

Bang & Olufsen: Interim report Q1 2019/20

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

The gross margin decreased to 36.7% from 46.9% last year. The decline was seen in all product categories, but mainly related to On-the-go which was negatively impacted by sales of E8 1.0 and h9i which are end-of-life.

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

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

Free cash flow for the quarter was negative by DKK 206 million compared to negative DKK 105 million last year. The free cash flow was adversely impacted by the lower operating profit. Change in net working capital was negative by DKK 101 million compared to negative DKK 140 million last year.

Follow-up on strategic initiatives

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

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

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

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

Outlook

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

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

The expectations for the year are dependent on the transformation of the sales and distribution network, as well as on the successful launch of a number of new products. Delays in the

transformation or in product launches will have an adverse impact on financial performance and consequently expectations are associated with an increased degree of uncertainty.

Webcast

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

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