

INTERIM REPORT
3RD QUARTER 2016/17
1 JUNE 2016 –
28 FEBRUARY 2017



Q3 HIGHLIGHTS

“In the third quarter of 2016/17, Group revenue increased 12 per cent leading to an improved profitability. B&O PLAY showed strong growth momentum, and grew by 53 per cent driven by new product launches and continued expansion of the retail network. Revenue in the Bang & Olufsen segment declined by 6 per cent, negatively impacted by TV sales. Overall, we remain on track to deliver the guidance for the full year, supported by a strong product portfolio, which is expected to continue to drive revenue growth and improve profitability,” says CEO Henrik Clausen.

Key financial highlights Q3

(DKK million)	Q3 2016/17	Q3 2015/16*	Change %	YTD 2016/17	YTD 2015/16*	Change %
Revenue	786	703	12	2,169	1,937	12
Bang & Olufsen	464	492	(6)	1,246	1,238	1
B&O PLAY	322	211	53	922	699	32
Gross margin, %	42.6	38.0	4.6	39.9	36.9	3.0
Bang & Olufsen, %	44.8	40.0	4.8	42.5	40.0	2.5
B&O PLAY, %	39.4	33.5	5.9	36.4	31.5	4.9
Capacity costs	317	247	28.1	908	794	14.4
EBITDAC	63	45		66	(10)	
EBIT	18	22		(34)	(75)	
Free cash flow	97	(63)		196	(169)	

* 2015/16 has been adjusted for non-recurring and aperiodic items and costs previously allocated to the Automotive business. 2015/16 included DKK 17 million in the third quarter and DKK 56 million year-to-date.

Third quarter 2016/17

- In line with our expectations, the Group realised a revenue growth of 12 per cent. The B&O PLAY revenue increased by 53 per cent, whereas the Bang & Olufsen segment revenue declined by 6 per cent.
- The Group gross margin increased to 42.6 per cent from 38.0 per cent last year, primarily due to improved gross margins in B&O PLAY, improved product profitability in the Bang & Olufsen segment and a positive impact from increased income in brand partnerships in the Bang & Olufsen segment.

- Capacity costs increased by 28.1 per cent compared to last year. Excluding the effect from higher depreciations on development projects, capacity costs increased by 18.5 per cent, mainly driven by higher distribution and marketing costs.
- EBITDAC was DKK 63 million against DKK 45 million last year, as the growth momentum driving gross profit exceeded the cost increase.
- Free cash flow was DKK 97 million against negative DKK 63 million last year. The improvement was primarily driven by a positive EBITDAC and a positive net working capital development with a significant reduction of trade receivables.

Year-to-date 2016/17

- The Group's total revenue for the first three quarters of 2016/17 was DKK 2,169 million, resulting in an increase of 12 per cent (14 per cent in local currency). The increase was driven by 32 per cent growth in B&O PLAY (35 per cent in local currency) and 1 per cent growth in the Bang & Olufsen segment compared to last year (3 per cent in local currency). EBITDAC for the first three quarters of 2016/17 was DKK 66 million, an improvement of DKK 76 million compared to last year. Free cash flow in the first three quarters of 2016/17 was improved by DKK 365 million, realising DKK 196 million against negative DKK 169 million last year.
- The outlook for 2016/17 remains unchanged. Revenue for the Group is expected to grow by 10-15 per cent compared to 2015/16, driven by 25-30 per cent growth in B&O PLAY and low single-digit growth in the Bang & Olufsen segment. The EBITDAC margin

for the underlying business is expected to improve for the full year compared to 2015/16. The EBITDAC margin is expected to be in the range of 2-3 per cent, excluding the impact from the sale of the Czech assembly subsidiary.

- On 13 March 2017, Bang & Olufsen announced that the company has entered into a share purchase agreement with its long-term partner Tymphany Acoustic Technology HK Limited for the sale of all the shares in Bang & Olufsen's Czech assembly subsidiary, Bang & Olufsen s.r.o. (company announcement no. 16.16). The divestiture of the assembly facility expands Bang & Olufsen and Tymphany's successful partnership model and supports Bang & Olufsen's strategy to focus on the core capabilities with an agile and asset light business model. The cash flow impact to Bang & Olufsen is DKK 123 million and the accounting gain is expected to be DKK 33 million, which is expected to be recognised in the fourth quarter of 2016/17. In the short term, no additional impact is expected from the transaction.

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A webcast will be hosted on 7 April 2017 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	
	2016/17	2015/16	2016/17	2015/16
Income statement				
Revenue	786	703	2,169	1,937
Gross margin, %	42.6	37.0	39.9	35.6
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	63	27	66	(66)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	99	62	170	47
Earnings before interest and tax (EBIT)	18	5	(34)	(131)
Financial items, net	(10)	(19)	(14)	(25)
Earnings before tax (EBT)	8	(14)	(47)	(156)
Earnings after tax, continued operations	3	(11)	(41)	(122)
Earnings after tax, discontinued operations	-	10	-	25
Earnings after tax	3	(1)	(41)	(98)
Financial position				
Total Assets	2,937	2,970	2,937	2,970
Share capital	432	432	432	432
Equity	1,690	1,830	1,690	1,830
Net interest-bearing deposit / (debt)	790	618	790	618
Net working capital	232	334	232	334
Cash flow				
- from operating activities	148	(24)	251	(5)
- from investment activities	(52)	(40)	(55)	(164)
Free cash flow	97	(63)	196	(169)
- from financing activities	(2)	(3)	(13)	(219)
Cash flow for the period	95	(67)	183	(388)
Key figures				
EBITDA-margin, %	12.6	8.9	7.8	2.4
EBIT-margin, %	2.3	0.7	(1.6)	(6.7)
Return on assets, %	0.8	0.2	(1.9)	(5.4)
Return on invested capital, excl. goodwill, %	10.8	3.4	16.4	(0.3)
Return on equity, %	0.2	(0.1)	(2.4)	(5.5)
Full time employees at the end of the period	1,599	1,818	1,599	1,818
Stock related key figures				
Earnings per share (EPS), DKK	0.1	(0.0)	(0.9)	(2.3)
Earnings per share from continuing operations (EPS), DKK	0.1	(0.2)	(0.9)	(2.8)
Earnings per share, diluted (EPS-D), DKK	0.1	(0.0)	(0.9)	(2.3)
Earnings per share from continuing operations, diluted (EPS-D), DKK	0.1	(0.2)	(0.9)	(2.8)
Price/Earnings	n/a	n/a	n/a	n/a

MANAGEMENT REPORT

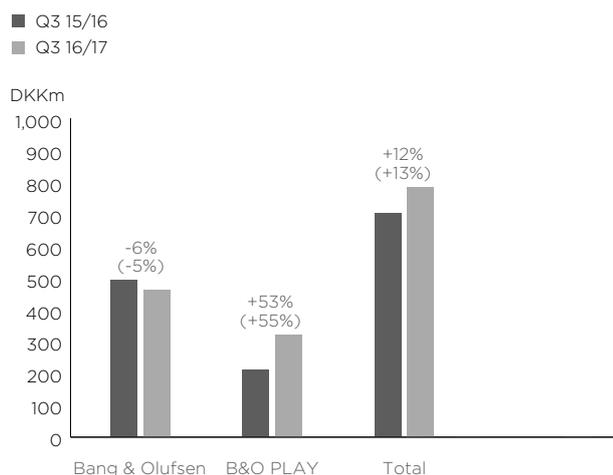
The revenue increase of 12 per cent and improved gross margin led to an EBITDAC of DKK 63 million and drove a positive cash flow of DKK 97 million in the third quarter of 2016/17.

Revenue development by segment

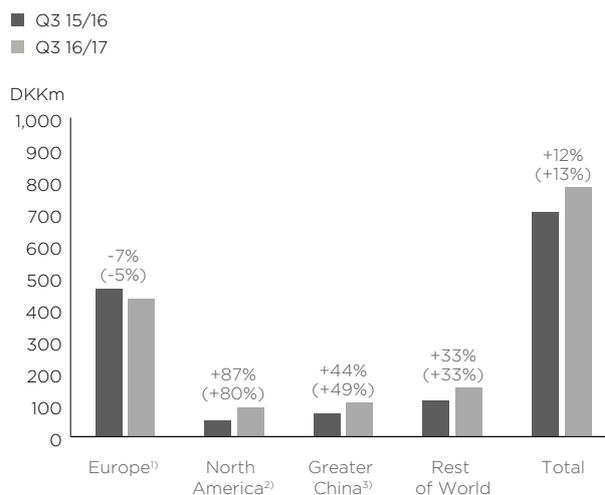
The Group's revenue increased from DKK 703 million last year to DKK 786 million, corresponding to a growth of 12 per cent (13 per cent in local currency). Year-to-date Group revenue increased by 12 per cent (14 per cent in local currency).

The Bang & Olufsen segment realised a revenue of DKK 464 million against DKK 492 million last year, which was a decline of 6 per cent (-5 per cent in local currency). TV sales were impacted by the relatively high catch-up effect from TV products launched in the second quarter, which demonstrated that the revenue volatility in the segment is impacted by the timing of

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⁾ Greater China covers China, Hong Kong and Taiwan.

new product launches. Year-to-date revenue is on par with last year and is expected to grow in the fourth quarter and thereby meet the guidance of low single-digit growth for the full year.

B&O PLAY recorded a revenue of DKK 322 million against DKK 211 million last year. At a growth rate of 53 per cent (55 per cent in local currency), the main growth contributor in B&O PLAY was newly launched products, especially Beoplay H4 and Beoplay H9 in the headphone category and Beoplay M5 in the connected audio category.

B&O PLAY revenue through third party retail and e-commerce increased by 70 per cent. The revenue through third party retailers was primarily impacted by launches of new products and a further development of third party retail stores. B&O PLAY revenue through the B1 and shop-in-shop channel increased by 33 per cent compared to last year, driven by newly launched products, especially Beoplay M5.

Revenue development by region

Revenue in Europe was DKK 434 million against DKK 465 million last year, corresponding to a decrease of 7 per cent. The decline was expected due to the relatively high catch-up effect from TV products launched in the second quarter.

Revenue in North America was DKK 95 million against DKK 51 million last year, corresponding to an increase of 87 per cent (80 per cent in local currency). The revenue growth was driven by a combination of higher revenue from B&O PLAY and increased income from brand partnerships.

Revenue in the Greater China region was DKK 106 million against DKK 73 million last year, corresponding to an increase of 44 per cent (49 per cent in local currency). The growth was mainly driven by continued growth in B&O PLAY.

In the region Rest of World, revenue was DKK 153 million against DKK 114 million last year, corresponding to an increase of 33 per cent (33 per cent in local currency). The increase was primarily driven by higher revenue from B&O PLAY and increased income from brand partnerships.

Distribution development

The number of B1 stores declined by 7 stores compared to the number of B1 stores at the end of the previous quarter, and by 24 stores compared to last year. This was the result of 9 closings or downgrades and 2 openings or upgrades during the quarter. The number of shop-in-shops increased by 2 stores compared to the previous quarter.

Distribution Development (Number of stores)

	B1		Shop-in-shop		Third party retail	
	28/2/17	30/11/16	28/2/17	30/11/16	28/2/17	30/11/16
Europe	301	305	137	137	3,301	3,322
North America	23	22	2	3	925	970
Greater China	33	37	31	30	1,145	1,130
Rest of World	110	110	6	4	1,287	1,185
Total	467	474	176	174	6,658	6,607

Comparative figures for Greater China and Rest of World in B1 have been adjusted compared to the first half year 2016/17 reported.

The number of third party retail stores increased to 6,658 stores from 6,607 stores at the end of the previous quarter, and from 5,462 stores at the end of the same quarter last year. The Group expects to reach 7,000 third party retail stores at the end of 2016/17, and continues to see a potential for approximately 10,000 third party retail stores for B&O PLAY.

Gross margin*

The Group's gross margin was 42.6 per cent against 38.0 per cent last year.

The gross margin in the Bang & Olufsen segment was 44.8 per cent against 40.0 per cent last year. The gross margin was positively impacted by increased license income from brand partnerships and improved product profitability in the Bang & Olufsen segment, whereas a change in product mix in the Bang & Olufsen segment impacted the gross margin negatively.

The gross margin for the B&O PLAY segment was 39.4 per cent against 33.5 per cent last year. The increase was driven by higher volumes, continued positive scalability impacts on the supply chain, and improved product margins.

Exchange rates, especially GBP and CNY fluctuations, had a negative impact on the gross margins in both segments and this impact is expected to continue.

Capacity costs

The capacity costs were DKK 317 million against DKK 247 million last year*. The increase was mainly driven by an increase in development costs and in distribution and marketing costs.

Development costs were DKK 104 million against DKK 76 million last year. The increase was mainly due to higher depreciations of the current TV product portfolio. Incurred development costs were DKK 78 million (of which DKK 36 million were capitalised) against DKK

72 million last year (of which DKK 35 million were capitalised). The development was mainly due to a higher level of activities related to the new TV development.

Total amortisation charges and impairment losses on development projects were DKK 62 million against DKK 38 million last year. The net effect on earnings before interest and tax of capitalisations and amortisations was negative DKK 26 million compared to a negative effect of DKK 3 million last year.

Capitalised development costs and carrying amount (DKK million)

Q3 - 2016/17

Capitalised, net	36
Carrying amount, net	333

Q3 - 2015/16

Capitalised, net	35
Carrying amount, net	384

Distribution and marketing costs were DKK 186 million against DKK 161 million last year, which was characterised by low campaign activity. To fuel this year's higher activity level with product launches, the Group continues to invest both in campaign activities and in support to the distribution channel. The cost increase is primarily linked to the 53 per cent growth in B&O PLAY.

Administration costs totalled DKK 27 million against DKK 21 million last year. The increase is primarily due to reclassification of costs from distribution and marketing to administration.

* 2015/16 has been adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business.

Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) were DKK 63 million against DKK 45 million last year*. The improvement was primarily driven by the increase in revenue and the improved gross margins.

EBITDAC for the first three quarters of 2016/17 was DKK 66 million against negative DKK 10 million last year*. The revenue and gross margin increase has resulted in an improved gross profit of DKK 176 million, equal to an improvement of 25.6 per cent, which exceeds the cost increase of DKK 114 million.

The company's net financial items were negative DKK 10 million against negative DKK 19 million last year. The change was mainly related to a negative impact from exchange rates.

Earnings before tax were DKK 8 million against negative DKK 14 million last year, and for the first three quarters of the year, earnings before tax were negative DKK 47 million against negative DKK 156 million last year.

Development in balance sheet items and cash flow

The Group's net working capital was DKK 232 million against DKK 334 million last year. The improvement was mainly driven by increased liabilities and a reduction in the trade receivables compared to last year. The

net working capital ratio to revenue was at 8 per cent slightly better than in the previous quarters. Net working capital is expected to be back on normal level (10-12 per cent) in the fourth quarter.

Free cash flow was DKK 97 million against negative DKK 63 million last year. The development was mainly due to the positive development in net working capital and improved earnings compared to last year.

Year-to-date free cash flow is DKK 196 million, corresponding to an improvement of DKK 365 million compared to the first three quarters of 2015/16.

The net interest bearing deposit was DKK 790 million against DKK 618 million last year. The Group's equity decreased to DKK 1,690 million from DKK 1,830 million last year, and DKK 1,686 million at the end of the previous quarter. The Group equity ratio was at 58 per cent against 62 per cent last year.

Subsequent events

On 13 March 2017, Bang & Olufsen announced that the company has entered into a share purchase agreement with its long-term partner Tymphany Acoustic Technology HK Limited for the sale of all the shares in Bang & Olufsen's Czech assembly subsidiary, Bang & Olufsen s.r.o. (company announcement no. 16.16).

* 2015/16 has been adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business.

Product launches Q3 2016/17

In the third quarter of 2016/17, the Group launched the following products:

Beoplay H9

December B&O PLAY launches the Beoplay H9 wireless over-ear headphone with Active Noise Cancellation crafted from materials like aluminium, cowhide leather and lambskin. Beoplay H9 comes with up to 14 hours of music performance with just a three-hour charge, and is compatible with Beoplay App for Android, iPhone and Apple Watch.



Beoplay H4

February B&O PLAY introduces Beoplay H4, a new wireless headphone. With an emphasis on pure materials, pure design and pure sound, Beoplay H4 comes with up to 19 hours of wireless music, and the new headphone is compatible with Beoplay App for Android, iPhone and Apple Watch.



Beoplay M5

January B&O PLAY announces Beoplay M5, a powerful, wireless speaker with True360 omnidirectional sound, crafted aluminium top and exchangeable wool blend fabric cover. With Beoplay M5 it is easy to connect to any Chromecast-enabled speaker to create a multi-room experience. Beoplay M5 also supports Beolink Multiroom, Spotify Connect and QPlay 2.02 and at the same time embraces Bluetooth and Apple Airplay.



BeoLab 5 and BeoLab 3 Final Editions

February Bang & Olufsen launches the classic BeoLab 5 and BeoLab 3 speakers in Final Editions with high-gloss polished discs and black acoustic lenses with high-gloss aluminium top and bottom plates, respectively.



Subsequent launches

After the end of the reporting period, the Group announced the launch of the following new products:

B&O PLAY announced the Spring/Summer 2017 Collection; new colours to complement the current range for Beoplay A1, A2, H5 and H4.

B&O PLAY launched Beolit 17, which is a powerful, portable Bluetooth speaker with True360 sound, USB-C

charging, and premium materials including anodised aluminium and full grain leather. Beolit 17 builds on the premium design heritage of Beolit 15.

Bang & Olufsen announced the launch of BeoSound Shape, which is a unique scalable wireless speaker system that can be custom designed and turn high-quality music into an interior art form.

OUTLOOK FOR 2016/17

In 2016/17, we expect solid growth for the Group. The key focus will be to continue the growth of B&O PLAY, while maintaining low single-digit growth for the full year for the Bang & Olufsen segment. In addition, we will ensure continued strengthening of the profitability across the company through strong product launches, improvement of gross margin, optimisation of supply chain, and tight cost control.

Revenue

Revenue for the Group is expected to grow by 10-15 per cent compared to last year. B&O PLAY is expected to continue to be the main growth driver with 25-30 per cent growth. New product launches, increased brand awareness, and continued expansion of the distribution are expected to be the main growth contributors in B&O PLAY. In the Bang & Olufsen segment, the focus will be to continue strengthening the brand, capitalising on the strong product portfolio, and improving the health and profitability of the business segment. In addition, the segment will be positively impacted by increased revenue from brand partnerships. The revenue in the Bang & Olufsen segment is expected to grow with low single digits in 2016/17.

EBITDAC

Earnings before interest, tax, depreciation, amortisation and capitalisation for the underlying business

(EBITDAC) are expected to improve compared to the EBITDAC of DKK 14 million in the underlying business (i.e. adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business) in 2015/16. This will be driven by continued revenue growth, higher gross margin as well as a lower capacity cost ratio measured to revenue. The EBITDAC margin is expected to be in the range of 2-3 per cent, excluding the impact from the sale of the Czech assembly subsidiary.

As a consequence of the strategic technology partnership with LG Electronics, Bang & Olufsen will incur higher depreciations of the current TV product portfolio in the range of DKK 30-40 million. This will adversely impact the EBIT of 2016/17, but will not impact the free cash flow.

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 2016 – 28 February 2017 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 2017 and the results of the Group's operations and cash flows for the period 1 June 2016 – 28 February 2017.

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, 7 April 2017

Executive Management Board:

Henrik Clausen
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

Albert Bensoussan

Majken Schultz

Mads Nipper

Ivan Tong Kai Lap

Juha Christensen

Geoff Martin

Jesper Olesen

Brian Bjørn Hansen

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	3rd quarter		YTD		FY
		2016/17	2015/16	2016/17	2015/16	2015/16
Revenue		786.1	702.6	2,168.7	1,937.2	2,633.4
Production costs		(450.9)	(442.5)	(1,303.5)	(1,248.4)	(1,681.5)
Gross profit		335.2	260.1	865.2	688.8	951.9
Development costs	3	(104.1)	(75.5)	(279.1)	(220.9)	(314.8)
Distribution and marketing costs		(186.1)	(160.6)	(555.2)	(543.1)	(740.3)
Administration costs		(26.7)	(21.4)	(73.4)	(60.7)	(104.3)
Other operating income		-	8.2	8.8	42.0	42.0
Other operating expenses		-	(5.9)	-	(36.8)	(36.8)
Operating profit (EBIT)		18.3	5.0	(33.7)	(130.6)	(202.2)
Share of result after tax in associated companies		-	-	-	-	(0.4)
Financial income		0.8	-	3.0	3.7	1.6
Financial expenses		(10.6)	(19.3)	(16.8)	(29.1)	(40.5)
Financial items, net		(9.8)	(19.3)	(13.8)	(25.4)	(38.9)
Earnings before tax (EBT)		8.4	(14.4)	(47.4)	(156.0)	(241.6)
Income tax		(5.3)	3.6	6.7	33.6	43.8
Earnings for the year						
- continued operations		3.1	(10.7)	(40.8)	(122.4)	(197.8)
Earnings for the year						
- discontinued operations	6	-	9.5	-	24.6	(9.9)
Earnings for the year		3.1	(1.2)	(40.8)	(97.8)	(207.7)
Earnings per share						
Earnings per share (EPS) DKK		0.1	(0.0)	(0.9)	(2.3)	(4.8)
Diluted earnings per share (ESP-D) DKK		0.1	(0.0)	(0.9)	(2.3)	(4.8)
Earnings per share (EPS) from continuing operations, DKK		0.1	(0.2)	(0.9)	(2.8)	(4.6)
Diluted earnings per share (ESP-D) from continuing operations, DKK		0.1	(0.2)	(0.9)	(2.8)	(4.6)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	3rd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Earnings for the year	3.1	(1.2)	(40.8)	(97.8)	(207.7)
<i>Items that will be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries	3.6	(3.4)	7.5	(4.1)	(3.5)
Change in fair value of derivative financial instruments used as cash flow hedges	(8.6)	(8.2)	(7.6)	4.2	1.9
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	0.2	3.4	2.6	3.8	6.3
Transfer to production costs	3.2	1.2	4.9	0.9	(0.5)
Income tax on items that will be reclassified to the income statement:	1.1	1.9	-	(1.0)	(1.7)
<i>Items that will not be reclassified subsequently to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	0.8
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	(0.2)
Other comprehensive income for the year, net of tax	(0.5)	(5.1)	7.4	3.8	3.1
Total comprehensive income for the year	2.6	(6.3)	(33.4)	(94.0)	(204.6)

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	28/2/17	29/2/16	31/5/16
Goodwill		67.4	70.2	66.4
Acquired rights		5.1	6.8	6.1
Completed development projects		244.1	254.1	231.2
Development projects in progress		88.7	130.2	151.6
Intangible assets		405.3	461.3	455.2
Land and buildings		91.0	97.4	97.8
Plant and machinery		59.4	58.7	63.5
Other equipment		11.1	28.3	18.9
Leasehold improvements		15.7	40.5	21.8
Tangible assets in course of construction and prepayments for tangible assets		26.6	13.0	7.7
Tangible assets		203.7	238.0	209.7
Investment property		16.1	16.8	16.5
Investment in associates		-	5.9	-
Other financial receivables		32.3	123.9	30.6
Financial assets		32.3	129.8	30.6
Deferred tax assets		231.0	204.4	209.0
Total non-current assets		888.4	1,050.3	921.0
Inventories		555.1	561.0	498.0
Trade receivables		399.7	375.1	430.5
Other financial receivables		-	-	93.1
Corporation tax receivable		30.7	22.6	32.0
Other receivables		66.0	51.8	48.9
Prepayments		22.6	23.6	17.0
Total receivables		519.0	473.0	621.4
Cash		971.2	810.2	788.5
Assets held for sale	6	2.9	75.4	2.9
Total current assets		2,048.3	1,919.6	1,910.8
Total assets		2,936.7	2,969.9	2,831.8

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	28/2/17	29/2/16	31/5/16
Share capital		432.0	432.0	432.0
Translation reserve		28.6	21.6	21.1
Reserve for cash flow hedges		2.4	3.3	2.5
Retained earnings		1,227.0	1,372.9	1,269.3
Total equity		1,690.0	1,829.8	1,724.9
Pensions		15.0	16.1	14.8
Deferred tax		10.4	11.7	11.5
Provisions		45.4	42.5	43.4
Mortgage loans		173.1	183.3	181.1
Other non-current liabilities		0.6	1.9	1.1
Deferred income		129.7	139.7	136.7
Total non-current liabilities		374.3	395.1	388.6
Mortgage loans		8.5	8.5	8.5
Provisions		24.8	25.6	24.8
Trade payables		464.3	392.2	365.4
Corporation tax payable		27.6	11.4	9.3
Other liabilities		316.9	230.5	270.5
Deferred income		30.3	54.8	39.8
Other current liabilities		872.5	723.0	718.3
Liabilities associated with assets held for sale		-	21.9	-
Total liabilities		1,246.7	1,140.0	1,106.9
Total equity and liabilities		2,936.7	2,969.9	2,831.8

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	3rd quarter		YTD		FY
		2016/17	2015/16	2016/17	2015/16	2015/16
Earnings for the year						
- continuing operations		3.1	(10.7)	(40.8)	(122.4)	(197.8)
Earnings for the year						
- discontinued operations		-	9.5	-	24.6	(9.9)
Amortisation, depreciation and impairment losses		80.4	57.3	203.6	178.0	248.4
Adjustments for non-cash items	4	0.2	(11.1)	12.1	(20.6)	(9.1)
Change in receivables		159.0	225.0	8.0	111.1	64.9
Change in inventories		5.0	59.5	(57.2)	(31.5)	30.2
Change in trade payables etc		(91.7)	(352.7)	135.9	(142.5)	(127.7)
Cash flow from operations		156.1	(23.2)	261.6	(3.3)	(0.8)
Interest received and paid, net		(5.1)	(0.3)	(4.8)	(5.9)	(9.3)
Income tax paid		(2.6)	(0.3)	(5.7)	4.6	5.1
Cash flow from operating activities		148.4	(23.8)	251.2	(4.7)	(5.0)
Purchase of intangible non-current assets		(33.8)	(28.2)	(103.1)	(123.5)	(165.8)
Purchase of tangible non-current assets		(16.4)	(7.7)	(46.0)	(39.8)	(46.0)
Sales of tangible non-current assets		-	-	2.6	-	1.7
Proceeds from sale of associated companies		-	-	-	-	5.5
Proceeds from sale of businesses		-	-	-	-	23.0
Change in financial receivables		(1.2)	(3.6)	91.4	(0.6)	-
Cash flow from investing activities		(51.5)	(39.5)	(55.1)	(163.9)	(181.6)
Free cash flow		96.9	(63.3)	196.1	(168.5)	(186.7)
Repayment of long-term loans		(2.1)	(2.1)	(8.1)	(217.8)	(219.8)
Settlement of share options		-	(1.4)	(5.3)	(1.4)	(3.0)
Cash flow from financing activities		(2.1)	(3.5)	(13.4)	(219.2)	(222.8)
Change in cash and cash equivalents		94.9	(66.9)	182.7	(387.8)	(409.5)
Cash and cash equivalents, opening balance		876.3	877.1	788.5	1,198.0	1,198.0
Cash and cash equivalents, closing balance		971.2	810.2	971.2	810.2	788.5
Cash and cash equivalents:						
Cash		971.2	810.2	971.2	810.2	788.5
Cash and cash equivalents, closing balance		971.2	810.2	971.2	810.2	788.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	28/2/17	29/2/16	31/5/16
Equity, opening balance	1,724.9	1,921.4	1,921.4
Earnings for the period	(40.8)	(97.8)	(207.7)
Other comprehensive income, net of tax	7.4	3.8	3.1
Comprehensive income for the period	(33.4)	(94.0)	(204.6)
Grant of share options	3.8	3.8	11.1
Settlement of share options	(5.3)	(1.4)	(3.0)
Equity, closing balance	1,690.0	1,829.8	1,724.9

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 accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2015/16 Annual Report.

The Annual Report 2015/16 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 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.

3 DEVELOPMENT COSTS AND EBITDAC

(DKK million)	3rd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Incurring development costs before capitalisation	78.2	72.1	229.1	209.6	302.1
Hereof capitalised	(36.1)	(34.9)	(104.1)	(113.4)	(152.0)
Incurring development costs after capitalisation	42.1	37.2	125.0	96.2	150.1
Capitalisation(%)	46.1%	48.4%	45.4%	54.1%	50.3%
Total charges and impairment losses on development projects	62.0	38.3	154.1	124.7	164.7
Development costs recognised in the consolidated income statement	104.1	75.5	279.1	220.9	314.8

(DKK million)	3rd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
EBITDA	98.7	62.4	169.9	47.4	46.2
Capitalised development costs	(36.1)	(34.9)	(104.1)	(113.4)	(152.0)
EBITDAC	62.6	27.5	65.8	(66.0)	(105.8)

NOTES

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

(DKK million)	3rd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Change in other liabilities	(1.0)	(8.0)	(5.2)	(10.5)	(18.7)
Financial items, net	9.8	19.3	13.8	25.4	38.9
Result of investments in associates after tax	-	-	-	-	0.4
Gain/loss on sale of non-current assets	-	(2.5)	(2.5)	(2.2)	(4.1)
Gain/loss on sale of business	-	-	-	-	39.0
Tax on earnings for the year	5.3	(2.5)	(6.7)	(27.8)	(36.4)
Other adjustments	(13.9)	(17.4)	12.7	(5.5)	(28.3)
Total adjustments	0.2	(11.1)	12.1	(20.6)	(9.1)

5 SEGMENT INFORMATION

(DKK million)	3rd quarter		Reported change %	Local currency change %
	2016/17	2015/16		
Revenue by segment and business area				
Bang & Olufsen	463.8	491.9	(6)	(4)
B&O PLAY	322.3	210.7	53	55
Total	786.1	702.6	12	13
Gross margin by business area, %				
Bang & Olufsen	44.8%	38.8%		
B&O PLAY	39.4%	32.9%		
Gross margin %, Group	42.6%	37.0%		

In the Management Review gross margin for 2015/16 has been adjusted to underlying business. 2015/16 included DKK 26 million (DKK 7 million in Q3) of costs previously allocated to Automotive.

Revenue by region

	2016/17	2015/16	Reported change %	Local currency change %
Europe	433.5	464.5	(7)	(5)
North America	94.5	50.6	87	80
Greater China	105.5	73.1	44	49
Rest of World	152.6	114.4	33	33
Total	786.1	702.6	12	13

Revenue by channel

	2016/17	2015/16	Reported change %	Local currency change %
B1 and shop-in-shop distribution	591.7	588.4	1	
3rd party distribution and e-commerce	194.4	114.2	70	
Total	786.1	702.6	12	

NOTES

5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2016/17	2015/16		
Revenue by segment and business area				
Bang & Olufsen	1,246.4	1,237.8	1	3
B&O PLAY	922.2	699.5	32	35
Total	2,168.7	1,937.2	12	14
Gross margin by business area, %				
Bang & Olufsen	42.5%	38.2%		
B&O PLAY	36.4%	30.9%		
Gross margin %, Group	39.9%	35.6%		
Revenue by region				
Europe	1,249.1	1,268.5	(2)	1
North America	257.3	167.9	53	52
Greater China	308.0	211.7	46	54
Rest of World	354.2	289.1	23	23
Total	2,168.7	1,937.2	12	14
Revenue by channel				
B1 and shop-in-shop distribution	1,573.7	1,541.3	2	
3rd party distribution and e-commerce	595.0	395.9	50	
Total	2,168.7	1,937.2	12	

NOTES

6 DISCONTINUED OPERATIONS

(DKK million)	3rd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Revenue	-	25.3	-	76.8	94.0
Expenses	-	(14.7)	-	(46.4)	(57.5)
Earnings before tax	-	10.6	-	30.4	36.5
Tax	-	(1.1)	-	(5.8)	(7.4)
Earnings for the year discontinued operations	-	9.5	-	24.6	29.1
Gains/losses on sale of assets and businesses	-	-	-	-	-
Tax	-	-	-	-	-
Gains/losses on sale of assets and businesses after tax	-	-	-	-	-
Earnings per share of discontinued operations	-	0.2	-	0.5	-0.2
Diluted earnings per share of discontinued operations	-	0.2	-	0.5	-0.2
Cash flow from operating activities	-	6.5	-	40.3	52.6
Cash flow used for investing activities	-	(2.3)	-	(7.8)	13.4
Cash flow from financing activities	-	-	-	-	-
Net cash flow from discontinued operations	-	4.2	-	32.5	66.0

(DKK million)	YTD		FY
	2016/17	2015/16	2015/16
Balance sheet items comprise:			
Development projects	-	42.2	-
Plant & machinery	2.9	0.2	2.9
Other equipment and assets under construction	-	1.1	-
Inventories	-	12.7	-
Trade receivables	-	13.9	-
Other receivables	-	3.3	-
Prepayments	-	1.9	-
Cash	-	0.1	-
Assets held for sale	2.9	75.4	2.9
Trade payables	-	8.2	-
Provisions	-	3.4	-
Corporation tax payable	-	7.5	-
Other liabilities	-	2.8	-
Liabilities associated with assets held for sale	-	21.9	-

APPENDIX 1

Earnings by quarter 2016/17:

(DKK million)	2016/17			
	Q1	Q2	Q3	Q4
Revenue	515.5	867.1	786.1	
Production costs	(343.1)	(509.5)	(450.9)	
Gross profit	172.4	357.6	332.2	
Development costs	(75.3)	(99.7)	(104.1)	
Distribution and marketing costs	(163.0)	(206.1)	(186.1)	
Administration costs	(22.7)	(24.0)	(26.7)	
Other operating income, net	-	8.8	-	
Earnings before interest and tax (EBIT)	(88.7)	36.7	18.3	
Share of result after tax in associated companies	-	-	-	
Financial income	1.6	0.7	0.8	
Financial expenses	(0.2)	(6.0)	(10.6)	
Financial items, net	1.3	(5.3)	(9.8)	
Earnings before tax (EBT)	(87.3)	31.5	8.4	
Income tax	20.8	(8.8)	(5.3)	
Earnings for the year – continued operations	(66.5)	22.7	3.1	
Earnings for the year – discontinued operations	-	-	-	
Earnings for the year	(66.5)	22.7	3.1	

Accumulated earnings by quarter 2016/17:

(DKK million)	2016/17			
	3M	6M	9M	12M
Revenue	515.5	1,382.6	2,168.7	
Production costs	(343.1)	(852.5)	(1,303.5)	
Gross profit	172.4	530.0	865.2	
Development costs	(75.3)	(175.0)	(279.1)	
Distribution and marketing costs	(163.0)	(369.1)	(555.2)	
Administration costs	(22.7)	(46.7)	(73.4)	
Other operating income, net	-	8.8	8.8	
Earnings before interest and tax (EBIT)	(8.7)	(52.0)	(33.7)	
Share of result after tax in associated companies	-	-	-	
Financial income	1.6	2.2	3.0	
Financial expenses	(0.2)	(6.2)	(16.8)	
Financial items, net	1.3	(3.9)	(13.8)	
Earnings before tax (EBT)	(87.3)	(55.9)	(47.4)	
Income tax	20.8	12.0	6.7	
Earnings for the year – continued operations	(66.5)	(43.9)	(40.8)	
Earnings for the year – discontinued operations	-	-	-	
Earnings for the year	(66.5)	(43.9)	(40.8)	

APPENDIX 1

Earnings by quarter 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Revenue	506.0	728.6	702.6	696.1
Production costs	(353.5)	(452.4)	(442.5)	(433.1)
Gross profit	152.5	276.2	260.1	263.1
Development costs	(71.5)	(73.9)	(75.5)	(93.9)
Distribution and marketing costs	(166.4)	(216.1)	(160.6)	(197.2)
Administration costs	(20.3)	(19.0)	(21.4)	(43.6)
Other operating income, net	0.9	2.0	2.3	-
Earnings before interest and tax (EBIT)	(104.7)	(30.9)	5.0	(71.6)
Share of result after tax in associated companies	-	-	-	(0.4)
Financial income	0.3	9.1	-	-
Financial expenses	(13.8)	(1.7)	(19.3)	(13.5)
Financial items, net	(13.5)	7.4	(19.3)	(13.5)
Earnings before tax (EBT)	(118.3)	(23.3)	(14.4)	(85.5)
Income tax	26.1	3.9	3.6	10.2
Earnings for the year - continued operations	(92.2)	(19.5)	(10.7)	(75.4)
Earnings for the year - discontinued operations	6.1	9.0	9.5	(34.5)
Earnings for the year	(86.1)	(10.5)	(1.2)	(109.8)

Accumulated earnings by quarter 2015/16:

(DKK million)	2015/16			
	3M	6M	9M	12M
Revenue	506.0	1,234.6	1,937.2	2,633.4
Production costs	(353.5)	(805.9)	(1,248.4)	(1,681.5)
Gross profit	152.5	428.7	688.8	951.9
Development costs	(71.5)	(145.4)	(220.9)	(314.8)
Distribution and marketing costs	(166.4)	(382.5)	(543.1)	(740.3)
Administration costs	(20.3)	(39.3)	(60.7)	(104.3)
Other operating income, net	0.9	2.9	5.2	5.2
Earnings before interest and tax (EBIT)	(104.7)	(135.6)	(130.6)	(202.2)
Share of result after tax in associated companies	-	-	-	(0.4)
Financial income	0.3	4.3	3.7	1.6
Financial expenses	(13.8)	(10.4)	(29.1)	(40.5)
Financial items, net	(13.5)	(6.1)	(25.4)	(38.9)
Earnings before tax (EBT)	(118.3)	(141.6)	(156.0)	(241.6)
Income tax	26.1	30.0	33.6	43.8
Earnings for the year - continued operations	(92.2)	(111.7)	(122.4)	(197.8)
Earnings for the year - discontinued operations	6.1	15.1	24.6	(9.9)
Earnings for the year	(86.1)	(96.6)	(97.8)	(207.7)

APPENDIX 2

Revenue by region 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Europe	309.5	494.6	464.5	400.1
North America	68.9	48.4	50.6	46.2
Greater China*	64.8	73.7	73.1	81.8
Rest of World	62.8	112.0	114.4	168.0
Total	506.0	728.6	702.6	696.1

(DKK million)	2015/16			
	3M	6M	9M	12M
Europe	309.5	804.1	1,268.5	1,668.7
North America	68.9	117.3	167.9	214.1
Greater China*	64.8	138.6	211.7	293.5
Rest of World	62.8	174.7	289.1	457.1
Total	506.0	1,234.6	1,937.2	2,633.4

* The Greater China region comprises China, Taiwan and Hong Kong

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Financial calendar

Financial statements

12 July 2017 Annual report 2016/17

4 October 2017 Interim report (1st quarter 2017/18)

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, please refer to www.bang-olufsen.com.