

Bang & Olufsen enters into an Automotive brand license agreement and transfers its Automotive assets to HARMAN to focus on scaling the core consumer business based on the Bang & Olufsen and B&O PLAY brands

Highlights

- Bang & Olufsen enters into an Automotive brand license agreement and transfers its Automotive assets to HARMAN International Industries, Incorporated. The transaction will combine the strengths of the two companies and offer Bang & Olufsen the opportunity to accelerate the brand presence in the Automotive industry through the scale, technology and global footprint of HARMAN.
- The HARMAN transaction includes an upfront cash payment of approximately DKK 1,170 million, as well as future license payments containing minimum annual payments and a per unit license fee for a minimum of 20 years. The future variable payments for the first 20 years of the brand cooperation represent a significant license revenue opportunity for Bang & Olufsen potentially exceeding the upfront payment (see details of the transaction below).
- The agreement has been signed, but remains subject to certain closing conditions described below.
- Bang & Olufsen will focus on creating a strong consumer business based on the Bang & Olufsen and B&O PLAY brands with a strong focus on innovative consumer products and customer retail experiences.
- This consumer focus will be complemented by brand licensing partnerships within selected categories to further support the long-term brand building of the company and strengthen the financial performance.
- In connection with the strategic review, the Company has decided to divest non-core assets. An agreement regarding the sale of the minority stake (35 per cent) in Medicom has been signed and it has been decided to investigate the future ownership alternatives of ICEpower.
- Bang & Olufsen's Board of Directors will decide on the future capital structure of Bang & Olufsen in connection with the release of the Annual Report for 2014/15.

"Today's announcement is evidence of the strong brand value that Bang & Olufsen possesses. The transaction enables Bang & Olufsen to focus and strengthen the consumer business and reduce operational complexity.

HARMAN's position as the market leader in audio and infotainment solutions in the automotive market will be combined with the strengths of the Bang & Olufsen brands. Therefore we believe the transaction holds significant benefit for our Automotive customers, HARMAN's customers, as well as for both companies.

The partnership also creates the potential for a significant licensing revenue stream for Bang & Olufsen in the future. The strategic focus and the financial implications of the cooperation will allow Bang & Olufsen to continue to invest in product innovation, retail and brand marketing to realise the full potential of the consumer business", says CEO, Tue Manton.

Creating a strong, consumer focused business

Based on the results of the strategic review, the Board of Directors and Executive Management have decided to focus on creating a strong, consumer focused business based on the Bang & Olufsen and B&O PLAY brands, supplemented by selective licensing partnerships supportive of the brands.

The vision for the future consumer business is to further strengthen the position of Bang & Olufsen as a luxury brand, leveraging the new generation of Audio and Video products combining our unique design with our modern digital wireless platforms and strengthen the position of B&O PLAY as a premium brand for portable audio and headphones, based on superior design and acoustics.

Bang & Olufsen will further strengthen areas of core competencies within acoustics, design and craftsmanship, while continuing to focus on leveraging technology partnerships and platforms, and optimising the supply-chain and manufacturing footprint to reduce complexity and enable scale.

Transfer of the Automotive assets

Today, Bang & Olufsen a/s has signed a license agreement with HARMAN including a transfer of Bang & Olufsen's existing Automotive assets, whilst Bang & Olufsen retains the ownership of its core IP rights. Following the transfer of the existing Automotive assets, Bang & Olufsen will focus on building a strong, consumer focused business, while accelerating Bang & Olufsen's brand presence in the Automotive industry under HARMAN's leadership.

All Bang & Olufsen Automotive employees will be transferred to HARMAN to ensure the delivery of the level of unique innovation, visual design, and craftsmanship, which Bang & Olufsen is known for.

Following the closing of the transaction, HARMAN will hold an exclusive license to the Bang & Olufsen and B&O PLAY brands within the Automotive industry.

The transaction generates an upfront cash payment of approximately DKK 1,170 million, which includes DKK 75 million in a fixed pre-payment related to future license fees from sales to new customers.

Going forward, Bang & Olufsen will receive a per unit license payment from HARMAN for each system sold to new brand partners. Bang & Olufsen is guaranteed an annual minimum license fee of DKK 12.7 million for a duration of 20 years.

The future variable payments for the first 20 years of the brand cooperation represent a significant license revenue opportunity for Bang & Olufsen potentially exceeding the upfront payment.

After year 20:

- 1) In case Bang & Olufsen has received aggregate payments from HARMAN exceeding a threshold of DKK 3 billion during the 20 year period, Bang & Olufsen will thereafter receive a nominal marketing contribution per system sold.
- 2) If the aggregate payments do not exceed the threshold of DKK 3 billion, HARMAN has the option to:
 - a. Pay Bang & Olufsen the difference between the DKK 3 billion threshold and the aggregate payments Bang & Olufsen has received from HARMAN during the 20 year period, after which Bang & Olufsen will receive a nominal marketing contribution per system sold, or
 - b. Continue to pay license fees on the terms defined at year 20, until the DKK 3 billion threshold has been reached, after which Bang & Olufsen will receive a nominal marketing contribution per system sold.
- 3) In either case HARMAN may choose to cease any further payments, and return the rights to use the brands within the Automotive industry to Bang & Olufsen.

Closing conditions and indicative timeline

Closing of the transaction is subject to regulatory approval from the relevant competition authorities, consent from key contracting parties, and the non-occurrence of any material adverse changes to the financial position of the automotive business, and other customary closing conditions.

Until closing, Bang & Olufsen will continue to operate all Automotive activities, while a detailed transition plan will be agreed with HARMAN for the future. All Automotive

employees will be transferred from Bang & Olufsen to HARMAN at the time of closing and long-term agreements for the supply of key components including aluminum parts have been agreed between the parties.

Divestment of non-core assets

To further reduce complexity within Bang & Olufsen, and to ensure focus on the consumer business, the Company has decided to evaluate the future ownership of assets that are not considered core to the future consumer strategy of Bang & Olufsen.

Bang & Olufsen has signed an agreement to divest the minority stake (35 per cent) in Medicom to Maj Invest. As a result of the transaction, Bang & Olufsen expects to book a non-recurring gain of DKK 6.6 million before tax in the fourth quarter of the 2014/15 financial year. The cash flow effect of the divestiture is estimated to DKK 16 million. The transaction is subject to customary closing conditions.

In addition, the Company has decided to investigate the future ownership alternatives of ICEpower. ICEpower is the leader in the audio engineering market providing class D audio solutions to manufacturers of professional and consumer audio products. Approximately 10% of ICEpower's sales is to the Bang & Olufsen Group.

Continuing business

The consumer business will be structured around the luxury brand Bang & Olufsen and the premium brand B&O PLAY. The continuous investment in product innovation and branded customer experiences under the two brands will be complemented by a select number of brand enhancing licensing partnerships. The recently announced partnership with Hewlett-Packard is an example of such a licensing partnership providing an attractive brand building opportunity for Bang & Olufsen and B&O PLAY in addition to an attractive licensing revenue stream.

Following the closing of the Automotive transaction and the decision to divest non-core assets, Bang & Olufsen's continuing business will comprise the AV and B&O PLAY segments.

The historical revenue and estimated earnings before interest and tax for the first nine months of the 2014/15 financial year and comparison figures from the 2013/14 financial year are detailed in Appendix 1.

In addition to the recently announced restructuring activities and related cost reduction measures (see Company Announcement 14.25 from 12 March 2015) further cost reduction measures such as footprint optimisation, streamlining of supply-

chain related areas and reduction in service and support functions will be implemented in the current financial year and in 2015/16 to mitigate costs for shared functions which are currently allocated to Automotive.

The outlook for the 2014/15 financial year remains unchanged compared to the outlook previously given (see Company Announcement 14.25 from 12 March 2015). According to IFRS, Automotive and ICEpower will be reclassified as a discontinued business in the Annual Report for the 2014/15 financial year. The guidance for the continuing business can be further specified as follows.

The continuing business is expected to show high single digit revenue growth for the 2014/15 financial year. Estimated earnings before interest and tax for the continuing business are expected to be negative DKK 230–260 million for the 2014/15 financial year. This Estimated EBIT assumes a positive EBIT from the continuing business in the fourth quarter. This guidance does not include costs related to the restructuring announced 12 March 2015 (see Company Announcement 14.25 from 12 March 2015), potential impairments, and costs for shared functions which are currently allocated to Automotive and gains from the Automotive transaction.

Use of proceeds and future capital structure

The Board of Directors will seek to maximise shareholder value by creating a strong capital base to support the new consumer focused strategy. The proceeds from the transaction are expected to be partly used to reduce the Company's bank facilities. The future capital structure will be communicated in connection with the announcement of the full year results for 2014/15.

Webcast

A webcast will be hosted on 31 March 2015 at 1:30 pm CET. Access to the webcast is obtained through the website www.bang-olufsen.com.

Ole G. Andersen
Chairman

Tue Manton
President and CEO

For further information, please contact:

Investors: Claus Højmark Jensen, tel.: +45 2325 1067

Press: Jan Helleskov, tel.: +45 5164 5375

Appendix 1

(DKK million)	3rd quarter			Year to Date Q3		
	2014/15	2013/14	Change, %	2014/15	2013/14	Change, %
Revenue by segment						
Continuing Business						
AV	457	406	13	1.217	1.149	6
B&O PLAY	172	122	41	412	408	1
Total continuing business	629	528	19	1.629	1.557	5
Discontinued Business						
Automotive	128	129	(1)	406	444	(9)
ICEpower	24	23	4	69	75	(8)
Total discontinued business	152	152	(0)	475	519	(9)
Elimination of internal revenue	(2)	(3)	-	(6)	(9)	-
Exchange rate adjustments	20	(2)	-	32	(3)	-
Revenue Group	800	675	19	2.130	2.063	3
Estimated EBIT by segment*						
Continuing Business	-	-	-	(280) - (260)	(140) - (120)	-
Automotive	-	-	-	15 - 35	40 - 60	-
ICEpower	-	-	-	10 - 15	15 - 20	-
EBIT Group	(20) - 0	(28)	-	(244) - (224)	(61)	-

* I) Ranges in Estimated EBIT relate to the indirect cost allocation and highly integrated, complex processes between the segments. II) The Estimated EBIT figures are not in accordance with IFRS as costs for shared functions are currently allocated to Automotive based on historical allocations. A part of these will be reclassified from discontinued business to continuing business in accordance with IFRS 5 in the Annual Report for the 2014/15 financial year.

About Harman International

HARMAN (www.harman.com) designs, manufactures and markets premier audio, visual, infotainment and enterprise automation solutions for the automotive, consumer and professional markets. With leading brands including AKG®, Harman Kardon®, Infinity®, JBL®, Lexicon®, Mark Levinson® and Revel®, the company is admired by audiophiles, musicians and the entertainment venues where they perform. More than 25 million automobiles on the road today are equipped with HARMAN audio and infotainment systems. HARMAN has a workforce of approximately 17,600 people across the Americas, Europe, and Asia and reported sales of USD 5.9 billion for the 12 months ended December 31, 2014. The company's shares are traded on the New York Stock Exchange under the symbol NYSE:HAR.

Disclaimer

Certain statements in this announcement are forward-looking statements which are based on the company's expectations, intentions and projections regarding the future

performance of the company. These forward-looking statements involve risks, and uncertainties that could cause the actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which the company's business operates to differ materially from the impression created by the forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Bang & Olufsen undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.