Bang & Olufsen completes divestiture of its Czech subsidiary and announces non-cash adjustments to the balance sheet

Today, Bang & Olufsen a/s ("Bang & Olufsen") has completed the previously announced transaction with Tymphany Acoustic Technology HK Limited ("Tymphany") by divesting its entire share capital in Bang & Olufsen's Czech assembly subsidiary, Bang & Olufsen s.r.o. (the "Transaction"). As a consequence of the completion of the Transaction, as well as the ongoing strategic transition to an agile and asset-light operating model, the company announces certain related non-cash adjustments to the company's balance sheet for financial year end 2016/17.

Completion of divestiture

The Transaction has now been completed and all of Bang & Olufsen's 322 Czech employees have been transferred to Tymphany as of today.

Bang & Olufsen expects to receive DKK123 million in cash payments for the Transaction resulting in an accounting gain of DKK 33 million. As part of the strategic partnership, Tymphany will produce Bang & Olufsen products in the Czech factory. Tymphany is a long standing and trusted supplier to Bang & Olufsen. The Transaction will enable Bang & Olufsen to further strengthen its areas of core competencies within acoustics, design, craftsmanship.

Non-cash adjustments to the balance sheet for financial year end 2016/17

The Transaction forms part of Bang & Olufsen a/s' strategic transition during the financial year to an agile and asset-light operating model. The transition will result in certain extraordinary costs and non-cash adjustments in the company's balance sheet for year end 2016/17. The key adjustments are summarised below, and will be further detailed in the Annual Report for 2016/17, which will be released on 12 July 2017.

The key adjustments are related to the following items:

- Restructuring of the Bang & Olufsen business unit done in May 2017.
- The increased use of partnerships, especially related to TV technology and production, will result in changes in the end-to-end operating model, affecting the company's inventories and service model. Therefore, the company will record write-downs of selected parts of the company's inventories.
- The distribution setup will continue to be optimized towards fewer, larger and stronger partners. In addition, the company will continue the journey towards fewer company owned and operated stores. The optimized distribution will result in impairments of goodwill, and write-down of tangible assets and inventory.

The above items and related implications are estimated to result in a non-cash balance sheet adjustment of DKK 120 - 130 million in the fourth quarter of the 2016/17 financial year. In addition, the above mentioned divestiture of the Czech production facilities, will result in a DKK 33 million accounting gain in the fourth quarter, resulting in a total net negative balance sheet and reported EBIT impact of DKK 90 – 100 million related to above special items as of financial year end 2016/17.

The changes will not impact the underlying EBITDAC and therefore does not impact outlook for the financial year 2016/17.

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