

INTERIM REPORT 1ST QUARTER 2019/20

1 JUNE 2019 – 31 AUGUST 2019

Bang & Olufsen A/S
Bang & Olufsen Allé 1
DK-7600 Struer

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

BANG & OLUFSEN

Q1 HIGHLIGHTS

“It was a tough first quarter as revenue, EBIT margin and free cash flow declined compared to last year. The results were primarily impacted by the implementation of our demand-driven retail strategy as we continued to establish tighter control of sell-in support, strengthen market governance and focus our retail presence to reflect our position as a luxury lifestyle brand. As previously communicated, the implementation was expected to have an adverse impact on our financial performance in the first half of the year, but it is a prerequisite to ensure long-term profitable growth, normalisation of net working capital and deliver on our outlook for 2019/20”, says CEO Henrik Clausen.

KEY FINANCIAL HIGHLIGHTS Q1

(DKK million)	Q1 2019/20	Q1 2018/19	Change
Revenue	419	601	(30.3%)
EMEA	179	286	(37.5%)
Americas	35	42	(16.5%)
Asia	148	223	(33.9%)
Other	57	50	14.9%
Gross Margin, %	36.7	46.9	
EMEA, %	31.5	43.0	
Americas, %	26.5	42.9	
Asia, %	22.9	42.6	
Other, %	97.2	92.0	
Capacity Costs	283	300	
EBIT	(129)	5	
Free cash flow	(206)	(105)	

Financial highlights Q1 2019/20

Revenue for Q1 was DKK 419 million, corresponding to a decline of 30.3% (27% in local currencies) compared to the same quarter last year. Revenue was adversely impacted by the implementation of the demand-driven retail strategy and efforts to normalise retailer inventories. The decline was seen across all regions and especially in the Staged and On-the-go product categories.

The gross margin decreased to 36.7% from 46.9% last year. The decline was seen in all product categories, but mainly related to On-the-go which was negatively impacted by sales of E8 1.0 and H9i which are end-of-life.

Capacity costs were reduced by 5.7% compared to last year. The decline was related to distribution and marketing costs.

The EBIT margin was negative with 30.8%, adversely impacted by the decline in revenue and the lower gross margin.

Free cash flow for the quarter was negative by DKK 206 million compared to

negative DKK 105 million last year. The free cash flow was adversely impacted by the lower operating profit. Change in net working capital was negative by DKK 101 million compared to negative DKK 140 million last year.

Follow-up on strategic initiatives

Further progress on product development with the announcement of the company's first soundbar, Beosound Stage, and with new products planned for launch in the second half of the year.

Global campaign launched to support new products and build brand equity. The campaign will be supported by the rollout of more than 100 branded spaces in Q2 across all regions.

Improved insights into sell-out performance at retailer level. Data show that retailer inventories declined in Q1.

First targeted sales channels for end-of-life products established, which will reduce the risk of cannibalising the primary distribution channels going forward.

Outlook

The outlook for the full year 2019/20 is unchanged.

- Single-digit revenue growth in local currencies, which is expected to be driven by product launches in the second half of the year
- EBIT margin above 2018/19
- Positive free cash flow

The expectations for the year are dependent on the transformation of the sales and distribution network, as well as on the successful launch of a number of new products. Delays in the transformation or in product launches will have an adverse impact on financial performance and consequently expectations are associated with an increased degree of uncertainty.

Please address any enquiries about this announcement to:

Investor contact, Martin Egenhardt,
tel.: +45 5374 7439

Press contact, Jens Gamborg,
tel.: +45 2496 9371

Bang & Olufsen will host a webcast on 3 October 2019 at 10:00 CEST. The webcast can be accessed through our website <https://investor.bang-olufsen.com>

FINANCIAL HIGHLIGHTS

BANG & OLUFSEN - GROUP

(DKK million)	1st quarter	
	2019/20	2018/19
Income statement		
Revenue	419	601
Gross margin, %	36.7	46.9
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(87)	38
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(74)	48
Earnings before interest and tax (EBIT)	(129)	5
Financial items, net	(6)	(11)
Earnings before tax (EBT)	(135)	(6)
Earnings for the year	(106)	(4)
Financial position		
Total assets	2,279	2,809
Share capital	432	432
Equity	1,325	1,698
Cash	275	1028
Net interest-bearing deposit*	12	862
Net working capital	511	193

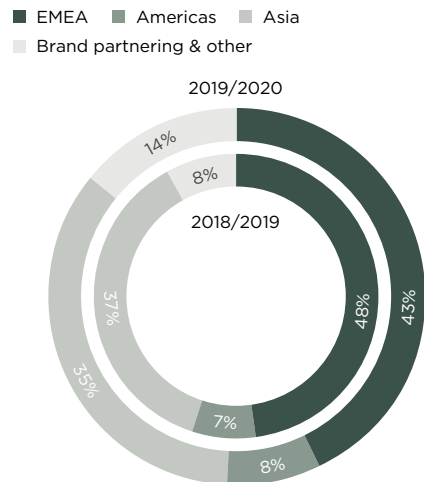
* Impacted negatively by lease liabilities of DKK 191 million in Q1 due to the implementation of IFRS 16.

(DKK million)	1st quarter	
	2019/20	2018/19
Cash flow		
- from operating activities	(186)	(89)
- from investment activities	(21)	(17)
Free cash flow	(206)	(105)
- from financing activities	(10)	(21)
Cash flow for the period	(217)	(126)
Key figures		
EBITDA-margin, %	(17.7)	8.0
EBIT-margin, %	(30.8)	0.9
NIBD/EBITDA ratio	(0.2)	18.0
Return on assets, %	(4.6)	(0.3)
Return on invested capital, excl. Goodwill, %	(6.3)	5.0
Return on equity, %	(8.0)	(0.3)
Full time employees at the end of the period	912	992
Stock related key figures		
Earnings per share, DKK	(2.6)	(0.1)
Earnings per share, diluted, DKK	(2.6)	(0.1)
Price/Earnings	(17.4)	(1,530.5)
Revenue per share, DKK	10.3	13.9
Revenue per share, diluted, DKK	10.2	13.9

FIRST QUARTER MANAGEMENT REPORT

As anticipated, the implementation of the demand-driven retail strategy adversely impacted the company’s financial performance in Q1 with revenue declining 30.3% (27% in local currencies). To support long-term profitable growth, a tighter control across all regions was implemented by curtailing sell-in support and discounts, while enforcing stronger market governance to ensure a healthier go-to-market approach. The outlook for 2019/20 is maintained and as communicated in the annual report, the company expects to return to growth in the second half of the year.

REVENUE PER SEGMENT (%)



Revenue

Group revenue declined by 30.3% (27% in local currencies) to DKK 419 million. The first quarter of the year was impacted by the implementation of a demand-driven strategy to ensure healthier long-term sales performance rooted in consumer demand. The company tightened its sell-in support considerably by curtailing extended credit and volume discounts on current products

To minimise the risk of cannibalising primary channels or risk sales through unauthorised channels, sales of end-of-life products were to a larger extent sold through targeted channels. Furthermore, governance in respect of contract com-

pliance has resulted in limitation of sales to selected partners or termination of partnerships.

Additionally, Q1 last year was supported by high sell-in which added to the build-up of retailer inventories. The revenue decline was seen in all regions whereas Brand Partnering & Other Activities was lifted by higher licensing fee revenue from brand partnering.

The efforts to normalise retailer inventories impacted both monobrand and multibrand sales which declined by 38% and 31%, respectively. Revenue from the company’s own e-commerce platform increased by 24%.

During Q1, efforts to improve the quality of the distribution network resulted in a decline in the number of monobrand stores and multibrand points of sale. However, during the quarter eight new monobrand stores and 87 multibrand points of sale opened.

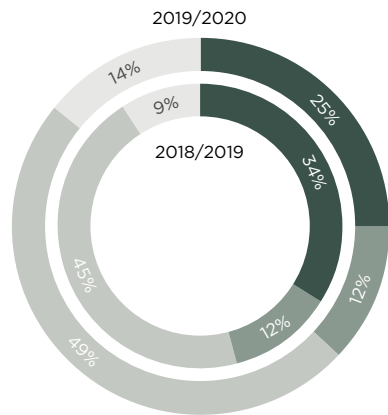
Staged

Revenue in the Staged category was DKK 104 million against DKK 207 million last year, corresponding to a decline of 49.8%. The decline was primarily related to EMEA.

Revenue in Q1 last year was positively impacted by strong sell-in performance of Beovision Eclipse TV’s and Beolab 50

REVENUE PER CATEGORY (%)

■ Staged ■ Flexible Living ■ On-the-go ■ Other



speakers, whereas sell-in in Q1 2019/20 was impacted negatively by the efforts to reduce retailer inventories. The sell-out of TV's measured by warranty registrations showed a decline in Q1 compared to last year, but the sell-out was still significantly higher than the sell-in indicating a reduction of retail inventories during the quarter.

Effective from the second quarter, Beovision Harmony and Beosound Stage will contribute to revenue in the Staged category.

Flexible Living

Revenue in the Flexible Living category fell by 27.1% to DKK 51 million. The decline was primarily related to lower revenue from Beoplay A9 and Beosound 2 which was partly offset by higher revenue from Beosound 1. Beosound Edge which was launched in Q2 last year supported Q1 revenue.

On-the-go

Revenue in the On-the-go category was DKK 207 million compared to DKK 273 million last year. In Q1 last year DKK 25 million was related to Beoplay Earset, which has been discontinued. In addition to Beoplay Earset, the decline was main-

ly related to Bluetooth speakers. Earphones saw a slight decline especially related to Beoplay E6 and H5 while revenue from Beoplay E8 grew, supported by the sales of Beoplay E8 1.0 which is end-of-life .

Headphones saw a good performance in the first quarter. For headphones, growth was primarily driven by Beoplay H9i which is end of life.

Brand Partnering & Other Activities

Revenue from Brand Partnering & Other Activities amounted to DKK 57 million which was 16.0% higher than last year.

The increase was related to higher licensing fee revenue from brand partnering. Revenue from aluminium com-

ponents produced for third parties was slightly down.

Gross profit

Gross profit was DKK 154 million which was 45.4% lower than last year. Gross margin declined to 36.7% from 46.9% in Q1 last year. The net effect from currency hedging was negative by 2.2pp compared to last year. Adjusted for currency hedging, the gross margin declined by 8.0pp.

The decline was partly related to sales of Beoplay E8 1.0 and H9i, which are end-of-life and sold at lower margins.

Gross margin in Staged and Flexible Living was 40.5%, which declined by 5.9pp and 6.8pp, respectively. Gross margin includes an allocation of production

Points of sale

	Monobrand		Multibrand	
	Q1 19/20	Q4 18/19	Q1 19/20	Q4 18/19
EMEA	392	405	2,402	2,566
Americas	26	26	751	751
Asia	92	91	1,420	1,465
Total	510	522	4,573	4,782

related capacity costs, and with the decline in revenue seen in Q1 2019/20, this has had a negative effect on the margin.

Gross margin on Brand Partnering and Other Activities improved due to the positive development in licensing fees from brand partnering.

Capacity costs

Capacity costs amounted to DKK 283 million compared to DKK 301 million last year, corresponding to a decrease of 5.7%.

Development costs were DKK 79 million which was DKK 1 million lower than last year. The decline was related to an increase in capitalisation which grew by DKK 3 million, whereas incurred development costs and depreciation and impairment on development projects were both up by DKK 1 million. Incurred development costs were related to the further development of the e-commerce platform and product development.

Distribution and marketing costs amounted to DKK 170 million, DKK 19 million compared lower than to last year. The reduction was partly due to lower marketing costs.

Administration costs were DKK 34 million and up 3 million compared to last year. The increase was primarily related to activities supporting the transformation process.

EBIT

EBIT was negative with DKK 129 million against positive DKK 5 million last year. Last year's EBIT was impacted positively by other operating income of DKK 23 million primarily relating to a legal dispute.

EBIT margin was negative with 30.8%. The margin decline reflects the decline in revenue combined with the lower gross margin partly offset by lower capacity costs.

Financial items

Net financial items were an expense of DKK 6 million against an expense of DKK 11 million in Q1 2018/19.

IFRS 16 had an adverse effect on financial expenses of DKK 2 million in Q1 2019/20.

Earnings

Earnings before tax were a loss of DKK 135 million compared to a loss of DKK 6

million last year. Tax was an income of DKK 29 million and Earnings after tax were a loss of DKK 106 million compared to a loss of DKK 4 million in Q1 2018/19.

IFRS 16 had an adverse effect on earnings after tax of DKK 1 million in Q1 2019/20.

Cash flow and balance sheet

Free cash flow was negative by DKK 206 million compared to a negative free cash flow of DKK 105 million last year.

Cash flow from operating activities was negative by DKK 186 million compared to a negative DKK 89 million last year. The decline was related to the lower EBITDA. Changes in net working capital was negative by DKK 101 million com-

pared to a negative effect of DKK 140 million last year. The effect of IFRS 16 on the free cash flow was positive by DKK 9 million in the quarter.

Cash flow from investing activities was negative by DKK 21 million compared to negative DKK 17 million last year. Investments in Q1 2019/20 were primarily related to the development of new products and technology platforms and further improvements to the e-commerce platform.

Cash flow from financing activities was negative by DKK 10 million compared to negative DKK 21 million last year. Repayment of lease liabilities in accordance with IFRS 16 impacted cash flow from financing activities negatively by DKK 9

Gross margin	Q1 2019/20	Q1 2018/19
Staged	40.5%	46.4%
Flexible Living	40.5%	47.3%
On-the-go	17.6%	39.0%
Brand Partnering & Other Activities	97.2%	92.1%
Total	36.7%	47.0%

million whereas Q1 last year was impacted by the purchase of treasury shares and settlement of the matching shares programme.

Net working capital

Net working capital amounted to DKK 511 million which was an increase of DKK 101 million compared to Q4 last year.

The main reason for the increase in net working capital was related to trade payables which declined by DKK 237 million primarily related to seasonality.

Trade receivables and inventory both declined, impacting net working capital positively. The decline in trade receivables was impacted by seasonality and more restricted use of extended credit partly offset by an increase in overdue receivables.

Inventory was impacted by committed production in the first part of the quar-

ter. Production has now been reduced to a minimum, leading to a reduction in inventories especially in August. The adjusted production is expected to further reduce inventories in Q2.

Net interest-bearing deposits

Net interest-bearing deposits amounted to DKK 12 million compared to DKK 420 million in Q4 last year. The decrease was partly related to IFRS 16 which has added DKK 191 million in interest-bearing liabilities. The remaining decrease was related to the negative development of the free cash flow.

The company's target for minimum net cash position excludes leasing liabilities, following the implementation of IFRS 16 on leases.

The cash position at the end of Q1 was DKK 275 million.



PROGRESS ON KEY STRATEGIC PRIORITIES FOR 2019/20

Q1 2019/20 was characterised by the continued implementation of the demand-driven retail model and preparations for impactful product launches during the remainder of the year. The company launched new colour versions of existing products, including a new collaboration with Saint Laurent, and monobrand stores were opened in key locations.

Implementation of the demand-driven retail strategy

The company continued the implementation of the demand-driven retail strategy. This is a necessary change to ensure a healthier and more sustainable go-to-market approach going forward.

The work to expand the company's retail presence in select geographies with key partners progressed in Q1. While the overall number of monobrand stores and multibrand stores declined, several new stores were opened in key markets and others relocated to better venues. In China stores were opened with new partners onboarded in 2018/19, while the company's new partner in North America opened the first store in Vancouver, and in Q2 flagship stores in Tokyo and New York will open. In the multibrand

channel, the work to ensure a stronger presence at key retailers progressed significantly and the company now expects to rollout more than 100 new branded spaces in Q2.

Normalisation of the retailers' inventory is critical and, as planned, retail inventory in monobrand and multibrand channels declined during Q1. The work to improve insights into sell-out performance at retailer level significantly improved during the quarter as more retail partners were added to the system. The year will be focused on establishing a more complete overview of sell-out performance per product and inventory status per store. Data for Q1 show that retailers' inventory declined during Q1 even though sell-out performance was lower compared to Q1 2018/19. In

Asia sell-out improved compared to last year, while sell-out declined in EMEA and Americas. Long-term, insight into sell-out performance will support the company's efforts to become even more demand-driven and improve the ability to forecast and react to market changes faster and more effectively.

In recent years, the company has experienced products flowing into unauthorised channels. In Q1, the company established new targeted sales channels, initially in EMEA, to take control over sales of end-of-life products. This will minimise the risk of cannibalising the primary distribution channels and support the price point of current products in the market, an issue that negatively impacted the company's relation with key multibrand partners.

The digital transformation of the company's operation and touchpoints continued. In Q1, the company achieved a significant increase in contactable consumers. This is an important part of improving customer insight and enable targeted consumer communication.

Increase frequency and impact of product launches

In Q1, the company continued the development of new products to ensure a steadier flow of products to the market, hereunder work to finalise the new technology platforms. The company also launched Beoplay E6 and E8 Motion in the colour graphite and special editions of Beoplay A1 and A9 were released in collaboration with Saint Laurent.

For the remaining part of the financial year new products are planned within the Flexible Living and On-the-go categories as well as updates and colour versions of existing products. The first products based on the company's new technology platforms will be launched in the second half of the financial year.

In September, the company announced the launch of the company's first ever soundbar, Beosound Stage. This will be available across both monobrand, multibrand and on the company's own e-commerce platform in late autumn. Beovision Harmony, announced in Q4 2018/19, will be available in stores from October

To support the new product launches and build brand equity, a global campaign was revealed at the launch event of Beosound Stage in Venice. The campaign mirrors the company's ambition to implement a strong omnichannel go-to-market approach and ensure a consistent consumer experience. The integrated approach will allow for better local activation and product merchandising and follow-up on activities that have already been activated across markets, e.g. Paris Design Week, IFA in Berlin and CEDIAN expo in the USA. The campaign represents a new way of working for the company, building more on consumer data and activation at retailer level.



EMEA

Channel development

In EMEA three new stores opened and three stores were re-located to better venues. However, 16 low performing monobrand stores were closed during Q1 resulting in a net decline in EMEA of 13 monobrand stores.

Multibrand points of sale declined by 164, which to a large extent was related to stores that did not provide the right brand experience and revenue.

Revenue

Revenue in EMEA was DKK 179 million, which was 37.4% lower than last year (minus 37% in local currency).

The decline was primarily seen in mono-brand whereas revenue from multibrand was only slightly below Q1 last year. Revenue from the company's own e-commerce platform increased by more than 20%.

Staged

Revenue from the Staged category was down 52% compared to the same quarter last year. The decline was primarily related to Beovision TV's and Beolab 50 speakers, and reflected the effort in this quarter to normalise retailer inventories whereas Q1 last year saw a strong sell-in of Eclipse TV's. The strong sell-in last year added to the inventory build-up at retail level.

Flexible Living

Revenue was down by 24% compared to last year, which mainly related to Beosound 2 and Beoplay A9, while Beosound 1 and Beoplay M5 saw better performance. Beosound Edge which was launched in Q2 last year supported revenue in Q1.

On-the-go

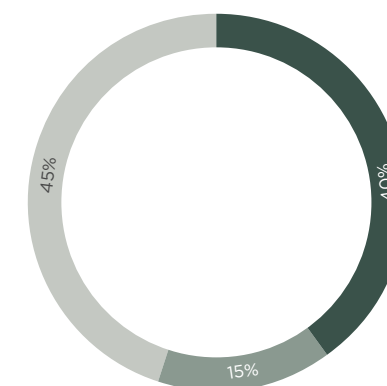
On-the-go revenue fell by 8%, mainly related to a drop in revenue from Bluetooth speakers.

Revenue from earphones was lower than last year. However, last year's revenue was supported by Beoplay Earset, which was discontinued in Q4. Excluding this factor, Earphones delivered a slight revenue increase mainly driven by Beoplay E8, which was supported by revenue from sales of Beoplay E8 1.0 which is end-of-life.

Revenue from headphones delivered double-digit growth driven mainly by Beoplay H9 which was also supported by sales of the Beoplay H9i, which is end-of-life.

EMEA

■ Staged ■ Flexible Living ■ On-the-go



Gross profit

Gross profit amounted to DKK 56 million equivalent to a gross margin of 31.5% which was 11.5pp lower than last year. The margin decrease was due to lower product margins in the quarter especially for the On-the-go category which in addition accounted for a larger share of revenue, further reducing the gross margin for EMEA.

(DKK million)	Q1 2019/20	Q1 2018/19	Change
Revenue	179	286	(37.4)%
Growth local currency	(37)%	(8)%	
Gross profit	56	123	(54.5)%
Gross margin	31.5%	43.0%	(11.5)pp

AMERICAS

Channel development

In Americas, a new strong partner opened a monobrand store in Vancouver in a high traffic area, while the existing store was closed. The number of multibrand points of sale remained unchanged during Q1.

Revenue

Revenue in Americas was DKK 35 million against DKK 42 million in Q1 last year corresponding to a 16.7% decline (minus 19% in local currencies).

The decline was seen in both monobrand and multibrand channels. The multibrand revenue was impacted by sales through unauthorised channels especially of On-the-go products.

Revenue from monobrand stores was down overall in the quarter, but with a split performance as revenue from partner-owned stores fell and the company-owned stores, including the new flagship store in New York which pre-opened as a pop-up last December, delivered growth. Revenue from own e-commerce platform grew by more than 25%.

Staged

Revenue from the Staged category was down 48% compared to last year. The decline in revenue was predominantly on Beovision Eclipse TV and Beolab 50 speakers.

Flexible Living

Revenue grew by 90% compared to last year. The increase was related to both Beoplay A9, Beosound 1 and Beoplay Edge, which was launched in Q2 last year. Due to unauthorised sales of On-the-go products, efforts were made to promote the Flexible Living portfolio instead.

On-the-go

Revenue from On-the-go products fell by 16%, which was primarily related to earphones with the biggest decline seen in Beoplay E8, as sales were impacted by unauthorised channels. Revenue from Bluetooth speakers declined, due to Beoplay A1. Headphones saw growth primarily related to Beoplay H4 and H9.

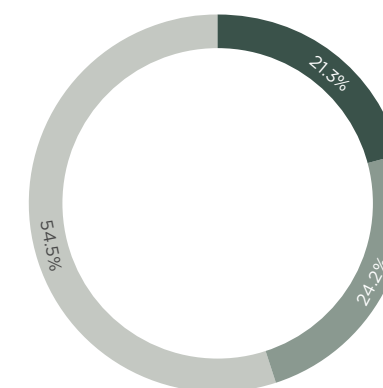
Gross profit

Gross profit amounted to DKK 9 million equivalent to a gross margin of 26.5% compared to 42.9% in the same quarter last year. The decrease in gross margin was mainly related to On-the-go and was due to sales of end-of-life products at lower margins.

(DKK million)	Q1 2019/20	Q1 2018/19	Change
Revenue	35	42	(16.7)%
Growth local currency	(19)%	(29)%	
Gross profit	9	18	(50.0)%
Gross margin	26.5%	42.9%	(16.4)pp

AMERICAS

■ Staged ■ Flexible Living ■ On-the-go



ASIA

Channel development

Five new stores opened in Asia predominantly by existing partners including three stores in China opened by the partners onboarded last year. Offsetting this was the closure of four non performing stores.

The number of multibrand points of sale declined by 45 in Q1, which was primarily related to one partner in China, but partly offset by expansion with several other partners.

Revenue

Revenue in Asia was DKK 148 million against DKK 223 million in the same quarter last year, corresponding to a 33.6% decline (minus 34% in local currencies).

The decrease was primarily related to the multibrand channel and including the On-the-go category. However, Q1 last year was lifted by revenue from Beoplay Earset, which was discontinued in Q4 2018/19. Revenue from Beoplay Earset was approximately DKK 20 million in Q1 last year.

Revenue from monobrand declined, partly related to company-owned stores of which many have been sold since Q1 2018/19.

Staged

Revenue from the Staged category was down 14% compared to same quarter last year. The decline was related to Beolab 50 speakers, whereas revenue from

Beovision Eclipse TVs was unchanged compared to last year.

Flexible Living

Revenue was down by 35% compared to the same period last year. The decline was primarily related to Beoplay A9.

On-the-go

On-the-go revenue declined by 24%. The decline was primarily related to Bluetooth speakers and Beoplay Earset.

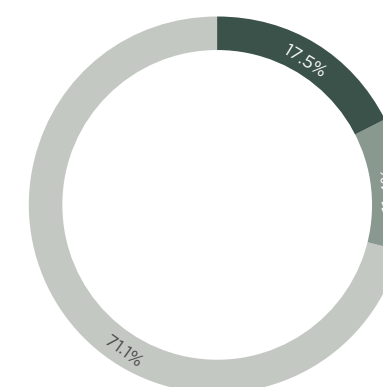
Revenue from Earphones adjusted for the revenue from Beoplay Earset declined slightly. The decline was related to lower revenue from Beoplay E6 and H5 whereas revenue from Beoplay E8 was significantly higher supported by sales of Beoplay E8 1.0 which is end-of-life.

Revenue from headphones grew supported by sales of Beoplay H9i, which is end-of-life.

(DKK million)	Q1 2019/20	Q1 2018/19	Change
Revenue	148	223	(33.6)%
Growth local currency	(34)%	26%	
Gross profit	34	95	(64.2)%
Gross margin	22.9%	42.6%	(19.7)pp

ASIA

■ Staged ■ Flexible Living ■ On-the-go



Gross profit

Gross profit was down by 64.2% and amounted to DKK 34 million equivalent to a gross margin of 22.9% which was 19.7pp lower than in Q1 last year. The decrease in gross margin was mainly related to On-the-go and due to end-of-life sales at lower margins.

BRAND PARTNERING & OTHER ACTIVITIES

Bang & Olufsen has established partnerships with innovative companies like HARMAN and HP. Partnerships help increase the awareness of the Bang & Olufsen brand. Other activities include aluminium component production for third parties.

Revenue

Reported revenue amounted to DKK 57 million against DKK 50 million in Q1 last year equivalent to a 14.0% increase (15% in local currency).

Brand partnering increased during the quarter, among other things positively affected by the full-year effect growth in licensing fees seen during 2018/19. Revenue from aluminium components produced for third parties was fell slightly from Q1 last year.

Gross profit

Gross profit amounted to DKK 55 million up by 19.6% and equivalent to a gross margin of 97.2% compared to 92.0% last year. The improved margin was due to higher revenue from brand partnering.

(DKK million)	Q1 2019/20	Q1 2018/19	Change
Revenue	57	50	14.0%
Growth local currency	15%	17%	
Gross profit	55	46	19.6%
Gross margin	97.2%	92.0%	5.2pp



KEY EVENTS

June 2019

COLLABORATION WITH SAINT LAURENT

Bang & Olufsen and Saint Laurent curated a very limited edition all-black speaker collection: a mirror black and golden tone Beoplay A9 multiroom speaker with solid anodised mirror black or golden tone aluminium legs with a black Saint Laurent logo printed on the back, and an all-black Beoplay A1 portable speaker with high gloss black Saint Laurent signature and a mirror black anodized aluminium tag. Both speakers were sold exclusively at Saint Laurent and on their website.



July 2019

INNOVATION CAMP

Bang & Olufsen, together with European and Asian Universities, invited 30 students from all over the world to take part in an intense innovation process and gave them the task: Make an audio product specifically for urban Chinese consumers. Based on more than 100 interviews with consumers, six insightful product concepts were created.



July 2019

BEOPLAY E8 AND E6 MOTION IN GRAPHITE

Beoplay E8 and E6 Motion launched in graphite. The motion series include a range of silicon fins for a better fit during exercise. Exclusive to the two earphones, is an enhanced bass sound profile in the Bang & Olufsen app.



August 2019

NEW MEMBERS IN THE BOARD OF DIRECTORS

Bang & Olufsen Annual General Meeting were held in Bang & Olufsen's Innovation Lab 21 August 2019. Tuula Ryttilä, Joan Ng Pi O and M. Claire Chung were elected as new members of the Board of Directors. Following the election, the Board of Directors consists of three women and five men. Thereby, Bang & Olufsen complies with the requirement regarding equal gender distribution.

KEY EVENTS



September 2019 SEASONAL COLLECTION

The seasonal collection stages a monochrome styling in the colours tan, brown and pink. The products included in the collection are Beoplay H9 headphone and Beoplay E6 earphone and the Bluetooth speakers Beoplay A1 and P6.

September 2019 LAUNCH OF FIRST SOUNDBAR - BEOSOUND STAGE

Beosound Stage is the first soundbar that brings the Bang & Olufsen Signature Sound to any TV. The soundbar will be available in stores from late Autumn 2019. The simple, elegant frame is available in natural aluminium, bronze tone aluminium or smoked oak. The frame runs all the way around the speaker and houses a seamlessly integrated engraved sensory control panel.

Beosound Stage comes with eleven speakers resulting in a 3-channel, fully active, DSP-based loudspeaker also featuring Dolby Atmos, the latest evolution in multichannel audio. The soundbar can be used as a multiroom speaker when the TV is inactive using the leading streaming technologies - Chromecast built-in, Apple AirPlay 2 and Bluetooth.



First quarter 2019 NEW STORES IN KEY LOCATIONS AND GEOGRAFIES

During the quarter, several new stores were opened in new high traffic locations in EMEA, Asia and Americas. One of them was the new two-storey store in Vancouver, Canada, located in the heart of the West Hastings shopping district and designed to give consumers the full brand experience.



September 2019 IFA BERLIN

IFA in Berlin is one of the world's leading trade shows for consumer electronics and once again, Bang & Olufsen participated and presented the new soundbar Beosound Stage and other products to existing and potential new partners.

KEY EVENTS



September 2019

BEOSOUND 1 NEW YORK EDITION

The limited-edition speaker features a unique graduation in colour – from piano black to natural aluminium – which is intended to resemble the iconic New York City skyline. It is an example of real craftsmanship, as it required a new process to be able to make the graduated colour tone.

September 2019

NEW CAMPAIGN – EXIST TO CREATE

A global campaign was revealed at the launch event of Beosound Stage in Venice. The campaign mirrors the company’s ambition to implement a strong omnichannel go-to-market and the integrated approach will allow for better local activation and product merchandising.

September 2019

CEDIA EXPO

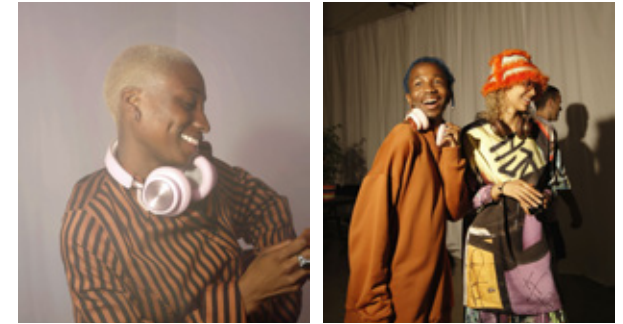
More than 20,000 home technology professionals and 500+ exhibitors visits CEDIA, and it serves as a platform for brands to show off their latest products and innovations. Bang & Olufsen displayed a selection of products in the Staged category with special relevance to the custom integration channel, including Beosound Shape, Beovision Harmony and Beosound Stage. Beovision Harmony was selected as a finalist for the 2019 CEDIA Awards in the category of Best New Hardware.



September 2019

BEOSOUND EDGE WINS DESIGN AWARD

Beosound Edge was voted best design by consumers by the Danish Design Awards, Denmark’s national design prize.



September 2019

LONDON FASHION WEEK

For the first time in the UK, a selection of On-the-go products were styled on the catwalk at London Fashion Week. The models of fashion brand Marques Almeida showed off the Autumn/Winter 2019 seasonal collection.

September 2019

PARIS DESIGN WEEK

Bang & Olufsen strengthen its position as a luxury-lifestyle brand as many key opinion leaders, architects and interior designers came to Paris for the Maison & Objet Fair and the design week. Journalists from the design and home deco press attended a press event in St Germain, and the new store in Le Marais organized a customer and influencer event.

OUTLOOK FOR 2019/20

The company expects to deliver single-digit revenue growth, an EBIT margin above the 2018/19 EBIT margin of 2.1%, and a positive free cash flow.

Revenue

The company expects to deliver single-digit revenue growth in 2019/20 at constant currencies.

For both the monobrand and multibrand channels, focus is on improving the distribution performance by continuing the transition of the sales and distribution network to a more demand-driven model.

The first quarter was adversely impacted by the efforts to normalise retailer inventories and this effort is expected to also impact growth negatively in the second quarter. All regions are expected to be affected,

Furthermore, the company expects the negative revenue performance by mono-

brand stores, especially in EMEA, in the second half of 2018/19 to continue into the first part of 2019/20.

The revenue outlook is supported by several planned product launches, starting with the new Beovision Harmony TV and Beosound Stage, which as previously announced is scheduled for launch in October 2019 and late Autumn respectively. Product launches are expected to have a positive impact mainly in the second half of 2019/20 and especially in Q4.

Overall, revenue growth is expected to be negative in the first half of 2019/20, whereas the second half is anticipated to be supported by product launches.

EBIT margin

The company expects the EBIT margin to be above the 2018/19 EBIT margin of 2.1%.

The EBIT margin is expected to be lifted by higher revenue and cost focus.

Compared to 2018/19, currency effects are expected to reduce the EBIT margin by around 2pp, primarily related to USD.

Free cash flow

The company expects the free cash flow in 2019/20 to be positive.

The company's net working capital position increased during 2018/19. The ambition is to reduce the net working capital position in 2019/20, which would have a positive impact on cash flow. However,

as also seen in the first quarter, the free cash flow in the first half of 2019/20 is expected to be negatively impacted by the seasonality of the business.

In 2015, Bang & Olufsen sold its automotive business to HARMAN. The acquisition price included a prepayment, which has been gradually offset by licensing fees. It is expected that the prepayment will be fully offset during Q2 2019/20, resulting in future licensing payments being fully cash positive to the company.

Furthermore, the implementation of IFRS 16 will have a positive effect on the free cash flow of more than DKK 30 million.

Uncertainties

The outlook is based on exchange rates prevailing at the date of announcement. The company's currency sensitivity is shown in note 6.2 to the annual report 2018/19.

Furthermore, the expectations for the year are dependent on the transformation of the retail setup and a subsequent improved performance of the sales and

distribution network, as well as on the successful launch of a number of new products. Delays either in the transformation or in product launches would have an adverse impact on the company's financial performance, and consequently expectations are associated with an increased degree of uncertainty.

The outlook excludes impacts from potential oneoff 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 2019 – 31 August 2019.

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 31 August 2019, and of the results of

the Group's operation and cash flow for the period 1 June 2019 – 31 August 2019. Further, it is also our opinion that the management's report 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 2018/19.

Struer, 3 October 2019

Executive Management Board:

Henrik Clausen
President & CEO

Nikolaj Wendelboe
CFO

John Mollanger

Snorre Kjesbu

Board of Directors:

Ole Andersen
Chairman

Juha Christen Christensen
Deputy Chairman

Anders Colding Friis

Brian Bjørn Hansen

Britt Lorentzen Jepsen

Dorte Vegeberg

Jesper Jarlbæk

Joan Ng Pi O

M. Claire Chung

Mads Nipper

Søren Balling

Tuula Ryttilä

INCOME STATEMENT

(DKK million)	Notes	1st quarter		Year
		2019/20	2018/19	2018/19
Revenue		419	601	2,838
Production costs		(265)	(319)	(1,461)
Gross profit		154	282	1,377
Development costs	3	(79)	(80)	(321)
Distribution and marketing costs		(170)	(189)	(875)
Administration costs		(34)	(31)	(146)
Other operating income		-	23	24
Operating profit (EBIT)		(129)	5	59
Financial income		3	6	7
Financial expenses		(9)	(17)	(33)
Financial items, net		(6)	(11)	(26)
Earnings before tax (EBT)		(135)	(6)	33
Income tax		29	2	(14)
Earnings for the period		(106)	(4)	19
Earnings per share				
Earnings per share, DKK		(2.6)	(0.1)	0.5
Diluted earnings per share, DKK		(2.6)	(0.1)	0.5

STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	1st quarter		Year
	2019/20	2018/19	2018/19
Earnings for the period	(106)	(4)	19
Items that will be reclassified subsequently to the income statement:			
Foreign exchange adjustment of foreign entities	1	(2)	4
Fair value adjustments of derivatives	11	(1)	(94)
Value adjustments of derivatives reclassified in:			
Revenue	3	-	(5)
Production costs	(3)	13	69
Tax on other comprehensive income	(2)	(3)	7
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit plans	-	-	1
Tax on other comprehensive income	-	-	-
Other comprehensive income for the period, net of tax	10	7	(18)
Total comprehensive income for the period	(96)	3	1

STATEMENT OF FINANCIAL POSITION

Assets

(DKK million)	Notes	31/8/19	31/8/18	31/5/19
Goodwill		44	44	44
Acquired rights		18	3	14
Completed development projects		102	152	116
Development projects in progress		48	49	54
Intangible assets		212	248	228
Land and buildings		87	116	89
Plant and machinery		50	50	57
Other equipment		10	6	10
Leasehold improvements		2	0	2
Tangible assets in course of construction and prepayments for tangible assets		17	16	9
Right-of-use assets		157	-	-
Tangible assets		323	187	167
Investment property		-	15	-
Non-current other receivables		51	39	27
Deferred tax assets		288	247	261
Total non-current assets		874	736	683
Inventories		585	398	596
Trade receivables		375	456	566
Tax receivable		13	15	14
Other receivables		88	133	53
Prepayments		35	29	22
Total receivables		511	633	655
Cash		275	1,028	492
Assets held for sale		34	15	36
Total current assets		1,405	2,074	1,779
Total assets		2,279	2,809	2,462

Liabilities

(DKK million)	Notes	31/8/19	31/8/18	31/5/19
Share capital		432	432	432
Translation reserve		22	15	21
Reserve for cash flow hedges		14	38	5
Retained earnings		857	1,214	961
Total equity		1,325	1,698	1,419
Lease liabilities		156	-	-
Pensions		15	13	15
Deferred tax		11	10	11
Provisions		37	33	36
Mortgage loans		68	157	69
Other non-current liabilities		5	1	11
Deferred income		0	39	15
Total non-current liabilities		292	253	157
Lease liabilities		35	-	-
Mortgage loans		3	9	3
Provisions		55	34	49
Trade payables		473	442	710
Tax payable		6	2	7
Other liabilities		61	289	79
Deferred income		29	80	38
Other current liabilities		662	855	886
Liabilities associated with assets held for sale		-	3	-
Total liabilities		954	1,111	1,043
Total equity and liabilities		2,279	2,809	2,462

STATEMENT OF CASH FLOW

(DKK million)	Notes	1st quarter		Year
		2019/20	2018/19	2018/19
Operating profit (EBIT)		(129)	5	59
Depreciation, amortisation and impairment		55	43	190
Operating profit before depreciation, amortisation and impairment		(74)	48	249
Other non-cash items		(8)	5	(50)
Change in net working capital	4	(101)	(140)	(310)
Interest received		3	3	7
Interest paid		(5)	(5)	(18)
Income tax paid		(0)	0	(9)
Cash flow from operating activities		(186)	(89)	(131)
Purchase of intangible non-current assets		(19)	(10)	(96)
Purchase of tangible non-current assets		(5)	(7)	(58)
Sales of tangible non-current assets		-	-	1
Other cash flow from investing activities		3	0	12
Cash flow from investing activities		(21)	(17)	(141)
Free cash flow		(206)	(105)	(272)
Repayment of lease liabilities		(9)	-	-
Repayment of loans		(1)	(4)	(97)
Purchase of own shares		-	(14)	(279)
Settlement of matching share programme		-	(3)	(15)
Cash flow from financing activities		(10)	(21)	(391)
Change in cash and cash equivalents		(217)	(126)	(663)
Cash and cash equivalents, opening balance		492	1,155	1,155
Cash and cash equivalents, closing balance		275	1,028	492

STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Translation reserve	Reserve for Cash flow hedges	Retained earnings	Total
Equity 1 June 2019	432	21	5	961	1,419
Earnings for the period	-	-	-	(106)	(106)
Foreign exchange adjustment of foreign entities	-	1	-	-	1
Fair value adjustments of derivatives	-	-	11	-	11
Value adjustments of derivatives reclassified in:					
Revenue	-	-	3	-	3
Production costs	-	-	(3)	-	(3)
Income tax on items that will be reclassified to the income statement	-	-	(2)	-	(2)
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-
Income tax on items that will not be reclassified to the income statement	-	-	-	-	-
Comprehensive income for the period	-	1	9	(106)	(96)
Share based payment	-	-	-	2	2
Acquisition of own shares	-	-	-	-	-
Equity 31 August 2019	432	22	14	857	1,325
Equity 1 June 2018	432	17	28	1,232	1,710
Earnings for the period	-	-	-	(4)	(4)
Foreign exchange adjustment of foreign entities	-	(2)	-	-	(2)
Fair value adjustments of derivatives	-	-	(1)	-	(1)
Value adjustments of derivatives reclassified in:					
Revenue	-	-	-	-	-
Production costs	-	-	13	-	13
Income tax on items that will be reclassified to the income statement	-	-	(3)	-	(3)
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-
Income tax on items that will not be reclassified to the income statement	-	-	-	-	-
Comprehensive income for the period	-	(2)	9	(4)	3
Share-based payment	-	-	-	-	-
Purchase of own shares	-	-	-	(14)	(14)
Equity 31 August 2018	432	15	37	1,214	1,698

NOTES

1 Accounting policies, judgements and significant estimates

The Group's interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies.

Except as stated below, the accounting policies and critical accounting estimates and judgements are consistent with those applied in the consolidated financial statements for 2018/19 in notes 1.1 and 1.2 of the Annual Report.

Changes in accounting policies

The Group has implemented the latest International Financial Reporting Standards (IFRS) and amendments effective as of 1 January 2019 and endorsed by EU.

Of the standards and amendments implemented only IFRS 16 Leases has a material impact on the Group's Financial Statements.

IFRS 16 - Leases

IFRS 16 has been implemented as of 1 June 2019. The implementation of IFRS 16 "Leases" has resulted in almost all leases being recognised in the statement of financial position. The only exceptions

are certain short-term leases and leases of low-value assets.

The Group has transitioned to IFRS 16 in accordance with the modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balance of retained earnings. Accordingly, prior period comparative figures are not restated and prior identification of leases under IAS 17 and its related interpretations have been retained.

The Group has reviewed its lease arrangements, which mainly comprise leases of buildings, premises and cars. As a number of buildings and premises are subleased, and the subleases are classified as financial leases, these arrangements result in recognised lease receivables. The impact for the Group in respect of leases, including those subleased, is an increase in tangible assets due to recognition of right-of-use assets, increased financial receivables and recognised lease liabilities.

For leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the expected remaining lease payments discounted. Right-of-use assets have been

measured as if IFRS 16 had been applied since the lease commencement date.

Upon implementation, the recognised right-of-use assets and financial receivables increase the Group's assets by approximately DKK 193 million with a similar lease obligation recognised as a financial liability. The expected impact is calculated based on the estimated internal rate and use of the available knowledge for determining the lease term at the time of the calculation.

As a consequence of the new standard, the presented EBITDA and EBIT improves compared to the treatment after IAS 17. Over time, the impact on profit for the period is neutral, but a timing effect does occur due to frontloading of interest expenses.

In the cash flow statement, the interest element of the lease payments is classified as cash flow from operating activities, while the major part of the cash flow is classified as cash from financing activities, positively impacting the free cash flow. The total cash flow for the period is unchanged.

1 Accounting policies, judgements and significant estimates - continued

Implementation impact upon transition

(DKK million)	31 May 2019	Increase (+)	
		Decrease (-)	1 June 2019
Right-of-use assets	0	160	160
Other receivables, current and non-current	0	33	33
Deferred tax liabilities	261	0	262
Reserves and retained earnings	961	0	960
Lease liabilities, current and non-current	0	193	193

Differences between the operating lease commitments at 31 May 2019 disclosed in the 2018/19 Annual Report and lease liabilities recognised in the opening balance at 1 June 2019 in accordance with IFRS 16 specify as follows:

(DKK million)

Operating lease commitments 31 May 2019	140
Adjustment for expected lease periods longer than the non-terminatable period	87
Discounting of cash flow	(31)
Short-term and low-value leases recognised as an expense	(3)
Lease liability recognised 1 June 2019	193
Non-current	156
Current	37

For a specification of the impact on the figures for Q1, please refer to Appendix.

IFRIC 23 - Uncertainty over Income Tax Treatment

IFRIC 23 has been implemented as of 1 June 2019.

The Group follows the guidelines in IFRIC 23, which clarifies the accounting for uncertain tax positions.

IFRIC 23 specifically addresses whether an entity considers each uncertain tax

position separately or together with one or more other uncertain tax positions. The approach that better predicts the resolution of the uncertainty is followed, and uncertain tax positions are measured at the most likely outcome.

No material changes in the company's estimates for uncertain tax positions is expected from the implementation of IFRIC 23.

2 Segment information

(DKK million)	1st quarter				All
	EMEA	Americas	Asia	Brand Partnering and other activities	
1st Quarter 2019/20					
Revenue	179	35	148	57	419
Production costs	(123)	(26)	(114)	(2)	(265)
Gross profit	56	9	34	55	154
<i>Gross margin</i>	31.5%	26.5%	22.9%	97.2%	36.7%
1st Quarter 2018/19					
Revenue	286	42	223	50	601
Production costs	(162)	(24)	(129)	(4)	(319)
Gross profit	124	18	95	46	282
<i>Gross margin</i>	43.0%	42.9%	42.6%	92.0%	46.9%

(DKK million)	1st quarter		
	Staged	Flexible	On-the-go
1st Quarter 2019/20			
Revenue	104	51	207
Production costs	(62)	(30)	(171)
Gross profit	42	21	36
<i>Gross margin</i>	40.5%	40.5%	17.6%
1st Quarter 2018/19			
Revenue	207	70	273
Production costs	(111)	(37)	(167)
Gross profit	96	33	107
<i>Gross margin</i>	46.4%	47.1%	39.2%

3 Development costs

(DKK million)	1st quarter		Year
	2019/20	2018/19	2018/19
Incurring development costs before capitalisation	60	59	269
Hereof capitalised	(13)	(10)	(79)
Incurring development costs after capitalisation	47	49	190
Capitalisation (%)	21.7%	16.4%	29.5%
Total charges and impairment losses on development projects	32	31	131
Development costs recognised in the consolidated income statement	79	80	321

4 Changes in net working capital

(DKK million)	31/08/2019	31/05/2019	Change in	Change in	Change in
			Q1 2019/20	Q1 2018/19	2018/19
Trade receivables	375	566	191	54	(56)
Trade payables	(473)	(710)	(237)	(75)	56
Inventory	585	596	11	(46)	(244)
Other net working capital	24	(42)	(66)	(73)	(66)
Total	511	410	(101)	(140)	(310)

APPENDIX

IMPACT ON FINANCIAL STATEMENTS FOR Q1 FOLLOWING THE IMPLEMENTATION OF IFRS 16 "LEASES"

IMPACT ON STATEMENT OF FINANCIAL POSITION

(DKK million)	Before IFRS 16	Impact	Reported for Q1
ASSETS			
Right-of-use assets	-	157	157
Tangible assets	166	157	323
Non-current other receivables	27	24	51
Total non-current assets	693	181	874
Other receivables	88	9	88
Total receivables	502	9	511
Total current assets	1,396	9	1,405
Total assets	2,089	190	2,279

IMPACT ON STATEMENT OF FINANCIAL POSITION

(DKK million)	Before IFRS 16	Impact	Reported for Q1
LIABILITIES			
Retained earnings	857	(1)	857
Total equity	1,324	(1)	1,325
Lease liabilities	-	156	156
Deferred tax	11	0	11
Total non-current liabilities	136	156	292
Lease liabilities	-	35	35
Total current liabilities	627	35	662
Total liabilities	763	191	954
Total equity and liabilities	2,089	190	2,279

APPENDIX

IMPACT ON FINANCIAL STATEMENTS FOR Q1 FOLLOWING THE IMPLEMENTATION OF IFRS 16 "LEASES"

IMPACT ON INCOME STATEMENT

(DKK million)	Before IFRS 16	Impact	Reported for Q1
Capacity costs	(283)	0	(283)
Operating profit (EBIT)	(129)	0	(129)
Financial income	3	0	3
Financial expenses	(7)	(2)	(9)
Financial items, net	(4)	(2)	(6)
Earnings before tax (EBT)	(134)	(1)	(135)
Income tax	29	(0)	29
Earnings for the period	(105)	(1)	(106)

IMPACT ON STATEMENT OF CASH FLOW

(DKK million)	Before IFRS 16	Impact	Reported for Q1
Operating profit (EBIT)	(129)	0	(129)
Depreciation	47	8	55
Operating profit before depreciation, amortisation and impairment	(82)	8	(74)
Interest received	3	0	3
Interest paid	(3)	(2)	(5)
Income tax paid	(0)	(0)	(0)
Cash flow from operating activities	(192)	(6)	(186)
Other CF from investing activities	0	3	3
Cash flow from investing activities	(24)	3	(21)
Free cash flow	(215)	9	(206)
Repayment of lease liabilities	-	(9)	(9)
Cash flow from financing activities	(1)	(9)	(10)
Change in cash	(217)	0	(217)

ADDITIONAL INFORMATION

For further information, please contact:

Investor contact, Martin Egenhardt, tel.: +45 5374 7439

Press contact, Jens Gamborg, tel.: +45 2496 9371

FINANCIAL CALENDAR

Financial statements

14 January 2020	Interim report (2 nd quarter 2019/20)
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2 April 2019	Interim report (3 rd quarter 2019/20)
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7 July 2020	Annual report 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-brand stores. The company employs around 900 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

Bang & Olufsen A/S
Bang & Olufsen Allé 1
DK-7600 Struer
Denmark

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