BANG & OLUFSEN A/S, COMPANY ANNOUNCEMENT NO. 18.10 – 4 OCTOBER 2018

INTERIM REPORT 1ST QUARTER 2018/19

1 JUNE 2018 – 31 AUGUST 2018

Bang & Olufsen a/s
Peter Bangs Vej 15
DK-7600 Struer

Tel. +45 9684 1122
www.bang-olufsen.com
Comreg: 41257911

BANG & OLUFSEN

Q1 HIGHLIGHTS

"Despite unfavorable impact from the ongoing transformation of our sales and distribution network, revenue was up by 2 per cent. We significantly improved both EBIT and free cash flow, and our ability to generate profitable growth in what is traditionally a seasonally small quarter for Bang & Olufsen is a testament to the strength of our revised operating model," says CEO Henrik Clausen and continues: "The results were driven by higher gross margins, lower capacity costs and strong sales in China, while revenue, as expected, was adversely impacted by the transformation of our sales and distribution network in especially Europe and North America."

KEY FINANCIAL HIGHLIGHTS Q1

(DKK million)	**Q1 2018/19**	Q1 2017/18	Change %
Revenue	601	592	2
EMEA	280	308	(9)
Americas	41	58	(29)
Asia	221	176	26
Other	59	50	17
Gross Margin, %	43.8	39.9	4.0
EMEA, %	38.2	34.4	3.8
Americas, %	41.1	42.6	(1.9)
Asia, %	38.2	37.0	1.2
Other, %	93.3	79.2	13.7
Capacity Costs	281	301	(7)
EBIT	5	(65)	
Free cash flow	(105)	(159)	

All numbers reflect change compared to the same period last year:

First quarter 2018/19

- The Group generated 2 per cent revenue growth (2 per cent in local currencies).

- Revenue in EMEA declined by 9 per cent (8 per cent decline in local currencies), primarily due to the ongoing transformation of the sales and distribution network in Europe. The transition of our multibrand channel to focus on luxury-lifestyle and ensure consistency in customer experience has had the expected short-term negative impact on revenue.

- In Americas, revenue declined by 29 per cent (29 per cent decline in local currencies). Revenue was, to some extent, still adversely affected by the transformation process in the region.

- Revenue in Asia grew by 26 per cent (26 per cent in local currencies), driven by a continued strong performance in the Greater China Region. The onboarding of five new retail partners has strengthened the sales and distribution network in the region. All company-owned and company-operated stores in mainland China have been divested.

- Other, which includes income from Brand Partnering, aluminum production and other activities, increased DKK 8 million, mainly due to higher license income.

- The gross margin increased to 43.8 per cent from 39.9 per cent last year driven by improved product profitability, changes in exchange rates, and higher income from brand partnerships.

- Capacity costs decreased by 7 per cent due to lower development costs while distribution and marketing costs increased.

- EBIT improved by DKK 70 million, from last year's DKK 65 million EBIT loss to an EBIT profit of DKK 5 million. This was an improvement of 12 percentage points. The strong EBIT performance in what is traditionally a seasonally small quarter was driven by improved gross margins and controlled capacity costs.

- The free cash flow was negative DKK 105 million against negative DKK 159 million last year. The negative cash flow was due to an increase in net working capital driven by lower trade payables.

- The Group started to execute the share buyback programme of DKK 485 million approved at the Annual General Meeting in August.

Full year 2018/19

- The outlook for 2018/19 remains unchanged. The Group expects revenue growth for 2018/19 to be above 10 per cent compared to 2017/18 and the EBIT margin to be in the 7-9 percent range.

Please address any enquiries about this announcement to:
Investor contact, Malene Richter,
tel.: +45 2974 1609
Press contact, Jens Gamborg,
tel.: +45 2496 9371

Bang & Olufsen will host a webcast on 4 October 2018 at 10:00 CET. The webcast can be accessed through our website www.bang-olufsen.com.

KEY FIGURES

BANG & OLUFSEN A/S – GROUP

	1st quarter	
(DKK million)	2018/19	2017/18
Income statement		
Revenue	601	592
Gross margin, %	43.8	39.9
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	38	(42)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	48	23
Earnings before interest and tax (EBIT)	5	(65)
Financial items, net	(11)	(5)
Earnings before tax (EBT)	(6)	(70)
Earnings after tax	(4)	(55)
Financial position		
Total assets	2,809	2,755
Share capital	432	432
Equity	1,698	1,520
Net interest-bearing deposit/(debt)	862	741
Net working capital	193	130

	1st quarter	
(DKK million)	2018/19	2017/18
Cash flow		
– from operating activities	(89)	(78)
– from investment activities	(17)	(80)
Free cash flow	(105)	(159)
– from financing activities	(21)	(2)
Cash flow for the period	(127)	(161)
Key figures		
EBITDA-margin, %	8.0	3.9
EBIT-margin, %	0.9	(11.0)
Return on assets, %	(0.3)	(3.5)
Return on invested capital, excl. goodwill, %	5.0	1.1
Return on equity, %	(0.3)	(3.4)
Full time employees at the end of the period	992	1,107
Stock related key figures		
Earnings per share (EPS), DKK	(0.1)	(1.3)
Earnings per share, diluted (EPS-D), DKK	(0.1)	(1.3)
Price/Earnings	(1.620)	(81)

MANAGEMENT REPORT

The revenue development in the seasonally small first quarter was in line with the Group's expectations. The development was the result of a continued solid performance in Greater China, whereas Europe and North America, as expected, were impacted by the transformation of the sales and distribution network, primarily in the multibrand channel. Higher margins and lower capacity costs improved in profitability and free cash flow compared to last year.

Revenue performance by region
EMEA reported revenue of DKK 280 million, a decline of 9 per cent (8 per cent in local currencies) from DKK 308 million last year. The decline was primarily due to the ongoing transformation of the sales and distribution network in Europe, where creating clusters of branded stores in key urban areas, transitioning the multibrand channel and establishing a stronger presence within luxury-lifestyle retail remain key priorities. Revenue from the monobrand channel in EMEA fell slightly due to the launch impact from BeoVision Eclipse and BeoLab 50 last year, but like-for-like sales have improved.

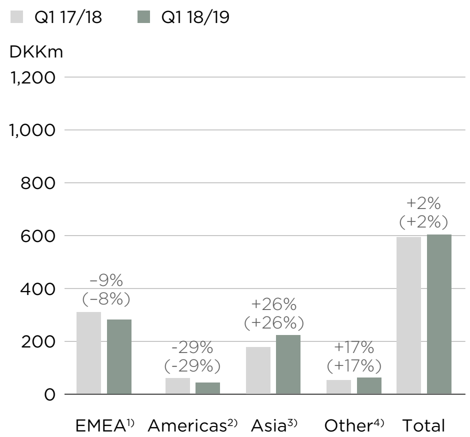
Revenue in Americas was DKK 41 million against DKK 58 million last year, corresponding to a decline of 29 per cent (29 per cent decline in local currencies). Revenue was still adversely affected by the transformation process in the region. With the new platform and a new US country manager in place, revenue is expected to grow in the second quarter.

In Asia, revenue grew to DKK 221 million from DKK 176 million last year, corresponding to a 26 per cent increase (26 per cent in local currencies). Growth was driven by a continued strong performance in the Greater China Region, where a strong sales and distribution network has been created with the onboarding of five new retail partners and the divestment of all company-owned and company-operated stores in mainland China. Thus, a fundamental part of the transformation in the region has been completed and revenue in parts of China will now be generated from wholesale business. This will impact revenue in the coming quarters and is reflected in the guidance.

Other, which includes Brand Partnering, aluminium production and other activities, reported revenue of DKK 59 million against DKK 50 million last year. The increase was mainly due to higher license income.

Group revenue
Effective 1 June 2018, the Group integrated its business units to operate under a single brand, Bang & Olufsen. Hence, the Group no longer reports on the basis of a business unit structure.

REVENUE BY REGION
(growth in local currency in brackets)



[1] EMEA covers Europe, Russia, Africa and the Middle East.
[2] Americas covers North and South America.
[3] Asia covers Asia and Oceania.
[4] Other covers Brand Partnering, aluminium production and other activities.

The Group's revenue was DKK 601 million, corresponding to a 2 per cent increase (2 per cent in local currencies).

Revenue in the On-the-go product category improved to DKK 256 million from DKK 216 million last year. The revenue performance was supported by solid sales of Beoplay E8, Earset, and Beoplay H9i as well as of the recently launched Beoplay E6.

Revenue in the Flexible Living product category was DKK 68 million against DKK 78 million last year, as some of the Group's older products were discontinued as planned. Beoplay A9 and Beosound 1 and 2 continued to generate good sales performance.

Revenue in the Staged product category was DKK 207 million against DKK 250 million last year. Despite the persistently strong performance by BeoVision Eclipse, revenue declined compared to last year, when the BeoVision Eclipse and BeoLab 50 launches had a positive effect. This is also expected to affect the second quarter performance.

Revenue development by channel

The Group continued the transformation of its sales and distribution network across all regions. Main focus is to deliver a luxury-lifestyle customer experience across monobrand [1] stores, multibrand [2] stores and online.

In the first quarter, revenue was up by 7 per cent in monobrand stores. Growth was driven by Asia, and EMEA only had a small decline despite a tough prior–year comparator, which included the BeoVision Eclipse and BeoLab 50 launches. Revenue in multibrand stores declined by 10 per cent, primarily due to the ongoing transformation of the sales and distribution network in Europe.

A total of 25 low-performing monobrand stores were closed in the first quarter, while eight new monobrand stores were opened or upgraded. This brought the number of monobrand stores to 548 at the end of the first quarter compared to 565 at the end of the previous quarter, and 598 at the end of the same quarter last year.

The number of multibrand declined from 6,705 stores to 6,405 at the end of this quarter and from 6,833 stores at the end of the same quarter last year. The expected decline in this quarter is due to the transformation of the multibrand channel in EMEA.

DISTRIBUTION CHANGE IN NUMBER OF STORES

	Monobrand		Multibrand	
	31/8/2018	31/5/2018	31/8/2018	31/5/2018
EMEA	462	475	3,436	3,673
Americas	25	25	1,440	1,479
Asia	61	65	1,529	1,553
Total	**548**	**565**	**6,405**	**6,705**

[1] Monobrand was previously reported as B1 stores and shop in shops.
[2] Multibrand was previously reported as third-party-retail stores.

Gross margin

The gross margin for the Group was 43.8 per cent against 39.9 per cent last year.

The improvement in gross margin was primarily driven by an overall improvement in product profitability, a positive impact from foreign exchange rates, and increased income from brand partnerships.

Capacity costs

Capacity costs were DKK 281 million compared to DKK 301 million last year, corresponding to a decline of 7 per cent.

Distribution and marketing costs were DKK 175 million, corresponding to an increase of DKK 13 million compared to last year.

Administrative costs were DKK 28 million, compared to DKK 25 million last year.

Development costs declined to DKK 78 million against DKK 114 million last year. The change reflects the greater proportion of development costs now being shared with technology and supply chain partners due to the changes made to the operating model.

Development costs incurred were DKK 57 million (of which DKK 10 million was capitalised) against DKK 109 million last year (of which DKK 65 million was capitalised), which included significant investments in BeoLab 50 and BeoVision Eclipse. Total amortisation charges and impairment losses on development projects amounted to DKK 31 million against DKK 70 million last year. The net effect on earnings before interest and tax of capitalised and amortised amounts was negative at DKK 21 million compared to last year's negative effect of DKK 5 million.

CAPITALISED DEVELOPMENT COSTS AND CARRYING AMOUNT

(DKK million)	**Q1 2018/19**	Q1 2017/18
Capitalised, net	10	65
Carrying amount, net	201	330

Earnings

EBIT improved by DKK 70 million, from last year's DKK 65 million EBIT loss to an EBIT of DKK 5 million. This was an improvement of 12 percentage points. The strong EBIT performance in what is traditionally a seasonally small quarter was driven by improved gross margins and controlled capacity costs.

The Group's net financial items were an expense of DKK 11 million against a DKK 5 million expense last year. This was mainly related to negative exchange rate adjustments.

Earnings before tax were negative at DKK 6 million against a loss of DKK 70 million last year.

Development in balance sheet items and cash flow

The Group's net working capital amounted to DKK 193 million, an increase of DKK 63 million compared to the end of the previous quarter that was mainly the result of lower trade payables due to seasonality.

The free cash flow was negative DKK 105 million against negative DKK 159 million last year. The negative cash flow was mainly due to an increase in net working capital driven by lower trade payables. Compared to last year, the improvement of DKK 54 million was due to higher earnings.

The Group had a net deposit of DKK 862 million compared to DKK 741 million last year.

The Group's equity increased to DKK 1,698 million from DKK 1,520 million last year, and DKK 1,710 million at the end of the fourth quarter. The Group equity ratio was 60 per cent.

A share buyback programme of DKK 485 million was approved at the Annual General Meeting in August and is now being executed.

Events after the balance sheet date

No material events have occurred since 31 August 2018.

PRODUCT PORTFOLIO AND COLLABORATIONS

Q1 2018/19

Bang & Olufsen products are based on the company's core capabilities of sound, design and craftsmanship and cater for three main use cases: Staged, Flexible Living and On-the-go. All three product categories support global technology ecosystems to ensure industry standard compatibility in an ever-changing technological environment.

In the first quarter, Bang & Olufsen further strengthened its product portfolio with the launch of Beosound Edge and Beoplay E6. In addition, new variations of existing products were launched in line with Bang & Olufsen's strategy to ensure that the company's products are always innovative and have a leading position within their use cases. Accordingly, Beosound 1 and 2 were made available with the Google Assistant built-in, Beoplay E8 came in a Racing Green version, and the Autumn/Winter 2018 Collection, consisting of limited-edition products inspired by the global fashion and interior colour trends of the season, were presented.

As part of the company's strategy to drive revenue, profitability, and to increase brand awareness through brand partnerships, it was announced that Bang & Olufsen has audio tuned LG's new V35 Signature Edition smartphone. The limited-edition smartphone for the Korean market was sold as a bundle with Beoplay H9i for optimum sound experience.

AW2018 COLLECTION – BEOPLAY P6 DARK PLUM

The Autumn/Winter 2018 Collection is a range of limited-edition headphones, speakers, and selected wireless earphones. The colour palette includes Dark Plum, Terracotta, and Limestone. The seasonal collection consists of the wireless earphones Beoplay E6, the wireless earphones Earset, the wireless headphones Beoplay H9i, and the portable Bluetooth speaker Beoplay P6.

PRODUCT PORTFOLIO AND COLLABORATIONS

BEOSOUND 1 AND 2 WITH GOOGLE ASSISTANT

BeoSound 1 and BeoSound 2 now come with the Google Assistant built-in, which means that the speakers have advanced smart speaker functionally for controlling the speakers or other smart home devices. To make sure that the Google Assistant can hear commands through the sound coming from the speakers, the sound engineers have built advanced acoustic echo-cancelling technology and five microphones into the aluminium structure. With both Chromecast and Apple AirPlay 2 integrated into the speakers, any major music service can be streamed to Beosound 1 and Beosound 2 and distributed in a multiroom product setup.

BEOSOUND EDGE

Beosound Edge is a new powerful wireless speaker for the home that has won a number of awards already, among other Best of IFA 2018 Award. Adjusting the sound is done by gently rolling the speaker forwards or backwards to increase and decrease the volume. To deliver a rich sound experience at high volume, Beosound Edge debuts the Active Bass Port, a ground-breaking acoustical technology. Beosound Edge comes with the major industry standard technologies to provide the best streaming experience.

PRODUCT PORTFOLIO AND COLLABORATIONS

BEOPLAY E6 SAND

New wireless earphones for those who demand the best in sound and style for everyday wear. Beoplay E6 delivers a consistent high sound performance in challenging environments and brings forward some of Bang & Olufsen's latest design innovations.

BEOPLAY E8 RACING GREEN

The wireless earphones are inspired by one of the most iconic colours in the world of car racing, British Racing Green, a colour that has become synonymous with performance, cutting-edge technology and classic sports cars. Beoplay E8 Racing Green comes with a premium leather case for charging on the go with up to 12 hours of playtime.

LG V35 SIGNATURE EDITION

The new LG V35 Signature Edition comes with a pair of Beoplay H9i for the optimum sound experience; a smartphone audio tuned by Bang & Olufsen paired with one of the company's premium headphones. The special edition smartphone is equipped with the latest and most advanced technology and sold in LG's Korean home market in very limited numbers.

OUTLOOK FOR 2018/19

In 2018/19, the Group expects to grow in all regions, and further improve the profitability of the business.

Revenue
Revenue growth for the Group is expected to be above 10 per cent compared to 2017/18. Growth in the first half of 2018/19 is expected to be adversely impacted by the transformation of the distribution channel.

- EMEA is expected to grow more than 5 per cent. Europe is expected to grow moderately as key focus for the year will be to create strong clusters in key locations and establish increased consistency across mono- and multibrand retail. The remaining region is expected to show higher growth through key partners.

- Asia is expected to grow more than 10 per cent. The key focus for 2018/19 will be on growing key countries – in particular China and Japan – through strong partnerships. Revenue in China is expected to be adversely impacted by the transition from company-owned to partner-owned stores.

- Americas is expected to grow more than 20 per cent. US focus will be to build presence in key urban areas, starting with New York and the West Coast. In the remaining region, growth will be driven through strong local partners.

The revenue growth is expected to be driven mainly by the On-the-go and the Flexible Living product categories. In the Staged product category innovative and progressive products such as the BeoSound Shape are expected to grow, while products such as stereo speakers and TVs will decline.

During the year, the Group will work with partners to strengthen the execution of the luxury-lifestyle experience of the brand. Revenue related to brand partnerships is expected to show a moderate increase compared to 2017/18.

Capacity Costs
The changed operating model will result in further reductions of development costs in 2018/19. Concurrently, significant investments will be made within distribution and marketing related to increasing brand awareness, improving customer experience in retail, strengthening the digital platforms, and building capabilities within the company. Therefore, capacity costs in percentage of revenue is expected to be unchanged compared to 2017/18.

Earnings
The EBIT margin is expected to improve compared to 2017/18 and be in the range of 7-9 per cent for 2018/19. The improved profitability will mainly be related to an increase in revenue and improved gross margin.

Free cash flow
The Group's free cash flow is expected to be above DKK 100 million.

The outlook excludes impacts from potential aperiodic items.

SAFE HARBOUR STATEMENT

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

MANAGEMENT'S STATEMENT

Today, we have considered and approved the interim report for the period 1 June 2018 – 31 August 2018 for Bang & Olufsen a/s.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as endorsed by the EU and additional requirements in the Danish Financial Statements Act.

It is our opinion that the interim report provides a true and fair view of the Group's assets, liabilities and financial position as at 31 August 2018 and the results of the Group's operations and cash flows for the period 1 June 2018 – 31 August 2018.

It is also our opinion that the management report gives a true and fair view of developments in the Group's activities and financial situation, the earnings for the period and the Group's financial position in general as well as a description of the most significant risks and uncertainties to which the Group is exposed.

Struer, 4 October 2018

Executive Management Board:

Henrik Clausen
President & CEO

Anders Aakær Jensen
Executive Vice President
& CFO

John Mollanger
Executive Vice President,
President Brand & Markets

Board of Directors:

Ole Andersen
Chairman

Juha Christensen
Deputy Chairman

Albert Bensoussan

Anders Colding Friis

Brian Bjørn Hansen

Geoff Martin

Ivan Tong Kai Lap

Jesper Jarlbæk

Mads Nipper

Majken Schultz

Søren Balling

CONSOLIDATED INCOME STATEMENT

		1st quarter		Year
(DKK million)	Notes	**2018/19**	2017/18	2017/18
Revenue		**601.1**	**591.9**	**3,285.5**
Production costs		(337.9)	(356.0)	(1,941.3)
Gross profit		**263.2**	**235.9**	**1,344.2**
Development costs	3	(78.0)	(113.7)	(400.9)
Distribution and marketing costs		(174.8)	(162.3)	(734.5)
Administration costs		(28.3)	(24.9)	(104.3)
Other operating income		23.2	-	17.6
Other operating expenses		-	-	(0.1)
Operating profit (EBIT)		**5.3**	**(65.0)**	**122.1**
Financial income		5.6	0.7	13.3
Financial expenses		(16.5)	(5.8)	(17.9)
Financial items, net		(10.9)	(5.1)	(4.6)
Earnings before tax (EBT)		**(5.6)**	**(70.1)**	**117.5**
Income tax		1.2	15.4	(36.0)
Earnings for the year		**(4.4)**	**(54.7)**	**81.5**
Earnings per share				
Earnings per share (EPS), DKK		(0.1)	(1.3)	1.9
Diluted earnings per share (ESP-D), DKK		(0.1)	(1.3)	1.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st quarter		Year
(DKK million)	**2018/19**	2017/18	2017/18
Earnings for the year	**(4.4)**	**(54.7)**	**81.5**
Items that will be reclassified subsequently to the income statement:			
Exchange rate adjustment of investment in foreign subsidiaries	(1.8)	(5.6)	(2.1)
Change in fair value of derivative financial instruments used as cash flow hedges	(0.9)	(6.4)	94.1
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:			
Transfer to revenue	-	2.8	13.1
Transfer to production costs	13.1	(5.3)	(54.2)
Income tax on items that will be reclassified to the income statement:	(2.7)	2.0	(11.7)
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit plans	-	-	1.1
Income tax on items that will not be reclassified to the income statement:	-	-	(0.3)
Other comprehensive income for the year, net of tax	**7.7**	**(12.5)**	**40.0**
Total comprehensive income for the year	**3.3**	**(67.2)**	**121.5**

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	**31/8/18**	31/8/17	31/5/18
Goodwill		43.6	43.3	43.5
Acquired rights		2.8	4.0	2.2
Completed development projects		152.1	208.1	181.3
Development projects in progress		48.8	121.7	40.8
Intangible assets		**247.3**	**377.1**	**267.8**
Land and buildings		115.5	73.4	115.7
Plant and machinery		50.0	58.4	55.6
Other equipment		5.5	3.2	5.5
Leasehold improvements		0.3	3.5	0.3
Tangible assets in course of construction		15.9	41.0	7.1
Tangible assets		**187.2**	**179.5**	**184.2**
Investment property		**15.3**	**15.8**	**15.5**
Other financial receivables		**38.9**	**44.6**	**39.3**
Deferred tax assets		**247.0**	**297.4**	**249.3**
Total non-current assets		**735.7**	**914.3**	**755.9**
Inventories		**397.7**	**413.7**	**352.2**
Trade receivables		456.4	387.0	510.0
Other financial receivables		11.1	8.4	11.1
Corporation tax receivable		15.3	12.9	18.5
Other receivables		121.5	80.8	96.5
Prepayments		28.6	19.5	7.9
Total receivables		**632.8**	**508.6**	**644.0**
Cash		**1,028.3**	**918.4**	**1,154.7**
Assets held for sale		**15.0**	**-**	**14.0**
Total current assets		**2,073.7**	**1,840.7**	**2,164.9**
Total assets		**2,809.4**	**2,755.0**	**2,920.8**

(DKK million)	Notes	**31/8/18**	31/8/17	31/5/18
Share capital		432.0	432.0	432.0
Translation reserve		14.8	13.1	16.6
Reserve for cash flow hedges		38.0	(19.7)	28.5
Retained earnings		1,213.6	1,094.8	1,232.4
Total equity		**1,698.4**	**1,520.2**	**1,709.5**
Pensions		13.4	14.6	13.6
Deferred tax		9.9	9.6	10.5
Provisions		32.9	36.5	33.1
Mortgage loans		157.1	167.9	160.9
Other non-current liabilities		1.2	23.7	1.4
Deferred income		38.6	123.7	76.4
Total non-current liabilities		**253.1**	**376.1**	**295.9**
Mortgage loans		9.1	9.1	9.2
Provisions		33.6	67.9	33.6
Trade payables		441.9	428.7	516.7
Corporation tax payable		1.5	10.6	3.3
Other liabilities		288.7	321.6	290.1
Deferred income		80.1	20.7	60.1
Other current liabilities		**854.9**	**858.6**	**913.0**
Liabilities associated with assets held for sale		**3.1**	**-**	**2.4**
Total liabilities		**1,111.0**	**1,234.7**	**1,211.3**
Total equity and liabilities		**2,809.4**	**2,755.0**	**2,920.8**

CONSOLIDATED CASH FLOW STATEMENT

		1st quarter		Year
(DKK million)	Notes	**2018/19**	2017/18	2017/18
Earnings for the year		(4.4)	(54.7)	81.5
Amortisation, depreciation and impairment losses		42.6	88.2	275.5
Adjustments for non-cash items	4	(24.1)	(4.2)	17.0
Change in receivables		7.6	8.4	(131.0)
Change in inventories		(46.1)	(66.3)	(12.6)
Change in trade payables etc		(62.8)	(44.8)	59.6
Cash flow from operations		(87.3)	(73.4)	290.0
Interest received and paid, net		(1.9)	(3.3)	(11.6)
Income tax paid		0.2	(1.6)	(30.7)
Cash flow from operating activities		**(88.9)**	**(78.3)**	**247.7**
Purchase of intangible non-current assets		(10.2)	(65.8)	(106.0)
Purchase of tangible non-current assets		(6.7)	(14.0)	(60.9)
Sales of tangible non-current assets		-	-	1.8
Change in financial receivables		0.4	(0.5)	2.1
Cash flow from investing activities		**(16.5)**	**(80.3)**	**(163.0)**
Free cash flow		**(105.4)**	**(158.7)**	**84.7**
Repayment of long-term loans		(3.8)	(2.2)	(9.2)
Purchase of own shares		(14.3)	-	-
Settlement of matching shares programme		(3.0)	-	-
Cash flow from financing activities		**(21.1)**	**(2.2)**	**(9.2)**
Change in cash and cash equivalents		**(126.5)**	**(160.8)**	**75.5**
Cash and cash equivalents, opening balance		1,154.7	1,079.2	1,079.2
Cash and cash equivalents, closing balance		**1,028.3**	**918.4**	**1,154.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Notes	31/8/18	31/8/17	31/5/18
Equity, opening balance		**1,709.5**	**1,586.2**	**1,586.2**
Earnings for the period		(4.4)	(54.7)	81.5
Other comprehensive income, net of tax		7.7	(12.5)	40.1
Comprehensive income for the period		3.3	(67.2)	121.6
Share-based payments		3.0	1.3	1.8
Settlement of share optins		(3.0)	-	-
Purchase of own shares		(14.3)	-	-
Equity, closing balance		**1,698.4**	**1,520.2**	**1,709.5**

NOTES

1 Accounting principles

The interim report for Bang & Olufsen a/s is prepared as a condensed set of financial statements in accordance with IAS 34 ‘Interim Financial Reporting’, as endorsed by the European Union and further additional Danish disclosure requirements for interim reports for listed companies. The interim report has not been audited or reviewed by the company’s external auditors. An interim report for the parent company has not been prepared. The interim report is stated in Danish krone (DKK) which is the functional currency of the parent company.

The Annual Report 2017/18 contains a full description of applied accounting principles.

2 Significant estimates and assessments by management

The preparation of interim reports requires that management makes estimates and assessments which affect the application of accounting principles and recognised assets, liabilities, income and expenses. Actual results may vary from these estimates.

The material estimates that management makes when applying the accounting principles of the Group, and the material uncertainty connected with these estimates and assessments are unchanged in the preparation of the interim report compared to the preparation of the Annual Report.

3 Development costs

(DKK million)	1st quarter 2018/19	1st quarter 2017/18	Year 2017/18
Incurred development costs before capitalisation	56.9	108.7	288.4
Hereof capitalised	(9.6)	(64.9)	(105.6)
Incurred development costs after capitalisation	47.3	43.8	182.8
Capitalisation (%)	*16.9%*	*59.7%*	*36.6%*
Total charges and impairment losses on development projects	30.7	69.9	218.1
Development costs recognised in the consolidated income statement	**78.0**	**113.7**	**400.9**

4 Adjustments for non-cash items in the cash flow statement

(DKK million)	1st quarter 2018/19	1st quarter 2017/18	Year 2017/18
Change in other liabilities	(38.6)	19.2	(88.9)
Financial items, net	10.9	5.1	4.6
Gain/loss on sale of non-current assets	-	-	0.5
Tax on earnings for the year	(1.2)	(15.4)	36.0
Other adjustments	4.7	(13.1)	64.8
Total adjustments	**(24.1)**	**(4.2)**	**17.0**

5 Segment information

(DKK million)	1st quarter 2018/19	2017/18	Reported change %	Local currency change %
Revenue by region				
EMEA	279.8	307.9	(9)	(8)
Americas	41.1	58.0	(29)	(29)
Asia	221.4	175.7	26	26
Other	58.8	50.4	17	-
Total	**601.1**	**591.9**	**2**	**2**
Gross margin by region, %				
EMEA	38.2%	34.4%		
Americas	41.0%	42.6%		
Asia	38.2%	37.0%		
Other	93.3%	79.2%		
Gross margin %, Group	**43.8%**	**39.9%**		
Revenue by product				
Staged	206.9	250.1	(17)	
Flexible Living	68.3	77.9	(12)	
On-the-go	255.7	216.4	18	
Other	70.3	47.5	48	
Total	**601.1**	**591.9**	**2**	
Revenue by channel				
Monobrand	353.8	329.8	7	
Multibrand	160.1	177.5	(10)	
Own eCom	5.9	6.9	(14)	
Other	81.3	77.7	5	
Total	**601.1**	**591.9**	**2**	

Notes:
EBIT per region will latest be reported at Q3 2018/19.

The “Other” item in the segment reporting consists of the following:
Other in Revenue/GM by Region: Brand Partnering, ALU and various miscellaneous items.
Other in Product category: Brand Partnering, ALU and various miscellaneous items.
Other in Channel: Brand Partnering, ALU, Enterprise, B2B channel and various miscellaneous items.

APPENDIX 1

EARNINGS BY QUARTER 2018/19:

(DKK million)	2018/19 Q1	Q2	Q3	Q4
Revenue	**601.1**			
Production costs	(337.9)			
Gross profit	**263.2**			
Development costs	(78.0)			
Distribution and marketing costs	(174.8)			
Administration costs	(28.3)			
Other operating income	23.2			
Earnings before interest and tax (EBIT)	**5.3**			
Financial income	5.6			
Financial expenses	(16.5)			
Financial items, net	(10.9)			
Earnings before tax (EBT)	**(5.6)**			
Income tax	1.2			
Earnings for the year	**(4.4)**			

ACCUMULATED EARNINGS BY QUARTER 2018/19:

(DKK million)	2018/19 3M	6M	9M	12M
Revenue	**601.1**			
Production costs	(337.9)			
Gross profit	**263.2**			
Development costs	(78.0)			
Distribution and marketing costs	(174.8)			
Administration costs	(28.3)			
Other operating income	23.2			
Earnings before interest and tax (EBIT)	**5.3**			
Financial income	5.6			
Financial expenses	(16.5)			
Financial items, net	(10.9)			
Earnings before tax (EBT)	**(5.6)**			
Income tax	1.2			
Earnings for the year	**(4.4)**			

APPENDIX 1

EARNINGS BY QUARTER 2017/18:

	2017/18			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**591.9**	**999.0**	**864.9**	**829.6**
Production costs	(356.0)	(587.9)	(510.0)	(487.4)
Gross profit	**235.9**	**411.1**	**354.9**	**342.2**
Development costs	(113.7)	(118.4)	(97.6)	(71.2)
Distribution and marketing costs	(162.3)	(200.9)	(181.6)	(189.7)
Administration costs	(24.9)	(26.7)	(26.4)	(26.2)
Other operating income	-	17.6	-	-
Other operating expenses	-	(0.1)	-	-
Earnings before interest and tax (EBIT)	**(65.0)**	**82.7**	**49.3**	**55.1**
Financial income	0.7	0.5	1.8	13.2
Financial expenses	(5.8)	(6.4)	(1.5)	(7,1)
Financial items, net	(5.1)	(5.8)	0.3	6.1
Earnings before tax (EBT)	**(70.1)**	**76.8**	**49.6**	**61.2**
Income tax	15.4	(20.0)	(23.5)	(8)
Earnings for the year	**(54.7)**	**56.8**	**26.1**	**53.2**

ACCUMULATED EARNINGS BY QUARTER 2017/18:

	2017/18			
(DKK million)	3M	6M	9M	12M
Revenue	**591.9**	**1,591.0**	**2,455.9**	**3,285.5**
Production costs	(356.0)	(943.9)	(1,453.9)	(1,941.3)
Gross profit	**235.9**	**647.1**	**1,002.0**	**1,344.2**
Development costs	(113.7)	(232.1)	(329.7)	(400.9)
Distribution and marketing costs	(162.3)	(363.2)	(544.8)	(734.5)
Administration costs	(24.9)	(51.6)	(78.0)	(104.3)
Other operating income	-	17.6	17.6	17.6
Other operating expenses	-	(0.1)	(0.1)	(0.1)
Earnings before interest and tax (EBIT)	**(65.0)**	**17.7**	**67.0**	**122.1**
Financial income	0.7	1.2	3.0	13.3
Financial expenses	(5.8)	(12.1)	(13.6)	(17.9)
Financial items, net	(5.1)	(10.9)	(10.7)	(4.6)
Earnings before tax (EBT)	**(70.1)**	**6.7**	**56.3**	**117.5**
Income tax	15.4	(4.6)	(28.1)	(36)
Earnings for the year	**(54.7)**	**2.2**	**28.3**	**81.5**

APPENDIX 2

REVENUE BY REGION 2017/18:

(DKK million)	2017/18 Q1	Q2	Q3	Q4
EMEA	307.9	558.0	450.2	420.9
Americas	58.0	97.6	66.0	75.6
Asia	175.7	263.7	287.2	280.6
Other	50.4	79.7	61.5	52.5
Total	**591.9**	**999.0**	**864.9**	**829.6**

REVENUE BY PRODUCT 2017/18:

(DKK million)	2017/18 Q1	Q2	Q3	Q4
Staged	250.1	411.8	335.4	350.1
Flexible living	77.9	124.1	105.3	88.4
On-the-go	216.4	397.1	336.0	327.2
Other	47.5	66.0	88.2	63.9
Total	**591.9**	**999.0**	**864.9**	**829.6**

REVENUE BY CHANNEL 2017/18:

(DKK million)	2017/18 Q1	Q2	Q3	Q4
Monobrand	329.8	572.0	551.3	492.2
Multibrand	177.5	316.9	212.3	242.1
Own eCom	6.9	12.0	10.1	7.4
Other	77.7	98.2	91.2	87.9
Total	**591.9**	**999.0**	**864.9**	**829.6**

Notes:
The historical figures have been displayed in the new reporting format in order to enable comparison.
EBIT per region will latest be reported at Q3 2018/19.

REVENUE BY REGION 2017/18:

(DKK million)	2017/18 3M	6M	9M	12M
EMEA	307.9	865.9	1,316.1	1,737.0
Americas	58.0	155.6	221.6	297.2
Asia	175.7	439.4	726.6	1,007.2
Other	50.4	130.1	191.6	244.1
Total	**591.9**	**1,591.0**	**2,455.9**	**3,285.5**

REVENUE BY PRODUCT 2017/18:

(DKK million)	2017/18 3M	6M	9M	12M
Staged	250.1	662.0	997.3	1,347.5
Flexible living	77.9	202.0	307.3	395.6
On-the-go	216.4	613.5	949.6	1,276.8
Other	47.5	113.5	201.7	265.6
Total	**591.9**	**1,591.0**	**2,455.9**	**3,285.5**

REVENUE BY CHANNEL 2017/18:

(DKK million)	2017/18 3M	6M	9M	12M
Monobrand	329.8	901.8	1,453.1	1,945.3
Multibrand	177.5	494.3	706.6	948.7
Own eCom	6.9	18.9	29.1	36.4
Other	77.7	175.9	267.1	355.0
Total	**591.9**	**1,591.0**	**2,455.9**	**3,285.5**

The “Other” item in the segment reporting consists of the following:
Other in Revenue/GM by Region: Brand Partnering, ALU and various miscellaneous items.
Other in Product category: Brand Partnering, ALU and various miscellaneous items.
Other in Channel: Brand Partnering, ALU, Enterprise, B2B channel and various miscellaneous items.

ADDITIONAL INFORMATION

For further information, please contact:
CEO, Henrik Clausen, tel.: +45 9684 5000
CFO, Anders Aakær Jensen, tel.: +45 9684 5000
Investors, Malene Richter, tel.: +45 2974 1609
Press contact, Jens Gamborg, tel.: +45 2496 9371

FINANCIAL CALENDAR

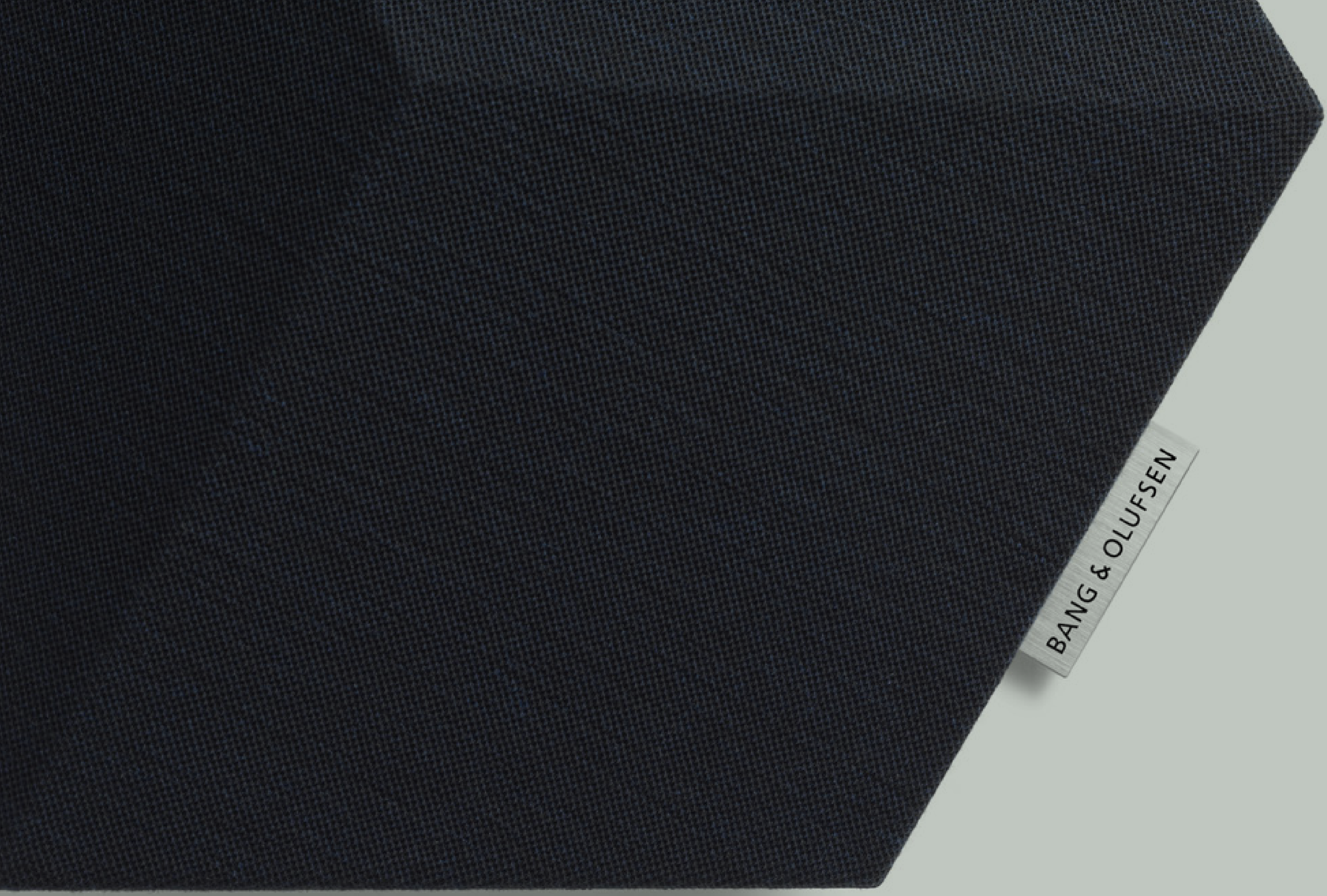
Financial statements

15 January 2019	Interim report (2nd quarter 2018/19)
4 April 2019	Interim report (3rd quarter 2018/19)
11 July 2019	Annual report 2018/19

Safe Harbour statement
The report contains statements relating to expectations for future developments, including future revenue and earnings, as well as expected business-related events. Such statements are uncertain and carry an element of risk since many factors, of which some are beyond Bang & Olufsen's control, can mean that actual developments will deviate significantly from the expectations expressed in the report. Without being exhaustive, such factors include among others, general economic and commercial factors, including market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit, and liquidity risks.

About Bang & Olufsen
Bang & Olufsen is a global luxury-lifestyle brand founded in 1925 in Struer, Denmark by Peter Bang and Svend Olufsen whose devotion and vision remains the foundation for the company. The rich heritage built around the relentless determination to create products that push the boundaries of audio technology continues to place the company at the forefront of audio innovation. Today, every Bang & Olufsen product is still characterised by the unique combination of beautiful sound, timeless design, and unrivalled craftsmanship. The company's innovative and progressive audio products are sold worldwide in Bang & Olufsen monobranded stores, online and in multi-branded stores. The company employs over 1,000 people and operates in more than 70 markets and Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

For additional information: please visit www.bang-olufsen.com.



Bang & Olufsen a/s
Peter Bangs Vej 15
DK-7600 Struer
Denmark

Tel. +45 9684 1122
www.bang-olufsen.com
investors@bang-olufsen.com
Comreg: 41257911