Interim report H1 2023/24

Q2 highlights

We improved our earnings despite a lower level of revenue compared to Q2 of last year. EBIT margin before special items increased to 3.0% from 1.6% supported by a gross margin increase of 8.7 percentage points to a record-high 53.1%. For the third quarter in a row, we reported a gross margin above 50%.

Financial highlights

Due to the successful launch and sell-in of Beosound Theatre in Q2 of last year and the planned reduction of sell-in to multibrand channels this year, negative revenue growth had been expected for Q2. In addition, the economic recovery in China was slower than expected. Despite a decline in revenue, consumer demand remained stable, and sell-out grew by 2% year-on-year driven by like-for-like sell-out growth in APAC of 8%.

Group revenue declined by 18.5% (-16% in local currencies). EMEA revenue decreased by 14.5% (-15% in local currencies), while the Americas declined by 31.3% (-27% in local currencies). The launch of Beosound Theatre last year and changes in channel distribution impacted the development across regions. In addition, markets remained challenged during the quarter.

APAC revenue declined by 15.0% (-10% in local currencies) compared to Q2 of last year. Revenue from China decreased by 24.5% (-16% in local currencies). Our performance in China was impacted by the economic downturn in addition to changes made to distribution. Overall inventory levels improved, which is expected to have a positive impact on revenue in H2 2023/24.

Brand Partnering & other activities decreased by 28.8% (-27% in local currencies). This was mainly due to reduced license income as the automotive industry was impacted by factory strikes in the US. Revenue from product collabs declined due to the ramp-up of the Bang & Olufsen Cisco 980 headset in Q2 of last year.

Gross margin increased from 44.4% to 53.1% year-on-year. Normalised component and logistics costs, price increases, and a change in product mix towards higher-margin products primarily drove the increase.

We achieved positive earnings despite the lower revenue level, and EBIT before special items was DKK 21m (Q2 22/23: DKK 14m), corresponding to an EBIT margin of 3.0% (Q2 22/23: 1.6%).

Free cash flow improved by DKK 23m to DKK 24m (Q2 22/23: DKK 1m), driven by a change in net working capital. Available liquidity was DKK 163m (Q2 22/23: DKK 187m).

Strategic highlights

In Q2, we announced two new products, Beolab 8 and Beosound Bollard, both intended to enable us to offer a broader product proposition.

We also continued executing structural changes in our channel network to promote and improve our branded channels, and to reduce presence in multibrand and eTail channels that does not fit well with our luxury positioning.

Our Win City execution continued across our three cities, London, Paris, and New York. In November, we opened our relocated store in New York and in mid-December we opened our new flagship store in London on New Bond Street.

Our customer base grew by 5% and the number of customers owning two or more Bang & Olufsen products increased by 2% during the quarter.

Outlook 2023/24

We maintain our outlook for 2023/24, however, we now expect revenue growth and free cash flow to be at the lower end of the range. Expectation to EBIT margin before special items is unchanged.

- Revenue growth in local currencies: 0% to 9%
- EBIT margin before special items: 0% to 6%
- Free cash flow: DKK -50m to 100m

For uncertainties and assumptions of the outlook please refer to page 17.

Revenue
DKK million
700
Q2 22/23: 859

Growth in local currencies
-16%
Q2 22/23: 2%

EBIT before special items
DKK million
21
Q2 22/23: 14

Free cash flow
DKK million
24
Q2 22/23: 1

Key financial highlights

	Q2		YTD		Year
(DKK million)	**2023/24**	2022/23	**2023/24**	2022/23	2022/23
Income statement					
Revenue	700	859	1,319	1,471	2,752
EMEA	342	400	645	639	1,281
Americas	72	106	139	169	313
APAC	211	248	383	466	795
Brand Partnering & other activities	75	105	152	197	363
EBIT before special items	21	14	37	-71	-105
EBIT	17	13	33	-72	-124
Special items, net	-4	-1	-4	-1	-19
Financial items, net	-12	-11	-17	-29	-28
Profit/loss before tax (EBT)	5	2	16	-101	-152
Profit/loss for the period	8	3	15	-97	-141
Financial position					
Total assets	2,279	2,544	2,279	2,544	2,385
Equity	983	1,012	983	1,012	958
Cash	154	189	154	189	216
Available liquidity	163	187	163	187	224
Capital resources	323	307	323	307	384
Net interest-bearing deposit/debt	-33	4	-33	4	19
Net working capital	286	335	286	335	222

	Q2		YTD		Year
(DKK million)	**2023/24**	2022/23	**2023/24**	2022/23	2022/23
Cash flows					
Cash flows from operating activities	80	54	61	26	198
Operational investments	-56	-53	-98	-106	-218
Free cash flow	24	1	-37	-80	-20
Key figures					
Gross margin, total, %	53.1	44.4	52.8	41.2	44.2
EMEA *)	48.5	36.8	48.0	34.8	37.2
Americas *)	42.9	33.6	44.2	28.5	31.6
APAC *)	51.6	45.0	50.2	37.2	40.3
Brand Partnering & other activities *)	87.9	82.6	87.9	82.4	87.9
Growth in local currencies, %	-16	2	-8	-4	-8
EBIT margin before special items, %	3.0	1.6	2.8	-4.8	-3.8
EBIT margin, %	2.4	1.5	2.5	-4.9	-4.5
Return on invested capital, excl. goodwill, %	12.6	-2.7	12.6	-2.7	0.4
Return on equity, %	1.4	-9.9	1.4	-9.9	-14.7
Full-time employee (FTE) at end of period	1,006	1,048	1,006	1,048	996
Stock-related key figures					
Earnings per share (EPS), DKK	0.1	0.0	0.1	-0.8	-1.5
Earnings per share, diluted (EPS-D), DKK	0.1	0.0	0.1	-0.8	-1.5
Price/Earnings	148.9	390.3	85.4	-12.0	-9.8

*) Comparative figures for gross margin on segment level have been restated. No change in margin on group level.

For definitions, see note 8.7 to the Annual Report 2022/23.

Management's review for Q2

Like-for-like sell-out grew by 2%, driven by APAC, whereas EMEA and Americas declined by 1% and 6%, respectively.

Revenue decreased by 18.5% (-16% in local currencies). The development was seen across regions and mainly driven by high comparables and the slow economic recovery in China.

Gross margin increased from 44.4% to a record 53.1%, attributable to normalised component and logistics costs, price increases and improved margins across regions and categories.

EBIT margin before special items was 3.0%, up from 1.6% driven by the improved gross margin level.

Free cash flow increased to DKK 24m (Q2 22/23 DKK 1m) driven by a positive change in net working capital.

Development in Q2 2023/24

We reported positive sell-out growth of 2%. APAC reported sell-out growth of 8% driven by growth in China of 17%. Sell-out growth in the EMEA region was negative 1% while the Americas had negative sell-out growth of 6%, both confirming continued consumer demand relative to the revenue performance.

Group revenue decreased by 18.5% (-16% in local currencies). The successful launch and sell-in of Beosound Theatre last year generated high comparables. In November, we launched our new speaker Beolab 8, which thus had limited effect in Q2 23/24. Our planned reduction of sell-in to multibrand channels and overall market challenges impacted the revenue development across regions.

Revenue for the quarter in the EMEA region declined by 14.5% (-15% in local currencies) year-on-year. As expected, the development was impacted by demand being pulled from Q2 into Q1. The price increases implemented in September led retail partners to replenish their inventories and execute project sales in Q1, primarily in the Staged category.

For the first half of 23/24, reported revenue for the EMEA region increased by 1% and revenue growth in our branded channels combined was 9% (company-owned stores, monobrand and e-commerce).

Our performance in China was impacted by a slower-than-expected economic recovery. Although one particular partner's inventory level remained high, overall levels improved, which is expected to have a positive impact on revenue in H2 2023/24.

In line with the strategic transformation, we have implemented changes to the multibrand and eTail distribution setup in China. This has improved the channel network, although impacting revenue in the short term.

Across regions, we are becoming more selective in terms of how and where consumers can experience our brand and products, aiming to ensure they get the full luxury experience. This meant discontinuing more multibrand stores, resulting in less overall volume in the multibrand channel in Q2, especially in Americas.

In November, we opened our relocated company-owned store on Madison Avenue in New York. The relocation is a significant upgrade, providing an improved customer experience at a better location. The upgrade impacted revenue as the store was closed for a month during the quarter.

In December, we opened our new company-owned flagship store in London on New Bond Street. This is the first store built using our new design concept, and it complements our three existing company-owned stores in London.

The gross margin was a record-high 53.1%, which was 8.7pp above last year's level. In addition to normalised component and logistics costs, a strong pricing focus and improved product and channel mix improved the gross margin.

The gross margin drove the increased EBIT level of DKK 21m.

Free cash flow was DKK 24m, also driven by the change in net working capital and the improved EBIT.

Like-for-like sell-out

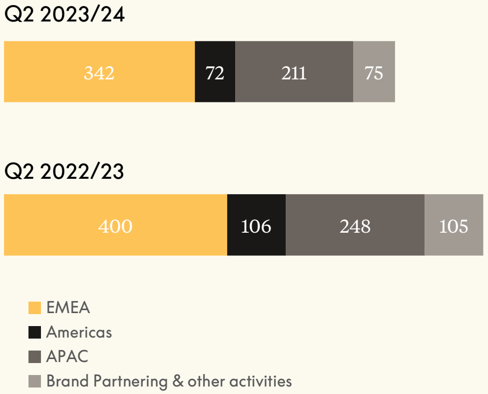
Sell-out grew by 2% compared to the same period last year. Sell-out for company-owned stores grew 10%.

LIKE-FOR-LIKE SELL-OUT*

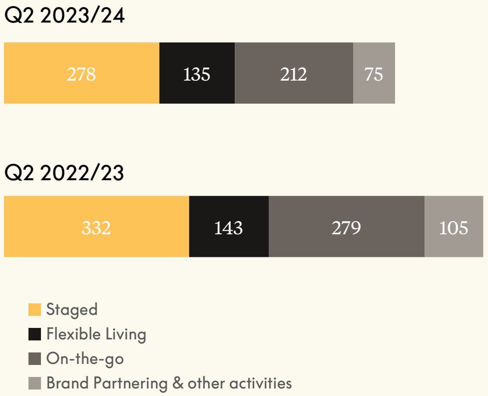
	Q2 23/24		Q2 23/24
EMEA	-1%	Staged	-2%
Americas	-6%	Flexible Living	6%
APAC	8%	On-the-go	3%
Total	**2%**	**Total**	**2%**

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

Revenue split by segment, DKKm



Revenue split by category, DKKm



Across regions, our Flexible Living category grew by 6%, the On-the-go category grew by 3%, while the Staged category declined by 2%.

EMEA

Like-for-like sell-out in EMEA declined by 1% year on year. The company-owned stores delivered double-digit sell-out growth, driven by growth across markets, particularly in London and Paris. Monobrand stores reported a small sell-out decline, while remaining channels also had negative sell-out growth.

In terms of product categories in EMEA, the Staged category showed growth, whereas Flexible Living and the On-the-go category decreased compared to last year.

Americas

Sell-out in Americas fell by 6%, with monobrand and company-owned stores declining. Company-owned stores were impacted by a relocation and the resulting closure for a month of one of our company-owned stores in New York. In terms of product categories, our Flexible Living products delivered growth compared to Q2 of last year while the On-the-go category experienced a small decline. The Staged category decreased driven by a high comparable in Q2 of last year.

APAC

Like-for-like sell-out in APAC increased by 8% driven by sell-out growth in China of 17%, albeit against low comparables due to last year's restrictions and regional lockdowns. In addition, improved inventory levels had a positive effect on sell-out. Flexible Living and On-the-go delivered growth rates, while the Staged category declined for the period.

Revenue in Q2

Revenue in Q2 was DKK 700m, an 18.5% year-on-year decline (-16% in local currencies), which was in the lower end of our expectations. The development was driven by all regions.

The drop in reported revenue was related to decline in product sales of 17.0% (-15% in local currencies) and in Brand Partnering and other activities of 28.8% (-26% in local currencies).

Product revenue, regions

The decline in product revenue occurred across regions and most channels and was to a large extent impacted by a change of distribution channels and the launch of Beosound Theatre in the beginning of Q2 of last year.

Our launch of the Beolab 8 speaker in Q2 23/24 came at the end of the quarter and had limited revenue impact.

EMEA

Revenue in EMEA declined 14.5% (-15% in local currencies) to DKK 342m.

Company-owned stores and e-commerce delivered growth, while monobrand declined year-on-year. This was mainly due to the price increases implemented 1 September pulling some demand from Q2 into Q1. For the first half of 23/24, revenue from branded channels increased 9% year-on-year. We continued to optimise the channel network and the number of Monobrand stores were reduced by 14 year-on-year.

Revenue from multibrand and eTail decreased significantly. As part of the strategic transformation, the number of multibrand stores in EMEA has been reduced by 125 since Q2 of last year. In addition, we have limited the assortment available on eTail platforms.

	Monobrand		Multibrand		Custom installations	
Points of sale	End Q2 23/24	End Q2 22/23	End Q2 23/24	End Q2 22/23	End Q2 23/24	End Q2 22/23
EMEA	298	312	1.422	1.547	N/A	N/A
Americas	29	28	37	2.225	76	15
APAC	76	79	941	996	N/A	N/A
Total	**403**	**419**	**2.400**	**4.768**	**76**	**15**

Americas
Revenue in Americas was DKK 72m a decline of 31.3% (-27% in local currencies) year-on-year.

The launch of Beosound Theatre in Q2 of last year meant high comparables for the company-owned stores and the Custom installations (CI) channel, and revenue declined in both channels. In addition, company-owned stores were impacted by a month-long store closure. The monobrand channel declined and performance in California was not satisfactory.

Revenue from the multibrand channel was reduced significantly. As part of the strategic transformation, we ended the partnerships with T-Mobile and Verizon in H1 23/24 and have consequently reduced the channel by 2,188 doors since Q2 of last year.

APAC
Revenue in APAC was DKK 211m (Q2 22/23: DKK 248m), corresponding to a 15.0% decline (-10% in local currencies). Revenue from China decreased by 24.5% (16% in local currencies) and accounted for approximately 54% of total APAC revenue.

In APAC, we have changed the eTail network and multibrand setup, as part of the strategic transformation. The eTail channel declined during the period, whereas the multibrand channel reported growth. Excluding one partner with high inventory levels, our monobrand channel delivered growth during the period, reflecting reduced sensitivity in consumer behaviour in this customer segment.

Brand Partnering & other activities
The 28.8% decline in Brand Partnering & other activities was mainly due to reduced license income. This was driven by the automotive industry as factory strikes in the US challenged car manufacturing, as well as declining income from HP. In addition, revenue from co-branded products decreased year-on-year, caused by the ramp-up of the Bang & Olufsen Cisco 980 headset in Q2 of last year.

Product revenue, categories

Staged category
Revenue decreased by 16% to DKK 278m. The development was mainly driven by the successful launch of Beosound Theatre in Q2 of last year. The good performance continued on a more normalised level and Beosound Theatre was the largest contributor to group revenue for the quarter. Revenue from speakers increased, driven mainly by the launch of Beolab 8 at the end of the quarter as well as higher revenue from Beolab 50.

The overall volume decrease was partly offset by higher average prices relative to last year.

Flexible Living category
Revenue declined by 5% to DKK 135m. Sales volumes were generally lower, reflecting a high comparable in China due to inventory replenishing in Q2 of last year.

The decline was partly offset by increased revenue from Beosound A5, launched in Q4 and Beosound 2 as well as higher average selling prices.

On-the-go category
Revenue declined by 24% to DKK 212m. Across speakers and headphones, the development was mainly driven by a few large deals on headphones and earphones in Q2 of last year as part of our efforts to reduce end-of-life inventory.

Beoplay H95 delivered higher revenue and Beoplay EX performed well during the quarter, being the biggest contributor to the category, although it declined year-on-year following the launch.

In general, the optimisation of the multibrand channel affected this category negatively for the quarter. The decrease was partly offset by improved average selling prices.

Gross profit
Gross profit was DKK 372m (Q2 22/23: DKK 382m), corresponding to a gross margin of 53.1% against 44.4% last year. This was equivalent to a year-on-year improvement of 8.7pp.

Gross profit from regional product sales was DKK 306m (Q2 22/23: DKK 294m), corresponding to a gross margin of 48.9% (Q2 22/23: 39.1%). This was an increase of 9.2pp compared to Q2 of last year. The gross margin improved across regions and product categories.

In general, cost levels were no longer impacted by extraordinary component and logistics costs. In Q2 of last year, such extraordinary costs amounted to around

	Q2		YTD	
GROSS MARGIN	2023/24	2022/23	2023/24	2022/23
Staged	58.4%	49.4%	56.0%	44.7%
Flexible Living	53.4%	52.3%	51.1%	47.3%
On-the-go	33.6%	20.0%	34.1%	16.1%
Products, total	**48.9%**	**39.1%**	**48.3%**	**34.8%**
Brand Partnering & other activities	87.9%	82.6%	87.9%	82.4%
Total	**53.1%**	**44.4%**	**52.8%**	**41.2%**

Comparative figures for gross margin on segment level have been restated. No change in margin on group level.

DKK 54m, corresponding to a negative margin impact of approx. 6pp.

In addition, the gross margin was favourably impacted by a change in product mix towards higher margin products as well as price increases implemented since last year. An improved channel mix combined with a strong price focus also supported higher margin levels.

Gross profit from Brand Partnering & other activities was DKK 66m (Q2 22/23: DKK 88m), equivalent to a gross margin of 87.9% (Q2 22/23: 82.6%). The increase in gross margin was mainly due to a lower proportion of product revenue from our brand collaboration with Cisco. Last year, we ramped up our partnership with Cisco to sell the Bang & Olufsen Cisco 980 headset for hybrid work.

Currency movements had immaterial impact on the gross margin compared to last year.

Capacity costs

Capacity costs were DKK 355m (Q2 22/23: DKK 369m) corresponding to a decrease of 3.8%.

Development costs decreased by DKK 10m to DKK 71m (Q2 22/23: DKK 81m). This was driven by lower incurred costs in combination with a higher capitalisation ratio compared to Q2 of last year.

Distribution and marketing costs decreased by DKK 9m to DKK 246m (Q2 22/23: DKK 255m). The decrease was driven by the launch of Beosound Theatre last year and reduced warranty costs. The marketing cost ratio was 10.6% in Q2 compared to 9.5% in Q2 of last year. The increase was driven by the relatively lower revenue.

Administrative expenses increased by DKK 5m to DKK 38m (Q2 22/23: DKK 33m) driven by higher costs for patent protection and amortisation related to IT projects.

EBIT

EBIT was DKK 17m (Q2 22/23: DKK 13m). This was equivalent to an EBIT margin of 2.4% (Q2 22/23: 1.5%).

The EBIT margin improvement was related to the improved gross margin.

The EBIT margin before special items was 3.0% (Q2 22/23: 1.6%). Special items were DKK 4m (Q2 22/23: DKK 1m) related to a re-organisation, primarily in EMEA.

Financial items

Net financial items amounted to an expense of DKK 12m versus an expense of DKK 11m last year. The increase was driven by higher interest rate levels.

Profit/loss

The profit before tax was DKK 5m (Q2 22/23: DKK 2) and tax was an income of DKK 3m (Q2 22/23: income of DKK 1m).

The profit for the period was DKK 8m (Q2 22/23: DKK 3m).

Cash flows

Free cash flow for the quarter was DKK 24m compared to DKK 1m last year. The year-on-year improvement was related to higher cash flows from operating activities (DKK 26m).

The improvement in cash flows from operating activities was mainly related to a positive EBITDA of DKK 78m (Q2 22/23: DKK 67m) and a positive change in net working capital of DKK 25m (Q2 22/23: negative change of DKK 10m) offset by income taxes paid.

Cash flows from operational investments totalled an outflow of DKK 56m and were in line with last year (Q2 22/23: DKK 53m).

Cash flows from financing activities were an outflow of DKK 12m (Q2 22/23: inflow of DKK 65m). The cash inflow last year was related to net repo transactions of DKK 78m.

The positive free cash flow improved the cash position which amounted to DKK 154m at the end of the quarter (31 August 2023: DKK 141m). Total available liquidity was DKK 163m (31 August 2023: DKK 150m), made up of cash DKK 154m, securities DKK 391m less DKK 382m in bank loans related to repo transactions.

Our combined capital resources (our available liquidity and the undrawn part of our ESG-linked credit facility) amounted to DKK 323m (31 August 2023: DKK 310m).

Net working capital

Net working capital decreased by DKK 25m during the quarter to DKK 286m (31 August 2023: DKK 311m).

Net working capital to the last 12 months' revenue was 11.0% in line with last year (Q2 22/23: 11.4%).

Inventories declined by DKK 18m during the quarter, driven by high activity and a focus on inventory management.

Trade receivables increased by DKK 38m to DKK 365m. The increase was driven by higher sales in Q2 compared to Q1. Sales with extended credit accounted for 2% of revenue in the quarter (Q1 23/24: 1%).

Trade payables increased by DKK 48m to DKK 451m, mainly related to the timing of payments.

Other liabilities decreased by DKK 8m to DKK 160m during the quarter, primarily related to employee related liabilities. Other receivables decreased by DKK 7m to DKK 46m, mainly related to other short-term loans and VAT.

Net interest-bearing deposit/debt

Net interest-bearing debt amounted to DKK 33m, compared to net interest-bearing deposits of DKK 19m at year-end, 31 May 2023. The decrease was mainly due to the negative free cash flow of DKK 37m for H1 and repayment of lease liabilities. For further details, see note 7.

Financial performance H1 2023/24

Revenue amounted to DKK 1,319m (H1 22/23: DKK 1,471m). Revenue declined by 8% in local currencies.

EMEA revenue grew 1% compared to H1 of last year, driven by increased revenue in branded channels (company-owned stores, monobrand and e-commerce) of 9%. Americas and APAC reported negative growth.

Revenue in the Staged category grew by 4.5%, supported by the good performance of Beosound Theatre following the launch in Q2 of last year. Revenue growth from Beolab speakers was driven by the launch of Beolab 8 at end of Q2 23/24 and good performance in the Beolab 50 sales volume.

The Flexible Living category decreased by 9.5%. This was mainly due to certain retail partners in APAC replenishing inventories in H1 of last year.

The On-the-go category declined by 22.8% driven by a few larger deals made in H1 of last year to reduce end-of-life inventories. In general, optimisation of the multibrand channel had a negative impact on this category.

The revenue from Brand Partnering & other activities decreased year-on-year due to declining income from HP and reduced income from the Cisco collaboration due to the ramp up in H1 of last year.

Gross margin was 52.8% (H1 22/23: 41.2%), equivalent to a year-on-year increase of 11.6pp.

In general, cost levels were no longer impacted by extraordinary component and logistics costs. In H1 of last year, such extraordinary costs amounted to around DKK 120m, corresponding to a negative margin impact of approx. 8pp.

In addition, the gross margin was favourably impacted by a change in product mix towards higher margin products as well as price increases implemented since last year. An improved channel mix combined with a strong price focus supported higher margin levels.

Currency movements had immaterial effect on the gross margin compared to last year.

Capacity costs amounted to DKK 664m (H1 22/23: DKK 678m). The decrease was driven by lower development costs, while distribution and marketing costs along with administrative costs were in line with last year.

EBIT was DKK 33m (H1 22/23: DKK -72m), equivalent to a margin of 2.5% (H1 22/23: -4.9%). The increase was driven by the higher gross profit and lower capacity costs.

EBIT before special items was DKK 37m (H1 22/23: DKK -71m) with a margin of 2.8% (H1 22/23: -4.8%).

Special items were DKK 4m (H1 22/23: DKK 1m) and primarily related to a re-organisation in EMEA.

Free cash flow was DKK -37m (H1 22/23: DKK -80m), primarily driven by higher EBITDA of DKK 152m (H1 22/23: DKK 35m) offset by a negative change in net working capital of DKK 64m (H1 22/23: DKK 0m).

Combined capital resources (our available liquidity and the undrawn part of our ESG-linked credit facility) amounted to DKK 323m (31 May 2023: DKK 384m). The development was driven by the change in free cash flow.

Strategic highlights Q2 2023/24

Strengthening our position in the luxury audio and TV market
With an ambition to lead and expand the growing market of luxury audio and TV, our strategy progress in Q2 aimed at strengthening our luxury position and continuing to build robustness in our company.

Our H1 2023/24 results reflect the implementation of our Luxury Timeless Technology proposition. We have made strategic choices that, while impacting our revenue growth, has supported profitability and earnings and solidified our luxury brand position. We are mindful of striking a balance between strategic decisions made for the longer term and their commercial consequences in the short term.

Q2 strategy execution
Throughout the quarter we executed key priorities across our five strategic shifts.

1.Reigniting our brand to become a culturally relevant luxury love brand

In Q2, our branding efforts centred on activating our partnership with Ferrari through multiple activations promoting our Ferrari product collections launched in Q1 as well as our Scuderia Ferrari sponsorship for the Formula 1 2023 season. The Scuderia Ferrari sponsorship continues to help us build brand reach and awareness. Since the beginning of our sponsorship, we have reached more than 44 million people (excluding TV viewers and F1 computer game players), we have generated 500,000 engaged website sessions, and generated more than 5,400 social mentions. Our Ferrari product collection has helped us build brand equity with Ferrari fans, our local monobrand partners have hosted exclusive customer events with more than 2,700 reported attendees globally. We continue to activate our partnership across markets and to monitor the impact on our brand reach, awareness, and conversion.

In Q2, we continued to improve on two important targets. We onboarded 5% new customers and we grew the number of customers owning two or more products by 2%. The numbers show that we continue to attract customers and to expand our business and loyalty with existing customers.

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

Early in the quarter, we announced two new product propositions, both intended to ensure we offer a broader product proposition covering the most important use cases of our customers' sound and tv ecosystems.

Our new Beolab 8 speakers offers flexibility, performance and innovation that meets our customers' demands. That is, for products that serve multiple purposes, products that can be customised to each customer preference and long-lasting products with the best sound performance and listening experiences. Beolab 8 can be used as a system speaker to create an immersive home cinema set-up with the compact size of a rear speaker, and the stunning design of a front speaker, and it can be used as a powerful stand-alone speaker. Also, it can be installed onto walls, set upon floors, secured onto ceilings, or placed on top of any flat surface.

In addition, it is a beauty designed to stand the test of time, which is a key customer requirement, and a core value in our product design and portfolio. Like any other Bang & Olufsen speaker, it is made of high-quality materials that age gracefully, it can be upgraded over time, has long-term serviceability and a replaceable streaming module which ensures it can adapt to the latest technology standards. The speaker is designed using cradle-to-cradle principles and is pending complete certification.

The second new product proposition announced in Q2 was the Beosound Bollard, our first outdoor speaker developed in collaboration with Origin Acoustics. With Beosound Bollard, we deliver a seamless Bang & Olufsen experience outdoors without comprising quality in the listening experience. This is the first time that 98 years of audio innovation can be fully enjoyed outside through a custom install solution. By using Beosound Core, our connectivity hub, customers can connect multiple Beosound Bollard speakers catering for both small and large outdoor spaces, and it can be fully integrated with indoor speaker systems enabling multiroom connectivity through Beolink, Airplay or Chromecast.

This is an important proposition and a milestone reached, in our ambition to offer a seamlessly connected product ecosystem. Our new outdoor speaker retails from January 2024 in selected Bang & Olufsen stores and through our Custom Installation partner, Origin Acoustics.

In Q2, we also introduced the beta-version of a new, more intuitive, and user-friendly app interface. This improves our overall control functionality, and our multiroom app features. The improved control functionality ensures consistent experiences across all Bang & Olufsen products irrespective of age, and it enhances ease of use. The improved multiroom app features make functionality more interactive, easily accessible, and innovative to use. Our new app interface will be released in its final version in early 2024 and will continue to evolve during the year.

3. Creating magical moments in connected touch points

In Q2, we prepared the launch of our first brand flagship store in London, featuring a new pilot store concept that redefines our signature shopping experience. The concept builds on cultural relevance and applies principles of modern luxury, catering to four awareness levels: Culture, Sustainability, Human Centricity, and Design. Designed for iconic spaces and ultimate experiences, it includes "decompression zones" to take the speed out of customers for immersive and tailored interactions. It also offers a "sensorium" to stimulate senses and evoke emotions, along with a designated Bespoke and private event area for private, personalised customer events.

Our new flagship store stands as the first of its kind with this store concept, and in the months to come, we plan to learn from it, and have a roadmap in place for the rollout of the store concept across our existing network, both with partners and in our company-owned stores.

we continued executing structural changes in our channel network to promote and improve our branded channels, and to reduce presence in multibrand and etail environments that does not fit well with our luxury positioning. While the multibrand and etail channels are important for reach, we will also work with our continuing partners to ensure good customer experiences, and we will work more concertedly with a selective product assortment with the aim of driving scarcity and desirability for our products.

4. Winning in key, global cities

Our Win City execution continued across our three cities, London, Paris, and New York.

In London, Q2 sell-out growth reached 13%. Overall, sell-out continued to be negatively impacted by our company-owned store in Bicester Village. Our two other stores in Harrods and Selfridges respectively delivered strong growth and had the best reported quarter ever. Focus in London for the quarter was the opening of our flagship store in New Bond Street. The formal opening of our store in mid-December marked an important strategy milestone. With a location second to none in London's iconic Bond Street, widely considered to be the home of luxury shopping in London, our new store is expected both to drive sales and drive-up brand awareness and luxury brand equity.

In Paris, sell-out growth was 2%. Our company-owned store reported high double-digit sell-out growth while our monobrand network was significantly challenged. Overall, performance in Win Paris was not satisfactory, and a management change is planned.

During the quarter we executed on several brand awareness initiatives. To name a few, a pop-up store on Rue des Martyrs and our participation at Paris Design Week both created brand awareness of our long-lasting products and cradle to cradle ambitions.

In New York, sell-out declined by 10%. The quarter was impacted by one of our two company-owned stores being closed for a third of the quarter while being relocated. Sell-out in our Soho store grew double-digit, and we continued to execute in-store activations particularly targeting our Ferrari product collaboration and our Beolab 8 product launch as well as various cultural events anchored in music. Examples include a private jazz concert by Niels Lan Doky. This kind of cultural relevance helps us build affinity to and advocacy for the brand, and we have established a growing base of loyal fans activating their communities, helping us gain qualified reach.

In November, we relocated our store at Madison Avenue. With its new presence in the city's premier shopping district, our new store gives customers a welcoming space to experience and shop our full portfolio as well as our bespoke offering. With its short proximity to Lexington Avenue's New York Design Center, we aim to position our brand and new store experiences towards architects and interior designers as well as to our target audience of Design & Music Lovers.

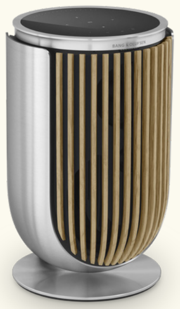
In the second half of the fiscal year, we aim to commence another Win City project, in our APAC region. With significant wealth, a high density of Very High Net Worth Individual residents and a history of being Asia's most prominent luxury destination, we plan to work more diligently with our presence and activations in Hong Kong. Our current three company-owned stores in Hong Kong will serve as the foundation for reaching our Hong Kong-based target audience, and our development efforts will initiate over the course of the second half of the fiscal year.

5. Exploring existing and new adjacent opportunities

In Q2 we extended our Cisco partnership through the unveiling of new true wireless earphones built with enterprise-grade features, customised for professionals on the go. The new Cisco enterprise proposition addresses increased customer expectations for multifunctional devices that fit their lifestyle in and out of work. It positions Bang & Olufsen as a brand that caters to most customer needs while also tapping into the strong reach of Cisco's product adoption.
As part of our strategy to strengthen our Luxury Timeless Technology proposition, we engage in strategic partnerships and brand collaborations to support growth, brand awareness, and customer acquisition.

With the expiration of the HP partnership in June 2024, we are pursuing new partnership opportunities, which reinforce one or more of our Luxury Timeless Technology pillars, and further expand the proposition of our current brand partnering and licensing model. This will be realised through proprietary software-enabled audio experiences and by leveraging our design and craftsmanship offering.

Our H1 strategy progress transitions the company to a better place. With more clear positioning, more robust margins, and continued execution of key strategic milestones.



EMEA

Like-for-like sell-out

Like-for-like sell-out declined by 1%. Company-owned stores delivered double-digit growth across markets, particularly in London and Paris. In London, two company-owned stores reported their best quarter ever.

Like-for-like sell-out in monobrand stores decreased slightly and varied significantly across countries. UK had positive sell-out growth while performance in Paris was not satisfactory, and a management change is planned.

Like-for-like sell -out in e-commerce, multibrand and eTail decreased compared to Q2 of last year.

For the Staged category, sell-out grew, while the On-the-go products and the Flexible Living category declined.

Revenue

Revenue was DKK 342m (Q2 22/23: DKK 400m), equivalent to a decrease of 14.5% (-15% in local currencies).

Revenue from company-owned stores grew double-digit year-on-year while e-commerce also generated growth. The monobrand channel declined.

Price increases implemented on selected products of the portfolio at end of Q1 made retail partners replenish inventories and execute project sales. Consequently, some demand was pulled from Q2 into Q1, impacting revenue in the monobrand channel, in particular. For the first half of 23/24, revenue in branded channels (company-owned, monobrand and e-commerce) grew by 9%.

Revenue from multibrand as well as eTail decreased double-digit for the period. In line with the strategic transformation, the number of multibrand stores were reduced by 125 since end of Q2 last year. In addition, the assortment in the eTail channel was reduced. Further, a large quantity of end-of-life headphones was sold to a multibrand partner in Q2 of last year.

Total revenue from our Staged category decreased by 14%. TV's and Soundbars declined, driven by the Beosound Theatre launch in Q2 of last year. Beolab speakers generated growth mainly driven by the launch of Beolab 8. In the first half of 23/24 revenue from the Staged category grew by 10% mainly driven by Beosound Theatre.

Revenue from the Flexible Living category grew by 12%. Growth was primarily driven by the launch of Beosound A5 in April 2023 and growth in Beosound 2.

Revenue from the On-the-go category declined by 27%. The development was mainly related to the previously mentioned sale of headphones to a multibrand partner last year. Beoplay H95 generated growth in the period while Beoplay EX declined compared to a strong quarter last year after the Q1 22/23 launch.

Gross profit

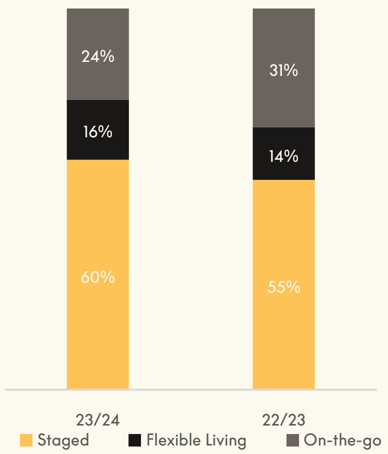
Gross profit amounted to DKK 166m (Q2 22/23: DKK 148m), corresponding to a gross margin of 48.5% (Q2 22/23: 36.8%). The underlying margin level was positively impacted by a change in product mix towards higher margin products as well as price increases. All product categories reported improved gross margins during the period, in particular the Staged and the On-the-go category.

	Q2			YTD		
(DKK million)	**2023/24**	2022/23	Change	**2023/24**	2022/23	Change
Revenue	342	400	-58	645	639	6
Growth in local currencies	-15%	8%		1%	20%	
Gross profit	166	148	18	310	222	88
Gross margin	48.5%	36.8%	11.7pp	48.0%	34.8%	13.2pp

H1 2023/24

Revenue was DKK 645m (H1 22/23: DKK 639m). This represented an increase of 1% (1% in local currencies). The increase was primarily driven by the Staged and Flexible Living categories, while On-the-go declined. Gross margin increased by 13.2pp to 48.0%, primarily driven by a change in product mix towards higher margin products as well as increased gross margins in all product categories.

Q2 revenue split (%)



Americas

Like-for-like sell-out

Like-for like sell-out growth was negative at 6%. Negative growth was seen across all channels except for e-commerce, which showed solid sell-out growth. Our company-owned stores reported negative growth due to the relocation of our Madison store, which was closed for a month. Our SoHo store reported double-digit sell-out growth during the quarter.

In addition, sell-out was impacted by high comparables in the Staged category. The Staged and On-the-go category reported negative growth year-on-year while the Flexible Living category had sell-out growth.

Revenue

Revenue was DKK 72m (Q2 22/23: DKK 106m), equivalent to a decrease of 31.3% (-27% in local currencies).

The decline showed across channels. In general, the revenue development was impacted by the launch of Beosound Theatre in Q2 of last year.

Revenue from company-owned stores declined in the low double-digits mainly due to the one-month closure of our Madison store in New York during relocation. Revenue from monobrand fell by nearly 50% and the performance in California was not satisfactory.

The multibrand channel declined significantly. As part of the strategic transformation, the partnership with Verizon ended and consequently the multibrand channel was reduced by more than 1,400 stores during Q2 23/24. Compared to last year, doors were reduced by 2,188, as we ended our partnership with T-mobile during Q1 23/24.

Revenue from the Staged category decreased by 43%. The decrease showed across TVs and speakers, although mainly driven by the launch of Beosound Theatre in Q2 of last year. The decline was partly offset by higher average selling prices.

Revenue from the Flexible Living category decreased by 5% compared to last year. The decline was partly offset by good performance from the launch of Beosound A5 and higher average selling prices.

Revenue from On-the-go declined by 26% compared to last year. The development was driven by earphones due to the sale of a large quantity of end-of-life earphones to a B2B partner last year.

Gross profit

Gross profit amounted to DKK 32m (Q2 22/23: DKK 35m). This was equivalent to a gross margin of 42.9% (Q2 22/23: 33.6%). The underlying margin level was positively impacted by a change in product mix towards higher margin products as well as price increases year-on-year. All product categories delivered improved gross margins.

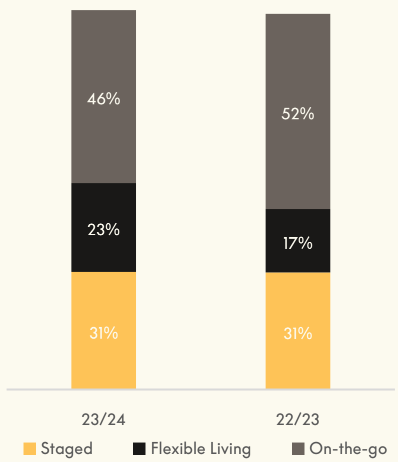
In addition, the sale of a large quantity of earphones to a partner in the US reduced the On-the go margin in Q2 of last year.

H1 2023/24

Revenue was DKK 139m (H1 22/23: DKK 169m), equivalent to a year-on-year decrease of 17.2% (-18% in local currencies). The decline was primarily driven by Flexible Living and On-the-go categories, partly offset by growth in the Staged category. Gross margin increased by 15.7pp to 44.2%, driven by improved margins across categories as well as positive change in product mix.

	Q2			YTD		
(DKK million)	2023/24	2022/23	Change	2023/24	2022/23	Change
Revenue	72	106	-34	139	169	-30
Growth in local currencies	-27%	0%		-13%	-4%	
Gross profit	32	35	-3	62	48	14
Gross margin	42.9%	33.6%	9.3pp	44.2%	28.5%	15.7pp

Q2 revenue split (%)



APAC

Like-for-like sell-out

Like-for-like sell-out grew 8%, mainly driven by China with a sell-out growth of 17%. Sell-out growth in China was across product categories and channels, albeit generated from a low comparable due to restrictions and regional lockdowns last year.

While we are seeing inventory levels improve, one retail partner has built up an excessive inventory, which impacts the sell-in and sell-out balance.

Japan had negative single-digit sell-out growth driven by eTail whereas monobrand reported double-digit growth for the period. South Korea was on par with last year. South Korea continued to be impacted by excess inventories related to the restrictions and regional lockdowns last year.

Revenue

Revenue was DKK 211m (Q2 22/23: DKK 248m), corresponding to a 15.0% decline (-10% in local currencies).

Revenue from our Chinese market decreased by 24.5% (-16% in local currencies) and accounted for approximately 54% of total revenue in APAC. Revenue from South Korea was on par compared to last year.

As part of our strategic transformation in China we have made a structural change in the eTail network and multibrand setup, changing partners and reducing the number of stores. In addition, the eTail platforms saw reduced traffic, and revenue from the eTail channel was down by nearly 50%. By contrast, the multibrand channel reported double digit growth.

Revenue from our monobrand channel declined slightly. Excluding one particular partner with a large inventory, revenue from the monobrand channel grew during the period. We continue to see fragmentation in the market, as monobrand customers are showing less sensitivity towards the current economic downturn than customers in the online channels.

Revenue from the Staged category declined by 14%. The development was mainly driven by the impact from the launch of Beosound Theatre in Q2 of last year, partly offset by the launch of Beolab 8 at the end of Q2 23/24.

The Flexible Living category declined by 17%, mainly driven by a high comparable as some partners replenished their inventories during the regional lockdowns in China. We saw positive contributions from Beosound 2 and the launch of Beosound A5 in April 2023.

The On-the-go category decreased by 20%. Headphones delivered growth, whereas Bluetooth speakers and earphones declined during the period. Beoplay EX performed well for the quarter, but still decreased compared to a strong quarter last year following the launch.

Gross profit

Gross profit amounted to DKK 108m (Q2 22/23: DKK 111m), equivalent to a gross margin of 51.6% (Q2 22/23: 45.0%).

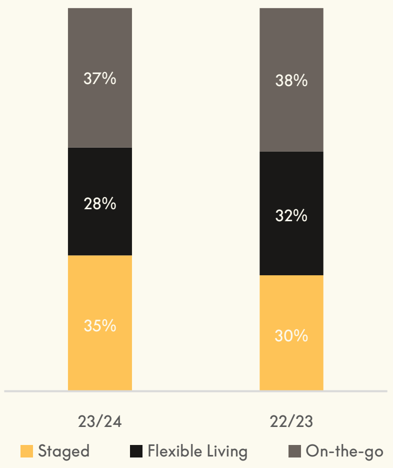
The increase was driven by improved margins across categories as well as a change in the product mix towards higher margin products. The margins were also supported by price increases implemented since last year.

	Q2			YTD		
(DKK million)	2023/24	2022/23	Change	2023/24	2022/23	Change
Revenue	211	248	-37	383	466	-83
Growth in local currencies	-10%	-16%		-13%	-14%	
Gross profit	108	111	-3	192	174	18
Gross margin	51.6%	45.0%	6.6pp	50.2%	37.2%	13.0pp

H1 2023/24

Revenue was DKK 383m (H1 22/23: DKK 466m), equivalent to a year-on-year decrease of 17.8% (-13% in local currencies). The decline showed across product categories. Gross margin increased by 13.0pp to 50.2%, driven by margin improvements across product categories.

Q2 revenue split (%)



Brand Partnering & other activities

Revenue

Revenue was DKK 75m (Q2 22/23: DKK 105m), corresponding to a 28.8% decline (-26% in local currencies).

Licence fee revenue decreased by 25%. Revenue from the automotive industry declined due to factory strikes in the US, challenging car manufacturing despite a good order backlog. In addition, income from HP was reduced compared to Q2 of last year. Licensing income accounted for 74% of total revenue in Brand Partnering & other activities (Q2 22/23: 72%).

Revenue from co-branded products declined year-on-year; this was related to the ramp-up of the Bang & Olufsen Cisco 980 headset in Q2 of last year.

During Q2 23/24, we expanded the partnership with Cisco and introduced the Bang & Olufsen Cisco 950 earphones, which are expected to generate revenue in H2 23/24. The offering now includes both headphones and earphones for hybrid work.

Revenue related to aluminium production for third parties declined slightly compared to Q2 of last year.

Gross profit

Gross profit amounted to DKK 66m (Q2 22/23: DKK 88m), equivalent to a gross margin of 87.9% (Q2 22/23: 82.6%).

The increase in gross margin was mainly related to the change in mix, as the category included a lower proportion of product revenue from our brand collaboration with Cisco.

H1 2023/24

Revenue was DKK 152m (H1 22/23: DKK 197m), equivalent to a year-on-year decrease of 23.0% (-20% in local currencies). The decline came mainly from our Cisco co-branded products due to ramp-up in H1 of last year and reduced license fee income from HP.

Gross margin increased by 5.5pp to 87.9%, mainly driven by the reduced share of product revenue from our brand collaboration with Cisco.

	Q2			YTD		
(DKK million)	**2023/24**	2022/23	Change	**2023/24**	2022/23	Change
Revenue	75	105	-30	152	197	-45
Growth in local currencies	-26%	47%		-20%	44%	
Gross profit	66	88	-22	133	162	-29
Gross margin	87.9%	82.6%	5.2pp	87.9%	82.4%	5.5pp

Key events in Q2

Beosound A5 in Spaced Alu

In October, we launched Beosound A5 in Spaced Aluminium. A testament to our heritage in aluminium excellence, design and craftmanship.

The grille is made from more than 3,500 aluminium discs. Working with different circular patterns across our speakers for many years, grille designs has become our signature, although this is a new style. The grille of the Beosound A5 Spaced Aluminium is crafted and finished by hand at Factory 5 in Struer, Denmark.

Beosound A5 was launched in April 2023 and is designed to be carried from room to room with ease, whether placed on the floor, shelf or table. Thanks to an IP65 water and dustproof rating, Beosound A5 can also be taken outside or on any adventure, effortlessly.

Spaced Aluminium joins the existing portfolio of Beosound A5. Finishes – Nordic Weave and Dark Oak.

B&O Ferrari events

In August, we expanded our partnership with Ferrari and launched a product collection consisting of four products in special edition. The collection consists of the Beosound 2 home speaker, Beoplay H95 headphones, Beoplay EX earphones and the portable speaker Beosound Explore. The products are displayed on Ferrari ecom, and available for sale online on our own ecom, as well as in selected B&O and Ferrari stores.

Since launch, more than 80 in-store events have been held in B&O branded stores across 28 countries, celebrating the collaboration between our two brands and presenting the special collection for a selected audience. The events showed good traction and positively affected reported sales at the locations.

BANG & OLUFSEN / FERRARI OFFICIAL PARTNER

Launch of Cisco Beocom 950

In October, we expanded our partnership with Cisco, announcing the new wireless earphones. They are built with enterprise-grade features customised for professionals on-the-go.

As hybrid work continues to enable flexibility in how and where people work, the Bang & Olufsen Cisco 950 enables crystal-clear audio for seamless collaboration from any setting. The earphones are fully manageable in Cisco's Control Hub platform, giving IT greater visibility and control over their entire fleet of collaboration devices and peripherals.

Beocom 950 is an addition to the existing 980 headset collaboration.

Launch of our speaker Beolab 8

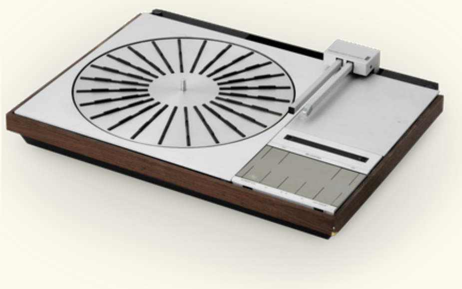
In September, we announced our new compact system speaker Beolab 8 built on our Mozart platform. Created for an immersive home cinema setup or as a stand-alone speaker delivering depth with an intense bass given its size.

Beolab 8 is a beauty designed to stand the test of time, consisting of quality materials that age gracefully, continuous customisation options and easy upgradability over time, long-term serviceability as well as the replaceable streaming module to ensure that Beolab 8 can adapt to the latest technology standards.

The one-piece aluminium body is a fusion of a sphere and a cylinder merged into a solid shape. Designed with Danish manufactured wooden lamellas or a fabric front, Beolab 8 follows the characteristic design of our Beolab and Beosound products, thereby inherently fitted for a full integrated home cinema setup. The versatile speaker comes with several mounting options and can be customised to specific wishes.

Beosound 2 and Beoplay EX colour drops

We continued our Atelier edition colour drops of Beoplay EX as limited editions. In Q2, the 7th colour dropped. Dawn purple became available on our own website only. In addition, a limited edition of Beosound 2 was made available in Daybreak blossom.



B&O awarded the annual Germany Sustainability Award

Bang & Olufsen won the annual German Sustainability Award for our efforts to become a role model in sustainability within consumer electronics.

The award is endorsed by the German Federal Government, local and business associations, and numerous NGOs. 140 jury members selected the companies leading the sustainable transformation in their sectors this year, and they said the following about our work: "Bang & Olufsen has made particularly effective, exemplary contributions to transformation in sustainability, thereby setting an example and sending the right signals to its industry and beyond."

Beosound Bollard

In September, we announced the first custom installed outdoor speaker, the Beosound Bollard, in collaboration with Origin Acoustics in the US.

Tuned by Bang & Olufsen's expert tonmeisters at the headquarters in Struer, Denmark, Beosound Bollard marks the first time ever that 98 years of audio innovation can be fully enjoyed outdoors through a custom installed solution.

With three powerful drivers and a 360-degree silicone lens, Beosound Bollard fills any garden or patio with rich, powerful audio. The innovative design means that the integrated subwoofer that provides the power, synonymous with Bang & Olufsen, is hidden underground. This in turn means that the visible part of each speaker is sleek, minimalist, and space efficient.

The speaker will be available for sale in January 2024.

Store openings in New York and London

In November, we opened our relocated store on Madison Avenue. The new store is a significant upgrade and provides better location and showroom capabilities.

In December, we opened our new Flagship store in London on New Bond Street. The store is an addition to our current company-owned London stores at Harrods, Selfridges and Bicester Village.

The new flagship store in London is the first store, featuring our new store concept that redefines our signature shopping experience. The concept builds on cultural relevance and applies principles of modern luxury, catering to four awareness levels: Culture, Sustainability, Human Centricity and Design. Designed for iconic spaces and ultimate experiences, it includes decompression zones to take the speed out of customers for immersive and tailored interactions. In addition, it offers a designated Bespoke and private event area for private, personalised customer events.

Outlook for 2023/24 maintained

We confirm the outlook for 2023/24, announced on 6 July 2023. However, we now expect revenue growth and free cash flow to be at the lower end of the range. Expectations for the EBIT margin before special items is unchanged.

The outlook is subject to uncertainty as market challenges persist.

We will continue investing in product and retail development, as well as in marketing and product development.

In addition, we plan to continue our investments in strategy execution, but will adjust the timing and size of these investments based on market developments.

Revenue growth

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

Revenue growth is expected to be at the low end of the range due to lower-than-expected revenue from APAC and delay of a product launch.

EBIT margin before special items

EBIT margin before special items is expected to be in the 0% to 6% range.

Free cash flow

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

Free cash flow is expected to be at the low end of the range following the revenue outlook.

Assumptions

Our expectations are subject to the following assumptions:

- Improved market conditions in China in H2 23/24.
- Macroeconomic conditions in Europe and US will improve during the fiscal year.
- Launch of five or more product innovations, including the launch of MS Teams for Beoplay EX, Beolab 8, and Beosound Bollard.
- No impact on product availability due to geopolitical changes.
- Exchange rates against DKK, including in particular. USD, CNY and EUR, in line with current exchange rate levels, overall.
- No pressure on component and logistics costs.
- Improved inventories.

Sensitivities

The outlook for 2023/24 is subject to uncertainty related to consumer sentiment from the effects of a high inflationary environment, rising interest rates and the war in Ukraine. In addition, geopolitical uncertainty has increased. The economic recovery in China and its pace are also subject to uncertainty.

Safe harbour statement

The report contains statements relating to 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.

OUTLOOK 2023/24	H1 2023/24 actuals	Outlook 2023/24
Revenue growth in local currencies (%)	-8%	0% to 9%
EBIT margin before special items (%)	2.8%	0% to 6%
Free cash flow (DKK million)	-37	-50 to 100

Condensed income statement

		Q2		YTD		Year
(DKK million)	Notes	2023/24	2022/23	2023/24	2022/23	2022/23
Revenue	4	700	859	1,319	1,471	2,752
Production costs		-328	-477	-622	-865	-1,537
Gross profit		372	382	697	606	1,215
Development costs	5	-71	-81	-134	-150	-301
Distribution and marketing costs		-246	-255	-461	-460	-910
Administrative expenses		-38	-33	-69	-68	-128
Operating profit/loss (EBIT)		17	13	33	-72	-124
Financial income		11	4	23	8	28
Financial expenses		-23	-15	-40	-37	-56
Financial items, net		-12	-11	-17	-29	-28
Profit/loss before tax (EBT)		5	2	16	-101	-152
Income tax		3	1	-1	4	11
Profit/loss for the period		8	3	15	-97	-141
Earnings per share						
Earnings per share (EPS), DKK		0.1	0.0	0.1	-0.8	-1.5
Diluted earnings per share (EPS-D), DKK		0.1	0.0	0.1	-0.8	-1.5

Condensed statement of comprehensive income

	Q2		YTD		Year
(DKK million)	**2023/24**	2022/23	**2023/24**	**2022/23**	2022/23
Profit/loss for the period	**8**	**3**	**15**	**-97**	**-141**
Items that will be reclassified subsequently to the income statement:					
Exchange adjustments of subsidiaries	3	-12	-2	-7	-12
Fair value adjustments of hedging instruments	-5	7	-4	5	-5
Value adjustments of hedging instruments reclassified in					
Revenue	1	7	2	14	22
Production costs	1	-6	5	-11	-16
Tax on other comprehensive income/loss	-	-2	-1	-2	0
Items that will not be reclassified subsequently to the income statement:					
Actuarial gains/losses on defined benefit plans	-	-	-	-	1
Tax on other comprehensive income	-	-	-	-	0
Other comprehensive income/loss for the period, net of tax	**-**	**-6**	**-**	**-1**	**-10**
Total comprehensive income/loss for the period	**8**	**-3**	**15**	**-98**	**-151**

Condensed statement of financial position

ASSETS

(DKK million)	Notes	**30-11-23**	30-11-22	31-05-23
Goodwill		42	42	42
Acquired rights and software		71	72	80
Completed development projects		156	158	129
Development projects in progress	5	104	87	124
Intangible assets		**373**	**359**	**375**
Property, plant and equipment		219	215	215
Right-of-use assets		111	100	120
Tangible assets		**330**	**315**	**335**
Non-current other receivables		22	22	23
Deferred tax assets		100	89	99
Total non-current assets		**825**	**785**	**832**
Inventories		460	568	499
Trade receivables		365	445	341
Tax receivable		11	27	11
Other receivables		47	91	68
Prepayments		26	38	24
Securities	7	391	401	394
Cash	7	154	189	216
Total current assets		**1,454**	**1,759**	**1,553**
Total assets		**2,279**	**2,544**	**2,385**

EQUITY AND LIABILITIES

(DKK million)	Notes	**30-11-23**	30-11-22	31-05-23
Share capital		613	613	613
Translation reserve		18	25	20
Cash flow hedge reserve		-2	1	-4
Retained earnings		354	373	329
Total equity		**983**	**1,012**	**958**
Lease liabilities		96	90	109
Pensions		10	12	11
Deferred tax		6	6	6
Provisions		38	37	40
Mortgage loans		52	56	56
Non-current other liabilities		3	9	3
Total non-current liabilities		**205**	**210**	**225**
Lease liabilities		42	34	37
Mortgage loans		6	4	3
Bank loans	7	382	403	386
Provisions		49	54	60
Trade payables		451	648	565
Tax payable		1	27	8
Other liabilities		160	152	143
Total current liabilities		**1,091**	**1,322**	**1,202**
Total liabilities		**1,296**	**1,532**	**1,427**
Total equity and liabilities		**2,279**	**2,544**	**2,385**

Condensed statement of cash flows

(DKK million)	Notes	Q2 2023/24	Q2 2022/23	YTD 2023/24	YTD 2022/23	Year 2022/23
Profit/loss before tax (EBT)		5	2	16	-101	-152
Financial items, net		12	11	17	29	28
Depreciation, amortisation and impairment		61	54	119	107	222
Operating profit/loss before depreciation, amortisation and impairment (EBITDA)		**78**	**67**	**152**	**35**	**98**
Other non-cash items		-9	-7	-12	-13	-4
Change in net working capital	6	25	-10	-64	0	113
Interest received		11	4	23	8	28
Interest paid		-15	-9	-29	-17	-44
Income tax received/paid		-10	9	-9	13	7
Cash flows from operating activities		**80**	**54**	**61**	**26**	**198**
Purchase of intangible non-current assets		-38	-36	-70	-82	-169
Purchase of tangible non-current assets		-19	-17	-29	-29	-54
Sublease payment		-	-	1	1	2
Other cash flows from investing activities		1	-	-	4	3
Operational investments		**-56**	**-53**	**-98**	**-106**	**-218**
Free cash flow		**24**	**1**	**-37**	**-80**	**-20**
Purchase of securities		-	-	-	-	-110
Sale of securities		-	4	3	7	124
Financial investments		**-**	**4**	**3**	**7**	**14**
Cash flows from investing activities		**-56**	**-49**	**-95**	**-99**	**-204**

(DKK million)	Notes	Q2 2023/24	Q2 2022/23	YTD 2023/24	YTD 2022/23	Year 2022/23
Repayment of lease liabilities		-11	-11	-21	-21	-40
Repayment of mortgage loans		0	-1	-1	-2	-3
Proceeds from loans and borrowings		-	78	-	127	110
Repayment of loans and borrowings		-1	-	-4	-	-
Settlement of matching share programme		-	-1	-	-1	-3
Cash flows from financing activities		**-12**	**65**	**-26**	**103**	**64**
Cash and cash equivalents, opening balance		141	125	216	162	162
Foreign exchange gain/loss on cash and cash equivalents		1	-6	-2	-3	-4
Change in cash and cash equivalents		**12**	**70**	**-60**	**30**	**58**
Cash and cash equivalents, closing balance		**154**	**189**	**154**	**189**	**216**
Available liquidity	7	163	187	163	187	224

[Insert table from Excel here]

Condensed statement of changes in equity

(DKK million)	Share capital*	Translation reserve	Cash flow hedge reserve	Retained earnings	**Total**
Equity 1 June 2023	**613**	**20**	**-4**	**329**	**958**
Profit/loss for the period	-	-	-	15	15
Exchange adjustments of subsidiaries	-	-2	-	-	-2
Fair value adjustments of hedging instruments	-	-	-4	-	-4
Value adjustments of hedging instruments reclassified in					
Revenue	-	-	2	-	2
Production costs	-	-	5	-	5
Income tax on items that will be reclassified to the income statement	-	-	-1	-	-1
Comprehensive income/loss for the period	**-**	**-2**	**2**	**15**	**15**
Share-based payments	-	-	-	10	10
Equity 30 November 2023	**613**	**18**	**-2**	**354**	**983**
Equity 1 June 2022	**613**	**32**	**-5**	**460**	**1,100**
Profit/loss for the period	-	-	-	-97	-97
Exchange adjustments of subsidiaries	-	-7	-	-	-7
Fair value adjustments of hedging instruments	-	-	5	-	5
Value adjustments of hedging instruments reclassified in					
Revenue	-	-	14	-	14
Production costs	-	-	-11	-	-11
Income tax on items that will be reclassified to the income statement	-	-	-2	-	-2
Comprehensive income/loss for the period	**-**	**-7**	**6**	**-97**	**-98**
Share-based payments	-	-	-	10	10
Equity 30 November2022	**613**	**25**	**1**	**373**	**1,012**

* The company holds a total of 1,778,270 treasury shares (3,122,870 shares as of 30 November 2022). The decrease was related to exercise of shares related to the ongoing long term incentive programmes.

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 accounting policies applied in this interim report are consistent with those applied in the Annual Report for 2022/23.

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 2023 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

When 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 reassessed on a regular basis.

Due to the current macroeconomic environment, geopolitical uncertainty and pandemic related lockdowns, we have considered the recoverability of trade receivables, deferred tax assets, intangible assets and the value of inventories. In addition, 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.

Apart from the above, critical accounting estimates and judgements are consistent with those applied in note 1.2 to the consolidated financial statements in the 2022/23 Annual Report, to which reference is made.

Internal cost allocations were updated 1 June 2023, resulting in an updated split between segments. Due to a higher cost allocation to aluminium production, the gross margin in Brand Partnering & other activities decreased by approximately 5 pp and product sales increased by 1 pp, depending on the mix and seasonality. Comparable figures have been restated accordingly. Change in cost allocations had no margin effect on group level.

3 Seasonality

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

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

4 Segment information – Q2

(DKK million)	EMEA	Americas	APAC	**Regions, total**	Brand Partnering & other activities	**All**
Q2 2023/24						
Revenue	**342**	**72**	**211**	625	**75**	700
Production costs	-176	-40	-103	-319	-9	-328
Gross profit	**166**	**32**	**108**	306	**66**	372
Gross margin	48.5%	42.9%	51.6%	48.9%	87.9%	53.1%
Q2 2022/23						
Revenue	**400**	**106**	**248**	754	**105**	859
Production costs	-252	-71	-137	-460	-17	-477
***Gross profit**	**148**	**35**	**111**	294	**88**	382
*Gross margin	36.8%	33.6%	45.0%	39.1%	82.6%	44.4%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
Q2 2023/24						
Revenue	**278**	**135**	**212**	625	**75**	700
Production costs	-115	-63	-141	-319	-9	-328
Gross profit	**163**	**72**	**71**	306	**66**	372
Gross margin	58.4%	53.4%	33.6%	48.9%	87.9%	53.1%
Q2 2022/23						
Revenue	**332**	**143**	**279**	754	**105**	859
Production costs	-168	-68	-224	-460	-17	-477
***Gross profit**	**164**	**75**	**55**	294	**88**	382
*Gross margin	49.4%	52.3%	20.0%	39.1%	82.6%	44.4%

* Comparative figures for gross margin and gross profit on segment level has been restated. No change in total gross margin and gross profit.

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

Segment information – YTD

(DKK million)	EMEA	Americas	APAC	**Regions, total**	Brand Partnering & other activities	**All**
2023/24						
Revenue	**645**	**139**	**383**	1,167	**152**	1,319
Production costs	-335	-77	-191	-603	-19	-622
Gross profit	**310**	**62**	**192**	564	**133**	697
Gross margin	48.0%	44.2%	50.2%	48.3%	87.9%	52.8%
2022/23						
Revenue	**639**	**169**	**466**	1,274	**197**	1,471
Production costs	-417	-121	-292	-830	-35	-865
***Gross profit**	**222**	**48**	**174**	444	**162**	606
*Gross margin	34.8%	28.5%	37.2%	34.8%	82.4%	41.2%

(DKK million)	Staged	Flexible Living	On-the-go	**Products, total**	Brand Partnering & other activities	**All**
2023/24						
Revenue	**569**	**242**	**356**	1,167	**152**	1,319
Production costs	-250	-118	-235	-603	-19	-622
Gross profit	**319**	**124**	**121**	564	**133**	697
Gross margin	56.0%	51.1%	34.1%	48.3%	87.9%	52.8%
2022/23						
Revenue	**545**	**268**	**461**	1,274	**197**	1,471
Production costs	-301	-142	-387	-830	-35	-865
***Gross profit**	**244**	**126**	**74**	444	**162**	606
*Gross margin	44.7%	47.3%	16.1%	34.8%	82.4%	41.2%

* Comparative figures for gross margin and gross profit on segment level has been restated. No change in total gross margin and gross profit.

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

5 Development costs

	Q2		YTD		Year
(DKK million)	**2023/24**	2022/23	**2023/24**	2022/23	2022/23
Incurred development costs before capitalisation	78	83	141	161	319
Of which capitalised	-31	-27	-57	-60	-117
Incurred development costs after capitalisation	47	56	84	101	202
Capitalisation (%)	39.1%	32.4%	40.5%	36.7%	36.7%
Total charges and impairment losses on development projects	24	25	50	49	99
Development costs recognised in the consolidated income statement	**71**	**81**	**134**	**150**	**301**
Incurred development costs before capitalisation ratio (% of revenue)	11.1%	9.6%	10.7%	11.0%	11.6%

6 Change in net working capital

(DKK million)	**30-11-23**	31-05-23	Change in Q2 2023/24 YTD	Change in Q2 2022/23 YTD	Change in 2022/23
Inventories	460	499	39	61	130
Trade receivables	365	341	-24	-48	56
Other receivables*	46	66	20	-2	22
Prepayments	26	24	-2	-10	4
Trade payables	-451	-565	-114	67	-16
Other liabilities	-160	-143	17	-60	-69
Deferred income - non-current	-	-	-	-8	-14
Total	**286**	**222**	**-64**	**0**	**113**

*Other receivables were adjusted for financial receivables related to leases of DKK 1m not included as net working capital at 3 November 2023 (31 May 2023: DKK 2m).

7 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 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 30 November 2023, repo transactions amounted to DKK 382m.

During the quarter, net interest-bearing debt decreased by DKK 11m to a debt of DKK 33m compared to a deposit of DKK 19m at year-end 2022/23.

(DKK million)	**30-11-23**	30-11-22	31-05-23
Mortgage loans (non-current)	-52	-56	-56
Mortgage loans (current)	-6	-4	-3
Bank loans (current)	-382	-403	-386
Lease liabilities (non-current)	-96	-90	-109
Lease liabilities (current)	-42	-34	-37
Other non-current liabilities*	-3	-3	-3
Interest-bearing debt	**-581**	**-591**	**-594**
Finance lease receivables (non-current)	2	3	1
Finance lease receivables (current)	1	2	2
Cash (current)	154	189	216
Securities (current)	391	401	394
Interest-bearing assets	**548**	**595**	**613**
Net interest-bearing deposit/debt	**-33**	**4**	**19**

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

During the quarter, net available liquidity increased by DKK 13m to DKK 163m (year-end 2022/23: DKK 224m), consisting of cash and securities offset by repo transactions.

(DKK million)	**30-11-23**	30-11-22	31-05-23
Cash (current)	154	189	216
Securities (current)	391	401	394
Bank loans (current)	-382	-403	-386
Available liquidity	**163**	**187**	**224**

Including the undrawn part of our ESG-linked credit facility, capital resources were DKK 323m (year-end 2022/23: DKK 384m), consisting of available liquidity of DKK 163m and undrawn committed credit facilities of DKK 160m.

8 Financial instruments

Financial instruments by category

(DKK million)	**30-11-23**	30-11-22	31-05-23
Non-current other receivables	22	22	23
Trade receivables	365	445	341
Other receivables	47	91	68
Cash	154	189	216
Financial assets at amortised cost	**587**	**747**	**648**
Securities	391	401	394
Fair value through income statement	**391**	**401**	**394**
Derivatives used for hedge accounting	0	7	0
Fair value through other comprehensive income	**0**	**7**	**0**
Financial assets	**978**	**1,155**	**1,042**
Mortgage loans	58	60	59
Bank loans	382	403	386
Lease liabilities	138	124	146
Trade payables	451	648	565
Financial liabilities at amortised cost	**1,029**	**1,235**	**1,156**
Derivatives used for hedge accounting	6	8	8
Fair value through other comprehensive income	**6**	**8**	**8**
Financial liabilities	**1,035**	**1,243**	**1,164**

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 recognized the balance sheet.

Derivative financial instruments

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

See note 7.3 to the 2022/23 Annual Report for an overview of foreign exchange contracts.

9 Subsequent events

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 2023 – 30 November 2023.

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

In our opinion, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 30 November 2023, and of the results of the Group's operations and cash flows for the period 1 June 2023 – 30 November 2023. In our opinion, the Management's review includes a fair review of the development in the Group's operations and financial matters, the results for the period, and the financial position in general, as well as a description of the significant risks and uncertainty factors pertaining to the Group.

Struer, 10 January 2024

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

Dorte Vegeberg

Jesper Jarlbæk

M. Claire Chung

Søren Balling

Tuula Rytilä

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