



INTERIM REPORT
3RD QUARTER 2014/15
1 JUNE 2014 –
28 FEBRUARY 2015

Q3 HIGHLIGHTS

Third quarter was a strong quarter, driven by demand for the new and innovative AV and B&O PLAY products launched. The demand was seen across most markets, including key markets in Europe and in China. At the same time we saw our profitability improving, as our initiatives to strengthen gross margin and reduce costs began to take effect. The strong quarter gives us confidence that we are on the right track, but we still have many challenges ahead of us. We will continue to focus our efforts on creating new, exciting products, expanding the distribution channels and creating a profitable and sustainable company”,
says CEO Tue Mantoni.

Key financial highlights Q3

(DKK million)	Q3 2014/15	Q3 2013/14	Change
Group revenue	800	675	19%
B2C	629	528	19%
AV	457	406	13%
PLAY	172	122	41%
B2B	152	152	0%
Automotive	128	129	(1%)
ICEpower	24	23	5%
Group gross margin	39.9%	42.7%	
Capacity costs	329	315	4%
Earnings before interest and tax	(10)	(28)	
Free cash flow	28	94	

- Revenue was positively impacted by continued focus on launching new innovative products, especially the BeoVision Avant, the 90 year anniversary special edition the Love Affair Collection and the innovative new music system BeoSound Moment. The wireless speaker BeoPlay A2 and the wireless noise cancellation headphones BeoPlay H8 were also important drivers of the revenue growth in the quarter.
- Gross margin decreased compared to the same quarter last year but showed significant improvement from the level in the first half of the 2014/15 financial year. This was driven by an increased share of large screen sizes of the BeoVision Avant, a higher average price on several AV products and reduced ramp-up costs. Gross margins were also positively affected by a higher share of sales of premium sound systems in Automotive.
- Free cash flow was positive in the quarter which was mainly due to the improved net earnings. Last year was positively impacted by DKK 79 million from the sale and leaseback transaction in the Czech Republic.

Subsequent events

- After the end of the reporting period Bang & Olufsen announced a restructuring of the AV business, which is expected to result in full year cost savings of DKK 100 million, and non-recurring costs of DKK 15-20 million in the fourth quarter of the 2014/15 financial year. Refer to Company announcement 14.25 from 12 March 2015.
- Furthermore, as announced in Company Announcement 14.26 from 31 March, Bang & Olufsen has entered into an Automotive brand license agreement and a transfer of the Automotive assets to HARMAN International Industries, Incorporated. The transaction includes an upfront cash payment of approximately DKK 1,170 million, as well as future license payments containing minimum annual payments and a per unit license fee for a minimum of 20 years. The future variable payments for the first 20 years of the brand cooperation represent a significant license revenue opportunity for Bang & Olufsen potentially exceeding the upfront payment. The agreement has been signed, but remains subject to certain closing conditions.
- Bang & Olufsen will now focus on creating a strong consumer business based on the Bang & Olufsen and B&O PLAY brands complemented by brand licensing partnerships within selected categories to further support the long-term brand building of the company and to strengthen the financial performance.
- An agreement has also been signed regarding the sale of the minority stake (33 per cent) in Medicom and it has been decided to investigate the future ownership alternatives of ICEpower.
- The Board of Directors will decide on the future capital structure of Bang & Olufsen in connection with the release of the Annual Report for 2014/15.
- The outlook for the 2014/15 remains unchanged compared to the outlook previously given (refer to Company Announcement 14.25 from 12 March 2015). According to IFRS, Automotive and ICEpower will be reclassified as discontinued business in the Annual Report for the 2014/15 financial year. The continuing business (i.e. AV and B&O PLAY) is expected to show high single digit revenue growth for the 2014/15 financial year. Estimated earnings before interest and tax for the continuing business are expected to be negative DKK 230-260 million for the 2014/15 financial year. This estimated EBIT assumes a positive EBIT from the continuing business in the fourth quarter. This guidance does not include costs related to the restructuring announced in Company Announcement 14.25, potential impairments, costs for shared functions which are currently allocated to Automotive and gains from the Automotive transaction.

Any enquiries about this announcement can be addressed to:

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Press, Jan Helleskov, tel.: +45 5164 5375

A webcast will be hosted on 16 April 2015 at 10.00 CET. Access to the webcast is obtained through our home page www.bang-olufsen.com.

KEY FIGURES

Bang & Olufsen a/s – Group

(DKK million)	3rd quarter		YTD	
	2014/15	2013/14	2014/15	2013/14
Income statement:				
Revenue	800	675	2,130	2,063
Gross margin, %	39.9	42.7	36.9	42.0
Earnings before interest, taxes, depreciation, amortization and capitalization (EBITDAC)	31	11	(137)	10
Earnings before interest, taxes, depreciation and amortization (EBITDA)	78	47	24	193
Earnings before interest and tax (EBIT)	(10)	(28)	(234)	(61)
Financial items, net	13	(10)	12	(27)
Earnings before tax (EBT)	5	(37)	(218)	(88)
Earnings after tax	17	(32)	(164)	(77)
Financial position:				
Total assets	3,045	2,779	3,045	2,779
Share capital	432	393	432	393
Equity	1,706	1,550	1,706	1,550
Net interest-bearing debt	377	300	377	300
Net working capital	724	560	724	560
Cash flow:				
– from operating activities	95	87	(30)	120
– from investing activities	(67)	6	(223)	(147)
Free cash flow	28	94	(253)	(28)
– from financing activities	38	(2)	245	65
Cash flow for the period	66	92	(9)	37
Key figures:				
EBITDA-margin, %	9.7	7.0	1.1	9.3
EBIT-margin, %	(1.2)	(4.1)	(11.0)	(3.0)
NIBD/EBITDA ratio*	2.1	1.4	2.1	1.4
Return on assets, %	(0.4)	(1.1)	(9.4)	(2.5)
Return on invested capital, excl. goodwill, %	3.2	2.0	(3.1)	7.3
Return on equity, %	1.1	(2.0)	(10.1)	(4.8)
Full time employees at the end of the period	2.245	2.251	2.245	2.251
Stock related key figures:				
Earnings per share (EPS), DKK	0.4	(0.8)	(4.0)	(2.0)
Earnings per share diluted (EPS-D), DKK	0.4	(0.8)	(4.0)	(2.0)
Price/Earnings	114	(75)	(12)	(31)

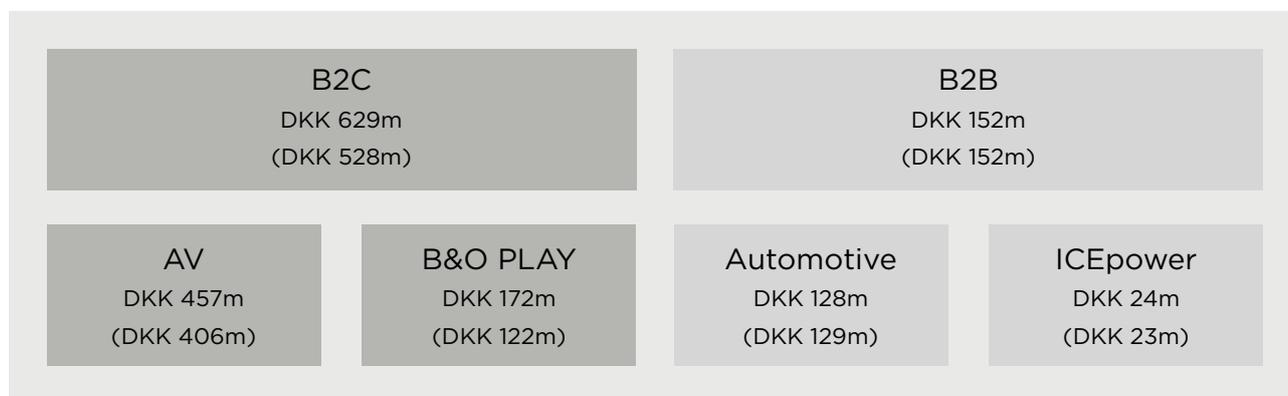
* Calculated based on rolling 12m EBITDA

MANAGEMENT REPORT

Third quarter revenue increased by 19 per cent, driven by strong growth in AV (13 per cent) as well as B&O PLAY (41 per cent). The new products launched have been well received by customers, and profitability strengthening initiatives on gross margin and cost are progressing as planned. Earnings before interest and tax were negative DKK 10 million, and are expected to further improve in the fourth quarter of the financial year.

Development in the third quarter

Revenue Q3 2014/15 (Q3 2013/14 in brackets)



Revenue

B2C

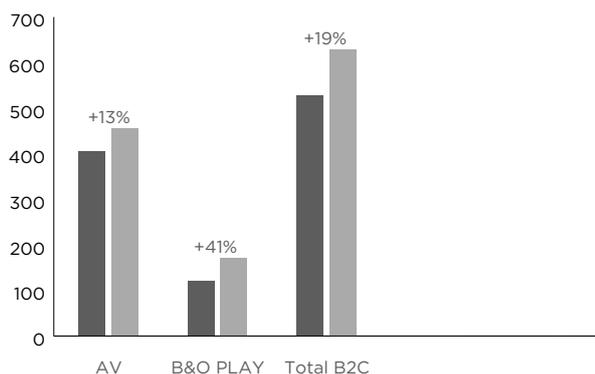
Revenue development by segment

The Group's revenue for the third quarter of the 2014/15 financial year was DKK 800 million, compared to DKK 675 million last year, corresponding to a growth of 19 per cent.

The B2C business, which consists of the AV and the B&O PLAY segments, recorded revenue of DKK 629 million in the third quarter of the 2014/15 financial year which is an increase of DKK 101 million, or 19 percent compared to revenue of DKK 528 million in the same period last year.

Revenue and growth by segment Q3 – B2C (DKK million)

■ Q3 13/14
■ Q3 14/15



The AV segment recorded revenue of DKK 457 million in the third quarter of the 2014/15 financial year, compared to DKK 406 million last year, or an increase of 13 per cent. The third quarter was positively impacted by continued strong sales of new innovative products, especially the BeoVision Avant, the launch of the 90 year anniversary special edition collection – the Love Affair Collection and the innovative new music system Beo-Sound Moment.

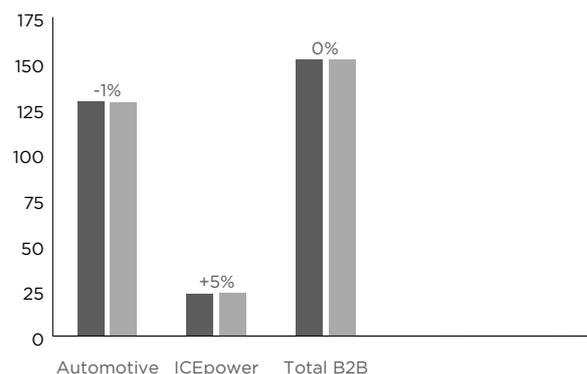
B&O PLAY recorded revenue of DKK 172 million in the third quarter of the 2014/15 financial year compared to DKK 122 million in the same period last year, or an increase of 41 per cent. The newly launched Bluetooth speaker BeoPlay A2 and the wireless noise cancellation headphones BeoPlay H8 have been particularly well received, and were important drivers of the revenue growth in the quarter. The growth in B&O PLAY was driven by growth in third party channels as well as in the B1/SiS channel.

Revenue development by region

In the third quarter B2C revenue increased by 12 per cent in Europe, which was driven by a revenue increase in both AV and B&O PLAY in the B1/SiS channel.

Revenue and growth by segment Q3 – B2B (DKK million)

■ Q3 13/14
■ Q3 14/15



A positive development was also seen in the BRIC markets, where revenue increased by 28 per cent. Especially China was positively impacted by the launch of large screen sizes of the BeoVision Avant and increased by 37 per cent. Revenue in Russia remains subdued due to the political and economic uncertainty.

Revenue in the B1/SiS channel in North America remained flat compared to last year. Although the development improved compared to the previous quarters, performance in North America continues to be below expectations. In Rest of World revenue increased by 18 per cent, which was also driven by new product launches, especially the large screen sizes of the BeoVision Avant.

Revenue through third party channels was DKK 62 million compared to DKK 30 million for the same period last year, corresponding to a growth of 109 per cent. The growth through third party channels, continues to be driven by an increase in the number of new third party retailers, which exceeded 2,300 stores at the end of February, an increase of approximately 500 stores compared to the end of November. Third party channels are expected to show strong growth in the future

Store development

B1	01.12.14	Openings	Closures	Conversions*	28.02.15
Europe	340	6	(4)	(2)	340
North America	48	0	(1)	0	47
BRIC	68	1	(1)	0	68
Rest of World	85	5	(4)	0	86
	541	12	(10)	(2)	541

* from B1 to SiS

driven by a continued expansion in the number of third party retailers.

The development in the number of B1 stores in Q3 is illustrated in the table above.

The churn remains high replacing poor performing stores with better performing stores representing the brand and the products in a stronger way.

The net number of B1 stores remained unchanged compared to the last quarter. During the quarter stores were opened in key locations such as Mayfair in London, Munich, New Delhi and Bangkok.

At the end of February 2015 the total number of shop-in-shops, including the B&O PLAY stores operated by Sparkle Roll, was 178 against 173 at the end of the second quarter of the financial year 2014/15. The net increase was mainly driven by new Sparkle Roll shop-in-shops.

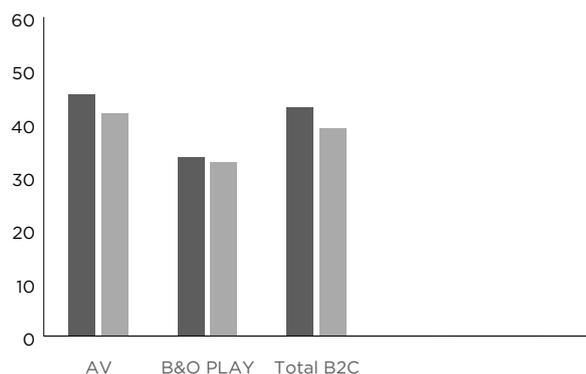
For the third quarter of the 2014/15 financial year the organic revenue growth in Bang & Olufsen shops with more than 24 months of operations was 19 per cent for B1 shops and 45 per cent for shop-in-shops.

B2B

The B2B business, which consists of the Automotive and ICEpower segments, recorded revenue of DKK 152 million in the third quarter of the 2014/15 financial year which is on level with the same period last year.

The Automotive segment recorded revenue of DKK 128 million in the third quarter of the 2014/15 financial year, a decline of 1 per cent compared to the same quarter last year. There is currently a significant increase in the number of sound system units sold. The increase is however driven by a larger share of premium sound systems, which have a lower average selling price than the advanced sound systems, but a higher gross margin per product.

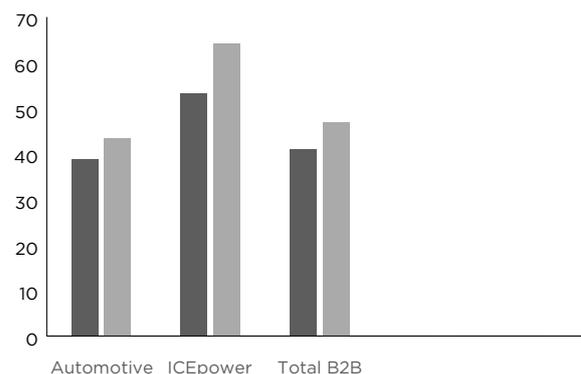
The ICEpower segment recorded revenue of DKK 24 million in the third quarter of the 2014/15 financial year compared to DKK 23 million in the same period last year. The strategy of driving sales through bigger global audio customers is reflected in the fact that only 7 per cent now relates to sales to other companies in the Bang & Olufsen Group.

Gross margin by segment Q3 – B2C(**%**)■ Q3 13/14
■ Q3 14/15**Gross margin**

The Group's gross margin decreased to 39.9 per cent in the third quarter from a gross margin of 42.7 per cent in the third quarter of the 2013/14 financial year, but showed significant improvement from the level in the first half of the financial year which was adversely affected by in particular ramp-up issues relating to the BeoVision Avant.

The gross margin in AV was 41.9 per cent in the third quarter of the financial year, compared to 45.4 per cent in the same quarter last year, and 32.0 per cent in the second quarter. The improvement in the gross margin compared to the second quarter was driven by an increased share of large screen sizes of the BeoVision Avant and a higher average selling price on several AV products. As the prior ramp up issues have been resolved we also see a reduction in unit production costs.

The gross margin for B&O PLAY in the third quarter of the 2014/15 financial year was 32.7 per cent against a gross margin of 33.7 per cent for the same period last year. The decrease compared to the same quarter last year is mainly due to product mix.

Gross margin by segment Q3 – B2B(**%**)■ Q3 13/14
■ Q3 14/15

The gross margin within the Automotive segment in the third quarter of the 2014/15 financial year was 43.4 per cent against a gross margin of 38.8 per cent for the same period last year. The increase in the gross margin was a result of a higher share of sales of premium sound systems, which have a higher gross margin than the advanced sound systems.

The gross margin within the ICEpower segment was 64.3 per cent in the third quarter of the 2014/15 financial year against a gross margin of 53.2 per cent for the same period last year.

Capacity costs

During the third quarter of the 2014/15 financial year, the capacity costs increased to DKK 329 million from DKK 315 million in the same period last year.

Distribution and marketing costs were DKK 189 million in the third quarter of the 2014/15 financial year compared to DKK 208 million in the same period last year. This corresponds to a decrease of DKK 19 million, mainly as a result higher marketing costs in the same

quarter last year relating to the BeoVision 11 trade-in campaign and the wireless speaker products.

Administration costs totalled DKK 24 million in the third quarter of the 2014/15 financial year compared to DKK 10 million in the same quarter last year which included a one-off gain of DKK 11 million on disposal of the buildings owned by B&O s.r.o.

The Group continues to invest in new products and has incurred development cost of DKK 101 million DKK for the third quarter of the 2014/15 financial year (of which DKK 47 million were capitalized) against DKK 74 million for the same period last year (of which DKK 36 million were capitalized).

Expensed development costs (incl. amortization and impairment losses) were DKK 115 million for the third quarter of the 2014/15 financial year, compared to DKK 98 million for the same period last year. Total amortization charges and impairment losses on development projects were DKK 61 million compared to DKK 59 million last year. The net effect of capitalization was negative DKK 14 million compared to a negative effect of DKK 23 million last year.

Earnings before interest and tax for the third quarter of the 2014/15 financial year were negative DKK 10 million compared to negative DKK 28 million for the same period last year.

Earnings before tax for the third quarter of the 2014/15 financial year were DKK 5 million against negative DKK 37 million in the same period last year.

Capitalized development costs and carrying amount
(DKK million) - Q3

2014/15	B2C	B2B	Total
Capitalized, net	37	10	47
Carrying amount, net	452	247	699

Capitalized development costs and carrying amount
(DKK million) - Q3

2013/14	B2C	B2B	Total
Capitalized, net	48	18	66
Carrying amount, net	445	246	691

Development YTD

Revenue YTD 2014/15 (YTD 2013/14 in brackets)



The Group's total revenue for the first nine months of the 2014/15 financial year was DKK 2,130 million against DKK 2,063 million last year, corresponding to an increase of 3 per cent.

B2C

Revenue development by segment

The positive development in revenue is primarily driven by strong focus on bringing innovative products to the markets. Accumulated the B2C business recorded revenue of DKK 1,629 compared to DKK 1,557 million in the first nine months of the 2013/14 financial year, or a increase of 5 per cent. This was driven by an increase of 6 per cent in AV.

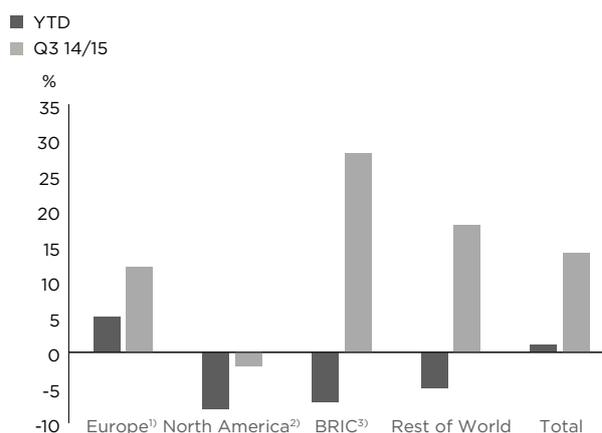
Revenue development by region

The growth in the B2C business was driven by Europe, with a revenue of DKK 989 million in the first nine months of the 2014/15 financial year, compared to DKK 943 million in the same period last year, corresponding to an increase of 5 per cent.

The strong third quarter was not enough to mitigate the negative development in the first half of the financial year in the remaining geographical regions. North America recorded revenue of DKK 113 million

for the first nine months of the 2014/15 financial year corresponding to a decline of 8 per cent. BRIC recorded revenue of DKK 210 million, corresponding to a decrease of 7 per cent, and Rest of World recorded

B2C revenue development by region (Q3 and YTD) - excluding third party revenue and e-commerce



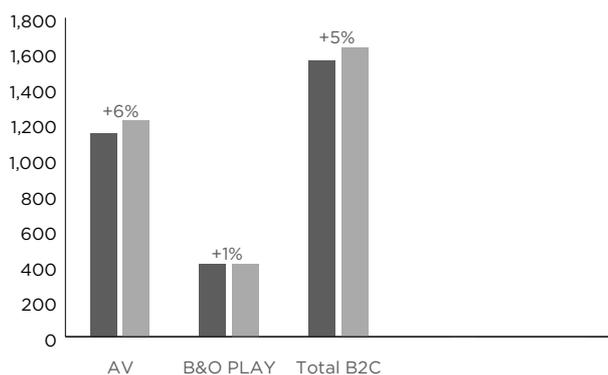
¹⁾ Europe covers Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.

²⁾ North America covers USA, Canada and Mexico.

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

Revenue and growth by segment YTD - B2C (DKK million)

■ YTD 13/14
■ YTD 14/15



revenue of DKK 154 million, corresponding to a decrease of 5 per cent.

B2B

The B2B business recorded revenue of DKK 475 million compared to DKK 519 million in the first nine months of the 2013/14 financial year, a decrease of 9 per cent mainly driven by the decline in the Automotive revenue in the first quarter of the financial year.

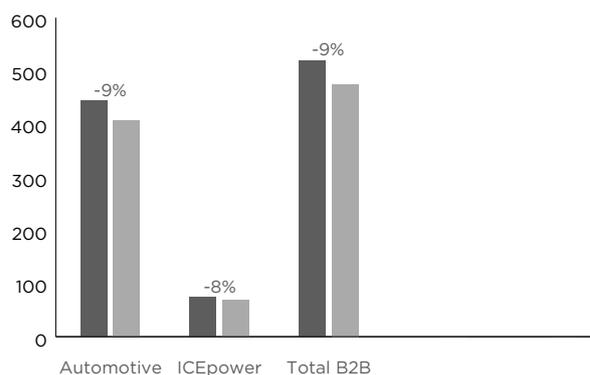
Gross margin

The Group's gross margin was 36.9 per cent in the first nine months of the 2014/15 financial year compared to a gross margin of 42.0 for the same period last year.

The gross margin in AV was 37.3 per cent compared to 46.5 per cent for the same period last year. The lower gross margin was mainly due to a higher share of TV sales, as well as production ramp up issues in the first half of the financial year.

Revenue and growth by segment YTD - B2B (DKK million)

■ YTD 13/14
■ YTD 14/15



The gross margin for B&O PLAY in the first nine months of the 2014/15 financial year was 30.5 per cent against a gross margin of 32.1 per cent in the same period last year, which was mainly due changes in the product mix.

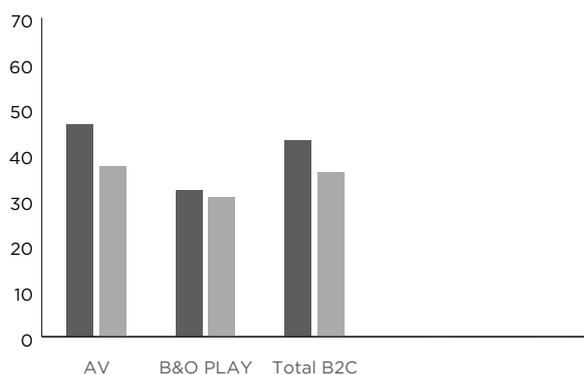
The gross margin in the Automotive segment in the first nine months of the 2014/15 financial year was 40.4 per cent against a gross margin of 36.1 per cent for the same period last year. The increase in the gross margin was a result of a higher share of sales of premium sound systems, which have a higher gross margin than the advanced sound systems.

The gross margin within the ICEpower segment was 60.8 per cent in the period against a gross margin of 54.3 per cent for first nine months in the 2013/14 financial year.

Gross margin by segment YTD – B2C

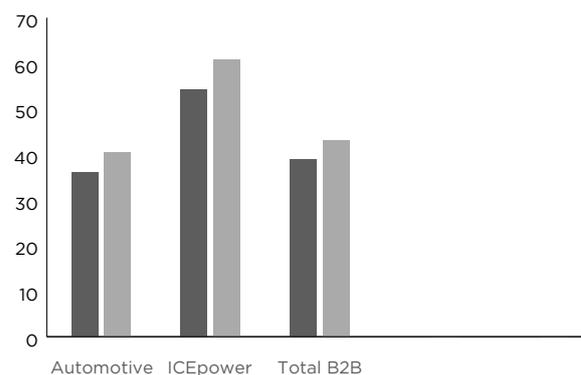
(%)

■ YTD 13/14
■ YTD 14/15

**Gross margin by segment YTD – B2B**

(%)

■ YTD 13/14
■ YTD 14/15

**Capacity costs**

During the first nine months of the 2014/15 financial year, the Group's capacity costs increased by DKK 92 million from DKK 927 million to DKK 1.019 million this year.

Distribution and marketing expenses increased to DKK 619 million in the first nine months compared to DKK 579 million in the same period last year, mainly due to the launch of the new televisions. The third quarter isolated saw a decrease in distribution and marketing expenses and it is expected that this development will continue in the fourth quarter.

Administration costs totalled DKK 67 million in the first nine months of the 2014/15 financial year compared to DKK 54 million incurred in the same period last year. Costs last year were positively impacted by the one-off profit of DKK 11 million on disposal of the factory and office buildings in the Czech Republic as part of a sale and leaseback transaction.

The Group incurred development costs of DKK 315 million for the first nine months of the 2014/15 financial

year (of which DKK 161 million were capitalized) against DKK 300 million (of which DKK 183 million were capitalized) for the same period last year. Total amortization charges and impairment losses on development projects were DKK 179 million compared to DKK 178 million last year

During the first nine months of the 2014/15 financial year, the Groups capitalization rate was 51 per cent compared to 61 per cent during the same period last year.

In the first nine months of the 2014/15 financial year the capitalized development costs were DKK 161 million, of which DKK 30 million relate to Automotive projects.

Earnings before interest and tax for the first nine months were negative DKK 234 million against negative DKK 61 million in the same period last year.

Earnings before tax for the first nine months were negative DKK 218 million against negative DKK 88 million in the same period last year.

Capitalized development costs and carrying amount

(DKK million) – YTD

2014/15	B2C	B2B	Total
Capitalized, net	123	38	161
Carrying amount, net	452	247	699

Capitalized development costs and carrying amount

(DKK million) – YTD

2013/14	B2C	B2B	Total
Capitalized, net	150	63	213
Carrying amount, net	445	246	691

Development in balance sheet items and cash flow

Free cash flow in the third quarter was positive DKK 28 million compared to positive DKK 94 million in the same quarter last year, which included a positive effect of DKK 79 million from the sale of the land and production facilities in the Czech Republic. In the first nine months of the financial year 2014/15 Bang & Olufsen generated a negative free cash flow of DKK 253 million compared to negative DKK 28 million in the same period last year.

At the end of the third quarter the Group's net working capital was DKK 724 compared to DKK 560 million at the end of the third quarter of the 2013/14 financial

year and unchanged compared to the end of the second quarter of the 2014/15 financial year.

The net interest bearing debt was DKK 377 million compared to DKK 300 million by the end of the third quarter of the 2013/14 financial year, and DKK 405 million at the end of the second quarter of the 2014/15 financial year. The decrease compared to the previous quarter is primarily a result of the positive free cash flow.

The Group's equity has increased from DKK 1,604 million to DKK 1,706 million, which is due to the capital increase carried out in June 2014, which has been offset by the negative earnings after tax in the first nine months of the financial year.

The Group equity ratio was 56 per cent at the end of the third quarter of the 2014/15 financial year compared to 55 per cent at the end of the 2013/14 financial year.

Product launches Q3 2014/15

In the third quarter of the 2014/15 financial year Bang & Olufsen launched the following products:

BeoSound Moment

In January, Bang & Olufsen announced the launch of BeoSound Moment.

The modern and cloud based wireless music system has a detachable and double-sided interface that allows for two different user experiences. One side is an aluminium interface with a touch screen for interaction, and the other side holds the world's first touch-sensitive wood interface designed for one-touch access. BeoSound Moment is compatible with the whole Bang & Olufsen range of wireless and wired speakers.



BeoVision Avant 75

Bang & Olufsen introduced a 75-inch version of BeoVision Avant in January, the newcomer to the BeoVision Avant family already counting 55-inch and 85-inch

version. BeoVision Avant 75 also displays Ultra High-Definition (4K) picture, and with eight integrated driver units and a surround sound module it provides sound performance unlike any other TV.

BeoPlay H8

In January, B&O PLAY presented BeoPlay H8. The new wireless on-ear headphones feature an innovative aluminium touch interface placed on the right ear cup, active noise cancellation, Bluetooth 4.0 and up to 14 hours of battery lifetime.



Nevertheless, BeoPlay H8 is one of the lightest active noise cancellation headphones on the market.

Beolit 15

B&O PLAY launched Beolit 15 in February. Beolit 15 is a portable Bluetooth speaker with True360 omni-directional sound, 240 watts of peak power, up to 24 hours of continuous playtime from a single battery charge and featuring materials such as anodised aluminium and full grain leather. Beolit 15 is designed by Danish designer Cecilie Manz.



Automotive

Bang & Olufsen presented the Bang & Olufsen 3D Advanced Sound System for the all new Audi Q7 in January. The system is powered by Bang & Olufsen's Class-D BeoCore amplifier and delivers over 1,900 watts of efficient power. The system consists of 23 loudspeakers. In February, BMW and Bang & Olufsen unveiled the new BMW 6 Series with bespoke Bang & Olufsen high-end Surround Sound system. With its 16 fully active loudspeakers, the system delivers 1,200 watts of power.



Subsequent launches

After the end of the reporting period, Bang & Olufsen and B&O PLAY announced the launch of the Love Affair Collection to celebrate the company's 90th anniversary. The collection sees six of the company's current products rejuvenated with a new palette option, Rose golden. At the Geneva International Motor Show 2015, Audi and Bang & Olufsen presented the Bang & Olufsen Sound System in the all new Audi R8.

Outlook for the 2014/15 financial year

The outlook for the 2014/15 remains unchanged compared to the outlook previously given (see Company Announcement 14.25 from 12 March 2015). According to IFRS, Automotive and ICEpower will be reclassified as discontinued business in the Annual Report for the 2014/15 financial year.

The continuing business (i.e. AV and B&O PLAY) is expected to show high single digit revenue growth for the 2014/15 financial year. Estimated earnings before interest and tax for the continuing business are expected to be negative DKK 230-260 million for the 2014/15 financial year. This estimated EBIT assumes a positive EBIT from the continuing business in the fourth quarter.

This guidance does not include costs related to the restructuring announced in Company Announcement 14.25, potential impairments, costs for shared functions which are currently allocated to Automotive and gains from the Automotive transaction.

Subsequent events

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Furthermore, as announced in Company Announcement 14.26 from 31 March, 2015 Bang & Olufsen has

entered into an Automotive brand license agreement and a transfer of the Automotive assets to HARMAN International Industries, Incorporated. The transaction includes an upfront cash payment of approximately DKK 1,170 million, as well as future license payments containing minimum annual payments and a per unit license fee for a minimum of 20 years. The future variable payments for the first 20 years of the brand cooperation represent a significant license revenue opportunity for Bang & Olufsen potentially exceeding the upfront payment. The agreement has been signed, but remains subject to certain closing conditions.

Bang & Olufsen will now focus on creating a strong consumer business based on the Bang & Olufsen and B&O PLAY brands complemented by brand licensing partnerships within selected categories to further support the long-term brand building of the company and to strengthen the financial performance.

An agreement has also been signed regarding the sale of the minority stake (33 per cent) in Medicom and it has been decided to investigate the future ownership alternatives of ICEpower.

The Board of Directors will decide on the future capital structure of Bang & Olufsen in connection with the release of the Annual Report for 2014/15.

MANAGEMENT'S STATEMENT

We have today considered and approved the interim report for the period 1 June 2014 – 28 February 2015 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 28 February 2015 and the results of the Group's operations and cash flows for the period 1 June 2014 – 28 February 2015.

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, 16 April 2015

Executive Management:

Tue Mantoni
President & CEO

Anders Aakær Jensen
Executive Vice President & CFO

Stefan Persson
Executive Vice President & COO

Board of Directors:

Ole Andersen
Chairman

Jim Hagemann Snabe
Deputy Chairman

Jesper Jarlbæk

Majken Schultz

Albert Bensoussan

Mads Nipper

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	3rd quarter		YTD		FY
		2014/15	2013/14	2014/15	2013/14	2013/14
Revenue		800.0	674.5	2,130.4	2,062.9	2,863.8
Production costs		(481.1)	(386.6)	(1,345.2)	(1,196.7)	(1,639.5)
Gross profit		318.9	287.9	785.2	866.2	1,224.3
Gross margin, %		39.9	42.7	36.9	42.0	42.8
Development costs	3	(115.3)	(97.6)	(332.8)	(294.6)	(369.5)
Distribution and marketing costs		(189.3)	(207.8)	(619.1)	(579.0)	(780.5)
Administration costs		(24.1)	(10.0)	(67.4)	(53.7)	(71.9)
Earnings before interest and tax (EBIT)		(9.8)	(27.5)	(234.1)	(61.1)	2.5
Share of result after tax in associated companies		2.0	-	3.8	-	3.2
Financial income		20.7	0.8	34.3	3.9	5.6
Financial costs		(7.5)	(10.3)	(22.3)	(30.7)	(34.5)
Financial items, net		13.2	(9.5)	12.1	(26.8)	(28.9)
Earnings before tax (EBT)		5.4	(37.0)	(218.2)	(87.9)	(23.2)
Income tax for the period		11.9	5.1	54.3	11.0	(5.8)
Earnings for the period		17.3	(31.9)	(163.9)	(76.9)	(29.0)
Earnings per share						
Earnings per share (EPS) and earnings per share from continuing operations, DKK		0.4	(0.8)	(4.0)	(2.0)	(0.7)
Diluted earnings per share (EPS-D) and diluted earnings per share from continuing operations, DKK		0.4	(0.8)	(4.0)	(2.0)	(0.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	3rd quarter		YTD		FY
	2014/15	2013/14	2014/15	2013/14	2013/14
Earnings for the period	17.3	(31.9)	(163.9)	(76.9)	(29.0)
<i>Items that may be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investments in foreign subsidiaries	9.2	(1.8)	9.9	(11.2)	(9.6)
Change in fair value of derivative financial instruments used as cash flow hedges	(4.0)	(2.3)	(0.5)	(7.2)	(2.7)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	(2.8)	0.6	(3.4)	1.5	1.7
Transfer to production costs	4.1	(0.8)	6.1	(1.6)	(2.9)
Income tax on items that may be reclassified to the income statement	0.6	0.6	(0.5)	1.8	1.0
<i>Items that will not be reclassified to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(0.1)
Income tax on items that will not be reclassified to the income statement	-	-	-	-	0.0
Other comprehensive income, net of tax	7.1	(3.7)	11.6	(16.7)	(12.6)
Total comprehensive income for the period	24.4	(35.6)	(152.3)	(93.6)	(41.7)

CONSOLIDATED BALANCE SHEET

(DKK million)	28/2/15	28/2/14	31/5/14
Goodwill	67.7	62.6	63.5
Acquired rights	10.0	15.7	14.5
Completed development projects	529.0	425.9	406.2
Development projects in progress	169.9	266.2	317.6
Intangible assets	776.7	770.4	801.8
Land and buildings	112.0	111.1	114.7
Plant and machinery	131.9	132.1	123.5
Other equipment	35.0	27.8	26.8
Leasehold improvements	47.4	38.4	39.5
Tangible assets in course of construction and prepayments of tangible assets	10.8	28.5	29.8
Tangible assets	337.1	337.9	334.3
Investment property	37.6	39.0	38.6
Investments in associated companies	14.0	7.0	10.2
Other financial receivables	41.6	42.6	44.2
Financial assets	55.6	49.6	54.4
Deferred tax assets	237.8	201.5	180.4
Total non-current assets	1,444.8	1,398.4	1,409.5
Inventories	749.2	620.0	666.2
Trade receivables	559.6	449.3	537.4
Receivables from associates	2.4	1.9	1.9
Corporation tax receivable	29.8	34.2	21.3
Other receivables	67.4	54.3	65.8
Prepayments	52.7	52.1	69.5
Receivables	711.9	591.8	696.0
Cash	138.6	169.1	120.4
Total current assets	1,599.7	1,380.9	1,482.6
Total assets	3,044.5	2,779.3	2,892.1

CONSOLIDATED BALANCE SHEET

(DKK million)	28/2/15	28/2/14	31/5/14
Share capital	432.0	392.7	392.7
Translation reserve	22.4	10.8	12.4
Reserve for cash flow hedges	1.7	(3.2)	0.0
Retained earnings	1,250.3	1,149.4	1,199.2
Total equity	1,706.3	1,549.7	1,604.4
Pensions	12.5	13.1	13.3
Deferred tax	7.7	12.9	7.7
Provisions	42.6	55.2	39.8
Mortgage loans	191.6	199.7	197.8
Other non-current liabilities	1.6	2.4	1.9
Total non-current liabilities	255.9	283.3	260.5
Mortgage loans	8.3	7.8	8.2
Loans from banks	220.0	220.0	220.0
Overdraft facilities	95.3	42.0	68.5
Provisions	26.8	28.5	28.8
Trade payables	429.1	346.5	434.0
Corporation tax payable	24.8	30.6	18.1
Other liabilities	215.0	240.9	215.8
Deferred income	63.0	30.0	33.9
Total current liabilities	1,082.3	946.3	1,027.2
Total liabilities	1,338.2	1,229.6	1,287.8
Total equity and liabilities	3,044.5	2,779.3	2,892.1

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	3rd quarter		YTD		FY
		2014/15	2013/14	2014/15	2013/14	2013/14
Earnings for the period		17.3	(31.9)	(163.9)	(76.9)	(29.0)
Amortization, depreciation and impairment losses		87.5	74.6	258.0	253.6	342.1
Adjustments for non-cash items	4	(23.6)	(4.4)	(65.7)	(23.0)	(13.9)
Change in receivables		15.5	70.5	(6.9)	(27.0)	(141.2)
Change in inventories		(42.2)	14.0	(83.0)	(47.8)	(63.2)
Change in trade payables etc.		26.8	(25.7)	23.0	72.0	127.1
Cash flows from operations		81.1	97.1	(38.5)	150.9	221.9
Interest received and paid, net		13.2	(9.6)	12.1	(26.8)	(28.9)
Income tax paid		0.8	(0.2)	(3.8)	(4.5)	(9.5)
Cash flows from operating activities		95.1	87.3	(30.2)	119.5	183.5
Purchase of intangible non-current assets		(47.6)	(70.8)	(162.1)	(226.0)	(310.5)
Purchase of tangible non-current assets		(22.4)	(19.1)	(73.3)	(71.1)	(82.3)
Acquisition of activity		-	-	-	-	(41.0)
Sale of tangible non-current assets		-	89.2	-	141.9	142.7
Received reimbursements, intangible non-current assets		3.2	3.4	9.8	7.1	7.4
Change in financial receivables		(0.2)	3.6	2.7	0.7	(0.9)
Cash flows from investing activities		(67.0)	6.3	(222.9)	(147.4)	(284.6)
Free cash flow		28.2	93.5	(253.2)	(27.9)	(101.1)
Repayment of long-term loans		(2.1)	(2.1)	(6.2)	(5.5)	(6.8)
Proceeds from short-term borrowings		40.0	-	-	70.0	70.0
Capital increase		-	-	248.6	-	-
Sale of own shares		-	0.6	2.2	0.6	1.2
Cash flow from financing activities		37.9	(1.5)	244.5	65.1	64.4
Change in cash and cash equivalents		66.1	92.0	(8.6)	37.2	(36.7)
Cash and cash equivalents, opening balance		(22.8)	35.0	51.9	89.7	89.7
Exchange rate adjustment, cash and cash equivalents		-	0.1	-	0.2	(1.1)
Cash and cash equivalents, closing balance		43.3	127.1	43.3	127.1	51.9
Cash and cash equivalents:						
Cash		138.6	169.1	138.6	169.1	120.4
Current overdraft facilities		(95.3)	(42.0)	(95.3)	(42.0)	(68.5)
Cash and cash equivalents, closing balance		43.3	127.1	43.3	127.1	51.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	28/2/15	28/2/14	31/5/14
Equity, opening balance	1,604.4	1,640.0	1,640.1
Earnings for the period	(163.9)	(76.9)	(29.0)
Other comprehensive income	12.1	(16.7)	(13.7)
Other comprehensive income, tax	(0.5)	-	1.0
Comprehensive income for the period	(152.3)	(93.6)	(41.7)
Capital increase	259.2	-	-
Costs relating to capital increase	(10.6)	-	-
Grant of share options	3.5	2.7	4.2
Reversal of dividend	-	-	0.6
Sale of own shares	2.2	0.6	1.2
Equity, closing balance	1,706.3	1,549.7	1,604.4

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 additional 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.

The accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2013/14 Annual Report.

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 recognized assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The material estimates that management makes when applying the accounting principles of the Group, and the material uncertainty connected with these estimates and assessments are unchanged in the preparation of the interim report compared to the preparation of the Annual Report as at 31 May 2014.

3 DEVELOPMENT COSTS

(DKK million)	3rd quarter		YTD		FY
	2014/15	2013/14	2014/15	2013/14	2013/14
Incurring development costs before capitalization	101.1	74.2	315.0	300.0	390.3
Hereof capitalized	(46.9)	(35.5)	(160.8)	(182.9)	(259.1)
Incurring development costs after capitalization	54.1	38.6	154.2	117.0	131.2
<i>Capitalization (%)</i>	<i>46.4</i>	<i>48.0</i>	<i>51.1</i>	<i>61.0</i>	<i>66.4</i>
Total amortization charges and impairment losses on development projects	61.2	59.0	178.6	177.5	238.3
Development costs recognised in the consolidated income statement	115.3	97.6	332.8	294.6	369.5

NOTES

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

(DKK million)	3rd quarter		YTD		FY
	2014/15	2013/14	2014/15	2013/14	2013/14
Change in other liabilities	1.0	(4.8)	(0.3)	(13.4)	(29.0)
Financial items, net	(13.2)	9.6	(12.1)	26.8	28.9
Share of result after tax in associated companies	(2.0)	-	(3.8)	-	(3.2)
Gain/loss on sale of non-current assets	(0.7)	(9.9)	(0.7)	(8.5)	(11.7)
Tax on earnings for the period	(11.9)	(5.1)	(54.3)	(11.0)	5.8
Various adjustments	3.2	5.8	5.6	(16.9)	(4.8)
Adjustment for non-cash items	(23.7)	(4.4)	(65.7)	(23.0)	(13.9)

5 SEGMENT INFORMATION

(DKK million)	3rd quarter		YTD		Change, %
	2014/15	2013/14	2014/15	2013/14	YTD
Revenue by segment and business area					
Consumer business (B2C):					
AV	456.7	405.7	1,217.3	1,149.0	6
B&O PLAY	172.1	122.1	412.0	407.7	1
Total consumer business (B2C)	628.9	527.8	1,629.3	1,556.7	5
Business to business (B2B):					
Automotive	128.2	129.4	405.5	443.8	(9)
ICEpower	24.0	22.8	69.1	75.0	(8)
Total business to business (B2B)	152.2	152.2	474.6	518.8	(9)
Elimination of internal revenue	(1.6)	(3.3)	(5.6)	(9.4)	-
Exchange rate adjustments	20.4	(2.2)	31.9	(3.2)	-
Revenue, Group	800.0	674.5	2,130.4	2,062.9	3
Gross margin by business area, %					
Consumer business (B2C):					
AV	41.9	45.4	37.3	46.5	
B&O PLAY	32.7	33.7	30.5	32.1	
Business to business (B2B):					
Automotive	43.4	38.8	40.4	36.1	
ICEpower	64.3	53.2	60.8	54.3	
Gross margin %, Group	39.9	42.7	36.9	42.0	

NOTES

5 SEGMENT INFORMATION (CONTINUED)

(DKK million)	3rd quarter		YTD		Change,%
	2014/15	2013/14	2014/15	2013/14	YTD
Revenue by region					
Consumer business (B2C)					
Bang & Olufsen distribution:					
Europe	383.5	341.6	988.9	942.9	5
North America	41.1	41.9	113.1	122.5	(8)
BRIC	88.0	68.6	210.1	225.3	(7)
Rest of world	54.5	46.1	153.7	161.5	(5)
Total Bang & Olufsen distribution	567.0	498.2	1,465.8	1,452.2	1
3rd party distribution and e-commerce:					
B&O PLAY	61.9	29.6	163.6	104.5	57
Total 3rd party distribution and e-commerce	61.9	29.6	163.6	104.5	57
Total consumer business (B2C)	628.9	527.8	1,629.4	1,556.7	5
Business to business (B2B)					
Automotive	128.2	129.4	405.4	443.8	(9)
ICEpower	24.0	22.8	69.1	75.0	(8)
Total business to business (B2B)	152.2	152.2	474.6	518.8	(9)
Elimination of internal revenue	(1.6)	(3.3)	(5.6)	(9.4)	-
Exchange rate adjustments	20.4	(2.2)	31.9	(3.2)	-
Revenue, Group	800.0	674.5	2,130.4	2,062.9	3

NOTES

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

Number (units)	28/2/15	30/11/14	31/8/14	31/5/14	28/2/14
B1					
Europe	340	340	340	347	353
North America	47	48	47	47	48
BRIC	68	68	67	68	77
Rest of world	86	85	84	87	86
	541	541	538	549	564

Number (units)	28/2/15	30/11/14	31/8/14	31/5/14	28/2/14
SHOP-IN-SHOP					
Europe	133	132	133	136	142
North America	4	4	4	5	5
BRIC *	40	36	30	33	49
Rest of world	1	1	1	1	1
	178	173	168	175	197

*includes Sparkle Roll dedicated B&O PLAY stores

APPENDIX 1

Earnings by quarter 2014/15:

(DKK million)	2014/15			
	Q1	Q2	Q3	Q4
Revenue	571.4	759.0	800.0	
Gross profit	206.8	259.5	318.9	
Earnings before interest and tax (EBIT)	(129.3)	(95.1)	(9.8)	
Share of result after tax in associated companies	0.2	1.6	2.0	
Financial items, net	(2.6)	1.5	13.2	
Earnings before tax (EBT)	(131.6)	(92.0)	5.4	
Income tax for the period	22.2	20.1	11.9	
Earnings for the period	(109.4)	(71.8)	17.3	

Accumulated earnings by quarter 2014/15:

(DKK million)	2014/15			
	Q1	Q2	Q3	Q4
Revenue	571.4	1,330.4	2,130.4	
Gross profit	206.8	466.3	785.2	
Earnings before interest and tax (EBIT)	(129.3)	(224.3)	(234.1)	
Share of result after tax in associated companies	0.2	1.8	3.8	
Financial items, net	(2.6)	(1.1)	12.1	
Earnings before tax (EBT)	(131.6)	(223.6)	(218.2)	
Income tax for the period	22.2	42.4	54.3	
Earnings for the period	(109.4)	(181.2)	(163.9)	

APPENDIX 1

Earnings by quarter 2013/14:

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

Accumulated earnings by quarter 2013/14:

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

ADDITIONAL INFORMATION

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Financial calendar

Thursday 13 August 2015	Annual Report 2014/15
Thursday 10 September 2015	Annual General Meeting 2014/15
Wednesday 30 September 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.

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.