

INTERIM REPORT
3RD QUARTER 2015/16
1 JUNE 2015 -
29 FEBRUARY 2016



Q3 HIGHLIGHTS

“The results of the third quarter confirm that we are on track with growing revenue and improving profitability. In addition, we are pleased to have announced the technology partnership with LG Electronics, which will enable Bang & Olufsen to stay at the forefront of innovation in the TV category, while addressing one of the company’s key challenges related to scale and complexity”, says CEO Tue Mantoni.

Key financial highlights Q3

(DKK million)	Q3 2015/16	Q3 2014/15	Change %	YTD 2015/16	YTD 2014/15	Change %
Revenue	703	649	8	1,937	1,661	17
Bang & Olufsen	492	471	5	1,238	1,241	0
B&O PLAY	211	179	18	700	420	67
Gross Margin, %	37.0	35.7	1.4	35.6	31.1	4.5
Bang & Olufsen, %	38.8	36.8	2.0	38.2	31.3	7.0
B&O PLAY, %	32.9	32.7	0.2	30.9	30.5	0.4
Capacity Costs	(257)	(302)		(825)	(913)	
EBIT	5	(70)		(131)	(397)	
EBIT excl. cost previously allocated to the Automotive business	22	(53)		(74)	(310)	
Free cash flow	(63)	28		(169)	(253)	

- The revenue growth of 8 per cent (7 per cent in local currency) was primarily driven by a continued positive momentum in the B&O PLAY segment, which grew 18 per cent (17 per cent in local currency) compared to the same quarter last year. The growth in the B&O PLAY segment continued to be driven by a combination of strong customer demand for existing and new products and a continued expansion of the number of third party retailers compared to the same quarter last year.
- The revenue in the Bang & Olufsen segment grew by 5 per cent (3 per cent in local currency) in the third quarter, compared to the same quarter last year.

The new flagship speaker, BeoLab 90, has been well received in the market.

- The Group's gross margin improved compared to the same quarter last year. The margin improvement initiatives in the Bang & Olufsen segment continued to show a positive effect but not to the level expected.
- Capacity costs were DKK 45 million lower than last year, as distribution and marketing costs and R&D costs declined. The decrease is a result of general savings across the Group.
- Earnings before interest and tax (adjusted for costs previously allocated to Automotive) were DKK 22 million, compared to negative DKK 53 million last year, corresponding to an improvement of DKK 75 million. The improvement was driven by the increase in revenue, the margin improvement and the decline in capacity costs.
- Free cash flow for the third quarter was negative DKK 63 million compared to positive DKK 28 million in the same quarter last year. Net working capital increased to DKK 334 million, compared to DKK 270 million at the end of the second quarter of 2015/16, mainly due to a decrease in trade payables. The decrease in trade payables was primarily related to the seasonality of the B&O PLAY business where the holiday period represents a high season.
- The Group's total revenue for the first three quarters of the 2015/16 financial year was DKK 1,937 million compared to DKK 1,661 million last year, corresponding to an increase of 17 per cent (12 per cent in local currency). At the same time gross margins have been improved and capacity costs have been reduced by 10 per cent. Earnings before interest and tax for the first three quarters of the 2015/16 financial year were negative DKK 131 million compared to negative DKK 397 million last year, corresponding to an improvement of DKK 266 million. Free cash flow in the first three quarters of the 2015/16 financial year was negative DKK 169 million compared to negative DKK 223 million last year.
- Full year guidance for the Group revenue is adjusted. Group revenue is expected to grow by 12-15 per cent compared to 2014/15 mainly due to higher revenue in B&O PLAY than expected. This is compared to the previous estimate of 8-12 per cent growth. EBIT before costs previously allocated to Automotive and restructuring costs is expected to be slightly below break-even. This compares to a previous EBIT expectation around break-even. Costs previously allocated to Automotive are expected to be in the range of DKK 70 to 80 million. The Group expects to fully eliminate the costs for shared functions previously allocated to Automotive during the 2016/17 financial year.
- On 18 March 2016 Bang & Olufsen announced that the company has entered a strategic technology partnership with LG Electronics regarding development and production of Bang & Olufsen's future TV (Company announcement no. 15.09). The agreement enables Bang & Olufsen to focus on its unique competencies within design, acoustics and smart home integration within TV development, and combine this with LG's technological leadership within OLED technology.
- In company announcements no. 15.09 and 15.10 it was announced that Bang & Olufsen is currently in a dialogue with Sparkle Roll. The dialogue may or may not lead to an offer for the whole or part of the issued share capital of Bang & Olufsen. At present, uncertainty remains as to the outcome of the dialogue.
- As announced in Company announcement 15.11 Bang & Olufsen has signed an agreement to divest 100 per cent of the shares in the non-core business, ICEpower a/s. The enterprise value received by Bang

& Olufsen is DKK 32 million and the free cash flow impact is expected to be DKK 23 million. As part of the transaction, Bang & Olufsen is entitled to a potential earn-out payment dependent on the future performance of ICEpower. As a result of the transaction, Bang & Olufsen expects to book a non-recurring, non-cash accounting loss of DKK 31 million in the fourth quarter of the 2015/16 financial year, which will be recognised in discontinued operations.

Any enquiries about these announcements can be addressed to:

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A webcast will be hosted on 6 April 2016 at 10:00 CET. Access to the webcast is obtained through our website www.bang-olufsen.com.

KEY FIGURES

Bang & Olufsen a/s – Group

(DKK million)	3rd quarter		YTD	
	2015/16	2014/15	2015/16	2014/15
Income statement:				
Revenue	703	649	1,937	1,661
Gross margin, %	37.0	35.7	35.6	31.1
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	27	(42)	(66)	(318)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	62	(6)	47	(194)
Earnings before interest and tax (EBIT)	5	(70)	(131)	(397)
Financial items, net	(19)	13	(25)	12
Earnings before tax (EBT)	(14)	(55)	(156)	(381)
Earnings after tax, continued operations	(11)	(29)	(122)	(289)
Earnings after tax, discontinued operations	10	46	25	125
Earnings after tax	(1)	17	(98)	(164)
Financial position:				
Total assets	2,970	3,045	2,970	3,045
Share capital	432	432	432	432
Equity	1,830	1,706	1,830	1,706
Net interest-bearing deposit / (debt)	618	(377)	618	(377)
Net working capital	334	724	334	724
Cash flow				
- from operating activities	(24)	95	(5)	(30)
- from investment activities	(40)	(67)	(164)	(223)
Free cash flow	(63)	28	(169)	(253)
- from financing activities	(3)	38	(219)	245
Cash flow for the period	(67)	66	(388)	(9)
Key figures				
EBITDA-margin, %	8.9	(1.0)	2.4	(11.7)
EBIT-margin, %	0.7	(10.8)	(6.7)	(23.9)
NIBD/EBITDA ratio	9.9	59.8	13.0	1.9
Return on assets, %	0.2	(2.6)	(5.4)	(14.7)
Return on invested capital, excl. Goodwill, %	3.4	(1.2)	(0.3)	(14.7)
Return on equity, %	(0.1)	1.0	(5.5)	(9.6)
Full time employees at the end of the period	1,818	2,121	1,818	2,121
Stock related key figures				
Earnings per share (EPS), DKK	(0)	0	(2)	(0)
Earnings per share from continued operations (EPS), DKK	(0)	(1)	(3)	(7)
Earnings per share, diluted (EPS-D), DKK	(0)	0	(2)	(0)
Earnings per share from continued operations, diluted (EPS-D), DKK	(0)	(1)	(3)	(7)
Price/Earnings	n/a	n/a	n/a	n/a

MANAGEMENT REPORT

The development in the third quarter continued along the same path as the second quarter in line with the company's strategy. The third quarter continued to show growth momentum in B&O PLAY and margin improvement in Bang & Olufsen. The third quarter Group revenue increased by 8 per cent and the gross margin improved to 37 per cent. The increase in revenue, the improvement in gross margins, and the continued focus on costs ensured a positive EBIT and a significant profitability improvement compared to last year.

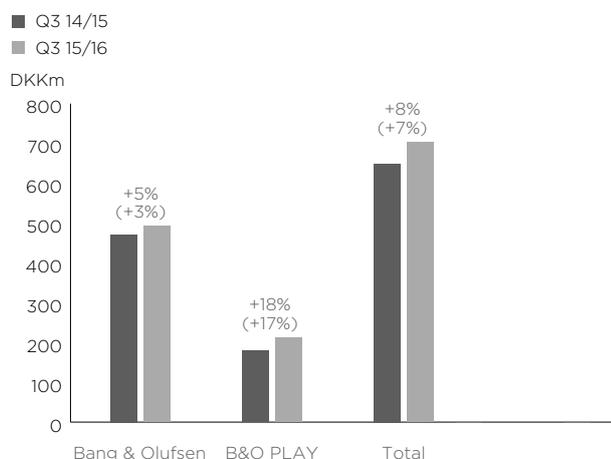
Revenue development by segment

The Group's revenue for the third quarter of the 2015/16 financial year was DKK 703 million, compared to DKK 649 million last year, corresponding to a growth of 8 per cent (7 per cent in local currency). Year to date Group revenue increased by 17 per cent (12 per cent in

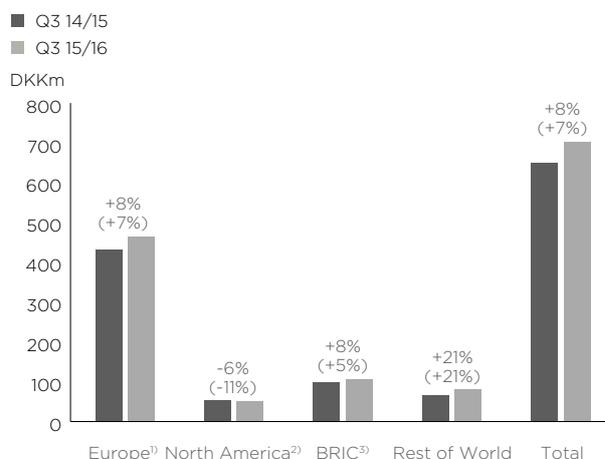
local currency). The growth in local currency was, as expected, driven by the B&O PLAY segment.

The Bang & Olufsen segment recorded a revenue of DKK 492 million in the third quarter of the 2015/16 financial year, compared to DKK 471 million last year,

Revenue by segment (growth in local currency in parenthesis)



Revenue by region (growth in local currency in parenthesis)



¹⁾ Europe covers Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, 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).

which was an increase of 5 per cent (3 per cent in local currency). The moderate growth in the Bang & Olufsen segment was driven by new products such as the new flagship speaker, BeoLab 90. The speaker has been very well received in the market, and sales figures as well as the pipeline for the coming quarters are satisfactory. However TV sales in the quarter was lower than expected.

B&O PLAY recorded a revenue of DKK 211 million in the third quarter of the 2015/16 financial year compared to DKK 179 million in a very strong quarter last year, corresponding to an increase of 18 per cent (17 per cent in local currency). The growth in B&O PLAY continued to be driven by a combination of strong customer demand for existing and new products through all sales channels and a continued expansion of the number of third party retailers.

The B&O PLAY revenue through the B1 and shop-in-shop channel declined to DKK 96 million from DKK 117 million in the same quarter last year. The decline was mainly due to timing of product launches in the third quarter last year, where especially the BeoPlay A9 mrk. II and the BeoPlay A2 and H8 supported revenue in the third quarter. Revenue through third party retail and e-commerce increased by 84 per cent in the quarter, compared to the same period last year. The revenue through third party retailers was positively affected by

an increase in the number of third party retail stores compared to last year. The number increased to 5,462 stores at the end of the third quarter from 5,331 stores at the end of the second quarter of 2015/16 and 2,359 stores at the end of the third quarter last year.

The third quarter of the 2015/16 financial year was the fifth consecutive quarter with a strong growth in the B&O PLAY segment, despite a lower growth rate in the previous quarters due to a tougher comparison against last year. The growth in the B&O PLAY segment is expected to continue to be driven by improvement and expansion of the distribution and continuous launch of new innovative products on a monthly basis.

Revenue development by region

In the third quarter revenue was DKK 465 million in Europe, corresponding to an increase of DKK 34 million (8 per cent) compared to last year. Year to date revenue in Europe increased by 15 per cent (13 per cent in local currency). The growth in Europe was driven by growth in B&O PLAY sales, whereas the revenue from Bang & Olufsen branded products declined.

Revenue in North America was DKK 51 million, which was 6 per cent below last year. Adjusting for the strengthening of the US dollar, revenue declined by 11 per cent in the third quarter. The decline in the third quarter was expected and mainly due to restructuring

Distribution development (Number of stores)

	B1		Shop-in-shop		Third party retail	
	29/2/2016	30/11/15	29/2/2016	30/11/15	29/2/2016	30/11/15
Europe	315	321	140	141	2,851	2,813
North America	27	29	1	1	791	787
BRIC	65	67	38	36	768	722
Rest of World	84	83	2	2	1,052	1,009
Total	491	500	181	180	5,462	5,331

of the B1 and shop-in-shop channel, where focus has been on improving profitability and customer experiences in the retail network leading to the closure of 20 non-performing B1 stores during the last year.

Revenue in the BRIC markets was DKK 106 million, corresponding to an increase of 8 per cent (5 per cent in local currency). The growth was mainly driven by continued growth in China and Hong Kong. In the region Rest of World the revenue increased by 21 per cent in the third quarter, driven by a general increase across most markets, where Beolab 90 is doing particularly well.

The number of B1 stores declined by 9 stores compared to the number of B1 stores at the end of the last quarter, and by 50 stores compared to last year. This was the result of 16 closings and 7 openings during the quarter as the focus on improving the overall quality and profitability of the retail network continues. The decline in number of stores was mainly seen in Europe and North America. The number of shop-in-shops increased by 1 store compared to the last quarter. The number of third party retail stores increased to 5,462 stores from 2,359 stores at the end of the same quarter last year.

During the quarter, Bang & Olufsen continued the roll-out of the Sensory Store concept. The concept has proven to increase like-for-like sales in the upgraded stores, and is therefore expected to support the long-term growth of the company.

Gross margin

The Group's gross margin improved to 37.0 per cent in the third quarter from 35.7 per cent in the same quarter last year. This resulted in an improved gross margin year to date of 35.6 per cent compared to 31.1 per cent last year. Thus, the margin improvement initiatives in the Bang & Olufsen segment continued to show a positive effect. However, due to a relatively higher share of sales coming from B&O PLAY, the improvement in the Group's gross margin has materialised slower than previously expected.

The Group's gross margin in the third quarter was adversely impacted by approximately DKK 7 million of costs previously allocated to Automotive which the company is planning to eliminate over time.

The gross margin in the Bang & Olufsen segment was 38.8 per cent in the third quarter, compared to 36.8 per cent in the same quarter last year. The improvement in the quarter was mainly driven by a change in the product mix and positive effects from the ongoing cost optimisation.

The gross margin for B&O PLAY in the third quarter of the 2015/16 financial year was 32.9 per cent against a gross margin of 32.7 per cent for the same period last year.

Capacity costs

The capacity costs in the third quarter were DKK 257 million, which was a reduction of DKK 45 million compared to the same quarter last year.

Distribution and marketing costs were DKK 161 million in the third quarter of the 2015/16 financial year compared to DKK 186 million in the same period last year. The decrease was mainly a result of lower campaign activity compared to the same quarter last year as well as general cost savings across the Group.

Administration costs totalled DKK 21 million in the third quarter of the 2015/16 financial year compared to DKK 20 million in the same quarter last year.

The Group continues to invest in the development of new products. Incurred development costs were DKK 72 million for the third quarter of the 2015/16 financial year (of which DKK 35 million were capitalised) against DKK 84 million for the same period last year (of which DKK 37 million were capitalised).

Bang & Olufsen's expanded use of technology partners allow for increased productivity and continuous lift of innovation at the same or lower development costs

compared to the company's previous development procedures.

Total amortisation charges and impairment losses on development projects were DKK 38 million compared to DKK 48 million last year. The net effect on earnings before interest and tax of capitalisations and amortisations was negative DKK 3 million compared to a negative effect of DKK 11 million last year.

Capitalised development costs and carrying amount

(DKK million)

Q3 - 2015/16

Capitalised, net	35
Carrying amount, net	384

Q3 - 2014/15

Capitalised, net	37
Carrying amount, net	699

This resulted in expensed development costs (incl. amortisation and impairment losses) of DKK 76 million for the third quarter of the 2015/16 financial year, compared to DKK 95 million for the same period last year.

In addition, the Group's capacity costs were adversely affected by costs related to shared functions previously allocated to the discontinued operations of DKK 10 million.

Earnings

Earnings before interest and tax (EBIT) for the third quarter of the 2015/16 financial year were DKK 5 million compared to negative DKK 70 million for the same period last year.

EBIT for the first nine months of the 2015/16 financial year were negative DKK 131 million against negative DKK 397 million last year. Adjusting for the costs previously allocated to Automotive, the EBIT were negative DKK 91 million compared to negative DKK 328 million last year.

The company's net financial items were negative DKK 19 million in the third quarter of the financial year, compared to positive DKK 13 million last year. The change was mainly related to negative currency adjustments of trade receivables.

Earnings before tax for the third quarter were negative DKK 14 million against negative DKK 55 million in the same period last year, and for the first nine months of the year, earnings before tax were negative DKK 156 million compared to negative DKK 381 million last year.

Development in balance sheet items and cash flow

Free cash flow in the third quarter was negative DKK 63 million compared to positive DKK 28 million in the same quarter last year, corresponding to a decrease of DKK 91 million.

At the end of the third quarter, the Group's net working capital was DKK 334 million compared to DKK 270 million at the end of the second quarter of the 2015/16 financial year and DKK 724 million at the end of the third quarter last year. Net working capital in the quarter was mainly driven by a decreased level of trade payables.

The net interest bearing deposit was DKK 618 million at the end of the third quarter compared to a net interest bearing deposit of DKK 683 million at the end of the second quarter of 2015/16. At the end of the third quarter 2014/15 the company had a net interest bearing debt of DKK 377 million. The significant change in the cash position was a result of the Automotive transaction announced in March 2015.

The Group's equity increased to DKK 1,830 million from DKK 1,706 million at the end of the third quarter last year. The Group equity ratio was 62 per cent at the end of the third quarter of the 2015/16 financial year compared to 56 per cent at the end of the same quarter last year.

Launches Q3 2015/16

In the third quarter of the 2015/16 financial year, Bang & Olufsen launched the following products and services:

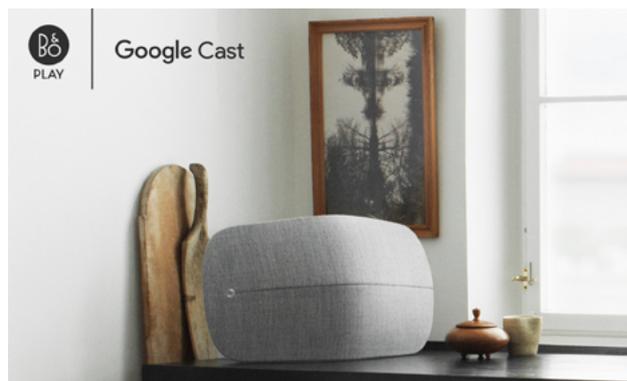
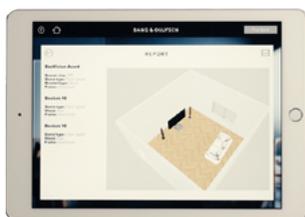
BeoSound 35

January BeoSound 35 is the new all-in-one wireless music system for a wide staged sound experience at home. It features an intuitive interface, distinct Bang & Olufsen design, several placement options, easy connectivity with mobile devices and integrated access to music streaming services. BeoSound 35 works as an independent music system with integrated access to e.g. Tuneln radio stations, Spotify and Deezer. It will integrate seamlessly as part of a BeoLink Multiroom system, and it also works with AirPlay, Bluetooth and DLNA based devices.



BeoHome Design App

January The BeoHome Design App for iPad lets the user digitally visualise the different Bang & Olufsen products in any given space. Choose between all the speakers, sound systems and televisions in the portfolio and place them wherever the iPad camera is pointing. It is even possible to select and customise predefined floor plans and shapes, and subsequently add products and furniture.



B&O PLAY brings Google Cast to network speakers

January B&O PLAY brings Google Cast to B&O PLAY's in-market and future range of network speakers. All network speakers such as BeoPlay A6 and BeoPlay A9 will have Google Cast built-in and the technology will be available during Spring 2016. Besides Google Cast, B&O PLAY's network speakers support Apple AirPlay and Bluetooth, making it possible to choose between various streaming technologies.

BeoLink SmartHome

February BeoLink SmartHome is a new and innovative way of connecting Bang & Olufsen products with all other technology products in the home. The BeoLink SmartHome solution offers full integration with some of the largest home integrators such as Crestron, Control4 and Savant.



OUTLOOK FOR 2015/16

In the 2015/16 financial year, the key focus will continue to be to create profitable growth by growing revenue, improving gross margins and adapting the cost base.

Revenue

The revenue for the Group is expected to grow by 12-15 per cent compared to 2014/15. This is an increase compared to the Group's previous guidance of 8-12 per cent growth.

B&O PLAY is expected to be the main growth driver, and continue the strong growth in the fourth quarter driven primarily by the recently launched new products and a number of planned new products. Therefore, B&O PLAY revenue is expected to grow in the range of 50-60 per cent compared to 2014/15.

As previously stated, revenue in the Bang & Olufsen segment is expected to show a moderate decline in 2015/16. The revenue development in the Bang & Olufsen segment will be particularly dependent on the continued sales performance of the BeoLab 90 as well as a number of successful launches during the fourth quarter.

EBIT

As a result of higher revenue, an improved gross margin and continued cost reduction efforts, Bang & Olufsen

expects to significantly improve the earnings before interest and tax (EBIT) of the continuing business excl. restructuring costs, compared to 2014/15.

Costs for functions that previously were shared with the Automotive division will not be fully eliminated during 2015/16 and are expected to adversely impact the earnings before interest and tax by between DKK 70 million and DKK 80 million in the 2015/16 financial year.

Since the strategic initiatives such as footprint optimisation and restructuring will take time to implement and as the company does not expect to receive any license payment related to Automotive during 2015/16, Bang & Olufsen expects to realise a negative EBIT. Adjusted for costs for shared functions previously allocated to Automotive and restructuring costs, EBIT in 2015/16 is expected to be slightly below break-even. The reason for slightly lowering the EBIT expectations, despite the increased revenue expectations is due to gross margin improvements materialising slower than previously expected.

Safe Harbour statement

The report contains statements relating to the expectations for future developments, including future revenues and Operating results, 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 risk.

MANAGEMENT'S STATEMENT

Today, we have considered and approved the interim report for the period 1 June 2015 – 29 February 2016 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 29 February 2016 and the results of the Group's operations and cash flows for the period 1 June 2015 – 29 February 2016.

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, 6 April 2016

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

Geoff Martin

Jesper Olesen

Brian Bjørn Hansen

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	3rd quarter		YTD		FY
		2015/16	2014/15	2015/16	2014/15	2014/15
Revenue		702.6	649.4	1,937.2	1,661.4	2,356.5
Production costs		(442.5)	(417.8)	(1,248.4)	(1,145.2)	(1,776.2)
Gross profit		260.1	231.6	688.8	516.1	580.3
Development costs	3	(75.5)	(95.2)	(220.9)	(270.7)	(448.5)
Distribution and marketing costs		(160.6)	(186.3)	(543.1)	(582.0)	(861.7)
Administration costs		(21.4)	(20.3)	(60.7)	(60.3)	(77.1)
Other operating income		8.2	-	42.0	-	-
Other operating expenses		(5.9)	-	(36.8)	-	-
Operating profit (EBIT)		5.0	(70.2)	(130.6)	(396.8)	(807.0)
Share of result after tax in associated companies		-	2.0	-	3.8	10.5
Financial income		-	20.7	3.7	34.3	24.8
Financial expenses		(19.3)	(7.5)	(29.1)	(22.3)	(30.9)
Financial items, net		(19.3)	13.2	(25.4)	12.0	(6.1)
Earnings before tax (EBT)		(14.4)	(55.2)	(156.0)	(381.0)	(802.7)
Income tax		3.6	26.1	33.6	92.5	195.4
Earnings for the year						
- continued operations		(10.7)	(29.1)	(122.4)	(288.5)	(607.3)
Earnings for the year						
- discontinued operations	6	9.5	46.3	24.6	124.5	664.3
Earnings for the year		(1.2)	17.3	(97.8)	(164.0)	57.0
Earnings per share						
Earnings per share (EPS) DKK		(0.0)	0.4	(2.3)	(0.4)	1.3
Diluted earnings per share (ESP-D) DKK		(0.0)	0.4	(2.3)	(0.4)	1.3
Earnings per share (EPS) from continuing operations, DKK		(0.2)	(0.7)	(2.8)	(7.1)	(14.2)
Diluted earnings per share (ESP-D) from continuing operations, DKK		(0.2)	(0.7)	(2.8)	(7.0)	(14.2)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	3rd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Earnings for the year	(1.2)	17.3	(97.8)	(164.0)	57.0
<i>Items that will be reclassified subsequent to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries	(3.4)	9.2	(4.1)	9.9	12.1
Change in fair value of derivative financial instruments used as cash flow hedges	(8.2)	(4.0)	4.2	(0.5)	(8.8)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	3.4	(2.8)	3.8	(3.4)	(8.2)
Transfer to production costs	1.2	4.1	0.9	6.1	12.4
Income tax on items that will be reclassified to the income statement:	1.9	0.6	(1.0)	(0.5)	1.1
<i>Items that will not be reclassified subsequent to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(4.2)
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	0.9
Other comprehensive income for the year, net of tax	(5.1)	7.1	3.8	11.6	5.3
Total comprehensive income for the year	(6.3)	24.4	(94.0)	(152.3)	62.3

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	29/2/16	28/2/15	31/5/15
Goodwill		70.2	67.7	70.2
Acquired rights		6.8	10.0	8.0
Completed development projects		254.1	529.0	312.1
Development projects in progress		130.2	169.9	80.3
Intangible assets		461.3	776.7	470.6
Land and buildings		97.4	112.0	104.6
Plant and machinery		58.7	131.9	68.9
Other equipment		28.3	35.0	26.8
Leasehold improvements		40.5	47.4	44.9
Tangible assets in course of construction and prepayments for tangible assets		13.0	10.8	9.1
Tangible assets		238.0	337.1	254.2
Investment property		16.8	37.6	17.2
Investments in associates		5.9	14.0	5.9
Other financial receivables		123.9	41.6	123.3
Financial assets		129.8	55.6	129.3
Deferred tax assets		204.4	237.8	187.5
Total non-current assets		1,050.3	1,444.8	1,058.7
Inventories		561.0	749.2	533.1
Trade receivables		375.1	559.6	456.6
Receivables from associates		-	2.4	-
Corporation tax receivable		22.6	29.8	33.5
Other receivables		51.8	67.4	71.5
Prepayments		23.6	52.7	19.9
Total receivables		473.0	711.9	581.5
Cash		810.2	138.6	1,198.0
Assets held for sale	6	75.4	-	77.6
Total current assets		1,919.6	1,599.7	2,390.2
Total assets		2,969.9	3,044.5	3,449.0

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	29/2/16	28/2/15	31/5/15
Share capital		432.0	432.0	432.0
Translation reserve		21.6	22.4	24.6
Reserve for cash flow hedges		3.3	1.7	(3.5)
Retained earnings		1,372.9	1,250.3	1,468.3
Total equity		1,829.8	1,706.3	1,921.4
Pensions		16.1	12.5	17.1
Deferred tax		11.7	7.7	10.6
Provisions		42.5	42.6	44.8
Mortgage loans		183.3	191.6	191.1
Other non-current liabilities		1.9	1.6	1.6
Deferred income		139.7	-	148.7
Total non-current liabilities		395.1	255.9	414.0
Mortgage loans		8.5	8.3	8.4
Loans from banks		-	220.0	210.0
Overdraft facilities		-	95.3	-
Provisions		25.6	26.8	25.4
Trade payables		392.2	429.1	443.1
Corporation tax payable		11.4	24.8	33.7
Other liabilities		230.5	215.0	309.1
Deferred income		54.8	63.0	67.7
Other current liabilities		723.0	1,082.3	1,097.4
Liabilities associated with assets held for sale	6	21.9	-	16.3
Total liabilities		1,140.0	1,338.2	1,527.6
Total equity and liabilities		2,969.9	3,044.5	3,449.0

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	3rd quarter		YTD		FY
		2015/16	2014/15	2015/16	2014/15	2014/15
Earnings for the year						
- continuing operations		(10.7)	(29.1)	(122.4)	(288.5)	(607.3)
Earnings for the year						
- discontinued operations		9.5	46.3	24.6	124.5	664.3
Amortisation, depreciation and impairment losses		57.3	87.5	178.0	258.0	430.8
Adjustments for non-cash items	4	(11.1)	(23.7)	(20.6)	(65.7)	(662.3)
Change in receivables		225.0	15.5	111.1	(6.9)	10.6
Change in inventories		59.5	(42.4)	(31.5)	(83.0)	78.5
Change in trade payables etc		(352.7)	26.8	(142.5)	23.0	155.8
Cash flow from operations		(23.2)	81.1	(3.3)	(38.5)	70.3
Interest received and paid, net		(0.3)	13.2	(5.9)	12.1	(6.1)
Income tax paid		(0.3)	0.9	4.6	(3.8)	(9.2)
Cash flow from operating activities		(23.8)	95.2	(4.7)	(30.2)	55.0
Purchase of intangible non-current assets		(28.2)	(47.6)	(123.5)	(162.1)	(209.2)
Purchase of tangible non-current assets		(7.7)	(22.4)	(39.8)	(73.3)	(82.9)
Proceeds from sale of associated companies		-	-	-	-	12.5
Proceeds from sale of businesses		-	-	-	-	1,110.8
Received reimbursements, intangible non-current assets		-	3.2	-	9.8	12.5
Change in financial receivables		(3.6)	(0.2)	(0.6)	2.7	14.0
Cash flow from investing activities		(39.5)	(66.9)	(163.9)	(222.9)	857.7
Free cash flow		(63.3)	28.1	(168.5)	(253.2)	912.7
Repayment of long-term loans		(2.1)	(2.1)	(217.8)	(6.2)	(6.5)
Proceeds from short-term borrowings		-	40.0	-	-	(10.0)
Capital increase		-	-	-	248.6	248.2
Sale of own shares		-	-	-	2.2	2.6
Settlement of share options		(1.4)	-	(1.4)	-	(0.9)
Cash flow from financing activities		(3.5)	37.9	(219.2)	244.5	233.4
Change in cash and cash equivalents		(66.9)	66.1	(387.8)	(8.6)	1,146.1
Cash and cash equivalents, opening balance		877.1	(22.8)	1,198.0	51.9	51.9
Cash and cash equivalents, closing balance		810.2	43.3	810.2	43.3	1,198.0
Cash and cash equivalents:						
Cash		810.2	138.6	810.2	138.6	1,198.0
Current overdraft facilities		-	(95.3)	-	(95.3)	-
Cash and cash equivalents, closing balance		810.2	43.3	810.2	43.3	1,198.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	29/2/16	28/2/15	31/5/15
Equity, opening balance	1,921.4	1,604.4	1,604.4
Earnings for the period	(97.8)	(163.9)	57.0
Other comprehensive income, net of tax	3.8	11.6	5.3
Comprehensive income for the period	(94.0)	(152.3)	62.3
Capital increase	-	259.2	259.2
Costs relating to capital increase	-	(10.6)	(10.9)
Grant of share options	3.8	3.5	4.6
Sale of own shares	-	2.2	2.6
Settlement of share options	(1.4)	-	(0.9)
Equity, closing balance	1,829.8	1,706.3	1,921.4

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.

Bang & Olufsen A/S has from 1 June 2015 included other operating income and other operating expenses in the income statement. Other operating income and other operating expenses comprise income and expenses of a secondary nature relative to the principal activities of the Bang & Olufsen a/s Group.

The accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2014/15 Annual Report.

The Annual Report 2014/15 contains a full description of applied accounting principles.

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 vary from these estimates.

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

3 DEVELOPMENT COSTS

(DKK million)	3rd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Incurring development costs before capitalisation	72.1	83.8	209.6	252.1	369.7
Hereof capitalised	(34.9)	(36.6)	(113.4)	(123.2)	(159.2)
Incurring development costs after capitalisation	37.2	47.2	96.2	128.9	210.5
Capitalisation (%)	48.4%	43.7%	54.1%	48.9%	43.1%
Total charges and impairment losses on development projects	38.3	48.0	124.7	141.8	238.0
Development costs recognised in the consolidated income statement	75.5	95.2	220.9	270.7	448.5

NOTES

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

(DKK million)	3rd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Change in other liabilities	(8.0)	1.0	(10.5)	(0.3)	7.0
Financial items, net	19.3	(13.2)	25.4	(12.1)	6.1
Result of investments in associates after tax	-	(2.0)	-	(3.8)	(10.5)
Gain/loss on sale of non-current assets	(2.5)	(0.7)	(2.2)	(0.7)	1.8
Gain/loss on sale of business	-	-	-	-	(643.0)
Tax on earnings for the year	(2.5)	(11.9)	(27.8)	(54.3)	8.7
Other adjustments	(17.4)	3.2	(5.5)	5.6	(32.4)
Total adjustments	(11.1)	(23.7)	(20.6)	(65.7)	(662.3)

5 SEGMENT INFORMATION

(DKK million)	3rd quarter		Reported change %	Local currency change %
	2015/16	2014/15		
Revenue by segment and business area				
Bang & Olufsen	491.9	470.5	5	3
B&O PLAY	210.7	178.9	18	17
Total	702.6	649.4	8	7
Gross margin by business area, %				
Bang & Olufsen	38.8%	36.8%		
B&O PLAY	32.9%	32.7%		
Gross margin %, Group	37.0%	35.7%		
Revenue by region				
Europe	464.5	430.6	8	7
North America	50.6	53.6	(6)	(11)
BRIC	106.4	98.1	8	5
Rest of World	81.1	67.1	21	21
Total	702.6	649.4	8	7
Revenue by channel				
B1 and shop-in-shop distribution	588.4	587.5	0	
3rd party distribution and e-commerce	114.2	61.9	84	
Total	702.6	649.4	8	

NOTES

5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2015/16	2014/15		
Revenue by segment and business area				
Bang & Olufsen	1,237.7	1,241.4	0	(4)
B&O PLAY	699.5	420.0	67	62
Total	1,937.2	1,661.4	17	12
Gross margin by business area, %				
Bang & Olufsen	38.2%	31.3%		
B&O PLAY	30.9%	30.5%		
Gross margin %, Group	35.6%	31.1%		
Revenue by region				
Europe	1,268.5	1,105.9	15	13
North America	167.9	139.1	21	5
BRIC	296.3	234.1	27	15
Rest of World	204.5	182.3	12	12
Total	1,937.2	1,661.4	17	12
Revenue by channel				
B1 and shop-in-shop distribution	1,541.3	1,497.8	3	
3rd party distribution and e-commerce	395.9	163.6	142	
Total	1,937.2	1,661.4	17	

NOTES

6 DISCONTINUED OPERATIONS

(DKK million)	3rd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Revenue	25.3	152.1	76.8	474.6	647.1
Expenses	(14.7)	(91.6)	(46.4)	(311.9)	(421.7)
Earnings before tax	10.6	60.5	30.4	162.7	225.4
Tax	(1.1)	(14.2)	(5.8)	(38.2)	(53.0)
Earnings for the year - discontinued operations	9.5	46.3	24.6	124.5	172.4
Gains/losses on sale of assets and businesses	-	-	-	-	643.0
Tax	-	-	-	-	(151.1)
Gains/losses on sale of assets and businesses after tax	-	-	-	-	491.9
Earnings per share of discontinued operations	0.2	1.1	0.5	6.7	15.5
Diluted earnings per share of discontinued operations	0.2	1.1	0.5	6.6	15.5
Cash flow from operating activities	6.5	102.3	40.3	204.5	283.3
Cash flow used for investing activities	(2.3)	(10.0)	(7.8)	(37.3)	1,063.2
Cash flow from financing activities	-	-	-	-	-
Net cash flow from discontinued operations	4.2	92.3	32.5	167.2	1,346.5

(DKK million)	2015/16	2014/15	31/5/15
Balance sheet items comprise:			
Development projects	42.2	-	34.4
Plant & machinery	0.2	-	0.2
Other equipment and assets under construction	1.1	-	1.1
Inventories	12.7	-	9.1
Trade receivables	13.9	-	18.9
Other receivables	3.3	-	12.0
Prepayments	1.9	-	1.8
Cash	0.1	-	0.1
Assets held for sale	75.4	-	77.6
Trade payables	8.2	-	8.4
Provisions	3.4	-	1.8
Corporation tax payable	7.5	-	3.3
Other liabilities	2.8	-	2.8
Liabilities associated with assets held for sale	21.9	-	16.3

APPENDIX 1

Earnings by quarter 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Revenue	506.0	728.6	702.6	
Production costs	(353.5)	(452.4)	(442.5)	
Gross profit	152.5	276.2	260.1	
Development costs	(71.5)	(73.9)	(75.5)	
Distribution and marketing costs	(166.4)	(216.1)	(160.6)	
Administration costs	(20.3)	(19.0)	(21.4)	
Other operating income, net	0.9	2.0	2.3	
Earnings before interest and tax (EBIT)	(104.7)	(30.9)	5.0	
Share of result after tax in associated companies	-	-	-	
Financial income	0.3	9.1	-	
Financial expenses	(13.8)	(1.7)	(19.3)	
Financial items, net	(13.5)	7.4	(19.3)	
Earnings before tax (EBT)	(118.3)	(23.3)	(14.4)	
Income tax	26.1	3.9	3.6	
Earnings for the year - continued operations	(92.2)	(19.5)	(10.7)	
Earnings for the year - discontinued operations	6.1	9.0	9.5	
Earnings for the year	(86.1)	(10.5)	(1.2)	

Accumulated earnings by quarter 2015/16:

(DKK million)	2015/16			
	3M	6M	9M	12M
Revenue	506.0	1,234.6	1,937.2	
Production costs	(353.5)	(805.9)	(1,248.4)	
Gross profit	152.5	428.7	688.8	
Development costs	(71.5)	(145.4)	(220.9)	
Distribution and marketing costs	(166.4)	(382.5)	(543.1)	
Administration costs	(20.3)	(39.3)	(60.7)	
Other operating income, net	0.9	2.9	5.2	
Earnings before interest and tax (EBIT)	(104.7)	(135.6)	(130.6)	
Share of result after tax in associated companies	-	-	-	
Financial income	0.3	4.3	3.7	
Financial expenses	(13.8)	(10.4)	(29.1)	
Financial items, net	(13.5)	(6.1)	(25.4)	
Earnings before tax (EBT)	(118.3)	(141.6)	(156.0)	
Income tax	26.1	30.0	33.6	
Earnings for the year - continued operations	(92.2)	(111.7)	(122.4)	
Earnings for the year - discontinued operations	6.1	15.1	24.6	
Earnings for the year	(86.1)	(96.6)	(97.8)	

APPENDIX 1

Earnings by quarter 2014/15:

(DKK million)	2014/15			
	Q1	Q2	Q3	Q4
Revenue	433.5	578.5	649.4	695.1
Production costs	(304.4)	(423.0)	(417.8)	(631.0)
Gross profit	129.0	155.5	231.6	64.2
Development costs	(88.6)	(86.9)	(95.2)	(177.8)
Distribution and marketing costs	(191.2)	(204.5)	(186.3)	(279.8)
Administration costs	(20.5)	(19.4)	(20.3)	(16.8)
Earnings before interest and tax (EBIT)	(171.2)	(155.3)	(70.2)	(410.2)
Share of result after tax in associated companies	0.2	1.6	2.0	6.7
Financial income	0.9	8.9	20.7	-
Financial expenses	(3.5)	(7.4)	(7.5)	(18.1)
Financial items, net ¹⁾	(2.6)	1.5	13.2	(18.1)
Earnings before tax (EBT)	(173.6)	(152.2)	(55.2)	(421.7)
Income tax	32.1	34.3	26.1	102.9
Earnings for the year – continued operations	(141.6)	(117.9)	(29.1)	(318.8)
Earnings for the year – discontinued operations	32.2	46.0	46.3	539.9
Earnings for the year	(109.4)	(71.9)	17.3	221.0

Accumulated earnings by quarter 2014/15:

(DKK million)	2014/15			
	3M	6M	9M	12M
Revenue	433.5	1,011.9	1,661.4	2,356.5
Production costs	(304.4)	(727.4)	(1,145.2)	(1,776.2)
Gross profit	129.0	284.6	516.1	580.3
Development costs	(88.6)	(175.5)	(270.7)	(448.5)
Distribution and marketing costs	(191.2)	(395.7)	(582.0)	(861.7)
Administration costs	(20.5)	(40.0)	(60.3)	(77.1)
Earnings before interest and tax (EBIT)	(171.2)	(326.6)	(396.8)	(807.0)
Share of result after tax in associated companies	0.2	1.8	3.8	10.5
Financial income	0.9	13.7	34.3	24.8
Financial expenses	(3.5)	(14.8)	(22.3)	(30.9)
Financial items, net ¹⁾	(2.6)	(1.1)	12.0	(6.1)
Earnings before tax (EBT)	(173.6)	(325.9)	(381.0)	(802.7)
Income tax	32.1	66.4	92.5	195.4
Earnings for the year – continued operations	(141.6)	(259.5)	(288.5)	(607.3)
Earnings for the year – discontinued operations	32.2	78.2	124.5	664.3
Earnings for the year	(109.4)	(181.3)	(164.0)	57.0

¹⁾ Financial items have been adjusted between Q2 and Q3 2014/15 compared to figures previously reported.

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Financial calendar

Financial statements

11 August 2016 Annual report 2015/16

27 September 2016 Interim report (1st quarter 2016/17)

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 on the move.

For additional information: please visit www.bang-olufsen.com.