

# INTERIM REPORT 2ND QUARTER 2018/19

1 SEPTEMBER 2018 – 30 NOVEMBER 2018

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BANG & OLUFSEN

# Q2 HIGHLIGHTS

“It was a challenging second quarter for Bang & Olufsen. Revenue declined 9 per cent and 7 per cent in local currencies, but profitability improved thanks to our changed operating model. We are confident that we have the right strategy. The progress we are making on our key strategic initiatives will enable us to overcome the short-term challenges and reestablish the growth momentum towards the end of the financial year,” said CEO Henrik Clausen.

## KEY FINANCIAL HIGHLIGHTS Q2

(DKK million)	<b>Q2 2018/19</b>	Q2 2017/18	Change %	<b>YTD 2018/19</b>	YTD 2017/18	Change %
Revenue	909	999	(9)	1,510	1,591	(5)
EMEA	542	558	(3)	822	866	(5)
Americas	70	100	(30)	111	159	(30)
Asia	244	264	(7)	466	439	6
Other	53	77	(32)	111	126	(12)
Gross Margin, %	47.2	41.2	6.0	45.8	40.7	5.1
EMEA, %	45.2	37.5	7.7	42.6	36.4	6.2
Americas, %	49.2	34.3	14.8	46.1	37.5	8.6
Asia, %	41.8	38.0	3.8	40.5	37.8	2.6
Other, %	90.9	87.2	3.7	92.2	84.1	8.1
Capacity Costs	339	346	(2)	620	647	(4)
EBIT	90	83	8	95	18	437
Free cash flow	(84)	44		(189)	(114)	

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

### **Second quarter 2018/19**

- Overall, revenue declined by 9 per cent (7 per cent in local currencies).
- Second quarter revenue was adversely impacted by the transformation of the sales and distribution network, primarily in multibrand retail. The roll-out speed of the new retail setup, especially in department stores, airports and selected retailers, was slower than originally anticipated. Further, the ability to sustain momentum with key partners in the existing multibrand sales and distribution setup was weaker than expected, impacting revenue.
- At the beginning of the second quarter, the company transitioned to a new outsourced logistics setup for its monobrand distribution, which is located centrally in Europe and managed by a professional global logistics partner. Contrary to expectations, this new logistics setup did not establish well-functioning and stable operations during the quarter. This resulted in significant delivery issues especially towards the end of the quarter, impacting revenue.
- Revenue in the On-the-go category declined by 4 per cent, driven by the sales and distribution transformation issues. Revenue in the Flexible Living category grew by 27 per cent, positively impacted by new product launches as well as good performance of existing products. Revenue in the Staged category declined by 23 per cent. Despite the implications related to the logistics setup, performance of the existing Staged portfolio was on a par with last year. However, this was not enough to compensate for the decline in revenue related to products with older, unprofitable platforms that were discontinued in 2017/18.
- Revenue in EMEA declined by 3 per cent (3 per cent in local currencies) and in Americas revenue declined by 30 per cent (31 per cent in local currencies). EMEA and Americas were heavily impacted by the transition of the logistics setup and by the multibrand sales and distribution transformation. In Asia, revenue declined by 7 per cent (6 per cent in local currencies). The decline in Asia primarily came from Australia and New Zealand where the Group changed distributor during the quarter. The Greater China Region and Japan both reported double-digit growth in the second quarter. Development plans for key mono- and multibrand partners have been established and will be rolled out during the second half of the financial year.
- The gross margin increased to 47.2 per cent from 41.2 per cent last year, driven by improved product profitability and positive changes in foreign exchange rates – primarily USD.
- Capacity costs decreased by 2 per cent compared to last year. The Group continued to invest in building brand awareness, and strengthening the mono-, multi- and ecom platforms. The transformed operating model enabled a significant reduction in development costs compared to the same quarter last year as the Group leveraged on the capabilities of leading technology partners to help drive innovation and achieve scale.
- As a result of the company's new operating model, profitability improved in the quarter despite the revenue challenges. EBIT was DKK 90 million against DKK 83 million last year, corresponding to a 2-percentage-point improvement of the EBIT margin.
- The free cash flow was negative at DKK 84 million against positive DKK 44 million last year. The decrease was due to higher trade receivables, primarily related to the short-term extension of credit terms to retailers due to the challenges experienced in the monobrand logistics setup, and the fact that revenue in the second quarter was more skewed towards the end of the quarter compared to last year.

- The Group acquired treasury shares corresponding to DKK 131 million in the second quarter, bringing total buybacks under the company's current share buyback programme to DKK 145 million. Bang & Olufsen held a total of 1,070,939 treasury shares corresponding to 3 per cent of the total share capital and total voting rights in the company at 30 November 2018.
- Based on the weaker than expected revenue in the second quarter and an assessment of the implications for the second half of the year, the Group revised the revenue outlook for 2018/19 on 19 December 2018. The Group now expects revenue for 2018/19 to be at the same level as in 2017/18 (revenue was previously expected to grow by more than 10 per cent). The outlook for an EBIT margin of 7-9 per cent and a free cash flow above DKK 100 million is unchanged.

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Bang & Olufsen will host a webcast on 8 January 2019 at 10:00 CET. The webcast can be accessed through our website, [www.bang-olufsen.com](http://www.bang-olufsen.com).

# KEY FIGURES AND FINANCIAL RATIOS

## BANG & OLUFSEN - GROUP

(DKK million)	2nd quarter		YTD		(DKK million)	2nd quarter		YTD	
	2018/19	2017/18	2018/19	2017/18		2018/19	2017/18	2018/19	2017/18
<b>Income statement</b>					<b>Cash flow</b>				
Revenue	909	999	1,510	1,591	- from operating activities	(37)	81	(126)	2
Gross margin, %	47.2	41.2	45.8	40.7	- from investment activities	(47)	(37)	(63)	(117)
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	121	148	159	106	Free cash flow	(84)	44	(189)	(114)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	145	165	193	188	- from financing activities	(144)	(2)	(165)	(5)
Earnings before interest and tax (EBIT)	90	83	95	18	Cash flow for the period	(228)	42	(355)	(119)
Financial items, net	(6)	(6)	(17)	(11)	<b>Key figures</b>				
Earnings before tax (EBT)	84	77	78	7	EBITDA-margin, %	15.9	16.5	12.8	11.8
Earnings after tax	67	57	63	2	EBIT-margin, %	9.9	8.3	6.3	1.1
<b>Financial position</b>					Return on assets, %	2.4	4.0	2.2	0.9
Total assets	2,834	3,002	2,834	3,002	Return on invested capital, excl. goodwill, %	21.4	26.1	28.0	5.4
Share capital	432	432	432	432	Return on equity, %	4.1	3.5	3.9	0.1
Equity	1,623	1,585	1,623	1,585	Headcounts at the end of the period	975	1,125	975	1,125
Net interest-bearing deposit/ (debt)	636	786	636	786	<b>Stock related key figures</b>				
Net working capital	391	171	391	171	Earnings per share (EPS), DKK	1.6	1.3	1.5	0.0
					Earnings per share, diluted (EPS-D), DKK	1.6	1.3	1.5	0.1
					Price/Earnings	84.4	107.9	90.4	3,075.1

\* For definition of key figures and financial ratios refer to the Annual report 2017/18

# MANAGEMENT REPORT

Overall, Group revenue declined by 9 per cent (7 per cent in local currencies). Revenue was predominantly impacted by the significant transformation that the company's sales and distribution network is undergoing across all regions, as well as unforeseen challenges related to the transition of the company's global monobrand logistics setup.

## Revenue by channel

Revenue in the monobrand channel declined by 1 per cent compared to the same quarter last year, while revenue in the multibrand channel declined by 28 per cent. During the quarter, selected multibrand distributors were transferred to existing master dealer operations. This was done to ensure a simple and aligned approach to markets that are considered to be either non-core and/or which require significant local knowledge and handling. As master dealers are categorised as monobrand, the transition has boosted monobrand revenue and had an adverse impact on multibrand revenue, transferring approximately DKK 20-25 million from multibrand to monobrand.

At the beginning of the second quarter, the company transitioned to a new

outsourced logistics setup for its global monobrand distribution, which is located centrally in Europe and managed by a professional global logistics partner. Contrary to expectations, the new logistics setup did not establish well-functioning and stable operations during the quarter. This resulted in significant delivery issues especially towards the end of the quarter, impacting performance and revenue across all regions.

Multibrand revenue in the quarter was adversely impacted by the transformation of the sales and distribution network across all regions. The company's strategy is to have multibrand distribution prioritise the parts of the retail segment that cater to consumers looking for a luxury-lifestyle product offering, such as department stores, travel retailers, selected consumer electronics retail-

ers, and selected e-tailers. These channels have all proven to drive significantly higher revenue per store and support a much more consistent brand experience than pure consumer electronics and telecom retail stores. Furthermore, the company's strategy is to engage in a more direct operating model with strategically important multibrand retailers.

The company was directly engaged with these key multibrand retailers during the second quarter with a positive reception from all parties. However, the speed at which the company has managed to upgrade the in-store execution and open new branded spaces and shop-in-shops has been slower than anticipated. Furthermore, the company's ability to sustain revenue momentum with a few key existing multibrand distributors has been weaker than expected. Therefore,

the second quarter resulted in a significant decline in the multibrand revenue, and this transition challenge is expected to impact the second half of the financial year - particularly the third quarter.

During the quarter, the company reduced the number of monobrand stores by 25 and the number of multibrand stores by 1,023 compared to the end of the first quarter last year. The closure of the multibrand stores was in accordance with the company's strategy and was 1/3 telecom retail stores and 2/3 smaller consumer electronics stores. The impact of the multibrand closures was approximately DKK 4-5 million in the quarter.

## Revenue by product category

The logistics issues outlined above had a predominantly negative impact on

the Staged and Flexible Living product categories, whereas the sales and distribution transformation mainly affected the On-the-go and Flexible Living categories.

Revenue in the On-the-go category declined by 4 per cent to DKK 380 million from DKK 397 million last year. Key head- and earphone products such as Beoplay E8, Beoplay H9i and Beoplay E6 showed growth compared to the same quarter last year, whereas the Bluetooth speaker category declined.

Revenue in the Flexible Living category grew to DKK 158 million from DKK 124 million last year, corresponding to a

27 per cent increase. Beosound Edge, Beoplay A9 as well as Beosound 1 and 2 were the main drivers of revenue in the category. During the quarter, Google Voice Assistant and Airplay 2 was introduced to the Flexible Living products, and Beosound 1 was upgraded with a charger dock functionality and launched in a Piano Black special edition.

Revenue in the Staged category declined to DKK 315 million against DKK 412 million last year. Despite the adverse impact from the logistics setup issues, revenue on Beovision Eclipse, Horizon as well as the Beolab speaker series was on a par with last year. However, this was not enough to compensate for the de-

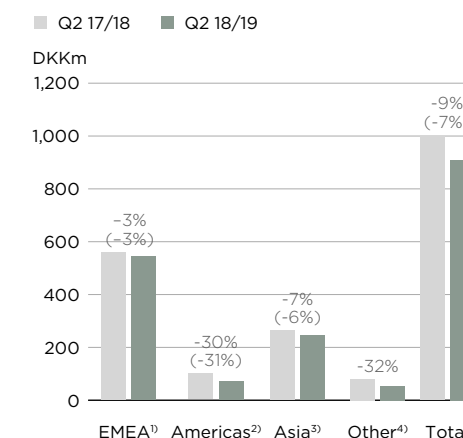
cline in revenue related to products with older, unprofitable platforms that were discontinued in 2017/18.

### Revenue by region

EMEA reported revenue of DKK 542 million, corresponding to a decline of 3 per cent (3 per cent in local currencies) from DKK 558 million last year, which was mainly driven by the transition of the monobrand logistics setup as well as the multibrand sales and distribution transformation as outlined above. During the quarter, the rollout of the new monobrand contracts was finalised, which has created a strong foundation for a more consistent customer experience as well as a better product merchandising approach across mono- and multibrand channels. Development plans for key retail partners were established during the quarter and will be rolled out in the second half of the financial year.

In Asia, revenue declined to DKK 244 million from DKK 264 million last year, corresponding to a 7 per cent decline (6 per cent in local currencies). The decline in Asia was primarily a result of issues with a local partner in Australia and New Zealand, which consequently resulted in limited revenue from those countries

REVENUE BY REGION  
(growth in local currency in brackets)



<sup>1)</sup> EMEA covers Europe, Russia, Africa and the Middle East.  
<sup>2)</sup> Americas covers North and South America.  
<sup>3)</sup> Asia covers Asia and Oceania.  
<sup>4)</sup> Other covers Brand Partnering, aluminum production and other activities.

during the quarter. Mono- and multi-brand distribution in these two markets was transitioned to one new master dealer during the quarter. The Greater China Region and Japan both reported double-digit growth rates during the quarter. The five new monobrand partners in China are all performing well and

DISTRIBUTION CHANGE IN NUMBER OF STORES				
	Monobrand		Multibrand	
	30/11/2018	31/8/2018	30/11/2018	31/8/2018
EMEA	374	389	2,805	3,470
Americas	24	25	1,140	1,440
Asia	125	134	1,471	1,529
<b>Total</b>	<b>523</b>	<b>548</b>	<b>5,416</b>	<b>6,439</b>

expanding the monobrand footprint as expected, while focus in the online and multibrand channels continues to be on creating a strong and brand-consistent retail experience.

Revenue in Americas was DKK 70 million against DKK 100 million last year corresponding to a 30 per cent decline (31 per cent in local currencies), compared to last year. The decline was mainly related to a decline in revenue from multibrand retailers and custom integrators. The US was impacted by the effects of the new global logistics setup and the multibrand distribution transformation outlined above. During the quarter, solid plans were established with key department stores and travel retailers. These are expected to have a positive impact on multibrand revenue in the second

half of the year. Furthermore, selected monobrand store openings in the US and Canada are planned for the second half of the financial year including the company-owned flagship store in SoHo, New York.

Other revenues, which includes Brand Partnering, aluminium production and other activities, reported revenue of DKK 53 million against DKK 77 million last year. The decline was due to lower revenue from aluminium components produced for third parties, currency hedges and other unallocated items. Brand Partnering revenue was largely unchanged compared to the same quarter last year.

#### Gross margin

The gross margin increased to 47.2 per cent from 41.2 per cent last year, driven

by improved product profitability and a positive currency development compared to the same quarter last year.

#### Capacity costs

The company continues to focus on maintaining an agile and scalable cost base. Capacity costs were DKK 339 million compared to DKK 346 million last year, corresponding to a decline of 2 per cent. Distribution and marketing costs were DKK 223 million, corresponding to an increase of DKK 22 million over last year. The increase reflects the continued investment in building brand awareness and in transforming mono-, multi- and ecom sales and distribution platforms.

Administration costs were DKK 40 million, compared to DKK 27 million last year. Impairment charges of DKK 10 million related to an administration building were recognised in the quarter. Going forward, all Struer-based employees will be based at the Innovation Lab, a modern facility, which was renovated last year, and in the aluminum factory. The vacant administration building is expected to be sold.

Net development costs declined to DKK 76 million from DKK 118 million last year.

The change reflects the company's new operating model, as a greater proportion of development costs are now being shared with technology partners. Development costs incurred were DKK 64 million (of which DKK 24 million was capitalised) against DKK 66 million last year (of which DKK 17 million was capitalised). Total amortisation charges and impairment losses on development projects amounted to DKK 35 million against DKK 69 million last year.

#### Earnings

Profitability improved in the second quarter despite the revenue challenges the company faced. This was a result of the agile and asset-light operating model the company has adapted over the past few years.

EBIT was DKK 90 million against DKK 83 million last year, corresponding to a 2-percentage-point improvement of the EBIT margin driven by the higher gross margin and lower development costs. EBIT was adversely impacted by the DKK 10 million impairment charge on an administration building in Struer, whereas last year's second quarter was positively impacted by other income of DKK 18 million.

#### CAPITALISED DEVELOPMENT COSTS AND CARRYING AMOUNT

(DKK million)	Q2 2018/19	Q2 2017/18
Capitalised, net	24	17
Carrying amount, net	190	278



The Group's net financial items were negative DKK 6 million, which was in line with the level reported last year. Earnings before tax amounted to DKK 84 million against DKK 77 million last year.

The Group's net working capital amounted to DKK 391 million, an increase of DKK 199 million compared to the end of the first quarter. The increase was due to higher trade receivables, primarily related to the short-term extension of credit terms to retailers due to the challenges experienced in the monobrand logistics setup, and the fact that revenue in the second quarter was more skewed towards the end of the quarter compared to last year. Consequently, this also resulted in a negative impact on the free cash flow, which was negative at DKK 84 million compared to positive DKK 44 million last year.

At the end of the second quarter, the Group had net interest-bearing deposits of DKK 636 million compared to DKK 786 million last year.

The Group acquired treasury shares corresponding to DKK 131 million in the second quarter, bringing total buybacks

under the company's current share buy-back programme to DKK 145 million.

At 30 November 2018, Bang & Olufsen held a total of 1,070,939 treasury shares corresponding to 3 per cent of the total share capital and total voting rights in the company. The Group's equity increased to DKK 1,623 million from DKK 1,585 million last year and DKK 1,710 million at the end of the fourth quarter last year.

#### **Events after the balance sheet date**

The Group had mortgage loans of a carrying amount of DKK 163.9 million at 30 November 2018, consisting of two separate mortgages. At the end of December 2018, the Group made an extraordinary instalment of DKK 70 million on one of these mortgages, which will reduce interest expenses going forward. Further, the Group intends to redeem the other mortgage loan, which currently amounts to DKK 20 million, in March 2019, and hence the Group will only have one mortgage loan. These transactions will not impact the company's free cash flow or its net interest-bearing deposit.

In December, the Group appointed two new members to the Executive Man-

agement Board. New EVP and Head of Product Creation & Fulfilment is Snorre Kjesbu. He joins Bang & Olufsen from a position as VP and General Manager at Cisco Systems and will start no later than 1 March 2019. Nikolaj Wendelboe has been appointed new EVP and CFO. He comes from a position as CEO of Ar-riva Danmark A/S and will join no later than 1 July 2019.

On December 19, 2018 the Group issued a revised revenue outlook for 2018/19. Further details can be found in the Outlook section on page 12 of this report.

# PRODUCT PORTFOLIO AND COLLABORATIONS

## Q2 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.

In the second quarter Bang & Olufsen launched several new colour variations of existing products, for instance Beolab 50 and Beovision Eclipse in Piano Black and the company's most popular multiroom speakers in the Bronze Collection. Furthermore, Apple AirPlay 2 software was made available for both new and older speakers via an over the air upgrade. Bang & Olufsen now offers three different multiroom technologies; Apple AirPlay 2, Google Chromecast and Beolink Multiroom.

The company also continued to develop its brand partnerships in the second quarter. HP launched the new HP Spectre Folio laptop audio tuned by Bang & Olufsen, and Bentley Motors and HARMAN announced the new Bentley Continental Convertible GT featuring an optional audio system from Bang & Olufsen.



## BEOLAB 50 AND BEOVISION ECLIPSE IN PIANO BLACK

Beolab 50 and Beovision Eclipse are now available in a new Piano Black colour. Bang & Olufsen thereby continues the success of the loudspeaker and TV set while adding a dynamic, balanced glossy surface and distinct details.

## BEOPLAY E8 PINK

Beoplay E8 Pink is a new version of the Beoplay E8 family of wireless earphones. The new colour version builds on the success of the limited edition Beoplay E8 Powder Pink, which were sold in very limited quantities. The pink colour elegantly underlines the harmonious design of the earphones while softening the anodised aluminum and leather details



# PRODUCT PORTFOLIO AND COLLABORATIONS



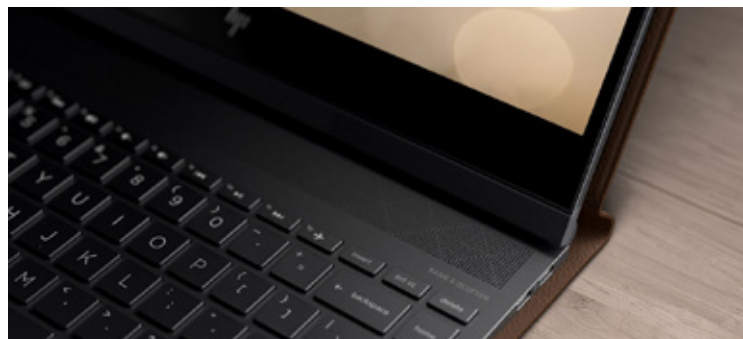
## THE BRONZE COLLECTION

The Bronze Collection is a limited-edition collection of the company’s most popular multiroom speakers. Inspiration has been taken from the architectural and interior trends of using warm colours and contrasting materials. The Bronze Collection features five wireless home speakers in bronze: Beosound Edge, Beosound 1, Beosound 2, Beoplay M5 and Beoplay A9.



## BENTLEY CONTINENTAL CONVERTIBLE GT

Bentley Motors and HARMAN have announced that the new Bentley Continental Convertible GT will feature an optional audio system from Bang & Olufsen. The system has been developed to seamlessly integrate into the car, while a powerful 1,500-watt Beocore amplifier, Digital signal processing and 16 active speakers provide authentic sound.



## HP SPECTRE FOLIO

The new HP Spectre Folio laptop is made of genuine leather and incorporates a four-speaker audio experience tuned by Bang & Olufsen’s sound engineers.

# OUTLOOK FOR 2018/19

Towards the end of the financial year, the Group expects to regain the growth momentum and continue to improve the profitability of the business.

Based on revenue in the second quarter and an assessment of the implication for the second half of 2018/19, the Group issued a revised outlook for 2018/19. The Group now expects the following for the financial year.

## Revenue

The Group expects revenue for 2018/19 to be at the same level as 2017/18 (previously more than 10 per cent growth). The issues related to the transformation of the sales and distribution network, which impacted the second quarter across all regions, are also expected to impact the second half of the financial year – in particular the third quarter. However, based on the current transformation plans, the Group expects to reestablish the growth momentum towards the end of the financial year.

- Focus in EMEA in the second half of the year will be to regain momentum in a stronger and more direct multibrand retail setup, continue to create strong clusters in key urban areas, establish and ensure brand consistency across mono- and multibrand retail. Revenue is expected to be at the same level as last year (previously above 5 per cent growth).

- Asia is expected to show a moderate decline in the second half of the financial year, mainly due to an adverse impact from the transition from company-owned to partner-owned stores. The focus will be to develop the newly established partnerships and create a stronger, brand-consistent retail experience in the online and multibrand channels. Revenue in Asia is expected to be at the same level as last year (previously above 10 per cent growth).

- Revenue in Americas in the second half of the financial year will be driven by an increase in momentum of the rollout of mono- and multibrand in key urban areas as well as in travel retail, and the region is therefore expected to grow more than 20 per cent in the second half of the financial year resulting in a revenue at the same level as last year (previously above 20 per cent for the full year).

Revenue related to brand partnerships is expected to show a moderate increase compared to 2017/18 (unchanged).

## 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 (unchanged).

## 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 (unchanged). The improved profitability will mainly be related to an improved gross margin and lower development costs.

## Free cash flow

The Group's free cash flow is expected to be above DKK 100 million (unchanged), which will be driven by the expected earnings in the second half of the year as well as

a normalisation of the net working capital level.

## Three-year financial targets 2018/19 to 2020/21

The Group expects to regain its growth momentum towards the end of the second half of 2018/19 and deliver more than 10 per cent growth on average in 2019/20 and 2020/21 (previously more than 10 per cent growth on average over three years) and continue the expected profitability and free cash flow improvement previously outlined.

The Group reviews the long-term financial targets on an annual basis and these will be communicated in the Annual Report.

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 of the Bang & Olufsen Group for the period 1 June 2018 – 30 November 2018.

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 requirements for interim financial reporting for listed companies.

It is our opinion that the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 30 November 2018, and of the results of

the Group's operation and cash flow for the period 1 June 2018 – 30 November 2018. Further, it is also our opinion that the management's report (pp. 6-9) includes a fair review of the developments in the Group's activities and financial situation, the result for the period, and the financial position in general, as well as describing the most significant risks and uncertainties affecting the Group.

Besides what is disclosed in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relatively to what was disclosed in the consolidated annual report for 2017/18.

Struer, 8 January 2019

## Executive Management Board:

Henrik Clausen  
President & CEO

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

(DKK million)	Notes	2nd quarter		YTD		Year
		2018/19	2017/18	2018/19	2017/18	2017/18
<b>Revenue</b>		<b>909.0</b>	<b>999.0</b>	<b>1,510.0</b>	<b>1,591.0</b>	<b>3,285.5</b>
Production costs		(479.9)	(587.9)	(817.8)	(943.9)	(1,941.3)
<b>Gross profit</b>		<b>429.1</b>	<b>411.1</b>	<b>692.2</b>	<b>647.1</b>	<b>1,344.2</b>
Development costs	3	(75.7)	(118.4)	(153.7)	(232.1)	(400.9)
Distribution and marketing costs		(223.4)	(200.9)	(398.2)	(363.2)	(734.5)
Administration costs		(40.2)	(26.7)	(68.4)	(51.6)	(104.3)
Other operating income		-	17.6	23.2	17.6	17.6
Other operating expenses		-	(0.1)	-	(0.1)	(0.1)
<b>Operating profit (EBIT)</b>		<b>89.8</b>	<b>82.7</b>	<b>95.1</b>	<b>17.7</b>	<b>122.1</b>
Financial income		1.7	0.5	4.4	1.2	13.3
Financial expenses		(7.4)	(6.4)	(21.0)	(12.1)	(17.9)
Financial items, net		(5.7)	(5.8)	(16.6)	(10.9)	(4.6)
<b>Earnings before tax (EBT)</b>		<b>84.1</b>	<b>76.8</b>	<b>78.5</b>	<b>6.7</b>	<b>117.5</b>
Income tax		(16.7)	(20.0)	(15.5)	(4.6)	(36.0)
<b>Earnings for the year</b>		<b>67.4</b>	<b>56.8</b>	<b>62.9</b>	<b>2.2</b>	<b>81.5</b>
<b>Earnings per share</b>						
Earnings per share (EPS), DKK		1.6	1.3	1.5	0.1	1.9
Diluted earnings per share (ESP-D), DKK		1.6	1.3	1.5	0.1	1.9

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2nd quarter		YTD		Year
	2018/19	2017/18	2018/19	2017/18	2017/18
<b>Earnings for the year</b>	<b>67.4</b>	<b>56.8</b>	<b>62.9</b>	<b>2.2</b>	<b>81.5</b>
<i>Items that will be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries	3.2	2.1	1.4	(3.5)	(2.1)
Change in fair value of derivative financial instruments used as cash flow hedges	(24.5)	18.0	(25.4)	11.6	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	(0.8)	3.9	(0.8)	6.7	13.1
Transfer to production costs	16.9	(15.5)	30.0	(20.8)	(54.2)
Income tax on items that will be reclassified to the income statement:	1.9	(1.4)	(0.8)	0.6	(11.7)
<i>Items that will not be reclassified subsequently to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	1.1
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	(0.2)
<b>Other comprehensive income for the year, net of tax</b>	<b>(3.3)</b>	<b>7.1</b>	<b>4.4</b>	<b>(5.4)</b>	<b>40.0</b>
<b>Total comprehensive income for the year</b>	<b>64.1</b>	<b>63.9</b>	<b>67.3</b>	<b>(3.2)</b>	<b>121.5</b>

# CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	30/11/18	30/11/17	31/5/18
Goodwill		43.5	43.4	43.5
Acquired rights		9.0	3.4	2.2
Completed development projects		155.6	253.1	181.3
Development projects in progress		34.1	24.6	40.8
<b>Intangible assets</b>		<b>242.2</b>	<b>324.5</b>	<b>267.8</b>
Land and buildings		103.8	71.1	115.7
Plant and machinery		49.1	62.6	55.6
Other equipment		5.4	5.2	5.5
Leasehold improvements		1.7	2.8	0.3
Tangible assets in course of construction and prepayments for tangible assets		17.1	43.8	7.1
<b>Tangible assets</b>		<b>177.1</b>	<b>185.5</b>	<b>184.2</b>
<b>Investment property</b>		<b>15.3</b>	<b>15.6</b>	<b>15.5</b>
Other financial receivables		30.7	52.3	39.3
<b>Financial assets</b>		<b>30.7</b>	<b>52.3</b>	<b>39.3</b>
<b>Deferred tax assets</b>		<b>240.4</b>	<b>295.2</b>	<b>249.3</b>
<b>Total non-current assets</b>		<b>705.7</b>	<b>873.1</b>	<b>755.9</b>
<b>Inventories</b>		<b>424.9</b>	<b>450.7</b>	<b>352.2</b>
Trade receivables		764.2	609.9	510.0
Other financial receivables		16.7	-	11.1
Corporation tax receivable		12.6	15.2	18.5
Other receivables		75.9	52.4	96.5
Prepayments		34.0	41.2	7.9
<b>Total receivables</b>		<b>903.4</b>	<b>718.6</b>	<b>644.0</b>
<b>Cash</b>		<b>800.1</b>	<b>960.1</b>	<b>1,154.7</b>
<b>Assets held for sale</b>		<b>-</b>	<b>-</b>	<b>14.0</b>
<b>Total current assets</b>		<b>2,128.4</b>	<b>2,129.4</b>	<b>2,164.9</b>
<b>Total assets</b>		<b>2,833.9</b>	<b>3,002.5</b>	<b>2,920.8</b>

(DKK million)	Notes	30/11/18	30/11/17	31/5/18
Share capital		432.0	432.0	432.0
Translation reserve		18.0	15.2	16.6
Reserve for cash flow hedges		31.5	(14.7)	28.5
Retained earnings		1,141.8	1,152.9	1,232.4
<b>Total equity</b>		<b>1,623.3</b>	<b>1,585.4</b>	<b>1,709.5</b>
Pensions		13.6	14.6	13.6
Deferred tax		7.8	10.1	10.5
Provisions		27.2	38.1	33.1
Mortgage loans		154.8	165.5	160.9
Other non-current liabilities		25.6	13.9	1.4
Deferred income		16.9	105.7	76.4
<b>Total non-current liabilities</b>		<b>245.9</b>	<b>347.9</b>	<b>295.9</b>
Mortgage loans		9.1	9.1	9.2
Provisions		46.0	52.1	33.6
Trade payables		622.7	568.4	516.7
Corporation tax payable		1.5	24.5	3.3
Other liabilities		229.7	387.6	290.1
Deferred income		55.6	27.5	60.1
<b>Other current liabilities</b>		<b>964.7</b>	<b>1,069.2</b>	<b>913.0</b>
<b>Liabilities associated with assets held for sale</b>		<b>-</b>	<b>-</b>	<b>2.4</b>
<b>Total liabilities</b>		<b>1,210.6</b>	<b>1,417.1</b>	<b>1,211.3</b>
<b>Total equity and liabilities</b>		<b>2,833.9</b>	<b>3,002.5</b>	<b>2,920.8</b>



# CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	2nd quarter		YTD		Year
		2018/19	2017/18	2018/19	2017/18	2017/18
Earnings for the year		67.4	56.8	62.9	2.2	81.5
Amortisation, depreciation and impairment losses		55.1	81.9	97.7	170.1	275.5
Adjustments for non-cash items	4	14.8	(8.2)	(9.3)	(12.4)	17.0
Change in receivables		(261.1)	(216.1)	(253.5)	(207.7)	(131.0)
Change in inventories		(18.9)	(37.0)	(65.0)	(103.3)	(12.6)
Change in trade payables etc		118.4	212.4	55.6	167.7	59.6
<b>Cash flow from operations</b>		<b>(24.2)</b>	<b>89.9</b>	<b>(111.6)</b>	<b>16.6</b>	<b>290.0</b>
Interest received and paid, net		(5.7)	(3.8)	(7.6)	(7.1)	(11.6)
Income tax paid		(7.0)	(5.4)	(6.8)	(7.0)	(30.7)
<b>Cash flow from operating activities</b>		<b>(36.9)</b>	<b>80.7</b>	<b>(126.0)</b>	<b>2.4</b>	<b>247.7</b>
Purchase of intangible non-current assets		(30.2)	(17.1)	(40.4)	(82.9)	(106.0)
Purchase of tangible non-current assets		(19.9)	(20.1)	(26.6)	(34.1)	(60.9)
Sales of tangible non-current assets		0.5	-	0.5	-	1.8
Change in financial receivables		2.7	0.6	3.1	(0.1)	2.1
<b>Cash flow from investing activities</b>		<b>(46.9)</b>	<b>(36.6)</b>	<b>(63.4)</b>	<b>(116.9)</b>	<b>(163.0)</b>
<b>Free cash flow</b>		<b>(83.8)</b>	<b>44.1</b>	<b>(189.4)</b>	<b>(114.4)</b>	<b>84.7</b>
Repayment of long-term loans		(2.2)	(2.4)	(6.0)	(4.7)	(9.2)
Purchase of own shares		(130.7)	-	(145.0)	-	-
Settlement of share options		(11.4)	-	(14.4)	-	-
<b>Cash flow from financing activities</b>		<b>(144.3)</b>	<b>(2.4)</b>	<b>(165.4)</b>	<b>(4.7)</b>	<b>(9.2)</b>
<b>Change in cash and cash equivalents</b>		<b>(228.2)</b>	<b>41.7</b>	<b>(354.8)</b>	<b>(119.1)</b>	<b>75.5</b>
Cash and cash equivalents, opening balance		1,028.3	918.4	1,154.9	1,079.2	1,079.2
<b>Cash and cash equivalents, closing balance</b>		<b>800.1</b>	<b>960.1</b>	<b>800.1</b>	<b>960.1</b>	<b>1,154.7</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Translation reserve	Reserve for Cash flow hedges	Retained earnings	Total
<b>Equity 1 June 2018</b>	<b>432.0</b>	<b>16.6</b>	<b>28.5</b>	<b>1,232.4</b>	<b>1,709.5</b>
Earnings for the year	-	-	-	62.9	62.9
Exchange rate adjustments of investment in foreign subsidiaries	-	1.4	-	-	1.4
Change in fair value of derivative financial instruments used as cash flow hedges	-	-	(25.4)	-	(25.4)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	-	-	(0.8)	-	(0.8)
Transfer to production costs	-	-	30.0	-	30.0
Income tax on items that will be reclassified to the income statement	-	-	(0.8)	-	(0.8)
<b>Comprehensive income for the year</b>	<b>-</b>	<b>1.4</b>	<b>3.0</b>	<b>62.9</b>	<b>67.3</b>
Share based payment	-	-	-	(8.5)	(8.5)
Acquisition of own shares	-	-	-	(145.0)	(145.0)
<b>Equity 30 November 2018</b>	<b>432.0</b>	<b>18.0</b>	<b>31.5</b>	<b>1,141,8</b>	<b>1,623,3</b>
<b>Equity 1 June 2017</b>	<b>432.0</b>	<b>18.7</b>	<b>(12.8)</b>	<b>1,148.2</b>	<b>1,582.2</b>
Earnings for the year	-	-	-	2.2	2.2
Exchange rate adjustments of investment in foreign subsidiaries	-	(3.5)	-	-	(3.5)
Change in fair value of derivative financial instruments used as cash flow hedges	-	-	11.6	-	11.6
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	-	-	6.7	-	6.7
Transfer to production costs	-	-	(20.8)	-	(20.8)
Income tax on items that will be reclassified to the income statement	-	-	0.6	-	0.6
<b>Comprehensive income for the year</b>	<b>-</b>	<b>1.4</b>	<b>3.0</b>	<b>62.9</b>	<b>67.3</b>
Share based payment	-	-	-	2.5	2.5
<b>Equity 30 November 2017</b>	<b>432.0</b>	<b>15.2</b>	<b>(14.7)</b>	<b>1,152.9</b>	<b>1,585.4</b>

# NOTES

## 1 Accounting principles

The interim report for the Bang & Olufsen group is prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU, and Danish regulations governing presentation of interim reports by listed companies.

Except for the changes described below, the consolidated financial statements have been prepared applying the same accounting policies for recognition and measurement as applied to the consolidated financial statements for the 2017/18, which contain a complete description of the accounting principles.

### **New segment structure**

Effective 1 June 2018, we integrated our business units and going forward we will operate under a single brand, Brand & Olufsen, with a functional organisational and group Management team setup. This will enable an aligned approach to customers across all touchpoints, build brand equity and create a more efficient organisation. The segmentation was change to reflect the new setup. The group's activities are segmented into the three geographical regions, EMEA, Americas and Asia, where the majority of the sale of products are taken place, and "Other", including the brand partnering activities. The three geographical regions and other make up the Group's reportable segments.

The segmentation reflects the strategic management, decisions and reporting structure applied by the executive management board for internal control and monitoring of

the performance of the group and setting and following up on financial targets.

A part of the not allocated costs comprise costs of running central functions.

### **IFRS 15 – Revenue from contracts with customers**

IFRS 15 became effective 1 June 2018 and supersedes IAS 11, IAS 18 and related interpretations. It applies to all revenue arising from contracts with customers, unless contracts that are in the scope of other standards.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. Following IFRS 15, entities are required to exercise judgement, taking into consideration all relevant facts and circumstances when applying the new five-step model to account for revenue arising from contracts with customers.

Bang & Olufsen's prior practice for recognising revenue has shown to comply, in all material aspects, with the concepts and principles encompassed by IFRS 15.

For transition the modified retrospective approach has been applied, according to which any cumulative effects are recognized in retained earnings as of 1 June 2018 with no restatements of comparatives.

### **IFRS 9 – Financial Instruments**

IFRS 9 Financial Instruments became effective 1 June 2018 and replaces IAS 39. The standard changes the classification, measurement and impairment of financial

assets and introduces new rules for hedge accounting.

Based on the portfolio of financial assets and liabilities there are no significant changes to the classification and measurement of financial assets. The portfolio of financial assets consists of loans and trade receivables held to collect contractual cash flows (solely from principles and payments), thus classified for amortised cost measurement under IFRS 9. No reclassifications are therefore required.

IFRS 9 introduced a new expected credit losses (ECL) model which broadened the information that must be considered when assessing the expectation of impairments. According to the new model expectations to future events are taken into account, compared to the previous model under IAS 39 which required only incurred loss events to be considered.

Bang & Olufsen has applied the simplified approach as from 1 June 2018. The application of the new impairment model does only have an insignificant effect, on the interim consolidated financial statements.

Following the new hedge-accounting rules introduced by IFRS 9 generally makes it easier to apply hedge accounting as the new rules are more aligned with the Groups Risk Management policies and provides more flexibility. All existing hedge relationships previously designated as effective hedging relationships continues to qualify for hedge accounting under IFRS 9. Applying the new rules for hedge-accounting did not have a significant impact on the interim financial statements.

## 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)	2nd quarter		YTD		Year
	2018/19	2017/18	2018/19	2017/18	2017/18
Incurring development costs before capitalisation	64.4	66.3	121.3	175.0	288.4
Hereof capitalised	(23.9)	(16.6)	(33.5)	(81.5)	(105.6)
Incurring development costs after capitalisation	40.5	49.7	87.8	93.5	182.8
Capitalisation (%)	37.2%	25.0%	27.6%	46.6%	36.6%
Total charges and impairment losses on development projects	35.2	68.6	66.0	138.6	218.1
<b>Development costs recognised in the consolidated income statement</b>	<b>75.7</b>	<b>118.4</b>	<b>153.8</b>	<b>232.1</b>	<b>400.9</b>

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

(DKK million)	2nd quarter		YTD		Year
	2018/19	2017/18	2018/19	2017/18	2017/18
Change in other liabilities	(7.3)	(42.0)	(45.9)	(22.8)	(88.9)
Financial items, net	5.7	5.8	16.6	10.9	4.6
Gain/loss on sale of non-current assets	2.4	-	2.4	-	0.5
Tax on earnings for the year	16.7	20.0	15.5	4.6	36.0
Other adjustments	(2.7)	8.0	2.1	(5.1)	64.8
<b>Total adjustments</b>	<b>14.8</b>	<b>(8.2)</b>	<b>(9.3)</b>	<b>(12.4)</b>	<b>17.0</b>

## 5 Segment information

(DKK million)	2nd quarter		Reported change %	Local currency change %
	2018/19	2017/18		
<b>Revenue by region</b>				
EMEA	542.3	558.0	(3)	(3)
Americas	69.6	100.1	(30)	(31)
Asia	244.5	263.7	(7)	(6)
Other	52.6	77.2	(32)	
<b>Total</b>	<b>909.0</b>	<b>999.0</b>	<b>(9)</b>	<b>(7)</b>
<b>Gross margin by region, %</b>				
EMEA	45.2%	37.5%		
Americas	49.2%	34.3%		
Asia	41.8%	38.0%		
Other	90.9%	87.2%		
<b>Gross margin %, Group</b>	<b>47.2%</b>	<b>41.2%</b>		
<b>Revenue by product</b>				
Staged	315.5	411.8	(23)	
Flexible Living	157.6	124.1	27	
On-the-go	379.5	397.1	(4)	
Other	56.4	66.0	(15)	
<b>Total</b>	<b>909.0</b>	<b>999.0</b>	<b>(9)</b>	
<b>Revenue by channel</b>				
Monobrand	568.6	572.0	(1)	
Multibrand	228.0	316.9	(28)	
Own eCom	12.1	12.0		
Other	100.3	98.2	2	
<b>Total</b>	<b>909.0</b>	<b>999.0</b>	<b>(9)</b>	

## 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, aluminum and various miscellaneous items.

Other in Product category: Brand Partnering, aluminum and various miscellaneous items.

Other in Channel: Brand Partnering, aluminum, Enterprise, B2B channel and various miscellaneous items.

## 5 Segment information (continued)

(DKK million)	YTD		Reported change %	Local currency change %
	2018/19	2017/18		
<b>Revenue by region</b>				
EMEA	822.1	865.9	(5)	(5)
Americas	110.8	159.2	(30)	(30)
Asia	465.9	439.4	6	8
Other	111.3	126.4	(12)	
<b>Total</b>	<b>1,510.0</b>	<b>1,591.0</b>	<b>(5)</b>	<b>(4)</b>
<b>Gross margin by region, %</b>				
EMEA	42.6%	36.4%		
Americas	46.1%	37.5%		
Asia	40.5%	37.8%		
Other	92.2%	84.1%		
<b>Gross margin %, Group</b>	<b>45.8%</b>	<b>40.7%</b>		
<b>Revenue by product</b>				
Staged	516.3	662.0	(22)	
Flexible Living	224.6	202.0	11	
On-the-go	634.5	613.5	3	
Other	134.7	113.5	19	
<b>Total</b>	<b>1,510.0</b>	<b>1,591.0</b>	<b>(5)</b>	
<b>Revenue by channel</b>				
Monobrand	919.8	901.8	2	
Multibrand	388.1	494.3	(21)	
Own eCom	18.0	18.9	(5)	
Other	184.2	175.9	5	
<b>Total</b>	<b>1,510.0</b>	<b>1,591.0</b>	<b>(5)</b>	

## 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, aluminum and various miscellaneous items.

Other in Product category: Brand Partnering, aluminum and various miscellaneous items.

Other in Channel: Brand Partnering, aluminum, Enterprise, B2B channel and various miscellaneous items.

# APPENDIX 1

## EARNINGS BY QUARTER 2018/19:

(DKK million)	2018/19			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>601.1</b>	<b>909.0</b>		
Production costs	(337.9)	(479.9)		
<b>Gross profit</b>	<b>263.2</b>	<b>429.1</b>		
Development costs	(78.0)	(75.7)		
Distribution and marketing costs	(174.8)	(223.4)		
Administration costs	(28.3)	(40.2)		
Other operating income	23.2	-		
<b>Earnings before interest and tax (EBIT)</b>	<b>5.3</b>	<b>89.8</b>		
Financial income	5.6	1.7		
Financial expenses	(16.5)	(7.4)		
Financial items, net	(10.9)	(5.7)		
<b>Earnings before tax (EBT)</b>	<b>(5.6)</b>	<b>84.1</b>		
Income tax	1.2	(16.7)		
<b>Earnings for the year</b>	<b>(4.4)</b>	<b>67.4</b>		

## ACCUMULATED EARNINGS BY QUARTER 2018/19:

(DKK million)	2018/19			
	3M	6M	9M	12M
<b>Revenue</b>	<b>601.1</b>	<b>1,510.0</b>		
Production costs	(337.9)	(817.8)		
<b>Gross profit</b>	<b>263.2</b>	<b>692.2</b>		
Development costs	(78.0)	(152.7)		
Distribution and marketing costs	(174.8)	(398.2)		
Administration costs	(28.3)	(68.4)		
Other operating income	23.2	(23.2)		
<b>Earnings before interest and tax (EBIT)</b>	<b>5.3</b>	<b>95.1</b>		
Financial income	5.6	4.4		
Financial expenses	(16.5)	(21.0)		
Financial items, net	(10.9)	(16.6)		
<b>Earnings before tax (EBT)</b>	<b>(5.6)</b>	<b>78.5</b>		
Income tax	1.2	(15.5)		
<b>Earnings for the year</b>	<b>(4.4)</b>	<b>62.9</b>		

## APPENDIX 1

## EARNINGS BY QUARTER 2017/18:

(DKK million)	2017/18			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>591.9</b>	<b>999.0</b>	<b>864.9</b>	<b>829.6</b>
Production costs	(356.0)	(587.9)	(510.0)	(487.4)
<b>Gross profit</b>	<b>235.9</b>	<b>411.1</b>	<b>354.9</b>	<b>342.2</b>
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)	-	-
<b>Earnings before interest and tax (EBIT)</b>	<b>(65.0)</b>	<b>82.7</b>	<b>49.3</b>	<b>55.1</b>
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
<b>Earnings before tax (EBT)</b>	<b>(70.1)</b>	<b>76.8</b>	<b>49.6</b>	<b>61.2</b>
Income tax	15.4	(20.0)	(23.5)	(8)
<b>Earnings for the year</b>	<b>(54.7)</b>	<b>56.8</b>	<b>26.1</b>	<b>53.2</b>

## ACCUMULATED EARNINGS BY QUARTER 2017/18:

(DKK million)	2017/18			
	3M	6M	9M	12M
<b>Revenue</b>	<b>591.9</b>	<b>1,591.0</b>	<b>2,455.9</b>	<b>3,285.5</b>
Production costs	(356.0)	(943.9)	(1,453.9)	(1,941.3)
<b>Gross profit</b>	<b>235.9</b>	<b>647.1</b>	<b>1,002.0</b>	<b>1,344.2</b>
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)
<b>Earnings before interest and tax (EBIT)</b>	<b>(65.0)</b>	<b>17.7</b>	<b>67.0</b>	<b>122.1</b>
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)
<b>Earnings before tax (EBT)</b>	<b>(70.1)</b>	<b>6.7</b>	<b>56.3</b>	<b>117.5</b>
Income tax	15.4	(4.6)	(28.1)	(36)
<b>Earnings for the year</b>	<b>(54.7)</b>	<b>2.2</b>	<b>28.3</b>	<b>81.5</b>



## 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
<b>Total</b>	<b>591.9</b>	<b>999.0</b>	<b>864.9</b>	<b>829.6</b>

### 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
<b>Total</b>	<b>591.9</b>	<b>999.0</b>	<b>864.9</b>	<b>829.6</b>

### 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
<b>Total</b>	<b>591.9</b>	<b>999.0</b>	<b>864.9</b>	<b>829.6</b>

#### 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	159.2	221.6	297.2
Asia	175.7	439.4	726.6	1,007.2
Other	50.4	126.4	191.6	244.1
<b>Total</b>	<b>591.9</b>	<b>1,591.0</b>	<b>2,455.9</b>	<b>3,285.5</b>

### 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
<b>Total</b>	<b>591.9</b>	<b>1,591.0</b>	<b>2,455.9</b>	<b>3,285.5</b>

### 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
<b>Total</b>	<b>591.9</b>	<b>1,591.0</b>	<b>2,455.9</b>	<b>3,285.5</b>

#### The "Other" item in the segment reporting consists of the following:

Other in Revenue/GM by Region: Brand Partnering, aluminum and various miscellaneous items.  
 Other in Product category: Brand Partnering, aluminum and various miscellaneous items.  
 Other in Channel: Brand Partnering, aluminum, Enterprise, B2B channel and various miscellaneous items.

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## FINANCIAL CALENDAR

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### Financial statements

4 April 2019	Interim report (3 <sup>rd</sup> quarter 2018/19)
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11 July 2019	Annual report 2018/19
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4 October 2019	Interim report (1 <sup>st</sup> quarter 2019/20)
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## 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 monobrand stores, online and in multi-branded stores. The company employs nearly 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](http://www.bang-olufsen.com).**



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