

INTERIM REPORT 4TH QUARTER 2017/18

1 JUNE 2017 - 31 MAY 2018



Q4 HIGHLIGHTS

“Bang & Olufsen achieved 11 per cent growth, improved profitability, and generated a positive free cash flow for 2017/18. We are satisfied with the result and the overall progress made this financial year. The results reflect our continued effort to transform the operating model, launch innovative and progressive products and strengthen our brand and distribution setup,” says CEO Henrik Clausen

KEY FINANCIAL HIGHLIGHTS Q4

(DKK million)	Q4 2017/18	Q4 2016/17	Change %	YTD 2017/18	YTD 2016/17	Change %
Revenue	830	785	6	3,285	2,954	11
Bang & Olufsen	435	471	(8)	1,737	1,718	1
B&O PLAY	395	314	26	1,549	1,236	25
Gross margin, %	41.2	33.2	8.1	40.9	38.1	2.8
Bang & Olufsen, %	47.2	33.0	14.2	45.2	39.9	5.3
B&O PLAY, %	34.9	33.7	1.2	36.1	35.7	0.4
Gross margin, underlying business*, %	41.2	38.6	2.7	40.9	39.7	1.2
Bang & Olufsen, %	47.2	41.9	5.3	45.2	42.4	2.8
B&O PLAY, %	34.9	33.7	1.2	36.1	35.7	0.4
Capacity costs	287	387	(25.8)	1,240	1,295	(4.3)
Capacity Costs, underlying business*	286	301	(4.9)	1,234	1,208	2.1
EBITDAC	85	(41)		292	25	
EBITDAC, underlying business*	87	15		281	81	
EBIT	55	(95)		122	(129)	
EBIT, underlying business*	56	2		110	(32)	
Free cash flow	165	111		85	307	

* Underlying business has been adjusted for non-recurring and aperiodic items

All numbers are compared to the same period last year:

Fourth quarter 2017/18

- The Group realised revenue growth of 6 percent (8 percent in local currencies).
- The B&O PLAY business unit maintained its growth momentum, increasing revenue by 26 percent (28 percent in local currencies). Growth was driven by Greater China and Rest of World. B&O PLAY revenue in the European TPR distribution declined. To address this and build for future growth, the company has taken steps to refocus its distribution structure.
- Revenue for the Bang & Olufsen business unit declined by 8 percent (5 percent decline in local currencies). Revenue was adversely impacted by the divestiture and closure of underperforming company-owned stores in Greater China and North America. When adjusted for the resulting adverse impact, revenue for the business unit was flat compared to the same quarter of last year.
- The gross margin for the Group increased to 41.2 percent from 38.6 percent in the underlying business last year. The gross margin for the B&O

PLAY business unit was 34.9 percent against 33.7 percent last year, as positive effects of improved product profitability were offset by a negative product mix and the continuing channel clean-up in Europe. The gross margin for the Bang & Olufsen business unit was 47.2 percent against 41.9 percent in the underlying business last year, mainly due to improved margins on TVs and increased income from brand partnering.

- Capacity costs in the underlying business decreased by 5 percent. The changed operating model led to a significant reduction in development costs compared to the same quarter of last year. Distribution and marketing costs increased due to the high level of campaign activities to promote Bang & Olufsen and B&O PLAY products.
- EBITDAC increased by DKK 72 million in the underlying business and was DKK 87 million against DKK 15 million last year, corresponding to an EBITDAC margin of 10 percent.
- EBIT for the underlying business was DKK 56 million compared to DKK 2

million last year, corresponding to an EBIT margin of 7 percent.

- The free cash flow was DKK 165 million against a 12 million outflow last year when adjusted for the impact from the sale of the Czech production facility. The change was largely due to a decrease in net working capital and positive earnings in the quarter.

Full year 2017/18

- The Group generated total revenue for 2017/18 of DKK 3,285 million, corresponding to an increase of 11 percent (14 percent in local currencies). The performance was driven by 25 percent growth in B&O PLAY (28 percent in local currencies) and 1 percent growth in the Bang & Olufsen business unit (4 percent in local currencies).
- EBITDAC for the underlying business was DKK 281 million, an improvement of DKK 200 million compared to last year, while EBIT for the underlying business amounted to DKK 110 million compared to a negative DKK 32 million EBIT loss last year.

- The free cash flow was DKK 85 million against DKK 307 million last year. Last year was impacted by the release of the final escrow payment from HARMAN of DKK 93 million and DKK 123 million from the sale of the Czech production facility. Adjusted for this, the free cash flow in 2016/17 was a DKK 91 million inflow.
- The Group expects revenue growth to be above 10 per cent compared to 2017/18 and the EBIT margin to be in the range of 7-9 per cent for 2018/19. For further details regarding to the outlook for 2018/19 and the updated 3-year financial targets, please see page 10 and the 2017/18 Annual Report.

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Bang & Olufsen will host a webcast on 12 July 2018 at 10:00 CET. Access to the webcast can be obtained through the company's website www.bang-olufsen.com.

KEY FIGURES

BANG & OLUFSEN A/S - GROUP

(DKK million)	4th quarter		YTD		(DKK million)	4th quarter		YTD	
	2017/18	2016/17	2017/18	2016/17		2017/18	2016/17	2017/18	2016/17
Income statement					Cash flow				
Revenue	830	785	3,285	2,954	- from operating activities	182	101	248	352
Gross margin, %	41.2	33.2	40.9	38.1	- from investment activities	(17)	10	(163)	(45)
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	85	(41)	292	25	Free cash flow	165	111	85	307
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	97	29	398	199	- from financing activities	(2)	(3)	(9)	(17)
Earnings before interest and tax (EBIT)	55	(95)	122	(129)	Cash flow for the period	162	108	75	291
Financial items, net	6	(23)	(5)	(37)	Key figures				
Earnings before tax (EBT)	61	(119)	118	(166)	EBITDA-margin, %	11.7	3.7	12.1	6.7
Earnings after tax	53	(76)	81	(117)	EBIT-margin, %	6.6	(12.1)	3.7	(4.4)
Financial position					Return on assets, %	3.2	(5.1)	7.1	(6.9)
Total Assets	2,921	2,847	2,921	2,847	Return on invested capital, excl. Goodwill, %	23.1	(0.5)	92.5	20.1
Share capital	432	432	432	432	Return on equity, %	3.2	(4.6)	4.9	(7.0)
Equity	1,710	1,586	1,710	1,586	Full time employees at the end of the period	1,028	1,169	1,028	1,169
Net interest-bearing deposit/(debt)	985	900	985	900	Stock related key figures				
Net working capital	100	27	100	27	Earnings per share (EPS), DKK	1.2	(1.8)	1.9	(2.7)
					Earnings per share, diluted (EPS-D), DKK	1.2	(1.8)	1.9	(2.7)
					Price/Earnings	111	(59)	73	(38)

MANAGEMENT REPORT

The revenue momentum remained on track in the fourth quarter, absorbing the impact from the distribution channel transformation. Capacity costs declined, mainly reflecting the changes made to the operating model. This contributed to significantly improved earnings and a positive free cash flow for the company.

Revenue development by business unit

The Group's revenue was DKK 830 million, corresponding to a 6 per cent increase (8 per cent in local currencies). For the full year, revenue grew 11 per cent (14 per cent in local currencies) which was in line with guidance.

The Bang & Olufsen business unit reported revenue of DKK 435 million against DKK 471 million last year, equal to a decline of 8 per cent (5 per cent decline in local currencies). Revenue improved in the Connected Audio and TV categories, while the Speaker category experienced a moderate decline. The business unit's revenue was adversely impacted by the divestiture and closure of underperforming company-owned stores in Greater China and North America. When adjusted for the result-

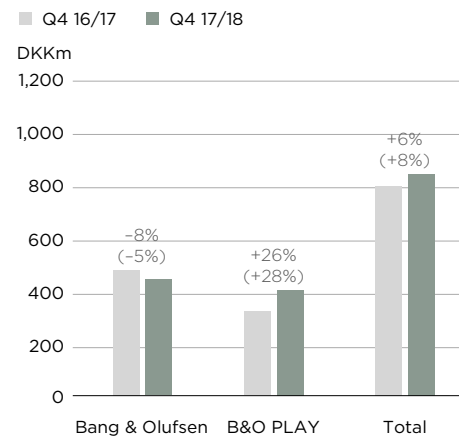
ing adverse impact, revenue for the business unit was flat compared to the same quarter of last year.

The B&O PLAY business unit reported revenue of DKK 395 million against DKK 314 million last year, an increase of 26 per cent (28 per cent in local currencies). Beoplay E8, Beoplay H9i and Beoplay A1 remained the key revenue drivers, supplemented by the recent Beoplay P6 and Earset launches.

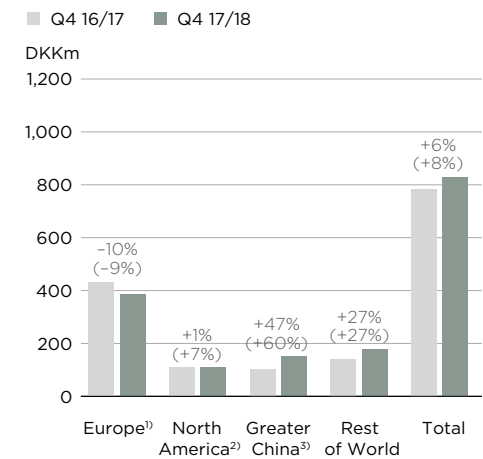
Revenue developments by channel and region

The company is transforming its distribution structure across all regions. The focus remains on building a retail network that delivers a luxury-lifestyle customer experience across all retail touchpoints – branded, third-party retail (TPR), and online.

REVENUE BY BUSINESS UNIT
(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.

For the fourth quarter, revenue was up by 20 per cent in B&O PLAY's TPR and e-commerce channel and by 39 per cent in the B1 and shop-in-shop channel. Revenue for the Bang & Olufsen business unit was flat (adjusted for currency and divestiture of underperforming stores). Going forward, the distribution of selected Bang & Olufsen products will be extended to relevant luxury-lifestyle channels.

Revenue in Europe was DKK 388 million against DKK 431 million last year, for a decline of 10 per cent (9 per cent decline in local currencies). To address the decline and prepare for future growth, the priority continues to be to create clusters of branded stores in key urban areas, as well as to re-build the TPR set-up to enable a much stronger presence within luxury-lifestyle retail such as department stores, travel retail, specialist consumer electronics and selected retailers.

Revenue in North America was DKK 110 million against DKK 109 million last year, for an increase of 1 per cent (7 per cent increase in local currencies). The increase was driven by growth in the B&O

PLAY business unit, as especially ear-phones performed well. Revenue in the Bang & Olufsen business unit was still to some extent adversely affected by the restructuring process in the region.

In Greater China, B&O PLAY revenue remains strong, particularly through online channels. Revenue grew to DKK 153 million from DKK 104 million last year, corresponding to a 47 per cent increase (60 per cent in local currencies). To continue the expansion in the region, a key priority will be to supplement online growth with branded retail stores together with new key partners.

Revenue in Rest of World was DKK 179 million against DKK 141 million last year, for a 27 per cent increase (27 per cent in local currencies). Growth was driven by strong sales in the Connected Audio category and strong sales of earphones in the B&O PLAY business unit.

Non-recurring and aperiodic income and costs

In the fourth quarter, the Group's capacity costs were negatively impacted by DKK 1 million in non-recurring and aperiodic items. In the same quarter of last year, the Group gross margin was negatively impacted by DKK 42 million

and capacity costs were negatively impacted by DKK 86 million, which were mainly related to the restructuring of the Bang & Olufsen business unit in May 2017 and the restructuring of the distribution network. The amount of DKK 86 million breaks down into DKK 23 million in development costs, DKK 53 million in distribution and marketing costs, and DKK 10 million in administrative costs.

DISTRIBUTION DEVELOPMENT (NUMBER OF STORES)

	B1		Shop-in-shop		Third-party retail	
	31/5/2018	28/2/2018	31/5/2018	28/2/2018	31/5/2018	28/2/2018
Europe	284	287	112	121	3,106	3,407
North America	14	16	0	0	1,447	1,075
Greater China	31	33	14	14	794	1,150
Rest of World	81	79	29	26	1,358	1,351
Total	410	415	155	161	6,705	6,983

Gross margin

(All gross margins refer to underlying business)

The Group gross margin was 41.2 per cent against 38.6 per cent last year.

The gross margin for the B&O PLAY business unit was 34.9 per cent against 33.7 per cent last year as a positive impact from improved product profitability was offset by a negative product mix and the continued channel clean-up in Europe.

The gross margin in the Bang & Olufsen business unit was 47.2 per cent against 41.9 per cent last year. The development was primarily driven by an overall

improvement in product profitability, especially on TVs, which accounted for more than one third of the increase, and increased income from brand partnering.

A weakening of the USD compared to the DKK lifted the Group gross margins by 1.5 percentage points in the fourth quarter, compared to the same quarter of last year.

Capacity costs

(All capacity costs refer to underlying business)

Capacity costs were DKK 286 million compared to DKK 301 million last year, corresponding to a decline of 5 per cent.

Distribution and marketing costs were DKK 189 million, which was an increase of DKK 20 million compared to last year. This was a result of continued investments in marketing and increased investments in digitalisation across the Group, while distribution costs related to the former company-owned stores declined.

Administrative costs were at DKK 26 million, or slightly higher than last year.

Development costs declined to DKK 71 million against DKK 107 million last year. This was mainly a result of the changes made to the operating model, as a greater share of the development costs are paid by technology and supply chain partners.

Development costs incurred were DKK 53 million (of which DKK 12 million was capitalised) against DKK 132 million last year (of which DKK 70 million was capitalised). Total amortisation charges and impairment losses on development projects were DKK 30 million against DKK 68 million last year. The net effect on earnings before interest and tax of capitalised and amortised amounts was

negative at DKK 18 million compared to last year's positive effect of DKK 2 million.

Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) in the underlying business increased by DKK 72 million to DKK 87 million from DKK 15 million last year.

In line with expectations, EBITDAC in the underlying business for the full year of 2017/18 was DKK 281 million against DKK 81 million last year.

The Group's net financial items were an income of DKK 6 million against a DKK 23 million loss last year.

For the full year of 2017/18, earnings before interest and tax (EBIT) for the underlying business was DKK 110 million against a DKK 32 million EBIT loss last year. This was in line with expectations.

Q4 earnings before tax were DKK 61 million against negative DKK 119 million last year, bringing full-year earnings before tax to DKK 117 million against a DKK 166 million loss last year.

CAPITALISED DEVELOPMENT COSTS AND CARRYING AMOUNT

(DKK million)	Q4 2017/18	Q4 2016/17
Capitalised, net	12	70
Carrying amount, net	222	335

Developments in balance sheet items and cash flows

The Group's net working capital amounted to DKK 100 million. This was a decrease of DKK 110 million compared to the end of the previous quarter, mainly due to an increase in trade payables.

The free cash flow was DKK 165 million against a 12 million outflow last year when adjusted for the impact from the sale of the Czech production facility. The change was mainly due to a decrease in net working capital and positive earnings during the quarter.

For the full year, the free cash flow was DKK 85 million compared to DKK 307 million last year.

The Group had a net deposit of DKK 985 million compared to DKK 900 million last year.

The Group's equity increased to DKK 1,710 million from DKK 1,586 million last year, and DKK 1,623 million at the end of the third quarter. The Group equity ratio was 59 per cent.

Events after the balance sheet date

No material events have occurred after 31 May 2018.

PRODUCT PORTFOLIO AND COLLABORATIONS

Q4 2017/18

Bang & Olufsen products are based on the company's core capabilities of sound, design and craftsmanship and cater for three main use cases: Staged, Flexible Living and On-the-go. All three product categories support global technology ecosystems to ensure that our products remain compatible in an ever-changing technological environment, while we continue elevate our core capabilities.

In the fourth quarter, Bang & Olufsen continued to strengthen its current product portfolio with the launch of Beoplay P6 and Earset as well as colour variations of existing products. In addition, the company announced that the Apple AirPlay 2 update for the Bang & Olufsen multiroom speakers is scheduled for release in the autumn of 2018. AirPlay 2 will be available to both new and older Bang & Olufsen speakers as an over-the-air update. This is part of the Bang & Olufsen strategy to develop technology partnerships with leading technology companies.

Beoplay E8 Powder Pink

Beoplay E8 Powder Pink is inspired by the pale pink blooms of the Yoshino cherry tree. They were sold globally in very limited quantities. Since its launch in September 2017, E8 has become the fastest selling product of the On-the-go category



Beoplay P6

The heritage design and premium feel of the Beoplay P6 speaker, combined with extremely powerful sound and improved battery capabilities, gives the user a versatile speaker that blends perfectly with the existing portfolio of Bluetooth speakers. Beoplay P6 is designed by Cecilie Manz to ensure 360-degree dispersion of sound in any room, while also boasting Scandinavian design that will add to any interior and can easily be moved around the home.



Earset

Earset is the evolution of a design icon. Earset comes with wireless audio technology, Bang & Olufsen Signature Sound and a fresh look for the next generation, while preserving the flexible design aspects that led to the success of the original. The original lines for the design were drawn in the '90s with a strong focus on making a set of earphones flexible enough to adapt to any ear.



BeoSound Piano Black

BeoSound 1 Piano Black is a special edition of the BeoSound 1 portable wireless speaker. In the process of getting the right finish and hue of black, the speaker has been polished and anodised several times to achieve a reflective surface in pure black.



OUTLOOK FOR 2018/19

In 2018/19, the Group expects to maintain the current momentum by growing in all regions, and further improve the profitability of the business.

Revenue

Revenue growth for the Group is expected to be above 10 per cent compared to 2017/18. Growth in the first half of 2018/19 is expected to be adversely impacted by the transformation of the distribution channel

- EMEA is expected to grow more than 5 per cent. Europe is expected to grow moderately as key focus for the year will be to create strong clusters in key locations and establish increased consistency across mono- and multibrand retail. The remaining region is expected to show higher growth through key partners.
- Asia is expected to grow more than 10 per cent. The key focus for 2018/19 will be on growing key countries - in particular China and Japan - through strong partnerships. Revenue in China

is expected to be adversely impacted by the transition from company-owned to partner-owned stores.

- The Americas is expected to grow more than 20 per cent. US focus will be to build presence in key urban areas, starting with New York and the West Coast. In the remaining region, growth will be driven through strong local partners.

The revenue growth is expected to be driven mainly by the On-the-go and the Flexible Living product categories. In the Staged product category innovative and progressive products such as the BeoSound Shape are expected to grow, while products such as stereo speakers and TVs will decline.

During the year, the Group will work with partners to strengthen the execution

of the luxury-lifestyle experience of the brand. Revenue related to brand partnering is expected to show a moderate increase compared to 2017/18.

Capacity Costs

The changed operating model will result in further reductions of development costs in 2018/19. Concurrently, significant investments will be made within distribution and marketing related to increasing brand awareness, improving customer experience in retail, strengthening the digital platforms, and building capabilities within the company. Therefore, capacity costs in percentage of revenue is expected to be unchanged compared to 2017/18.

Earnings

The EBIT margin is expected to improve compared to 2017/18 and be in the range of 7-9 per cent for 2018/19. The improved profitability will mainly be related to an increase in revenue and improved gross margin.

Free cash flow

The Group's free cash flow is expected to be above DKK 100 million.

The outlook excludes impacts from potential aperiodic items.

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 2017 – 31 May 2018 for Bang & Olufsen a/s.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as endorsed by the EU and additional requirements in the Danish Financial Statements Act.

It is our opinion that the interim report provides a true and fair view of the Group's assets, liabilities and financial position as at 31 May 2018 and the results of the Group's operations and cash flows for the period 1 June 2017 – 31 May 2018.

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, 12 July 2018

Executive Management Board:

Henrik Clausen
President & CEO

Anders Aakær Jensen
Executive Vice
President & CFO

Stefan Persson
Executive Vice
President

John Mollanger
Executive Vice
President Brand & Products

Board of Directors:

Ole Andersen
Chairman

Juha Christensen
Deputy Chairman

Albert Bensoussan

Brian Bjørn Hansen

Geoff Martin

Ivan Tong Kai Lap

Jesper Jarlbæk

Mads Nipper

Majken Schultz

Søren Balling

CONSOLIDATED INCOME STATEMENT

(DKK million)	Notes	4th quarter		YTD	
		2017/18	2016/17	2017/18	2016/17
Revenue		829.6	785.3	3,285.5	2,954.0
Production costs		(487.4)	(524.4)	(1,941.3)	(1,827.9)
Gross profit		342.2	260.9	1,344.2	1,126.1
Development costs	3	(71.2)	(129.7)	(400.9)	(408.9)
Distribution and marketing costs		(189.7)	(223.1)	(734.5)	(778.2)
Administration costs		(26.2)	(34.3)	(104.3)	(107.7)
Other operating income		-	30.9	17.6	39.7
Other operating expenses		-	-	(0.1)	-
Operating profit (EBIT)		55.1	(95.3)	122.1	(129.0)
Financial income		6.1	-	13.3	2.4
Financial expenses		-	(23.2)	(17.9)	(39.4)
Financial items, net		6.1	(23.2)	(4.6)	(37.0)
Earnings before tax (EBT)		61.2	(118.5)	117.5	(166.0)
Income tax		(8.0)	42.8	(36.0)	49.4
Earnings for the year		53.2	(75.8)	81.5	(116.5)
Earnings per share					
Earnings per share (EPS), DKK		1.2	(1.8)	1.9	(2.7)
Diluted earnings per share (ESP-D), DKK		1.2	(1.8)	1.9	(2.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	4th quarter		YTD	
	2017/18	2016/17	2017/18	2016/17
Earnings for the year	53.2	(75.8)	81.5	(116.5)
<i>Items that will be reclassified subsequently to the income statement:</i>				
Exchange rate adjustment of investment in foreign subsidiaries	5.0	(9.8)	(2.1)	(2.3)
Change in fair value of derivative financial instruments used as cash flow hedges	52.3	(21.3)	94.1	(28.9)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:				
Transfer to revenue	3.7	0.3	13.1	2.9
Transfer to production costs	(14.8)	1.4	(54.2)	6.3
Income tax on items that will be reclassified to the income statement:	(11.5)	4.4	(11.7)	4.4
<i>Items that will not be reclassified subsequently to the income statement:</i>				
Actuarial gains/(losses) on defined benefit plans	1.1	0.7	1.1	0.7
Income tax on items that will not be reclassified to the income statement:	(0.3)	(0.2)	(0.3)	(0.2)
Other comprehensive income for the year, net of tax	35.5	(24.5)	40.0	(17.1)
Total comprehensive income for the year	88.7	(100.3)	121.5	(133.6)

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	31/5/18	31/5/17
Goodwill		43.5	47.0
Acquired rights		2.2	4.2
Completed development projects		181.3	196.9
Development projects in progress		40.8	137.9
Intangible assets		267.8	386.0
Land and buildings		115.7	75.2
Plant and machinery		55.6	48.6
Other equipment		5.5	5.2
Leasehold improvements		0.3	4.6
Tangible assets in course of construction and prepayments for tangible assets		7.1	45.0
Tangible assets		184.2	178.6
Investment property		15.5	16.0
Other financial receivables		39.3	41.2
Deferred tax assets		249.3	279.2
Total non-current assets		755.9	901.0

(DKK million)	Notes	31/5/18	31/5/17
Inventories		352.2	347.3
Trade receivables		510.0	410.3
Other financial receivables		11.1	11.3
Corporation tax receivable		18.5	13.0
Other receivables		96.5	71.7
Prepayments		7.9	13.7
Total receivables		644.0	520.0
Cash		1,154.7	1,079.2
Assets held for sale		14.0	-
Total current assets		2,164.9	1,946.5
Total assets		2,920.8	2,847.4

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	31/5/18	31/5/17
Share capital		432.0	432.0
Translation reserve		16.6	18.7
Reserve for cash flow hedges		28.5	(12.8)
Retained earnings		1,232.4	1,148.2
Total equity		1,709.5	1,586.2
Pensions		13.6	14.5
Deferred tax		10.5	10.7
Provisions		33.1	28.0
Mortgage loans		160.9	170.2
Other non-current liabilities		1.4	1.6
Deferred income		76.4	123.7
Total non-current liabilities		295.9	348.7
Mortgage loans		9.2	9.1
Provisions		33.6	79.4
Trade payables		516.7	463.2
Corporation tax payable		3.3	8.2
Other liabilities		290.1	327.7
Deferred income		60.1	25.0
Other current liabilities		913.0	912.5
Liabilities associated with assets held for sale		2.4	-
Total liabilities		1,211.3	1,261.2
Total equity and liabilities		2,920.8	2,847.4

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	4th quarter		YTD	
		2017/18	2016/17	2017/18	2016/17
Earnings for the year		53.2	(75.8)	81.5	(116.5)
Amortisation, depreciation and impairment losses		41.9	124.3	275.5	327.9
Adjustments for non-cash items	4	(3.2)	(60.5)	17.0	(48.4)
Change in receivables		(30.8)	(13.9)	(131.0)	(5.9)
Change in inventories		25.2	116.8	(12.6)	59.6
Change in trade payables etc		118.0	18.5	59.6	154.4
Cash flow from operations		204.3	109.4	290.0	371.1
Interest received and paid, net		(2.5)	(4.5)	(11.6)	(9.3)
Income tax paid		(19.7)	(3.8)	(30.7)	(9.5)
Cash flow from operating activities		182.1	101.1	247.7	352.3
Purchase of intangible non-current assets		(17.1)	(74.4)	(106.0)	(177.5)
Purchase of tangible non-current assets		(3.3)	(18.3)	(60.9)	(64.3)
Sales of tangible non-current assets		1.8	-	1.8	2.6
Proceeds from sale of businesses		-	122.9	-	122.9
Change in financial receivables		1.1	(20.1)	2.1	71.3
Cash flow from investing activities		(17.5)	10.1	(163.0)	(45.0)
Free cash flow		164.5	111.1	84.7	307.2
Repayment of long-term loans		(2.3)	(2.3)	(9.2)	(10.4)
Settlement of share options		-	(0.8)	-	(6.1)
Cash flow from financing activities		(2.3)	(3.1)	(9.2)	(16.5)
Change in cash		162.4	108.0	75.5	290.7
Cash, opening balance		992.3	971.2	1,079.2	788.5
Cash, closing balance		1,154.7	1,079.2	1,154.7	1,079.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Notes	31/5/18	31/5/17
Equity, opening balance		1,586.2	1,724.9
Earnings for the period		81.5	(116.5)
Other comprehensive income, net of tax		40.0	(17.1)
Comprehensive income for the period		121.5	(133.6)
Share-based payments		1.8	1.1
Settlement of share options		-	(6.1)
Equity, closing balance		1,709.5	1,586.2

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 2017/18 contains a full description of applied accounting principles.

Individual assets or groups of assets that are to be disposed of collectively are classified as assets held for sale, when the activities to carry out such a sale have been initiated and the activities are expected to be disposed of within 12 months. Liabilities of a disposal group that are directly related to assets held for sale are presented correspondingly. Assets held for sale are related to the divestiture of company-owned and company-operated stores.

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)	4th quarter		YTD	
	2017/18	2016/17	2017/18	2016/17
Incurring development costs before capitalisation	53.0	131.8	288.4	360.9
Hereof capitalised	(11.5)	(69.6)	(105.6)	(173.7)
Incurring development costs after capitalisation	41.5	62.2	182.8	187.2
Capitalisation (%)	21.8%	52.8%	36.6%	48.1%
Total charges and impairment losses on development projects	29.7	67.6	218.1	221.6
Development costs recognised in the consolidated income statement	71.2	129.7	400.9	408.9

(DKK million)	4th quarter		YTD	
	2017/18	2016/17	2017/18	2016/17
EBITDA	97.0	29.0	397.6	198.9
Capitalised development costs	(11.5)	(69.6)	(105.6)	(173.7)
EBITDAC	85.4	(40.6)	292.0	25.2

4 Adjustments for non-cash items in the cash flow statement

(DKK million)	4th quarter		YTD	
	2017/18	2016/17	2017/18	2016/17
Change in other liabilities	(53.7)	31.6	(88.9)	26.4
Financial items, net	(6.1)	23.2	4.6	37.0
Gain/loss on sale of non-current assets	0.5	-	0.5	(2.5)
Gain/loss on sale of business	-	(30.9)	-	(30.9)
Tax on earnings for the year	8.0	(42.7)	36.0	(49.4)
Other adjustments	48.1	(41.6)	64.8	(28.9)
Total adjustments	(3.2)	(60.5)	17.0	(48.4)

5 Segment information

(DKK million)	4th quarter		Reported change %	Local currency change %
	2017/18	2016/17		
Revenue by segment and business area				
Bang & Olufsen	434.9	471.1	(8)	(5)
B&O PLAY	394.7	314.2	26	28
Total	829.6	785.3	6	8
Gross margin by business area, %				
Bang & Olufsen	47.2%	33.0%		
B&O PLAY	34.9%	33.7%		
Gross margin %, Group	41.2%	33.2%		
Revenue by region				
Europe	388.0	431.4	(10)	(9)
North America	110.0	109.4	1	7
Greater China	152.6	103.9	47	60
Rest of World	179.0	140.6	27	27
Total	829.6	785.3	6	8
Revenue by channel				
B1 and shop-in-shop distribution	569.8	568.5	0	
3rd party distribution and e-commerce	259.8	216.8	20	
Total	829.6	785.3	6	

5 Segment information (continued)

(DKK million)	YTD		Reported change %	Local currency change %
	2017/18	2016/17		
Revenue by segment and business area				
Bang & Olufsen	1,736.9	1,717.5	1	4
B&O PLAY	1,548.6	1,236.5	25	28
Total	3,285.5	2,954.0	11	14
Gross margin by business area, %				
Bang & Olufsen	45.2%	39.9%		
B&O PLAY	36.1%	35.7%		
Gross margin %, Group	40.9%	38.1%		
Revenue by region				
Europe	1,679.2	1,680.5	0	1
North America	402.3	366.7	10	17
Greater China	588.6	412.0	43	55
Rest of World	615.4	494.8	24	24
Total	3,285.5	2,954.0	11	14
Revenue by channel				
B1 and shop-in-shop distribution	2,276.4	2,142.2	6	
3rd party distribution and e-commerce	1,009.1	811.8	24	
Total	3,285.5	2,954.0	11	

APPENDIX 1

EARNINGS BY QUARTER 2017/18:

(DKK million)	2017/18			
	Q1	Q2	Q3	Q4
Revenue	591.9	999.0	864.9	829.6
Production costs	(356.0)	(587.9)	(510.0)	(487.4)
Gross profit	235.9	411.1	354.9	342.2
Development costs	(113.7)	(118.4)	(97.6)	(71.2)
Distribution and marketing costs	(162.3)	(200.9)	(181.6)	(189.7)
Administration costs	(24.9)	(26.7)	(26.4)	(26.2)
Other operating income	-	17.6	-	-
Other operating expenses	-	(0.1)	-	-
Earnings before interest and tax (EBIT)	(65.0)	82.7	49.3	55.1
Financial income	0.7	0.5	1.8	13.2
Financial expenses	(5.8)	(6.4)	(1.5)	7.1
Financial items, net	(5.1)	(5.8)	0.3	6.1
Earnings before tax (EBT)	(70.1)	76.8	49.6	61.2
Income tax	15.4	(20.0)	(23.5)	(8)
Earnings for the year	(54.7)	56.8	26.1	53.2

ACCUMULATED EARNINGS BY QUARTER 2017/18:

(DKK million)	2017/18			
	3M	6M	9M	12M
Revenue	591.9	1,591.0	2,455.9	3,285.5
Production costs	(356.0)	(943.9)	(1,453.9)	(1,941.3)
Gross profit	235.9	647.1	1,002.0	1,344.2
Development costs	(113.7)	(232.1)	(329.7)	(400.9)
Distribution and marketing costs	(162.3)	(363.2)	(544.8)	(734.5)
Administration costs	(24.9)	(51.6)	(78.0)	(104.2)
Other operating income	-	17.6	17.6	17.6
Other operating expenses	-	(0.1)	(0.1)	(0.1)
Earnings before interest and tax (EBIT)	(65.0)	17.7	67.0	122.1
Financial income	0.7	1.2	3.0	13.3
Financial expenses	(5.8)	(12.1)	(13.6)	(17.9)
Financial items, net	(5.1)	(10.9)	(10.7)	(4.6)
Earnings before tax (EBT)	(70.1)	6.7	56.3	117.5
Income tax	15.4	(4.6)	(28.1)	(36)
Earnings for the year	(54.7)	2.2	28.3	81.5

APPENDIX 1

EARNINGS BY QUARTER 2016/17:

(DKK million)	2016/17			
	Q1	Q2	Q3	Q4
Revenue	515.5	867.1	786.1	785.3
Production costs	(343.1)	(509.5)	(450.9)	(524.4)
Gross profit	172.4	357.6	332.5	260.9
Development costs	(75.3)	(99.7)	(104.1)	(129.7)
Distribution and marketing costs	(163.0)	(206.1)	(186.1)	(223.1)
Administration costs	(22.7)	(24.0)	(26.7)	(34.3)
Other operating income, net	-	8.8	-	30.9
Earnings before interest and tax (EBIT)	(88.7)	36.7	18.3	(95.3)
Financial income	1.6	0.7	0.8	-
Financial expenses	(0.2)	(6.0)	(10.6)	(23.2)
Financial items, net	1.3	(5.3)	(9.8)	(23.2)
Earnings before tax (EBT)	(87.3)	31.5	8.4	(118.5)
Income tax	20.8	(8.8)	(5.3)	42.8
Earnings for the year	(66.5)	22.7	3.1	(75.8)

ACCUMULATED EARNINGS BY QUARTER 2016/17:

(DKK million)	2016/17			
	3M	6M	9M	12M
Revenue	515.5	1,382.6	2,168.7	2,954.0
Production costs	(343.1)	(852.5)	(1,303.5)	(1,827.9)
Gross profit	172.4	530.0	865.2	1,126.1
Development costs	(75.3)	(175.0)	(279.1)	(408.9)
Distribution and marketing costs	(163.0)	(369.1)	(555.2)	(778.2)
Administration costs	(22.7)	(46.7)	(73.4)	(107.7)
Other operating income, net	-	8.8	8.8	39.7
Earnings before interest and tax (EBIT)	(88.7)	(52.0)	(33.7)	(129.0)
Financial income	1.6	2.2	3.0	2.4
Financial expenses	(0.2)	(6.2)	(16.8)	(39.4)
Financial items, net	1.3	(3.9)	(13.8)	(37.0)
Earnings before tax (EBT)	(87.3)	(55.9)	(47.4)	(166.0)
Income tax	20.8	12.0	6.7	49.4
Earnings for the year	(66.5)	(43.9)	(40.8)	(116.5)

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FINANCIAL CALENDAR

Financial statements

4 October 2018	Interim report (1 st quarter 2018/19)
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15 January 2019	Interim report (2 nd quarter 2018/19)
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4 April 2019	Interim report (3 rd quarter 2018/19)
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11 July 2019	Annual report 2018/19
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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 is a global luxury-lifestyle brand founded in 1925 in Struer, Denmark by Peter Bang and Svend Olufsen whose devotion and vision remains the foundation for company. The rich heritage built around the relentless determination to create products that push the boundaries of audio technology continues to place the company at the forefront of audio innovation. Today, every Bang & Olufsen product is still characterised by the unique combination of beautiful sound, timeless design, and unrivalled craftsmanship. The company's innovative and progressive audio products are sold worldwide in Bang & Olufsen monobranded stores, online and in multi-branded stores. The company employs over 1,000 people and operates in more than 70 markets and Bang & Olufsen's shares are listed on NASDAQ Copenhagen A/S.

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