Interim report Q1 2022/23

Q1 highlights

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

Compared to last year, revenue declined by 8.2%. to DKK 612m. The decline was related to regional product sales, which declined by 13.7% (-16% in local currencies). Brand Partnering & other activities grew by 51.7% (44% in local currencies). Our exit from the Russian and Belarusian markets had a 1pp negative impact on growth.

Due to the increased uncertainty in the markets, we saw retail partners reduce inventories and being more cautious about replenishing. This impacted financial performance, especially in EMEA and Asia.

Gross profit was DKK 224m (Q1 21/22: DKK 299m). This was equivalent to a gross margin of 36.6% (Q1 21/22: 44.8%). The decline reflected product mix, higher costs mainly from components purchased late last year, and sale of a large quantity of earphones. Lastly, the higher fixed-costs-to-revenue ratio and currency movements contributed to the overall margin decline.

EBIT was DKK -85m (Q1 21/22: DKK 7m). This corresponded to an EBIT margin of -14.1% (Q1 21/22: 1.1%). No special items were recognised in Q1 and the EBIT margin before special items was therefore also 14.1% compared to 14% in Q1 of last year.

The result for the period was a loss of DKK 100m (Q1 21/22: profit of DKK 1m).

Free cash flow was DKK -81m (Q1 21/22: DKK 21m), driven by EBITDA. Available liquidity was DKK 207m (Q4 21/22: DKK 301m).

We have launched measures to mitigate the effects of increasing uncertainty and declining consumer confidence while continuing to execute on core parts of our strategy. These include a general hiring freeze, a lowered production forecast and phasing of investments.

Progress on strategic priorities
Q1 saw the launch of our most modular design to date, our Beosound Theatre soundbar. The modularity value of Beosound Theatre is twofold as the soundbar fits almost any TV screen and outlasts traditional product cycles due to its upgradability as technology advances.

With an ambition to build a seamlessly connected product ecosystem, we continued to strengthen our software capabilities. In Q1, we opened our new office in Sofia, Bulgaria, which will supplement our software team in Denmark

In Q1, we launched one of our most successful brand collaborations to date, our Balenciaga Speaker Bag. The collaboration enjoyed impressive media reach and brand interest.

We continued our growth trajectory in London with sell-out from our company owned stores growing 71% year on year. The Win London project continues and we have decided to expand to New York and Paris in the coming quarters to leverage methodology and learnings.

Outlook 2022/23
We maintain our outlook, which is as follows:

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

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

Revenue
DKK million
612
Q1 21/22: 666

Growth in revenue
-8%
Q1 21/22: 44%

EBIT before special items
DKK million
-85
Q1 21/22: 9

Free cash flow
DKK million
-81
Q1 21/22: 21

Key financial highlights

(DKK million)	Q1 2022/23	Q1 2021/22
Income statement		
Revenue	612	666
EMEA	239	302
Americas	63	60
Asia	218	244
Brand Partnering & other activities	92	60
Gross margin, %	36.6	44.8
EMEA	30.1	42.6
Americas	18.4	30.9
Asia	27.6	38.2
Regions, total	27.6	39.7
Brand Partnering & other activities	87.2	96.7
EBITDA	-32	59
EBIT before special items	-85	9
EBIT	-85	7
Special items, net	-	-2
Financial items, net	-18	-5
Profit/(loss) before tax (EBT)	-103	2
Profit/(loss) for the period	-100	1
Financial position		
Total assets	2,476	2,332
Share capital	613	613
Equity	1,012	1,143
Cash	125	201
Available liquidity	207	608
Net interest-bearing deposit	27	379
Net working capital	325	191

(DKK million)	Q1 2022/23	Q1 2021/22
Cash flows		
Cash flows from operating activities	-28	47
Operational investments	-53	-26
Free cash flow	-81	21
Cash flows from investing activities	-50	-26
Cash flows from financing activities	38	2
Cash flows for the period	-40	23
Key figures		
Growth in local currencies, %	-10	44
EBITDA margin before special items, %	-5.4	9.2
EBITDA margin, %	-5.4	8.9
EBIT margin before special items, %	-14.1	1.4
EBIT margin, %	-14.1	1.1
Return on assets, %	-4.1	0.0
Return on invested capital, excl. goodwill, %	-7.8	3.7
Return on equity, %	-9.9	0.1
Full-time equivalents at end of period	1,059	976
Stock-related key figures		
Earnings per share (EPS), DKK	-0.8	0.0
Earnings per share, diluted (EPS-D), DKK	-0.8	0.0
Price/Earnings	-15.3	N.m.
Revenue per share, DKK	5.1	5.5
Revenue per share, diluted, DKK	5.1	5.5

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

Management review for Q1

Sell-out declined by 9%, mainly related to Asia, which was impacted by continued regional lockdowns in China. Overall, sell-out displayed a return to more normal seasonality, with Q1 sales moving to travel-related products, but was also impacted by declining consumer confidence.

The increased uncertainty and declining consumer confidence led to some retail partners reducing their inventories and being more cautious when replenishing. This impacted financial performance in the quarter.

The gross margin was impacted by product mix, higher cost for components purchased last year, lockdowns and the effect of high inventories. This also had a negative impact on our EBIT margin before special items and free cash flow.

The quarter was characterised by a normalisation of seasonality, with consumers focusing on travel during the summer. This was in contrast to the same period last year, when travel activity was restricted. We could see that our sales moved towards our On-the-go offerings compared to last year, when we saw high demand for products in the Staged category during the quarter.

Reports on global consumer confidence have shown a steep decline due to high inflation and rising interest rates. Europe was furthermore impacted by the effects of the war in Ukraine, while China was still impacted by regional lockdowns and a generally negative economic climate. We experienced lower footfall in our stores and retail partners were more cautious in placing orders and were also reducing inventories.

The market for components improved in Q1 and we no longer have significant issues with product availability. In Q1, we reduced our component spot buys by around 50% compared to Q4 of last year.

However, the gross margin was impacted by higher costs driven by components purchased late last financial year, when prices were at their highest. Additionally, we were impacted by higher obsolescence costs due to inventory ageing as lockdowns in China last year led to higher inventory going into Q1.

The decline in revenue and profitability also led to lower EBIT margin compared to Q1 of last year.

We are adjusting to the macro environment

Due to increasing uncertainty and declining consumer confidence, we have implemented certain measures to align with market developments while continuing to execute on core parts of our strategy. We have announced a hiring freeze globally, except for certain key roles, e.g. software resources. We have lowered our production forecast to ensure efficient inventory development and, lastly, we are phasing some investments over a longer duration.

Like-for-like sell-out

Like-for-like sell-out declined by 9% compared to Q1 of last year. This mainly related to the lockdowns in China.

Like-for-like sell-out in Asia declined by 27%, with China declining 42% compared to last year, impacted by regional lockdowns and an overall drop in consumer confidence.

The lockdowns in China impacted sell-out in all product categories, especially Flexible Living, which saw a high increase in sales last year.

Sell-out in EMEA declined by 2%. Sell-out reflected the fact that demand in Q1 again moved to more travel and outdoor-related On-the-go products, reflecting a more normal seasonality. This also impacted channel performance, and we saw multibrand and etail delivering solid growth.

Our monobrand channel, which is more dependent on the Staged category, declined. The decline was related to monobrand stores operated by partners, while our company owned stores delivered strong growth compared to Q1 of last year.

Traffic on our eCommerce platform increased, but we saw sales move to other channels with lower consumer prices. This led to a decline in sales in our eCommerce channel.

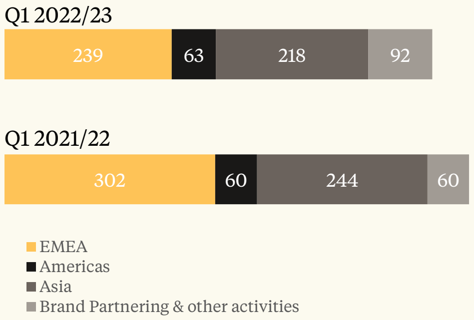
We experienced a bigger decline in sell-in compared to sell-out from all channels in EMEA. This reflected the fact that partners reduced inventories in Q1, presumably driven by the declining consumer confidence and general increase in uncertainty in the markets.

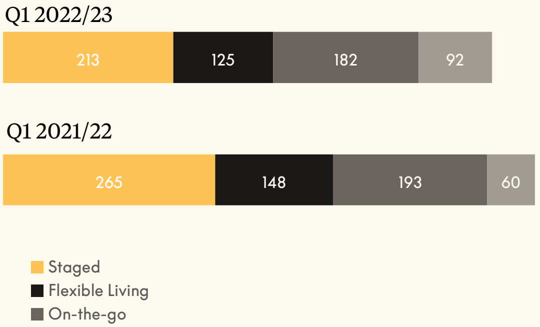
LIKE-FOR-LIKE SELL-OUT*

	Q1		Q1
EMEA	-2%	Staged	-3%
Americas	14%	Flexible Living	-23%
Asia	-27%	On-the-go	-7%
Total	-9%	**Total**	-9%

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

Revenue split





Americas grew sell-out by 14% compared to last year. All channels delivered growth, except for our eCommerce channel, which experienced sales moving to etailers as a result of price inconsistency in the market. The growth was driven by the Staged and On-the-go categories.

Revenue in Q1

Revenue declined by 8.2% year on year (-10% in local currencies) to DKK 612m.

The decline was related to regional product sales, which declined by 13.7% (-16% in local currencies). Brand Partnering & other activities grew by 51.7% (44% in local currencies). Adjusted for sales to the Russian market in Q1 of last year, the year-on-year decline was 7% and 13% for the Group and product revenue respectively.

We experienced the biggest decline in the monobrand channel in EMEA. We saw our retail partners in Europe react to increasing uncertainty and declining consumer confidence by reducing inventories and showing greater caution when replenishing. Additionally, with the increase in travel activity this summer, demand moved to travel and outdoor-related On-the-go products.

Revenue from our company owned stores grew in all three regions and they outgrew the monobrand network in general.

The number of monobrand stores declined by 16, which was related to the store closures announced last year.

The multibrand channel was impacted by lockdowns in China, among other factors. In Americas, we moved out of physical stores with BestBuy to focus on their online channel, which is now the main channel for our sales. This also impacted the number of multibrand points of sale, which declined by 813.

Online revenue through our eCommerce channel and through etailers declined compared to last year. Excluding Asia, online revenue increased by a mid-single digit figure mainly driven by Americas. We continue to experience some price inconsistency between our eCommerce channel and the market. This has resulted in sales moving to other channels. Our eCommerce sales accounted for approximately 4% (Q1 21/22: 4%) of product revenue in Q1. Our combined eCommerce and etail revenue accounted for around 17% (Q1 21/22: 16%) of regional product revenue.

	Monobrand		Multibrand	
Points of sale	End Q1 22/23	End Q4 21/22	End Q1 22/23	End Q4 21/22
EMEA	322	340	1,730	1,637
Americas	27	26	1,730	2,456
Asia	79	78	799	979
Total	**428**	**444**	**4,259**	**5,072**

The 51.7% growth in Brand Partnering & other activities was driven by both higher licence income and product revenue, mainly related to our Cisco partnership.

Staged category

Revenue declined by 19.7% to DKK 213m, primarily attributable to the TV portfolio. Sales were lower across all TV products, partly offset by higher average prices as we have implemented price increases since Q1 of last year.

The decline in revenue from our speaker portfolio was attributable to Beolab 28, which had higher comparables from last year, when it had just been launched. Beolab 90 and Beolab 50 performed better than last year. The performance in the speaker portfolio was also supported by the price increases implemented since Q1 of last year.

Flexible Living category
Revenue declined by 15.5% to DKK 125m. With the exception of Beosound Balance, revenue from all other speakers declined. This was mainly related to the EMEA region.

The decline in revenue was partly offset by price increases implemented since last year.

Beoplay A9 continued to be our bestselling product across product categories.

On-the-go category
Revenue declined by 5.6% to DKK 182m, impacted by lockdowns in China, impacting especially the headphone category.

Portable speakers and earphones both delivered healthy growth compared to last year. Beolit 20 drove the growth from portable speakers, while our new Beoplay EX drove the growth in our earphone category. Revenue from Beoplay EX was around 20% higher than for Beoplay EQ in Q1 of last year. Regional lockdowns in China in Q4 of last year led to higher inventory at the start of the new financial year. In Q1, we managed to sell a large quantity of earphones originally intended for the Chinese market to a partner in the US.

Gross profit
Gross profit was DKK 224m (Q1 21/22: DKK 299m). This was equivalent to a gross margin of 36.6% (Q1 21/22: 44.8%).

Gross profit from regional product sales was DKK 141m (Q1 21/22: DKK 241m), equivalent to a gross margin of 27.6% (Q1 21/22: 39.7%). The decline reflected product mix with more sales in lower-margin categories, and higher costs mainly from more expensive components purchased in the previous financial year. Furthermore, the sale of a large quantity of earphones to a partner in the US reduced the On-the-go margin in the quarter. Lastly, the higher fixed-costs-to-revenue ratio contributed to the overall margin decline.

Gross profit from Brand Partnering & other activities was DKK 80m (Q1 21/22: DKK 58m), equivalent to a gross margin of 87.2% (Q1 21/22: 96.7%). The growth in gross profit was mainly driven by our new collaboration with Cisco, where we have started to sell the Bang & Olufsen Cisco 980 headset for hybrid work. Product sales grew faster than high-margin licence income, adversely impacting gross margin in Q1.

Currency movements had a negative impact on the margin of approximately 1pp in the quarter.

Capacity costs
Capacity costs were DKK 306m (Q1 21/22: DKK 292m), corresponding to a year-on-year increase of 5%.

The increase was driven by targeted investment into our strategic focus areas, where we have prioritised product development and sales and marketing activities.

Development costs decreased by DKK 9m to DKK 69m, reflecting higher capitalisations. Our incurred development costs were DKK 6m higher than last year, driven by platform upgrades and our new soundbar, Beosound Theatre.

Distribution and marketing costs increased by DKK 22m to DKK 205m (Q1 21/22: DKK 183m). The increase reflected our investments into more marketing and the full-year effect of the resources we have added since Q1 of last year.

The increase in marketing costs was mainly due to local marketing activities. The ratio of marketing to revenue increased by 2.5pp to 9.8%.

Administrative expenses were DKK 35m (Q1 21/22: DKK 31m). The increase was mainly driven by added resources compared to a year ago. Compared to Q4, administrative expenses declined by 5%.

GROSS MARGIN	Q1 2022/23	Q1 2021/22
Staged	37.4%	45.8%
Flexible Living	40.4%	46.1%
On-the-go	7.9%	26.6%
Products, total	**27.6%**	**39.7%**
Brand Partnering & other activities	87.2%	96.7%
Total	**36.6%**	**44.8%**

EBIT
EBIT was DKK -85m (Q1 21/22: DKK 7m). This was equivalent to an EBIT margin of -14.1% (Q1 21/22: 1.1%).

There were no special items in Q1 of this year (Q1 21/22: DKK 2m). Before special items, the EBIT margin declined by 15.5pp to -14.1%.

The negative margin reflected lower revenue, declining gross margin, and slightly higher capacity costs.

Financial items
Net financial items were an expense of DKK 18m versus an expense of DKK 5m last year. The increase was driven by exchange rate adjustments and fair value adjustments of securities.

Profit/(loss)
The result before tax was a loss of DKK 103m (Q1 21/22: profit of DKK 2m).

Income tax amounted to DKK -3m (Q1 21/22: DKK 1m). The effective tax rate was -3.3% (Q1 21/22: 46.4%). The effective tax rate was primarily affected by a DKK 19m impairment charge related to the deferred tax asset in order to ensure that the deferred tax asset does not increase further due to the unusually high uncertainty as explained in Outlook for 2022/23.

The result for the period was a loss of DKK 100m (Q1 21/22: profit of DKK 1m).

Cash flow
Free cash flow was an outflow of DKK 81m compared to a free cash inflow of DKK 21m last year.

Cash flows from operating activities were an outflow of DKK 28m (Q1 21/22: inflow of DKK 47m).

The outflow was driven by the negative EBITDA of DKK 32m (Q1 21/22: inflow of DKK 59m). Change in net working capital was a positive DKK 10m compared to a negative DKK 4m last year.

Cash flows from operational investments were an outflow of DKK 53m (Q1 21/22: outflow of DKK 26m). The investments were primarily related to the development of new products and platforms.

Cash flows from financing activities were DKK 38m (Q1 21/22: DKK 2m). The cash inflow was related to net repo transactions of DKK 49m (Q1 21/22: DKK 10m), which were used to access liquidity on an intra-day basis for short-term liquidity planning and offset by cash outflow related to lease liabilities.

The cash position was DKK 125m (Q4 21/22: DKK 162m). Total available liquidity was DKK 207m (Q4 21/22: DKK 301m), made up of the sum of cash and securities amounting to DKK 532m less DKK 325m in bank loans related to repo transactions.

Our combined capital resources, consisting of available liquidity and the undrawn part of our ESG-linked credit facility, amounted to DKK 337m (Q4 21/22: DKK 433m).

Net working capital
Net working capital declined by DKK 10m during the quarter to DKK 325m.

Trade receivables were at the same level as at year-end 31 May 2022. Sales with extended credit accounted for 6% of revenue in the quarter (Q1 21/22: 6%).

Trade payables increased by DKK 51m since year-end and related to timing of payments.

Inventories declined by DKK 5m during the quarter. We entered the quarter with a high inventory following the lockdowns in China in Q4 of last year. We were not able to adjust production with our production partners immediately. Our inventory level therefore remained high at the end of Q1. We expect that our revised production plans will enable us to reduce our inventory during the remainder of the financial year.

Other liabilities decreased by DKK 41m during the quarter, primarily due to payment of employee bonus.

Net working capital to the last 12 months' revenue was 11.2% (Q4 21/22: 11.4%). The net working capital ratio remained at the high level from the end of our last financial year.

Net interest-bearing deposit
Net interest-bearing deposit, including net lease liabilities of DKK 119m, amounted to DKK 27m, compared to net interest-bearing deposit of DKK 111m at year-end 31 May 2022. The decrease was mainly due to the negative free cash flow of DKK 81m.

For further details, see note 8.

Equity
Equity was DKK 1,012m, corresponding to a decrease of DKK 88m in Q1 22/23.

Progress on key strategic priorities for 2022/23

We entered 2022/23 with a relatively high degree of uncertainty due to declining consumer confidence driven by high inflation, rising interest rates and the war in Ukraine, which, in combination, have increased the risk of recession. The geopolitical unrest and risks related to the potential continuation of regional lockdowns in China further increase the uncertainty.

Despite the instability of the macro environment, we continued to execute on our strategy but adjusted our plans in line with market developments.

For the past two and a half years, we have been working with our transformation strategy aimed at building a robust business while reorienting strategically towards scalable growth.

With our current operating environment, building robustness in the business is more important than ever, and we are consequently continuing our cost focus, diligently managing our investments, and working on production planning in a careful, structured manner to ensure a tight fit between demand and supply. These measures will help strengthen our resilience. But we also want and need to continue our strategic reorientation efforts in order to make us more relevant, more competitive and more differentiated in the future, especially in a potential time of recession. In Q1, we took a few more, important, incremental steps in the direction we wish to go.

Long-lasting, magical products designed for the future

Product longevity is at the heart of our strategy. We believe in designing and creating long-lasting, circular products that inspire customers to buy fewer but better products, thereby challenging the short replacement cycles in the industry.

In Q1, we launched our new soundbar, Beosound Theatre. With this launch, we demonstrated our modularity ambition as the soundbar will fit almost any TV screen and outlast all normal television cycles. Like Beosound Level and our other recently launched products, Beosound Theatre is built in modular design. The response to the launch was very positive. Besides being recognised for its sound performance and design, the ability to extend the life of Beosound Theatre beyond the normal life of a soundbar has been highly praised.

We have initiated the process of getting Beosound Theatre Cradle-to-Cradle certified, which is the world's most ambitious product circularity standard.

Beosound Level was the world's first consumer electronics product to receive Cradle-to-Cradle certification. We have committed to certify at least ten products by the end of our fiscal year 2024/25.

Since the launch of our strategy in April 2020, we have strengthened our product development team, especially within software skills. We are continuously developing our technical platforms and enhancing our product ecosystem. In Q1, we opened an office in Sofia, Bulgaria, which will complement our software team in Denmark. Our success in attracting people and skills has so far been very encouraging.

In parallel with our dedicated recruitment efforts, we are committed to motivate and excite the next generation of product developers. In Q1, we hosted our annual Innovation Camp in collaboration with Struer Municipality, University of Aarhus, University of Aalborg and the Technical University of Denmark. The camp provided high-quality multidisciplinary STEM (science, technology, engineering, mathematics) and sustainability education to engineering, acoustics and computer science students. The summer school was a test run for establishing a residential college in Struer in partnership with the universities focused on acoustics, STEM and sustainable design for audio products. A total of 42 highly committed students attended the camp, and we managed to build excitement about our company as well as capabilities for the future.

Building the brand and driving demand

Strengthening our brand awareness among our target audience globally remains a critical lever for future growth.

Product collaborations have been a programmatic effort and key priority for many years to reach more potential customers. Collaborating with other globally recognised luxury brands not only creates awareness of our brand but also strengthens our equity. In Q1, we launched two such collaborations. The first was a limited edition of our Beosound Explore portable speaker together with luxury lifestyle brand Supreme, which has a large reach and adoption among a younger customer segment.

The second collaboration in the quarter was with the successful luxury fashion house Balenciaga. Together with Balenciaga, we designed a fully functioning speaker bag, crafted to resemble the sculptural form of Balenciaga's iconic Hourglass handbag.

The speaker bag was unveiled at Balenciaga's 51st Couture show in Paris. The music, an integral element of Balenciaga fashion shows, was delivered to the audience through the speaker bag, carried by models on the catwalk. Each speaker bag was milled out of a single block of aluminium at our Factory 5 facility in Struer. A total of 20 speaker bags were created for the show and sold out overnight with high demand for more.

The Balenciaga collaboration was the best-performing collaboration to date and created significant awareness for the Bang & Olufsen brand. So far, we have reached nearly 30 million people. In our own social media channels, we reached more than one million people with the Balenciaga content.

In Q1, we also continued our other types of collaborations to generate awareness. Through our partnership with Williams Racing, we had several activations in connection with the Formula 1 race at Silverstone in the UK. Seven Bang & Olufsen stores ran Formula 1-related events, and the events were attended by more than 1,200 people.

The activations were a success. During the period of activation, we saw a rise in instore footfall and sell-out in all stores and on our eCommerce channel.

We continue our digital acceleration efforts, particularly on our eCommerce platform. It remains an important entry point for our customers, as it enables us to tell our full brand story and get our customers interested and immersed in our brand and product proposition universe. Traffic to our eCommerce platform continues to grow and increased by 25%. The quality of traffic also improved, with visitors staying on our website for longer.

However, overall revenue on our eCommerce platform declined in Q1. This was due to price inconsistency driving purchase transactions to other etail channels. Nonetheless, our newly launched eCommerce sites in Asia performed well with better-than-expected conversion rates.

In Q1, we also continued our work with influencers. We estimate that during Q1 we reached more than seven million people via influencers and celebrities alone.

We also managed to drive organic reach, achieving more than 17 million organic impressions via Google Search, and more than 8% converted into visits on our eCommerce platform.

For the fiscal year, we continue our pursuit to attract customers. In Q1, we grew our customer base by 6.3% compared to the end of the last financial year. We also saw an increase of 5.1% in customers owning two or more Bang & Olufsen products.

Pillars of growth

Our partnership with Cisco on the Bang & Olufsen Cisco 980 headset for hybrid work targeting the enterprise segment delivered considerable growth. The headset was released in a black version, and feedback from Cisco is positive with solid interest in the product.

The partnership with Cisco is our first dedicated venture into the enterprise segment. A number of our products are already being used for hybrid work, and several of our headphones and Bluetooth products will be certified with Microsoft Teams and Zoom in the coming quarters.

Last year, Bang & Olufsen sound was introduced in the South Korean luxury car brand Genesis. In Q1, the line of cars incorporating Bang & Olufsen sound was expanded to include the GV90 model. The car systems in both the GV60 and the GV90 received the Red Dot design award.

In the quarter, our partnership with Sagemcom enjoyed onboarding of an additional telecom operator, Starhub in Singapore. This is the fourth telecom operator onboarded by Sagemcom.

Performance in our two core markets in Asia was materially impacted by the lockdowns and plunging consumer confidence in China. Total sell-out in these two markets declined by 36%, with China showing a 42% decline. Sell-out in South Korea grew by 12%.

In our six core European markets, sell-out grew by 3% compared to an overall decline of 2% for the EMEA region.

The UK continued to be one of the top-performing countries in EMEA. Our city strategy in London continues to yield results. Sell-out from our company owned stores in London grew by 71% compared to Q1 of last year.

With the success of our Win London project, we are going to expand our city focus to include other key cities. Based on the Win London project and key learnings, we have developed a conceptual framework and city segmentation that will guide our geographical expansion and market penetration going forward. We will expand to select cities globally where cultural and economic exchange is proportionally high, where we see significant personal luxury spend, and where we have a high density of target audience. This geographical focus is therefore based on a set of external parameters on target audience demographics, consumption patterns and urban development ultimately helping us to build presence and activity where our customers live, work, shop and socialise. This implies that we will expand our strategic development activities to the US, as we see several US cities ranking high on our segmentation criteria. While the select US cities represent interesting commercial opportunities, a focus on the US also mitigates the risk of our current reliance on Europe (where the war in Ukraine has accelerated a looming recession) and on China (where our operations continue to be challenged by lockdowns).

Our execution in London continues, and we have two new cities planned for roll-out, New York and Paris.

Reducing CO2 emissions

This summer, we received external assurance from Deloitte for our scope 1 and 2 greenhouse gas emissions reporting for the first time. This year, we will set a long-term target for reducing our scope 1, 2 and 3 emissions in line with the Science Based Targets initiative. In Q1, we initiated scope 3 inventory work, which is a prerequisite to setting the long-term emission targets for our value chain.

At our aluminium factory in Struer, we have been using gas heaters for our anodising facilities. However, we want to move away from natural gas and in Q1 we began the installation of an electric boiler. This will enable us to move to renewable energy sources in our operations. We expect the transition to the electric boiler to be completed by November.

EMEA

Like-for-like sell-out
Sell-out declined by 2%. This was the first summer without major travel restrictions due to COVID-19, and we therefore experienced a normalisation of seasonality as demand moved to travel and outdoor-related On-the-go products. Our On-the-go category delivered solid growth, whereas the Staged and Flexible Living categories both declined, with the bigger decline in Flexible Living.

Revenue
Revenue was DKK 239m (Q1 21/22: DKK 302m). This was equivalent to a decline of 21.4% (22% in local currencies). Excluding sales to Russia last year, revenue declined by 20%.

The decline was mainly attributable to the monobrand channel, but most channels declined. With the war in Ukraine, rising interest rates and higher inflation, we saw more caution from our retail partners, with a general tendency to reduce inventories.

Our company owned stores delivered solid growth compared to Q1 of last year. Our London stores, in particular, continued to deliver solid growth rates.

The eCommerce channel was impacted by price inconsistencies in the market. Despite the increase in traffic and improved quality of traffic, with increased session durations, we saw some sales moving to other etailers. Our eCommerce channel combined with our etail channel declined by 14% compared to Q1 of last year.

Revenue from our six core European markets declined by 13%, but their share of revenue in EMEA increased to 70% because of a relatively better performance than the rest of the markets. Sell-out in these markets was 3% higher than last year, especially driven by the On-the-go category.

Revenue from our Staged category declined by 23%, mainly related to the TV portfolio. The decline from speakers was attributed to high comparables for Beolab 28, which was still new in the market in Q1 of last year.

We delivered solid growth from our more expensive speakers, Beolab 50 and Beolab 90. Revenue from the Flexible Living category declined by 34%. With the exception of Beosound Balance, sales of all speakers declined compared to last year.

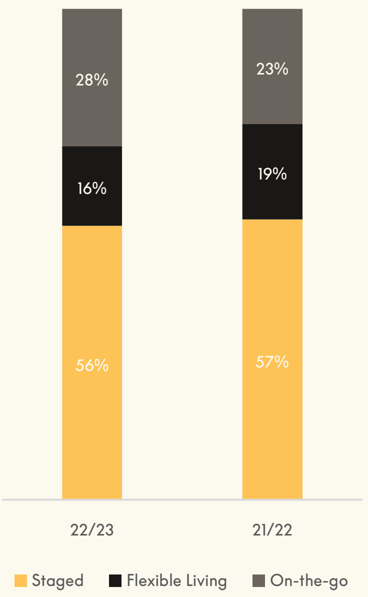
Revenue from the On-the-go category declined by 6%. The decline was related to headphones. Our earphone category grew compared to last year, driven by a solid performance from Beoplay EX, which outperformed Beoplay EQ last year. Revenue from portable speakers was at the same level as last year.

Gross profit
Gross profit amounted to DKK 72m. This was equivalent to a gross margin of 30.1% (Q1 21/22: 42.6%).

The decline was related to product mix, with more sales in lower margin categories, and higher costs mainly from more expensive components purchased in the previous financial year. Lastly, the higher fixed-costs-to-revenue ratio contributed to the overall margin decline.

	Q1		
(DKK million)	2022/23	2021/22	Change
Revenue	239	302	-62
Growth in local currencies	-20%	47%	
Gross profit	72	129	-57
Gross margin	30.1%	42.6%	-12.5%

Revenue split (%)



Americas

Like-for-like sell-out

Sell-out increased by 14%. We experienced solid growth from both the Staged and On-the-go categories, while the Flexible Living category declined compared to last year.

Revenue

Revenue was DKK 63m (Q1 21/22: DKK 60m), equivalent to an increase of 4.5% (decline of 6% in local currencies).

The growth was mainly driven by our monobrand channel and etail. Revenue from our eCommerce channel declined due to price inconsistencies in the market.

Our B2B channel grew as we managed to sell a large quantity of earphones to a partner in Q1.

Revenue from the Staged category increased by 22%. The growth was driven by higher revenue from both speakers and TVs. The growth was driven by a combination of more products sold and higher average prices.

Revenue from the Flexible Living category was up 1% compared to last year. The growth was driven by Beosound Balance and Beosound Level, which performed well compared to last year.

Revenue from On-the-go was at the same level as last year. The earphone category delivered growth driven by a solid performance from Beoplay EX and supported by the sale of a large quantity of earphones to a B2B partner. Sales of headphones and earphones declined compared to last year.

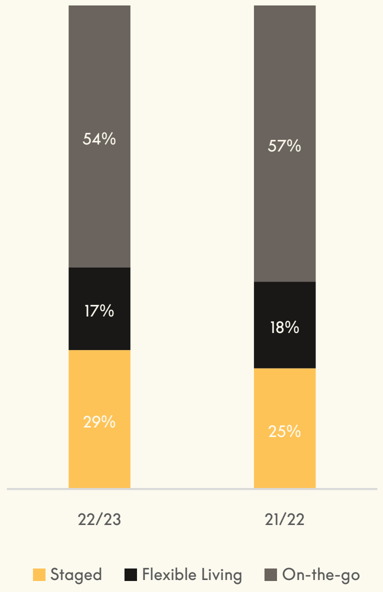
Gross profit

Gross profit amounted to DKK 12m. This was equivalent to a gross margin of 18.4% (Q1 21/22: 30.9%).

The decline was related to higher costs, mainly from more expensive components purchased in the previous financial year. Furthermore, the sale of a large quantity of earphones to a partner in the US reduced the On-the-go margin in the quarter.

	Q1		
(DKK million)	2022/23	2021/22	Change
Revenue	63	60	3
Growth in local currencies	-6%	97%	
Gross profit	12	19	-8
Gross margin	18.4%	30.9%	-12.5%

Revenue split (%)



Asia

Like-for-like sell-out
Sell-out declined by 27%, mainly related to the regional lockdowns in China and impact on consumer confidence. Sell-out in China declined by 42%. We saw positive sell-out growth in the other regions in Asia.

Revenue
Revenue was DKK 218m (Q1 21/22: DKK 244m), corresponding to an 8.8% decline (12% in local currencies).

Revenue from our two core Asian markets declined by 10% and accounted for approximately 68% of total revenue in Asia.

The development in the Asia region as a whole, and in our two core markets, was impacted by the continued lockdowns in China. The lockdowns also had an adverse effect across sales channels and product categories. In China, we also suffered from operational delays as we took over the engagement with JD.com. This also impacted our performance at the Chinese shopping festival 618.

Revenue from the Staged category declined by 21%. The decline was due to lower quantities sold within both speakers and TVs.

The Flexible Living category declined by 4%. We saw all speakers in the category develop similarly. Beoplay A9, which delivered very strong growth last year, continued to be the bestselling speaker in the category, followed by Beosound Balance.

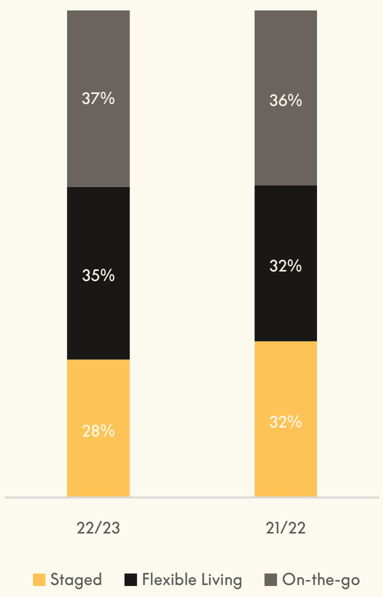
The On-the-go category decreased by 7% year on year. The decrease was related to both headphones and earphones, whereas portable speakers grew compared to last year, driven by Beolit 20.

Gross profit
Gross profit amounted to DKK 60m, equivalent to a gross margin of 27.6% (Q1 21/22: 38.2%).

The decline was due to higher costs, mainly from more expensive components purchased in the previous financial year. Lastly, the higher fixed-costs-to-revenue ratio contributed to the overall margin decline.

	Q1		
(DKK million)	2022/23	2021/22	Change
Revenue	218	244	-26
Growth in local currencies	-12%	41%	
Gross profit	60	93	-33
Gross margin	27.6%	38.2%	-10.5%

Revenue split (%)



Brand Partnering & other activities

Revenue

Revenue was DKK 92m (Q1 21/22: DKK 60m), corresponding to a 51.7% increase (44% in local currencies). The reported growth benefited from currency tailwind.

Licence fee revenue grew by 16%. All our licence partnerships contributed to the revenue growth, including new partnerships that did not yield revenue last year. Licence fees from automotive were also driven by the addition of the Korean luxury car brand Genesis. Licensing income accounted for 67% of total revenue in Brand Partnering & other activities.

Revenue from co-branded products provided a significantly larger part of growth than last year. Product sales and revenue from aluminium manufacturing for third parties more than tripled compared to last year.

Revenue from our product collaborations was mainly related to the Bang & Olufsen Cisco 980 headphones, but the speaker bag developed for Balenciaga also contributed to the increase in revenue.

Gross profit

Gross profit amounted to DKK 80m (Q1 21/22: DKK 58m), equivalent to a gross margin of 87.7% (Q1 21/22: 96.7%).

The decline was related to the change in mix as the category now includes more product revenue from our brand collaboration.

	Q1		
(DKK million)	2022/23	2021/22	Change
Revenue	92	60	32
Growth in local currencies	44%	9%	
Gross profit	80	58	22
Gross margin	87.2%	96.7%	-9.5%

Key events

JUN '22

New credit facility linked to ESG targets

We renewed and increased our credit facility to DKK 150m from previously DKK 100m. For the first time, we tied our credit facility to our sustainability targets. The facility runs for two years with an option of a one-year extension.

Interest on the facility will be adjusted based on progress on the following three strategic sustainability KPIs:

- Product longevity: Expanding the number of Cradle-to-Cradle certified products.
- Moving Bang & Olufsen's own operations to renewable energy sources.
- Addressing operational waste and value chain emissions.

We won three T3 awards

Bang & Olufsen won three T3 awards. T3 is one of the most influential tech magazines, attracting more than 10 million monthly views.

- The Beosound A1 (2nd Gen) won 'Best Portable Speaker'.
- The Beoplay Portal won 'Best Gaming Headset'.
- Beolab 28 won 'Design Icon' in the 'Luxury' category.

JUL '22

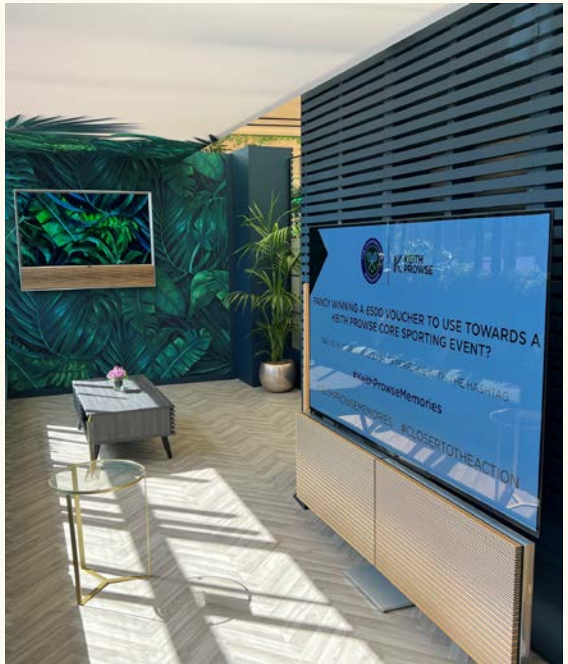
Partnership with Supreme

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

Partnership with Tom Sellers

We entered a multi-year partnership with two-Michelin-starred chef Tom Sellers.

During Wimbledon, visitors to the Treehouse came face to face with a selection of Bang & Olufsen TVs and speakers, providing them with an enhanced audio and visual experience.



Collaboration with Balenciaga

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

It is a unique loudspeaker that was carried by models at a fashion show, with the speakers playing all the audio during the show. The event generated a lot of attention.

Innovation Camp 2022

From 4-22 July, we once again hosted The Innovation Camp at our headquarters in Struer, Denmark.

This is a unique course during summer where university students are given the chance to boost their innovation skills in a multi-disciplinary environment and learn about innovative and more sustainable product development in a real-life industrial setting.

AUG '22

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.

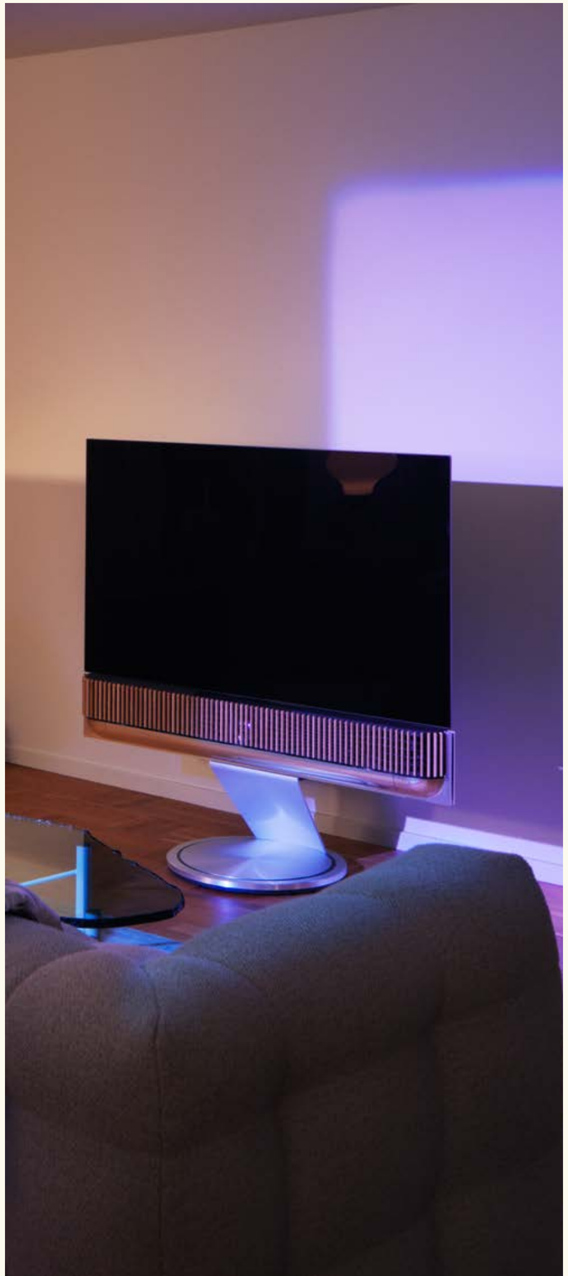
The mall caters to many customers within the UHNWI segment, and with the location of the new store we have high expectations that we will reach a large number of customers who are passionate about luxury brands.

Launch of Beosound Theatre

Beosound Theatre 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.



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.

Outlook for 2022/23 maintained

We maintain our outlook for the financial year 2022/23.

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

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

Revenue growth in local currencies

Revenue growth in local currencies is expected to be between -4% to 5%. The expectations are subject to the following assumptions:

- Improved market conditions in China during Q2.
- Launch of five or more product innovations, including relaunch of Beosound Emerge.
- Improved product availability compared to 2021/22.
- No impact on product availability due to geopolitical or COVID-19 related lockdowns.
- No major COVID-19 related lockdowns in the second half of the year.

EBIT margin before special items

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

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

Free cash flow

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

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

Sensitivities

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

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

Condensed income statement

(DKK million)	Notes	Q1 2022/23	Q1 2021/22	Year 2021/22
Revenue	2, 4	612	666	2,948
Production costs		-388	-367	-1,612
Gross profit		224	299	1,336
Development costs	5	-69	-78	-279
Distribution and marketing costs		-205	-183	-875
Administrative expenses		-35	-31	-136
Operating profit/(loss) (EBIT)		-85	7	46
Financial income		4	2	11
Financial expenses		-22	-7	-65
Financial items, net		-18	-5	-54
Profit/(loss) before tax (EBT)		-103	2	-8
Income tax		3	-1	-22
Profit/(loss) for the period		-100	1	-30
Earnings per share				
Earnings per share (EPS), DKK		-0.8	0.0	-0.2
Diluted earnings per share (EPS-D), DKK		-0.8	0.0	-0.2

Condensed statement of comprehensive income

	Q1		Year
(DKK million)	**2022/23**	2021/22	2021/22
Profit/(loss) for the period	-100	1	-30
Items that will be reclassified subsequently to the income statement:			
Foreign exchange adjustments of foreign entities	5	3	16
Fair value adjustments of derivatives	-2	-3	-13
Value adjustments of derivatives reclassified in			
Revenue	7	5	25
Production costs	-5	-	-6
Tax on other comprehensive income/(loss)	-	-1	-1
Other comprehensive income for the period, net of tax	5	4	21
Total comprehensive income/(loss) for the period	-95	5	-9

Condensed statement of financial position

ASSETS

(DKK million)	Notes	31-08-22	31-08-21	31-05-22
Goodwill		42	41	42
Acquired rights and software		64	40	57
Completed development projects		106	140	97
Development projects in progress	5	137	40	138
Intangible assets		349	**261**	**334**
Property, plant and equipment		213	169	215
Right-of-use assets		98	113	108
Tangible assets		311	**282**	**323**
Deferred tax assets		85	90	77
Total non-current assets		769	**658**	**761**
Inventories		624	453	629
Trade receivables		396	405	397
Tax receivable		32	32	37
Other receivables		87	90	89
Prepayments		36	35	28
Securities	8	407	437	415
Cash	8	125	201	162
Assets held for sale		-	21	-
Total current assets		1,707	**1,674**	**1,757**
Total assets		2,476	**2,332**	**2,518**

EQUITY AND LIABILITIES

(DKK million)	Notes	31-08-22	31-08-21	31-05-22
Share capital		613	613	613
Translation reserve		37	19	32
Cash flow hedge reserve		-5	-9	-5
Retained earnings		367	520	460
Total equity		1,012	**1,143**	**1,100**
Lease liabilities		85	110	95
Pensions		12	13	12
Deferred tax		6	7	6
Provisions		38	39	41
Mortgage loans		57	61	58
Other non-current liabilities		21	15	21
Total non-current liabilities		219	**245**	**233**
Lease liabilities		39	26	39
Mortgage loans		4	4	4
Bank loans	8	325	30	276
Provisions		54	47	56
Trade payables		632	633	581
Tax payable		21	26	17
Other liabilities		170	178	212
Total current liabilities		1,245	**944**	**1,185**
Total liabilities		1,464	**1,189**	**1,418**
Total equity and liabilities		2,476	**2,332**	**2,518**

Condensed statement of cash flows

		Q1		Year
(DKK million)	Notes	2022/23	2021/22	2021/22
Profit/(loss) before tax (EBT)		-103	2	-8
Financial items, net		18	5	54
Depreciation, amortisation and impairment		53	52	211
Operating profit/(loss) before depreciation, amortisation and impairment (EBITDA)		-32	**59**	**257**
Other non-cash items		-6	5	17
Change in net working capital	6	10	-4	-148
Interest received		4	2	11
Interest paid		-8	-6	-28
Income tax received/(paid)		4	-9	-33
Cash flows from operating activities		-28	**47**	**76**
Purchase of intangible non-current assets		-46	-22	-181
Purchase of tangible non-current assets		-12	-4	-68
Sublease payment		1	1	3
Other cash flows from investing activities		4	-1	-2
Operational investments		-53	**-26**	**-248**
Free cash flow		-81	**21**	**-172**
Purchase of securities		-	-25	-447
Sale of securities		3	25	456
Financial investments		3	**-**	**9**
Cash flows from investing activities		-50	**-26**	**-239**

		Q1		Year
(DKK million)	Notes	2022/23	2021/22	2021/22
Repayment of lease liabilities		-10	-7	-36
Repayment of mortgage loans		-1	-1	-4
Proceeds from loans and borrowings		49	50	712
Repayment of loans and borrowings		-	-40	-456
Purchase of treasury shares		-	-	-37
Settlement to other liabilities		-	-	-34
Cash flows from financing activities		38	**2**	**145**
Cash and cash equivalents, opening balance		162	178	178
Foreign exchange gain/loss on cash and cash equivalents		3	-	2
Change in cash and cash equivalents		-40	**23**	**-18**
Cash and cash equivalents, closing balance		125	**201**	**162**
Available liquidity	8	207	608	301

Condensed statement of changes in equity

(DKK million)	Share capital	Translation reserve	Cash flow hedge reserve	Retained earnings	**Total**
Equity 1 June 2022	613	32	-5	460	1,100
Profit/(loss) for the period	-	-	-	-100	-100
Foreign exchange adjustments of foreign entities	-	5	-	-	5
Fair value adjustments of derivatives	-	-	-2	-	-2
Value adjustments of derivatives reclassified in					
Revenue	-	-	7	-	7
Production costs	-	-	-5	-	-5
Income tax on items that will be reclassified to the income statement	-	-	-	-	-
Comprehensive income/(loss) for the period	-	5	-	-100	-95
Share-based payments	-	-	-	7	7
Equity 31 August 2022	613	37	-5	367	1,012
Equity 1 June 2021	613	16	-10	514	1,133
Profit/(loss) for the period	-	-	-	1	1
Foreign exchange adjustments of foreign entities	-	3	-	-	3
Fair value adjustments of derivatives	-	-	-3	-	-3
Value adjustments of derivatives reclassified in					
Revenue	-	-	5	-	5
Production costs	-	-	-	-	-
Income tax on items that will be reclassified to the income statement	-	-	-1	-	-1
Comprehensive income/(loss) for the period	-	3	1	1	5
Share-based payments	-	-	-	5	5
Equity 31 August 2021	613	19	-9	520	1,143

Notes

1 Basis of reporting

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

No interim report has been prepared for the parent company.

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

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

2 Critical accounting estimates and judgements

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

Due to the current high uncertainty and increased risk of recession as a result of declining consumer confidence, increasing inflation, rising interest rates, the war in Ukraine, and geopolitical uncertainty and risk related to current and potential future regional COVID-19 related lockdowns, we have considered the recoverability of trade receivables and the value of inventories. We have also assessed the value of intangible assets, deferred tax assets and property, plant and equipment. We have realised no impairment of assets other than the deferred tax asset. The method of calculating both inventory obsolescence and write-downs on trade receivables remains unchanged.

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

3 Seasonality

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

In the current situation, seasonality may be impacted by COVID-19 and global component scarcity affecting product supplies.

4 Segment information

(DKK million)	EMEA	Americas	Asia	**Regions, total**	Brand Partnering & other activities	**All**
Q1 2022/23						
Revenue	239	63	218	520	92	612
Production costs	-167	-51	-158	-376	-12	-388
Gross profit	72	12	60	144	80	224
Gross margin	30.1%	18.4%	27.6%	27.6%	87.2%	36.6%
Q1 2021/22						
Revenue	302	60	244	606	60	666
Production costs	-173	-41	-151	-365	-2	-367
Gross profit	129	19	93	241	58	299
Gross margin	42.6%	30.9%	38.2%	39.7%	96.7%	44.8%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Q1 2022/23						
Revenue	213	125	182	520	92	612
Production costs	-133	-75	-168	-376	-12	-388
Gross profit	80	50	14	144	80	224
Gross margin	37.4%	40.4%	7.9%	27.6%	87.2%	36.6%
Q1 2021/22						
Revenue	265	148	193	606	60	666
Production costs	-143	-80	-142	-365	-2	-367
Gross profit	122	68	51	241	58	299
Gross margin	45.8%	46.1%	26.6%	39.7%	96.7%	44.8%

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

5 Development costs

(DKK million)	Q1 2022/23	Q1 2021/22	Year 2021/22
Incurred development costs before capitalisation	78	72	328
Of which capitalised	-33	-18	-138
Incurred development costs after capitalisation	45	54	190
Capitalisation (%)	42.5%	25.4%	42.0%
Total charges and impairment losses on development projects	24	24	89
Development costs recognised in the consolidated income statement	69	**78**	**279**

6 Change in net working capital

(DKK million)	31-08-22	31-05-22	Q1 2022/23 YTD	Q1 2021/22 YTD	2021/22
Inventories	624	629	5	84	-260
Trade receivables	396	397	1	-33	41
Other receivables*	85	88	3	-2	2
Prepayments	36	28	-8	3	4
Trade payables	-632	-581	51	-131	79
Other liabilities	-170	-212	-42	82	-13
Deferred income - non-current	-14	-14	-	1	-1
Total	325	**335**	**10**	**4**	**-148**

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

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

7 Special items

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

	Q1		Year
(DKK million)	2022/23	2021/22	2021/22
Severance and garden leave , Executive Management Board	-	-	4
Restructuring costs and severance	-	-	2
Consultants	-	2	2
Total	-	2	8

8 Net interest-bearing deposit/(debt)

Net interest-bearing deposit/(debt) consists of interest-bearing assets less interest-bearing debt. Interest-bearing assets consist of securities, cash, sublease and finance lease receivables. Interest-bearing debt consists of mortgage loans, bank loans, lease liabilities, and from Q2 2020/21 also the part of the Danish holiday pay provision for "Lønmodtagernes Feriemidler". We have placed the majority of our cash in Danish mortgage bonds, all with an AAA S&P rating to minimise negative interest. To maintain short-term financial flexibility, we use repo transactions, whereby we can access liquidity on an intra-day basis if needed by lending our banks bonds in return for cash, while committing to a reverse transaction at a predetermined future date. Bonds are presented as securities on the balance sheet as ownership of the bonds remains with the company during the term of the repo. The obligation to return cash for bonds under such repo transactions is recognised as short-term bank loans. As of 31 August 2022, repo transactions amounted to DKK 325m.

Net interest-bearing deposit amounted to DKK 27m compared to DKK 111m at year-end 2021/22.

(DKK million)	31/08/22	31/08/21	31/05/22
Mortgage loans (non-current)	-57	-61	-58
Mortgage loans (current)	-4	-4	-4
Bank loans (current)	-325	-30	-276
Lease liabilities (non-current)	-85	-110	-95
Lease liabilities (current)	-39	-26	-39
Other non-current liabilities*	-0	0	-
Other current liabilities	-	-35	0
Interest-bearing debt	-510	**-266**	**-472**
Finance lease receivables (non-current)	3	5	4
Finance lease receivables (current)	2	2	2
Cash (current)	125	201	162
Securities (current)	407	437	415
Interest-bearing assets	537	**645**	**583**
Net interest-bearing deposit/(debt)	27	**379**	**111**

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

Net available cash was DKK 207m (year-end 2021/22: DKK 301m), consisting of cash and securities offset by repo transactions.

(DKK million)	31/08/22	31/08/21	31/05/22
Cash (current)	125	201	162
Securities (current)	407	437	415
Bank loans (current)	-325	-30	-276
Available liquidity	207	**608**	**301**

Including the undrawn part of our ESG-linked credit facility, capital resources were DKK 337m (Q4 21/22: DKK 433m), consisting of available liquidity of DKK 207m and undrawn committed credit facilities of DKK 130m.

9 Related parties

Related parties with significant interests

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

Transactions with related parties

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

10 Share-based programmes

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

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

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

Costs related to the programmes have been recognised as staff costs and amounted to DKK 7m for the quarter (Q1 2021/22: DKK 5m).

Programme	Performance period	Maximum shares	Total value at time of allocation	Release after Annual Report	Average share price at grant date	Remaining time to vesting
		Number	DKK million	Year	DKK	Months
2020/21	01.06.2020-31.05.2023	3,091,511	22	2022/23	12.93	12
2021/22	01.06.2021-31.05.2024	2,218,064	37	2023/24	33.11	24
2022/23	01.06.2022-31.05.2025	2,582,108	38	2024/25	14.28	36

11 Financial instruments

Financial instruments by category

(DKK million)	31/08/22	31/08/21	31/05/22
Non-current other receivables	24	25	27
Trade receivables	396	405	397
Other receivables	87	90	89
Cash	125	201	162
Financial assets at amortised cost	632	721	675
Securities	407	437	415
Fair value through income statement	407	437	415
Derivatives used for hedge accounting	14	3	9
Fair value through other comprehensive income	14	3	9
Financial assets	1,053	1,161	1,099
Mortgage loans	61	65	62
Bank loans	325	30	276
Lease liabilities	124	136	134
Trade payables	647	633	581
Financial liabilities at amortised cost	1,157	864	1,053
Derivatives used for hedge accounting	23	16	18
Fair value through other comprehensive income	23	16	18

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

Securities

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

Derivative financial instruments

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

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

12 Capital structure

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

Capital resources were DKK 337m (Q4 21/22: DKK 433m), consisting of available liquidity of DKK 207m and the undrawn part of our ESG-linked credit facility of DKK 130m.

The company holds a total of 3,244,692 treasury shares (3,244,692 shares at 31 May 2022) to cover outstanding long-term incentive programmes.

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

13 Subsequent events

As described in our outlook for the financial year 2022/23, Bang & Olufsen is facing higher than normal risks and uncertainties. These include the duration of the COVID-19 pandemic, and the potential impact in the company's different geographical markets and on supply chain and logistics, currently especially related to China. Furthermore, increasing inflation, rising interest rates and Russia’s war against Ukraine could potentially impact consumer demand in some countries. The company is working actively to mitigate these risks, but there may be a financial impact.

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

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Management Board have today discussed and approved the interim report of Bang & Olufsen A/S for the period 1 June 2022–31 August 2022.

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

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 31 August 2022, and of the results of the Group's operations and cash flows for the period 1 June 2022 – 31 August 2022. In our opinion, the Management's review includes a fair review of the development in the Group's operations and financial matters, the results for the period, and the financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group.

Struer, 5 October 2022

Executive Management Board:

Kristian Teär
CEO

Nikolaj Wendelboe
EVP, CFO

Line Køhler Ljungdahl
EVP, CLO

Board of Directors:

Juha Christensen
Chair

Albert Bensoussan
Vice Chair

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegeberg

Jesper Jarlbæk

M. Claire Chung

Søren Balling

Tuula Rytilä

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