

INTERIM REPORT
1ST QUARTER 2015/16
1 JUNE 2015 –
31 AUGUST 2015



Q1 HIGHLIGHTS

“The first quarter of 2015/16 showed continued strong growth momentum in the B&O PLAY business area, and, as expected, moderate growth in the Bang & Olufsen business area. The cost reduction initiatives began to show effect in the quarter, resulting in an improved, but still unsatisfactory, profitability of the company. We expect the revenue growth to continue in the near term and work in parallel to improve the profitability of the company. We are on track to deliver the guidance for the year”, says CEO Tue Mantoni.

Key financial highlights Q1

(DKK million)	Q1 2015/16	Q1 2014/15	Change %
Revenue	506	434	17
Bang & Olufsen	343	333	3
B&O PLAY	163	100	62
Gross Margin, %	30.1	29.8	0.3
Bang & Olufsen, %	32.7	30.9	1.7
B&O PLAY, %	24.8	25.8	(1.0)
Capacity Costs	(258)	(300)	
EBIT	(105)	(171)	
EBIT excl. cost previously allocated to the Automotive business	(82)	(139)	
Free cash flow	(168)	(241)	

- Revenue growth of 17 per cent (10 per cent in local currency) was driven by continued growth momentum in B&O PLAY of 62 per cent, where demand for newly launched products was high from all distribution channels, and where the expansion of the number of third party stores continued at a rapid pace.
- The Group's gross margin showed moderate improvement compared to the same quarter last year. The margin improvement initiatives in the Bang & Olufsen segment began to show a positive effect. Whereas the Group gross margin was adversely impacted by a higher relative share of turn-

over from the B&O PLAY segment, as well as a lower overall gross margin in the B&O PLAY segment. The decline in the B&O PLAY gross margin was mainly due to a change in the product and channel mix. The Bang & Olufsen segment gross margin was adversely impacted by approximately DKK 12 million of costs previously allocated to Automotive which the company is planning to eliminate over time.

- Capacity costs were 14 per cent lower than last year, as savings initiatives began to take effect. In addition, the costs were improved as a result of the divestiture of company owned stores in Australia and a lower level of marketing activity than in the same quarter last year. The capacity costs for the first quarter included costs for shared functions previously allocated to Automotive of DKK 11 million.
- Earnings before interest and tax (adjusted for costs previously allocated to Automotive) were negative DKK 82 million, compared to negative DKK 139 million last year. The improvement was mainly driven by the increase in revenue and lower capacity costs.
- Free cash flow for the first quarter was negative DKK 168 million compared to negative DKK 241 million in the same quarter last year. The free cash flow in the first quarter, was adversely impacted by one-off payments to advisors in connection with the Automotive transaction of DKK 20 million.
- The outlook for the 2015/16 remains unchanged, with an expected revenue growth of 8 - 12 per cent compared to 2014/15 and EBIT before costs previously allocated to Automotive around break-even.

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A webcast will be hosted on 30 September 2015 at 10.00 CET. Access to the webcast is obtained through our home page www.bang-olufsen.com.

KEY FIGURES

Bang & Olufsen a/s – Group

(DKK million)	1st quarter	
	2015/16	2014/15
Income statement:		
Revenue	506	434
Gross margin, %	30.1	29.8
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(73)	(139)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(42)	(100)
Earnings before interest and tax (EBIT)	(105)	(171)
Financial items, net	(14)	(3)
Earnings before tax (EBT)	(118)	(174)
Earnings after tax, continued operations	(92)	(142)
Earnings after tax, discontinued operations	6	32
Earnings after tax	(86)	(109)
Financial position:		
Total Assets	3,035	2,883
Share capital	432	432
Equity	1,834	1,752
Net interest-bearing deposit / (debt)	620	(362)
Net working capital	338	777
Cash flow		
- from operating activities	(119)	(165)
- from investment activities	(49)	(76)
Free cash flow	(168)	(241)
- from financing activities	(214)	206
Cash flow for the period	(382)	(35)
Key figures		
EBITDA-margin, %	(8.4)	(23.1)
EBIT-margin, %	(20.7)	(39.5)
NIBD/EBITDA ratio	-	1.3
Return on assets, %	(4.8)	(7.0)
Return on invested capital, excl. Goodwill, %	(4.4)	(7.1)
Return on equity, %	(4.8)	(6.6)
Full time employees at the end of the period	1,871	2,285
Stock related key figures		
Earnings per share (EPS), DKK	(2)	(3)
Earnings per share from continuing operations (EPS), DKK	(2)	(3)
Earnings per share, diluted (EPS-D), DKK	(2)	(3)
Earnings per share from continuing operations, diluted (EPS-D), DKK	(2)	(3)
Price/Earnings	(23)	(24)

MANAGEMENT REPORT

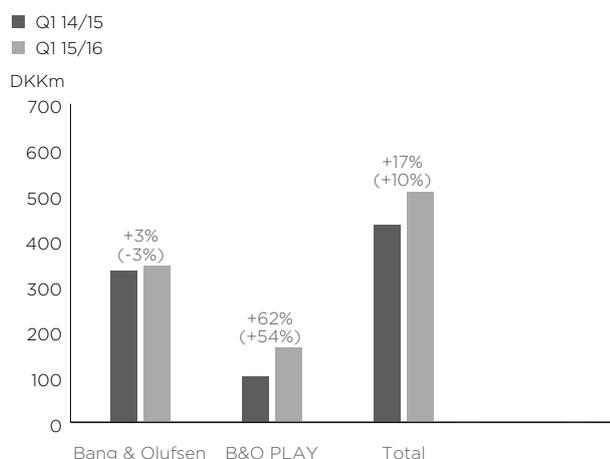
The first quarter revenue increased by 17 per cent, driven primarily by a continued momentum in the B&O PLAY segment, where a combination of solid customer demand and an expansion of the distribution supported growth. The growth in the Bang & Olufsen segment, as expected, remained modest. Profitability in the quarter was weak, mainly due to the seasonally “small” quarter and low gross margins, however with a significant improvement compared to last year, due to higher revenue and lower capacity costs.

Revenue development by segment

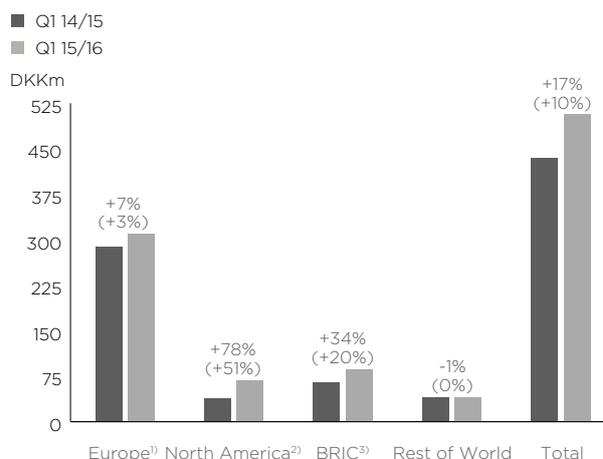
The Group's revenue for the first quarter of the 2015/16 financial year was DKK 506 million, compared to DKK 434 million last year, corresponding to a growth of 17 per cent (10 per cent in local currency).

The Bang & Olufsen segment recorded revenue of DKK 343 million in the first quarter of the 2015/16 financial year, compared to DKK 333 million last year, an increase of 3 per cent.

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).

B&O PLAY recorded revenue of DKK 163 million in the first quarter of the 2015/16 financial year compared to DKK 100 million in the same period last year, or an increase of 62 per cent. The growth in B&O PLAY was driven by strong demand for especially the BeoPlay A2, the Beolit 15 and the BeoPlay H8.

The B&O PLAY revenue through the B1 and shop-in-shop channel increased by 21 per cent, compared to the same quarter last year. Revenue through third party retail and e-commerce increased by 114 per cent in the quarter, compared to the same period last year. The revenue through third party distribution was positively affected by an increase in the number of third party retail stores, which increased to 3,700 stores from 3,300 stores at the end of the fourth quarter of 2014/15 and approximately 1,700 stores at the end of the first quarter of 2014/15.

Revenue development by region

In the first quarter revenue was DKK 310 million in Europe, corresponding to an increase of DKK 21 million. The revenue through the B1 and shop-in-shop channel declined, as the revenue in first quarter last year was positively impacted by the launch of the BeoVision Avant 55-inch TV, whereas revenue through the third party retail channel increased.

Revenue in North America was DKK 69 million compared to DKK 39 million last year, corresponding to a growth of 78 per cent. Revenue in North America was positively impacted by a strengthening of the US dollar. Adjusting for favorable currency effects, revenue grew by 51 per cent. The growth was driven by strong performance in selected stores and by growth in the custom installations market. In the coming quarters, the third party distribution in North America is expected to show growth, whereas the recent quarters restructuring of the B1 and shop-in-shop channel is expected to result in a decline in revenue.

Revenue in the BRIC markets was DKK 87 million, corresponding to an increase of 34 per cent (20 per cent in local currency). The growth was mainly driven by growth in China and Hong Kong, which grew through the B1 and shop-in-shop distribution as well as through third party retail. Revenue in Russia remained subdued, due to the continued economic uncertainty, which began during the summer 2014.

In the segment Rest of World the revenue was flat in the first quarter. The markets generally show growth, but this was not enough to mitigate the negative revenue effect from the sale of the company owned stores in Australia.

Distribution Development (Number of stores)

	B1		Shop-in-shop		Third party retail	
	31/08/15	31/05/15	31/08/15	31/05/15	31/08/15	31/05/15
Europe	329	334	141	137	1,769	1,578
North America	34	36	5	8	701	631
BRIC	68	65	38	42	582	494
Rest of World	85	90	2	2	669	605
Total	516	525	186	189	3,721	3,308

The number of B1 stores declined by 9 stores compared to the number of B1 stores at the end of the last quarter. This was the result of 14 closings of under performing stores and 5 openings during the quarter as the focus on improving the overall quality of the retail network continued. The decline was mainly seen in Europe and Rest of World. The number of shop-in-shops declined by 3 stores compared to last quarter, mainly driven by a decrease in North America and in BRIC. The number of third party retail stores increased to 3,721 stores from 3,308 stores at the end of the last quarter.

For the first quarter of the 2015/16 financial year the organic revenue growth (i.e. sell in) for Bang & Olufsen shops with more than 24 months of operations was negative 12 per cent for B1 shops and negative 23 per cent for shop-in-shops. Stores opened or closed during the last 24 months are excluded from this measure and so is therefore the positive effect on sales from improving the overall quality of the network.

The decline in the sell in was mainly a result of a strong first quarter last year, where revenue grew by 19 per cent and was positively impacted by the launch of the BeoVision Avant.

Gross margin

The Group's gross margin was 30.1 per cent in the first quarter compared to a gross margin of 29.8 per cent in the same period last year. The Group's gross margin showed moderate improvement compared to the same quarter last year. The margin improvement initiatives in the Bang & Olufsen segment began to show a positive effect, whereas a higher relative share of turnover from the B&O PLAY segment had a negative impact on the Group margin. In addition, the Group's gross margin was adversely impacted by approximately DKK 12 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 32.7 per cent in the first quarter, compared to 30.9 per cent in the same quarter last year. The improvement in

Capitalised development costs and carrying amount (DKK million)

Q1 - 2015/16

Capitalised, net	31
Carrying amount, net	381

Q1 - 2014/15

Capitalised, net	39
Carrying amount, net	781

the gross margin was driven by selected price increases, whereas increased production costs, due to adverse currency effects, negatively impacted the gross margin.

The gross margin for B&O PLAY in the first quarter of the 2015/16 financial year was 24.8 per cent against a gross margin of 25.8 per cent for the same period last year. The B&O PLAY margin was adversely affected by a high demand for product with low gross margins and by a change in the channel mix, as the third party retail distribution has a lower gross margin than the Bang & Olufsen distribution. In addition, the B&O PLAY gross margin was adversely affected by the segment carrying a higher share of the Group's indirect cost.

Capacity costs

During the first quarter of the 2015/16 financial year, the capacity costs decreased as expected to DKK 258 million from DKK 300 million in the same period last year.

Distribution and marketing costs were DKK 166 million in the first quarter of the 2015/16 financial year compared to DKK 191 million in the same period last year. This corresponds to a decrease of DKK 25 million. The decline is mainly a result of lower campaign activity compared to last year, lower cost related to company owned stores, and general savings across the Group.

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

The Group continues to invest in new products. Incurred development costs were DKK 62 million for the first quarter of the 2015/16 financial year (of which DKK 31 million were capitalized) against DKK 81 million for the same period last year (of which DKK 39 million were capitalized).

Total amortization charges and impairment losses on development projects were DKK 41 million compared to DKK 47 million last year. The net effect of capitalisations and amortisations was negative DKK 10 million compared to a negative effect of DKK 8 million last year.

This resulted in expensed development costs (incl. amortization and impairment losses) of DKK 72 million for the first quarter of the 2015/16 financial year, compared to DKK 89 million for the same period last year.

Following the Automotive transaction, the company will receive payments and incur costs related to services provided during the transition of the support functions. This has been booked as “other income and cost” in the Group’s consolidated income statement.

In addition, the Groups capacity costs were adversely affected by costs related to shared functions previously allocated to the discontinued operations of DKK 11 million.

Earnings

Earnings before interest and tax for the first quarter of the 2015/16 financial year were negative DKK 105 million compared to negative DKK 171 million for the same period last year, corresponding to an improvement of DKK 66 million.

The company’s net financial items were negative DKK 14 million in the first quarter of the financial year, compared to negative DKK 3 million last year. The change was mainly related to currency adjustments.

Earnings before tax for the first quarter were DKK 118 million against negative DKK 174 million in the same period last year.

Development in balance sheet items and cash flow

Free cash flow in the first quarter was negative DKK 168 million compared to negative DKK 241 million in the same quarter last year, corresponding to an improvement of DKK 73 million.

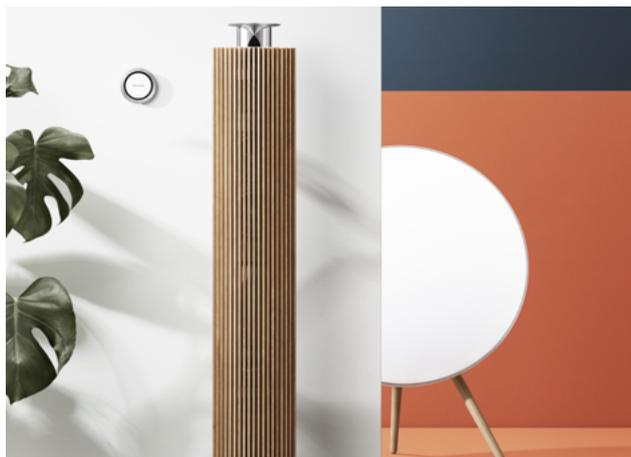
At the end of the first quarter, the Group’s net working capital was DKK 338 million compared to DKK 261 million at the end of the fourth quarter of the 2014/15 financial year and DKK 777 million at the end of the first quarter last year. The increase in the net working capital compared to the previous quarter, was mainly a result of lower payables.

The net interest bearing deposit was DKK 620 million at the end of the first quarter, compared to a net interest bearing debt of DKK 362 million at the end of the first quarter of the 2014/15 financial year. The change was mainly a result of the Automotive transaction announced in March 2015. During the first quarter, the company’s bank debt facilities have been repaid.

The Group’s equity increased to DKK 1,834 million compared to DKK 1,752 million at the end of the first quarter last year. The Group equity ratio was 60 per cent at the end of the first quarter of the 2015/16 financial year compared to 61 per cent at the end of the same quarter last year.

Product launches Q1 2015/16

The following products were launched in the first quarter of the 2015/16 financial year:



BeoLink Multiroom

August BeoLink Multiroom makes it possible to play different music in different rooms – or have the same music playing at the same time in different rooms. This functionality is an inherent feature of all the latest network connected Bang & Olufsen products. Simply go to a product, touch it, and it will come to life, or use the BeoMusic App for smartphone or tablet to take full control of the BeoLink Multiroom system.

BeoSound Moment, BeoSound Essence 2nd generation, BeoPlay A9 2nd generation, BeoPlay A6 and televisions can be included in a BeoLink Multiroom setup. Moreover, with a BeoLink Converter NL/ML box, it is possible to bridge older products in Master Link installations with the new BeoLink Multiroom products.



BeoPlay A2 new technology and colour

August B&O PLAY adds innovative wireless features to the BeoPlay A2 Bluetooth speaker making it possible to wirelessly pair two BeoPlay A2 speakers for an impressive stereo experience. BeoPlay A2 is now also available in a new “Natural” colour edition.



Beolit 15 new technology and colour

August B&O PLAY launches an updated version of the Beolit 15 portable Bluetooth speaker. New wireless technology provides outstanding Bluetooth stereo audio and streaming quality, and with the addition of a “Natural” colour edition Beolit 15 is now available in four colours.



Subsequent launches

After the end of the reporting period, B&O PLAY announced the launch of two new products. BeoPlay A6 is a flexible and powerful music system designed by award-winning Danish designer Jakob Wagner. The Bluetooth speaker BeoPlay S3 is targeted the consumers that want flexibility at home. One speaker fills the room with great ambient sound, but it is also possible to wirelessly pair two speakers or more.

OUTLOOK FOR 2015/16

In the 2015/16 financial year, the key focus will be to create profitable growth, by growing revenue, improving gross margin and adapting the cost base to reflect the reduced size of the company.

The outlook for the 2015/16 financial year remains unchanged compared to the outlook provided in the Annual Report for 2014/15 (13 August 2015, Company Announcement no. 15.02)

Revenue

Revenue for the Group's business is expected to grow 8 to 12 per cent compared to 2014/15. B&O PLAY is expected to be the main growth driver, while the rate of growth in Bang & Olufsen is expected to be moderate.

New product launches and organic growth in Bang & Olufsen and B&O PLAY, as well as a continued expansion of especially the third party retail network will be the main growth contributors.

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, compared to 2014/15.

However, as costs for functions that previously were shared with the Automotive division will not be fully eliminated during 2015/16, and since the strategic initiatives such as footprint optimization 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 realize a negative EBIT. Adjusted for costs for shared functions previously allocated to Automotive, EBIT in 2015/16 is expected to be around break-even.

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

We have today considered and approved the interim report for the period 1 June 2015 – 31 August 2015 for Bang & Olufsen a/s.

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

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

cial position as at 31 August 2015 and the results of the Group's operations and cash flows for the period 1 June 2015 – 31 August 2015.

It is also our opinion that the management report gives a true and fair view of developments in the

Group's activities and financial situation, the earnings for the period and the Group's financial position in general as well as a description of the most significant risks and uncertainties to which the Group is exposed.

Struer, 30 September 2015

Executive Management:

Tue Mantonì
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	1st quarter		Year
		2015/16	2014/15	2014/15
Revenue		506.0	433.5	2,356.5
Production costs		(353.5)	(304.4)	(1,776.2)
Gross profit		152.5	129.0	580.3
Development costs	3	(71.5)	(88.6)	(448.5)
Distribution and marketing costs		(166.4)	(191.2)	(861.7)
Administration costs		(20.3)	(20.5)	(77.1)
Other operating income		19.5	-	-
Other operating expenses		(18.6)	-	-
Operating profit (EBIT)		(104.7)	(171.2)	(807.0)
Share of result after tax in associated companies		-	0.2	10.5
Financial income		0.3	0.9	24.8
Financial expenses		(13.8)	(3.5)	(30.9)
Financial items, net		(13.5)	(2.6)	(6.1)
Earnings before tax (EBT)		(118.3)	(173.6)	(802.7)
Income tax		26.1	32.1	195.4
Earnings for the year - continued operations		(92.2)	(141.6)	(607.3)
Earnings for the year - discontinued operations	6	6.1	32.2	664.3
Earnings for the year		(86.1)	(109.4)	57.0
Earnings per share				
Earnings per share (EPS) DKK		(2.0)	(2.7)	1.3
Diluted earnings per share (EPS-D) DKK		(2.0)	(2.7)	1.3
Earnings per share from continuing operations, DKK		(2.1)	(3.4)	(14.2)
Diluted earnings per share (EPS-D) from continuing operations, DKK		(2.1)	(3.4)	(14.2)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	Note	1st quarter		Year
		2015/16	2014/15	2014/15
Earnings for the year		(86.1)	(109.4)	57.0
<i>Items that will be reclassified subsequently to the income statement:</i>				
Exchange rate adjustment of investment in foreign subsidiaries		(4.6)	1.3	12.1
Change in fair value of derivative financial instruments used as cash flow hedges		3.7	2.1	(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		(1.5)	(0.2)	(8.2)
Transfer to production costs		0.8	0.1	12.4
Income tax on items that will be reclassified to the income statement:		(0.7)	(0.5)	1.1
<i>Items that will not be reclassified subsequently 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		(2.3)	2.8	5.3
Total comprehensive income for the year		(88.4)	(106.6)	62.3

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	31/8/15	31/8/14	31/5/15
Goodwill		69.7	63.9	70.2
Acquired rights		6.9	12.8	8.0
Completed development projects		281.2	362.4	312.1
Development projects in progress		99.6	355.7	80.3
Intangible assets		457.3	794.7	470.6
Land and buildings		102.3	112.1	104.6
Plant and machinery		56.5	117.5	68.9
Other equipment		26.5	26.5	26.8
Leasehold improvements		47.1	39.9	44.9
Tangible assets in course of construction and prepayments for tangible assets		13.3	39.3	9.1
Tangible assets		245.7	335.3	254.2
Investment property		17.2	38.3	17.2
Investments in associates		5.9	10.4	5.9
Other financial receivables		123.6	42.7	123.3
Financial assets		129.6	53.1	129.3
Deferred tax assets		203.3	211.3	187.5
Total non-current assets		1,053.0	1,432.7	1,058.8
Inventories		528.5	710.3	533.1
Trade receivables		433.1	497.4	456.6
Receivables from associates		-	1.9	-
Income tax receivable		41.3	14.0	33.5
Other receivables		56.9	53.6	71.5
Prepayments		28.7	65.7	19.9
Total receivables		560.0	632.7	581.5
Cash		816.3	107.7	1,198.0
Assets held for sale	6	77.4	-	77.6
Total current assets		1,982.2	1,450.7	2,390.2
Total assets		3,035.3	2,883.4	3,449.0

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	31/8/15	31/8/14	31/5/15
Share capital		432.0	432.0	432.0
Translation reserve		20.5	13.7	24.6
Reserve for cash flow hedges		(1.2)	2.0	(3.5)
Retained earnings		1,382.9	1,304.3	1,468.3
Total equity		1,834.2	1,752.0	1,921.4
Pensions		16.3	13.2	17.1
Deferred tax		9.8	6.8	10.6
Provisions		44.6	41.1	44.8
Mortgage loans		187.5	195.8	191.1
Other non-current liabilities		1.6	1.9	1.6
Deferred income		145.7	-	148.7
Total non-current liabilities		405.6	258.8	414.0
Mortgage loans		8.4	8.3	8.4
Loans from banks		-	175.0	210.0
Overdraft facilities		-	90.8	-
Provisions		25.6	28.3	25.4
Trade payables		444.9	343.3	443.1
Income tax payable		33.3	18.5	33.7
Other liabilities		189.2	182.8	309.1
Deferred income		75.3	25.9	67.7
Other current liabilities		776.7	872.8	1,097.4
Liabilities associated with assets held for sale	6	18.9	-	16.3
Total liabilities		1,201.1	1,131.5	1,527.6
Total equity and liabilities		3,035.3	2,883.4	3,449.0

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	1st quarter		Year
		2015/16	2014/15	2014/15
Earnings for the year - continuing operations		(92.2)	(141.6)	(607.3)
Earnings for the year - discontinued operations		6.1	32.2	664.3
Amortisation, depreciation and impairment losses		62.3	86.4	430.8
Adjustments for non-cash items	4	(18.5)	(18.8)	(662.3)
Change in receivables		33.6	56.0	10.6
Change in inventories		3.3	(44.1)	78.5
Change in trade payables etc		(110.5)	(131.6)	155.8
Cash flow from operations		(115.9)	(161.5)	70.3
Interest received and paid, net		(2.2)	(2.6)	(6.1)
Income tax paid		(0.6)	(0.7)	(9.2)
Cash flow from operating activities		(118.8)	(164.8)	55.0
Purchase of intangible non-current assets		(33.4)	(53.8)	(209.2)
Purchase of tangible non-current assets		(15.6)	(24.3)	(82.9)
Proceeds from sale of associated companies		-	-	12.5
Proceeds from sale of businesses		-	-	1,110.8
Received reimbursements, intangible non-current assets		-	0.4	12.5
Change in financial receivables		(0.3)	1.5	14.0
Cash flow from investing activities		(49.3)	(76.1)	857.7
Free cash flow		(168.1)	(240.9)	912.7
Repayment of long-term loans		(213.6)	(2.0)	(6.5)
Proceeds from short-term borrowings		-	(45.0)	(10.0)
Capital increase		-	250.3	248.2
Sale of own shares		-	2.6	2.6
Settlement of share options		-	-	(0.9)
Cash flow from financing activities		(213.6)	205.9	233.4
Change in cash and cash equivalents		(381.7)	(35.0)	1,146.1
Cash and cash equivalents, opening balance		1,198.0	51.9	51.9
Cash and cash equivalents, closing balance		816.3	16.9	1,198.0
Cash and cash equivalents:				
Cash		816.3	107.7	1,198.0
Current overdraft facilities		-	(90.8)	-
Cash and cash equivalents, closing balance		816.3	16.9	1,198.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Note	31/8/15	31/8/14	31/5/15
Equity, opening balance		1,921.4	1,604.4	1,604.4
Earnings for the period		(86.1)	(109.4)	57.0
Other comprehensive income, net of tax		(2.3)	2.8	5.3
Comprehensive income for the period		(88.4)	(106.6)	62.3
Capital increase		-	259.2	259.2
Costs relating to capital increase		-	(8.9)	(10.9)
Grant of share options		1.1	1.2	4.6
Sale of own shares		-	2.6	2.6
Settlement of share options		-	-	(0.9)
Equity, closing balance		1,834.2	1,752.0	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 recognized 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

(DKK million)	1st quarter		Year
	2015/16	2014/15	2014/15
Incurred development costs before capitalization	61.5	80.8	369.7
Hereof capitalized	(30.5)	(39.1)	(159.2)
Incurred development costs after capitalization	31.0	41.7	210.5
<i>Capitalization (%)</i>	49.6%	48.4%	43.1%
Total charges and impairment losses on development projects	40.5	46.9	238.0
Development costs recognised in the consolidated income statement	71.5	88.6	448.5

NOTES

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

(DKK million)	1st quarter		Year
	2015/16	2014/15	2014/15
Change in other liabilities	(3.3)	0.7	7.0
Financial items, net	13.5	2.6	6.1
Result of investments in associates after tax	-	(0.2)	(10.5)
Gain/loss on sale of non-current assets	0.4	-	1.8
Gain/loss on sale of business	-	-	(643.0)
Tax on earnings for the year	(24.2)	(22.2)	8.7
Other adjustments	(4.9)	0.3	(32.4)
Total adjustments	(18.5)	(18.8)	(662.3)

5 SEGMENT INFORMATION

(DKK million)	1st quarter		Reported Change %	Local currency Change %
	2015/16	2014/15		
Revenue by segment and business area				
Bang & Olufsen	343.3	333.2	3	(3)
B&O PLAY	162.7	100.3	62	54
Total	506.0	433.5	17	10
Gross margin by business area, %				
Bang & Olufsen	32.7%	30.9%		
B&O PLAY	24.8%	25.8%		
Gross margin %, Group	30.1%	29.8%		
Revenue by region				
Europe	309.5	288.5	7	3
North America	68.9	38.7	78	51
BRIC	86.9	65.0	34	20
Rest of World	40.7	41.3	(1)	0
Total	506.0	433.5	17	10
Revenue by channel				
B1 and shop-in-shop distribution	410.8	390.4	5	
3rd party distribution and e-commerce	95.2	43.1	121	
Total	506.0	433.5	17	

NOTES

6 DISCONTINUED OPERATIONS

(DKK million)	1st quarter		Year
	2015/16	2014/15	2014/15
Revenue	22.3	137.9	647.1
Expenses	(14.3)	(95.9)	(421.7)
Earnings before tax	8.0	42.0	225.4
Income tax	(1.9)	(9.9)	(53.0)
Earnings for the year discontinued operations	6.1	32.2	172.4
Gains/losses on sale of assets and businesses	-	-	643.0
Income tax	-	-	(151.1)
Gains/losses on sale of assets and businesses after tax	-	-	491.9
Earnings per share of discontinued operations	0.1	0.7	15.5
Diluted earnings per share of discontinued operations	0.1	0.7	15.5
Cash flow from operating activities	11.8	37.3	283.3
Cash flow used for investing activities	(2.8)	(14.5)	1,063.2
Cash flow from financing activities	-	-	-
Net cash flow from discontinued operations	9.0	22.8	1,346.5

(DKK million)	2015/16	2014/15	31/5/15
Balance sheet items comprise:			
Development projects	37.2	-	34.4
Plant & machinery	0.2	-	0.2
Other equipment and assets under construction	1.1	-	1.1
Inventories	10.4	-	9.1
Trade receivables	22.4	-	18.9
Other receivables	4.1	-	12.0
Prepayments	1.8	-	1.8
Cash	0.2	-	0.1
Assets held for sale	77.4	-	77.6
Trade payables	8.5	-	8.4
Provisions	2.5	-	1.8
Income tax payable	4.5	-	3.3
Other liabilities	3.4	-	2.8
Liabilities associated with assets held for sale	18.9	-	16.3

APPENDIX 1

Earnings by quarter 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Revenue	506.0			
Production costs	(353.5)			
Gross profit	152.5			
Development costs	(71.5)			
Distribution and marketing costs	(166.4)			
Administration costs	(20.3)			
Other operating income, net	0.9			
Earnings before interest and tax (EBIT)	(104.7)			
Share of result after tax in associated companies	-			
Financial income	0.3			
Financial expenses	(13.8)			
Financial items, net	(13.5)			
Earnings before tax (EBT)	(118.3)			
Income tax	26.1			
Earnings for the year - continued operations	(92.2)			
Earnings for the year - discontinued operations	6.1			
Earnings for the year	(86.1)			

Accumulated earnings by quarter 2015/16:

(DKK million)	2015/16			
	3M	6M	9M	12M
Revenue	506.0			
Production costs	(353.5)			
Gross profit	152.5			
Development costs	(71.5)			
Distribution and marketing costs	(166.4)			
Administration costs	(20.3)			
Other operating income, net	0.9			
Earnings before interest and tax (EBIT)	(104.7)			
Share of result after tax in associated companies	-			
Financial income	0.3			
Financial expenses	(13.8)			
Financial items, net	(13.5)			
Earnings before tax (EBT)	(118.3)			
Income tax	26.1			
Earnings for the year - continued operations	(92.2)			
Earnings for the year - discontinued operations	6.1			
Earnings for the year	(86.1)			

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	12.8	20.6	(9.5)
Financial expenses	(3.5)	18.3	(37.1)	(8.6)
Financial items, net	(2.6)	31.1	(16.5)	(18.1)
Earnings before tax (EBT)	(173.6)	(122.6)	(84.7)	(421.7)
Income tax	32.1	34.3	26.1	102.9
Earnings for the year - continued operations	(141.6)	(88.3)	(58.6)	(318.8)
Earnings for the year - discontinued operations	32.2	46.0	46.3	539.9
Earnings for the year	(109.4)	(42.3)	(12.3)	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	(2.6)	28.5	12.0	(6.1)
Earnings before tax (EBT)	(173.6)	(296.3)	(381.0)	(802.7)
Income tax	32.1	66.4	92.5	195.4
Earnings for the year - continued operations	(141.6)	(229.9)	(288.5)	(607.3)
Earnings for the year - discontinued operations	32.2	78.2	124.5	664.3
Earnings for the year	(109.4)	(151.7)	(164.0)	57.0

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Financial calendar

Financial statements

13 January 2016	Interim report (2 nd quarter 2015/16)
6 April 2016	Interim report (3 rd quarter 2015/16)
11 August 2016	Annual report 2015/16
27 September 2016	Interim report (1 st 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 in the car and on the move.

For additional information refer to www.bang-olufsen.com.