multiple lifetimes,

ESG & SUSTAINABILITY TARGETS
Longevity champion
All products beginning development from 2022/23 onwards are to be Cradle to Cradle certified^
At least 10 Cradle to Cradle certified products by 2024/25^^
Demonstrate industry leading repairability on headphones and speakers by 2024/25^^^
Environmental impact
Achieve 100% renewable electricity in operations by 2024/25 (Scope 2)
Set an emissions reduction target in line with the Science Based Targets Initiative across Scopes 1, 2 and 3 by the end of 2022/23
Social responsibility
Four times a year, 100% of people managers reporting to the Global Leadership Team will report on local DEI targets as part of their business review ^^^^
Each year, ensure training for DEI council members to enable them to support the organisation with DEI targets and initiatives
Target 1 million people with information on the value of circular and long-lived consumer electronics by 2024/25
Governance & integrity
Each year, 100% of the Global Leadership Team to receive face to face ethics and business conduct training
100% of our high-risk suppliers to undergo on-site audits every 2 years^^^^^

^ Excludes collaborations and partner products, and does not include products already in the company's product roadmap prior to 2022/23, ^^Includes existing portfolio of certified products, ^^^Industry-leading will be defined using repairability indices benchmarking performance among competitors, ^^^^Global Leadership Team is the wider leadership team consisting of all the functional leads reporting to the CEO, DEI stands for Diversity, Equity and Inclusion ^^^^^ Supplier risk is evaluated through a matrix that looks at potential business impact as measured by commercial relevance of the supplier and the proximity to our brand, against the risk of non-compliance with our Code of Conduct requirements.

That is why championing product longevity is the centre of our ESG & Sustainability Framework, which consists of four interlinked focus areas: Longevity Champion, Environment Impact, Social Responsibility and Governance & Integrity. Our framework helps us address our negative impacts and positively impact society and the natural environment.

We have these identified several long-term sustainability targets. These enable us to drive change and demonstrate progress. Also, we have mapped our ESG & Sustainability Framework and targets to the United Nations Sustainable Developments Goals to ensure alignment with the UN's 2030 goal of achieving a better and more sustainable future for all. Please refer to page 65 of this report.

Determining our material issues

We have defined our most significant impacts according to best practice reporting standards as defined by GRI, the Global Reporting Initiative. Therefore, we use the process of materiality to identify and prioritise our most important ESG and sustainability issues. We achieve this through stakeholder engagement. As outlined in our Stakeholder & Sustainability Policy, we engage with key stakeholders regularly and integrate their input into our activities and risk assessments. By understanding outside-in and inside-out views of our impacts, we can mitigate risks, seize opportunities and address the impact areas for our stakeholders and business.

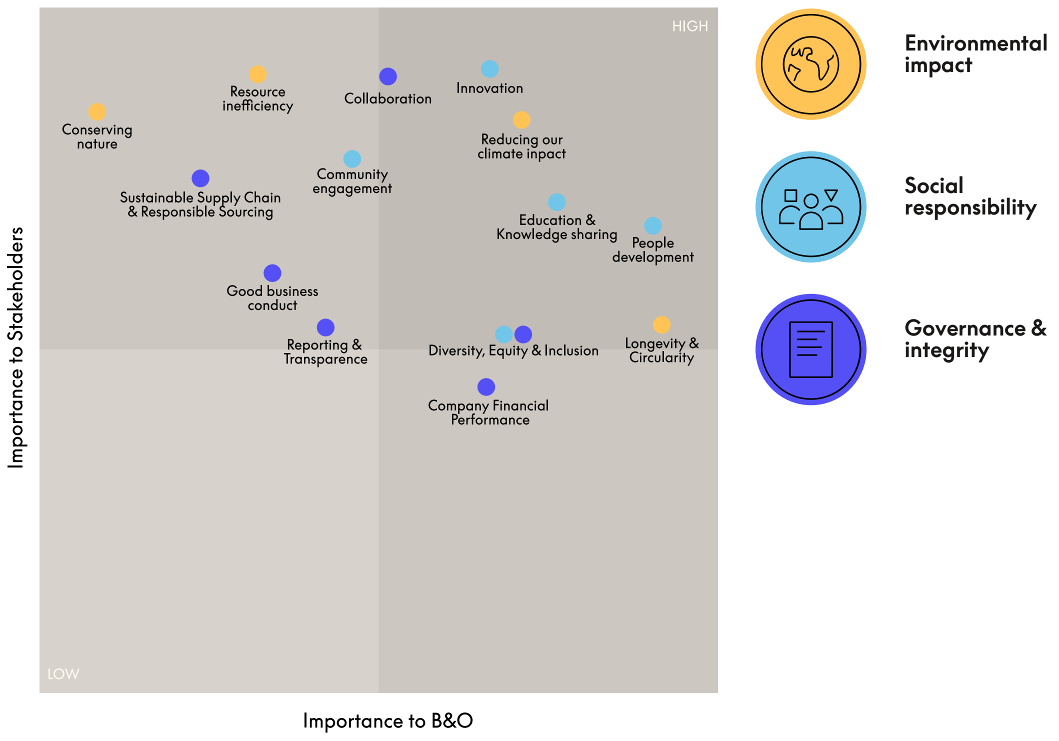
Our materiality assessment was conducted in 2021/22. We got insights from key stakeholders and subject matter experts (please refer to our Stakeholder & Sustainability Policy for a complete list). We integrated their input with the views of our management and Board of Directors, creating a list of topics that we then prioritised. Our most material issues are shown in the top right-hand quadrant. We will conduct our next materiality assessment in line with the double materiality requirements in the EU's Corporate Sustainability Reporting Directive (CSRD).

Governance that drives progress and transparency

Our ESG & Sustainability Framework is embedded in our corporate strategy. The Board of Directors approved our strategy and has oversight, and one member is appointed sponsor for sustainability. Our Executive Management Board (EMB) and broader Global Leadership Team (GLT) monitor progress and targets. Members of the EMB and GLT, whose areas are essential to driving progress, are part of our ESG Committee and oversee the execution.

Underpinning our governance are our policies: Stakeholder & Sustainability, Business Conduct & Ethics, People & Diversity. These policies have well-defined lines of responsibility to the GLT and Board of Directors and are reviewed annually to ensure they are fit for purpose and address the correct issues for the organisation.

Our materiality matrix



Championing longevity

We want to continue to create long-lasting luxury technology products and experiences that are true to our heritage while ensuring we live up to our responsibilities as a good corporate citizen. We deliver on our longevity promise across three focus areas: We are designing for the future, we take responsibility for the past, and we work to ensure continued and multiple lives for our products.

Designing for the future

We ensure that our products have the longest possible lifetime by utilising the highest quality and rated materials and components and modular software platforms. We also ensure that we design and develop our products to be repairable and serviceable by applying modular design thinking. To support this and document incremental advancements, we use standardised frameworks to assess and improve product circularity as well as material, repairability and upgradability performance. The main framework we use is the Cradle to Cradle Product Standard, and we consider it to be the world's most ambitious product circularity standard today.

The certification process measures the environmental and social sustainability of the product in the design and manufacturing phase and scores the product on a scale from bronze (lowest) to platinum (highest), based on five categories: material health, product circularity, clean air and climate protection, water and soil stewardship and social fairness.

In 2022/23, we established an internal cross functional Cradle to Cradle working group to ensure that the Cradle to Cradle principles are firmly integrated into our product development process. Our aim is that all products beginning development in 2022/23 will be Cradle to Cradle certified, and we are on track to deliver on that target. A key milestone this year was the integration of the Cradle to Cradle specifications for the bronze level into the Product Technical Requirements Document template, the foundational document of all our product development.

We are committed to certifying at least 10 existing products by the end of 2024/25. In 2021/22, we certified Beosound Level; in 2022/23, we completed our application for Beosound Emerge, which was approved in June 2023. In 2022/23, we launched several new products, including Beosound A5 and Beosound Theatre, which we expect to be Cradle to Cradle certified during 2023/24. Beosound Theatre is the most modular soundbar in the world and is built to last beyond the average lifecycle for a TV solution. In fact, the soundbar’s design is so modular that you can replace almost all hardware and software over time.

We aim to certify at least three products in 2023/24. In addition, we will perform a gap analysis between the bronze and silver level certificates for our products to demonstrate continuous improvement according to the standard. We remain on track to deliver on our long-term Cradle to Cradle targets.

We have developed our own assessment of speaker and headphone repairability, called the ‘B&O Repairability Index’. It is a scorecard of criteria measuring a products repairability across several repair-related pillars, where we investigate product design, spare part availability, time to service, and so on, with each category being weighted based on its importance for repairability. Each question parameter is marked from 1-10, and a final score combines the different pillars and parameters into a single score out of 10. This year, we began to use the index as part of our product development process. The index is now a standard metric in our process to support our design decisions and it will help us in future-proofing our products. We expect increasing demands on repairability, and we will continue to improve and refine the index. We remain on track to deliver on our long-term target of demonstrating industry leading repairability on speakers and headphones by 2024/25.

Taking responsibility for the past

We believe that a high-quality product does not have to have an end-date and that pre-owned products can be as good as new. Our “Recreated Classics” programme is a testament to our products’ timelessness and our ability to connect our classic products with our current portfolio. We see great interest in both the products and related services, such as our upgrade kits which are available for customers with old B&O turntables. We will continue to expand the portfolio, recreating and relaunching more icons of the past, as we have done

with Beogram 4000c, the Beosystem 72-22 and most recently the Beosystem 72-23.

The Beosystem 72-23 was launched in May 2023, and consists of a recreated turntable from 1972 with a pair of Beolab 28 speakers manufactured in 2023. The system is the realisation of our longevity commitment. It underlines our ability to connect products manufactured fifty or more years ago with new products and combine them into a complete sound system.

Ensuring continued and multiple lives

We offer an industry-leading repair service to ensure our products meet their expected first lifetime and beyond. Together with our in-house Field Technical Service (FTS) and a partner network of 320 repair and service technicians, we also service our customers’ Staged and Flexible Living products, either in their homes or at the service local location. On top of this, we have a selection of partners globally who are working in partnership with our repair experts in Factory 3 and together form our Classic Service Alliance. The intention of the alliance is to bring together the research, knowledge, investment and experience of our most advanced partners to bring life back to life, upgrade and refurbish our much-loved classic products.

In 2022/23, we took a major step to reduce waste and increase repairs. We partnered with Ingram Micro, a leader in reverse logistics and integrated repair solutions, to provide global repair services for all headsets and small Bluetooth speakers. Ingram Micro operates regional repair hubs enabling short turnaround times and reducing transport and emissions to and from our customers. As a result, we expect to see a decline in the number of replacement headsets sent to customers, helping us to maintain customer satisfaction, achieve cost savings and improve the longevity of our products in the market.

B&O's Product Health Center (PHC) is a customer and partner portal for care and after-sales service. With our Remote Access feature, we completed more than 250,000 remote interactions to solve customer pains. In 2022/23, we introduced a new feature called 'Proactive Support' which is available for our Mozart-based products. This feature performs a product health check every ten minutes and reports back issues with the product. Since it was introduced, more than 1.2 million customers have activated this feature in our app. This feature will help us extend the life of the product and help minimise unnecessary technician call outs.

We also refurbish pre-owned products and sell them as 'B&O certified refurbished' through select partner channels. This allows us to ensure products continue long after their first lifecycle. If we have products that can no longer be restored or refurbished, or if we received worn-out equipment, they are disassembled. Spare parts that can be harvested are added to our library of spare parts for repairs or are sold for others to use. This year, we have harvested spare parts worth DKK 1.1m in inventory to support our approximately 20,000 annual repairs. The remainder of the material is recycled in line with the requirements of the WEEE Directive and local waste regulations. This approach has meant that we produce very little electronic waste at our repair and refurbishment sites.

All products will eventually reach an end in their lifecycle, and we want to play our part in ensuring that we turn waste into raw materials, which can be used for creating new products. Due to the complex nature of consumer electronics products and the use of certain chemicals on the components, recyclability at end-of-life is a considerable challenge for the consumer electronics industry.

In 2022/23, we became part of the "CirkEL" project with ten other companies from the consumer electronics value chain. CirkEL is a two-year-long, industry-wide research study into improving recycling rates of electronics funded by the Danish Environmental Protection Agency. We expect this to help accelerate recycling of critical resources, reduce greenhouse gas emissions, and improve future supply.

Environmental impact

As outlined in our Stakeholder & Sustainability Policy, our approach to managing and mitigating our environmental impact from our operations and value chain is through circularity and science-based climate action. Sustainability is integrated into our operations through strategic targets and these are realised through cross-functional collaboration.

Materials & Circularity

We are committed to sourcing more sustainably and increasing our use of recycled materials. Aluminium is a signature material for us, but extraction and processing of virgin aluminium has significant environmental and climate impact. In 2022/23, we took several actions to mitigate our contribution to these negative impacts. Firstly, we joined the World Economic Forum's First Movers Coalition (FMC) to drive the decarbonisation of the aluminium industry by supporting the scaling of both low-carbon and recycled aluminium. As part of our commitment to FMC, at least 10% of our aluminium will come from low emission producers by 2030. On top of this, we also chose to commit to the circularity target whereby at least 50% of all aluminium procured is sourced from recycled aluminium by 2030.

First Movers Coalition

This year, we also switched to a low-carbon aluminium product from our main supplier of extruded products. This consists of primary aluminium produced exclusively with hydropower, while the alloying and extrusion processing are powered using regeneration burners and waste heat recovery. As a result, the product has a carbon footprint of just 2.7 tCO2e/tAl, compared to an average of 6 tCO2e/tAl in Europe and a global average of 16.7 tCO2e/tAl*. In the coming year, we will be mapping our global aluminium supply to better understand the baseline impact for our products and begin work to integrating more post-industrial recycled content (PIR) and post-consumer recycled content (PCR) in our products in line with our Cradle to Cradle commitments.

This year, we conducted an internal audit of waste management practices at our manufacturing and office locations. While all locations had waste management in place, not all had recycling. As part of our ambition to create circular long-lasting products for customers, we realise the need for us to address our operational waste in the same way. By introducing recycling across our estate, we have taken an important step towards having more circular operations.

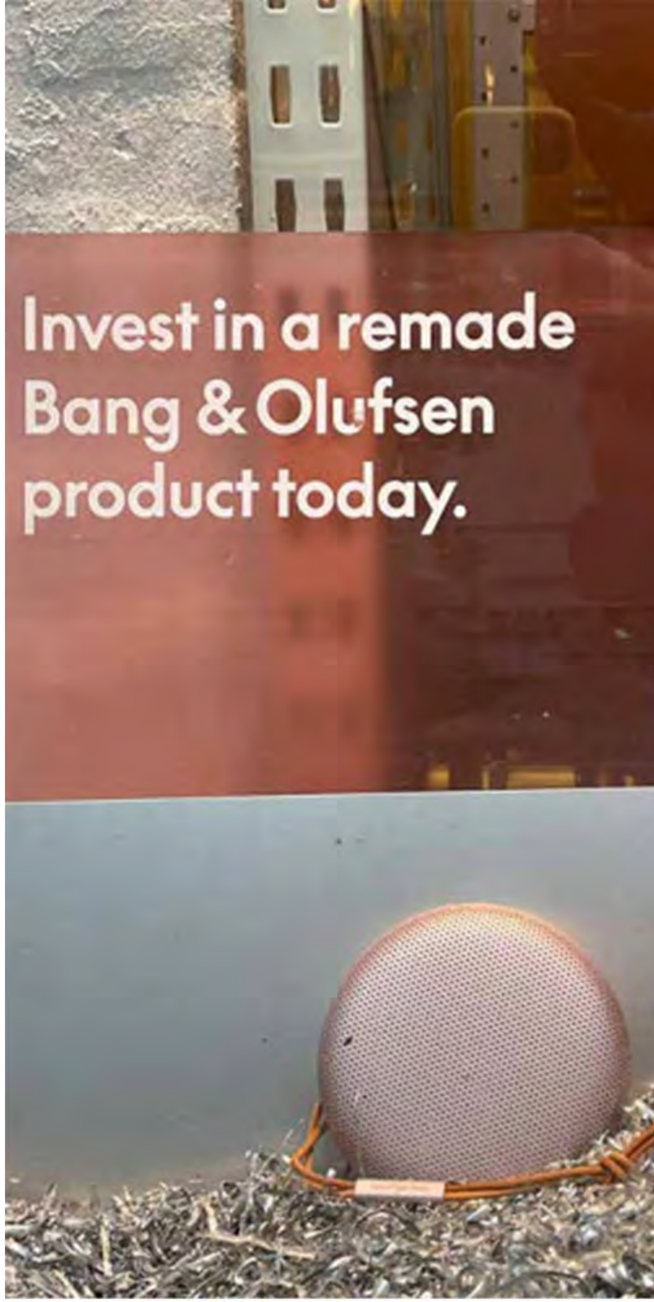
Our manufacturing, repair and office HQ in Struer Denmark is responsible for generating more than 90% of our waste. During 2022/23 73% of this was recycled, down from 74% in 2021/22, however 31% less waste was generated from 2021/22 to 2022/23. We will look to increase the amount of waste that goes to recycling in the future and set targets for improvement in 2023/24. We also entered a collaboration with Foxway, an organisation with a primary focus on circularity within IT equipment in Europe. Through partnership this we saved almost 18 tons CO2e through re-use and recycling of our old office IT equipment.

Energy & Climate

Our aim is to move away from dependence on fossil fuels, sourcing renewable and zero-emission energy across our whole organisation. We are committed to science-based climate action to address the impacts and emissions of our products and value chain.

In 2022/23, we reduced our operational energy consumption by 21% compared to last year. There were several drivers, including new energy efficiency initiatives, improved data for fuel consumption for our car fleet and lower activity at our aluminium manufacturing site.

Our decision to move away from fossil fuels in our operations has changed the profile of the energy consumed. The installation of an electric boiler, powered by renewable electricity, in Factory 5 was completed in Q2 2022/23. This resulted in a reduction of natural gas consumption by 67% compared to 2021/22. In the future, natural gas will be used only as a back-up power source.



*Erbslöh Newtral Aluminium

We made significant progress in our efforts to reduce our greenhouse gas (GHG) emissions in our operations. Our operational emissions were 955tCO2e (market-based), a reduction of 80% compared to 2021/22. This was primarily due to the procurement of renewable or zero-emission electricity for our operations, as well as the reduction in natural gas consumed at Factory 5. We have a target to have 100% renewable electricity for our global operations by 31 May 2025, we are on track to achieve this target.

Emissions related to the energy consumed by our car fleet are now the largest contributor to our Scope 1 emissions figure. In 2022/23, we implemented a new car fleet policy with the aim to phase out petrol and diesel powered vehicles and have electric-only cars by 31 May 2025. To support this initiative, we invested in charging infrastructure for electrical vehicles at our headquarters in Struer this reporting year.

This year, we completed a full inventory of our Scope 3 emissions for the first-time using 2021/22 as a baseline. We found that 97% of our emissions in 2021/22 were from Scope 3 and just 3% came from Scope 1 and 2. For 2022/23, our Scope 3 emissions were 99% of our total emissions, reflecting the emissions reduction activities we had implemented in our operations during the past year. These Scope 3 emissions were 148,798tCO2e, which is 20% lower than our 2021/22 baseline emissions.

In 2022/23, the main impact categories continued to be product-related purchased goods and services (64% of total Scope 3) and use of sold products (26% of total Scope 3), followed by transport and distribution. The emission reductions for products were primarily driven by a combination of several factors. One was the change in the composition of sold product portfolio towards products with lower carbon intensity per unit. Also, our efforts to shift more product transport from air to sea cargo positively contributed. Finally, a lower sales volume compared to last year also had an impact.

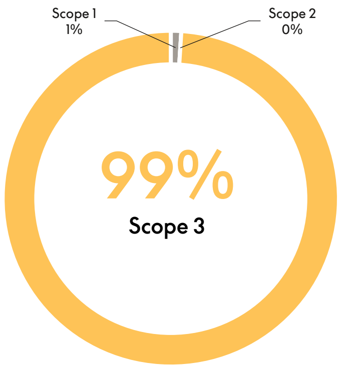
For 2022/23, we had a target to set emissions reduction targets in line with Science-Based Targets initiative (SBTi) framework for corporate climate action across Scope 1, 2 and 3. We have achieved that. We now have near-term and long-term targets for both our operations and value chain, and we expect to receive validation from SBTi for them in 2023/24.

Our aim is to be operationally Net Zero in 2027* (scope 1 and 2). For our value chain, our near-term target is aligned to the 1.5°C reduction pathway required by climate science, meaning that in 2030** we will have achieved an absolute reduction in our Scope 3 emissions of at least 37.8%. Our long-term target will be to achieve Net Zero across our value chain in 2040***. These targets will replace our previous environmental targets and are subject to SBTi validation.

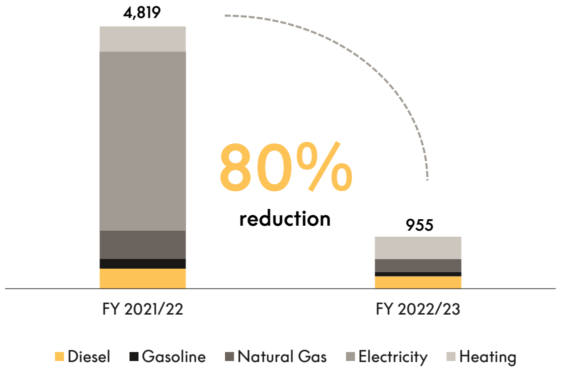
We have identified reduction levers to 2030 and more to 2040 that address impacts across most of the Scope 3 categories. We will work with our suppliers and distributors to drive the transition away from fossil fuels towards renewable energy. We will also work to reduce the lifetime energy consumption of our products. This will be done through energy efficiency initiatives and innovations and by engaging with customers on how they use their products. On top of this, we will work with our partners and others in civil society to support the creation and adoption of more circular business models and behaviours. This will also contribute to reduce emissions from mining and manufacturing and promote material cycling and longer-lived, multiple-life products. Our emissions neutralisation strategy for residual emissions will focus on the promotion and conservation of biodiversity through regenerative means. Finally, we will use our voice and brand to advocate for a just transition to a low-carbon future.

We will monitor our performance against our new environmental targets on an ongoing basis through the ESG & Sustainability governance structure. We view this as future proofing our business for the low carbon economy and taking responsibility for our impacts as a company.

The proportion of emissions per scope 2022/23



Scope 1 & 2 Emissions (market-based, tCO_2e)



*We will achieve our Scope 1 and 2 operational Net Zero target in 2026/27; **We will achieve our near-term Scope 3 target in 2029/30;
***We will achieve our long-term Scope 3 Net Zero target in 2039/40

Social responsibility

We take responsibility for our employees by focusing on diversity, equity & inclusion (DE&I). We also support society at large through education of future generations in STEM (Science, Technology, Engineering and Mathematics) and by informing people of the value of circular and long-lasting consumer electronics. Finally, we support our supply chain by implementing fair labour conditions and taking action on human rights.

Diversity, Equity, & Inclusion

As defined in our People & Diversity policy, we want to be representative of the society in which we operate, the markets in which we sell and the pool of talents we hire from. We know that diversity is valuable only in a work environment that is equitable and inclusive. Therefore, it is business critical for us that we continue to ensure such a work environment. This allows us to select from the widest talent pool possible, grow our talents and remain innovative and competitive.

Our Executive Management Board consists of three members, one of whom is female (33%) and one is international (33%). The company's Board of Directors consists of 10 members including employee-elected representatives, four of whom are female (40%) and three members have international backgrounds (30%). Of the shareholder-elected members of the Board, 33% are female and 50% have an international background. The Board believes that members should be chosen for their overall competencies and recognise the benefits of a diverse Board in respect of experience, culture and gender. We adhere to the rules of target-setting for the underrepresented gender and therefore no targets are set for the Board and the Executive Management Board.

We have updated our People & Diversity Policy to define diversity across age, gender, culture and competencies. Our ambition is to continue to diversify the representation in leadership positions and we will continue that work in the coming year. For leaders reporting to the Executive Management Board, we have a target to reach 25% of women by the end of 2025 and a minimum of 40% over time. In 2022/23, the figure was 16%.

The company's DE&I ambition and women in leadership target is anchored with the Global Leadership Team (GLT) and implemented in all functions. That means that all GLT members set individual DE&I targets relevant to them and their organisation and report on progress. For the first time this year, all members of the GLT shared their progress on DE&I targets as part of our quarterly business reviews. We believe it is important to develop a diverse talent pipeline within our organisation and create a safe and inclusive workplace where our employees can thrive. Our target was to complete this at each quarterly business review. However, we used the first six months to identify the relevant targets for each GLT member, which meant that this target was not achieved. With the process in place, we expect to deliver on the target in 2023/24. We have also updated the wording for this

target, so it reflects the governance structure in place. That means the GLT members will report on the progress made with their targets. For the updated target description, please refer to the Updated ESG & Sustainability Targets table on page 65.

In 2021, we established our DE&I Council. The council is sponsored by our Global Leadership Team and has 13 members representing the global organisation. In 2022/23, the council took its first initiatives across three areas: Recruitment, People Development and Communication. Among several initiatives, the council worked with our Talent Attraction Team to ensure an unbiased recruitment process. This involved the testing of an Artificial Intelligence (AI) tool to change the tonality of job postings with the aim of expanding and diversifying our candidate pool. We did not achieve our target of specialist training for all our DE&I council members in 2022/23 and this will be a priority for next year.

Our female leadership network continues to engage with colleagues and facilitate conversations with emphasis on the development of female leaders. Five roundtables were hosted by the female leadership group throughout the year which brought valuable knowledge which has been used to improve inclusiveness in our workplace. The mentor program

initiated in 2021 where senior female colleagues mentor junior female colleagues from other functions captures both the benefits of mentoring and cross-functional sharing. More than fifty employees participate in the initiative.

DE&I remains a priority in 2023/24. We will among other things focus on creating the best foundation for non-biased recruitment and ensure better representation of identity groups in senior leadership positions through internal development.

People development

Our aim is to have a culture in which people can realise their full potential and where everyone feels empowered to nurture their own development. We measure people, not only on results, but also how they deliver them. We believe that for Bang & Olufsen to be even more successful, we need people who feel they can meet their personal aspirations, grow their capabilities and feel motivated and engaged in their job.

We measure employee engagement on an ongoing basis. We call our surveys BeoPulse and we conduct them with support from an external consultancy firm. In 2022/23, we completed two surveys, and this frequent feedback from the organisation enabled the Global Leadership Team to identify and address issues proactively and continuously with the rest of the organisation. This year, our average engagement score was 77.

This year, we also hosted our second hackathon. This time with focus on sustainability. The purpose of our hackathons is to foster a strong culture of innovation and collaboration across the company – and bring out about new ground-breaking solutions. In May 2023, thirty-two colleagues from all over the world worked together for thirty-six hours on eight projects aimed at reducing B&O's climate footprint, supporting our longevity promise and improving customer experiences.

To strengthen and develop skills, we have conducted a series of both virtual and face-to-face learning sessions in 2022/23 for all colleagues. These sessions included training with people managers to help them have impactful, dialogue-based feedback conversations. In 2023/24, we will, among others, launch a leadership development programme, which will include training in our leadership principles and behaviours. We will also continue our cross-functional hackathons to stimulate collaboration and innovation between and understanding of different functions.

Occupational Health & Safety

Health, safety and well-being of our employees are of the utmost importance to us. We are committed to creating a workplace where employees can perform, develop and grow while at work and to achieve this, we focus on both psychological and psychical safety. We work to prevent work-related injuries and ensure good physical work conditions. We have an equally strong focus on creating a constructive and positive workplace with a strong "speak up" culture to support psychological safety and to improve mental health.

In the spring of 2022, we completed a physical and mental health workplace assessment. In 2022/23, we launched initiatives and completed actions derived from that assessment. To set the minimum standards for occupational health, safety and employee wellbeing, we introduced a Health & Safety guideline. We have also implemented an anti-harassment guideline linked to our company values and People & Diversity Policy.

Workload and mental well-being have been two important focus areas for us in 2022/23. We have re-launched our BeoMinds universe, an online portal with tools that can help improve mental well-being. Together with our Works Council, we have introduced the B&O Wellbeing Guides. This team of colleagues acts as first aid responders within mental health and as first line of contact for colleagues. We have launched a new Health & Safety online portal to make accessing relevant information about occupational health and safety topics easier for the organisation. In 2023/24, we will introduce a Health & Safety dashboard with new performance indicators.

Social Responsibility in the community

We understand and embrace our role as a leader and corporate citizen in our local communities and we recognize that when they thrive, we thrive.

We engage with our local communities in several ways, including through academic partnerships, local educational initiatives and student placements and support for cultural events. Our commitment to the promotion of STEM education through collaboration with leading technical universities in the field has been ongoing for more than 50 years and we have extended this remit to include sustainability, circularity and longevity as important topics for education and employee development across the board.

Our Innovation Summer School targets students at bachelor and masters level and has been running annually (except during COVID) since 2008. This year it

was hosted in partnership with Sound Hub Denmark, Struer Municipality, local companies and Danish universities. Sustainability and circularity were introduced as topics as part of the standard curriculum and the students learned about understanding and assessing product environmental impacts. For the 4th year in a row, in October 2022, we took part in the Danish campaign, 'Girls Day in Science' together with 140 other companies. The goal is to encourage more young women to choose to study science, technology, engineering and mathematics in high school and university. We had around 40 young women visiting our Struer Headquarters with our own female colleagues introducing them to our work.

Encouraging entrepreneurship, innovation and knowledge exchange

Sound Hub Denmark is a business accelerator in Struer and we are a founding partner. We support several initiatives. A key initiative this year was the Research project SOUNDS project (Service-Oriented, Ubiquitous, Network-Driven Sound). In this project, PhD students from throughout the world collaborate on cutting edge audio solutions to increase the quality of conversations and sound in normally challenging situations by adding a layer of software where audio devices can cooperate and thereby improving sound quality for the user. The project included lectures and workshops with B&O specialists and others in Sound Hub to share experiences and knowledge, including on sustainability and circularity in product design.

In 2022/23, we also continued our work with the ISOBEL project, which is a DKK 30m project funded by the 'Innovationsfonden'. The purpose of this project is to create interactive sound zones for better living and improved health. The project will be concluded in 2023/24 and the findings published.

B&O is the largest corporate employer in Struer. For this reason, we take an active part in funding and driving local events, such as music events, art exhibitions and other cultural activities, in collaboration with the municipality and other local partners. In 2022/23, this included being the main sponsor of the event 'Run to the Beat', an international running event with approximately 3,500 people taking part. This was our 7th year sponsoring this music and running event.

Raising awareness among consumers

We have a target of reaching 1 million people with information on the benefits of longevity and circularity in consumer electronics by 31 May 2025. This year, we reached more than 100,000 people and we remain on track to reach our target.

Informing the wider public and consumers is critical, and one of our key initiatives in 2022/23 was developing a Beosound Level workshop. We use the workshop to demonstrate how a modular approach to product design can enable product longevity and contribute to reversing the industry trend of increasing e-waste and decreasing product lifecycles. Using the Beosound Level, the first-ever Cradle to Cradle Certified product within the consumer electronics industry, participants are empowered to experiment with the device and explore different solutions for keeping their products alive and relevant for decades. By seeing first-hand how easy it is to extend the lifetime of their products from an emotional, functional and technological point of view, participants are educated about circular technology, modularity and the importance of longevity.

This year, we launched a Longevity Pop-Up Store in central Copenhagen to engage with consumers on the idea of longevity in electronics and explore how we could work with longevity in a retail environment. The pilot lasted for one and a half months and was a combined learning space, showroom and drop-in repair shop where customer could bring in their products for repair. The project was a success with 150 classic Bang & Olufsen products being handed in for an initial assessment by our in-store technician and 85% of customers accepting the repair offer. At the same time, we saw high level of footfall and interest from media and on social media. We are now working to expand the concept in more of our key cities and to integrate elements into our future store concepts.

55

Number of different nationalities at Bang & Olufsen. Up from 49 in 2021/22

Governance and integrity

We are unwavering in our commitment to the highest level of business ethics and integrity. While our business has evolved and changed, we continuously strive to operate in a responsible and transparent manner.

Ethical business

We understand our responsibility to operate within the boundaries of the law and we aspire to even higher standards in our policies and guidelines, which are shaped by our core values and international commitments.

We are committed to the Fundamental Conventions of the International Labour Organization (ILO). As a signatory of the UN Global Compact, we have worked with its 10 principles for the protection and advancement of human rights, fair labour conditions, environmental protection and anti-corruption over many years.

Our Compliance Officer is mandated by the Board of Directors to ensure that we live up to these commitments, laws and ethical standards through our Global Compliance Programme. Our Compliance Officer is responsible for developing the compliance programme, supported by our Compliance Committee. The Committee meets quarterly and acts as an advisory function and they perform an annual compliance risk assessment that forms the foundation of the annual activities of the compliance programme. The programme's progress is reported quarterly to the Board of Directors' Audit Committee.

Our ethical and corporate governance standards are expressed in our five global policies (Business Conduct & Ethics Policy, Stakeholder & Sustainability Policy, People & Diversity Policy, Tax Policy and Remuneration Policy). The policies are updated once a year and 2022/23 included the implementation of our new Tax Policy, recognizing our social responsibility to ensure that profits are allocated based on business-driven activities, hence taxed where the value is created. Our policies are reviewed annually by the Board of Directors and are owned by a member of the Global Leadership Team. To underline our commitment to these principles and practices, as well as to increase transparency for our stakeholders, these policies are all available on our corporate website.

Our Corporate Governance among the best in Denmark
Governance is about accountability, enabling sound decision-making with a high level of integrity and establishing greater operational transparency. In 2022, our corporate governance reporting was recognised as being one of the best Danish reporting in 2022 among the top 100 Danish listed companies on NASDAQ Copenhagen by Økonomisk Ugebrev, a financial magazine. In May, our Tax Governance was named best among all mid cap companies in Denmark, underlining our strong focus on governance.

New quality management system to drive improvements
In 2022/23, we implemented a new quality management system, BeoMap to support continuous improvement and strengthen the quality of our processes. BeoMap will optimise both training and documentation. Our existing dedicated library of all policies and procedures had an average of 847 visits every month out of a total of 1,051 employees. This indicates that employees actively seek guidance when it is needed. Our policy and procedures library will be replaced by BeoMap in 2023/24.

In some areas, colleagues are required to undergo mandatory training to maintain or increase knowledge on important topics. This includes data privacy, cybersecurity, ethics and compliance. In 2022/23, 96% of all assigned employees completed the annual e-learning in the Business Conduct & Ethics Policy, and as part of the recruitment process all new employees are to complete the e-learning. An additional 17% of employees received focused in-class training within various compliance topics. We have target of an annual face to face training of the global leadership team on the topics of ethics and business conduct training. We are pleased to have achieved this target this year.

We continuously review our policies and guidance as our business continues to evolve, new circumstances arise and market environments and norms change. In 2022/23, we published our marketing ethics principles. They guide the implementation of our standards for integrity and transparency into our marketing. They are upheld, reviewed and maintained by the Chief Marketing Officer, together with our Compliance Officer and our VP, Sustainability & Communications.

Awareness activities – top down and bottom up
To ensure awareness of our commitment to business ethics and integrity, several initiatives were undertaken this year. Where we take a top-down approach, we call this setting the Tone from the Top. As part of these initiatives, we worked together with our CEO to put the focus on two important topics, namely anti-corruption and data privacy, via his weekly letters to the entire organisation. We pair top-down activities with bottom-up actions, including articles and signage dedicated to highlight the importance of the issues, as well as tips and tricks. This also includes peer generated content such as videos. Our video on anti-corruption was the most watched internally produced video this year.

Third Party Due Diligence
Responsible supply chain and commercial relations are key to operating a global company with the highest level of integrity. We actively engage with partners along the value chain to ensure that we are working with partners who share our values. Before engaging with new partners, we undertake a due diligence assessment. 2022/23 was the third year of operating under the current due diligence process where we target high-risk commercial partners, and this year 10 new partners underwent due diligence screening. Through this screening, 17 red flags were identified and all were resolved.

Creating a sound speak up culture
Under the headline BeoShare, we encourage colleagues to share concerns about everything from process improvements to unacceptable workplace behaviour with managers or support functions.

We have an online reporting tool hosted externally, which offers additional safeguards such as the possibility for full anonymity. This is also available to external stakeholders. We regularly communicate about this tool through different channels to create awareness. We adhere to a strict no-retaliation policy. To assess the efficiency of our speak-up culture, we operate with an ambition of having one BeoShare case per 100 employees per annum. Working with reporting and investigation data allows us to see patterns, which can help us improve. This year, we had 13 cases reported. The cases represented a wide range of topics such as minor policy violations, conflict of interest, HR-related matters and fraud. However, none of the cases were confirmed cases of bribery. Only 2 cases were reported anonymously, which indicates that we have good speak-up culture where there is trust in the investigation process.

Seeking continuous improvement
The sanctions and export control compliance programme is becoming increasingly important. In 2023/24 we will work to ensure that our programme is capable of handling risks and compliance within these areas. We will also continue with the implementation of BeoMap, which will require both dedicated focus and resources to ensure a successful implementation.

We are well under way with preparing for EU's Corporate Sustainability Reporting Directive. We will enhance our efforts in 2023/24 to ensure that we continue to make improvements, so we are compliant with the increased reporting demands. Finally, we will have focus on strengthening the involvement of our global leadership team in the global compliance programme and ensure face-to-face training for them on compliance and ethics topics.

Sustainable supply chain & responsible sourcing

Our business is a partner-based business. We collaborate with skilled and innovative suppliers across the world. Maintaining and developing supply chain relationships responsibly is a key enabler for our success.

We only work with suppliers who share our commitment to quality and ethical behaviour. As of 31 May 2023, we have worked with 94 suppliers in 14 countries to produce and deliver our products. The top eight suppliers account for 96% of product-related spend. A comprehensive list of our top suppliers can be found on our website.

Supplier engagement & oversight
Since 2022, we have been signatories of the 10 principles of the UN Global Compact and we take our responsibility to uphold and promote these principles seriously.

To ensure we fulfil these responsibilities, we actively engage with our supply chain and partners to ensure that certain minimum standards for labour conditions, freedom of association, human rights and the protection of the environment are met. Through our active supplier auditing programme and our Cradle to Cradle work, we hold our partners accountable for driving continuous improvements in performance in all of these areas. These requirements and ambitions are captured in our Supplier Code of Conduct, available on our website here.

Product-related suppliers; production site locations

94
in total

51
in Denmark

29
Europe

13
Asia

1
US

Our Supplier Code of Conduct and Business Conduct & Ethics Policy (available here) are governed by our Compliance Committee. The committee is also responsible for engaging with our suppliers in a structured and constructive way to reduce risk and to improve standards in the supply chain. We take a risk-based approach to managing our product-related supply chain partners. Through proactive up and downstream monitoring of our global supply chain we can manage and mitigate risks in our supplier network related to geo-, country-, company- and ESG risks, such as corruption, regulation, environment and occupational health and safety. For more detail on our approach to managing supplier risk, please see the graphic on the following page.

In 2022/23, approximately 60% of our product-related spend was classified as high-risk and therefore 100% of this should be audited by our third party partner every two years. As of 31 May 2023, independent on-site audits at locations accounted for 99.2% of our product-related spend for the previous two years. Unfortunately, this means we just missed our target for 2022/23.

Of the suppliers audited, working conditions related to overtime hours was the main non-conformity found. We are working closely with our suppliers to develop a corrective action plan to remedy all issues in a timely manner.

Through the Cradle to Cradle certification process for Beosound Emerge, we worked further on implementing mitigating actions to address risks identified in our human rights' due diligence assessment, which was conducted in 2021. The scope of this assessment covered B&O operations, 95% of our direct suppliers (according to spend), as well as stakeholders, such as local communities.

We continue to roll-out training for all new and existing employees on procurement processes and Cradle to Cradle. The first training focuses on ensuring that company money is spent in line with our policies and strategic priorities. In this way, there is clear oversight and approvals which supports our work to further good governance and anti-corruption.

Looking to the next year, we will focus on how to achieve the target of having 100% of high-risk spend receiving on-site audits. At the same time, we will be working with partners to investigate and resolve non-conformities in their existing third-party audits in a satisfactory manner.

On top of this, we will continue to evolve the mitigating actions being implemented at our operations and within our supply chain as recommended in our human rights' due diligence report.

Our supplier risk management process

Phase 1

Assess relative risk

Supplier risk is evaluated through a matrix that looks at potential business impact as measured by commercial relevance of the supplier and proximity to our brand, against the risk of non-compliance with the Code of Conduct requirements.

Phase 2

Take mitigating actions to reduce risk

All suppliers must sign our Supplier Code of Conduct. However, suppliers which are categorised as medium-risk must also complete a supplier self-assessment. Suppliers that are deemed to be high-risk are required to undergo periodic on-site audits by 3rd party auditors at the plant where they manufacture components or products for Bang & Olufsen. These audits are conducted by UL according to their Responsible Sourcing Workplace Assessment, RSWA, standard.

Phase 3

Continuous improvement and corrective actions

In the event of non-compliances being identified during an audit, a corrective action plan is devised in collaboration with the supplier, and the actions agreed are to be addressed sufficiently by the supplier and closed within three months. We monitor this on a quarterly basis at our business review meetings and any deviations are recorded. There is ongoing monitoring and oversight of these activities by our compliance committee.

Modern Slavery

We take a zero-tolerance approach to the issues of slavery and human trafficking, and we expect the same from all our suppliers. Our statement for Slavery and Human Trafficking in accordance with the Modern Slavery Act 2015 can be read here.

Updated ESG & Sustainability Targets

In 2022/23, we achieved the environmental target to 'Set an emissions reduction target in line with the Science Based Targets Initiative across Scope 1, 2 and 3 by the end of 2022/23'. This is replaced by three new targets for operations and value chain emissions to guide our future work. We also update our DE&I target for our Global Leadership Team

TOPIC	LONG-TERM ESG AND SUSTAINABILTY TARGETS
Longevity champion	All products beginning development from 2022/23 onwards are to be Cradle to Cradle® certified^
	At least 10 Cradle to Cradle® certified products by 2024/25^^
	Demonstrate industry-leading repairability on headphones and speakers by 2024/25^^^
Environmental impact	Achieve 100% renewable electricity in operations by 2024/25 (Scope 2)
	Achieve Net Zero in operations in 2027*
	Achieve 1.5°C aligned reductions in value chain emissions in 2030**
	Achieve Net Zero across the value chain in 2040***
Social responsibility	Four times a year, the Global Leadership Team will report on local DEI targets as part of their business review ^^^^
	Each year, ensure training for DEI council members to enable them to support the organisation with DEI targets and initiatives
	Target 1 million people with information on the value of circular and long-lived consumer electronics by 2024/25
Governance & integrity	Each year, 100% of the Global Leadership Team to receive face to face ethics and business conduct training
	100% of our high-risk suppliers to undergo on-site audits every 2 years^^^^^

^Excludes collaborations and partner products, and does not include products already in the company's product roadmap prior to 2022/23, ^^Includes existing portfolio of certified products, ^^^Industry-leading will be defined using repairability indices benchmarking performance among competitors, ^^^^Global Leadership Team is the wider leadership team consisting of all the functional leads reporting to the CEO, DEI stands for Diversity, Equity and Inclusion ^^^^^ Supplier risk is evaluated through a matrix that looks at potential business impact as measured by commercial relevance of the supplier and the proximity to our brand, against the risk of non-compliance with the Code of Conduct requirements. *We will achieve our Scope 1 and 2 operational Net Zero target in 2026/27; **We will achieve our near-term Scope 3 target in 2029/30; ***We will achieve our long-term Scope 3 Net Zero target in 2039/40.

Our targets contribute to the SDGs across a number of indicators, as shown below

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse

13 CLIMATE ACTION

13.2 Integrate climate change measures into (national) policies, strategies, and planning

4 QUALITY EDUCATION

4.7 By 2030, ensure that learners acquire the knowledge and skills needed to promote sustainable development

5 GENDER EQUALITY

5.1 End discrimination against women and girls

Risk management & policies

As part of our Enterprise Risk Management process (ERM, see page 47 of the report), key business risks are identified and assessed. As mentioned, these are risks which could, if realised, threaten Bang & Olufsen's ability to meet its financial targets, execute its strategy or maintain its licence to operate. ESG & Sustainability as a theme, as well as more specific risks such as climate-related impacts, are part of the ERM process and are currently assessed as being within the risks monitored and mitigated. This is managed by the Sustainability, Compliance and Procurement teams and reported through the ERM process to management on a regular basis.

When evaluating the potential risks related to our operations, we ensure that the entire value chain is considered. In this process, we review the risk, the current mitigating actions in place to address the risk, whether there is a need to reduce the risk further and how this can be achieved. ESG and sustainability risks identified at Bang & Olufsen include:

RISK IDENTIFIED	HOW WE MANAGE THIS RISK	MITIGATING ACTIONS TAKEN IN 2022/23
Climate action Inability to reduce environmental and climate impact	We are committed to minimising the adverse impact on the environment from our operations. This includes working to reduce greenhouse gas emissions from our operations and products by managing energy consumption, energy efficiency, and energy sourcing. These commitments are captured in the following corporate policies, as well as international commitments that we have made: – Environmental Guideline – Stakeholder and Sustainability Policy – Bang & Olufsen Fleet Policy – Science Based Targets initiative commitment – Included a commitment to zero-emission electricity sourcing in our ESG-linked Revolving Credit Facility (RCF) with our bank, Nordea – Membership of the World Economic Forum First Mover's Coalition – 2022/23 Q2 interim report (page 10)	– Prepared Scope 1, 2 and 3 near- and long-term targets in accordance with the SBTi framework – Installed an electric boiler in our manufacturing plant in Struer, Denmark, to replace a natural gas boiler – Adopted a new fleet policy for all company-owned or leased vehicles which will ensure active reduction of our petrol and diesel fuelled vehicles until completely electrified by 31 May 2025 – Installed EV charging facilities at our HQ offices – Signed a contract to purchase Danish renewable energy certificates for our entire operations – Implemented an energy efficiency initiative to reduce energy consumption by rolling out LED lighting at our Struer location – Measured our entire Scope 3 inventory for the first time – Joined the World Economic Forum First Movers Coalition for Aluminium industry decarbonisation by 2030
Corruption in all its forms Inability to address corruption in our business and supply chain, including bribery, fraud, and conflict of interest	As a member of the UN Global Compact and a signatory to the 10 principles, we are committed work against corruption in all its forms. We are also committed to conducting our business in a responsible and transparent manner. These commitments are captured in the following: – People & Diversity, Business Conduct & Ethics, and Stakeholder & Sustainability Policies – Supplier Code of Conduct – The Cradle to Cradle certification (Bronze) for Beosound Level – The Supplier risk assessment process (see pages 63 and 64) of this report – Our global compliance programme (incl. whistleblower and due diligence activities)	– Established risk assessment process in global compliance committee – We increased the frequency of high-risk supplier on-site auditing from every three years to every two years – For more detail, on training, due diligence activities, and whistleblower activities please refer to the governance and integrity section of this report (pages 62-64)
The protection of human rights in our organisation and in the supply chain Inability to ensure the protection of people and their human rights in our organisation and in our supply chain	As a member of the UN Global Compact and a signatory to the 10 principles, we are committed to respect for universally recognized standards for the protection of human rights and labour conditions, as guided by the eight Fundamental Conventions of the International Labour Organization, the United Nations Guiding Principles on Business and Human Rights, as well as the International Bill of Human Rights. We also commit to respect human rights and labour-rights as mandated by local laws. These commitments apply both to our organisation and our supply chain, and are captured in the following corporate polices and statements which are available on our corporate website: – People & Diversity, Business Conduct & Ethics, and Stakeholder & Sustainability Policies – Supplier Code of Conduct – Slavery and Human Trafficking statement – The Cradle to Cradle certification (Bronze) for Beosound Level	– We introduced a Health & Safety guideline, online resource portal, and performance dashboard based on the outcome of a workplace assessment – We followed up on our human rights due diligence assessment for our organisation and supply chain and are working to implement all the recommendations held therein – We increased the frequency of high-risk supplier on-site auditing from every three years to every two years – We performed a living wage assessment for our Danish based employees – For more information on how we work to support our employees, please see the social responsibility section of this report (pages 59- 61)

Data tables

Environmental data

	Unit	2022/23	2021/22	% YoY Variance
Energy consumption*				
Electricity*	MWh*	8,033*	8,659	- 7%
Natural Gas*	MWh*	1,177*	3,548	- 67%
District heating*	MWh*	5,926*	6,396	-7%
Vehicle Fuel (Petrol)*	MWh*	339*	756	-55%
Vehicle Fuel (Diesel)*	MWh*	890*	1,483	-40%
Total*	**MWh***	**16,365***	**20,843**	**-21%**
Greenhouse Gas (GHG) Emissions				
Scope 1*	tCO_2e*	546*	1,068	-49%
Scope 2 (location-based)*	tCO_2e*	1,644*	2,038	-19%
Scope 2 (market-based)*	tCO_2e*	409*	3,751	-89%
Scope 3*	tCO_2e*	148,798*	186,830	-20%
Total (Scope 1, 2 & 3 market-based)*	**tCO_2e***	**149,753***	**191,649**	**-22%**
Electricity sourced from zero-emissions sources*	%*	100*	2	4,900%
Emissions per million revenue DKK *	tCO2e/DKKm*	54*	65	-16%
Emissions per employee*	tCO2e/headcount*	142*	172	-17%

	Unit	2022/23	2021/22	% YoY Variance
Scope 3 GHG emissions by category*				
Category 1 Purchased goods and services*	tCO2e*	94,597*	109,641*	-14%
Category 2 Capital goods*	tCO2e*	1,395*	6,181*	-77%
Category 3 Fuels and energy-related activities*	tCO2e*	807*	1,010*	-20%
Category 4 Upstream transportation and distribution*	tCO2e*	4,108*	11,164*	-63%
Category 5 Waste generated in operations*	tCO2e*	127*	113*	12%
Category 6 Business travel*	tCO2e*	964*	1,299*	-26%
Category 7 Employee commuting*	tCO2e*	1,194*	1,274*	-6%
Category 8 Upstream leased assets*	tCO2e*	62*	88*	-30%
Category 9 Downstream transportation and distribution*	tCO2e*	6,293*	6,789*	-7%
Category 10 Processing of sold products*	tCO2e*	180*	213*	-15%
Category 11 Use of sold products*	tCO2e*	38,257*	48,120*	-20%
Category 12 End-of-life of sold products*	tCO2e*	813*	938*	-13%
Category 13 Downstream leased assets*	tCO2e*	-*	-*	-
Category 14 Franchises*	tCO2e*	-*	-*	-
Category 15 Investments*	tCO2e*	-*	-*	-
Total Scope 3 emissions*	**tCO2e***	**148,798***	**186,830***	**-20%**

Notes: Energy and emissions data for Scope 1 and 2 refer to our operational boundaries. The data marked with an * has been tested and reviewed by our external auditor and has received limited assurance in 2022/23. Please refer to our assurance statement on page 162 of this report. For detailed information on the calculation methodologies and operational boundaries of the data shown, please refer to our ESG & Sustainability Data Accounting Principles on page 73 of this report. The accompanying GRI Index for the entire report is also available on our website.

Environmental data

Material usage	Unit	2022/23	2021/22	2020/21
Operational waste generation				
Waste generated (Struer)	tonnes	560	820	615
Hazardous waste	%	7%		
Recycling rate	%	73%		
Group sites with recycling and waste management programmes implemented*	%*	100*	58	
Operational water usage				
Water use (Struer)	m3	24,308	31,325	24,910
Product circularity				
No. of products with Cradle to Cradle certification*	Number*	1*	1	

Social data

	Unit	2022/23	2021/22	2020/21
Employees				
Female	Number	355	399	346
Male	Number	696	714	656
Total	Number	**1051**	**1,113**	1,002
Female	%	34	36	35
Male	%	66	64	65

Notes: The data marked with an * has been tested and reviewed by our external auditor and has received limited assurance in 2022/23. Please refer to our assurance statement on page 162 of this report. The water and waste generation data covers our headquarters, office and manufacturing sites in Denmark only. Employee-related data is shown as Headcount as per 31 May 2023. For detailed information on the calculation methodologies and operational boundaries of the data shown, please refer to our ESG & Sustainability Data Accounting Principles on page 73 of this report. The accompanying GRI Index for the entire report is also available there.

Social data

	Unit	2022/23	2021/22	2020/21
Employee category				
Manager (Female)	%	9	7	7
Non-manager (Female)	%	91	93	93
Manager (Male)	%	17	16	13
Non-manager (Male)	%	83	84	87
Women in Management				
Women in Director+ group	Number	17	15	11
Women in Director+ group	%	22	20	18
Employment types				
Full-time contracts (Female)	%	91	89	91
Part-time contract (Female)	%	9	11	9
Full-time contract (Male)	%	95	97	95
Part-time contract (Male)	%	5	3	5
Permanent contracts (Female)	%	83	75	75
Temporary contracts (Female)	%	17	25	25
Permanent contracts (Male)	%	90	83	81
Temporary contracts (Male)	%	10	17	19
Employees that have had a performance review				
Manager / Supervisors appraised (Female)	%	94	97	92
Non-management appraised (Female)	%	79	69	63
Manager / Supervisors appraised (Male)	%	100	91	91
Non-management appraised (Male)	%	80	59	61

Social data

	Unit	2022/23	2021/22	2020/21
Employee age group				
Under 30 years old	%	16	20	17
Between 30 - 50 years old	%	53	51	51
Above 50 years old	%	31	29	32
Overview				
Employees covered by a collective agreement	%	45	42	42
Number of different nationalities at B&O	Number	55	49	46
Age of oldest employee	Years	74	73	78
Age of youngest employee	Years	19	18	18
Tenure of longest serving employee	Years	54	53	52
Employees with more than 10 years at B&O	%	32	30	33
Employees with more than 20 years at B&O	%	19	18	20
Employees with more than 30 years at B&O	%	10	10	11
Training of employees & partners				
Employees trained on ESG topics	%	96	96	-
Partner employees trained on ESG topics	%	70	74	-
Board of Directors, Gender Representation				
Members	Number	10	10	10
Employee elected members	Number	4	4	4
Female members (shareholder elected)	%	33	33	33
Male members (shareholder elected)	%	67	67	67

Occupational health & safety data

	Unit	2022/23	2021/22	2020/21
Occupational health & safety				
Fatalities	Number	0	0	0
Days of absence	Number	10	7	69
Injuries without lost time	Number	7	12	11
Injuries with lost time	Number	2	2	7
Total Injuries	Number	9	14	18
Rate of work-related injuries (per 200,000 hours)	%	0.29	0.28	1.13

Governance data

	Unit	2022/23	2021/22	2020/21
'High risk' supplier spend audited	%	99	99	97
Critical non-conformities with Supplier Code of Conduct	Number	0	0	1
BeoShare (whistle-blower) cases	Number	13	12	8

The EU Taxonomy

The EU Taxonomy provides a framework for sustainable investment by classifying economic activities based on their environmental impact. The Taxonomy establishes a common language for sustainable finance. It is the basis for the EU to achieve its climate and environmental objectives, helps investors identify environmentally sustainable economic activities, and promotes the transition to a low-carbon and climate-resilient economy.

The Taxonomy establishes a framework for disclosure of information on eligibility and alignment across several economic activities. Also, it establishes technical screening criteria for sustainability relative to six environmental objectives. Today, the technical screening criteria have been adopted for two of the six objectives: "climate change mitigation" and "climate change adaptation". Criteria for the remaining four objectives ("sustainable use and protection of water and marine resources", "pollution prevention and control", "transition to a circular economy" and "protection and restoration of biodiversity and ecosystems") are expected to be adopted by the EU in 2023.

An economic activity is considered eligible if described in the delegated acts, irrespective of whether the activity meets any of the technical screening criteria. In turn, an economic activity is considered aligned if it substantially contributes to one or more of the environmental objectives, does no significant harm to any of the other objectives, and is carried out in compliance with minimum social safeguards based on the screening criteria.

According to the requirements of article 8 of Regulation EU 2020/852, we are obliged to report the percentage alignment and eligibility with the EU Taxonomy list of sustainable activities as a share of turnover, capital expenditure (Capex), and operating expenses (Opex), based on the activities and definitions listed in the Regulation (EU) 2020/852. We report our findings in a table, which is based on the disclosure reporting template Annex II to Reg. EU 2020/852.

Accounting approach and calculation methods: From eligibility to alignment

Our approach to assessing financial flows according to the taxonomy included identifying our taxonomy-eligible activities according to those listed in the EU taxonomy compass. We built on the work of last year's eligibility exercise and performed a screening of our activities within our operational boundaries for 2022/23. For this, we must report on activities relating to: "climate change adaptation" and "climate change mitigation").

Through this exercise, when there was insufficient guidance, we took a conservative approach to identifying potentially eligible activities and concluded that two would be eligible. Our revenue is primarily generated from the sales of audio products, and therefore, revenue-generating activities have yet to be identified as eligible in the taxonomy. However, for opex and capex activities, we have identified eligible activities.

To determine whether the eligible activities identified from 2022/23 were aligned, we conducted a second screening whereby we assessed the activities against the three performance criteria outlined in the reduction and quantified the value of the activity financially within the fiscal year according to the revenue, opex and capex definitions below.

For the two activities identified, the second assessment result revealed that while both were eligible, neither were aligned since they do not meet the criteria set out in relation to having conducted a robust climate risk and vulnerability assessment on the physical climate risks that are material to the activity[1]. The assessment found that:

1. Construction and real estate activities involving the installation, maintenance and repair of energy efficiency equipment; (2022/23 Revenue: 0%, capex: 0%, opex: 0.09%; 2021/22 opex: 0%)

2. Construction and real estate activities involving the installation, maintenance, or repair of charging stations for electric vehicles (2022/23 Revenue: 0%, capex: 0.14%, opex: 0%; 2021/22; this activity did not occur in the previous year)

KPI Definitions

Revenue: Revenue is defined as the revenue in the consolidated financial income statement.

Opex: Opex is defined as taxonomy eligible opex divided by total opex. Total opex is defined as non-capitalised costs relating to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of items of property, plant, and equipment that are necessary to ensure the continued and effective functioning of such assets. Leases relating to opex is only leases not covered by capex.

Capex: Capex is defined as the taxonomy-eligible capex divided by the total capex. Total capex is defined as the capital expenditure related to tangible and intangible assets during the financial year before any remeasurements (including revaluations and impairments), depreciation and amortisation charges for the year and excluding fair value changes. Additions of tangible and intangible assets are presented in notes 5.1 and 5.2 in our Consolidated Financial Statements.

Assessment of compliance with Regulation EU 2020/852

With the information provided on our screening and assessment, as well as the outcome of this assessment, we are in compliance with the current demands of the regulation.

1. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=PI_COM:C(2021)2800 (Appendix A, page 189)

The EU Taxonomy data tables

				Substantial contribution criteria						Do no significant harm										
Economic activities	Activity code	Absolute capex DKKm	Proportion of revenue / opex %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion 2022/23 %	Taxonomy-aligned proportion 2021/22 %	Category (enabling activity)	Category (transitional activity)
Revenue																				
Taxonomy aligned activities																				
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxonomy eligible but not aligned activities																				
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxonomy non-eligible activities																				
Non-eligible activities		2,752	100%																	
Total		**2,752**	100%																	
OPEX																				
Taxonomy aligned activities																				
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxonomy eligible but not aligned activities																				
Construction and real estate activities involving the installation, maintenance, and repair of energy-efficiency equipment	7.3	0.2	0.1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Taxonomy non-eligible activities																				
Non-eligible activities		228.8	99.9%																	
Total		**229**	100%																	

Economic activities	Activity code	Absolute capex DKKm	Proportion of capex %	Substantial contribution criteria: Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Do no significant harm: Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion 2022/23 %	Taxonomy-aligned proportion 2021/22 %	Category (enabling activity)	Category (transitional activity)
CAPEX																				
Taxonomy aligned activities																				
None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxonomy eligible but not aligned activities																				
Construction and real estate activities, involving the installation, maintenance, or repair of charging stations for electric vehicles	7.4	0.4	0.09%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Taxonomy non-eligible activities																				
Non-eligible activities		263.6	99.91%																	
Total		**264**	100%																	

ESG and Sustainability data accounting principles

Scope

These non-financial accounting principles set out the scope, criteria, assumptions, and principles for how Bang & Olufsen A/S calculate our non-financial environmental, social, and governance data. This includes our energy consumption, greenhouse gas emissions, waste, and employee data. The principles apply to the data in our 2022/23 annual report.

The principles apply to data that covers the global operational footprint of Bang & Olufsen A/S, unless otherwise stated. The reporting period runs from 1 June, 2022 to 31 May, 2023.

Data accuracy, completeness, use of estimations, & conversion factors

While Bang & Olufsen A/S work to ensure that data is complete, from reliable sources, and based on actual data (e.g., smart meters, invoices, and payroll), this is not always possible. In cases where this information is not available, we rely on estimations. Typically, if we have consumption data for a period (e.g., 11 months of consumption), we use an average of this data to estimate the remainder of the year. If there is a discrepancy between consumption recorded on invoices and meters, we apply a conservative approach and take the higher figure. We rely on internationally agreed conversion factors from DEFRA, IEA, etc.

Boundaries

We work to ensure consistent operational boundaries when reporting data. Where there are significant material changes in the company, organisation, or business structure, for example, through acquisitions and disposals, we would rebase historical figures to ensure performance reporting remains reflective of the adjusted baseline and for comparative purposes. In 2022/23, there were no significant or material changes to the company or organisation structure.

1. Environmental data

Bang & Olufsen A/S's energy from vehicle fuel, natural gas, electricity, and district heating during the operation of our business. This consumption is global in nature and comes from manufacturing sites, offices, retail locations, and in company-owned or operated vehicles. This consumption generates greenhouse gas emissions, and our business operations consume water and generate waste.

As a result, we have methodologies for the following data:

1.1. Energy consumption calculation methodology

We measure our energy consumption because it is our major operational generator of greenhouse gas emissions. This data is sourced from:

- **Electricity, district heating, and natural gas:** This data is taken directly from supplier invoices as volume or cost, or from smart meters.

- **Vehicle fuel:** Data from all company-owned and leased vehicles' fuel consumption (rental cars' fuel consumption is included in Scope 3 Category 6 Business Travel). The data used for energy calculation varies per market. Fuel consumption data is collected in our major markets (e.g., Denmark, most of EMEA, and APAC) and represents more than 83% of the total fuel consumption. When fuel data is not available, we use kilometres driven based on odometer readings or agreed kilometres in the lease contracts and converted this to litres of fuel based on average vehicle fuel efficiencies.

When using kilometres driven, fuel conversion factors from DEFRA (Department for Environment, Food & Rural Affairs, 2021) are used to convert our fuel use into kWh for both petrol and diesel. For hybrid vehicles, they are treated as purely petrol or diesel vehicles.

1.2. The percentage of electricity sourced from zero-emission sources

To calculate the percentage of electricity that is from zero-emission sources, we use data collected as part of the energy activity data collection and the relevant attributable emission factor from the supplier, as shown on the invoices. This zero-emission electricity is sourced from either renewable (e.g., solar, wind, hydro, a mix of various renewable sources, etc.) or non-renewable sources (e.g., nuclear). For electricity consumption that is not covered by a supplier electricity emission factor of 0 gCO2/kWh, we have purchased RECs (renewable energy certificates). These are geographically bound by region and are from renewable generation only.

1.3. Greenhouse gas emissions calculation methodology

We generate emissions from our operations, known as Scope 1 and 2 emissions. Consumption and use of energy comes from vehicle fuel, natural gas, electricity, and district heating. We also generate Scope 3 emissions across our value chain, e.g., from our logistics, procurement, and warehousing, and categorise them according to the GHG Protocol Corporate Value Chain Standard's fifteen emissions categories. The categories included in the annual report are 1 (Purchased goods and services), 2 (Capital goods), 3 (Fuel and energy-related activities), 4 (Upstream transportation and distribution), 5 (Waste generated in operations), 6 (Business Travel), 7 (Employee Commuting), 8 (Upstream leased assets), 9 (Downstream transportation and distribution), 10 (Processing of sold products), 11 (Use of sold products) and 12 (End-of-life of sold products). Categories 13 (Downstream leased assets), 14 (Franchises), and 15

(Investments) were excluded as they do not apply to our business.

We measure our greenhouse gas emissions (GHG) because it is a material issue for our business. This data is sourced from:

- **Scope 1 & 2:** To calculate our Scope 1 & 2 greenhouse gas emissions, we use the data collected as energy activity data, for example, the kWh of electricity utilised in our Factory 5 aluminium production facilities, litres of fuel consumed by our company vehicles and MWh of district heating purchased across our operations on an annual basis. Using this energy consumption data, we convert it to greenhouse gas emissions (tCO2e) using emission conversion factors.

- **Scope 3:** For Scope 3 greenhouse gas emissions, we gather data from various sources depending on the emissions category: for some, we collect data directly from suppliers (e.g., to account for Category 4 and 9 emissions which include third-party suppliers of logistics and warehouse facilities transporting or storing our products), whereas for some others we use spend-data (e.g. capital goods spend in Category 2) and/or data collected internally (e.g. power consumption for our products used in Category 11).

We report our emissions in line with the World Business Council for Sustainable Development GHG Protocol methodology, which classes emissions into 3 groups: Scope 1, 2, and 3. For Scope 1 and 2 emissions, we use emission factors from our suppliers, IEA (2022), and DEFRA (Department for Environment, Food & Rural Affairs, 2021) to translate this activity data into CO2e or greenhouse gas emissions. For Scope 3 emissions, we use emission factors from various sources depending on the emissions category: We calculate emission factors based on the product composition using Ecoinvent 3.8 for Category 1 and 10; we use IEA (2022) lifecycle emission factors for electricity consumption in Category 3, 8, 9 and 11; we refer to DEFRA (2021) database for emission factors for Category 3, 4, 5, 6, 7 and 9; and we use environmentally extended input-output emission factors (EEIO, 2022) for translating spend into emissions (e.g. Category 2).

1.4. Greenhouse gas emissions per DKK 1m revenue
This intensity metric is included to give the reader a view of the efficiency of our operations. This metric is based upon Scope 1, 2 (market-based), and 3 greenhouse gas emissions divided by our revenue in DKKm.

1.5. Greenhouse gas emissions per employee
This intensity metric is included to give the reader a view of the efficiency of our operations. This metric is based upon Scope 1, 2 (market-based), and 3 greenhouse gas emissions divided by the total number of employees as of the end of the reporting period.

1.6. Waste and water data
We measure our waste and water data because resource efficiency through circularity is a material issue for our company. This data is sourced from our suppliers:

- **Waste:** The data comes from a supplier online data portal.

- **Water:** The data comes from meters and supplier invoices.

The data for waste generated and water consumed outside of our Struer locations is not included due to a lack of available data.

1.7. The percentage of company manufacturing and office locations that have recycling in place
The ratio of manufacturing and office locations within Bang & Olufsen A/S operations that have recycling in place by the end of the fiscal year. The eligible sites for this metric are: Struer (whole campus), Lyngby (office), USA (office), Singapore (office), China (office), Hong Kong (office), Austria (office), Germany (office), Switzerland (office), Spain (office).

1.8. The number of products that are Cradle to Cradle certified
A count of the number of Cradle to Cradle product certifications held by Bang & Olufsen A/S products certified to any level (bronze or above) by the Cradle to Cradle Products Innovation Institute in the fiscal year.

2. Social data
Our social data is reported as of 31 May 2023, is based on headcount and is extracted from SuccessFactors, our Human Resources system.

2.1. Total employees
Accounts for the total number of headcount employed at Bang & Olufsen during the reporting period at period end, divided by gender (female / male).

2.2. Employee category
Accounts for the number of employees with managerial / non-managerial responsibilities employed at Bang & Olufsen during the reporting period at period end, divided by gender (female / male).

2.3. Women in Management
Accounts for the number of women employed in the employee category "Director+" compared to the number of men employed at Bang & Olufsen during the reporting period at period end.

The Director+ category includes GLT (global leadership team) and EMB members.

2.4. Employment types
Accounts for the total number of employees who were either employed in a full-time, part-time, permanent or temporary contract divided by gender (female / male) during the reporting period at period end.

2.5. Employees that have had a performance review
Accounts for the total number of employees employed at Bang & Olufsen at period end, who have received a performance review during the reporting year, who have managerial or non-managerial responsibilities, divided by gender (female / male)

2.6. Employee age group
Accounts for the total number of employees working at Bang & Olufsen during the reporting period at period end, divided by age group.

2.7. Employees covered by a collective agreement
The number of salaried employees, not including retail employees, that are covered by collective bargaining agreement in Denmark compared to the total number of salaried employees in Denmark at period end.

2.8. Number of different nationalities at B&O
Accounts for the total number of nationalities globally employed at Bang & Olufsen during the reporting period at period end.

2.9. Age of the oldest employee
Refers to the age of the oldest employee working at Bang & Olufsen during the reporting period at period end.

2.10. Age of the youngest employee
Refers to the age of the youngest employee working at Bang & Olufsen during the reporting period at period end.

2.11. Tenure of longest-serving employee
Accounts for the highest number of continued years that an employee working during the reporting period, has been part of Bang & Olufsen.

2.12. Employees with more than 10 years at B&O
Accounts for the number of employees that have worked for more than 10 years at Bang & Olufsen compared to the total number of employees working at Bang & Olufsen during the reporting period at period end.

2.13. Employees with more than 20 years at B&O
Accounts for the number of employees that have worked for more than 20 years at Bang & Olufsen compared to the total number of employees working at Bang & Olufsen during the reporting period at period end.

2.14. Employees with more than 30 years at B&O
Accounts for the number of employees that have worked for more than 30 years at Bang & Olufsen compared to the total number of employees working at Bang & Olufsen during the reporting period at period end.

2.15. Employees trained on ESG topics
Accounts for the total number of employees that were trained on B&O's Business Conduct and Ethics policy compared to the total number of employees working at Bang & Olufsen during the reporting period at period end.

2.16. Partners employees trained on ESG topics
Accounts for the total number of partner employees trained in the Cradle to Cradle principles compared to the total number of employees working at Bang & Olufsen during the reporting period at period end.

Partner employees include all employees that are not directly employed by Bang & Olufsen A/S but are working at an external partner selling, installing, or repairing B&O products and have an active account on Beocampus, our online training tool.

2.17. Board of Directors members
Accounts for the total number of members to the Board of Directors, both employee and shareholder elected, during the reporting period at period end.

2.18. Board of Directors – Employee Elected members
Accounts for the total number of members to the Board of Directors elected by Bang & Olufsen employees during the reporting period at period end.

2.19. Board of Directors – Percentage of Female members (shareholder elected)
Accounts for the total number of female shareholder elected members to the Board of Directors compared to the total number of shareholder elected members to the Board of Directors during the reporting period at period end.

2.20. Board of Directors – Percentage of Male members (shareholder elected)
Accounts for the total number of male shareholder elected members to the Board of Directors compared to the total number of shareholder elected members to the Board of Directors during the reporting period at period end.

3. Occupational health and safety data
Our occupational health and safety data is also calculated based on headcount. The relevant KPI definitions are:

- **Fatalities:** This is the count of the fatalities reported during the reporting period.
- **Accidents without lost time:** This is the count of the number of accidents without lost time during the reporting period.
- **Accidents with lost time:** This is the count of the number of accidents with lost time where employees

did not come to work the following day due to the accident or incident during the reporting period.

- **Lost days:** This is the total number of days of absence where employees were absent from work due to work-related incidents during the reporting period.

4. Governance Data

4.1. 'High risk' supplier spend audited

Accounts for the total spend on high-risk suppliers audited during the reporting period compared to the total spend on high-risk suppliers.

High risk suppliers are defined according to the known risk for non-conformities based on the country each supplier operates in.

4.2. Critical non-conformities with Supplier Code of Conduct

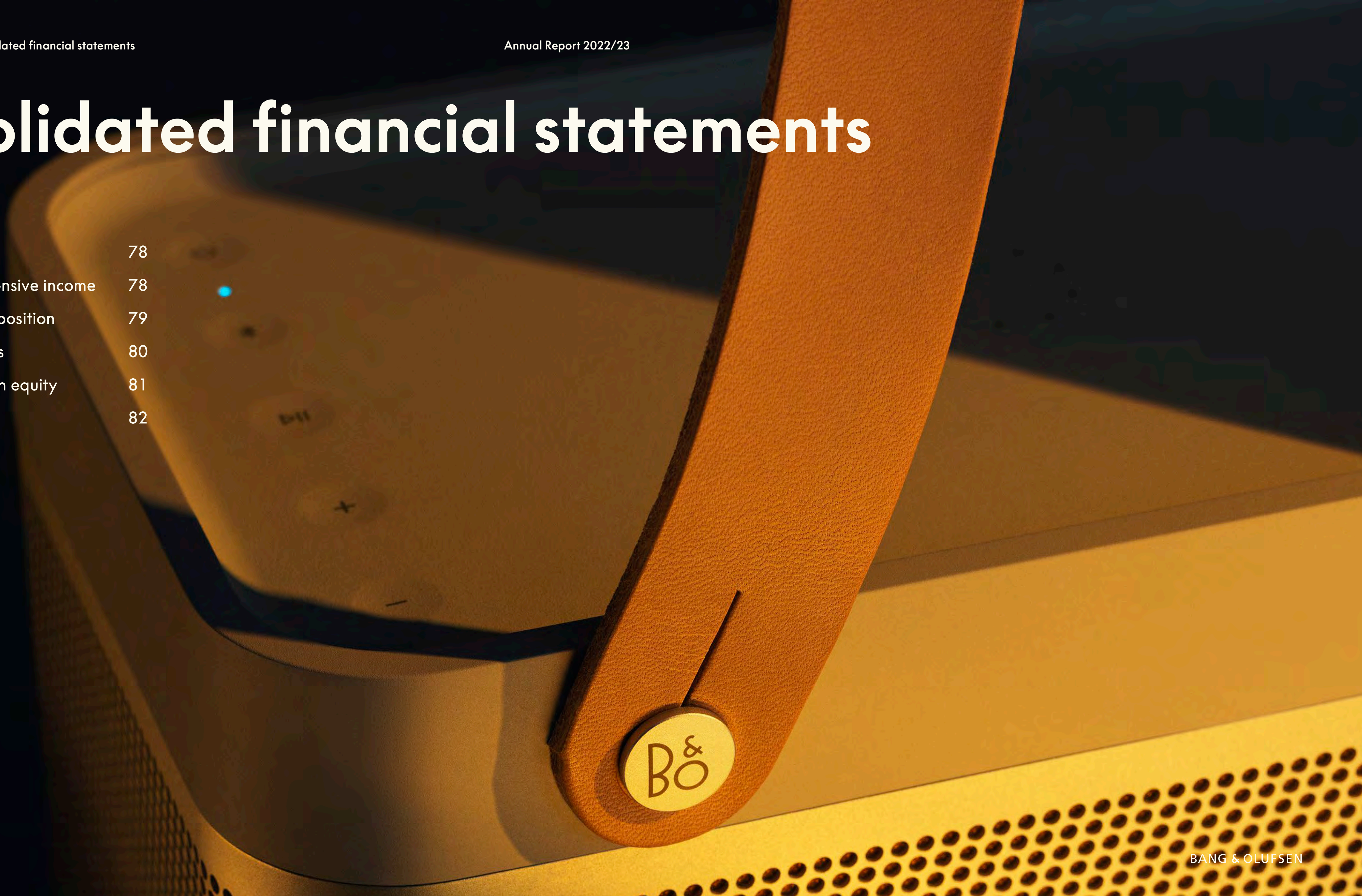
Accounts for the total number of findings that fall under the definition of critical non-conformities.

A critical non-conformity entails, among others, findings that pose an immediate threat to worker's life, fall under International Labor Organization (ILO) four fundamental principles, and the recruitment and hiring associated with trafficking persons.

4.3. BeoShare (whistle-blower) cases

Accounts for the total number of cases reported both by employees and external stakeholder as of the end of the reporting period.

Consolidated financial statements



Income statement

1 June – 31 May

(DKK million)	Notes	2022/23	2021/22
Revenue	2.1	2,752	**2,948**
Production costs	2.2, 2.3, 2.4	-1,537	-1,612
Gross profit		1,215	**1,336**
Development costs	2.2, 2.3, 2.4	-301	-279
Distribution and marketing costs	2.2, 2.3, 2.4	-910	-875
Administrative costs	2.2, 2.3, 2.4	-128	-136
Operating profit/(loss) (EBIT)		-124	**46**
Financial income	6.5	28	11
Financial expenses	6.5	-56	-65
Financial items, net		-28	**-54**
Profit/loss before tax (EBT)		-152	**-8**
Income tax	2.5	11	-22
Profit/loss for the year		-141	**-30**
Earnings per share			
Earnings per share (EPS), DKK	8.2	-1.5	-0.2
Diluted earnings per share (EPS-D), DKK	8.2	-1.5	-0.2

Statement of comprehensive income

1 June – 31 May

(DKK million)	Notes	2022/23	2021/22
Profit/loss for the year		-141	**-30**
Items that will be reclassified subsequently to the income statement:			
Exchange adjustments of subsidiaries		-12	16
Fair value adjustments of hedging instruments		-5	-13
Value adjustments of hedging instruments reclassified in			
Revenue		22	25
Production costs		-16	-6
Tax on other comprehensive income	2.5	0	-1
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/losses on defined benefit plans		1	-
Tax on other comprehensive income	2.5	0	-
Other comprehensive income/loss for the year, net of tax		-10	21
Total comprehensive income/loss for the year		-151	**-9**

Statement of financial position

Assets

(DKK million)	Notes	**31-05-23**	31-05-22
Goodwill		42	42
Acquired rights and software		80	57
Completed development projects		129	97
Development projects in progress		124	138
Intangible assets	5.1	**375**	**334**
Property, plant and equipment	5.1	215	215
Right-of-use assets	5.2	120	108
Tangible assets		**335**	**323**
Non-current other receivables		23	27
Deferred tax assets	2.5	99	77
Total non-current assets		**832**	**761**
Inventories	4.1	499	629
Trade receivables	4.2	341	397
Tax receivable	2.5	11	37
Other receivables		68	89
Prepayments		24	28
Securities	6.1, 6.2	394	415
Cash	6.1, 6.2	216	162
Total current assets		**1,553**	**1,757**
Total assets		**2,385**	**2,518**

Equity and liabilities

(DKK million)	Notes	**31-05-23**	31-05-22
Share capital	6.4	613	613
Translation reserve		20	32
Reserve for cash flow hedges		-4	-5
Retained earnings		329	460
Total equity		**958**	**1,100**
Lease liabilities	6.2, 6.3	109	95
Pensions	3.4	11	12
Deferred tax	2.5	6	6
Provisions	6.6	40	41
Mortgage loans	6.3	56	58
Non-current other liabilities	4.3	3	21
Total non-current liabilities		**225**	**233**
Lease liabilities	6.2, 6.3	37	39
Mortgage loans	6.3	3	4
Bank loans	6.1, 6.2	386	276
Provisions	6.6	60	56
Trade payables	6.2	565	581
Tax payable	2.5	8	17
Other liabilities	4.3, 4.4	143	212
Total current liabilities		**1,202**	**1,185**
Total liabilities		**1,427**	**1,418**
Total equity and liabilities		**2,385**	**2,518**

Statement of cash flows

1 June – 31 May

(DKK million)	Notes	2022/23	2021/22
Profit/loss before tax (EBT)		-152	-8
Financial items, net		28	54
Depreciation, amortisation and impairment		222	211
Operating profit/loss before depreciation, amortisation and impairment (EBITDA)		**98**	**257**
Other non-cash items		-4	17
Change in net working capital	4.4	113	-148
Interest received		28	11
Interest paid		-44	-28
Income tax paid		7	-33
Cash flows from operating activities		**198**	**76**
Purchase of intangible non-current assets		-169	-181
Purchase of tangible non-current assets		-54	-68
Sublease payment		2	3
Other cash flows from investing activities		3	-2
Operational investments		**-218**	**-248**
Free cash flow		**-20**	**-172**
Purchase of securities	6.1	-110	-447
Sale of securities	6.1	124	456
Financial investments		**14**	**9**
Cash flows from investing activities		**-204**	**-239**

(DKK million)	Notes	2022/23	2021/22
Repayment of lease liabilities	6.1, 6.3	-40	-36
Repayment of mortgage loans	6.1, 6.3	-3	-4
Proceeds from loans and borrowings	6.1, 6.3	110	256
Purchase of treasury shares	6.4	-	-37
Settlement of matching share programme	6.4	-3	-
Settlement to other liabilities	6.3	-	-34
Cash flows from financing activities		**64**	**145**
Cash and cash equivalents, opening balance		**162**	**178**
Foreign exchange gain/loss on cash and cash equivalents		-4	2
Change in cash and cash equivalents		**58**	**-18**
Cash and cash equivalents, closing balance		**216**	**162**
Available liquidity	6.1	224	301

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Accounting policies

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

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

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

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

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

Statement of changes in equity

1 June – 31 May

(DKK million)	Share capital	Translation reserve	Reserve for cash flow hedges	Retained earnings	**Total**
Equity 1 June 2022	**613**	**32**	**-5**	**460**	**1,100**
Profit/loss for the year	-	-	-	-141	-141
Other comprehensive income/loss:					
Foreign exchange adjustments of foreign entities	-	-12	-	-	-12
Fair value adjustments of derivatives	-	-	-5	-	-5
Value adjustments of derivatives reclassified in					
Revenue	-	-	22	-	22
Production costs	-	-	-16	-	-16
Income tax on items that will be reclassified to the income statement	-	-	0	-	0
Actuarial gains/(losses) on defined benefit plans	-	-	-	1	1
Income tax on items that will not be reclassified to the income statement	-	-	-	0	0
Total other comprehensive income/loss	**-**	**-12**	**1**	**1**	**-10**
Comprehensive income/loss for the year	**-**	**-12**	**1**	**-140**	**-151**
Share-based payments	-	-	-	9	9
Equity 31 May 2023	**613**	**20**	**-4**	**329**	**958**
Equity 1 June 2021	**613**	**16**	**-10**	**514**	**1,133**
Profit/loss for the year	-	-	-	-30	-30
Other comprehensive income/loss:					
Foreign exchange adjustments of foreign entities	-	16	-	-	16
Fair value adjustments of derivatives	-	-	-13	-	-13
Value adjustments of derivatives reclassified in					
Revenue	-	-	25	-	25
Production costs	-	-	-6	-	-6
Income tax on items that will be reclassified to the income statement	-	-	-1	-	-1
Total other comprehensive income/loss	**-**	**16**	**5**	**-**	**21**
Comprehensive income/loss for the year	**-**	**16**	**5**	**-30**	**-9**
Share-based payments	-	-	-	13	13
Acquisition of own shares	-	-	-	-37	-37
Equity 31 May 2022	**613**	**32**	**-5**	**460**	**1,100**

Notes

Section 1
Basis of reporting

1.1 Basis of reporting

Basis of preparation
Bang & Olufsen is a Danish company listed on Nasdaq Copenhagen. The Group reports in accordance with the rules and principles for accounting class D. The Annual Report is published on 6 July 2023 and will be presented to the shareholders for approval at the Annual General Meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2 Critical accounting estimates and judgements

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

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

Due to the current uncertainty, risk of recession, high inflation, rising interest rates, the war in Ukraine, geopolitical uncertainty and risks related to potential regional COVID-19 related lockdowns, we have considered the recoverability of trade receivables, deferred tax assets, intangible assets and the value of inventories.
In addition, Management have assessed both the supply situation and consumer demand in relation to the war in Ukraine and concluded that the financial impacts consequently do not require significant judgements. Furthermore, Management has assessed the impact of climate change, particularly in the context of the Group's sustainability targets, and concluded that these are not expected to have a significant impact on our future cash flows or going concern assessment.

China had regional COVID-19 related lockdowns in 2022/23, impacting consumer behaviour and some of the Group's production partners. In December 2022, China moved away from its zero-COVID-19 policy. That led to a surge in COVID-19 cases and created a large uncertainty in many parts of the country.

The estimates of our operations and the valuation of its asset base and liquidity position are based on a thorough judgement of potential COVID-19 related impacts.

Estimates, which include all of the above, were updated at 31 May 2023 to assess the recoverability of the asset base, including development projects and deferred tax assets. Recoverability of trade receivables and inventory value was also assessed, and the expected consequences of the above-mentioned risks are reflected in these assessments. There is an inherent risk that the estimates and judgements made could change due to a potential escalation of the war in Ukraine, changes in the macro-economic environment and/or new COVID-19 outbreaks and lockdowns. Future changes in estimates and judgements may have an impact on our results and financial position.

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

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

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

Very objective/market conforming

Partly subjective/partly distinctive

Subjective/distinctive for Bang & Olufsen

1.3 Changes in accounting policies

The Group has adopted all new or amended standards (IFRS) and interpretations as adopted by the EU and effective for the financial year starting on 1 June 2022 or earlier.

The new or revised standards and interpretations did not affect recognition and measurement materially nor did they result in any material changes to disclosures in the notes. Apart from this, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

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

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2022/23 consolidated financial statements. The Group expects to implement these standards when they take effect.

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

Section 2 Operations

2.1 Revenue and operating segments

	2022/23						2021/22					
(DKK million)	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	All	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
Revenue by segment												
Revenue	**1,281**	**313**	**795**	**2,389**	**363**	**2,752**	**1,360**	**307**	**983**	**2,650**	**298**	**2,948**
Production costs	-804	-214	-475	-1,493	-44	-1,537	-787	-199	-612	-1,598	-14	-1,612
Gross profit	**477**	**99**	**320**	**896**	**319**	**1,215**	**573**	**108**	**371**	**1,052**	**284**	**1,336**
Gross margin	37.2%	31.6%	40.3%	37.5%	87.9%	44.2%	42.2%	35.1%	37.7%	39.7%	95.2%	45.3%
Capacity costs excl. depreciation, amortisation and impairment						-1,192						-1,079
Depreciation and amortisation						-147						-211
Impairment of non-current assets						-						-
Financial items, net						-28						-54
Profit/loss before tax (EBT)						**-152**						**-8**

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	All	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Revenue by product category												
Revenue	**1,067**	**542**	**780**	**2,389**	**363**	**2,752**	**1,196**	**658**	**796**	**2,650**	**298**	**2,948**
Production costs	-575	-284	-634	-1,493	-44	-1,537	-657	-351	-590	-1,598	-14	-1,612
Gross profit	**492**	**258**	**146**	**896**	**319**	**1,215**	**539**	**307**	**206**	**1,052**	**284**	**1,336**
Gross margin	46.2%	47.7%	18.8%	37.5%	87.9%	44.2%	45.1%	46.8%	26.0%	39.7%	95.2%	45.3%

Our activities are presented into two reportable segments. One includes our strategic markets, while the other reflects our product categories. Both segments include all channels relating to the distribution and sale of our products.

Management monitors the performance and profitability of the operating segments for the purpose of decision making about performance management and resource allocation. Segments results are measured at gross profit level.

Accounting policies

Operating segments

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

The geographical allocation of revenue is based on the strategic markets and non-current assets are based on Bang & Olufsen's locations.

2.1 Revenue and operating segments (continued)

(DKK million)	2022/23 Revenue	2022/23 Share of revenue, %	2021/22 Revenue	2021/22 Share of revenue, %
Denmark (domicile)	201	7%	244	8%
China	430	16%	596	20%
USA & Canada	305	11%	301	10%
UK & Ireland	234	9%	209	7%
Germany	182	7%	195	7%
South Korea	112	4%	138	5%
Eastern Europe	107	4%	128	4%
Switzerland	91	3%	99	3%
France	89	3%	95	3%
Hong Kong	43	2%	66	2%
Spain	54	2%	51	2%
Brand Partnering & other activities	363	13%	298	10%
Rest of world	542	21%	528	19%
Total	**2,752**	**100%**	**2,948**	**100%**

(DKK million)	Non-current assets* 2022/23	Non-current assets* 2021/22
EMEA**	633	587
Americas	69	70
Asia	31	27
Total	**733**	**684**

*Non-current assets less deferred tax assets.
**Of which DKK 573m in Denmark (31 May 2022: DKK 523m).

Accounting policies

Revenue recognition
Revenue from contracts with customers comprises sale of goods, licence fees and royalty income. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, which generally takes place on delivery. For contracts providing the customer with a right of return within a specified period, the Group considers the timing of recognition.

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

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

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

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

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

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

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

2.2 Costs

(DKK million)	**2022/23**	2021/22
Breakdown by function:		
Production costs	1,537	1,612
Development costs	301	279
Distribution and marketing costs	910	875
Administrative costs	128	136
Total	**2,876**	**2,902**
Specification:		
Materials and consumables	1,424	1,483
Staff costs	764	777
Other costs	264	253
Depreciation, amortisation and impairment	222	211
Marketing costs	202	178
Total	**2,876**	**2,902**
Depreciation, amortisation and impairment		
Intangible assets, amortisation	128	112
Property, plant and equipment, depreciation	54	58
Right-of-use assets, depreciation	40	41
Total	**222**	**211**
Depreciation, amortisation and impairment relate to:		
Production costs	32	40
Development costs	110	97
Distribution and marketing costs	72	66
Administrative costs	8	8
Total	**222**	**211**

In 2022/23, total operating expenses recognised in the income statement decreased by DKK 25m to DKK 2,876m, corresponding to a decrease of 1%. The decrease reflected the performance for the year and the restructuring, offset by strategic initiatives.

Production costs decreased during the year in line with the overall trend in activity. We saw a decrease in component and logistics costs improving the margin towards the end of the year.

The development costs are commented on the following page.

Distribution and marketing costs increased by DKK 35m to DKK 910m. The increase was primarily related to higher marketing costs driven by the regions, brand awareness and marketing execution.

Administrative costs decreased by DKK 8m to DKK 128m. In 2022/23, the Group incurred higher costs related to restructuring, offset by lower provisions for employee bonuses and advisory costs.

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Accounting policies

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

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

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

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

2.2 Costs (continued)

(DKK million)	2022/23	2021/22
Development costs		
Incurred development costs before capitalisation	319	328
Of which capitalised	-117	-138
Incurred development costs after capitalisation	202	190
Capitalisation (%)	36.7%	42.0%
Total amortisation and impairment losses on development projects	99	89
Development costs recognised in the consolidated income statement	**301**	**279**
Incurred development costs before capitalisation ratio (% of revenue)	11.6%	11.1%

Development costs increased by DKK 23m to DKK 301m as a result of higher amortisation on development projects and lower capitalization of development cost. Incurred development costs after capitalisations were DKK 13m higher than last year, reflecting platform upgrades and investments in the product roadmap.

Capacity costs

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

(DKK million)	2022/23	2021/22
Development costs	301	279
Distribution and marketing costs	910	875
Administrative costs	128	136
Total	**1,339**	**1,290**

2.3 Government grants

(DKK million)	2022/23	2021/22
Government grants	**8**	**1**
Breakdown by function:		
Production costs	3	-
Development costs	-	-
Distribution and marketing costs	5	1
Administrative costs	-	-
Total	**8**	**1**

Government grants in 2022/23 related to grants in China, Hong Kong and Singapore.

In 2021/22, government grants related to China and Hong Kong.

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Accounting policies

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

2.4 Special items

(DKK million)	**2022/23**	2021/22
Severance and garden leave, Executive Management Board	0	4
Restructuring costs and severance	19	2
Consultants	-	2
Total	**19**	**8**
Production costs	2	3
Development costs	10	3
Distribution and marketing costs	7	1
Administrative costs	0	1
Total	**19**	**8**

In 2022/23, special items amounted to DKK 19m (2021/22: DKK 8m). Special items in 2022/23 related primarily to restructuring and severance costs in respect of the reorganisation announced in Q3 including garden leave for a key employee.

Special items in 2021/22 related primarily to garden leave for an Executive Management Board member who left the company.

Accounting policies

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

2.5 Tax

Tax for the year

Tax on profit was DKK -11m in 2022/23 against DKK 22m in 2021/22. The effective tax rate was 7.6% in 2022/23 against -272.0% in 2021/22. The effective tax rate was primarily affected by the impairment of deferred tax assets of DKK 15.3m. A detailed overview can be found on the next page.

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

	2022/23			2021/22		
(DKK million)	Income statement	Other comprehen sive income	**Total tax**	Income statement	Other comprehen sive income	**Total tax**
Tax for the year						
Current tax	9	-	9	18	-	**18**
Change in deferred tax during the year	-14	-	-14	-6	1	**-5**
Change in deferred tax as a result of change in tax rate	2	-	2	-	-	**-**
Adjustments to tax for prior years	-8	-	-8	10	-	**10**
Total	**-11**	**-**	**-11**	**22**	**1**	**23**

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Accounting policies

Income tax

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

Country by country

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

Legal entities in	Total revenue (DKK million)	FTE	Profit/loss before tax (DKK million)	Income tax accrued (DKK million)	Income tax paid (DKK million)
Denmark	1,260.6	754.1	-193.1	-	-8.9
Norway	17.3	1.0	0.3	-	0.0
Sweden	20.4	2.0	0.7	-	0.0
Germany	136.4	15.4	4.9	1.3	1.4
Switzerland	88.7	6.7	4.2	1.1	0.8
Austria	16.7	6.0	0.3	0.1	0.4
UK	166.0	33.7	5.5	1.0	0.0
Netherlands	74.0	5.1	4.6	0.9	0.4
Belgium	33.8	3.0	0.6	0.2	0.5
France	67.3	16.5	1.9	0.5	0.0
Spain	42.6	12.0	-0.4	-	0.7
Italy	41.6	5.8	0.9	0.2	0.9
USA	294.8	29.4	12.0	0.0	1.6
Japan	21.2	5.9	0.6	0.3	0.4
China	387.6	51.4	3.3	3.2	-4.4
Hong Kong	83.4	30.8	2.3	0.4	0.0
Singapore	0.1	52.8	-0.3	-	0.0
Bulgaria	-	6.5	0.0	0.0	-
Total	**2,752.5**	**1,038.1**	**-151.7**	**9.5**	**-6.5**

2.5 Tax (continued)

EFFECTIVE TAX RATE FOR THE YEAR

	%									Amount								
Country	Calculated tax on result for the year before tax	Deviating tax rates in foreign subsidiaries	Non-deductible costs and non-taxable income	Changes in tax rates	Adjustments to prior periods	Foreign withholding tax	Impairment of deferred tax assets	Other	Total	Calculated tax on result for the year before tax	Deviating tax rates in foreign subsidiaries	Non-deductible costs and non-taxable income	Changes in tax rates	Adjustments to prior periods	Foreign withholding tax	Impairment of deferred tax assets	Other	Total
Denmark	22.0%	-	-3.4%	-	8.2%	-1.0%	-7.9%	-3.1%	14.8%	-42.5	-	6.6	-	-15.7	1.9	15.3	6.0	-28.3
Norway	22.0%	-	-	-	84.0%		-	-	106.0%	0.1	-	-	-	0.3		-	-	0.3
Sweden	22.0%	-1.4%	-	-	21.9%		-	-	42.5%	0.1	-0.0	-	-	0.1		-	-	0.3
Germany	22.0%	3.5%	5.0%	-	7.9%		-	-	38.3%	1.1	0.2	0.2	-	0.4		-	-	1.9
Switzerland	22.0%	3.4%	-	-	0.3%		-	-	25.7%	0.9	0.1	-	-	0.0		-	-	1.1
Austria	22.0%	2.0%	-	1.3%	3.0%		-	-0.9%	27.4%	0.1	0.0	-	0.0	0.0		-	-0.0	0.1
UK	22.0%	-3.0%	-	-	24.4%		-	-	43.4%	1.2	-0.2	-	-	1.3		-	-	2.4
Netherlands	22.0%	-3.0%	-	36.1%	5.7%		-	-	60.7%	1.0	-0.1	-	1.7	0.3		-	-	2.8
Belgium	22.0%	3.0%	-	-	11.6%		-	-	36.6%	0.1	0.0	-	-	0.1		-	-	0.2
France	22.0%	3.0%	-	-	-		-	-	25.0%	0.4	0.1	-	-	-		-	-	0.5
Spain	22.0%	3.0%	-	-	-165.4%		-	-	-140.4%	-0.1	-0.0	-	-	0.7		-	-	0.6
Italy	22.0%	5.9%	-	-	34.9%		-	-	62.8%	0.2	0.1	-	-	0.3		-	-	0.5
USA	22.0%	5.0%	-0.3%	-	39.1%		-	-11.5%	54.4%	2.7	0.6	-0.0	-	4.7		-	-1.4	6.6
Japan	22.0%	12.1%	-	-	39.6%		-	42.9%	116.5%	0.1	0.1	-	-	0.2		-	0.3	0.7
China	22.0%	3.0%	1.9%	-	-82.7%		-	-	-55.8%	0.7	0.1	0.1	-	-2.8		-	-	-1.9
Hong Kong	22.0%	-5.5%	-	-	-6.8%		-	-	9.7%	0.5	-0.1	-	-	-0.2		-	-	0.2
Singapore	22.0%	-5.0%	-	-	-204.7%		-	-	-187.7%	-0.1	0.0	-	-	0.6		-	-	0.6
Bulgaria	22.0%	-12.0%	-	-	-		-	-	10.0%	0.0	-0.0	-	-	-		-	-	0.0
2022/23	**22.0%**	**-0.5%**	**-4.6%**	**-1.1%**	**6.4%**	**-1.3%**	**-10.1%**	**-3.2%**	**7.6%**	**-33.4**	**0.8**	**6.9**	**1.7**	**-9.7**	**1.9**	**15.3**	**4.9**	**-11.5**
2021/22	**22.0%**	**-21.3%**	**-129.4%**	**5.3%**	**-125.2%**	**-**	**3.3%**	**26.7%**	**-272.0%**	**-1.8**	**1.7**	**10.5**	**-0.4**	**10.2**	**-**	**-0.3**	**2.2**	**22.1**

2.5 Tax (continued)

Deferred tax

At 31 May 2023, net deferred tax assets amounted to DKK 93m (31 May 2022: DKK 71m). The increase reflected net operating tax loss, tangible assets and other assets and share-based payments.

Deferred tax assets have been recognised based on expected earnings in the foreseeable future. The assessment takes into account the possibility of utilising losses in each relevant jurisdiction. Deferred tax assets totalled DKK 99m (31 May 2022: DKK 77m), of which DKK 78m related to the Group's jointly taxed companies in Denmark, DKK 12m related to China, and DKK 4m to the US, whereas the remaining DKK 4m related to other foreign legal entities in the Group.

Tax loss carryforwards at 31 May 2023 amounted to DKK 45m (31 May 2022: DKK 10m).

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

	Assets		Liabilities		Net assets	
(DKK million)	**31-05-23**	31-05-22	**31-05-23**	31-05-22	**31-05-23**	31-05-22
Deferred tax						
Non-current assets	39	32	6	6	33	26
Inventories	5	17	-	-	5	17
Receivables	2	-	-0	-	2	-
Provisions	6	4	-0	-	6	4
Tax loss carryforwards	45	10	0	-	45	10
Other	2	14	-	-	2	14
Total	**99**	**77**	**6**	**6**	**93**	**71**

(DKK million)	**2022/23**	2021/22
Change in deferred tax, net during the year		
Non-current assets	7	3
Inventories	-12	17
Receivables	2	-2
Provisions	2	-7
Tax loss carryforwards	35	-9
Other	-12	-11
Total	**22**	**-9**

At 31 May 2023, the value of unrecognised deferred tax assets amounted to DKK 323m. Of this amount, DKK 280m related to Denmark, DKK 35m to the US, and DKK 8m to other legal entities abroad. A total of DKK 246m related to tax loss carryforwards, DKK 210m of which can be carried forward indefinitely. The unrecognised deferred tax assets will be recognised as income as they are utilised or when there is convincing evidence that they will be utilised in the foreseeable future.

Critical accounting estimates and judgements

Deferred tax assets

In 2022/23, management has performed an impairment test of the deferred tax asset and recognised an impairment of DKK 323m. Based on the Group's satisfactory performance and its continued strategy work, management revisited the carrying amount of the tax asset based on expected positive earnings and concluded that the amount was appropriate as of 31 May 2023.

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

Accounting policies

Deferred tax

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

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

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

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

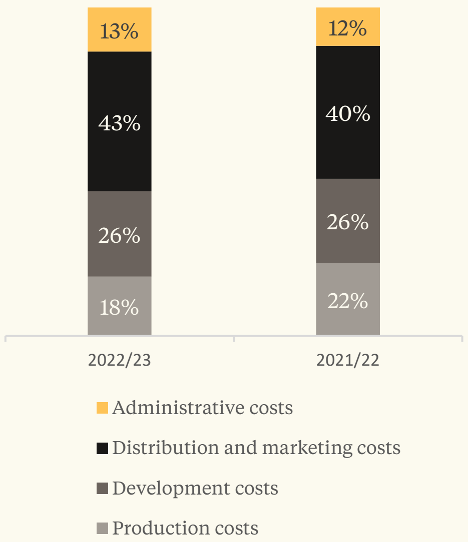
Deferred tax is measured according to the tax rules and at the tax rates applicable in the relevant countries at the reporting date and when the deferred tax is expected to materialise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Section 3 Staff costs, share-based payments and pensions

3.1 Staff costs

(DKK million)	2022/23	2021/22
Wages and other remuneration	674	693
Share-based payments	12	13
Pensions	46	40
Other social security costs	32	31
Total staff costs	**764**	**777**
Average number of employees	1,038	1,033
Staff costs relate to:		
Production costs	138	173
Development costs	198	199
Distribution and marketing costs	325	314
Administrative costs	103	91
Total staff costs	**764**	**777**

Allocation of staff costs, %



Accounting policies

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

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

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

3.2 Remuneration of management

Total remuneration to the Executive Management Board (EMB) amounted to DKK 33m. This represented a decrease of DKK 10m compared to 2021/22.

This was primarily driven by lower costs for the short-term cash bonus plan. The Board of Directors has decided to implement an escape clause for the short-term cash bonus plan if the EBIT before special items was below zero. This clause was made on top of the policy.

For the year 2022/23 only four out of five KPI's were met as EBIT before special items was below zero. Thereby the escape clause was used, hence no bonus was accrued for as of year-end.

With a view to ensuring retention of the members of the EMB, the Board of Directors resolved in May 2022 to extend the previously established extraordinary special short-term cash-based retention programme covering the financial year 2022/23. In May 2023, the Board of Directors decided to extend the special short-term cash-based retention programme for 2023/24. The programme is subject to requirements of continued service and satisfactory people review ratings and was established with the aim of stabilising the EMB during the turnaround of the Company and until the long-term incentive programmes (LTIP) reach a desired and necessary retention level.

	2022/23			2021/22		
(DKK million)	Board of Directors	Executive Management Board	Other key employees	Board of Directors	Executive Management Board	Other key employees
Wages, salaries and fees	6	16	27	6	16	22
Pensions	-	1	3	-	1	2
Bonus	-	12	17	-	20	20
Termination and severance payments	-	-	-	-	-	-
Total	**6**	**29**	**47**	**6**	**37**	**44**
Share-based payments	-	4	3	-	5	3
Total remuneration	**6**	**33**	**50**	**6**	**42**	**47**

The costs for the long-term combined performance and restricted plan were lower than last year, driven primarily by the lower EBIT performance.

No termination or severance payments were made in 2022/23 (2021/22: DKK 0m).

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

Board of Directors
In 2022/23, the Board of Directors received total remuneration of DKK 6m (2021/22: DKK 6m).

The full remuneration report for the financial year 2022/23 can be found at https://investor.bang-olufsen.com.

3.3 Share-based programmes

Long-term incentive programmes (LTIP)

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

Two-thirds of the restricted shares are performance shares that are eligible for vesting in equal tranches over three financial years, depending on the level of achievement of certain KPIs defined by the Board of Directors for each performance year. The remaining shares are retention shares, which are subject to the participants' continued employment and satisfactory people review ratings. The retention shares also vest in three equal tranches over the period. Each financial year has a maximum payout of index 200 depending on the level of achievements made.

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

TABLE – LONG-TERM INCENTIVE PROGRAMMES (LTIP)

	Performance period	Average share price at grant date	Shares 31 May	Maximum market value at launch (DKK million)	Accumu-lated cost recognized (DKK million)	Estimated remaining maximum value to be expensed (DKK million)	Award date	Vesting date
Programme start date								
02.10.2020	01.06.2020-31.05.2023	12.93	1,304,692	45	16	-	02.10.2020	31.05.2023
12.07.2021	01.06.2021-31.05.2024	33.11	870,741	74	13	14	12.07.2021	31.05.2024
11.07.2022	01.06.2022-31.05.2025	14.28	3,269,227	76	8	36	11.07.2022	31.05.2025
Total			5,444,660	195	37	50		

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

The company now has three ongoing incentive programmes as per the below table. The programme that was initiated in 2020 ended 31 May 2023 and 1,304,692 shares will be exercised after the annual general meeting.

The costs for the share programmes for the year were DKK 12m (2021/22: DKK 13m). Since we went from two to three ongoing programmes, the total costs were expected to increase, but due to the overall soft performance the total costs for the year were at the same level as prior year.

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Accounting policies

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

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

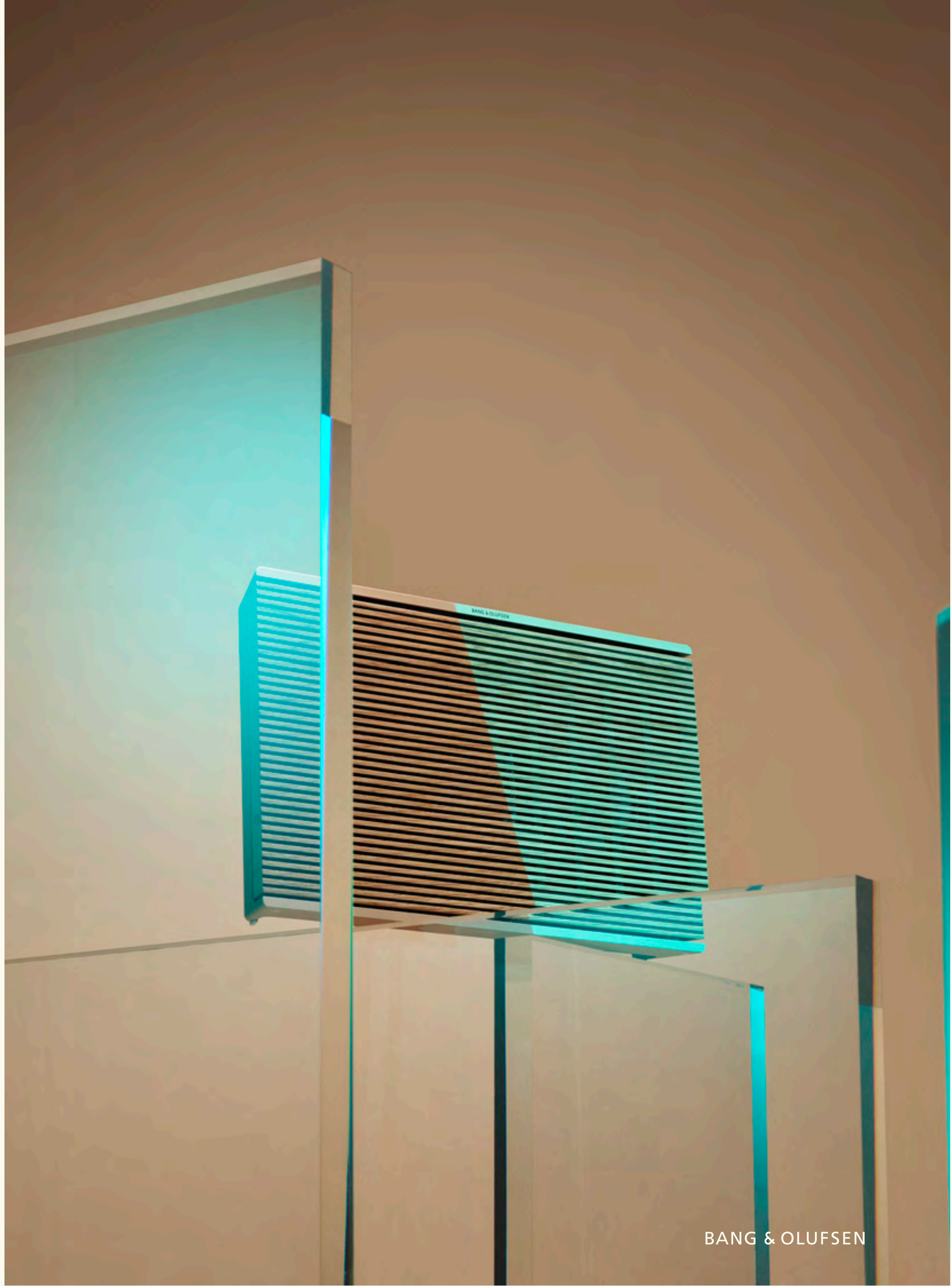
Long-term incentive programmes (LTIP) - continued

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

Bang & Olufsen A/S has purchased a limited number of treasury shares to cover the obligation for the outstanding shares. The holding of treasury shares totalled 2,983,739 shares at 31 May 2023 (31 May 2022: 3,244,692 shares).

TABLE - SHARES OUTSTANDING

Shares outstanding	Executive Management Board	Other employees	Total
2022/23			
Shares outstanding at 1 June	1,646,534	2,176,414	3,822,948
Shares granted during the year	1,185,752	3,208,570	4,394,322
Shares exercised during the year	-	-	-
Shares lapsed during the year	- 1,206,174	-1,566,436	-2,772,610
Total number of shares outstanding	1,626,112	3,818,548	5,444,660
2021/22			
Shares outstanding at 1 June	1,301,181	1,689,968	2,991,149
Shares granted during the year	345,353	700,586	1,045,939
Shares exercised during the year	-	-	-
Shares lapsed during the year	-	- 214,140	- 214,140
Total number of shares outstanding	1,646,534	2,176,414	3,822,948



3.4 Pension and similar retirement obligations

(DKK million)	**2022/23**	2021/22
Amount recognised in the income statement		
Defined contribution plans	46	42
Defined benefit plans	0	0
Total pension amount charged to the income statement	**46**	**42**
Amount recognised in the balance sheet		
Wholly unfunded defined benefit plans	3	3
Wholly or partly funded defined benefit plans	16	17
Present value of defined benefit obligation 31 May	**19**	**20**
Fair value of plan assets	-8	-8
Defined benefit plan obligation 31 May	**11**	**12**

(DKK million)	**2022/23**	2021/22
Present value of future payments	16	17
Fair value of plan assets	-8	-8
Actuarially calculated net obligation	8	9
Wholly unfunded defined benefit plans	3	3
Defined benefit plans 31 May, net	**11**	**12**
Actuarial assumptions		
Discount rate p.a.	4,0%	2,5%
Expected salary increase p.a.	2,4%	2,0%
Expected rate of return p.a.	2,4%	2,0%

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

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

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Accounting policies

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

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

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

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

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

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

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

Section 4
Net working capital

4.1 Inventories

(DKK million)	**2022/23**	2021/22
Inventory before write-downs	542	714
Write-downs	-43	-85
Total	**499**	**629**
Raw materials	31	30
Work in progress	17	20
Spare parts	71	63
Finished goods	380	488
Prepayments for goods	-	28
Total	**499**	**629**
Cost of sales recognised in production costs	1,424	1,483

Prepayments for goods was related to spot buys driven by component scarcity. We had no further prepayments at 31 May 2023.

Critical accounting estimates and judgements

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

Accounting policies

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

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

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

4.2 Trade receivables

(DKK million)	2022/23	2021/22
Trade receivables at 31 May, before impairment	356	456
Impairment at 1 June	-59	-58
Impairment losses recognised	4	-7
Realised impairment losses	42	2
Reversed impairment losses	-2	4
Impairment at 31 May	-15	-59
Trade receivables at 31 May	**341**	**397**

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

Realised losses are immaterial and remain within the expected range.

	31-05-23		31-05-22	
(DKK million)	Amount	Impairment	Amount	Impairment
Maturity analysis:				
Amounts not due	336	-1	356	-1
Past due up to 30 days	-1	0	0	0
Past due between 31 and 60 days	0	0	8	0
Past due between 61 and 90 days	-2	0	2	0
Past due between 91 and 120 days	2	-1	2	0
Past due more than 120 days	22	-13	88	-58
Trade receivables	**356**	**-15**	**456**	**-59**

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

Critical accounting estimates and judgements

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

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

Accounting policies

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

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

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

4.3 Contract assets and liabilities

(DKK million)	**2022/23**	2021/22
Trade receivables	341	397
Right-of-return assets*	3	8
Total contract assets	**344**	**405**
Deferred income - non-current**	0	14
Deferred income - current**	6	7
Refund liabilities**	6	15
Total contract liabilities	**12**	**36**

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

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

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

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

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

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Accounting policies

Contract assets and liabilities

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

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

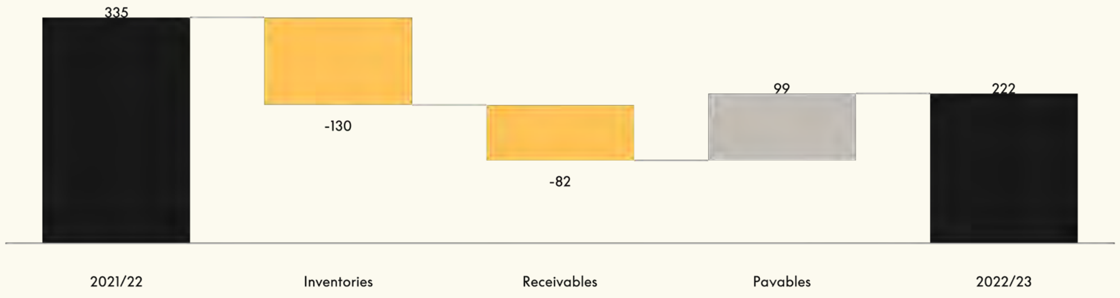
No costs to obtain contracts with customers were capitalised as part of contracts with customers either in 2022/23 or previous years. This is common practice in the Group.

4.4 Net working capital

(DKK million)	**31-05-23**	31-05-22	Change
Inventories	499	629	130
Trade receivables	341	397	56
Other receivables*	66	88	22
Prepayments	24	28	4
Trade payables	-565	-581	-16
Other liabilities	-143	-212	-69
Deferred income - non-current	0	-14	-14
Total	**222**	**335**	**113**

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

Change in net working capital, DKKm



Net working capital decreased during the year by DKK 113m to DKK 222m (31 May 2022: DKK 335m).

Inventories decreased by DKK 130m as a result of continued focus on inventory management and the fact that all component spot buys are gone. Trade receivables decreased year over year due to lower revenue in Q4 2022/23 than last year. Payables decreased by DKK 99m, driven by lower provision for employee bonus and timing of payments.

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Accounting policies

Prepayments

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

Other liabilities

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

Section 5 Invested capital

5.1 Intangible assets and property, plant and equipment

(DKK million)	Goodwill	Acquired rights and software	Completed development projects	Development projects in progress	**Intangible assets**	Land and buildings	Plant and machinery	Other equipment	Leasehold improvements	Property, plant and equipment under construction	**Property, plant and equipment**
Cost											
At 1 June 2021	63	175	572	76	886	264	736	122	39	28	1.189
Additions	-	39	16	122	177	2	15	13	1	41	72
Disposals	-	-	-38	-	-38	-	-1	-7	-4	-	-12
Reclassification from asset held for sale to land and buildings	-	-	-	-	-	84	-	-	-	-	84
Completed development projects and assets	-	-	60	-60	-	2	21	1	6	-30	-
Exchange rate adjustments	1	-	-	-	1	-	-	2	3	-	5
At 31 May 2022	64	214	610	138	1.026	352	771	131	45	39	1.338
Additions	-	52	20	97	169	4	10	12	5	23	54
Disposals	-	-52	-139	-	-191	-39	-324	-12	-5	-	-380
Completed development projects and assets	-	-	111	-111	-	4	20	2	13	-39	-
At 31 May 2023	**64**	**214**	**602**	**124**	**1.004**	**321**	**477**	**133**	**58**	**23**	**1.012**
Depreciation, amortisation and impairment											
At 1 June 2021	-22	-134	-462	-	-618	-182	-699	-109	-19	-	-1.009
Amortisation and depreciation	-	-23	-89	-	-112	-10	-32	-10	-6	-	-58
Disposals	-	-	38	-	38	-	1	6	3	-	10
Reclassification from asset held for sale to land and buildings	-	-	-	-	-	-63	-	-	-	-	-63
Exchange rate adjustments	-	-	-	-	-	-	-	-2	-1	-	-3
At 31 May 2022	-22	-157	-513	-	-692	-255	-730	-115	-23	-	-1.123
Amortisation and depreciation	-	-29	-99	-	-128	-12	-23	-9	-10	-	-54
Disposals	-	52	139	-	191	39	324	12	5	-	380
At 31 May 2023	**-22**	**-134**	**-473**	**-**	**-629**	**-228**	**-429**	**-112**	**-28**	**-**	**-797**
Carrying amount											
At 31 May 2023	**42**	**80**	**129**	**124**	**375**	**93**	**48**	**21**	**30**	**23**	**215**
At 31 May 2022	42	57	97	138	334	97	41	16	22	39	215

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

Impairment

Recognised impairment

No impairment was recognised in 2022/23 and 2021/22.

Impairment test of goodwill

The carrying amount of goodwill amounted to DKK 42m (31 May 2022: DKK 42m) and related to the distribution network in the Netherlands.

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

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

Key assumptions applied in the impairment test were expected revenue, gross margin, capacity cost, discount rate and growth rate in the terminal period. Sensitivity tests of key assumptions were carried out. These showed gross margin, WACC and the growth rate to be the assumptions with the largest impact on value in use. In the test, a growth assumption of 1.5% (2021/22: 1.5%) and a discount rate of 8.75% were applied (2021/22: 7.5%).

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

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

Critical accounting estimates and judgements

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

The applied principles are unchanged from the prior year. Development projects amounted to DKK 253m at 31 May 2023 (31 May 2022: DKK 235m). The main additions in the 2022/23 financial year were development projects relating to product development.

Accounting policies

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

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

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

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

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

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

Amortisation and depreciation are recognised on a straight-line basis over the expected useful life of the assets, taking into account any residual value. The expected useful life and residual value are determined based on past experience and expectations of the future use of assets. Goodwill with an indefinite life is not amortised but instead tested for impairment on an annual basis.

Development projects, acquired rights and software, land and buildings, plant and machinery, other equipment and leasehold improvements are tested for impairment whenever there is any indication that the recoverable amount may be lower than the carrying amount.

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

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

Expected useful lives are as follows:

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

5.2 Right-of-use assets

(DKK million)	Land and buildings	Other equipment	Total
Costs			
At 1 June 2021	176	7	183
Additions	11	2	13
Remeasurements	16	-	16
Terminations	-2	-3	-5
At 31 May 2022	201	6	207
Additions	36	5	41
Remeasurements	12	-	12
Terminations	-14	-3	-17
At 31 May 2023	**235**	**8**	**243**
Depreciation, amortisation and impairment			
At 1 June 2021	-59	-4	-63
Depreciation	-38	-3	-41
Terminations	2	3	5
At 31 May 2022	-95	-4	-99
Depreciation	-37	-3	-40
Terminations	13	3	16
At 31 May 2023	**-119**	**-4**	**-123**
Carrying amount			
At 31 May 2023	**116**	**4**	**120**
At 31 May 2022	106	2	108

Repayment of lease liability amounted to DKK 40m in 2022/23 (2021/22: DKK 36m). Expenses relating to low-value leases were insignificant.

(DKK million)	2022/23	2021/22
Amounts recognised in the income statement:		
Interest expenses	-6	-6
Short-term leases	-1	-2
Expenses relating to variable payments	-4	-2
Income from subleases	2	3
Lease liabilities		
Non-current	37	39
Current	37	39
Total lease liabilities	**74**	**78**

Critical accounting estimates and judgements

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

The average incremental borrowing rate applied to the lease liabilities in 2022/23 was around 5.2% (2021/22: 4.9%).

5.2 Right-of-use assets (continued)

Estimated useful life at 31 May 2023 can be summarised as follows:

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

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Accounting policies

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

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

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

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

Section 6 Capital structure and provisions

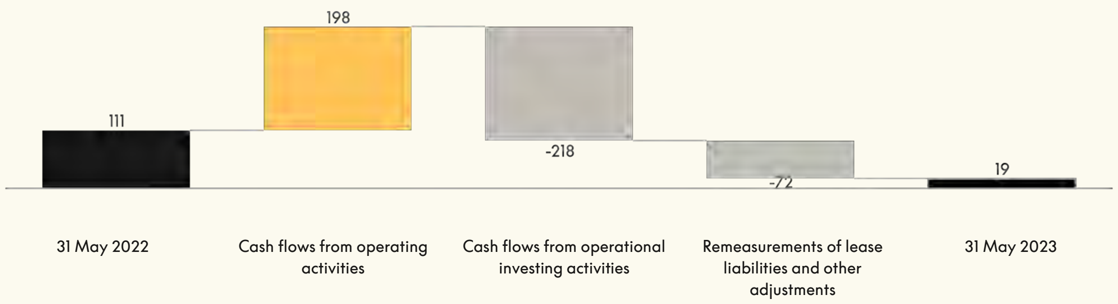
6.1 Net interest-bearing deposit/debt

Net interest-bearing deposit/debt consists of interest-bearing assets less interest-bearing debt. Interest-bearing assets consist of securities, cash, 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 maintain short-term financial flexibility, we use repo transactions, whereby we can access liquidity on an intra-day basis if needed by lending bonds to our banks in return for cash, while committing to a reverse transaction at a predetermined date in the future. Bonds are presented as securities on the balance sheet as ownership of the bonds remains with the 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 31 May 2023, repo transactions amounted to DKK 386m (31 May 2022: DKK 276m).

Net interest-bearing deposit amounted to DKK 19m (31 May 2022: DKK 111m). The decrease was mainly due to remeasurement of lease liabilities DKK 53m and the negative free cash flow of DKK 20m (2021/22: negative DKK 172m).

Change in net interest bearing deposit/debt, DKKm



(DKK million)	31-05-23	31-05-22
Mortgage loans (non-current)	-56	-58
Mortgage loans (current)	-3	-4
Bank loans (current)	-386	-276
Lease liabilities (non-current)	-109	-95
Lease liabilities (current)	-37	-39
Other non-current liabilities*	-3	0
Interest-bearing debt	**-594**	**-472**
Finance lease receivables (non-current)	1	4
Finance lease receivables (current)	2	2
Cash (current)	216	162
Securities (current)	394	415
Interest-bearing assets	**613**	**583**
Net interest-bearing deposit/(debt)	**19**	**111**

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

Net available liquidity was DKK 224m (31 May 2022: DKK 301m), consisting of cash and securities offset by repo transactions.

(DKK million)	31-05-23	31-05-22
Cash (current)	216	162
Securities (current)	394	415
Offset by repo transactions presented as bank loans (current)	-386	-276
Available liquidity	**224**	**301**

Including the undrawn part of the credit facility, capital resources were DKK 384m (31 May 2022: DKK 421m), consisting of available liquidity of DKK 224m (31 May 2022: DKK 301m) and undrawn committed credit facilities of DKK 160m (31 May 2022: DKK 120m).

6.2 Financial instruments by category

(DKK million)	31-05-23	31-05-22
Non-current other receivables	23	27
Trade receivables	341	397
Other receivables	68	89
Cash	216	162
Financial assets at amortised cost	**648**	**675**
Securities	394	415
Fair value through income statement	**394**	**415**
Derivatives used for hedge accounting	0	9
Fair value through other comprehensive income	**0**	**9**
Financial assets	**1,042**	**1,099**
Mortgage loans	59	62
Bank loans	386	276
Lease liabilities	146	134
Trade payables	565	581
Financial liabilities at amortised cost	**1,156**	**1,053**
Derivatives used for hedge accounting	8	18
Fair value through other comprehensive income	**8**	**18**
Financial liabilities	**1,164**	**1,071**

(DKK million)	Less than one year	Between one and five years	More than five years	Total	Carrying amount
Contractual maturity analysis for financial liabilities					
31-05-23					
Mortgage loans	3	12	44	59	59
Lease liabilities	44	104	18	166	146
Bank loans	386	-	-	386	386
Trade payables	565	-	-	565	565
31-05-22					
Mortgage loans	4	13	45	62	62
Lease liabilities	45	90	15	150	134
Bank loans	276	-	-	276	276
Trade payables	581	-	-	581	581

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

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

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Accounting policies

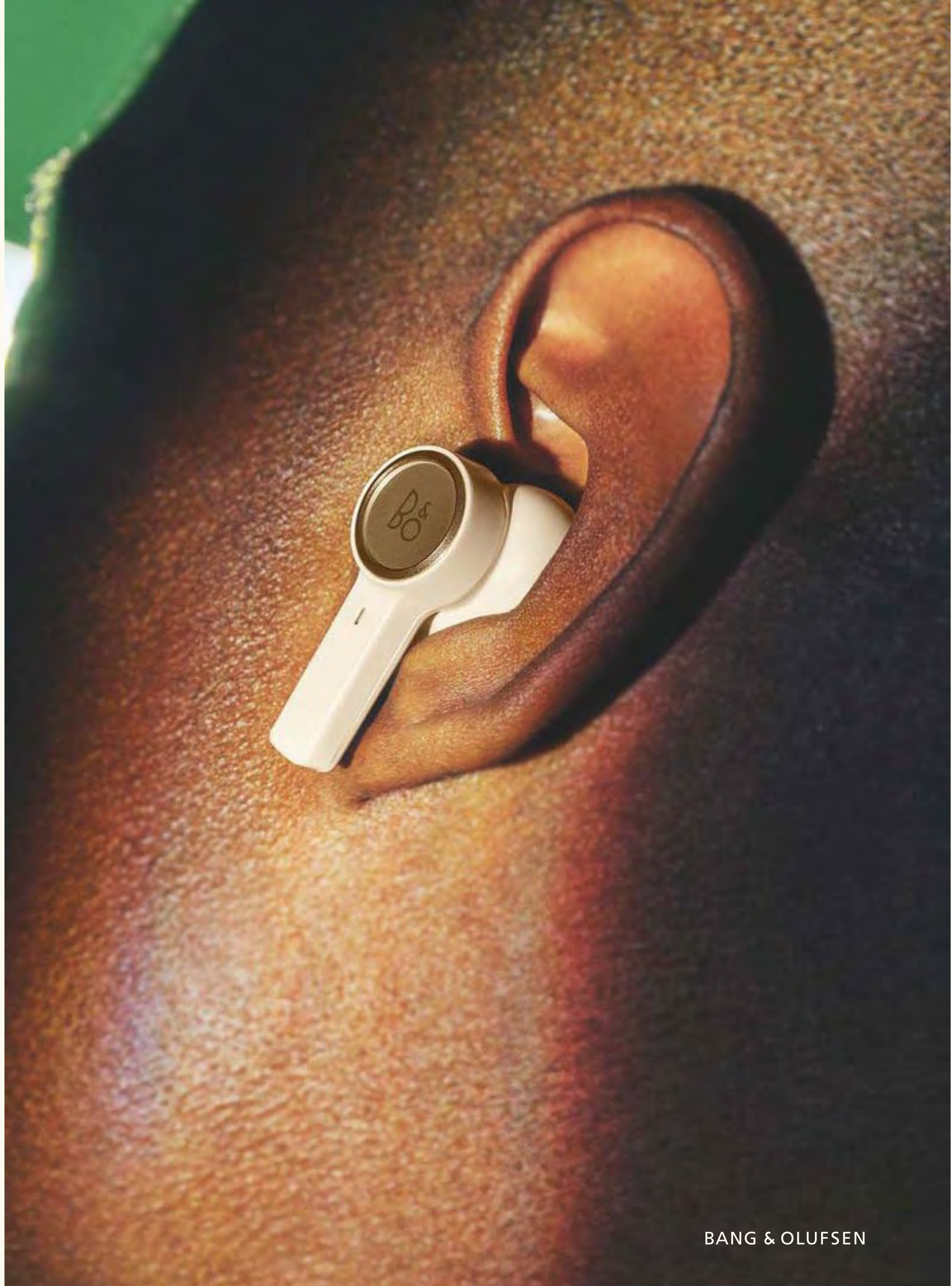
Financial assets include loans, receivables, securities and cash. Loans and receivables are initially recognised at fair value, including direct transaction costs, and subsequently measured at amortised cost using the effective interest method. For trade receivables, the loss allowance is measured in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

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

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

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

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



6.3 Liabilities from financing activities

(DKK million)	Nominal interest value	Year of maturity	**31-05-23** Carrying amount	31-05-22 Carrying amount
Interest profile of mortgage loan				
Fixed rate loans, DKK	3.3%	2040	59	62
Total loans			**59**	**62**

(DKK million)	31-05-21	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-22	Financing cash flow	Additions and remeasurements	Reclassifi-cations	**31-05-23**
Change in interest bearing debts									
Lease liabilities	141	-36	29	-	134	-40	52	-	146
Long-term mortgage loans	61	-	-	-4	58	-	-	-2	56
Short-term mortgage loans	4	-4	-	4	4	-3	-	2	3
Settlement to other liabilities	34	-34	-	-	-	-	-	-	-
Bank loans	20	256	-	-	276	110	-	-	386
Total	**260**	**182**	**29**	**-**	**472**	**67**	**52**	**-**	**591**

We have a mortgage loan with a three-year interest refinancing period. During 2022/23, no extraordinary repayments were made on the mortgage loan. The mortgage loan was most recently refinanced in 2022/23 at 3.3% plus contribution margin, providing an annual percentage rate of 4.7%.

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Accounting policies

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

6.4 Capital structure and share capital

	Number		Nominal value (DKK million)		% of share capital	
	2022/23	2021/22	**2022/23**	2021/22	**2022/23**	2021/22
Treasury shares						
1 June	3,244,692	2,112,372	17	11	2.7	1.8
Share capital reduction, cancellation of treasury shares	-	-	-	-	-	-
Acquired in connection with long-term incentive programme	-	1,150,000	-	6	-	0.9
Share-based programmes	-260,953	-17,680	-2	0	-0.5	-
31 May	**2,983,739**	**3,244,692**	**15**	**17**	**2.3**	**2.7**

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

(DKK million)	**2022/23**	2021/22
Share repurchases for the year	**-**	**37**

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

It is the objective of Bang & Olufsen's capital management to ensure shareholders the best possible return on their investment in Bang & Olufsen, while ensuring that Bang & Olufsen will be able to meet all existing and future commitments. In addition to the Group's capital structure, the Group holds a revolving credit facility of DKK 200m (31 May 2022: DKK 150m) with its primary bank.

As at 31 May 2023 we hold a total of 2,983,739 treasury shares (31 May 2022: 3,244,692) for the purpose of hedging the value of its share-based programmes. During 2022/23, no purchases of treasury shares were made.

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

Accounting policies

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

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

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

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

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

6.5 Financial items

(DKK million)	**2022/23**	2021/22
Interest income from banks	22	10
Other financial income	6	1
Financial income	**28**	**11**
Interest expenses to banks	-30	-16
Other financial expenses	-8	-6
Fair value adjustments of securities	-6	-12
Interest expenses on lease liabilities	-6	-6
Exchange rate loss, net	-6	-25
Financial expenses	**-56**	**-65**
Financial items, net	**-28**	**-54**

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

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Accounting policies

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

6.6 Provisions

(DKK million)	Warranty and fairness	Employee anniversary benefit	Other provisions	Total
At 31 May 2021	67	2	19	88
Provisions in the year	52	0	6	58
Provisions used during the year	-36	0	-13	-49
At 31 May 2022	83	2	12	97
Provisions in the year	52	0	11	63
Provisions used during the year	-50	0	-6	-56
Provisions reversed in the year	-	-	-4	-4
At 31 May 2023	85	2	13	100
Maturity analysis for provisions				
Due between 1-5 years	37	1	2	40
Due after 5 years	-	-	-	-
Non-current provisions	37	1	2	40
Due within one year	48	1	11	60
At 31 May 2023	**85**	**2**	**13**	100

Provisions for warranty and fairness of DKK 85m were recognised at 31 May 2023 (31 May 2022: DKK 83m) to cover expected warranty and fairness claims. The size and timing of the provisions are based on previous experience of the level and timing of repairs and returns.

Other provisions of DKK 13m (31 May 2022: DKK 12m) related primarily to restructuring and legal provisions.

Critical accounting estimates and judgements

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

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

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

Accounting policies

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

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

Section 7 Financial risk management

7.1 Financial risks

We have global activities that expose us to a range of financial risks.

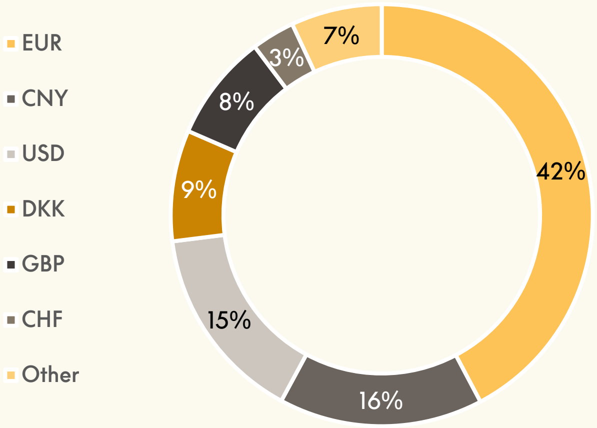
The management of financial risks is centralized. The overall objectives and policies for the Group's financial risk management are outlined in a Treasury guideline. Financial risk management is conducted by the Group Treasury department.

Foreign exchange rate risk

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

We are subject to transaction risk related to sales and purchases in foreign currencies, and translation risk when translating foreign entities into the Group's presentation currency.

Currency flow of revenue in 2022/23:



In 2022/23, 92% of the Group's revenue (2021/22: 92%) was in foreign currencies.

Entities in	Functional currency	Change during 2022/23 (in %)
Eurozone	EUR	0.05%
China	CNY	1.49%
US	USD	9.11%
UK	GBP	-2.56%
Switzerland	CHF	7.12%

Changes in exchange rates increased revenue by 1% in 2022/23 (2021/22: 3%).

We are primarily exposed to currency risks related to the net inflow of mainly CNY, CHF and GBP and the net outflow of USD. Due to DKK being pegged to EUR, the risk from EUR is considered to be low. According to our Treasury guideline, the net exposure is hedged at a horizon up to 12 months using FX forward contracts. Short term exposure is hedged up to 75% of the expected net exposure, while hedge ratios gradually decrease at longer horizons.

We only hedge commercial exposures and do not enter into derivative positions or transactions for trading or speculative purposes. We do not hedge balance sheet items or ownership interest in foreign subsidiaries.

Our subsidiaries' income and costs are mainly denominated in local currencies and each subsidiary is thereby not significantly impacted by exchange rate fluctuations.

7.1 Financial risks (continued)

Interest rate risk

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

Our interest-bearing assets mainly consisted of bank deposits and securities. Bank deposits, which totalled DKK 216m (2021/22: DKK 162m), yield interest in the short-term money market. Securities, which totalled DKK 394m (2021/22: DKK 415m), consisted of a portfolio of bonds primarily held for maturity. The bond portfolio is recognised at fair value; hence we are exposed to an interest rate risk during the maturity of the bonds. During 2022/23, the value of the bond portfolio decreased by DKK 6m due to market value adjustments of the underlying bonds.

Interest-bearing debt consisted of bank loans of DKK 386m (2021/22: DKK 276m); mortgage debt of DKK 59m (2021/22: DKK 62m), with a floating rate that is fixed until March 2026; and lease liabilities of DKK 146m (2021/22: DKK 134m). At the end of the financial year, the Group's net interest-bearing deposit totalled DKK 19m (2021/22: DKK 111m), corresponding to 1% of the total financial position (2021/22: 4%).

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

Credit risk

We are exposed to risks associated with commercial and financial counterparties. Financial instruments are entered into with counterparties with investment grade ratings. Similarly, we use reputable insurance companies with investment grade ratings for insuring receivables.

Credit risk associated with trade receivables is managed centrally based on fixed procedures and guidelines. Credit limits are set as deemed appropriate for the individual customer, considering current local market conditions and individual risk profiles. To reduce credit risk, all commercial counterparts are subject to ongoing financial evaluation. We mainly utilises credit insurance to mitigate our credit risk, and 54% of total trade receivables were insured via credit insurance as of 31 May 2023 (May 2022: 42%).

We have a limited number of large key partners, which constitutes a concentration risk on receivables. Top 5 debtors accounted for 34% of total trade receivables (2021/22: 34%). The nature of our business involves a few major key partners and several smaller important partners. Concentration risk is monitored closely and mitigated via credit insurance. Top 5 debtors are all long-standing partners with a solid payment history and low credit risk.

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

During 2022/23, we did not experience any significant bad debt losses.

7.1 Financial risks (continued)

Liquidity risk

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

At 31 May 2023, cash and cash equivalents amounted to DKK 216m (2021/22: DKK 162m). Including securities and repo, available liquidity amounted to DKK 224m (2021/22: DKK 301m).

We have a committed revolving credit facility with our main bank as part of its capital and liquidity readiness. The facility was only partially drawn and only utilised for extending bank guarantees etc. to third parties. The credit facility was most recently refinanced in May 2023, in which the commitment was increased by DKK 50m to DKK 200m (31 May 2022: DKK 150m) with a duration to cover the entire 2023/24 financial year.

Commodity risk

We are mainly exposed to commodity risk through our energy consumption and purchase of raw materials.

The largest exposure to changes in the market price of raw materials is from the purchase of aluminium. The total purchase of aluminium raw material corresponded to approximately 3% of our production costs (2021/22: 5%). We are mitigating the price and supply risk by purchasing aluminium in larger quantities to provide better price stability and ensure a sufficient supply of aluminium to meet production requirements.

During 2022/23, we had continued focus on energy risk, as energy markets were affected by macroeconomic events. We have taken several precautionary measures to manage energy risk, e.g., by switching from natural gas to green electricity to mitigate both price and supply risk.

We do not mitigate commodity risk by using financial derivatives or contracts but mitigates its commodity risk through pricing and ordering agreements with key suppliers.

7.2 Sensitivity analysis

Interest rate sensitivity

A one percentage point increase in the interest rate is estimated to have an effect of a negative DKK 2.6m on financial items (2021/22: negative DKK 3.3m). The effect is mainly driven by securities, which consist of a portfolio of fixed and floating rate bonds. Increased interest from floating rate bonds would drive a DKK 2.8m increase (2021/22: DKK 2.4m), offset by a fair value adjustment of a negative DKK 5.1m (2021/22: negative DKK 6.0m). The effect from other interest-bearing debt and deposits would be DKK 0.3m (2021/22: DKK 0.3m), mainly driven by bank deposits.

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

Exchange rate sensitivity

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

		2022/23			2021/22		
(DKK million)	Increase	Revenue	Profit/ loss before tax	Equity before tax	Revenue	Profit/ loss before tax	Equity before tax
USD	5.0%	21	-21	4	22	-17	5
GBP	5.0%	12	9	8	10	8	2
CNY	5.0%	22	15	9	30	30	11
CHF	5.0%	5	4	1	5	5	2
Other	5.0%	10	7	0	11	9	0
Total		**70**	**14**	**22**	**78**	**35**	**20**

7.3 Derivative financial instruments

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

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

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

	31-05-23					31-05-22				
(DKK million)	Net exposure	Hedging period	Average hedging rate	Fair value	Contract value	Net exposure	Hedging period	Average hedging rate	Fair value	Contract value
Foreign exchange forward contracts										
USD	Negative	12 months	7.11	-4	149	Negative	12 months	6.56	7	154
GBP	Positive	12 months	8.40	-2	72	Positive	12 months	8.70	0	73
CHF	Positive	12 months	7.63	0	27	Positive	12 months	7.04	-1	43
CNY	Positive	12 months	0.96	-2	71	Positive	12 months	0.98	-13	279
SGD	Negative	12 months	5.23	0	19	Negative	12 months	4.93	0	20
Total				**-8**	**338**				**-7**	**569**
Foreign exchange swaps										
GBP/DKK				-	-				0	11
CHF/DKK				0	4				0	10
SGD/DKK				0	72				-	-
CNY/DKK				0	2				-2	35
CNY/DKK				-	-				0	-4
Total				**0**	**78**				**-2**	**52**
Derivatives for hedging				-8	416				**-9**	**621**

7.3 Derivative financial instruments (continued)

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

(DKK million)	31-05-23	31-05-22
Other receivables, current	0	9
Other liabilities, current	-8	-18
Total	**-8**	**-9**

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

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

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

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

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

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Accounting policies

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

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

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

Section 8 Other disclosure requirements

8.1 Fees to auditors

(DKK million)	**2022/23**	2021/22
Statutory audit	1.5	2.1
Other assurance services	1.6	1.2
Other services	0.1	0.6
Total	**3.2**	**3.9**

Fees for services other than statutory audit of the financial statements provided by Deloitte for 2022/23 and EY for 2021/22 to the Bang & Olufsen Group mainly consist of fees related to ad hoc projects.

8.2 Earnings per share

(1,000 shares)	**2022/23**	2021/22
Profit/loss for the year, DKKm	-141	-30
Average number of shares outstanding	122,772	122,772
Dilutive effect of average outstanding shares	-	-
Average number of shares outstanding, including dilutive effect	122,772	122,772
Earnings per share (EPS), DKK	**-1.2**	**-0.2**
Earnings per share, diluted (EPS-D), DKK	**-1.2**	**-0.2**

8.3 Contingent liabilities, collateral and other financial commitments

Bang & Olufsen Group has issued guarantees in an amount of DKK 85m (31 May 2022: DKK 89m). The guarantees mainly relate to a rent obligation related to the formerly owned Czech production facility and bank guarantees.

Mortgage and security

Land and buildings were mortgaged for an amount of DKK 59m (31 May 2022: DKK 62m) as security for DKK 59m of the Group's mortgage loan (31 May 2022: DKK 62m).

Other tangible assets relating to land and buildings are included in mortgage loans. The carrying amount of the Group's mortgaged land and buildings was DKK 93m (31 May 2022: DKK 97m).

When entering into repo transactions with its bank, Bang & Olufsen uses a proportional part of its securities as collateral against the repo transaction with the bank. At 31 May 2023, repo transactions amounted to DKK 386m (31 May 2022: 276m).

The Group has pledged inventories and debtors as security for its committed credit facility with its bank via a Danish first priority floating charge (in Danish: virksomhedspant) amounted to DKK 100m (31 May 2022: DKK 100m), and a Dutch floating charge over its finished goods inventory located in the Netherlands.

Legal and arbitration proceedings

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

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

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

8.4 Related parties

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

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

No significant transactions were made in 2022/23 other than ordinary remuneration, as described in notes 3.2 and 3.3, and sales of products on employee terms and conditions.

Other transactions

No transactions with related parties took place.

8.5 Events after the reporting period

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that required adjustment to or disclosure in the consolidated financial statements.

8.6 Companies in the Bang & Olufsen Group

Company name	Domicile	Currency	Share capital in local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Denmark (domicile country)					
Bang & Olufsen A/S	Struer, DK	DKK	613,860,435		
Bang & Olufsen Operations A/S	Struer, DK	DKK	156,000,000	100.0%	
Bang & Olufsen Danmark A/S	Struer, DK	DKK	3,000,000	100.0%	
B&O PLAY A/S	Struer, DK	DKK	7,500,000	100.0%	
EMEA					
Bang & Olufsen AS	Oslo, NO	NOK	3,000,000	100.0%	
Bang & Olufsen Svenska AB	Stockholm, SE	SEK	4,150,000	100.0%	
Bang & Olufsen Deutschland G.m.b.H.	Unterhaching, DE	EUR	1,022,584	100.0%	
Bang & Olufsen AG	Urdorf, CH	CHF	200,000	100.0%	
Bang & Olufsen Ges. m.b.H	Vienna, AT	EUR	1,744,148	100.0%	
Bang & Olufsen UK Ltd.*	London, GB	GBP	2,600,000	100.0%	2
Bang & Olufsen France SAS	Paris, FR	EUR	3,585,000	100.0%	1
Bang & Olufsen España S.A.	Madrid, ES	EUR	1,803,036	100.0%	
Bang & Olufsen Italia S.r.l.	Milan, IT	EUR	10,000	100.0%	
S.A. Bang & Olufsen Belgium N.V.	Brussels, BE	EUR	942,000	100.0%	
Bang & Olufsen B.V.	Amsterdam, NL	EUR	18,000	100.0%	
Bang & Olufsen Bulgaria EOOD	Sofia, BG	BGN	2	100.0%	
Americas					
Bang & Olufsen America Inc.	Delaware, US	USD	34,000,000	100.0%	6
Asia					
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100.0%	
Bang & Olufsen Enterprise Management (Shanghai) Co. Ltd	Shanghai, CN	CNY	67,000,000	100.0%	
Bang & Olufsen Limited	Hong Kong, HK	HKD	1,000,000	100.0%	
Bang & Olufsen Japan KK	Tokyo, JP	JPY	10,000,000	100.0%	
Bright Future International Limited	Hong Kong, HK	HKD	1	100.0%	
Jingji Trading (Shanghai) Ltd., Co.	Shanghai, CN	CNY	955,696	100.0%	

* Not audited by group auditors

8.7 Key figure definitions

Key figures and ratios	Definition
EBIT	Earnings before interest and tax (result before financial items and income taxes)
EBIT before special items	Earnings (profit) before interest, tax and special items
EBIT margin	EBIT as a percentage of revenue
EBIT margin before special items	EBIT before special items as a percentage of revenue
EBITDA	Earnings (profit) before interest, tax, depreciation, amortisation and impairment
EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortisation, impairment and special items
EBITDA margin	EBITDA as a percentage of revenue
EBITDA margin before special items	EBITDA before special items as a percentage of revenue
Gross margin	Gross profit as a percentage of revenue
Growth in local currencies	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
Like-for-like	Like-for-like is defined as sell-out from the same stores, provided they were open and active in both periods
Earnings per share (EPS)	Result attributable to shareholders of Bang & Olufsen A/S relative to average number of outstanding shares
Diluted earnings per share	Result attributable to shareholders of Bang & Olufsen A/S as a percentage of diluted average number of outstanding shares
Revenue per share	Revenue as a percentage of average number of outstanding shares
Price/earnings	Share price/Earnings per share (nom. DKK 5)
Incurred development costs ratio	Incurred development costs before capitalisation as a percentage of revenue
Operating expenses	Production costs, development costs, distribution and marketing costs and administrative costs
Capacity costs	Development costs, distribution and marketing costs and administrative costs
Capacity cost ratio	Capacity costs as a percentage of revenue
Net interest-bearing deposit/debt	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash
Available liquidity	Cash and securities, offset by repo transactions
Free cash flow	Cash flow from operating activities less cash flow from operational investments
Return on assets, %	Earnings for the year x 100/Assets
Return on equity, %	Earnings for the year x 100/Equity
Invested capital	Net working capital, tangible assets and intangible assets excl. goodwill
ROIC excl. goodwill, %	Net operating profit after tax x 100/Invested capital, excl. goodwill
Working capital	Current assets less current liabilities (excluding interest-bearing items and provisions)
Working capital ratio	Average working capital LTM (latest twelve months) as a percentage of revenue

8.7 Key figure definitions (continued)

Alternative performance measures

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

Growth in local currencies

Growth in local currencies reflects the underlying performance of the Group. As such, this excludes the impact of acquisitions or divestments and foreign exchange movements. Below is a reconciliation from the movement in reported revenue according to IFRS.

(Percentage)	**2022/23**	2021/22
Revenue growth (according to P&L)	-7	12
Foreign exchange	-1	-2
Growth in local currencies	**-8**	**10**

Operating performance

In addition to measuring the Group's financial performance based on its operating result, EBIT and EBITDA before special items are also used.

EBITDA is considered to be a useful measure because it approximates the underlying performance by eliminating depreciation and amortisation. The adjusted EBITDA figures are used in order to be comparable year over year, due to the implementation of new accounting standards and the elimination of special items that are not comparable year over year.

(DKK million)	**2022/23**	2021/22
EBIT	-124	46
Depreciation, amortisation and impairment	222	211
EBITDA	**98**	**257**
Special items, net	19	8
EBITDA before special items	**117**	**265**
EBIT	-124	46
Special items, net	19	8
EBIT before special items	**-105**	**54**

Parent company financial statements

Income statement and statement of comprehensive income

1 June – 31 May

(DKK million)	Notes	2022/23	2021/22
Revenue	3	**363**	**513**
Production costs	4, 5, 6	-58	-49
Gross profit		**305**	**464**
Development costs	4, 5, 6	-294	-265
Distribution and marketing costs	4, 5, 6	-213	-227
Administrative costs	4, 5, 6	-126	-121
Operating profit/loss (EBIT)		**-328**	**-149**
Income from investment in subsidiaries		-	**860**
Financial income	8	29	12
Financial expenses	8	-69	-65
Financial items, net		**-40**	**-53**
Profit/loss before tax (EBT)		**-368**	**658**
Income tax	9	86	19
Profit/loss for the year		**-282**	**677**
Total comprehensive income for the year		**-282**	**677**
Distribution of profit/loss for the year:			
Reserve for development costs		-6	38
Retained earnings		-276	639
Total		**-282**	**677**

Statement of financial position

Assets

(DKK million)	Notes	31-05-23	31-05-22
Acquired rights		71	50
Completed development projects		129	97
Development projects in progress		124	138
Intangible assets	10	**324**	**285**
Property, plant and equipment	10	79	81
Right-of-use assets	11	9	13
Tangible assets		**88**	**94**
Investment properties	12	**37**	**36**
Investment in subsidiaries	14	607	607
Deferred tax assets	9	60	19
Total non-current assets		**1,116**	**1,041**
Trade receivables		28	55
Tax receivable		53	181
Interest-bearing receivables from subsidiaries		100	245
Other receivables		7	42
Prepayments		10	12
Securities		394	415
Cash		0	0
Total current assets		**592**	**950**
Total assets		**1,708**	**1,991**

Equity and liabilities

(DKK million)	Notes	31-05-23	31-05-22
Share capital	15	613	613
Reserve for development costs		202	208
Retained earnings		-211	56
Total equity		**604**	**877**
Lease liabilities	11, 16	3	7
Provisions		1	2
Mortgage loans	16	55	58
Non-current other liabilities		0	15
Total non-current liabilities		**59**	**82**
Lease liabilities	11, 16	7	7
Mortgage loans	16	4	4
Bank loans	18	842	761
Interest-bearing debt to subsidiaries	18	0	47
Trade payables	18	125	121
Provisions		8	6
Other liabilities		59	86
Total current liabilities		**1,045**	**1,032**
Total liabilities		**1,104**	**1,114**
Total equity and liabilities		**1,708**	**1,991**

Statement of cash flows

1 June – 31 May

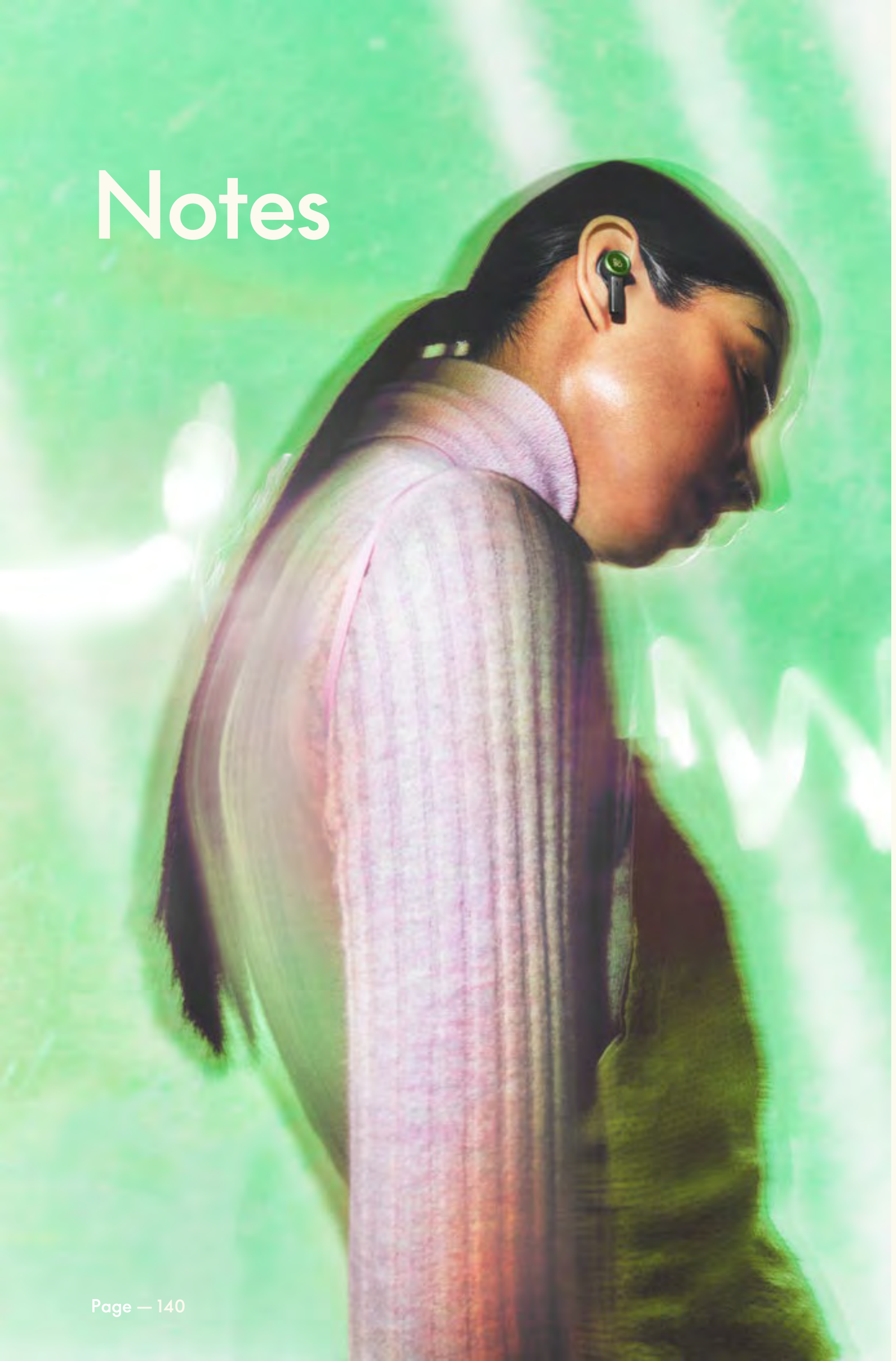
(DKK million)	Notes	2022/23	2021/22
Profit/loss before tax (EBT)		-368	658
Financial items, net		40	53
Income from investment in subsidiaries		-	-860
Depreciation, amortisation and impairment		141	122
Operating profit/loss before depreciation, amortisation and impairment (EBITDA)		**-187**	**-27**
Other non-cash items		-19	-4
Change in net working capital		27	-95
Interest received		29	12
Interest paid		-31	-34
Income tax paid		173	-
Cash flows from operating activities		**-8**	**-148**
Purchase of intangible non-current assets		-160	-170
Purchase of tangible non-current assets		-15	-19
Income from investment in subsidiaries		-	860
Operational investments		**-175**	**671**
Free cash flow		**-183**	**523**
Purchase of securities		-110	-447
Sale of securities		124	456
Financial investments		**14**	**9**
Cash flows from investing activities		**-161**	**680**

(DKK million)	Notes	2022/23	2021/22
Repayment of lease liabilities	16	-7	-6
Repayment of mortgage loans	16	-3	-4
Proceeds from loans and borrowings	16	84	467
Change in interest-bearing receivables from subsidiaries		145	-245
Change in interest-bearing debt from subsidiaries		-47	-706
Settlement of matching share programme		-3	-
Purchase of own treasury shares		-	-37
Cash flows from financing activities		**169**	**-531**
Cash and cash equivalents, opening balance		0	-
Exchange rate adjustment, cash and cash equivalents		**-**	**-1**
Change in cash and cash equivalents		**-**	**1**
Cash and cash equivalents, closing balance		**0**	**0**

Statement of changes in equity

1 June – 31 May

(DKK million)	Share capital	Reserve for development costs	Retained earnings	**Total**
Equity 1 June 2022	**613**	**208**	**56**	**877**
Profit/loss for the year	-	-6	-276	-282
Comprehensive income for the year	**-**	**-6**	**-276**	**-282**
Share-based payments	-	-	9	9
Equity 31 May 2023	**613**	**202**	**-211**	**604**
Equity 1 June 2021	**613**	**170**	**-559**	**224**
Profit/loss for the year	-	38	639	677
Comprehensive income for the year	**-**	**38**	**639**	**677**
Share-based payments	-	-	13	13
Purchase of own shares	-	-	-37	-37
Equity 31 May 2022	**613**	**208**	**56**	**877**



Notes

1 Accounting policies

Bang & Olufsen A/S is a Danish company. The company reports in accordance with the rules and principles for accounting class D. The Annual Report is published on 6 July 2023 and will be presented to the shareholders for approval at the Annual General Meeting.

The financial statements of Bang & Olufsen A/S for 2022/23 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies.

Accounting policies are unchanged from last year and identical to the accounting policies for the Group, with the following exceptions:

Accounting policies different from the Group

Investments in subsidiaries

Investments in subsidiaries are measured at cost. If the cost exceeds the recoverable amount, the carrying amount is reduced to this lower amount. Gains or losses on sale of investments in subsidiaries are calculated as the difference between the carrying amount of the sold investment and the fair value of the proceeds from the sale.

Dividends

Dividends from investments in subsidiaries are recognised when the final right to receive the dividends is established. This is typically at the time of the Annual General Meeting's approval of the distribution of dividend from the company in question. Dividends are recognised as a liability at the time of their approval by the Annual General Meeting.

Investment properties

Investment properties are held to earn rental income or capital appreciation. Investment properties consist of a number of properties that are owned for the purpose of renting them mainly to other Group companies. Investment properties are measured at cost less accumulated depreciation and impairment losses. Investment properties are depreciated on a straight-line basis over 40 years.

Changes in accounting policies

The description in note 1.3 to the consolidated financial statements regarding new standards issued effective for the 2022/23 Annual Report fully covers the Parent Company as well.

2 Critical accounting estimates and judgements

When applying the Parent Company's accounting policies, management is required to make a number of accounting assessments and estimates and to make assumptions about the carrying amounts of certain assets and liabilities and recognised revenue and costs, which cannot be derived directly from other sources. Significant judgements are made when assessing development projects and deferred tax assets.

Management bases its estimates and assumptions on historical experience and other relevant factors that are believed to be reasonable under the given circumstances. The actual outcome can differ from these estimates.

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

For further accounting estimates and judgements regarding the war in Ukraine, changes in the macro-economic environment and/or new COVID-19 outbreaks and lockdowns, please see note 1.2 to the consolidated financial statements.

The following accounting estimates and judgements are assessed to be material for the parent company financial statements.

Development projects

Development costs are capitalised only after the technical and commercial feasibility of the projects has been established. In connection with the capitalisation of development costs, the expected useful life of the products is determined. Management has assessed that the amortisation period is usually 2-6 years.

Deferred tax assets

Deferred tax assets are recognised in the balance sheet at the value the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be offset against future positive taxable income. At each balance sheet date, an assessment is made of whether it is probable that sufficient taxable income will be generated in future, so that the deferred tax asset can be utilised.

3 Revenue

(DKK million)	**2022/23**	2021/22
Geographical breakdown:		
Denmark	203	384
Rest of world	160	129
Total	**363**	**513**
Breakdown by nature:		
Royalty	289	445
Rental income	74	68
Total	**363**	**513**

4 Staff costs

(DKK million)	**2022/23**	2021/22
Wages and other remuneration	314	318
Share-based payments	12	13
Pensions	25	23
Other social security costs	4	3
Total staff costs	**355**	**357**
Staff costs relate to:		
Production costs	23	29
Development costs	169	156
Distribution and marketing costs	80	87
Administrative costs	83	85
Total staff costs	**355**	**357**
Average number of employees	395	400

All pension costs relate to defined contribution plans. Pension contributions, which can either be a fixed amount or a fixed percentage of the monthly salary, are recognised in the income statement as they are paid to independent pension insurance companies. Any unpaid contribution is recognised in the balance sheet as a liability. Once the contributions have been paid, the company has no further obligations, and the individual employee carries the risk for the value of the pension insurance at retirement.

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

5 Development costs

(DKK million)	**2022/23**	2021/22
Incurred development costs before capitalisation	312	314
Of which capitalised	-117	-138
Incurred development costs after capitalisation	195	176
Capitalisation (%)	37.5%	43.9%
Total amortisation and impairment losses on development projects	99	89
Development costs recognised in the income statement	294	265

6 Depreciation, amortisation and impairment

(DKK million)	**2022/23**	2021/22
Depreciation, amortisation and impairment		
Intangible assets, amortisation	121	103
Property, plant and equipment, depreciation	10	9
Investment properties, depreciation	3	3
Right-of-use assets, depreciation	7	7
Total	**141**	**122**
Depreciation, amortisation and impairment relate to:		
Production costs	9	8
Development costs	108	95
Distribution and marketing costs	17	12
Administrative costs	7	7
Total	**141**	**122**

7 Special items

(DKK million)	**2022/23**	2021/22
Severance, Executive Management Board	-1	4
Restructuring costs and severance	13	2
Consultants	-	2
Total	**12**	**8**

(DKK million)	**2022/23**	2021/22
Production costs	2	3
Development costs	9	3
Distribution and marketing costs	1	1
Administrative costs	0	1
Total	**12**	**8**

Special items consist of expenses related to restructuring or structural changes that Bang & Olufsen does not consider to be a part of its ordinary operations such as redundancies and specific consultancy costs.

8 Financial items

(DKK million)	**2022/23**	2021/22
Interest income from banks	20	9
Interest income from subsidiaries	4	1
Other financial income	5	2
Financial income	**29**	**12**
Interest expenses	-35	-29
Interest expense to subsidiaries	-2	-15
Interest expenses on lease liabilities	-1	-1
Exchange rate losses, net	-31	-20
Financial expense	**-69**	**-65**
Financial items, net	**-40**	**-53**

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

9 Tax

(DKK million)	2022/23	2021/22
Tax for the year		
Current tax	-46	-44
Change in deferred tax during the year	-24	8
Adjustments to tax for prior years	-16	17
Total	**-86**	**-19**

	2022/23		2021/22	
	%	DKKm	%	DKKm
Effective tax rate for the year				
Calculated tax on result for the year before tax	22.0%	-81	22.0%	145
Non-deductible costs and non-taxable income	1.4%	-5	-27.8%	-183
Adjustments to prior periods	4.6%	-17	2.7%	17
Impairment of deferred tax assets	-4.1%	15	0.0%	-
Other	-0.5%	2	0.3%	2
Effective tax rate for the year	**23.4%**	**-86**	**-2.8%**	**-19**

	Assets		Liabilities		Net assets	
(DKK million)	31-05-23	31-05-22	31-05-23	31-05-22	31-05-23	31-05-22
Deferred tax						
Non-current assets	-	-	14	13	-14	-13
Tax loss carryforwards	45	6	-	-	45	6
Other	29	26	-	-	29	26
Total	**74**	**32**	**14**	**13**	**60**	**19**

For the assessment of the future utilisation of deferred tax assets, see note 2.5 to the consolidated financial statements.

(DKK million)	2022/23	2021/22
Change in deferred tax, net during the year		
Non-current assets	-1	-11
Tax loss carryforwards	39	-13
Other	3	-4
Total	**41**	**-28**

At 31 May 2023, the net deferred tax asset totalled DKK 60m (31 May 2022: DKK 19m). The increase of DKK 41m was mainly due to an increase in tax loss carryforwards.

10 Intangible assets and property, plant and equipment

(DKK million)	Acquired rights	Completed development projects	Development projects in progress	**Intangible assets**	Land and buildings	Other tangible assets	**Property, plant and equipment**
Cost							
At 1 June 2021	139	572	76	787	110	93	203
Additions	32	16	122	170	-	16	16
Disposals	-	-38	-	-38	-	-	-
Reclassification of assets from tangible assets to investment property	-	-	-	-	83	-	83
Completed development projects and assets	-	60	-60	-	1	-1	-
At 31 May 2022*	171	610	138	919	194	108	302
Additions	43	20	97	160	3	8	11
Disposals	-52	-139	-	-191	-9	-15	-24
Completed development projects and assets		111	-111	-	-	-3	-3
At 31 May 2023*	**162**	**602**	**124**	**888**	**188**	**98**	**286**
Depreciation, amortisation and impairment							
At 1 June 2021	-107	-462	-	-569	-64	-86	-150
Reclassification of assets from tangible assets to investment property	-	-	-	-	-62	-	-62
Amortisation and depreciation	-14	-89	-	-103	-7	-2	-9
Disposals	-	38	-	38	-	-	-
At 31 May 2022	-121	-513	-	-634	-133	-88	-221
Reclassification of assets from assets held for sale to land and buildings				-			-
Amortisation and depreciation	-22	-99	-	-121	-8	-2	-10
Disposals	52	139	-	191	9	15	24
At 31 May 2023	**-91**	**-473**	**-**	-564	**-132**	**-75**	-207
Carrying amount							
At 31 May 2023	**71**	**129**	**124**	**324**	**56**	**23**	**79**
At 31 May 2022	50	97	138	285	61	20	81

*There are no contractual obligations regarding the purchase of property, plant and equipment.

11 Right-of-use assets

(DKK million)	Land and buildings	Other equipment	Total
Costs			
At 1 June 2021	21	6	27
Additions	2	2	4
Terminations	-	-2	-2
At 31 May 2022	**23**	**6**	**29**
Additions	-	3	3
Terminations	-	-2	-2
At 31 May 2023	**23**	**7**	**30**
Depreciation, amortisation and impairment			
At 1 June 2021	-8	-3	-11
Depreciation	-5	-2	-7
Terminations	-	2	2
At 31 May 2022	**-13**	**-3**	**-16**
Depreciation	-5	-2	-7
Terminations	-	2	2
At 31 May 2023	**-18**	**-3**	**-21**
Carrying amount			
At 31 May 2023	**5**	**4**	9
At 31 May 2022	10	3	13

See note 18 for a maturity analysis for lease liabilities.

(DKK million)	**2022/23**	2021/22
Amounts recognised in the income statement:		
Interest expenses	-1	-1
Lease liabilities		
Non-current	3	7
Current	7	7
Total lease liabilities	**10**	**14**

Repayments of lease liabilities amounted to DKK 7m in 2022/23 (2021/22: DKK 6m). Expenses relating to short-term and low-value leases were insignificant.

12 Investment properties

(DKK million)	
Cost	
At 1 June 2021	174
Additions	3
At 31 May 2022	177
Additions	1
Disposals	-30
Completed assets	3
At 31 May 2023	**151**
Depreciation and impairment	
At 1 June 2021	-138
Depreciation during the year	-3
At 31 May 2022	-141
Depreciation during the year	-3
Disposals	30
At 31 May 2023	**-114**
Net book value	
At 31 May 2023	**37**
At 31 May 2022	36

Investment properties consist of a number of properties that are owned for the purpose of renting them to other Group companies and, to some extent, external parties.

All investment properties are located in Struer, Denmark, and are used for production, warehousing and offices. Due to the size and type of the buildings and the location of the investment properties, there is no active market for these, and it is consequently not possible to estimate their fair value, since the fair value is completely dependent on the Group companies' continued use of the properties. Independent valuers have not been used.

There are no contractual obligations to purchase, construct or develop investment properties.

Rental income of DKK 74m was received from investment properties in 2022/23 (2021/22: DKK 68m). Directly attributed operating expenses were DKK 59m (2021/22: DKK 53m).

Investment properties are leased to the subsidiaries. The lease term is 3 months.
According to the existing leases, rental income of DKK 15m will be received in the three months that are included in the lease term.

13 Impairment of non-current assets

Intangible and tangible assets – impairment losses during the year

No impairment losses were recognised in 2022/23 or 2021/22.

The assessment of the recoverable amount of intangible assets is based on calculations of the value in use of the assets. The value is calculated based on the expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 8.75% (2021/22: 7.5%).

Financial assets – impairment losses during the year

No impairment losses were recognised on non-current financial assets in 2022/23 or 2021/22.

14 Investments in subsidiaries

(DKK million)	**31-05-23**	31-05-22
Bang & Olufsen Operations A/S	600	600
B&O Play A/S	7	7
Total	**607**	**607**

At 31 May 2023, investments in subsidiaries amounted to DKK 607m (31 May 2022: DKK 607m). There were no acquisitions or disposals in 2022/23 (2021/22: none).

See note 8.6 to the consolidated financial statements for an overview of Group companies.

15 Share capital

At 31 May 2023, the share capital consisted of 122,772,087 shares (31 May 2022: same) with a nominal value of DKK 5 each. Each share entitles the holder to one vote. No shares carry special rights. There are no limitations to transferability and no voting restrictions. All shares are listed on Nasdaq Copenhagen.

	Number		Nominal value (DKK million)		% of share capital	
	2022/23	2021/22	**2022/23**	2021/22	**2022/23**	2021/22
Treasury shares						
1 June	3,244,692	2,112,372	17	11	2.7	1.8
Share capital reduction, cancellation of treasury shares	-	-	-	-	-	-
Acquired in connection with long-term incentive programme	-	1,150,000	-	6	-	0.9
Share-based programmes	-260,953	-17,680	-2	0	-0.3	-
31 May	**2,983,739**	**3,244,692**	**15**	**17**	**2.4**	**2.7**

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

At 31 May 2023, the following investors had reported holdings of more than 5% of Bang & Olufsen A/S's share capital:

Major shareholders, 31 May 2023

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

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

More than 5%
- Chr. Augustinus Fabrikker Aktieselskab

16 Mortgage loans and lease liabilities

(DKK million)	Nominal interest value	Year of maturity	31-05-23 Carrying amount	31-05-22 Carrying amount
Terms and repayment schedule				
Fixed-rate loans, DKK	-3.3%	2040	59	62
Total loans			**59**	**62**

The company had a mortgage loan with a three-year interest refinancing period. No extraordinary repayments were made on the mortgage loan in 2022/23. In 2022/23, the interest on mortgage loans was refinanced at 3.3% plus a contribution margin, providing an annual percentage rate of 4.7%.

(DKK million)	31-05-21	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-22	Financing cash flow	Additions and remeasurements	Reclassifi-cations	31-05-23
Terms and repayment schedule									
Repayment of lease liabilities	16	-6	4	-	14	-7	3	-	10
Long-term borrowings	61	-	-	-4	58	-	-	-2	56
Short-term borrowings	4	-4	-	4	4	-3	-	2	3
Bank loans	294	467	-	-	761	81	-	-	842
Total	**375**	**457**	**4**	**-**	**837**	**71**	**3**	**-**	**911**

17 Share-based payments

The share-based programmes described in note 3.3 to the consolidated financial statements are issued by Bang & Olufsen A/S.

The majority of the shares are granted to employees in Bang & Olufsen A/S. An amount of DKK 12m (2021/22: DKK 13m) was recognised in the year as part of staff costs.

18 Financial instruments by category

(DKK million)	**31-05-23**	31-05-22
Trade receivables	28	55
Interest-bearing receivables from subsidiaries	100	245
Cash	0	0
Financial assets at amortised cost	**128**	**300**
Securities	394	415
Fair value through income statement	**394**	**415**
Financial assets	**522**	**715**
Mortgage loans	59	62
Bank loans	842	761
Lease liabilities	10	14
Interest-bearing debt from subsidiaries	0	47
Trade payables	125	121
Financial liabilities at amortised cost	**1,036**	**1,005**

(DKK million)	Less than one year	Between one and five years	More than five years	**Total**	**Carrying amount**
Contractual maturity analysis for financial liabilities					
31-05-23					
Mortgage loans	3	12	44	**59**	**59**
Bank loans	842	-	-	**842**	**842**
Lease liabilities	8	3	-	**11**	**10**
Interest-bearing debt to subsidiaries	0	-	-	**0**	**0**
Trade payables	125	-	-	**125**	**125**
31-05-22					
Mortgage loans	4	13	45	**62**	**62**
Bank loans	761	-	-	**761**	**761**
Lease liabilities	7	8	-	**15**	**14**
Interest-bearing debt to subsidiaries	47	-	-	**47**	**47**
Trade payables	121	-	-	**121**	**121**

See note 7.1 to the consolidated financial statements for a description of the Group's management of financial risks.

19 Fees to auditors appointed by the General Meeting

(DKK million)	2022/23	2021/22
Statutory audit	0.1	0.1
Other assurance services	0.2	0.1
Other services	0.1	0.4
Total	**0.4**	**0.6**

Fees for services other than statutory audit of the financial statements provided by Deloitte for 2022/23 and EY for 2021/22 to the Bang & Olufsen Group mainly consist of fees related to ad hoc projects.

20 Contingent liabilities, collateral and other financial commitments

The Bang & Olufsen Group has issued guarantees totalling DKK 85m (2021/22: DKK 89m). The guarantees mainly relate to a rent obligation related to the former Czech production facilities and bank guarantees. Bang & Olufsen A/S has provided guarantees concerning the continuous operation and payment of liabilities in 2022/23 for some of its subsidiaries.

Bang & Olufsen A/S is taxed jointly with the Danish companies in the Bang & Olufsen Group. As the management company, Bang & Olufsen A/S, has unlimited as well as joint and several liability together with the other jointly taxed companies for Danish taxes and VAT related to the jointly taxed companies.

Legal and arbitration proceedings

See note 8.3 to the consolidated financial statements.

Mortgages and securities

See note 8.3 to the consolidated financial statements.

21 Related parties

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

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

No significant transactions were completed in 2022/23 other than ordinary remuneration - as described in notes 3.2 and 3.3 to the consolidated financial statements - and sales of products on employee terms and conditions.

Associates and subsidiaries

Transactions with subsidiaries included the following:

(DKK million)	**2022/23**	2021/22
Purchase of services - subsidiaries	45	38
Rental income - subsidiaries	74	68
Income from investment in subsidiaries	-	860
Royalty income - subsidiaries	129	317

Bang & Olufsen A/S had receivables from subsidiaries of DKK 100m (2021/22: DKK 245m) and payables of DKK 0m (2021/22: DKK 47m).

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

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

No impairment was identified in subsidiaries in 2022/23 or 2021/22.

Other transactions

Bang & Olufsen A/S has issued guarantees for its related parties, see note 14. None of the guarantees is expected to result in any losses.

No other transactions with related parties took place.

22 Events after the reporting period

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that required adjustment to or disclosure in the financial statements of Bang & Olufsen A/S.

Reports

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report of the Bang & Olufsen Group and the Parent Company for 2022/23.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 May 2023, and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 June 2022 – 31 May 2023.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the result for the year, and of the Group's and the Parent Company's financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group and the Parent Company.

In our opinion, the Annual Report of Bang & Olufsen A/S for the financial year 1 June 2022 to 31 May 2023 with the file name 52990018KGR3ILFDNJ20-2023-05-31-en.zip has been prepared, in all material respects, in compliance with the ESEF Regulation.

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

Struer, 6 July 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

Independent auditor’s report

To the shareholders of Bang & Olufsen A/S

Report on the consolidated financial statements and parent company financial statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of Bang & Olufsen A/S for the financial year 1 June 2022 – 31 May 2023, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent 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 financial statements give a true and fair view of the Group’s and the Parent’s financial position at 31 May 2023, and of the results of their operations and cash flows for the financial year 1 June 2022 – 31 May 2023 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 audit book comments issued 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 the 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 financial statements" section of this auditor’s report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Bang & Olufsen A/S for the first time on 18 August 2022 for the financial year 2022/23.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 June 2022 – 31 May 2023. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition from sale of goods

Revenue is recognised when control of the goods has been transferred to the customer and is measured at the fair value of the expected consideration to be received, less rebates, discounts, sales taxes, duties and expected sales returns. We refer to Note 2.1 Revenue and operating segments of the consolidated financial statements. Revenue recognition was a significant matter in our audit due to the estimates and judgements necessary by Management in respect of timing of transfer of control to the customers and measurement of rebates and discounts.

How the matter was addressed in our audit

Our procedures included considering the appropriateness of the Group’s accounting policies in relation to revenue against applicable accounting standards, performing analytical procedures over rebates and discounts in relation to revenue and testing provisions for rebates and discounts by inspecting supporting documentation including customer contracts on sample basis. We have applied data analytics on sales and performed sample testing of sales transactions close to the balance sheet date as well as credit notes issued after the balance date to verify whether those transactions were recognised in the correct period and at correct amounts.

Valuation of deferred tax assets

The Group has recognised deferred tax assets of DKK 99m as at 31 May 2023 (31 May 2022: DKK 77m) of which DKK 45m relate to tax loss carry forwards and DKK 54m relate to temporary differences. The Group has recognised the deferred tax assets to the extent that the realisation of the related tax benefits through future taxable profits are probable within a foreseeable future. We refer to Note 2.5 – Tax of the consolidated financial statements. This area was significant to our audit due to the amount of the recognised deferred tax assets as well as the inherent uncertainty related to Management’s estimates in forecasting future taxable profits, including expectations for future revenue and margin developments.

How the matter was addressed in our audit

Our audit procedures included evaluating Management’s assumptions for forecasting future taxable profits by assessing Management's underlying business plans, comparing previous forecasts to actual results and testing consistency between the forecasts used in the measurement of deferred tax assets against the long-term forecast and business plans of the Group. Further, we evaluated the sensitivity of the impairment model for deferred tax assets. Furthermore, we assessed the adequacy of the disclosures in Note 2.5 - Tax of the consolidated financial statements against applicable financial reporting standards.

Statement on the Management's review

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 about whether the consolidated financial statements and the parent 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 the 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 these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the 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 consolidated financial statements and the parent 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's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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, safeguards put in place and measures taken to eliminate threats.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Bang & Olufsen A/S we performed procedures to express an opinion on whether the annual report for the financial year 01.06.2022-31.05.2023, with the file name 52990018KGR3ILFDNJ20-2023-05-31-en.zip, is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;

- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and

- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;

- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;

- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements including notes;

- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;

- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Bang & Olufsen A/S for the financial year 1 June 2022 – 31 May 2023, with the file name 52990018KGR3ILFDNJ20-2023-05-31-en.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 6 July 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33 96 35 56

Nikolaj Thomsen
State Authorised Public Accountant
Identification No (MNE) mne33276

Jakob Olesen
State Authorised Public Accountant
Identification No (MNE) mne34492

Independent auditor's assurance report on the ESG statement

To Management and broader stakeholders of Bang & Olufsen A/S

Bang & Olufsen A/S ("Bang & Olufsen") engaged us to provide limited assurance on the 2022/23 Environmental data points marked by * in ESG & Sustainability data table ("the ESG statement") for the year ended 31 May 2023 presented on pages 67 to 68 in the Annual Report 2022/23 of Bang & Olufsen. Furthermore, we will provide limited assurance on the 2021/22 data on reported scope 3 GHG emissions in the environmental data table presented on page 67.

Management's responsibility

Management of Bang & Olufsen is responsible for designing, implementing, and maintaining internal controls over information relevant to the preparation of the ESG data and information in the ESG statement, ensuring they are free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for establishing objective accounting policies for the preparation of ESG data, for the overall content of the ESG statement, and for measuring and reporting ESG data in accordance with the accounting principles included on pages 73 to 76.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements on Greenhouse Gas Statements, and additional requirements under Danish audit regulation, to obtain limited assurance about our conclusion. Greenhouse Gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gasses.

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the ESG statement is free from material misstatement, whether due to fraud or error, and prepared, in all material respects, in accordance with the accounting policies;
- forming an independent conclusion, based on the procedures we performed and the evidence we obtained; and
- reporting our conclusion to the Management and broader stakeholders of Bang & Olufsen.

Deloitte Statsautoriseret Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement in the ESG statement. To do so, we have:

- conducted interviews with data owners and internal stakeholders to understand the key processes and control activities for measuring, recording and reporting the ESG data;
- performed limited substantive testing on a selective basis to check that data has been appropriately measured, recorded, collated and reported;
- performed analysis of data, selected based on risk and materiality;
- made inquiries regarding significant developments in the reported data;
- considered the presentation and disclosure of the ESG statement;
- assessed that the process for reporting greenhouse gas emissions data follows the principles of relevance, completeness, consistency, transparency and accuracy outlined in The Greenhouse Gas Protocol Corporate Standard Revised edition (2015) and The Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and
- evaluated the evidence obtained.

Our conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the 2022/23 Environmental data points marked by * in ESG & Sustainability data table presented on pages 67 and 68 in the Annual Report of Bang & Olufsen A/S for the year ended 31 May 2023 have not been prepared, in all material respects, in accordance with the accounting principles on pages 73 to 76.

Furthermore, nothing has come to our attention that causes us to believe that the re-ported scope 3 GHG emissions figures covering the 2021/22 financial year in the table presented on page 67 in the Annual Report have not in all material respects been prepared in accordance with the accounting principles on pages 73 to 76.

Copenhagen, 6 July 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33 96 35 56

Nikolaj Thomsen
State Authorised Public Accountant
Identification No (MNE) mne33276

Marie Voldby
Lead Reviewer

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