

**INTERIM REPORT**  
**4TH QUARTER 2013/14**  
1 MARCH 2014 -  
31 MAY 2014



# Q4 HIGHLIGHTS

“Bang & Olufsen realized revenue of DKK 2,864 million in the 2013/14 financial year, corresponding to an increase of 2 per cent. EBIT in the fourth quarter was DKK 64 million leading to an EBIT for the year of DKK 3 million. The developments in the quarter demonstrated that the strategic transformation efforts and focused investments in innovation are starting to pay off. The strong product portfolio and the much improved retail network represent a strong platform for future growth as the company embarks on the second phase of its strategy”, says CEO Tue Manton.

- The Group’s revenue was DKK 801 million in the fourth quarter of the 2013/14 financial year compared to revenue of DKK 740 million in the same period last year, corresponding to an increase of 8 per cent.
- The B2C business recorded revenue of DKK 611 million in the fourth quarter of the 2013/14 financial year compared to DKK 582 million in the same quarter last year, corresponding to an increase of 5 per cent. Europe increased by 4 per cent compared to last year and thus continued the trend from the third quarter. BRIC increased by 10 per cent to DKK 82 million. North America decreased by 24 per cent to DKK 40 million, due to the restructuring of the retail network. Rest of World was unchanged compared to last year.
- The B2B business recorded revenue of DKK 196 million in the fourth quarter of the 2013/14 financial year compared to revenue of DKK 159 million in the same quarter last year, which was driven by strong growth in Automotive as well as ICEpower, which grew 20 per cent and 42 per cent respectively.
- The Group’s gross margin for the fourth quarter was 44.7 per cent, compared to a gross margin of 35.8 per cent in the same quarter last year. The improved gross margin in the quarter was, as in the third quarter, a result of higher margins on new products in the AV segment as well as product mix in the Automotive segment. In addition, the gross margin last year was adversely effected by indirect production costs due to reduction in inventory levels.
- Capacity costs were DKK 295 million in the fourth quarter, compared to DKK 303 million in the same quarter last year.
- Earnings before interest and tax for the fourth quarter of the 2013/14 financial year were positive DKK 64 million compared to negative DKK 38 million in the same quarter last year. The improvement was mainly driven by the increase in revenue and the significantly higher gross margin.
- The Group’s net working capital increased to DKK 657 million at the end of the the 2013/14 financial year compared to DKK 557 million at the end of last

year. The increase in net working capital in the quarter, was due to a normal increase in accounts receivables and inventory related to products launched late in the quarter. Free cash flow in the quarter was negative DKK 73 million compared to positive DKK 59 million in the same quarter last year. Last year was positively impacted by a reduction in net working capital.

- The 2014/15 financial year is the first year in the second phase of the “Leaner, Faster, Stronger” strategy. The key focus for the coming strategy period will be to ensure profitable growth for the company.
- The revenue growth in 2014/15 is expected to exceed 5 per cent and will be sensitive to the success of the many new products that will be launched during the coming year. The Group gross margin is expected to be at a level around that of the 2013/14 financial year. Bang & Olufsen expects to increase distribution and marketing costs in the 2014/15 financial year. This will be done while maintaining a high level of investment in product innovation. Bang & Olufsen expects an increase in the Group EBIT margin compared to the last financial year.
- After the end of the reporting period Bang & Olufsen a/s carried out a capital increase through an accelerated book-building process (refer to company announcement 14.02 of 19 June 2014). The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and generated net proceeds of DKK 250 million. The net proceeds will be used to accelerate the growth plan in the second phase of the strategy.
- On 26 June 2014 Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will hereafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen, who joined Bang & Olufsen on 1 August 2014, and COO Stefan Persson.

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A webcast will be hosted on 13 August 2014 at 10.00 CET. Access to the webcast is obtained through our home page [www.bang-olufsen.com](http://www.bang-olufsen.com).

# KEY FIGURES

Bang &amp; Olufsen a/s – Group

(DKK million)	4th quarter		YTD	
	2013/14	2012/13*	2013/14	2012/13*
<b>Income statement:</b>				
Revenue	801	740	2,864	2,814
Gross margin, %	44.7	35.8	42.8	38.9
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	76	(27)	85	(107)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	152	50	345	144
Earnings before interest and tax (EBIT)	64	(38)	3	(187)
Financial items, net	(2)	(6)	(29)	(25)
Earnings before tax (EBT)	65	(44)	(23)	(210)
Earnings after tax	48	(36)	(29)	(159)
<b>Financial position:</b>				
Total assets	2,892	2,757	2,892	2,757
Share capital	393	393	393	393
Equity	1,604	1,640	1,604	1,640
Net interest-bearing debt	374	273	374	273
Net working capital	657	557	657	557
<b>Cash flow:</b>				
- from operating activities	64	168	184	127
- from investing activities	(137)	(109)	(285)	(328)
- free cash flow	(73)	59	(101)	(202)
- from financing activities	(1)	(22)	64	171
Cash flow for the period	(74)	37	(37)	(30)
<b>Key figures:</b>				
EBITDA-margin, %	19.0	6.7	12.0	5.1
EBIT-margin, %	7.9	(5.1)	0.1	(6.6)
NIBD/EBITDA ratio **	1.1	1.9	1.1	1.9
Return on assets, %	2.6	(1.5)	0.1	(7.6)
Return on invested capital, excl. goodwill, %	7.5	1.4	14.7	2.4
Return on equity, %	2.9	(2.2)	(1.8)	(9.7)
Full time employees at the end of the period	2,347	2,036	2,347	2,036
<b>Stock related key figures:</b>				
Earnings per share (EPS), DKK	1	(1)	(1)	(4)
Earnings per share diluted (EPS-D), DKK	1	(1)	(1)	(4)
Price/Earnings	52	(59)	(84)	(13)

\* Restated where applicable (IAS 19, Note 1)

\*\* Calculated based on rolling 12m EBITDA

# MANAGEMENT REPORT

Group revenue increased by 8 per cent in the fourth quarter, driven by growth across all segments. The growth is driven by new and innovative products launched during the financial year, which have been supported by a general strengthening of the retail network, especially in Europe.

## Development in the fourth quarter

Revenue Q4 2013/14 (Q4 2012/13 in brackets)



### Revenue

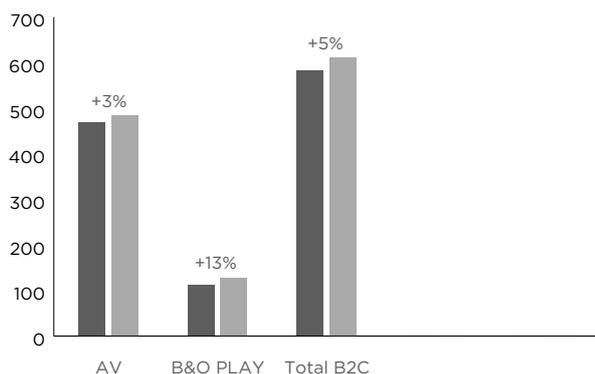
The Group's revenue for the fourth quarter of the 2013/14 financial year was DKK 801 million, compared to DKK 740 million last year, or an increase of 8 per cent.

The B2C business, which consists of the AV and the B&O PLAY segments, recorded revenue of DKK 611 million in the fourth quarter of the 2013/14 financial year compared to revenue of DKK 582 million in the same period last year.

The AV segment recorded revenue of DKK 484 million in the fourth quarter of the 2013/14 financial year compared to DKK 470 million in the same period last year, corresponding to an increase of 3 per cent. The AV turnover in the quarter was generated through a Bang & Olufsen distribution consisting of 692 B1/SiS stores (ex. Sparkle Roll SiS) compared to 816 stores last year, leading to an increase in the AV sales per store in the quarter of 21 per cent. The reception of the new BeoVision Avant launched on 8 May 2014 has been very

**Revenue and growth by segment Q4 - B2C  
(DKK million)**

■ Q4 12/13  
■ Q4 13/14



positive, and early indications of customer demand are promising. Revenue impact in the fourth quarter from BeoVision Avant was limited due to the launch being late in the quarter.

Revenue in the B&O PLAY segment was DKK 127 million in the fourth quarter compared to DKK 113 million in the same quarter last year, corresponding to a 13 per cent growth. Especially third party channels demonstrated strong performance and reached total revenue of DKK 31 million in the fourth quarter, corresponding to a growth of 108 per cent.

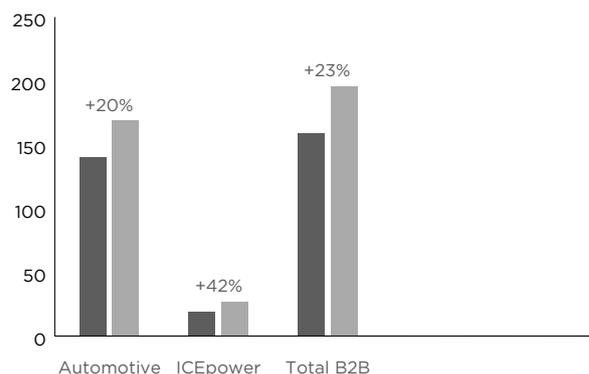
B2C revenue in Europe increased by 4 per cent in the quarter compared to last year. The growth was driven primarily by strong demand for the newly launched speakers.

BRIC markets grew by 10 per cent. The growth in BRIC was driven primarily by Bang & Olufsen's own stores in Hong Kong and China.

Revenue in North America decreased by 24 percent, to DKK 38 million from the DKK 49 million in the fourth quarter last year. The decrease in revenue was mainly

**Revenue and growth by segment Q4 - B2B  
(DKK million)**

■ Q4 12/13  
■ Q4 13/14

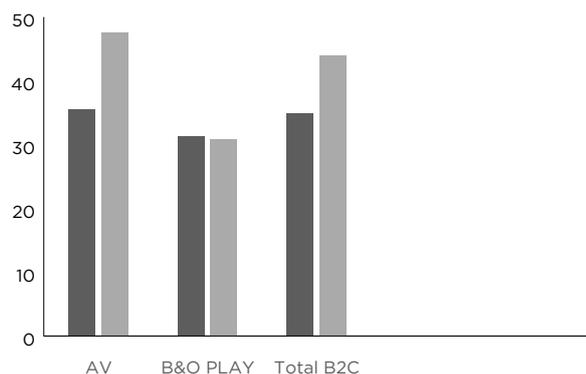


due to continued restructuring of the retail network. B2C revenue in the Rest of World remained unchanged compared to last year.

The B2B business, which consists of the Automotive and ICEpower segments, recorded revenue of DKK 196 million in the fourth quarter of the 2013/14 financial year, or an increase of 23 per cent. The growth continues to be driven by Automotive, but ICEpower also showed considerable growth compared to the same quarter last year.

The Automotive segment recorded revenue of DKK 169 million in the fourth quarter of the 2013/14 financial year, compared to DKK 140 million in the same period last year, corresponding to an increase of 20 per cent. The growth in Automotive is driven by a combination of an increased number of car models as well as sales and marketing campaigns launched to increase the take-rates.

The ICEpower segment recorded revenue of DKK 27 million in the fourth quarter of the 2013/14 financial year compared to DKK 19 million in the same period last year, or an increase of 42 per cent.

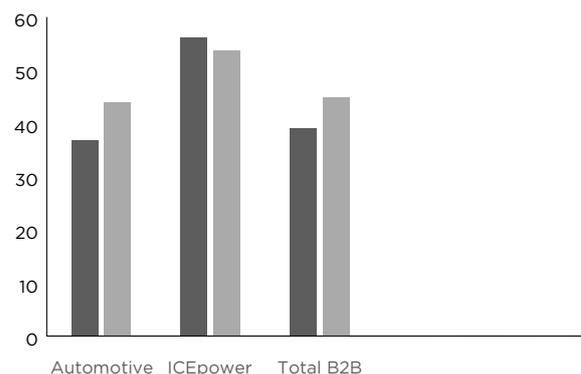
**Gross margin by segment Q4 - B2C**(**%**)■ Q4 12/13  
■ Q4 13/14**Gross margin**

The Group gross margin increased to 44.7 per cent in the fourth quarter from a gross margin of 35.8 per cent in the same quarter last year.

The gross margin in AV was 47.6 per cent in the fourth quarter of the financial year, compared to 35.5 per cent last year. The improved gross margin in the quarter was to a large extent a result of higher margins on new products. In addition, the gross margin last year was adversely effected by indirect production costs due to reduction in inventory levels.

The gross margin for B&O PLAY in the fourth quarter of the 2013/14 financial year was 30.8 per cent against a gross margin of 31.4 per cent for the same period last year. The decrease compared to last year is mainly due to a change in product mix.

The gross margin within the Automotive segment in the fourth quarter of the 2013/14 financial year was 44.0 per cent against a gross margin of 36.9 per cent last year. The increase in gross margin mainly relates to a high share of premium audio systems, which have a higher gross margin than advanced sound systems.

**Gross margin by segment Q4 - B2B**(**%**)■ Q4 12/13  
■ Q4 13/14

The gross margin within the ICEpower segment was 53.7 per cent in the fourth quarter of the 2013/14 financial year against a gross margin of 56.2 per cent last year.

**Capacity costs**

During the fourth quarter of the 2013/14 financial year, the capacity costs decreased to DKK 295 million from DKK 303 million in the same period last year. The decrease mainly relates to a decline in development costs. Cost control continues to be a key focus area across the entire business.

Distribution and marketing costs were DKK 202 million in the fourth quarter of the 2013/14 financial year compared to DKK 186 million last year. This corresponds to an increase of 9 per cent and is due to increased marketing activities and the take-over of the distribution in China.

Administration costs totalled DKK 18 million in the fourth quarter of the 2013/14 financial year compared to DKK 22 million last year.

Development costs recognised as an expense (incl. amortization and impairment losses) were DKK 75 mil-

lion for the fourth quarter of the 2013/14 financial year, compared to DKK 94 million for the same period last year.

Incurring development costs before capitalization were DKK 90 million compared to DKK 111 million last year. In the fourth quarter of the 2013/14 financial year the capitalized development costs were DKK 76 million, of which DKK 18 million relate to Automotive projects. The Group's capitalisation rate was 84 per cent in the fourth quarter of the 2013/14 financial year compared to 69 per cent last year. The high level of capitalization is due to the completion and near completion of a number of development projects for upcoming product launches.

Total amortization charges and impairment losses on development projects were DKK 61 million compared to DKK 60 million last year. The net effect of capitalization was positive DKK 15 million compared to a positive effect of DKK 17 million last year.

During the fourth quarter reimbursements of DKK 0.3 million were received from Automotive partners. The reimbursements received have been offset directly in intangible assets.

Earnings before interest and tax in the fourth quarter of the 2013/14 financial year were positive DKK 64 million against negative DKK 38 million in the same period last year.

Earnings before tax for the fourth quarter of the 2013/14 financial year were positive DKK 65 million against negative DKK 43 million in the same period last year.

#### **Development in balance sheet items and cash flow**

Free cash flow in the fourth quarter was negative at DKK 73 million compared to positive DKK 59 million in the same period last year. The negative cash flow was mainly a result of the increase in net working capital.

At the end of the fourth quarter the Group's net working capital increased to DKK 657 million compared to

#### **Capitalized development costs and carrying amount** (DKK million) - Q4

2013/14	B2C	B2B	Total
Capitalized, net	58	18	76
Carrying amount, net	471	253	724

#### **Capitalized development costs and carrying amount** (DKK million) - Q4

2012/13	B2C	B2B	Total
Capitalized, net	51	26	77
Carrying amount, net	431	232	663

DKK 557 million at the end of the 2012/13 financial year. The increase compared to last year was due to normal increase in accounts receivable and inventory related to products launched late in the quarter, in particular the launch of the BeoVision Avant.

The net interest bearing debt was DKK 374 million compared to DKK 273 million at the end of the 2012/13 financial year. The increase compared to last year was primarily caused by the negative net earnings year to date and an increase in net working capital.

The Group's equity decreased from DKK 1,640 million to DKK 1,604 million which was due to the negative earnings after tax.

The Group equity ratio was 55 per cent at the end of the fourth quarter of the 2013/14 financial year against 59 per cent at the end of the 2012/13 financial year.

## Retail development in the fourth quarter

### Revenue development by region

In the fourth quarter of the 2013/14 financial year revenue in Europe increased by DKK 17 million to DKK 396 million, an increase of 4 per cent, which was driven primarily by strong demand for the newly launched speakers.

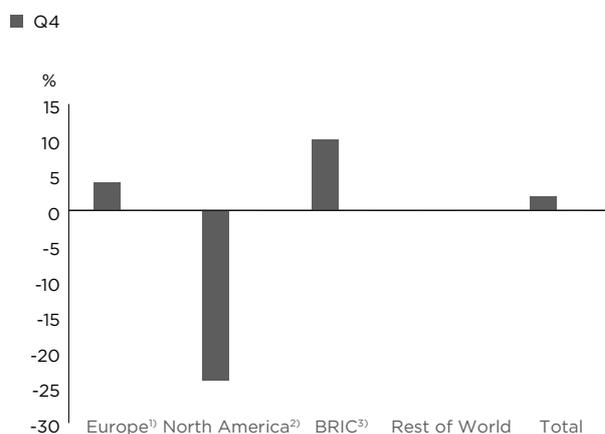
North America recorded revenue of DKK 38 million compared to DKK 49 million last year. The lower revenue level was mainly due to continued restructuring of the retail network.

BRIC markets grew by 10 per cent driven primarily by Bang & Olufsen's own stores in Hong Kong and China.

Revenue in Rest of World was at DKK 64 million on level with last year.

Revenue through third party channels was DKK 31 million compared to DKK 15 million last year, or an increase of 108 per cent.

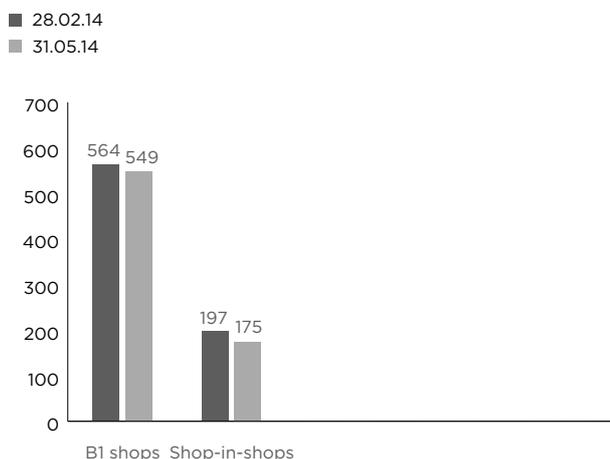
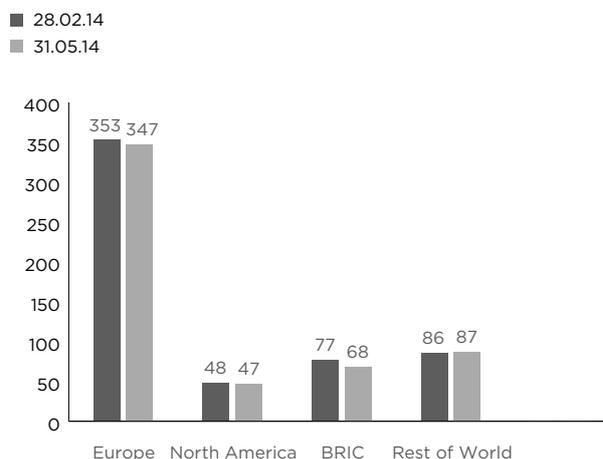
### Revenue growth by region (B2C) - excluding third party



<sup>1)</sup> Europe covers Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and United Kingdom.

<sup>2)</sup> North America covers USA, Canada and Mexico.

<sup>3)</sup> BRIC covers Brazil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

**Number of B1 shops and shop-in-shops****B1 shops by region****Development in the number of shops**

Bang & Olufsen continues to work towards a distribution with fewer, more productive stores, which will enable the retail network to invest in service, events, marketing, store design and other customer related activities which will further strengthen the customer experience and ensure a stronger long-term growth for Bang & Olufsen and the network.

By the end of the fourth quarter, there were 549 B1 stores across the world against 564 at the end of the third quarter of the 2013/14 financial year. Thus, the net movement for the fourth quarter was a net reduction of 15 stores, with 7 openings and 22 closures.

By the end of May 2014, there were 347 B1 stores in Europe against 353 at the end of the third quarter of the financial year 2013/14. The net movement in Europe for the fourth quarter therefore amounts to a reduction of 6 stores, with 4 openings and 10 closures.

In North America, there were 47 B1 stores against 48 at the end of the third quarter of the financial year 2013/14. The movement in North America for the fourth quarter was 1 opening and 2 closures.

In the BRIC markets there were 68 B1 stores against 77 at the end of the third quarter of the financial year 2013/14. The movement in BRIC for the fourth quarter was 9 closures.

In Rest of World there were 87 B1 stores against 86 at the end of the third quarter of the financial year 2013/14. The movement for the fourth quarter amounts to 2 openings and 1 closure.

By the end of May 2014 the total number of shop-in-shops, including the B&O PLAY stores operated by Sparkle Roll, was 175 against 197 at the end of the third quarter of the financial year 2013/14.

During the quarter, Sparkle Roll decided to focus resources on the dedicated B&O PLAY stores with the highest potential. At the end of the fourth quarter of the 2013/14 financial year Sparkle Roll operated 32 stores across China, corresponding to a reduction of 16 stores in the quarter.

For the fourth quarter of the 2013/14 financial year the revenue to Bang & Olufsen stores, which have been in operation for more than 24 months increased by 11 per cent for B1 shops and 22 per cent for shop-in-shops.

## Outlook for 2014/15

The 2014/15 financial year is the first year in the second phase of the “Leaner, Faster, Stronger” strategy. The key focus for the coming strategy period will be to ensure profitable growth for the company, based on the strong foundation of innovative products and a strengthened retail network, which was established in the first phase of the strategy. In 2014/15 emphasis will be on go-to-market activities, while maintaining a high level of product innovation.

The revenue growth in 2014/15 is expected to exceed 5 per cent and will be sensitive to the success of the many new products that will be launched during the coming year.

For the individual segments, the following is expected:

For the AV business, focus will be on creating a sustainable growth momentum based on the revitalized product portfolio, e.g. the Immaculate Wireless Sound speaker family and the BeoVision Avant, and a number of key product launches during the year. The initiatives to continuously lift the customer experience through strengthening the retail network will continue. A stabilization in the number of B1/SiS retailers is expected and the growth will primarily come from increased sales per retailer. The B2B potential of the AV products and solutions will be exploited more strongly than previously through a focus on luxury hotels and commercial projects in key cities.

The B&O PLAY business will focus on accelerating new product launches as well as expanding third party retail distribution, while maintaining sales through the B1 network. In terms of year-on-year growth, the start of the year will be relatively weak and the finish will be strong due to the timing of new product launches in 2013/14 and 2014/15. B&O PLAY will contribute to the overall Group growth in the 2014/15 financial year.

Bang & Olufsen Automotive will continue to invest in new technologies and product innovation and step up efforts in sales and marketing to benefit its partners and their retailers and customers globally. Automotive is expected to continue the growth, albeit at a lower rate. In terms of year-on-year growth, the start of the year will be weak and the finish will be stronger.

ICEpower is expected to continue the stable growth by continuing to invest in product innovation, which in the last couple of years has enabled the company to build a strong customer portfolio of well-known, high-end audio brands.

The year-on-year growth in individual segments is expected to fluctuate over the course of the year depending on the timing of key product launches, seasonal campaign effects and the previous year’s quarterly performance. In other words, some segments could decline in selected quarters, but all segments are expected to show growth for the full year.

The Group gross margin is highly sensitive to the change in sales mix between segments and the product mix changes within individual segments. Strong margins of newly launched products and a favorable segment and product mix will allow for a price-value repositioning of the TV portfolio, whilst maintaining overall Group gross margins at a level around that of the 2013/14 financial year.

To ensure a stronger market penetration of newly launched products as well as upcoming launches, Bang & Olufsen expects to increase distribution and marketing costs in the 2014/15 financial year. This will be done while maintaining a high level of investment in product innovation.

Bang & Olufsen expects an increase in the Group EBIT margin compared to the last financial year.

## Subsequent events

Following the end of the reporting period Bang & Olufsen a/s carried out a capital increase through an accelerated book-building process (refer to company announcement 14.02 of 19 June 2014). The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and was subscribed for at a price per share of DKK 66. Bang & Olufsen received net proceeds of DKK 250 million. Following registration of the capital increase, the share capital of Bang & Olufsen amounts to a nominal value of DKK 431,974,780 divided into

43,197,478 shares of DKK 10 each. Bang & Olufsen will use the net proceeds to accelerate the growth plan in the second phase of the strategy.

On 26 June Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will hereafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen, who joined Bang & Olufsen on 1 August 2014, and COO Stefan Persson.

# MANAGEMENT'S STATEMENT

We have today considered and approved the interim report for the period 1 June 2013 – 31 May 2014 for Bang & Olufsen a/s.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as endorsed by the EU and further Danish disclosure requirements for interim reports for listed companies.

It is our opinion that the interim report provides a true and fair view of the Group's assets, liabilities and finan-

cial position as at 31 May 2014 and the results of the Group's operations and cash flows for the period 1 June 2013 – 31 May 2014.

It is also our opinion that the management report gives a true and fair view of developments in the Group's activities and financial situation, the earnings for the period and the Group's financial position in general as well as a description of the most significant risks and uncertainties to which the Group is exposed.

Struer, 13 August 2014

## Executive Management:

Tue Manton  
President & CEO

Anders Aakær Jensen  
Executive Vice President & CFO

## Board of Directors:

Ole Andersen  
Chairman

Jim Hagemann Snabe  
Deputy Chairman

Jesper Jarlbæk

André Loesekrug-Pietri

Rolf Eriksen

Majken Schultz

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

# CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	4th quarter		YTD	
		2013/14	2012/13	2013/14	2012/13
<b>Revenue</b>		<b>800.9</b>	<b>739.9</b>	<b>2,863.9</b>	<b>2,813.9</b>
Production costs		(442.7)	(475.1)	(1,639.5)	(1,718.0)
<b>Gross profit</b>		<b>358.2</b>	<b>264.8</b>	<b>1,224.3</b>	<b>1,095.9</b>
Gross margin, %		44.7	35.8	42.8	38.9
Development costs	3	(74.9)	(94.3)	(369.5)	(442.4)
Distribution and marketing costs		(201.5)	(186.4)	(780.5)	(754.7)
Administration costs		(18.3)	(21.8)	(71.9)	(85.9)
<b>Earnings before interest and tax (EBIT)</b>		<b>63.6</b>	<b>(37.6)</b>	<b>2.5</b>	<b>(187.0)</b>
Share of result after tax in associated companies		3.2	0.1	3.2	1.3
Financial income		1.7	2.3	5.6	8.6
Financial costs		(3.8)	(8.6)	(34.5)	(33.2)
Financial items, net		(2.1)	(6.3)	(28.9)	(24.7)
<b>Earnings before tax (EBT)</b>		<b>64.7</b>	<b>(43.8)</b>	<b>(23.2)</b>	<b>(210.4)</b>
Income tax for the period		(16.8)	7.4	(5.8)	51.5
<b>Earnings for the period</b>		<b>47.9</b>	<b>(36.4)</b>	<b>(29.0)</b>	<b>(158.9)</b>
<b>Earnings per share</b>					
Earnings per share (EPS) and earnings per share from continuing operations, DKK		1.2	(1.0)	(0.7)	(4.3)
Diluted earnings per share (EPS-D) and diluted earnings per share from continuing operations, DKK		1.2	(1.0)	(0.7)	(4.3)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	4th quarter		YTD	
	2013/14	2012/13	2013/14	2012/13
<b>Earnings for the period</b>	<b>47.9</b>	<b>(36.4)</b>	<b>(29.0)</b>	<b>(158.9)</b>
<i>Items that subsequently will be reclassified to the income statement:</i>				
Exchange rate adjustment of investments in foreign subsidiaries	1.6	(4.2)	(9.6)	(3.0)
Change in fair value of derivative financial instruments used as cash flow hedges	4.5	0.9	(2.7)	(4.7)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:				
Transfer to revenue	0.1	0.6	1.7	(5.8)
Transfer to production costs	(1.4)	1.4	(2.9)	6.2
Income tax on items that will be reclassified to the income statement	(0.8)	(0.7)	1.0	1.1
<i>Items that will not be reclassified to the income statement:</i>				
Actuarial gains/(losses) on defined benefit plans	(0.1)	(0.5)	(0.1)	(0.5)
Income tax on items that will not be reclassified to the income statement	0.0	0.2	0.0	0.2
<b>Other comprehensive income, net of tax</b>	<b>4.0</b>	<b>(2.4)</b>	<b>(12.6)</b>	<b>(6.5)</b>
<b>Total comprehensive income for the period</b>	<b>51.9</b>	<b>(38.8)</b>	<b>(41.7)</b>	<b>(165.5)</b>

# CONSOLIDATED BALANCE SHEET

(DKK million)	31/5/14	31/5/13
Goodwill	63.5	51.9
Acquired rights	14.5	20.7
Completed development projects	406.2	484.7
Development projects in progress	317.6	178.2
<b>Intangible assets</b>	<b>801.8</b>	<b>735.5</b>
Land and buildings	114.7	198.2
Plant and machinery	123.5	155.6
Other equipment	26.8	24.4
Leasehold improvements	39.5	30.2
Tangible assets in course of construction and prepayments of tangible assets	29.8	67.5
<b>Tangible assets</b>	<b>334.3</b>	<b>475.9</b>
<b>Investment property</b>	<b>38.6</b>	<b>40.0</b>
Investments in associates	10.2	7.0
Other financial receivables	44.2	42.7
<b>Financial assets</b>	<b>54.4</b>	<b>49.7</b>
<b>Deferred tax assets</b>	<b>180.4</b>	<b>183.4</b>
<b>Total non-current assets</b>	<b>1,409.5</b>	<b>1,484.4</b>
<b>Inventories</b>	<b>666.2</b>	<b>572.1</b>
Trade receivables	537.4	443.9
Receivables from associates	1.9	1.8
Corporation tax receivable	21.3	23.8
Other receivables	65.8	41.7
Prepayments	69.5	43.2
<b>Receivables</b>	<b>696.0</b>	<b>554.4</b>
<b>Cash</b>	<b>120.4</b>	<b>145.9</b>
<b>Total current assets</b>	<b>1,482.6</b>	<b>1,272.4</b>
<b>Total assets</b>	<b>2,892.1</b>	<b>2,756.8</b>

# CONSOLIDATED BALANCE SHEET

(DKK million)	31/5/14	31/5/13
Share capital	392.7	392.7
Foreign exchange translation reserve	12.4	22.1
Cash flow hedge reserve	0.0	3.0
Retained earnings	1,199.2	1,222.4
<b>Total equity</b>	<b>1,604.4</b>	<b>1,640.1</b>
Pensions	13.3	12.4
Deferred tax	7.7	13.8
Provisions	39.8	57.9
Mortgage loans	197.8	206.1
Other non-current liabilities	1.9	3.1
<b>Total non-current liabilities</b>	<b>260.5</b>	<b>293.3</b>
Mortgage loans	8.2	6.8
Loans from banks	220.0	150.0
Overdraft facilities	68.5	56.2
Provisions	28.8	39.4
Trade payables	434.0	295.3
Corporation tax payable	18.1	25.5
Other liabilities	215.8	226.9
Deferred income	33.9	23.1
<b>Total current liabilities</b>	<b>1,027.2</b>	<b>823.2</b>
<b>Total liabilities</b>	<b>1,287.8</b>	<b>1,116.7</b>
<b>Total equity and liabilities</b>	<b>2,892.1</b>	<b>2,756.8</b>

# CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	4th quarter		YTD	
		2013/14	2012/13	2013/14	2012/13
Earnings for the period		47.9	(36.4)	(29.0)	(158.9)
Amortisation, depreciation and impairment losses		88.4	88.6	342.1	331.9
Adjustments for non-cash items	4	9.1	(20.3)	(13.9)	(66.9)
Change in receivables		(114.2)	(4.2)	(141.2)	80.5
Change in inventories		(15.3)	132.5	(63.2)	92.8
Change in trade payables etc.		55.1	20.0	127.1	(117.9)
<b>Cash flows from operations</b>		<b>71.0</b>	<b>180.2</b>	<b>221.9</b>	<b>161.5</b>
Interest received and paid, net		(2.1)	(6.2)	(28.9)	(24.7)
Income tax paid		(5.0)	(5.1)	(9.5)	(9.7)
<b>Cash flows from operating activities</b>		<b>63.9</b>	<b>168.4</b>	<b>183.5</b>	<b>127.2</b>
Purchase of intangible non-current assets		(84.5)	(83.9)	(310.5)	(263.2)
Purchase of tangible non-current assets		(11.2)	(28.8)	(82.3)	(83.8)
Acquisition of activity	6	(41.0)	-	(41.0)	-
Sale of tangible non-current assets		0.9	4.0	142.7	4.8
Received reimbursements, intangible non-current assets		0.3	3.2	7.4	10.9
Change in financial receivables		(1.6)	(3.7)	(0.9)	2.7
<b>Cash flows from investing activities</b>		<b>(137.1)</b>	<b>(109.3)</b>	<b>(284.6)</b>	<b>(328.6)</b>
<b>Free cash flow</b>		<b>(73.3)</b>	<b>59.1</b>	<b>(101.1)</b>	<b>(201.5)</b>
Repayment of long-term loans		(1.3)	(2.0)	(6.8)	(6.6)
Proceeds from short-term borrowings		-	(20.0)	70.0	-
Capital increase		-	-	-	178.7
Purchase of own shares		-	-	-	(1.3)
Sale of own shares		0.6	-	1.2	0.5
<b>Cash flow from financing activities</b>		<b>(0.7)</b>	<b>(22.0)</b>	<b>64.4</b>	<b>171.2</b>
<b>Change in cash and cash equivalents</b>		<b>(73.9)</b>	<b>37.1</b>	<b>(36.7)</b>	<b>(30.3)</b>
Cash and cash equivalents, opening balance		127.1	53.8	89.7	121.3
Exchange rate adjustment, cash and cash equivalents		(1.3)	(1.3)	(1.1)	(1.4)
<b>Cash and cash equivalents, closing balance</b>		<b>51.9</b>	<b>89.7</b>	<b>51.9</b>	<b>89.7</b>
<b>Cash and cash equivalents:</b>					
Cash		120.4	145.9	120.4	145.9
Current overdraft facilities		(68.5)	(56.2)	(68.5)	(56.2)
<b>Cash and cash equivalents, closing balance</b>		<b>51.9</b>	<b>89.7</b>	<b>51.9</b>	<b>89.7</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	2013/14	2013/14
<b>Equity, opening balance</b>	<b>1,640.1</b>	<b>1,626.0</b>
Restatement of opening equity (IAS 19)	-	(1.0)
<b>Equity, restated opening balance</b>	<b>1,640.1</b>	<b>1,625.0</b>
Earnings for the period	(29.0)	(158.9)
Other comprehensive income, net of tax	(12.7)	(6.5)
Comprehensive income for the period	(41.7)	(165.5)
Capital increase	-	178.7
Grant of share options	4.2	2.8
Reversal of dividend	0.6	-
Purchase of own shares	-	(1.3)
Sale of own shares	1.2	0.5
<b>Equity, closing balance</b>	<b>1,604.4</b>	<b>1,640.1</b>

# NOTES

## 1 ACCOUNTING PRINCIPLES

The interim report for Bang & Olufsen a/s is prepared as a condensed set of financial statements in accordance with IAS 34 'Interim Financial Reporting', as endorsed by the European Union and further Danish disclosure requirements for interim reports for listed companies. The interim report has not been audited or reviewed by the company's external auditors. An interim report for the parent company has not been prepared. The interim report is stated in Danish krone (DKK) which is the functional currency of the parent company.

The Annual Report 2013/14 contains a full description of applied accounting principles.

Bang & Olufsen a/s has from 1 June 2013 implemented Amendments to IAS 1 'Presentation of Financial Statements' regarding Presentation of Other Comprehensive Income and IAS 19 regarding pension obligations have an effect on recognition and measurement. The implementation of IAS 19 'Employee benefits (amended 2011)' means that Bang & Olufsen no longer is using the corridor method for actuarial gains and losses. All changes to the expected pension obligations and to the plan assets will be recognized in Other Comprehensive Income. Previously the corridor method allowed delayed recognition of certain actuarial gains and losses. The comparative numbers for financial year 2012/13 have been restated, and accumulated actuarial gains and losses as at 31 May 2012 have been recognized directly in equity as at 1 June 2012. The effect on the opening equity was negative DKK 1.0 million, the effect on result after tax and on total comprehensive income for the financial year 2012/13 was positive DKK 0.9 million and negative DKK 0.5 million respectively.

## 2 SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

The preparation of interim reports requires that management makes estimates and assessments which affect the application of accounting principles and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

## 3 DEVELOPMENT COSTS

(DKK million)	4th quarter		YTD	
	2013/14	2012/13	2013/14	2012/13
Incurred development costs before capitalization	90.2	111.2	390.3	475.8
Hereof capitalized	(76.1)	(76.6)	(259.1)	(250.8)
Incurred development costs after capitalization	14.1	34.6	131.2	225.0
Capitalization (%)	84.4	68.9	66.4	52.7
Total amortisation charges and impairment losses on development projects	60.8	59.6	238.3	217.4
<b>Development costs recognised in the consolidated income statement</b>	<b>74.9</b>	<b>94.3</b>	<b>369.5</b>	<b>442.4</b>

In addition to the above incurred development costs, there have been additions of DKK 17.5 million in the quarter, and DKK 47.5 million year-to-date, to capitalized development costs relating to key components and technologies acquired from 3rd parties.

## NOTES

4 ADJUSTMENTS FOR NON-CASH ITEMS IN  
THE CASH FLOW STATEMENT

(DKK million)	4th quarter		YTD	
	2013/14	2012/13	2013/14	2012/13
Change in other liabilities	(15.6)	(21.6)	(29.0)	(39.0)
Financial items, net	2.1	6.3	28.9	24.7
Share of result after tax in associated companies	(3.2)	(1.4)	(3.2)	(2.6)
Gain/loss on sale of non-current assets	(3.2)	(1.0)	(11.7)	(1.2)
Tax on earnings for the period	16.8	(7.6)	5.8	(51.8)
Various adjustments	12.2	5.3	(4.8)	3.1
<b>Adjustment for non-cash items</b>	<b>9.1</b>	<b>(20.0)</b>	<b>(13.9)</b>	<b>(66.9)</b>

## 5 SEGMENT INFORMATION

(DKK million)	4th quarter		YTD		Change, %
	2013/14	2012/13	2013/14	2012/13	YTD
<b>Revenue by segment and business area</b>					
<b>Consumer business (B2C):</b>					
AV	483.6	469.7	1,632.5	1,648.9	(1)
B&O PLAY	127.4	112.5	535.1	532.3	1
<b>Total consumer business (B2C)</b>	<b>611.0</b>	<b>582.2</b>	<b>2,167.6</b>	<b>2,181.2</b>	<b>(1)</b>
<b>Business to business (B2B):</b>					
Automotive	168.6	140.3	612.5	545.7	12
ICEpower	27.1	19.1	102.1	86.8	18
<b>Total business to business (B2B)</b>	<b>195.7</b>	<b>159.4</b>	<b>714.5</b>	<b>632.5</b>	<b>13</b>
Elimination of internal revenue	(3.1)	(2.8)	(12.5)	(11.4)	-
Exchange rate adjustments	(2.7)	1.1	(5.9)	11.6	-
<b>Revenue, Group</b>	<b>800.9</b>	<b>739.9</b>	<b>2,863.8</b>	<b>2,813.9</b>	<b>2</b>
<b>Gross margin by segment, %</b>					
<b>Consumer business (B2C):</b>					
AV	47.6	35.5	46.8	41.7	
B&O PLAY	30.8	31.4	31.8	29.6	
<b>Business to business (B2B):</b>					
Automotive	44.0	36.9	38.3	36.4	
ICEpower	53.7	56.2	54.2	53.9	
<b>Gross margin %, Group</b>	<b>44.7</b>	<b>35.8</b>	<b>42.8</b>	<b>38.9</b>	

## NOTES

## 5 SEGMENT INFORMATION (CONTINUED)

(DKK million)	4th quarter		YTD		Change, %
	2013/14	2012/13	2013/14	2012/13	YTD
<b>Revenue by region</b>					
<b>Consumer business (B2C)</b>					
Bang & Olufsen distribution:					
Europe	395.8	379.2	1,338.6	1,404.7	(5)
North America	37.7	49.3	160.2	180.4	(10)
BRIC	82.0	74.7	307.3	296.5	5
Rest of World	64.3	64.0	225.8	240.6	(5)
Total Bang & Olufsen distribution	579.8	567.2	2,031.9	2,122.2	(4)
3rd party distribution and e-commerce:					
B&O PLAY	31.2	15.0	135.7	59.0	114
Total 3rd party distribution and e-commerce	31.2	15.0	135.7	59.0	114
Total consumer business (B2C)	611.0	582.2	2,167.6	2,181.2	(1)
<b>Business to business (B2B)</b>					
Automotive	168.6	140.3	612.5	545.7	12
ICEpower	27.1	19.1	102.1	86.8	18
Total business to business (B2B)	195.7	159.4	714.5	632.5	13
Elimination of internal revenue	(3.1)	(2.8)	(12.5)	(11.4)	-
Exchange rate adjustments	(2.7)	1.1	(5.9)	11.6	-
<b>Revenue, Group</b>	<b>800.9</b>	<b>739.9</b>	<b>2,863.8</b>	<b>2,813.9</b>	<b>2</b>

## NOTES

6 SHOPS BY REGION - BANG & OLUFSEN DISTRIBUTION  
(B1 AND SHOP-IN-SHOP)

Number (units)	31/5/14	28/2/14	30/11/13	31/8/13	31/5/13
<b>B1</b>					
Europe	347	353	370	382	402
North America	47	48	51	53	51
BRIC	68	77	75	75	73
Rest of World	87	86	86	87	85
	<b>549</b>	<b>564</b>	<b>582</b>	<b>597</b>	<b>611</b>

Number (units)	31/5/14	28/2/14	30/11/13	31/8/13	31/5/13
<b>SHOP-IN-SHOP</b>					
Europe	136	142	147	153	199
North America	5	5	5	4	4
BRIC <sup>*)</sup>	33	49	43	28	17
Rest of World	1	1	1	1	1
	<b>175</b>	<b>197</b>	<b>196</b>	<b>186</b>	<b>221</b>

<sup>\*)</sup> includes Sparkle Roll dedicated B&O PLAY stores

## NOTES

## 7 BUSINESS COMBINATIONS

(DKK million)	2013/14
The assumed fair value of acquired assets and liabilities is as follows:	
Other equipment	2.4
Leasehold improvements	1.7
Tangible assets in course of construction and prepayments for tangible assets	0.9
<b>Tangible assets</b>	<b>5.0</b>
<b>Total non-current assets</b>	<b>5.0</b>
Order back-log	10.9
Inventories	20.1
Trade receivables	2.8
Cash at bank and in hand	1.1
<b>Total current assets</b>	<b>34.9</b>
<b>Total assets</b>	<b>39.9</b>
Provisions	3.3
<b>Total non-current liabilities</b>	<b>3.3</b>
Other liabilities	7.6
<b>Total current liabilities</b>	<b>7.6</b>
<b>Total liabilities</b>	<b>11.0</b>
<b>Acquired net assets</b>	<b>28.8</b>
The purchase price is as follows:	
Cash	41.0
<b>Total purchase price</b>	<b>41.0</b>
<b>Goodwill</b>	<b>12.2</b>

**Richcom**

On 1 June 2013 Bang & Olufsen took over 20 shops from the previous master dealer Richcom in China (including Beijing and Shanghai). This is expected to lead the way to further expansion and stronger control of the distribution in the Greater China region.

At the time of the acquisition a purchase price has been paid which exceeded the fair value of the acquired identifiable assets. This positive difference (goodwill) can primarily be justified by expected synergy effects between the acquired activities and the Group's existing activities and future growth prospects. These synergies are not recognised separately from goodwill as they are not separately identifiable.

Revenue generated by the acquired shops was approximately DKK 17 million in the 2013/14 financial year but with a zero effect on EBIT. Purchase costs for the transaction amounted to approximately DKK 3.5 million and have been included in distribution- and marketing costs.

# APPENDIX 1

## Earnings by quarter 2013/14:

(DKK million)	2013/14			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>566.4</b>	<b>822.0</b>	<b>674.5</b>	<b>800.9</b>
<b>Gross profit</b>	<b>227.0</b>	<b>351.4</b>	<b>287.9</b>	<b>358.2</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(64.2)</b>	<b>30.7</b>	<b>(27.5)</b>	<b>63.6</b>
Share of result after tax in associated companies	-	-	-	3.2
Financial items, net	(3.3)	(14.0)	(9.5)	(2.1)
<b>Earnings before tax (EBT)</b>	<b>(67.5)</b>	<b>16.7</b>	<b>(37.0)</b>	<b>64.7</b>
Income tax for the period	14.7	(8.8)	5.1	(16.8)
<b>Earnings for the period</b>	<b>(52.8)</b>	<b>7.9</b>	<b>(31.9)</b>	<b>47.9</b>

## Accumulated earnings by quarter 2013/14:

(DKK million)	2013/14			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>566.4</b>	<b>1,388.4</b>	<b>2,062.9</b>	<b>2,863.9</b>
<b>Gross profit</b>	<b>227.0</b>	<b>578.3</b>	<b>866.2</b>	<b>1,224.3</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(64.2)</b>	<b>(33.6)</b>	<b>(61.1)</b>	<b>2.5</b>
Share of result after tax in associated companies	-	-	-	3.2
Financial items, net	(3.3)	(17.2)	(26.8)	(28.9)
<b>Earnings before tax (EBT)</b>	<b>(67.5)</b>	<b>(50.8)</b>	<b>(87.9)</b>	<b>(23.2)</b>
Income tax for the period	14.7	5.8	11.0	(5.8)
<b>Earnings for the period</b>	<b>(52.8)</b>	<b>(45.0)</b>	<b>(76.9)</b>	<b>(29.0)</b>

## APPENDIX 1

**Earnings by quarter 2012/13:**

(DKK million)	2012/13			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>600.4</b>	<b>819.0</b>	<b>654.6</b>	<b>739.9</b>
<b>Gross profit</b>	<b>245.0</b>	<b>357.8</b>	<b>228.3</b>	<b>264.8</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(61.3)</b>	<b>26.2</b>	<b>(114.3)</b>	<b>(37.6)</b>
Share of result after tax in associated companies	-	0.6	0.6	0.1
Financial items, net	(2.9)	(3.9)	(11.6)	(6.2)
<b>Earnings before tax (EBT)</b>	<b>(64.2)</b>	<b>22.9</b>	<b>(125.3)</b>	<b>(43.8)</b>
Income tax for the period	17.0	(7.5)	34.6	7.4
<b>Earnings for the period</b>	<b>(47.2)</b>	<b>15.4</b>	<b>(90.7)</b>	<b>(36.4)</b>

**Accumulated earnings by quarter 2012/13:**

(DKK million)	2012/13			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>600.4</b>	<b>1,419.4</b>	<b>2,074.0</b>	<b>2,813.9</b>
<b>Gross profit</b>	<b>245.0</b>	<b>602.8</b>	<b>831.1</b>	<b>1,095.9</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(61.3)</b>	<b>(35.1)</b>	<b>(149.4)</b>	<b>(187.0)</b>
Share of result after tax in associated companies	-	0.6	1.2	1.3
Financial items, net	(2.9)	(6.8)	(18.4)	(24.7)
<b>Earnings before tax (EBT)</b>	<b>(64.2)</b>	<b>(41.3)</b>	<b>(166.6)</b>	<b>(210.4)</b>
Income tax for the period	17.0	9.5	44.1	51.5
<b>Earnings for the period</b>	<b>(47.2)</b>	<b>(31.8)</b>	<b>(122.5)</b>	<b>(158.9)</b>

# ADDITIONAL INFORMATION

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## Financial calendar

Wednesday 10 September 2013	Annual General Meeting 2013/14
Thursday 2 October 2014	Interim report (1st quarter 2014/15)
Thursday 15 January 2015	Interim report (2nd quarter 2014/15)
Thursday 9 April 2015	Interim report (3rd quarter 2014/15)
Thursday 13 August 2015	Annual Report 2014/15
Friday 2 October 2015	Interim report (1st quarter 2015/16)

## 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, 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 risks.

## Applicable version

The interim report has been translated from Danish. In case of doubt the Danish version shall apply at all times.

## About Bang & Olufsen

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to high quality audio reproduction. Since then, the brand has become an icon of performance and design excellence through its long-standing craftsmanship tradition and the strongest possible commitment to high-tech research and development. Still at the forefront of domestic technology, Bang & Olufsen has extended its comprehensive experience with integrated audio and video solutions for the home to other areas such as the hospitality and automotive industries in recent years. Consequently, its current product range epitomises seamless media experiences in the home as well as in the car and on the move.

For additional information refer to [www.bang-olufsen.com](http://www.bang-olufsen.com).