BANG & OLUFSEN A/S, COMPANY ANNOUNCEMENT NO. 18.50 – 4 APRIL 2019

INTERIM REPORT 3RD QUARTER 2018/19

1 DECEMBER 2018 – 28 FEBRUARY 2019

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BANG & OLUFSEN

Q3 HIGHLIGHTS

"The third quarter was a challenging quarter, resulting in a revenue decline of 18 per cent. The ongoing transformation of the sales and distribution network combined with lower than expected revenue from the Staged category were key factors contributing to the decline," said CEO Henrik Clausen, and he continued: "In spite of an improved gross margin, the results we have delivered in the third quarter are clearly not satisfactory. We have overestimated the speed at which we have been able to drive change. However, the transformation is necessary to create a strong foundation that will enable us to deliver profitable growth in the future, and we are satisfied that our operating model has proven that we have become more resilient when unforeseen challenges occur".

KEY FINANCIAL HIGHLIGHTS Q3

(DKK million)	**Q3 2018/19**	Q3 2017/18	Change %	**YTD 2018/19**	YTD 2017/18	Change %
Revenue	710	865	(18)	2,220	2,456	(10)
EMEA	340	457	(26)	1,168	1,323	(12)
Americas	51	67	(24)	162	226	(28)
Asia	272	287	(5)	738	727	2
Other	47	54	(13)	152	180	(16)
Gross Margin, %	49.2	44.4	10.8	48.6	43.6	11.4
EMEA, %	45.5	41.9	3.6	46.0	40.5	5.5
Americas, %	44.6	47.3	(2.7)	47.0	42.4	4.6
Asia, %	47.2	40.6	6.6	44.2	40.0	4.2
Other, %	89.4	83.3	6.0	90.1	82.2	7.9
Capacity Costs	319	335	(5)	977	1,022	(4)
EBIT	30	49	(39)	125	67	87
Free cash flow	(13)	34		(203)	(80)	

Gross margins and capacity costs have been adjusted in Q3 due to changes to the cost allocation model. The change in accounting policies, including adjustments to comparative numbers, is described in note 1.

** Gross margins and capacity costs presented below are adjusted in Q3 due to changes to the cost allocation model. Cf. note 1 for a description of the adjustments made to comparative numbers.*

Third quarter 2018/19

- Revenue for the third quarter was DKK 710 million, corresponding to a decline of 18 per cent (19 per cent in local currencies) compared to same quarter last year.

- Revenue in the Staged category declined 34 per cent compared to the same quarter last year, mainly driven by lower than expected TV revenue. The decline was primarily seen in the EMEA region. The retail sales of TV units continued to grow in the third quarter. However, retailers reduced their level of inventory on TVs resulting in a significant decline in sell-in TV revenue. The sell-in TV revenue is expected to normalise during the fourth quarter, but the outcome is associated with a considerable level of uncertainty.

- Furthermore, the company's ability to execute on the transformation of the sales and distribution network has not been at the level expected in several geographies.

- The gross margin increased to 49.2 per cent from 44.4 per cent last year, driven by improved product profitability and positive currency developments.

- Capacity costs declined by 5 per cent compared to last year. The company continued to invest in brand awareness and strengthening key organisational capabilities. In addition, the revised operating model enabled a significant reduction in development costs compared to the same quarter last year as the company leveraged the capabilities of technology partners to help drive innovation and achieve scale.

- Despite the significant shortfall in revenue, the improved gross margin and lower capacity costs meant that the company achieved a 4.2 per cent EBIT margin compared to 5.7 per cent last year.

- Free cash flow in the quarter was negative DKK 13 million compared to positive DKK 34 million last year. The cash flow was lower than expected primarily driven by the shortfall in revenue and a higher than expected inventory at the end of the quarter.

- The company acquired treasury shares corresponding to DKK 106 million in the third quarter, bringing total buybacks under the company's current share buyback programme to DKK 251 million. Bang & Olufsen held a total of 2,113,439 treasury shares corresponding to 4.9 per cent of the total share capital and total voting rights in the company at 28 February 2019. In light of the third quarter results and the expectations for the remainder of the financial year and the review of the long-term targets, the Board of Directors has decided that it is prudent to discontinue the current share buyback programme.

Outlook

- As announced in company announcement 18.49, on 26 March 2019, the company has revised its outlook based on the results for the third quarter and the expectations for the development in the fourth quarter. The company expects revenue for 2018/19 to decline around 10 per cent compared with the previous financial year (revenue was previously expected to be at the same level as 2017/18). EBIT margin is expected to be approximately 4-5 per cent (previously 7-9 per cent). Free cash flow is expected to be negative DKK 200-250 million (previously above DKK 100 million).

- Due to the slower than anticipated execution of the transformation of the sales and distribution network and the consequential adjustment of the financial outlook for the year, the company has decided that it can no longer maintain its current 3-year targets. The company will assess and restate its long-term financial targets and will disclose revised targets in connection with the announcement of the annual report for 2018/19.

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Bang & Olufsen will host a webcast on 4 April 2019 at 10:00 CET. The webcast can be accessed through our website, https://www.bang-olufsen.com/da/corporate/investors.

KEY FIGURES AND FINANCIAL RATIOS

BANG & OLUFSEN – GROUP

(DKK million)	3rd quarter 2018/19	3rd quarter 2017/18	YTD 2018/19	YTD 2017/18
Income statement				
Revenue	710	865	2,220	2,456
Gross margin, %	49.2	44.4	48.6	43.6
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	53	100	213	207
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	75	113	268	301
Earnings before interest and tax (EBIT)	30	49	125	67
Financial items, net	(6)	1	(22)	(11)
Earnings before tax (EBT)	24	50	103	56
Earnings after tax	15	26	79	28
Financial position				
Total assets	2,494	2,793	2,494	2,793
Share capital	432	432	432	432
Equity	1,508	1,623	1,508	1,623
Net interest-bearing deposit/ (debt)	517	820	517	820
Net working capital	400	210	400	210

** Gross margins and capacity costs have been adjusted in Q3 due to changes to the cost allocation model. The change in accounting policies, including adjustments to comparative numbers, is described in note 1.*

(DKK million)	3rd quarter 2018/19	3rd quarter 2017/18	YTD 2018/19	YTD 2017/18
Cash flow				
– from operating activities	21	62	(102)	65
– from investment activities	(34)	(28)	(101)	(145)
Free cash flow	(13)	34	(203)	(80)
– from financing activities	(178)	(2)	(343)	(7)
Cash flow for the period	(191)	32	(546)	(87)
Key figures				
EBITDA-margin, %	10.5	13.0	12.1	12.2
EBIT-margin, %	4.2	5.7	5.6	2.7
NIBD/EBITDA ratio	6.9	7.3	1.9	2.7
Return on assets, %	0.6	0.9	3.2	1.0
Return on invested capital, excl. goodwill, %	(0.5)	(0.4)	6.0	(86.2)
Return on equity, %	1.0	1.6	5.2	1.7
Full time employees at the end of the period	937	1,049	937	1,049
Stock related key figures				
Earnings per share (EPS), DKK	0.4	0.6	1.9	0.7
Earnings per share, diluted (EPS-D), DKK	0.4	0.6	1.9	0.7
Price/Earnings	249.5	226.6	49.0	217.8
Revenue per share, DKK	17.3	20.0	54.0	56.9
Revenue per share, diluted, DKK	17.2	20.0	53.9	56.9

MANAGEMENT REPORT

Group revenue declined by 18 per cent. The ongoing transformation of the sales and distribution network and lower than expected revenue in the Staged category were the main drivers of the decline. However, due to an improved gross margin and lower capacity costs, the company neverthe-less managed to achieve a 4 per cent EBIT margin.

Revenue by region
Group revenue declined by 18 per cent (19 per cent in local currencies) in the third quarter. The decline was mainly driven by the transformation of the sales and distribution network in general across channels. The company continued the work to transform towards a retail-led, demand driven sales and distribution network. This transformation progressed slower than expected in the quarter. Furthermore, the quarter was impacted by a larger than expected decline in revenue from the Staged category in the monobrand channel.

EMEA reported revenue of DKK 340 million, corresponding to a decline of 26 per cent (26 per cent in local currencies) from DKK 457 million last year. The decline in EMEA was especially driven by a larger than expected decline in TV sales, where retailers reduced inventory during the quarter. As expected, EMEA was also impacted by a decline in multibrand stores turnover, driven by the transformation of the channel. During the quarter, 10 monobrand stores and 103 stores in the multibrand channel were closed within EMEA.

Revenue in the Americas was DKK 51 million against DKK 67 million last year corresponding to a 24 per cent decline (28 per cent in local currencies). North America continued to build presence in key locations and channels. However, the progress was not as fast as previously anticipated. During the quarter, the company opened two new monobrand stores and closed 120 multibrand stores in North America. The new company-owned flagship store in SoHo, New York pre-opened as a pop-up during December 2018.

In Asia, revenue declined to DKK 272 million from DKK 287 million last year, corresponding to a 5 per cent decline (5 per cent in local currencies). The decline was driven by the slower sales in Southeast Asia and Australia & New Zealand compared to last year. The latter was impacted by the change made to the distributor setup in the second quarter. China delivered double-digit growth as the four new monobrand partners are performing as expected. The third quarter included a high level of sell-in to the new partners, which is expected to normalise in the fourth quarter. Other markets in the region including South Korea and Taiwan are performing well and are growing compared to the same quarter last year.

Revenue in the Other category, which includes Brand Partnering, aluminum component production and other activities, was DKK 47 million against DKK 54 million last year. The decline was due to lower revenue from aluminium components produced for third parties and currency hedges. Brand Partnering revenue was largely unchanged compared to the same quarter of last year.

Revenue by product category
The company currently has a strong product portfolio across all product categories. However, fewer new products have been launched in 2018/19 compared to 2017/18 where key products such as Beovision Eclipse, Beolab 50 and Beoplay E8 were launched. The lower level of launches have been necessary to ensure a more consistent product roadmap across the product categories and to ensure that the new products deliver on the core capabilities of sound, design and craftsmanship. The level of new product introductions is expected to increase again in 2019/20, which will support the growth of our business.

Revenue in the Staged category was DKK 226 million against DKK 345 million last year, corresponding to a decline of 34 per cent. Staged revenue was adversely impacted by lower sell-in of TV's in Europe in the quarter. The development in retail sell-out of TV's was positive, hence the inventory was reduced in retail during the quarter. The sell-in TV revenue is expected to normalise during the fourth quarter. Combined with the decline in revenue related to products with older platforms that were discontinued in 2017/18, this was the main reason for the overall decline in revenue.

Revenue in the Flexible Living category grew to DKK 128 million from DKK 105 million last year, corresponding to a 22 per cent increase. Beosound Edge, Beoplay A9 as well as Beosound 1 and 2 with Google Voice Assistant were the main drivers of revenue in this category.

Revenue in the On-the-go category declined by 10 per cent to DKK 301 million from DKK 337 million last year. The category was adversely impacted by the transformation of the multibrand sales and distribution network. Sales of key head- and earphone products such as Beoplay E8 and Beoplay H9i grew, whereas the Bluetooth speaker category declined. The second generation of E8, an in-ear headphone, was launched in the third quarter and outperformed expectations.

Revenue by channel

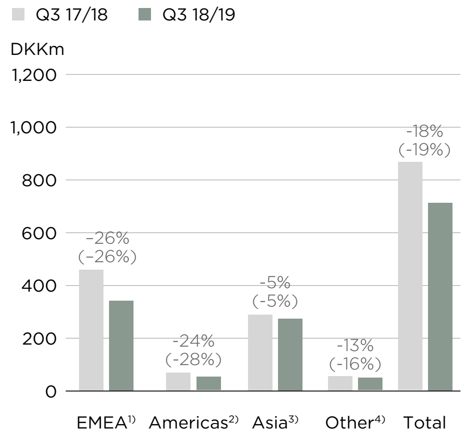
Revenue in the monobrand channel declined by 22 per cent compared to the same quarter last year, due to the decline in the Staged turnover as outlined above. The company continued the work to transform the monobrand channel during the quarter, working with key retail partners to create a sales and distribution setup with fewer, but stronger partners that operate in clusters. In key urban areas in countries, such as Germany, UK, China and US, strong partners are developing their clusters and are opening new and adapting current mono- and multibrand stores.

As communicated in the second quarter, the multibrand channel was impacted by the transformation of the sales and distribution network. Revenue declined by 15 per cent compared to the same quarter last year. In the multibrand channel, the strategy remains to prioritise distribution towards those parts of the retail segment that cater to consumers looking for a luxury-lifestyle product offering. This comprises department stores, travel retailers, selected consumer electronics retailers, and targeted e-tailers. These select channels have proven to drive significantly higher revenue per store and support a more consistent brand experience than pure consumer electronics and telecom retail stores can. However, the implementation of this transformation has not been realised at the pace that was previously anticipated. This was partially due to significant issues with unauthorised channels. A substantial tightening of the governance of the flow of products to unauthorsied channels has now been

DISTRIBUTION CHANGE IN NUMBER OF STORES

	Monobrand		Multibrand	
	28/02/2019	30/11/2018	28/02/2019	30/11/2018
EMEA	364	374	2,702	2,805
Americas	26	24	1,020	1,140
Asia	129	125	1,507	1,471
Total	**519**	**523**	**5,229**	**5,416**

REVENUE BY REGION
(growth in local currency in brackets)



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

implemented. This will however impact the transition speed in the fourth quarter as well.

Compared to the end of the third quarter of last year, the company has reduced the number of monobrand stores by 57, primarily in Europe, and the number of multibrand stores by 1,754. In the third quarter 2018/19, 10 monobrand stores and 187 multibrand stores were closed.

Revenue from the company's own eCom channel declined by DKK 3 million from DKK 13 million to DKK 10 million last year. Towards the end of the quarter, the company launched a new and improved eCom platform. The new platform will ensure an improved customer experience and it is expected to drive revenue and traffic to both the on- and offline retail network. Revenue from other channels including Brand Partnering showed a moderate increase in the quarter.

Gross margin

In the third quarter, the company changed the cost allocation model. The change resulted in lower cost of goods sold and a corresponding increase in capacity costs. The comparison figures have been restated. Please refer to segment note 1 for further details.

The gross margin increased to 49.2 per cent from 44.4 per cent last year, driven by improved product profitability and foreign exchange rates.

CAPITALISED DEVELOPMENT COSTS AND CARRYING AMOUNT

(DKK million)	**Q3 2018/19**	Q3 2017/18
Capitalised, net	21	13
Carrying amount, net	179	241

Capacity costs

Capacity costs were DKK 319 million compared to DKK 335 million last year, corresponding to a decline of 5 per cent. This was a result of the company's focus on maintaining an agile and scalable cost base. Distribution and marketing costs amounted to DKK 207 million, corresponding to an increase of DKK 5 million over last year.

Administrative expenses were DKK 34 million, compared to DKK 33 million last year. Net development costs fell to DKK 78 million from DKK 100 million last year. The change reflects the company's changed operating model as a greater proportion of development costs are now being shared with technology partners. Development costs incurred were DKK 67 million (of which DKK 21 million was capitalised) against DKK 63 million last year (of which DKK 13 million was capitalised).

Total amortisation charges and impairment losses on development projects amounted to DKK 32 million against DKK 50 million last year.

Earnings

EBIT was DKK 30 million against DKK 49 million last year, a 1.4-percentage-point decline of the EBIT margin. The decline was driven by the shortfall in revenue and only partly offset by the company's strong gross margin performance and controlled capacity costs.

The company's net financial items were negative at DKK 6 million, compared to DKK 1 million in the third quarter of last year. Earnings before tax amounted to DKK 24 million against DKK 49 million last year.

The company's net working capital amounted to DKK 400 million, an increase of DKK 9 million compared to the end of the second quarter. Due to the lower than expected revenue, the level of inventory was significantly higher than expected at the end of the third quarter.

The lower than expected earnings and the moderate increase in net working capital impacted the company's free cash flow, which was negative DKK 13 million compared to positive DKK 34 million last year.

At the end of the third quarter, the company had net interest-bearing deposits of DKK 517 million compared to DKK 820 million same quarter last year. The company made a repayment of long-term loan of DKK 72 million in third quarter.

The Group acquired treasury shares for DKK 106 million in the third quarter, bringing total buybacks under the company's current share buyback programme to DKK 251 million. At 28 February 2019, Bang & Olufsen held a total of 2,113,439 treasury shares, corresponding to 4.9 per cent of the total share capital and total voting rights in the company. The Group's equity decreased to DKK 1,510 million from DKK 1,623 million last year and DKK 1,710 million at the end of the fourth quarter last year.

Events after the balance sheet date

On March 26, 2019, the company issued a revised revenue outlook for 2018/19. Further details can be found in the Outlook section on page 12 of this report.

In light of the results for the third quarter and the expectations for the remainder of the financial year and the review of the long-term targets, the Board of Directors finds it prudent to discontinue the current share buy-back programme.

On 3 September 2018, the company initiated a share buyback programme, under which the company intended to buy back own shares for an amount of up to DKK 485 million. The programme was due to be concluded no later than on 31 December 2019. The Company has in the period up to 25 March 2019 bought back own shares for an amount of DKK 264 million under the programme corresponding to 2,273,449 own shares. Today, the company holds a total of 2,383,439 own shares corresponding to 5.5 per cent of the total share capital and the total voting rights in the company.

The Board will consider potential future distributions to shareholders in connection with the annual report 2018/19.

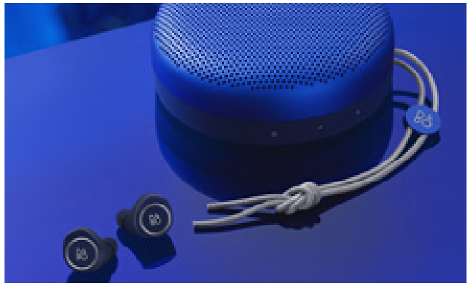
PRODUCT PORTFOLIO AND COLLABORATIONS

Q3 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 third quarter, Bang & Olufsen launched the Beoplay E8 2.0. Among other things, the upgrade from the popular Beoplay E8 earphones now features wireless charging. In addition, the company strengthened its product offering by launching several new colour variations of existing products. For example, Beoplay A1 and E8 were launched in Late Night Blue, Beoplay A9, H9i and E8 were introduced in Stardust Black, and Beolab 90 was introduced with a new aluminium crown in a stunning bronze tone.

The company's brand partnerships with HP, HARMAN and LG continued to drive revenue and increase brand awareness during the quarter.



BEOPLAY A1 & E8 LATE NIGHT BLUE

Beoplay E8 and Beoplay A1 Late Night Blue are part of the Special Edition Collection, a wider collection of colour variants, each with its own unique colour concept, and only available in very limited quantities. The main objectives of launching special editions are brand building, awareness boosting and driving traffic to stores.

BEOPLAY E8 2.0

The new earphones come with improvements to the design of the original product as well as features requested by the Bang & Olufsen community. The redesigned charging case facilitates convenient Qi wireless charging, USB-C and an improved battery that brings total playtime to 16 hours. As the original Beoplay E8 earphones fit perfectly into the new wireless charging case, Bang & Olufsen will make it possible for existing owners of Beoplay E8 to enjoy the benefits of wireless charging. Hence, the charging case will also be sold separately.

STARDUST BLACK SPECIAL EDITION

Beoplay A9, H9i and E8 in Stardust Black are designed to celebrate the Chinese New Year, which means they are only available in selected countries. Encouraged by the festivities, the collection takes inspiration in visual cues from high fashion and urban luxury. With a black and gold foundation, the three products have received a gold/white speckle finish.

OUTLOOK FOR 2018/19

The company expects a decline in revenue of around 10 per cent for the financial year. However, due to the changed operating model profitability for the full year is expected to improve compared to last year.

Based on revenue in the third quarter and an assessment of the development in the fourth quarter of 2018/19, the company issued a revised outlook for 2018/19 on the 26th of March 2019. The company now expects the following for the financial year.

Revenue

The company now expects revenue for 2018/19 to decline around 10 per cent compared with the previous financial year (revenue was previously expected to be at the same level as 2017/18). The sell-in TV revenue is expected to normalise during the fourth quarter, but the outcome is associated with a considerable level of uncertainty. The slower than expected transformation to a more demand driven, and retail-led sales and distribution network is expected to impact the fourth quarter of the year.

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. Given the unexpected shortfall in revenue, the capacity costs in percentage of revenue is expected moderately increase compared to 2017/18 (previously remain unchanged compared to 2017/18).

Earnings

EBIT margin is expected to be approximately 4-5 per cent (previously 7-9 per cent), which is higher than the 3.7 per cent achieved in 2017/18. The improved profitability will mainly be related to an improved gross margin and lower development costs.

Free cash flow

Due to the shortfall in expected revenue and the consequently higher inventory levels free cash flow is expected to be negative DKK 200-250 million (previously above DKK 100 million).

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

Due to the slower than anticipated execution of the transformation of the sales and distribution network and the consequential adjustment of the financial outlook for the year, the company has decided that it can no longer maintain its current 3-year targets. The company will assess and restate its long-term financial targets and will disclose revised targets in connection with the announcement of the annual report for 2018/19.

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 – 28 February 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 28 February 2019, and of the results of the Group's operation and cash flow for the period 1 June 2018 – 28 February 2019. 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, 4 April 2019

Executive Management Board:

Henrik Clausen
President & CEO

John Mollanger
Executive Vice President,
President Brand & Markets

Snorre Kjesbu
Executive Vice President,
Head of Product Creation & Fulfilment

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

		3rd quarter		YTD		Year
(DKK million)	Notes	**2018/19**	2017/18*	**2018/19**	2017/18*	2017/18*
Revenue		**710**	**865**	**2,220**	**2,456**	**3,285**
Production costs		(361)	(481)	(1,142)	(1,385)	(1,852)
Gross profit		**349**	**384**	**1,078**	**1,071**	**1,433**
Development costs	3	(78)	(100)	(237)	(338)	(411)
Distribution and marketing costs		(207)	(202)	(635)	(588)	(789)
Administration costs		(34)	(33)	(105)	(96)	(130)
Other operating income		-	-	24	18	19
Operating profit (EBIT)		**30**	**49**	**125**	**67**	**122**
Financial income		2	2	6	3	13
Financial expenses		(8)	(1)	(28)	(14)	(18)
Financial items, net		(6)	1	(22)	(11)	(5)
Earnings before tax (EBT)		**24**	**50**	**103**	**56**	**117**
Income tax		(9)	(24)	(24)	(28)	(36)
Earnings for the period		**15**	**26**	**79**	**28**	**81**
Earnings per share						
Earnings per share, DKK		0.4	0.6	1.9	0.7	1.9
Diluted earnings per share, DKK		0.4	0.6	1.9	0.7	1.9

** Comparative numbers are restated due to changes to the cost allocation model. Cf. note 1 for a description of the changes applied.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3rd quarter		YTD		Year
(DKK million)	**2018/19**	2017/18	**2018/19**	2017/18	2017/18
Earnings for the period	**15**	**26**	**79**	**28**	**81**
Items that will be reclassified subsequently to the income statement:					
Exchange rate adjustment of investment in foreign subsidiaries	(1)	(4)	3	(7)	(2)
Change in fair value of derivative financial instruments used as cash flow hedges	(56)	30	(81)	42	94
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	(1)	3	(2)	9	13
Transfer to production costs	32	(18)	49	(39)	(54)
Income tax on items that will be reclassified to the income statement:	6	(1)	8	-	(12)
Items that will not be reclassified subsequently to the income statement:					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	1
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	-
Other comprehensive income for the period, net of tax	**(20)**	**10**	**(23)**	**5**	**40**
Total comprehensive income for the period	**(5)**	**36**	**56**	**33**	**121**

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	28/02/19	28/02/18	31/05/18
Goodwill		43	43	44
Acquired rights		11	3	2
Completed development projects		139	207	181
Development projects in progress		40	34	41
Intangible assets		**233**	**287**	**268**
Land and buildings		107	114	116
Plant and machinery		51	58	56
Other equipment		9	5	5
Leasehold improvements		2	2	-
Tangible assets in course of construction and prepayments for tangible assets		10	10	7
Tangible assets		**179**	**189**	**184**
Investment property		**15**	**15**	**15**
Other financial receivables		31	51	40
Financial assets		**31**	**51**	**40**
Deferred tax assets		**246**	**260**	**249**
Total non-current assets		**704**	**802**	**756**
Inventories		**505**	**374**	**352**
Trade receivables		562	503	510
Other financial receivables		17	-	11
Corporation tax receivable		5	17	19
Other receivables		57	70	96
Prepayments		35	18	8
Total receivables		**676**	**608**	**644**
Cash		**609**	**992**	**1,155**
Assets held for sale		**-**	**17**	**14**
Total current assets		**1,790**	**1,991**	**2,165**
Total assets		**2,494**	**2,793**	**2,921**

(DKK million)	Notes	28/02/19	28/02/18	31/05/18
Share capital		432	432	432
Translation reserve		20	12	17
Reserve for cash flow hedges		3	(1)	29
Retained earnings		1,053	1,180	1,232
Total equity		**1,508**	**1,623**	**1,710**
Pensions		14	15	14
Deferred tax		7	10	11
Provisions		33	41	33
Mortgage loans		86	163	161
Other non-current liabilities		20	14	1
Deferred income		13	96	76
Total non-current liabilities		**173**	**339**	**296**
Mortgage loans		6	9	9
Provisions		46	46	34
Trade payables		543	415	517
Corporation tax payable		2	18	3
Other liabilities		156	324	290
Deferred income		60	16	60
Other current liabilities		**813**	**828**	**913**
Liabilities associated with assets held for sale		**-**	**3**	**2**
Total liabilities		**986**	**1,170**	**1,211**
Total equity and liabilities		**2,494**	**2,793**	**2,921**

CONSOLIDATED CASH FLOW STATEMENT

		3rd quarter		YTD		Year
(DKK million)	Notes	**2018/19**	2017/18	**2018/19**	2017/18	2017/18
Earnings for the period		15	26	79	28	81
Amortisation, depreciation and impairment losses		45	63	143	234	276
Adjustments for non-cash items	4	(21)	32	(30)	19	17
Change in receivables		220	107	(34)	(100)	(131)
Change in inventories		(85)	66	(150)	(38)	(13)
Change in trade payables etc		(149)	(226)	(93)	(58)	60
Cash flow from operations		25	68	(85)	85	290
Interest received and paid, net		(6)	(2)	(13)	(9)	(11)
Income tax paid		2	(4)	(4)	(11)	(31)
Cash flow from operating activities		**21**	**62**	**(102)**	**65**	**248**
Purchase of intangible non-current assets		(26)	(7)	(67)	(90)	(106)
Purchase of tangible non-current assets		(10)	(21)	(36)	(56)	(61)
Sales of tangible non-current assets		1	0	1	0	2
Change in financial receivables		1	0	1	1	2
Cash flow from investing activities		**(34)**	**(28)**	**(101)**	**(145)**	**(163)**
Free cash flow		**(13)**	**34**	**(203)**	**(80)**	**85**
Repayment of long-term loans		(72)	(2)	(78)	(7)	(9)
Purchase of own shares		(106)	0	(251)	0	0
Settlement of share options		0	0	(14)	0	0
Cash flow from financing activities		**(178)**	**(2)**	**(343)**	**(7)**	**(9)**
Change in cash and cash equivalents		**(191)**	**32**	**(546)**	**(87)**	**76**
Cash and cash equivalents, opening balance		800	960	1,155	1,079	1,079
Cash and cash equivalents, closing balance		**609**	**992**	**609**	**992**	**1,155**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Translation reserve	Reserve for Cash flow hedges	Retained earnings	Total
Equity 1 June 2018	**432**	**17**	**29**	**1,232**	**1,710**
Earnings for the year	-	-	-	79	79
Exchange rate adjustmente of investment in foreign subsidiaries	-	3	-	-	3
Change in fair value of derivative financial instruments used as cash flow hedges	-	-	(81)	-	(81)
Transfer to the income statement of fair value adjustments of derivate financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	-	-	(2)	-	(2)
Transfer to production costs	-	-	49	-	49
Income tax on items that will be reclassified to the income statement	-	-	8	-	8
Comprehensive income for the year	**-**	**3**	**(26)**	**79**	**56**
Share based payment	-	-	-	(7)	(7)
Acquisition of own shares	-	-	-	(251)	(251)
Equity 28 February 2019	**432**	**20**	**3**	**1,053**	**1,508**
Equity 1 June 2017	**432**	**19**	**(13)**	**1,148**	**1,586**
Earnings for the year	-	-	-	28	28
Exchange rate adjustmente of investment in foreign subsidiaries	-	(7)	-	-	(7)
Change in fair value of derivative financial instruments used as cash flow hedges	-	-	42	-	42
Transfer to the income statement of fair value adjustments of derivate financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	-	-	9	-	9
Transfer to production costs	-	-	(39)	-	(39)
Income tax on items that will be reclassified to the income statement	-	-	-	-	-
Comprehensive income for the year	**-**	**(7)**	**12**	**28**	**33**
Share based payment	-	-	-	4	4
Equity 28 February 2018	**432**	**12**	**(1)**	**1,180**	**1,623**

NOTES

1 Accounting principles

The interim report for the Bang & Olufsen group is prepared in accordance with IAS 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board and adopted by the EU and Danish disclosure requirements for interim financial reports by listed companies.

Except for the changes described below, the consolidated financial statements have been prepared consistent with the accounting policies for recognition and measurement as applied in the consolidated financial statements for the 2017/18 in note 1, 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, Bang & 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 changed 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 aluminum and 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.

New allocation model
Effective 1 December 2018, a new allocation model has been implemented in relation to the allocation of costs to functions. The changes are made as a results of the ongoing transformation of the business and distribution setup and results in the consolidated financial statements providing more reliable and relevant information on Bang & Olufsen's financial performance.

The implementation impacts the allocation between production costs, development costs, distribution and marketing cost and administration costs. The allocation has no impact on the operating result (EBIT).

For the implementation of the new allocation model the retrospective approach have been applied with no cumulative effects recognised in retained earnings as of 1 June 2017. The year to date and comparison periods have been restated.

RETROSPECTIVE ADJUSTMENTS OF CHANGES IN ACCOUNTING POLICIES COMPARED TO REPORTED RESULTS FOR 2017/18

(DKK million)	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	Year 2017/18	Q1 2018/19	Q2 2018/19
Production costs	(18)	(22)	(29)	(20)	(89)	(20)	(17)
Gross profit	**(18)**	**(22)**	**(29)**	**(20)**	**(89)**	**(20)**	**(17)**
Development costs	4	2	2	2	10	2	3
Distribution and marketing costs	8	14	20	11	53	13	16
Administration costs	5	6	6	8	25	4	(2)
EBIT	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross margin	3.0%	2.2%	3.3%	2.6%	2.7%	3.3%	1.9%

1 Accounting principles (continued)

IFRS 15 – Revenue from contracts with customers
IFRS 15 became effective 1 June 2018 and replaced IAS 11, IAS 18 and related interpretations. It applies to all revenue arising from contracts with customers, except 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 complied, in all material aspects, with the concepts and principles encompassed by IFRS 15.

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. Reclassifications are therefore not 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 applied the simplified approach as from 1 June 2018. The application of the new impairment model has 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 only have an insignificant 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

	3rd quarter		YTD		Year
(DKK million)	**2018/19**	2017/18	**2018/19**	2017/18	2017/18
Incurred development costs before capitalisation	67	63	194	244	298
Hereof capitalised	(21)	(13)	(55)	(94)	(106)
Incurred development costs after capitalisation	46	50	139	150	193
Capitalisation (%)	*31.9%*	*20.0%*	*28.3%*	*38.6%*	*35.5%*
Total charges and impairment losses on development projects	32	50	98	188	218
Development costs recognised in the consolidated income statement	**78**	**100**	**237**	**338**	**411**

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

	3rd quarter		YTD		Year
(DKK million)	**2018/19**	2017/18	**2018/19**	2017/18	2017/18
Change in other liabilities	(42)	(12)	(49)	(35)	(89)
Financial items, net	6	(1)	22	11	5
Gain/loss on sale of non-current assets	-	-	2	-	1
Tax on earnings for the year	9	24	24	28	36
Other adjustments	6	22	(30)	16	65
Total adjustments	**(21)**	**32**	**(30)**	**19**	**17**

5 Segment information

REVENUE BY REGIONS 2018/19

	3rd quarter			
(DKK million)	**2018/19**	2017/18	Reported change %	Local currency change %
EMEA	340	457	(26)	(26)
Amercias	51	67	(24)	(28)
Asia	272	287	(5)	(5)
Other	47	54	(13)	(16)
Revenue	**710**	**865**	**(18)**	**(19)**

GROSS MARGIN BY REGIONS 2017/18

(%)	**2018/19**	2017/18
EMEA	45.5%	41.9%
Amercias	44.6%	47.3%
Asia	47.2%	40.6%
Other	89.4%	83.3%
Gross margin	**49.2%**	**44.4%**

Notes:
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)

REVENUE BY CATEGORY

(DKK million)	3rd quarter 2018/19	3rd quarter 2017/18
Staged	226	345
Flexible Living	128	105
On-the-go	301	337
Other	55	78
Total revenue	**710**	**865**

REVENUE BY CHANNEL

(DKK million)	3rd quarter 2018/19	3rd quarter 2017/18
Monobrand	429	551
Multibrand	181	213
Own e-COM	7	10
Other	93	91
Total revenue	**710**	**865**

Notes:
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)

REVENUE BY REGIONS 2018/19

	YTD			
(DKK million)	**2018/19**	2017/18	Reported change %	Local currency change %
EMEA	1,168	1,323	(12)	(12)
Amercias	162	226	(28)	(30)
Asia	738	727	2	3
Other	152	180	(16)	(11)
Revenue	**2,220**	**2,456**	**(10)**	**(10)**

GROSS MARGIN BY REGIONS 2017/18

(%)	**2018/19**	2017/18
EMEA	46.0%	40.5%
Amercias	47.0%	42.4%
Asia	44.2%	40.0%
Other	90.1%	82.2%
Gross margin	**48.6%**	**43.6%**

Notes:
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)

REVENUE BY CATEGORY

(DKK million)	YTD 2018/19	2017/18
Staged	749	1,004
Flexible Living	353	307
On-the-go	936	950
Other	182	195
Total revenue	**2,220**	**2,456**

REVENUE BY CHANNEL

(DKK million)	YTD 2018/19	2017/18
Monobrand	1,349	1,453
Multibrand	570	720
Own e-COM	25	29
Other	276	254
Total revenue	**2,220**	**2,456**

Notes:
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

INCOME STATEMENT BY QUARTER 2018/19:

	2018/19			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**601**	**909**	**710**	
Production costs	(318)	(463)	(361)	
Gross profit	**283**	**446**	**349**	
Development costs	(80)	(79)	(78)	
Distribution and marketing costs	(189)	(239)	(207)	
Administration costs	(33)	(38)	(34)	
Other operating income	24	0	0	
Operating profit (EBIT)	**5**	**90**	**30**	
Financial income	2	2	2	
Financial expenses	(13)	(7)	(8)	
Earnings before tax (EBT)	**(6**	**85**	**24**	
Income tax	1	(16)	(9)	
Earnings for the year	**(5)**	**69**	**15**	

ACCUMULATED INCOME STATEMENT BY QUARTER 2018/19:

	2018/19			
(DKK million)	3M	6M	9M	12M
Revenue	**601**	**1,510**	**2,220**	
Production costs	(318)	(781)	(1,142)	
Gross profit	**289**	**729**	**1,078**	
Development costs	(80)	(159)	(237)	
Distribution and marketing costs	(189)	(428)	(635)	
Administration costs	(33)	(71)	(105)	
Other operating income	24	24	24	
Operating profit (EBIT)	**5**	**95**	**125**	
Financial income	2	4	6	
Financial expenses	(13)	(20)	(28)	
Earnings before tax (EBT)	**(6)**	**79**	**102**	
Income tax	1	(15)	(24)	
Earnings for the year	**(5)**	**64**	**79**	

APPENDIX 1

INCOME STATEMENT BY QUARTER 2017/18:

	2017/18			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**592**	**999**	**865**	**830**
Production costs	(338)	(566)	(481)	(467)
Gross profit	**254**	**433**	**384**	**363**
Development costs	(118)	(120)	(100)	(73)
Distribution and marketing costs	(170)	(215)	(202)	(201)
Administration costs	(30)	(33)	(32)	(34)
Other operating income	0	19	0	0
Operating profit (EBIT)	**(64)**	**84**	**50**	**55**
Financial income	1	1	2	13
Financial expenses	(7)	(7)	(2)	(7)
Earnings before tax (EBT)	**(70)**	**78**	**50**	**61**
Income tax	15	(20)	(24)	(8)
Earnings for the year	**(55)**	**58**	**26**	**53**

ACCUMULATED INCOME STATEMENT BY QUARTER 2017/18:

	2017/18			
(DKK million)	3M	6M	9M	12M
Revenue	**592**	**1,591**	**2,456**	**3,285**
Production costs	(338)	(904)	(1,385)	(1,852)
Gross profit	**254**	**687**	**1,071**	**1,433**
Development costs	(118)	(238)	(338)	(411)
Distribution and marketing costs	(170)	(385)	(588)	(789)
Administration costs	(30)	(64)	(96)	(130)
Other operating income	0	19	19	19
Operating profit (EBIT)	**(64)**	**19**	**68**	**122**
Financial income	1	1	3	13
Financial expenses	(6)	(12)	(14)	(18)
Earnings before tax (EBT)	**(69)**	**8**	**57**	**117**
Income tax	15	(5)	(28)	(36)
Earnings for the year	**(54)**	**3**	**29**	**81**

APPENDIX 2

REVENUE BY QUARTER 2018/19:

	2018/19			
(DKK million)	Q1	Q2	Q3	Q4
EMEA	289	539	340	
Americas	41	70	51	
Asia	221	245	272	
Other	50	55	47	
Total	**601**	**909**	**710**	

ACCUMULATED REVENUE BY QUARTER 2018/19:

	2018/19			
(DKK million)	3M	6M	9M	12M
EMEA	289	828	1,168	
Americas	41	111	162	
Asia	221	466	738	
Other	50	106	152	
Total	**601**	**1,510**	**2,220**	

REVENUE BY CATEGORY 2018/19:

	2018/19			
(DKK million)	Q1	Q2	Q3	Q4
Staged	210	313	226	
Flexible Living	67	158	128	
On-the-go	255	380	301	
Other	69	58	55	
Total	**601**	**909**	**710**	

ACCUMULATED REVENUE BY CATEGORY 2018/19:

	2018/19			
(DKK million)	3M	6M	9M	12M
Staged	210	523	749	
Flexible Living	67	225	353	
On-the-go	255	634	936	
Other	69	127	182	
Total	**601**	**1,510**	**2,220**	

REVENUE BY CHANNEL 2018/19:

	2018/19			
(DKK million)	Q1	Q2	Q3	Q4
Monobrand	351	569	429	
Multibrand	160	229	181	
Own eCom	6	12	7	
Other	84	99	93	
Total	**601**	**909**	**710**	

Notes:
Comparison numbers have been restated in accordance with the description in note 1.

ACCUMULATED REVENUE BY CHANNEL 2018/19:

	2018/19			
(DKK million)	3M	6M	9M	12M
Monobrand	351	920	1,349	
Multibrand	160	389	570	
Own eCom	6	18	25	
Other	84	183	276	
Total	**601**	**1,510**	**2,220**	

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 2

REVENUE BY QUARTER 2017/18:

(DKK million)	2017/18 Q1	Q2	Q3	Q4
EMEA	308	558	457	414
Americas	59	100	67	76
Asia	176	264	287	281
Other	49	77	54	59
Total	**592**	**999**	**865**	**830**

ACCUMULATED REVENUE BY QUARTER 2017/18:

(DKK million)	2017/18 3M	6M	9M	12M
EMEA	308	866	1,323	1,737
Americas	59	159	226	302
Asia	176	439	727	1,007
Other	49	126	180	240
Total	**592**	**1,591**	**2,456**	**3,285**

REVENUE BY CATEGORY 2017/18:

(DKK million)	2017/18 Q1	Q2	Q3	Q4
Staged	248	411	345	343
Flexible Living	78	124	105	88
On-the-go	216	397	337	327
Other	50	67	78	71
Total	**592**	**999**	**865**	**830**

ACCUMULATED REVENUE BY CATEGORY 2017/18:

(DKK million)	2017/18 3M	6M	9M	12M
Staged	248	659	1,004	1,347
Flexible Living	78	202	307	396
On-the-go	216	613	950	1,277
Other	50	117	195	266
Total	**592**	**1,591**	**2,456**	**3,285**

REVENUE BY CHANNEL 2017/18:

(DKK million)	2017/18 Q1	Q2	Q3	Q4
Monobrand	330	572	551	492
Multibrand	184	323	213	247
Own eCom	7	12	10	7
Other	71	92	91	83
Total	**592**	**999**	**865**	**830**

Notes:
Comparison numbers have been restated in accordance with the description in note 1.

ACCUMULATED REVENUE BY CHANNEL 2017/18

(DKK million)	2017/18 3M	6M	9M	12M
Monobrand	330	902	1,453	1,945
Multibrand	184	507	720	966
Own eCom	7	19	29	36
Other	71	164	254	337
Total	**592**	**1,591**	**2,456**	**3,285**

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

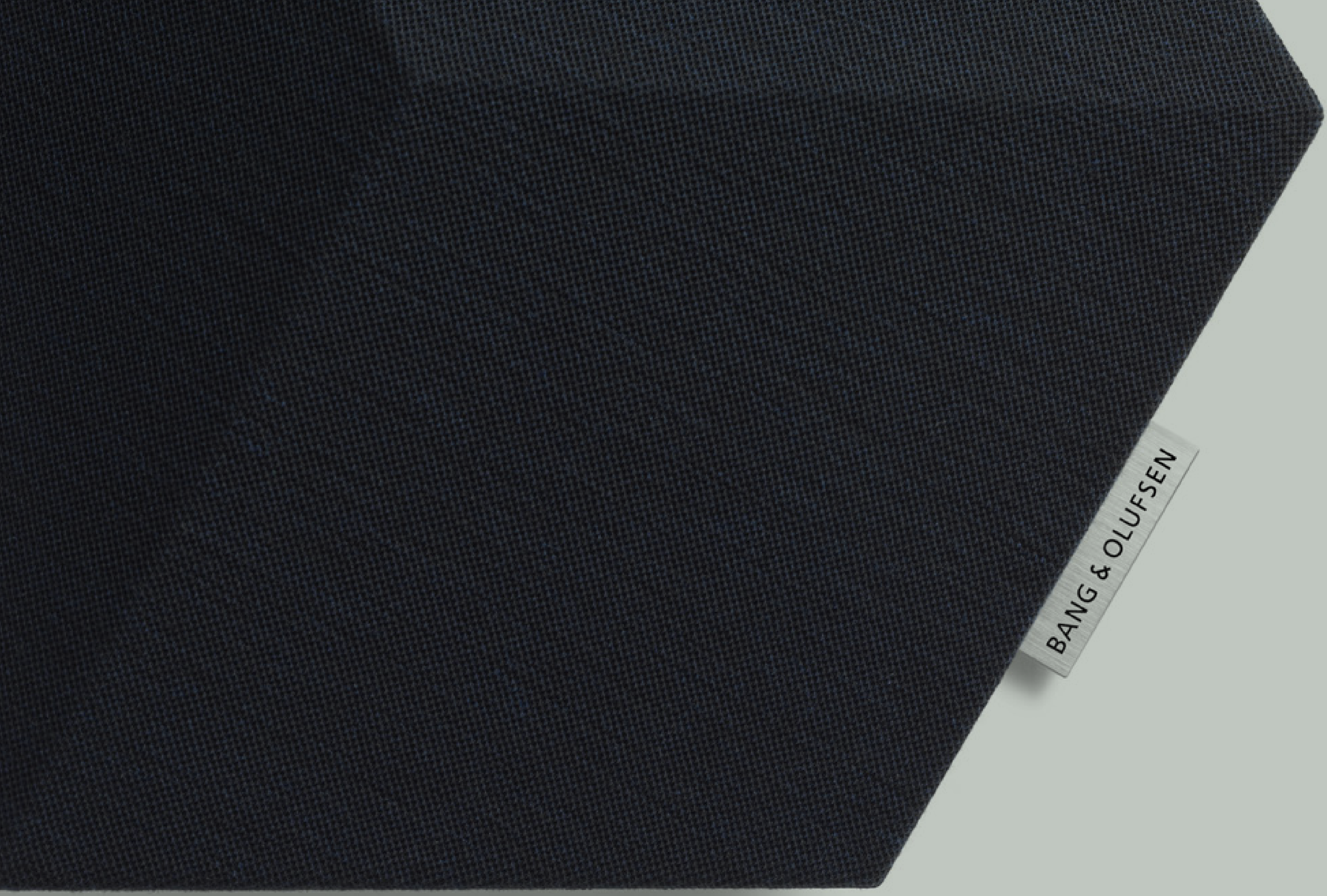
Financial statements

11 July 2019	Annual report 2018/19
4 October 2019	Interim report (1st quarter 2019/20)

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

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



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