INTERIM REPORT
Q3 2019/20

1 DECEMBER 2019 – 29 FEBRUARY 2020

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BANG & OLUFSEN

Q3 HIGHLIGHTS

Financial highlights Q3 2019/20
Revenue was DKK 613m, corresponding to a decline of 13.6% compared to last year (-14% in local currencies). In total, new product launches supported revenue with approx. 20%. Furthermore, COVID-19 impacted sales negatively in the last part of the quarter in China.

The gross margin was 43.9%, down by 5.3pp and 2.7pp excluding the effect of currency hedges. The decline was primarily related to sales of end-of-life products at lower prices and higher logistics costs.

EBIT was DKK -1m (DKK 30m) equivalent to a margin of -0.3% (4.2%), impacted by lower revenue and gross margin, partly offset by lower capacity costs. Excluding special items, relating to consultancy services amounting to DKK 3m, EBIT margin was 0.3%.

Free cash flow in the quarter was DKK 39m, driven by positive EBITDA and a strong focus on net working capital development.

Earnings before tax was DKK -3m (DKK 24m). Earnings for the period were a loss of DKK 275m (profit of DKK 15m), which was impacted negatively by an impairment charge related to the deferred tax asset totalling DKK 265m.

The cash position was DKK 327m by the end of the quarter.

Follow-up on strategic initiatives
The company launched the planned products in Q3. The company's supply of products was only marginally impacted in Q3 as a result of COVID-19.

The company sees a higher sales potential from product launched in Q2 and have implemented initiatives to improve sell-out.

Store openings and upgrades of in-store presence picked up in Q3.

Available sell-out data from European monobrand stores increased to 52% (44% end of Q2). Furthermore, data from monobrand stores in North America and Hong Kong have been validated, representing 60% and 100% of these regions respectively.

The company has launched a cost reduction programme with a target of reducing costs by DKK 175m annually, when fully implemented in 2021/22. A large part of the cost reduction is expected to be realised in 2020/21, while the programme is not expected to yield any significant cost savings in the financial year 2019/20 ending 31 May 2020. The company expects to make a provision for restructuring costs, amounting to approx. DKK 30m, of which DKK 3m was included in Q3.

Outlook
The outlook is unchanged compared to what was published in company announcement 19.19 on 13 March 2020.

- Revenue growth (local currencies): Decline by 20-29%
- EBIT margin (excluding special items): Minus 10-15%
- Free cash flow: Negative DKK 200-350m

The outlook has higher uncertainties due to the outbreak of COVID-19.

The company have decided to postpone the Capital Markets Day originally planned for 3 April 2020. The company will instead provide an update on the 2020/21 key strategic priorities and a strategic direction for the future on the webcast, which the company will host on 2 April 2020 at 10:00 CET.

The webcast can be accessed through our website, https://investor.bang-olufsen.com

REVENUE, DKK MILLION	GROWTH IN LOCAL CURRENCIES	EBIT MARGIN, BEFORE SPECIAL ITEMS	FREE CASH FLOW, DKK MILLION
613	(14)%	0.3%	39

FINANCIAL HIGHLIGHTS

(DKK million)	3rd quarter 2019/20	3rd quarter 2018/19	YTD 2019/20	YTD 2018/19
Income statement:				
Revenue	613	710	1,659	2,220
EMEA	315	337	806	1,161
Americas	37	50	107	161
Asia	193	269	550	733
Brand Partnering & Other Activities	68	54	196	165
Gross margin, %	43.9	49.2	41.6	48.6
EMEA, %	37.2	45.4	36.3	45.7
Americas, %	40.9	44.0	38.4	46.0
Asia, %	36.4	45.9	30.6	43.7
Brand Partnering & Other Activities, %	98.5	92.5	95.9	92.2
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	22	53	(115)	213
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	42	75	(54)	268
EBIT before special items*	2	30	(189)	125
Special items, net*	(3)	-	(18)	-
Earnings before interest and tax (EBIT)	(1)	30	(207)	125
Financial items, net	(2)	(6)	(7)	(22)
Earnings before tax (EBT)	(3)	24	(214)	103
Earnings for the year	(275)	15	(441)	79
Financial position:				
Total assets	2,030	2,494	2,030	2,494
Share capital	432	432	432	432
Equity	967	1,508	967	1,508
Cash	327	609	327	609
Net interest-bearing deposit**	102	517	102	517
Net working capital	366	400	366	400

(DKK million)	3rd quarter 2019/20	3rd quarter 2018/19	YTD 2019/20	YTD 2018/19
Cash flow:				
– from operating activities	91	21	(26)	(102)
– from investment activities	(52)	(34)	(109)	(101)
Free cash flow	39	(13)	(135)	(203)
– from financing activities	(10)	(178)	(30)	(343)
Cash flow for the period	29	(191)	(165)	(546)
Key figures:				
Growth local currencies	(14)	(19)	(26)	(10)
Gross margin	43.9	49.2	41.6	48.6
EBITDA-margin, %	6.8	10.5	(3.2)	12.1
EBIT-margin before special items, %*	0.3	4.2	(11.4)	5.6
EBIT-margin, %	(0.3)	4.2	(12.5)	5.6
Return on assets, %***	(7.7)	3.2	(7.7)	3.2
Return on invested capital, excl. Goodwill, %***	(18.9)	(6.0)	(18.9)	6.0
Return on equity, %***	(14.3)	5.2	(14.3)	5.2
Full time employees at the end of the period	919	937	919	937
Stock related key figures:				
Earnings per share (EPS), DKK	(6.7)	0.4	(10.8)	1.9
Earnings per share, diluted (EPS-D), DKK	(6.7)	0.4	(10.7)	1.9
Price/Earnings	(4.9)	249.5	(3.1)	49.0
Revenue per share, DKK	15.0	17.3	40.6	54.0
Revenue per share, diluted, DKK	14.9	17.2	40.2	53.9

For definitions, refer to section 7.7 in the Annual Report 2018/19

* The adjusted EBIT figure is used in order to become comparable YOY eliminating special items as defined in Note 6.

** Impacted negatively by lease liabilities of DKK 183 million end of Q3 2019/20 due to the implementation of IFRS 16.

*** The key figure has been adjusted by the impairment of the deferred tax asset.

MANAGEMENT REPORT FOR Q3

Revenue was DKK 613m equivalent to a decline of 14% in local currencies. The EBIT margin before special items was 0.3%, while free cash flow was DKK 39m among others driven by continued improvements of net working capital. In March, the company announced a cost reduction programme with a targeted annual savings of DKK 175m, when fully implemented in 2021/22.

Revenue

Revenue was DKK 613m equivalent to a decline of 13.6% and 14% in local currencies. The revenue decline was related to product sales, which fell by 17%, whereas revenue from Brand Partnering & Other Activities increased by 27%.

Revenue was overall as expected for the quarter. The COVID-19 pandemic started in China, which had a negative impact on revenue in the last part of the quarter as in-store traffic declined. However, online sales and business-to-business activities performed as expected. COVID-19 only had a marginal effect on the company's supply of products in Q3.

Compared to last year, all three regions declined. Western Europe (part of EMEA) delivered revenue in-line with last year, whereas the remaining part of EMEA saw the revenue decline as expected.

Across distribution channels, the decline was primarily related to the multibrand channel. The company's own e-commerce platform delivered a solid growth, which was seen across all product categories, with Beosound Stage being the first product in the Staged category available for online purchase. This sales increase was generally driven by increased traffic and continuous optimization of the platform, which has improved performance and conversion. Furthermore, issues with unauthorized sales has decreased since last year, which has improved the price stability online.

Staged category

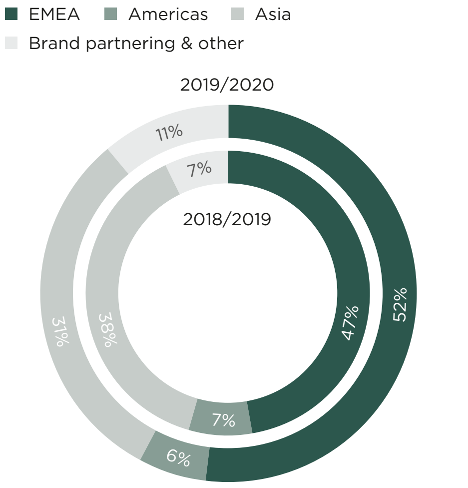
Revenue increased by 2% to DKK 227m. The increase was related to both Asia and Americas, whereas EMEA showed a small decline.

Revenue was supported by Beovision Harmony and Beosound Stage, both launched in Q2, whereas other TV's and speakers declined, which was in-line with expectations. Sell-out to consumers of the newly launched Beovision Harmony has not met expectations. In February, the company has launched new sales initiatives with more product-focused marketing.

Flexible Living category

Revenue fell by 4% to DKK 122m, which was mainly related to declining sales of Beosound Edge as well as Beosound 1 and 2. The decline was partly offset by launch of Beosound Balance, which was sold into stores in February for the official launch on 5 March. In total, revenue from Beosound Balance amounted to DKK 13m. Furthermore, revenue was im-

REVENUE PER SEGMENT (%)



pacted by a large business-to-business deal on Beoplay A9.

On-the-go category

Revenue was down by 36% to DKK 196m. The decline was seen within Bluetooth speakers, headphones and earphones.

Revenue from earphones declined by 31%, despite being impacted positively by the launch of the third generation Beoplay E8 in January. Headphones and Bluetooth speakers declined by 44% and 29% respectively, caused by a drop in sales in the multibrand channel.

Gross profit

Gross profit was DKK 269m (DKK 349m) equivalent to a gross margin of 43.9% (49.2%). Excluding the effect of currency hedges, gross margin declined by 2.7pp.

All product categories saw a decline in gross profit. The decline in the On-the-go category was especially impacted by sales of end-of-life products in the quarter. Furthermore, COVID-19 impacted logistics costs negatively in and out of China and increased airfreight rates resulting in lower gross margin in the quarter. Brand Partnering & Other Activities delivered a higher gross margin due to growth in licensing income.

Capacity costs

Capacity costs were DKK 270m (DKK 319m), corresponding to a decrease of 16%. The decline was primarily related to lower spending in marketing, as the company has prioritized upgrading in-store fixtures, which have been capitalised.

Development costs declined by DKK 18m to DKK 60m. The decline was primarily related to lower amortizations. The incurred development costs declined by 9m, which was mainly due to timing of development costs.

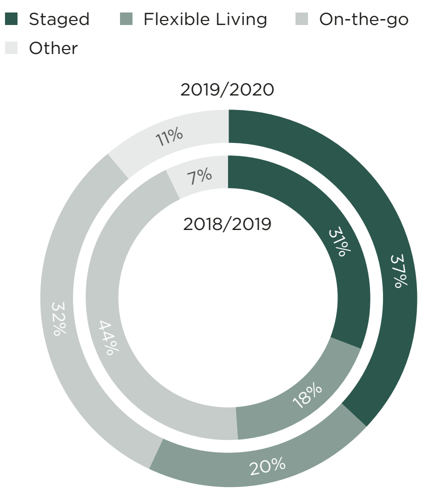
Administration costs were DKK 37m (DKK 34m). Overall, the company saw savings within salaries offset by higher advisory costs relating to the ongoing transformation of the company. Furthermore, the costs included special items, totalling DKK 3m related to consultancy services, supporting the cost reduction programme initiated in December 2019.

EBIT

EBIT was DKK -1m (DKK 30m) equivalent to an EBIT margin of -0.3% (4.2%).

Gross margin	Q3 2019/20	Q3 2018/19	YTD 2019/20	YTD 2018/19
Staged	47.7%	51.8%	45.8%	50.3%
Flexible Living	49.9%	52.3%	46.9%	49.7%
On-the-go	16.8%	38.1%	17.8%	39.2%
Brand Partnering & Other Activities	98.5%	92.5%	95.9%	92.2%
Total	**43.9%**	**49.2%**	**41.6%**	**48.6%**

REVENUE PER CATEGORY (%)



The development in the margin reflects the decline in revenue combined with lower gross margin, partly offset by lower capacity costs. Excluding special items, EBIT margin was 0.3% (4.2%).

Financial items
Net financial items were DKK -2m against DKK -6m last year.

Earnings
Earnings before tax were a loss of DKK 3m (profit of DKK 24m).

Income tax was DKK -272m (DKK 9m) impacted by an impairment charge following a reassessment of expected future taxable income. A full description can be found under the section Recovery of deferred tax assets.

Earnings for the period were a loss of DKK 275m (profit of DKK 15m).

Cash flow
Free cash flow was DKK 39m compared to DKK -13m last year. The improvement was driven by net working capital improvements. Free cash flow was positively impacted by IFRS 16 with DKK 9m.

Cash flow from operating activities was DKK 91m supported by changes in net working capital and EBITDA.

Cash flow from investing activities was DKK -52m. Investments were primarily related to the development of new products and technology platforms as well as investment into in-store fixtures, primarily in multibrand channels.

Cash flow from financing activities was DKK -10m (DKK -178m). Last year, cash flow was impacted by the share buyback programme. This year, repayment of lease liabilities in accordance with IFRS 16 impacted the cash flow negatively by DKK 9m.

Net working capital
Net working capital amounted to DKK 366m, which was a decrease of DKK 34m in Q3.

Trade receivables declined by DKK 22m, which was due to normal seasonality, but also driven by lower activity. Extended credit increased from 7% to 10% of revenue in the quarter, which primarily was related to display units on Beovision Harmony 65'', the launch of the Contrast Collection and Beosound Balance.

Trade payables decreased by DKK 44m and the continued focus on reducing the company's inventory resulted in a further inventory decline of DKK 69m. Other liabilities declined primarily driven by severance payments.

Equity
Equity was DKK 967m. Equity declined by DKK 275m in Q3, driven by the result for the quarter.

Net interest-bearing deposits
Net interest-bearing deposits amounted to DKK 102m compared to DKK 42m in Q2 2019/20. The increase was mainly related to the positive development in the free cash flow and an updated definition including the subleased right of use assets (DKK 28m).

Adjusting for capitalised lease liabilities according to IFRS 16, net interest-bearing deposits was DKK 285m (DKK 517m) and the cash position at the end of Q3 was DKK 327m (DKK 609m).

Recovery of deferred tax assets

The company has previously fully capitalized tax loss carry forwards for the Danish Group on the company's balance sheet.

Based on the company's strategy work, management has revisited the carrying value of the tax asset and decided to take a more conservative approach, and limit the evaluation period to three years. Management has therefore decided to include an impairment charge on the tax asset totalling DKK 265m, which has impacted the tax recognized in the income statement. This was a non-monetary event.

Financial Performance 2019/20 YTD

Revenue amounted to DKK 1,659m to a decline of 26% in local currencies. The revenue decline was related to product sales, whereas revenue from Brand Partnering increased. Across distribution channels, the decline was primarily related to multibrand stores, while the company's own e-commerce platform delivered growth. Revenue was adversely impacted by short-term activities to support sell-out and reduction of retail inventory, including sell-out allowances.

The gross margin was 41.6% (48.6%), equivalent to a decline of 7.0pp compared to last year. The development was driven by selling of end-of-life products, sell-out allowances and a provision for component liabilities. Moreover, allocation of production-related capacity costs to cost of goods sold accounted for a relatively higher share as revenue declined.

Capacity costs amounted to DKK 896m (DKK 978m). The decline was primarily related to lower distribution and marketing costs. The marketing was impacted both by the divestment of company-owned stores in China and a focus on in-store upgrades, (where part of the costs are capitalised).

Administration costs were adversely impacted by special items amounting to DKK 18m relating to severance costs and expenses for consultancy services regarding to the cost reduction programme.

EBIT was DKK -207m (DKK 125m) equivalent to a margin of -12.5% (5.6%). Excluding special items, EBIT margin was -11.4%.

Earnings before tax for the period were a loss of DKK 214m (profit of DKK 103m), while earnings for the period were a loss of DKK 441m (profit of DKK 79m). The latter was impacted by the impairment of the deferred tax asset.

Free cash flow was DKK -135m (DKK -203m), negatively impacted by the development in EBITDA, whereas net working capital had a positive impact of DKK 44m.

PROGRESS ON KEY STRATEGIC PRIORITIES FOR 2019/20

In Q3 2019/20 the company launched and upgraded products, upgraded more stores within both mono- and multibrand

Products launched in Q3 as planned
The new Flexible Living speaker, Beosound Balance, was formally launched on 5 March 2020 and sold into stores in February 2020. Beosound Balance is the first product based on the company's new software platform. Furthermore, the third generation of the Beoplay E8 earphone was launched in January, initially launched in the Greater China Region, where the company has a strong position. The company launched two collections of a range of products namely a global launch of the Contrast Collection and the Stardust Collection for selected Asian countries to celebrate the Chinese New Year.

Due to the COVID-19 outbreak, the launch plan for new products has been slightly delayed. However, in Q4, the company still expects to launch one new On-the-go product as well as new models within the Staged and On-the-go categories, although some uncertainty remains.

Distribution development
During Q3, the net number of monobrand stores declined by six. In EMEA, 13 monobrand stores were closed and five opened. In Asia, two monobrand stores were opened in Australia and Japan.

The number of multibrand points of sale increased by net 13 of which eight was in EMEA and five in Asia.

A total of 113 stores were opened or upgraded during Q3, bringing the total number for the first nine months of the financial year to 276. The largest part of the upgrades was within EMEA with a total of 44 openings and upgrades. In Asia, the plan for roll-out of branded

	Q2 2019/20	Q3 2019/20	Q4 2019/20
New products	• Beovision Harmony 77" • Beosound Stage	• Beosound Balance 5 March 2020 (sell-in to partners)	• On-the-go
Upgrades, models and variants	• Beovision Harmony 65" • Beoplay H4 2nd gen • Autumn/Winter colour collection	• Beoplay E8 3rd gen • Contrast collection • Stardust collection	• Staged • On-the-go

Points of sale

	Monobrand		Multibrand	
	End Q3 19/20	End Q2 19/20	End Q3 19/20	End Q2 19/20
EMEA	373	381	1,907	1,899
Americas	25	25	546	546
Asia	97	95	1,279	1,274
Total	**495**	**501**	**3,732**	**3,719**

spaces was impacted negatively by COVID-19, but the company did achieve to upgrade 55 stores in China in Q3.

In Denmark, the company has taken over the monobrand store in Copenhagen Airport and is in the process of moving it to a location with higher traffic. Furthermore, the flagship store in SoHo New York had a soft opening the first weekend of March. The grand opening has, however, been postponed due to COVID-19.

Improved insights into sell-out performance

The company continued to improve sell-out insight at product level in Q3. Currently, 52% of revenue from European monobrand stores are validated for sell-out analysis purposes compared to 44% in Q2. In addition, the company also has sell-out from North America and Hong Kong representing 60% and 100% of these markets respectively. All in all, the development in sell-out data is progressing as planned.

The ambition to align sell-in and sell-out continues to be a focus. In Q3, sell-out was at the same level as sell-in. Monobrand partners have built up their inventory of new products; Beoplay E8 3rd generation, Beosound Balance and the Contrast collection, whereas inventory on remaining products overall decreased.

Q3	EMEA	Americas	Asia	**Total**
Openings	16		7	23
Relocations	2			2
Upgrades	26		62	88
Total, Q3	**44**	**0**	**69**	**113**
Total, YTD	**125**	**5**	**148**	**276**

EMEA

Revenue Q3 2019/20
Revenue was DKK 315m, equivalent to a decline of 6.6% (-9% in local currency).

Revenue from Western Europe was in-line with last year, whereas revenue in the remaining region declined. This was to a large extent as expected.

Revenue was only slightly below last year, and the decline was thus primarily seen in multibrand stores. Revenue from the company's own e-commerce platform more than doubled in Q3 compared to last year.

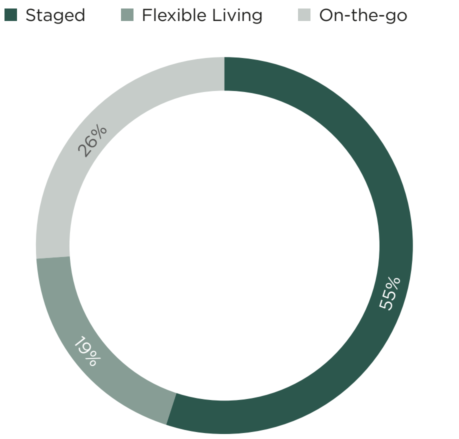
Staged category
Revenue was in-line with last year, supported by Beovision Harmony and Beosound Stage, but offset by lower revenue from other TV's and speakers. The company has taken steps to improve sell-out of newly launched products through i.e. more product-marketing in key markets in EMEA.

Flexible Living category
Revenue was down by 8%. The decline was primarily related to Beosound Edge, launched in Q2 last year with a high sell-in at the time. However, this was partly offset by the launch of Beosound Balance as well as higher sales of Beoplay A9, which was impacted by business-to-business activity and the sell-in revenue for our launch of Beosound Balance.

On-the-go category
Revenue decreased by 17%, which was primarily related to headphones. Last year was impacted by high sell-in of Beoplay H9i and H4. Revenue from Earphone category was supported by the launch of Beoplay E8 3rd generation.

Gross profit
Gross profit amounted to DKK 117m, equivalent to a gross margin of 37.2% (45.4%), which was 8.2pp lower than last year. The margin was impacted by sales to a partner of end-of-life products at lower prices.

EMEA



Note: Excluding unallocated revenue

(DKK million)	Q3 2019/20	Q3 2018/19	Change	YTD 2019/20	YTD 2018/19	Change
Revenue	315	337	(6.6%)	806	1,161	(30.6%)
Growth local currency	(9%)			(33%)		
Gross profit	117	153		292	530	
Gross margin	37.2%	45.4%		36.3%	45.7%	

AMERICAS

Revenue
Revenue was DKK 37m corresponding to a 26.5% decline (-28% in local currency).

The decline was primarily seen in multi-brand, whereas the company's own e-commerce platform grew by more than 20%.

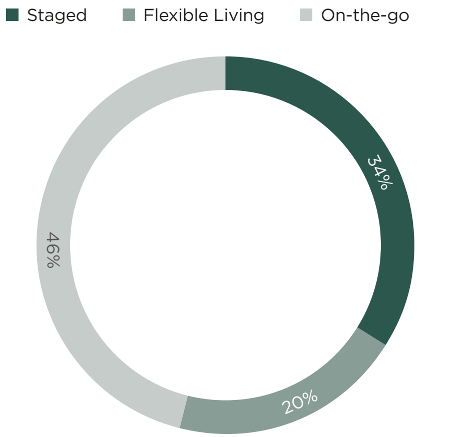
Staged category
Revenue grew by 30%, supported by Beovision Harmony and Beosound Stage launched in Q2 partly offset by lower revenue from other TV's and speakers. Sell-out of Beosound Stage has seen a positive performance through Amazon in Q3.

Flexible Living category
Revenue was down by 34%, primarily related to lower sales of Beosound 1 and 2 as well as Beosound Edge, whereas Beoplay A9 continued to deliver growth. The growth in A9 sales was among other things impacted by higher sales through Amazon.

On-the-go category
Revenue decreased by 49%, which was primarily related to lower sales of headphones and earphones. Revenue from On-the-go has been impacted by reduced presence in multibrand stores compared to last year. Price instability resulting from unauthorised sales has decreased in Q3.

Gross profit
Gross profit amounted to DKK 15m equivalent to a gross margin of 40.9% (44%), which is 3.1pp lower than last year. Overall, the changed product mix improved the margin, but last year was lifted by a one-off adjustment.

AMERICAS



Note: Excluding unallocated revenue

(DKK million)	**Q3 2019/20**	Q3 2018/19	Change	**YTD 2019/20**	YTD 2018/19	Change
Revenue	37	50	(26.5%)	107	161	(33.7%)
Growth local currency	(28%)			(34%)		
Gross profit	15	22		41	74	
Gross margin	40.9%	44.0%		38.4%	46.0%	

ASIA

Revenue

Revenue was DKK 193m corresponding to a decline of 28.4% (-26% in local currency).

Revenue in Asia was negatively impacted by the outbreak of COVID-19 in the last part of the quarter, although online sales and business-to-business performed as expected. Revenue last year was impacted by a high level of sell-in to new mono-brand partners in China.

Staged category

Revenue from the Staged category increased by 15%, supported by Beovision Harmony and Beosound Stage partly offset by lower revenue from other TV's as well as speakers.

Flexible Living category

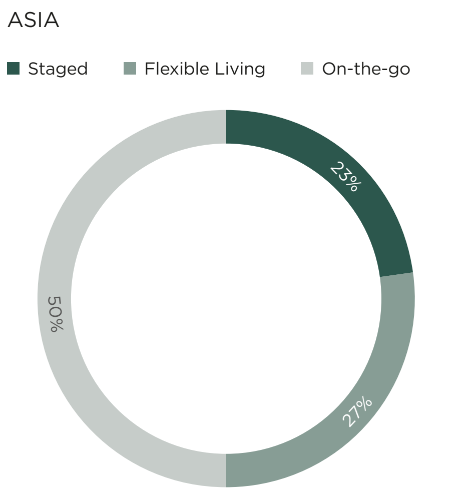
Revenue was up by 11%, primarily related to Beoplay A9, which was driven by a large business-to-business order.

On-the-go category

Revenue declined by 41%, primarily related to earphones with lower revenue from Beoplay E6 and E8. Beoplay E8 was positively impacted by the launch of E8 3rd generation, but offset by high sell-in of E8 1.0 last year.

Gross profit

Gross profit was down by 44% (45.9%) and amounted to DKK 70m, equivalent to a gross margin of 36.4%, which was 9.5pp lower than Q3 last year.



Note: Excluding unallocated revenue

(DKK million)	Q3 2019/20	Q3 2018/19	Change	YTD 2019/20	YTD 2018/19	Change
Revenue	193	270	(28.4%)	550	734	(24.9%)
Growth local currency	(26%)			(22%)		
Gross profit	70	124		168	321	
Gross margin	36.4%	45.9%		30.6%	43.7%	

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

Revenue grew by 26.9% (27% in local currency) to DKK 68m.

The growth was driven by higher revenue from Brand Partnering, whereas revenue from aluminium components produced for third parties was slightly lower than Q3 last year.

Gross profit

Gross profit amounted to DKK 67m, up by 6.0% and equivalent to a gross margin of 98.5%, which was 6.0pp higher than last year. The improved margin was due to the growth in revenue from licencing income.

(DKK million)	Q3 2019/20	Q3 2018/19	Change	YTD 2019/20	YTD 2018/19	Change
Revenue	68	53	26.9%	196	164	18.9%
Growth local currency	27%			19%		
Gross profit	67	49		188	152	
Gross margin	98.5%	92.5%		95.9%	92.2%	

KEY EVENTS

January 2020

COLLABORATION WITH 1017 ALYX 9SM

Together with Milan based fashion house 1017 ALYX 9SM, Bang & Olufsen launched a limited-edition Beoplay E8 Motion in black with both B&O and 1017 ALYX 9SM logo on the earbuds and the leather charging case.

January 2020

LAUNCH OF BEOPLAY E8 3RD GEN

Beoplay E8 3rd generation addresses consumer demand for enhanced comfort, better call clarity and longer battery life. The size has been reduced by 17% providing a better fit, and the number of microphones has been doubled to ensure that voice is delivered seamlessly, while suppressing noise from the surroundings. Moreover, battery life has been improved by 119%.

January 2020

LAUNCH OF CONTRAST COLLECTION

The Contrast Collection is a limited eight-piece collection created in collaboration with Danish design studio Norm Architects. The Contrast Collection consists of eight speakers and wireless headphones: Beoplay A1, Beoplay H9, Beoplay A9, Beosound Stage, Beosound Shape, Beosound Edge, Beosound 1 and Beosound 2.

KEY EVENTS

January 2020

WEBSITE SHORTLISTED FOR 2020 ONE SHOW AWARDS

Bang & Olufsen's website has been shortlisted in two disciplines at the 2020 One Show Awards – in the "Digital Craft discipline" and the "Interactive & Online discipline".

February 2020

TAKEOVER OF B&O STORE IN COPENHAGEN AIRPORT

Bang & Olufsen has taken over the strategically important store in Copenhagen Airport, which is used by 30 million passengers yearly. The store will also give the flexibility of testing future store concepts and designs.

February 2020

IF DESIGN AWARD FOR MACH-E CAR AUDIO SYSTEM

Bang & Olufsen won an iF Design Award for the car audio system in the all-new Ford Mustang Mach-E, together with Ford and HARMAN. The instrument panel design is characterized by being fully integrated into the interior, instead of being separate design elements.

March 2020

LAUNCH OF BEOSOUND BALANCE

Beosound Balance is a new Flexible Living multiroom speaker and is designed in collaboration with Benjamin Hubert from the British industrial design studio LAYER. It is an interior-first and shelf-friendly speaker that does not compromise on the sound experience in large living spaces. It supports Google Chromecast, Apple Airplay2 and Spotify Connect as well as Google Assistant and Amazon Alexa.

OUTLOOK FOR 2019/20

The company's outlook is unchanged compared to the adjusted outlook published on 13 March 2020. The company expects revenue to decline by 20-29% in local currencies, a negative EBIT margin before special items of 10-15% and negative free cash flow between DKK 200-350m.

Revenue
Revenue expected to decline by 20-29% at local currencies compared to the financial year 2018/19.

Revenue for the remaining part of 2019/20 is expected to be significantly impacted by the COVID-19. It is difficult to assess how COVID-19 will be impacting regions and countries for the remaining part of the financial year. Reference is made to note 2.1 of the company's 2018/19 annual report, where the company's largest geographies are presented.

The revenue expectations are based on certain sales and marketing initiatives. Due to the uncertainty regarding the duration of the COVID-19 outbreak across countries, and the impact this will have on consumer behaviour, the company's marketing and activation activities can be adapted to support local market conditions in key markets, and therefore potentially reduced.

The company has maintained the plan for product launches in Q4 as previously communicated, although some uncertainty remains. Changes to the launch plan can impact the company's outlook for revenue.

EBIT margin before special items
The company expects the EBIT margin before special items to be minus 10-15%.

The range reflects the uncertainty on revenue. The company will, to the extent possible, ensure that capacity costs are managed prudently by scaling activities to actual market conditions, which will include the company's sales and marketing activities.

Free cash flow
Free cash flow is expected to be negative with DKK 200-350m.

The range reflects the uncertainty relating to the company's revenue and profit as well as any potential indirect impact through increased net working capital, e.g. increased overdue debtors following temporary store closures and reduced traffic because of COVID-19.

The implementation of IFRS 16 will have a positive effect on the free cash flow of around DKK 36m compared to last year.

COVID-19 uncertainties
Due to the COVID-19 pandemic, there is an increased uncertainty regarding the company's outlook for the year.

The company is working on mitigating the negative effects on sales due to temporary store closures and quarantine measures across the markets. These actions include applying for government relief packages and collaboration with partners.

Other uncertainties
The outlook is based on the exchange rates prevailing at the date of announcement. The company's currency sensitivity is shown in note 6.2 in the annual report 2018/19. Furthermore, the company refers to the Risk Management section of the annual report 2018/19 for a description of top risks identified at the time.

The outlook excludes impacts from potential one-off 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

The Board of Directors and the Executive Management Board have today discussed and approved the Q3 Interim Report of Bang & Olufsen A/S for the period 1 June – 29 February, 2020.

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 29 February 2020, and of the results of the Group's operation and cash flow for the period 1 June 2019 – 29 February 2020. 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 that which is disclosed in the interim report, there are no changes in the Group's most significant risks and uncertainties have occurred relatively to that which was disclosed in the consolidated annual report for 2018/19.

Struer, 2 April 2020

Executive Management Board:

Kristian Teär President & CEO	Nikolaj Wendelboe CFO	Christian Birk	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 Rytilä

INCOME STATEMENT

		3rd quarter		YTD		Year
(DKK million)	Notes	**2019/20**	2018/19	**2019/20**	2018/19	2018/19
Revenue		**613**	**710**	**1,659**	**2,220**	**2,838**
Production costs		(344)	(361)	(970)	(1,142)	(1,461)
Gross profit		**269**	**349**	**689**	**1,078**	**1,377**
Development costs	3	(60)	(78)	(211)	(237)	(321)
Distribution and marketing costs		(173)	(207)	(558)	(635)	(875)
Administration costs	6	(37)	(34)	(127)	(105)	(146)
Other operating income		-	-	-	24	24
Operating profit (EBIT)		**(1)**	**30**	**(207)**	**125**	**59**
Financial income		4	2	13	6	7
Financial expenses		(6)	(8)	(20)	(28)	(33)
Financial items, net		(2)	(6)	(7)	(22)	(26)
Earnings before tax (EBT)		**(3)**	**24**	**(214)**	**103**	**33**
Income tax		(272)	(9)	(227)	(24)	(14)
Earnings for the year		**(275)**	**15**	**(441)**	**79**	**19**
Earnings per share						
Earnings per share (EPS), DKK		(6.7)	0.4	(10.8)	1.6	0.5
Diluted earnings per share (ESP-D), DKK		(6.7)	0.4	(10.7)	1.6	0.5

STATEMENT OF COMPREHENSIVE INCOME

	3rd quarter		YTD		Year
(DKK million)	**2019/20**	2018/19	**2019/20**	2018/19	2018/19
Earnings for the year	**(275)**	**15**	**(441)**	**79**	**19**
Items that may be reclassified subsequently to the income statement:					
Foreign exchange adjustment of foreign entities	-	(1)	(4)	3	4
Fair value adjustments of derivatives	(1)	(56)	(8)	(81)	(94)
Value adjustments of derivatives reclassified in:					
Revenue	2	(1)	9	(2)	(5)
Production costs	(1)	32	(8)	49	69
Tax on other comprehensive income	-	6	2	8	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 year, net of tax	**0**	**(20)**	**(9)**	**(23)**	**(18)**
Total comprehensive income for the year	**(275)**	**(5)**	**(450)**	**56**	**1**

STATEMENT OF FINANCIAL POSITION

Assets

(DKK million)	Notes	29/2/20	28/2/19	31/5/19
Goodwill		44	43	44
Acquired rights and software		20	11	14
Completed development projects		79	139	116
Development projects in progress		65	40	54
Intangible assets		**208**	**233**	**228**
Land and buildings		83	107	89
Plant and machinery		45	51	57
Other equipment		8	9	10
Leasehold improvements		2	2	2
Tangible assets in course of construction and prepayments		47	10	9
Right-of-use assets		151	-	-
Tangible assets		**336**	**179**	**167**
Investment properties		**-**	**15**	**-**
Non-current other receivables		**42**	**31**	**27**
Deferred tax assets		**90**	**246**	**261**
Total non-current assets		**676**	**704**	**683**
Inventories		**488**	**505**	**596**
Trade receivables		408	562	566
Tax receivable		28	5	14
Other receivables		50	74	53
Prepayments		32	35	22
Total receivables		**518**	**676**	**655**
Cash		**327**	**609**	**492**
Assets held for sale		**21**	**-**	**36**
Total current assets		**1,354**	**1,790**	**1,779**
Total assets		**2,030**	**2,494**	**2,462**

Liabilities

(DKK million)	Notes	29/2/20	28/2/19	31/5/19
Share capital		432	432	432
Translation reserve		17	20	21
Reserve for cash flow hedges		-	3	5
Retained earnings		518	1053	961
Total equity		**967**	**1,508**	**1,419**
Lease liabilities		144	-	-
Pensions		15	14	15
Deferred tax		51	7	11
Provisions		31	33	36
Mortgage loans		66	86	69
Other liabilities		31	20	11
Deferred income		-	13	15
Total non-current liabilities		**338**	**173**	**157**
Lease liabilities		39	-	-
Mortgage loans		4	6	3
Provisions		56	46	49
Trade payables		492	543	710
Tax payable		25	2	7
Other liabilities		82	156	79
Deferred income		27	60	38
Total current liabilities		**725**	**813**	**886**
Liabilities associated with assets held for sale		**-**	**-**	**-**
Total liabilities		**1,063**	**986**	**1,043**
Total equity and liabilities		**2,030**	**2,494**	**2,462**

STATEMENT OF CASH FLOW

(DKK million)	Notes	3rd quarter 2019/20	3rd quarter 2018/19	YTD 2019/20	YTD 2018/19	Year 2018/19
Operating profit (EBIT)		(1)	30	(207)	125	59
Depreciation, amortisation and impairment		44	45	154	143	190
Operating profit before depreciation, amortisation and impairment		**43**	**75**	**(53)**	**268**	**249**
Other non-cash items		19	(38)	3	(69)	(50)
Change in net working capital	4	34	(14)	44	(284)	(310)
Interest received		2	2	7	6	7
Interest paid		(4)	(8)	(18)	(19)	(18)
Income tax paid		(3)	4	(9)	(4)	(9)
Cash flow from operating activities		**91**	**21**	**(26)**	**(102)**	**(131)**
Purchase of intangible non-current assets		(23)	(26)	(75)	(67)	(96)
Purchase of tangible non-current assets		(30)	(10)	(53)	(36)	(58)
Sales of tangible non-current assets		-	1	14	1	1
Other cash flow from investing activities		1	1	5	1	12
Cash flow from investing activities		**(52)**	**(34)**	**(109)**	**(101)**	**(141)**
Free cash flow		**39**	**(13)**	**(135)**	**(203)**	**(272)**
Repayment of lease liabilities		(9)	-	(27)	-	-
Repayment of loans		(1)	(72)	(3)	(78)	(97)
Purchase of own shares		-	(106)	-	(251)	(279)
Settlement of matching share programme		-	-	-	(14)	(15)
Cash flow from financing activities		**(10)**	**(178)**	**(30)**	**(343)**	**(391)**
Change in cash and cash equivalents		**29**	**(191)**	**(165)**	**(546)**	**(663)**
Cash and cash equivalents, opening balance		298	800	492	1,155	1,155
Cash and cash equivalents, closing balance		**327**	**609**	**327**	**609**	**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 year	-	-	-	(441)	(441)
Foreign exchange adjustment of foreign entities	-	(4)	-	-	(4)
Fair value adjustments of derivatives	-	-	(8)	-	(8)
Value adjustments of derivatives reclassified in:					
Revenue	-	-	9	-	9
Production costs	-	-	(8)	-	(8)
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 year	**-**	**(4)**	**(5)**	**(441)**	**(450)**
Share-based payment	-	-	-	(2)	(2)
Equity 29 February 2020	**432**	**17**	**-**	**518**	**967**
Equity 1 June 2018	**432**	**17**	**29**	**1,232**	**1,710**
Earnings for the year	-	-	-	79	79
Foreign exchange adjustment of foreign entities	-	3	-	-	3
Fair value adjustments of derivatives	-	-	(81)	-	(81)
Value adjustments of derivatives reclassified in:					
Revenue	-	-	(2)	-	(2)
Production costs	-	-	49	-	49
Actuarial gains/(losses) on defined benefit plans	-	-	8	-	8
Income tax on items that will not be reclassified to the income statement	-	-	-	-	-
Income tax on items that will be reclassified to the income statement	-	-	-	-	-
Comprehensive income for the year	**-**	**3**	**(26)**	**79**	**56**
Share-based payment	-	-	-	(7)	(7)
Purchase of own shares	-	-	-	(251)	(251)
Equity 28 February 2019	**432**	**20**	**3**	**1,053**	**1,508**

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 critial 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, to which a reference is made.

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 amendsments 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 Group has transitioned to IFRS 16 in accordance with the modified retrospective approach. Accordingly, prior period comparative figures are not restated.

The Group recognised all operating leases, except for the exemptions listed below, on the balance sheet as assets with a corresponding lease liability. The lease liability is equal to the discounted value of all future lease payments. The lease assets corresponds to the lease liability adjusted by the amount of any prepaid or accrued lease payment recognised in the statement of financial position immediately before the date of application.

The Group has elected to use the following exemptions, as proposed by the standard:
- Not to recognise lease contracts for which the lease terms ends within 12 months as of the date of the initial application, and lease contracts for which the underlying asset is of low value.
- Apply only one discount rate to a portfolio of leases with similar characteristics.
- Not to reconsider if existing contracts are, or include, a lease.
- Initial direct costs have been excluded from the measurement of the right-of-use asset.
- Use of hindsight, to determine the lease term, if a contract contains options to extend or terminate the contract.

1 Accounting policies, judgements and significant estimates – continued

The Group has reviewed its lease arrangements, which are mainly comprised of leases of buildings, premises and cars. Several buildings and premises are subleased, and the subleases are classified as financial leases, hence these arrangements result in recognised lease receivables. The impact for the Group iwith respect to 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.

When assessing the future lease payments, payments that are fixed or variable have been included dependent on an index or a rate. Non-lease components in the contracts are excluded from the lease liability.

When assessing the life of the leases, agreements that can be prolonged or terminated prematurely by the lessee have been reviewed to establish the period in which the Group, with reasonable certainty, will utilize the underlying asset. The review was done on a contract-by-contract basis.

Upon implementation, the recognised right-of-use assets and financial receivables increase the Group's assets by approximately DKK 193 million with a corresponding lease obligation recognised as a financial liability. The measurement is based on the interest rate implicit in the lease or incremental borrowing rate, and use of the available knowledge for determining the lease term at the time of the calculation. The weighted average discount rate applied for land and buildings, cars, and other is 5.72%, 5.82%, and 5% respectively.

As a consequence of the new standard, the presented EBITDA, EBIT and profit before tax has increased compared to the previous lease standard, IAS 17. Over the lease period, 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 component of the lease payments will be presented as cash flow from operating activities, while the major part of the cash flow will be presented as cash from financing activities, positively impacting the free cash flow. The total cash flow for the period is not impacted.

The impacts on the Financial Statements are shown in the appendix.

Implementation impact

(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
Lease liability, 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 are specified as followed:

(DKK million)	
Operating lease commitments 31 May 2019	**140**
Adjustment for expected lease periods longer than the non-terminable 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 Q3, please refer to Appendix.

IFRIC 23 - Uncertainty over Income Tax Treatment

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.

IFRIC 23 has been implemented as of 1 June 2019, and the provision for uncertainties in relation to tax treatments is now recognised on a gross basis, and not as previously at a net amount, which means total assets have increased by DKK 14 million and total liabilities have increased by DKK 17 million, hence the net impact is DKK 2 million.

2 Segment information

3rd quarter (DKK million)	EMEA	Americas	Asia	Brand Partnering and other activities	All
3rd quarter 2019/20					
Revenue	**315**	**37**	**193**	**68**	**613**
Production costs	(198)	(22)	(123)	(1)	(344)
Gross profit	**117**	**15**	**70**	**67**	**269**
Gross margin	*37.2%*	*40.9%*	*36.4%*	*98.5%*	*43.9%*
3rd quarter 2018/19					
Revenue	**337**	**50**	**269**	**54**	**710**
Production costs	(184)	(28)	(145)	(4)	(361)
Gross profit	**153**	**22**	**124**	**50**	**349**
Gross margin	*45.4%*	*44.0%*	*45.9%*	*92.5%*	*49.2%*

3rd quarter (DKK million)	Staged	Flexible	On-the-go	Brand Partnering and other activities	All
3rd quarter 2019/20					
Revenue	**227**	**122**	**196**	**68**	**613**
Production costs	(119)	(61)	(163)	(1)	(344)
Gross profit	**108**	**61**	**33**	**67**	**269**
Gross margin	*47.7%*	*49.9%*	*16.8%*	*98.5%*	*43.9%*
3rd quarter 2018/19					
Revenue	**222**	**128**	**306**	**54**	**710**
Production costs	(107)	(61)	(189)	(4)	(361)
Gross profit	**115**	**67**	**117**	**50**	**349**
Gross margin	*51.8%*	*52.3%*	*38.1%*	*92.5%*	*49.2%*

2 Segment information (continued)

(DKK million)	EMEA	Americas	Asia	Brand Partnering and other activities	All
			YTD		
YTD 2019/20					
Revenue	**806**	**107**	**550**	**196**	**1,659**
Production costs	(514)	(66)	(382)	(8)	(970)
Gross profit	**292**	**41**	**168**	**188**	**689**
Gross margin	*36.3%*	*38.4%*	*30.6%*	*95.9%*	*41.6%*
YTD 2018/19					
Revenue	**1,161**	**161**	**733**	**165**	**2,220**
Production costs	(631)	(87)	(412)	(12)	(1,142)
Gross profit	**530**	**74**	**321**	**153**	**1,078**
Gross margin	*45.7%*	*46.0%*	*43.7%*	*92.2%*	*48.6%*

(DKK million)	Staged	Flexible	On-the-go	Brand Partnering and other activities	All
			YTD		
YTD 2019/20					
Revenue	**594**	**256**	**613**	**196**	**1,659**
Production costs	(322)	(136)	(504)	(8)	(970)
Gross profit	**272**	**120**	**109**	**188**	**689**
Gross margin	*45.8%*	*46.9%*	*17.8%*	*95.9%*	*41.6%*
YTD 2018/19					
Revenue	**737**	**354**	**964**	**165**	**2,220**
Production costs	(366)	(178)	(586)	(12)	(1,142)
Gross profit	**371**	**176**	**378**	**153**	**1,078**
Gross margin	*50.3%*	*49.7%*	*39.2%*	*92.2%*	*48.6%*

3 Development costs

	3rd quarter		YTD		Year
(DKK million)	**2019/20**	2018/19	**2019/20**	2018/19	2018/19
Incurred development costs before capitalisation	58	67	185	194	269
Hereof capitalised	(20)	(21)	(62)	(55)	(79)
Incurred development costs after capitalisation	38	46	123	139	190
Capitalisation (%)	*34.7%*	*31.9%*	*33.5%*	*28.3%*	*29.5%*
Total amortisation charges and impairment losses on development projects	22	32	88	98	131
Development costs recognised in the consolidated income statement	**60**	**78**	**211**	**237**	**321**

4 Net working capital

(DKK million)	**29/02/2020**	31/05/2019	Change in Q3 2019/20 YTD	Change in Q3 2018/19 YTD	Change in 2018/19
Trade receivables	408	566	158	(53)	(56)
Trade payables	(492)	(710)	(218)	167	56
Inventory	488	596	108	(146)	(244)
Other net working capital	(38)	(42)	(4)	(252)	(66)
Total	**366**	**410**	**44**	**(284)**	**(310)**

5 Distribution of revenue

Revenue from the sale of goods is recognised at the point in time when the control of goods and products is transferred to the customer, which generally takes place on delivery.

Royalty and license fees are recognised when earned according to the terms of the license agreements.

6 Special items

Special items consist of non-recurring expenses that the Group does not consider to be a part of its ordinary operations such as redundancies and specific consultancy costs.

7 Seasonality

Due the composition of the Bang & Olufsen business, some degree of seasonality in revenue occurs. Historically, Q2 has realised the highest revenue driven by the seasonal nature. Overall, second half of the year has higher revenue than first half of the year.

8 Related parties

Related parties with significant interests
Other related parties of Bang & Olufsen with significant interest include the Board of Directors, the Executive Management Board, and their close family members. Furthermore, related parties also include companies in which these parties have control or significant interests.

Transactions with related parties
Bang & Olufsen did not enter any significant transactions with members of the Board of Directors or the Executive Management Board, except for compensation and benefits received because of their membership of the Board of Directors, employment with Bang & Olufsen or shareholdings in Bang & Olufsen.

9 Matching shares

The Remuneration Committee of the Board of Directors has implemented a matching share programme (MSP) as a variable component in compensation offered to the Executive Management Board and key employees. The participating employees are given the opportunity to acquire shares in Bang & Olufsen A/S at their own cost, which after three years of ownership will provide the right to receive 1-5 matching shares per investment share, depending on fulfillment of certain perfomance criteria.

The programme is accounted for on an accruals basis over the three-year vesting period, as it is a condition that the employee has not resigned before vesting. The accounting value is the value of the maximum number of matching shares to be granted times the probability of the shares vesting. This probability is adjusted every year until vesting. To a limited extent, Bang & Olufsen A/S has purchased treasury shares to cover the obligation for the outstanding matching shares. The shares are recognised directly in the equity. The holding of treasury shares totalled 2,340,440 shares at 31 May 2019 (22,999 shares at 31 May 2018).

9 Matching shares (continued)

The fair value of Matching Shares is DKK 43.6 per share based on the share price at the time of grant (31 May 2019; DKK 132.8). Staff costs recognised in the income statement in relation to share-based payments were DKK 4 million at 29 February, with the entire amount relating to the MSP (31 May 2019; DKK 4 million of which all related to the MSP).

Accounting policies
Share-based incentive programmes, in which the Executive Management Board and selected other key employees are given the right to receive shares in the parent company (equity-settled programmes), are measured at the fair value of the equity instruments at grant date and are recognised in the income statement as part of staff costs during the period when the employees become entitled to buy the shares.

The existing share-based incentive programmes gives Bang & Olufsen an option to settle in cash, however as it is expected programmes will be settled in shares, the programmes will be accounted for as equity-settled programmes.

10 Derivative financial instruments

Derivative financial instruments are comprised primarily of foreign exchange contracts used to hedge the foreign exchange risk related to unrecognised future transactions. The derivatives are measured at fair value in accordance with level 2 in the fair value hierarchy (IFRS 7) using valuation techniques that apply market data such as exchange rates, credit risk, and volatility.

See note 6.4 in the Annual Report 2018/19 for an overview of the foreign exchange contracts.

11 Subsequent events

As described in the company's outlook for the remainder of the financial year 2019/20, Bang & Olufsen is expected to be significantly impacted by the COVID-19 outbreak. There is a considerable uncertainty related to, among others, the duration of the COVID-19 pandemic as well as potential impact in the company's different geographical markets. The timing and consequences of the pandemic will impact the consolidated financials, and thereby the financial position, into the next financial year as well. The company has yet not published any financial guidance for the financial year 2020/21.

APPENDIX

INCOME STATEMENT - IFRS 16 LEASES IMPACT YTD

(DKK million)	YTD Before IFRS 16 - Leases	YTD Impact	YTD After IFRS 16 - Leases
Revenue	**1,659**	**-**	**1,659**
Production costs	(970)	-	(970)
Gross profit	**689**	**-**	**689**
Development costs	(211)	0	(211)
Distribution and marketing costs	(560)	2	(558)
Administration costs	(127)	0	(127)
Other operating income	-	-	-
Operating profit (EBIT)	**(209)**	**2**	**(207)**
Financial income	12	1	13
Financial expenses	(13)	(7)	(20)
Financial items, net	(1)	(6)	(7)
Earnings before tax (EBT)	**(210)**	**(4)**	**(214)**
Income tax	(227)	(1)	(227)
Earnings for the year	**(436)**	**(5)**	**(441)**

APPENDIX

STATEMENT OF FINANCIAL POSITION - ASSETS - IFRS 16 - LEASES IMPACT YTD

	YTD		
(DKK million)	Before IFRS 16 - Leases	Impact	After IFRS 16 - Leases
Goodwill	44	-	44
Acquired rights and software	20	-	20
Completed development projects	79	-	79
Development projects in progress	65	-	65
Intangible assets	**208**	**-**	**208**
Land and buildings	83	-	83
Plant and machinery	45	-	45
Other equipment	8	-	8
Leasehold improvements	2	-	2
Tangible assets in course of construction and prepayments for tangible assets	47	-	47
Right-of-use assets	-	151	151
Tangible assets	**185**	**151**	**336**
Non-current other receivables	**24**	**18**	**42**
Deferred tax assets	**50**	**40**	**90**
Total non-current assets	**467**	**209**	**676**
Inventories	**488**	**-**	**488**
Trade receivables	408	-	408
Tax receivable	28	-	28
Other receivables	40	10	50
Prepayments	32	-	32
Total receivables	**508**	**10**	**518**
Cash	**327**	**-**	**327**
Assets held for sale	**21**	**-**	**21**
Total current assets	**1,344**	**10**	**1,354**
Total assets	**1,811**	**219**	**2,030**

STATEMENT OF FINANCIAL POSITION - LIABILITIES - IFRS 16 - LEASES IMPACT YTD

	YTD		
(DKK million)	Before IFRS 16 - Leases	Impact	After IFRS 16 - Leases
Share capital	432	-	432
Translation reserve	17	-	17
Reserve for cash flow hedges	-	-	-
Retained earnings	523	(5)	518
Total equity	**972**	**(5)**	**967**
Lease liabilities	-	144	144
Pensions	15	-	15
Deferred tax	10	41	51
Provisions	31	-	31
Mortgage loans	66	-	66
Other non-current liabilities	31	-	31
Deferred income	0		0
Total non-current liabilities	**153**	**185**	**338**
Lease liabilities	-	39	39
Mortgage loans	4	-	4
Provisions	56	-	56
Trade payables	492	-	492
Tax payable	25	-	25
Other liabilities	82	-	82
Deferred income	27	-	27
Total current liabilities	**686**	**39**	**725**
Liabilities associated with assets held for sale	**-**	**-**	**-**
Total liabilities	**839**	**224**	**1,063**
Total equity and liabilities	**1,811**	**219**	**2,030**

APPENDIX

STATEMENT OF CASH FLOW - IFRS 16 - LEASES IMPACT YTD

(DKK million)	YTD Before IFRS 16 - Leases	YTD Impact	YTD After IFRS 16 - Leases
Operating profit (EBIT)	(209)	2	(207)
Depreciation, amortisation and impairment	129	25	154
Operating profit before depreciation, amortisation and impairment	**(80)**	**27**	**(53)**
Other non-cash items	3	-	3
Change in net working capital	44	-	44
Interest received	7	-	7
Interest paid	(11)	(7)	(18)
Income tax paid	(9)	-	(9)
Cash flow from operating activities	**(46)**	**20**	**(26)**
Purchase of intangible non-current assets	(75)	-	(75)
Purchase of tangible non-current assets	(53)	-	(53)
Sales of tangible non-current assets	14	-	14
Other cash flow from investing activities	(3)	8	5
Cash flow from investing activities	**(117)**	**8**	**(109)**
Free cash flow	**(163)**	**28**	**(135)**
Repayment of lease liabilities	-	(27)	(27)
Repayment of loans	(2)	(1)	(3)
Purchase of own shares	-	-	-
Settlement of matching share programme	-	-	-
Cash flow from financing activities	**(2)**	**(28)**	**(30)**
Change in cash and cash equivalents	**(165)**	**-**	**(165)**

ADDITIONAL INFORMATION

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FINANCIAL CALENDAR

Financial statements

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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, some of which 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 around 900 people and operates in more than 70 markets and Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

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