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## **Bang & Olufsen to seek shareholder approval for capital increase to safeguard the company through the COVID-19 crisis**

As stated in the Q3 2019/20 interim report published on 2 April 2020, Bang & Olufsen has analysed measures to strengthen its capital base due to current and future negative effects of the COVID-19 outbreak. As a result of this, the Board of Directors has decided to convene an extraordinary general meeting with the aim to seek approval from shareholders for a fully underwritten rights issue of approx. DKK 400 million (gross proceeds).

Chairman Ole Andersen said: “Bang & Olufsen is in a serious situation, where we need to raise new capital to help us get through the global COVID-19 crisis. Like other consumer brands, we are impacted by the lockdowns imposed in most countries across the world, and it is clear that the duration and magnitude of the crisis will continue to impact sales in several markets. COVID-19 hit us at the worst possible time as we had just launched our new strategy plan and was starting to see the effects of the many initiatives, we have executed on the last six months to improve our financial performance. This positive trajectory has been halted by this extraordinary situation, and therefore additional capital is needed to strengthen our capital base.”

“We have already secured support from a number of institutional investors, including our three largest Danish shareholders ATP, Chr. Augustinus Fabrikker, and Færchfonden. Furthermore, the Board of Directors and the Executive Management team have agreed to co-invest and to a temporary salary and fee reduction of 20%. In addition, we also need the support from the rest of our around 24,000 shareholders, and I therefore strongly urge all of Bang & Olufsen’s shareholders to vote for the proposals put forward by the Board of Directors, as it requires 2/3 of the shareholder votes present at the extraordinary general meeting to pass the proposals necessary to secure Bang & Olufsen.”

Before the global outbreak of COVID-19, Bang & Olufsen launched a strategy plan to strengthen the operational and financial performance, including a cost reduction programme targeting DKK 175 million in savings when fully implemented. The company has also among other, appointed new leadership, strengthened the global sales focus, and onboarded new retail partners. These initiatives have contributed to a positive free cash flow in both the second and third quarter and a positive EBIT margin before special items in the third quarter. Furthermore, Bang & Olufsen has taken measures to seek to alleviate and mitigate the negative effects of COVID-19 and made use of government relief packages.

A notice to convene for an extraordinary general meeting on 3 June 2020 will be released in a separate announcement later today. The convening notice contains further details on the expected capital increase hereunder timing, including time of announcement of the terms of the



EBIT before special items:                      Approx. DKK -100 million  
Free cash flow:                                    Approx. DKK -200 million

In addition to the anticipated effects of COVID-19, revenue is assumed to be bolstered by more than 10 new product launches and upgrades as well as new colour, material, finish (CMF) versions of existing products. The EBIT before special items and the free cash flow are further expected to be positively impacted by the cost reduction programme. The Company's management of working capital and use of government relief packages in 2019/20 will adversely impact cash flow in especially the first quarter of 2020/21.

#### *COVID-19 sensitivity*

As part of a sensitivity analysis, the company has considered the impact of several adverse scenarios including one where the duration of the COVID-19 pandemic extends further into 2020/21 and approximately 50% of points of sale in Europe and North America being closed for the majority of the first and second quarter before starting to normalise at a slow pace toward a 30% closure in the fourth quarter. In this scenario China is assumed to be less impacted with around 30% of points of sale closed for the first half of the financial year before starting to normalise. In this adverse scenario, the company's calculation models project revenue could decrease to DKK 1.6 billion with an EBIT margin before special items of -25% and a free cash flow of negative DKK 400 million.

In an alternative scenario, where the implications of COVID-19 are less severe than reflected in the preliminary guidance above, the company's calculation models project that breakeven based on EBIT before special items could be achievable at a revenue of approximately DKK 2.4 billion. The preliminary guidance, and the above projections in relation to alternative scenarios, naturally remain subject to a high degree of uncertainty given COVID-19.

#### **Financial advisors**

Carnegie Investment Bank and Nordea act as joint global coordinators and financial advisors to Bang & Olufsen in connection with the rights issue.

#### **Conference call for analysts and investors**

The company will on 12 May 2020 at 10am CEST host a webcast. The webcast can be accessed through <https://bo.eventcdn.net/20205/>

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**Forward-looking- statement disclaimer:**

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**Information to US shareholders**

*This proposed rights issue is made for the securities of a foreign company. The proposed offer is subject to the disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies. It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue the foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.*