

INTERIM REPORT
3RD QUARTER 2017/18
1 JUNE 2017 -
28 FEBRUARY 2018



Q3 HIGHLIGHTS

“We realised a solid result with 10 per cent revenue growth and improved profitability. The result was driven by a 25 per cent increase in revenue in the B&O PLAY business unit, strong sales in the Greater China Region; and our continued focus on costs and operational improvements. Overall, we are pleased with the progress we have made in the first three quarters of this financial year, which we expect will continue in the fourth quarter,” says CEO Henrik Clausen.

Key financial highlights Q3

(DKK million)	Q3 2017/18	Q3 2016/17	Change %	YTD 2017/18	YTD 2016/17	Change %
Revenue	865	786	10	2,456	2,169	13
Bang & Olufsen	461	464	(1)	1,302	1,246	4
B&O PLAY	404	322	25	1,154	922	25
Gross margin, %	41.0	42.6	(1.5)	40.8	39.9	0.9
Bang & Olufsen, %	46.6	44.8	1.8	44.6	42.5	2.1
B&O PLAY, %	34.7	39.4	(4.7)	36.4	36.4	0.0
Capacity costs	306	317	(3.6)	953	908	4.9
Capacity Costs, underlying business	305	317	(3.9)	947	908	4.3
EBITDAC	100	63		207	66	
EBITDAC, underlying business	101	63		195	66	
EBIT	49	18		67	(34)	
EBIT, underlying business	50	18		55	(34)	
Free cash flow	34	97		(80)	196	

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

All numbers are compared to the same period last year:

Third quarter 2017/18

- The Group realised a revenue growth of 10 per cent (13 per cent in local currency). The increase was driven by the strong performance in the B&O PLAY business unit that continued the growth momentum,

especially in China, and increased revenue by 25 per cent (28 per cent in local currency). The revenue in the Bang & Olufsen business unit declined by 1 per cent (2 per cent increase in local currency).

- The gross margin for the Group decreased to 41.0 per cent from 42.6 per cent last year, primarily due to the B&O PLAY product mix and a higher share of the revenue coming from the B&O PLAY business unit. The development was in line with expectations.
- Capacity costs in the underlying business decreased by 4 per cent.
- EBITDAC increased by DKK 38 million in the underlying business compared to last year and was DKK 101 million against DKK 63 million last year, which corresponds to an EBITDAC margin of 12 per cent.
- EBIT for the underlying business was DKK 50 million compared to DKK 18 million last year, which corresponds to an EBIT margin of 6 per cent.
- Free cash flow was DKK 34 million against DKK 97 million last year.

Year-to-date 2017/18

- The Group's total revenue for the first three quarters of 2017/18 was DKK 2,456 million, corresponding to an increase of 13 per cent (16 per cent in local currency), which was driven by 25 per cent growth (28 per cent in local currency) in the B&O PLAY business unit and 4 per cent growth (7 per cent in local currency) in the Bang & Olufsen business unit compared to last year.
- EBITDAC in the underlying business for the first three quarters of 2017/18 was DKK 195 million, which

was an improvement of DKK 129 million compared to last year, while EBIT in the underlying business was DKK 55 million compared to negative DKK 34 million last year.

- Free cash flow in the first three quarters of 2017/18 was negative DKK 80 million against DKK 196 million last year. The development was mainly due to an increase in net working capital of DKK 183 million compared to 31 May 2017.

Outlook

- The Group expects to continue the growth momentum and realise revenue above 10 per cent (previously around 10 per cent) compared to 2016/17, and to increase the underlying EBITDAC margin to 8-10 per cent in 2017/18. The Group's free cash flow is expected to be positive in 2017/18. The EBIT margin for the underlying business is expected to be around 3 per cent for 2017/18.

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A webcast will be hosted on 6 April 2018 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	
	2017/18	2016/17	2017/18	2016/17
Income statement				
Revenue	865	786	2,456	2,169
Gross margin, %	41.0	42.6	40.8	39.9
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	100	63	207	66
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	113	99	301	170
Earnings before interest and tax (EBIT)	49	18	67	(34)
Financial items, net	0	(10)	(11)	(14)
Earnings before tax (EBT)	50	8	56	(47)
Earnings after tax	26	3	28	(41)
Financial position				
Total Assets	2,793	2,937	2,793	2,937
Share capital	432	432	432	432
Equity	1,623	1,690	1,623	1,690
Net interest-bearing deposit / (debt)	820	790	820	790
Net working capital	210	232	210	232
Cash flow				
- from operating activities	62	148	65	251
- from investment activities	(28)	(52)	(145)	(55)
Free cash flow	34	97	(80)	196
- from financing activities	(2)	(2)	(7)	(13)
Cash flow for the period	32	95	(87)	183
Key figures				
EBITDA-margin, %	13.0	12.6	12.2	7.8
EBIT-margin, %	5.7	2.3	2.7	(1.6)
Return on assets, %	2.7	0.8	3.6	(1.9)
Return on invested capital, excl. Goodwill, %	18.6	10.8	47.9	16.4
Return on equity, %	1.6	0.2	1.7	(2.4)
Full time employees at the end of the period	1,049	1,599	1,049	1,599
Stock related key figures				
Earnings per share (EPS), DKK	0.6	0.1	0.7	(0.9)
Earnings per share, diluted (EPS-D), DKK	0.6	0.1	0.7	(0.9)

MANAGEMENT REPORT

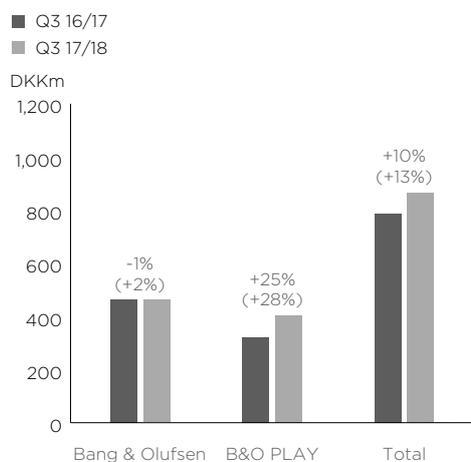
The B&O PLAY business unit maintained its revenue growth momentum and the Greater China Region sales were especially strong. The revenue development in the Bang & Olufsen business unit was flat, as expected. Capacity costs decreased and contributed to the continued improvement of the Group's profitability.

Revenue development by business unit

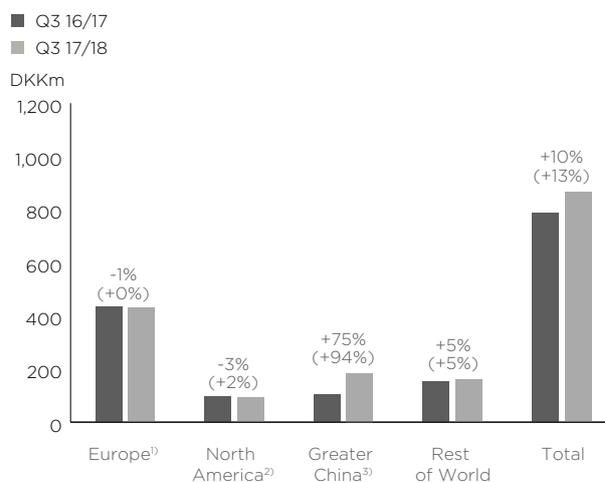
The Group's revenue increased from DKK 786 million last year to DKK 865 million, corresponding to a growth of 10 per cent (13 per cent in local currency). Year-to-date Group revenue increased by 13 per cent (16 per cent in local currency).

The Bang & Olufsen business unit realised a revenue of DKK 461 million against DKK 464 million last year, which was a decline of 1 per cent (2 per cent increase in local currency). The quarter was characterised by solid sales within TV and Connected Audio. This was, however, offset by the impact from the continued restructur-

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.

ing of company-owned and company-operated stores, i.e. in Europe and the Greater China Region.

The revenue in the B&O PLAY business unit was DKK 404 million against DKK 322 million last year, which was an increase of 25 per cent (28 per cent in local currency). The continued strong momentum was driven by the Beoplay E8 wireless earphones and the new Beoplay H8i and H9i headphones as well as existing products such as Beoplay A1, A9 and H5. B&O PLAY revenue through third-party retail and ecommerce increased by 15 per cent, and B&O PLAY revenue through the B1 and shop-in-shop channel increased by 41 per cent.

Revenue development by channel and region

The Group continued the transformation of the retail distribution across all markets. Key focus is to strengthen the customer experience and to improve the quality of the distribution across all retail touchpoints. 22 low-performing B1 stores and shop-in-shops were closed or changed to shop-in-shops in the third quarter, while 10 new B1 stores and shop-in-shops were opened or upgraded. Thus, the number of B1 stores and shop-in-shops was 576 at the end of the third quarter compared to 588 at the end of the previous quarter, and 643 at the end of the same quarter last year.

The number of third-party retail stores increased to 6,983 stores from 6,823 stores at the end of the previous quarter, and from 6,658 stores at the end of the same quarter last year.

Revenue in Europe was DKK 429 million against DKK 434 million last year, corresponding to a decline of 1 per cent (0 per cent in local currency). This was primarily a result of increased TV sales offset by the impact from the continued restructuring of company-owned and company-operated stores.

Revenue in North America was DKK 92 million against DKK 95 million last year, corresponding to a decline of 3 per cent (2 per cent increase in local currency). The development was primarily a result of the restructuring process that has been ongoing in the region.

Revenue in the Greater China region was DKK 184 million against DKK 106 million last year, corresponding to an increase of 75 per cent (94 per cent in local currency). The growth momentum in the region continued to be driven by strong B&O PLAY sales.

Revenue in the region Rest of World was DKK 160 million against DKK 153 million last year, corresponding to an increase of 5 per cent (5 per cent in local currency).

Distribution development (number of stores)

	B1		Shop-in-shop		Third-party retail	
	28/02/2018	30/11/2017	28/02/2018	30/11/2017	28/02/2018	30/11/2017
Europe	287	286	121	125	3,407	3,302
North America	16	17	0	1	1,075	1,074
Greater China	33	33	14	20	1,150	1,108
Rest of World	79	81	26	25	1,351	1,339
Total	415	417	161	171	6,983	6,823

The development in the quarter was characterised by growth in the B&O PLAY business unit.

Gross margin

The Group gross margin was at 41.0 per cent, 1.5 percentage points lower than last year.

The gross margin in the Bang & Olufsen business unit was at 46.6 per cent, 1.8 percentage points higher than last year as product profitability continued to improve.

The gross margin in the B&O PLAY business unit was 34.7 per cent against 39.4 per cent last year. The decline in gross margin was primarily a result of channel clean-up as well as end-of-life product campaigns and a negative product mix impact compared to last year.

Capacity costs

(All capacity costs are underlying business)

The capacity costs were DKK 305 million compared to DKK 317 million last year, corresponding to a decrease of 4 per cent.

Distribution and marketing costs were DKK 181 million, which was 2 per cent less than last year (DKK 186 million). The investments continued to be focused more towards marketing and distribution in the B&O PLAY business unit, with lower spend in the Bang & Olufsen business unit including the impact from fewer company-owned and company-operated stores.

Administration costs were at DKK 26 million on par with last year.

Development costs were DKK 98 million against DKK 104 million last year. Incurred development costs were DKK 60 million (of which DKK 13 million were capitalised) against DKK 78 million last year (of which DKK 36 million were capitalised).

Total amortisation charges on development projects were DKK 50 million against DKK 62 million last year.

The net effect on earnings before interest and tax of capitalisations and amortisations was negative DKK 37 million compared to a negative effect of DKK 26 million last year.

Capitalised development costs and carrying amount

(DKK million)

Q3 - 2017/18

Capitalised, net	13
Carrying amount, net	241

Q3 - 2016/17

Capitalised, net	36
Carrying amount, net	333

As part of the transformation of creating a more asset-light model, the number of full-time employees decreased from 1,599 to 1,049. The decrease was mainly a result of the divestiture of the Czech production facility in May 2017.

Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) in the underlying business increased by DKK 38 million and were DKK 101 million against DKK 63 million last year.

In line with our expectations, EBITDAC in the underlying business for the first three quarters of 2017/18 was DKK 195 million against DKK 66 million last year.

The Group's net financial items were DKK 0 million compared to negative DKK 10 million last year.

For the first three quarters of 2017/18, earnings before interest and tax (EBIT) for the underlying business was

DKK 55 million compared to negative DKK 34 million last year. This is in line with expectations.

Earnings before tax were DKK 50 million against DKK 8 million last year, and for the first three quarters of the year, earnings before tax were DKK 56 million against negative DKK 47 million last year.

Income tax in the quarter was negatively impacted by the effect from the US tax reform which resulted in a non-cash write-down of the US tax assets of DKK 7 million.

Development in balance sheet items and cash flow

The Group's net working capital was DKK 210 million. This was an increase of DKK 39 million compared to the end of previous quarter. The increase was due to increased activity in the quarter with higher trade receivables partially offset by higher trade payables.

Free cash flow was positive DKK 34 million compared to DKK 97 million last year. The improved earnings and

lower investment levels were key to the positive free cash flow, this was partially offset by a negative change in net working capital compared to last year.

Year-to-date free cash flow was negative DKK 80 million compared to positive DKK 196 million in the first three quarters of 2016/17. Last year, free cash flow included the escrow payment from HARMAN of DKK 93 million, and excluding this impact, free cash flow was DKK 103 million. The development was mainly due to an increase in net working capital of DKK 183 million compared to 31 May 2017.

The net deposit was DKK 820 million compared to DKK 790 million last year.

The Group's equity decreased to DKK 1,623 million from DKK 1,690 million last year. The Group equity ratio was 58 per cent which was on par with last year.

Subsequent events

No material events occurred after 28 February 2018.

PRODUCT PORTFOLIO AND COLLABORATIONS

Q3 2017/18

Recently launched products such as BeoVision Eclipse and BeoLab 50 in the Bang & Olufsen business unit and Beoplay E8 in the B&O PLAY business unit performed well in the quarter supported by strong sales of existing products such as BeoSound 2 in the Bang & Olufsen business unit and Beoplay A1, A9 and H5 in the B&O PLAY business unit.

The portfolio of headphones was strengthened with the launch of two new flagship headphones, Beoplay H9i and Beoplay H8i building on the core capabilities of acoustics, design and craftsmanship, while new colour variants of Beoplay E8 are expected to add to the success of the fastest selling product within the B&O PLAY range.

The Group continues to develop the technology partnerships with leading technology companies. In the third quarter, the Group demonstrated a voice-activated BeoSound 1 pilot project with Google Assistant built-in and announced that ten products will be updated with Apple AirPlay 2.

Beoplay H9i

B&O PLAY launched the wireless Beoplay H9i over-ear headphones crafted in luxurious materials such as lightweight aluminium, cowhide leather and soft lambskin. The new ANC (Active Noise Cancellation) headphones also bring forward new features. Transparency Mode makes it possible to - with one quick gesture - turn off the music and the ANC at the same time and listen to the surroundings. Proximity Sensor is a feature that automatically pauses the music or video streaming, when the headphones are removed.



Beoplay H8i

B&O PLAY streamlined the classic design of the Beoplay H8 to give Beoplay H8i a more contemporary and light appearance. Playtime has been increased by more than 100 per cent and many of the smart features from Beoplay H9i have been added to further improve the listening experience. The headphones can, for instance, be paired to two devices at the same time, so the listener does not have to disconnect from one device to connect to the other.





BeoVision Eclipse Wood Edition

Bang & Olufsen announced BeoVision Eclipse Wood Edition. The new variant of the BeoVision Eclipse TV comes with a handmade speaker cover in oak, thereby honouring the long-standing Bang & Olufsen tradition of using wood in the product design. Furthermore, there is a clear design link between BeoVision Eclipse Wood Edition and the oak wood elements in the BeoLab 18 and BeoLab 50 speakers. The new TV variant is available in a 55" version and a 65" version.

Beoplay E8 All White and All Black

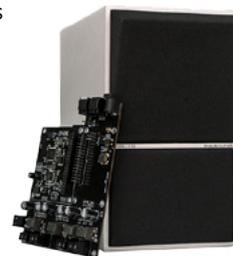
B&O PLAY expanded the Beoplay E8 portfolio with a Special Edition Collection in two colours – Beoplay E8 All White and Beoplay E8 All Black.

The two new versions build on the success of Beoplay E8, the Group's first truly wireless earphones.



Beocreate 4 Channel Amplifier

Bang & Olufsen teamed up with HiFiBerry to launch a new open source DIY product, which enables customers to upgrade their vintage speakers themselves to today's wireless standards. The product is called Beocreate 4 Channel Amplifier, and it is essentially a piece of hardware. It is the first time that Bang & Olufsen enables and encourages customers to upcycle classic speakers with a DIY product.



OUTLOOK FOR 2017/18

The Group expects to maintain the growth momentum, improve profitability, and to continue the transformation towards a more agile and asset-light operating model.

Revenue

Revenue growth for the Group is expected to be above 10 per cent (previously around 10 per cent) compared to 2016/17.

The B&O PLAY business unit is expected to continue to be the main growth driver with growth of more than 20 per cent compared to 2016/17.

The Bang & Olufsen business unit, including revenue related to brand partnering, is expected to remain flat. Revenue related to brand partnering is expected to be in the low end of the previously guided range of DKK 160-200 million.

Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) for the underlying business is expected to be 8-10 per cent of revenue.

As previously communicated, 2017/18 will continue to be impacted by the changed operating model in the Bang & Olufsen business unit. This will entail a continued high level of depreciations and amortisations, while the level of capitalisations will decline. However, the level of amortisations is expected to decline. This is expected to result in an EBIT margin for the underlying business of around 3 per cent for 2017/18.

Free cash flow

The Group's free cash flow is expected to be positive in 2017/18.

The outlook excludes impacts from non-recurring and aperiodic items that may occur during the financial year.

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 – 28 February 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 finan-

cial position as at 28 February 2018 and the results of the Group's operations and cash flows for the period 1 June 2017 – 28 February 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, 06 April 2018

Executive Management Board:

Henrik Clausen
President & CEO

Anders Aakær Jensen
Executive Vice
President & CFO

Stefan Persson
Executive Vice
President of HOME

John Mollanger
Executive Vice
President & CEO of B&O PLAY

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	3rd quarter		YTD		Year
		2017/18	2016/17	2017/18	2016/17	2016/17
Revenue		864.9	786.1	2,455.9	2,168.7	2,954.0
Production costs		(510.0)	(450.9)	(1,453.9)	(1,303.5)	(1,827.9)
Gross profit		354.9	335.2	1,002.0	865.2	1,126.1
Development costs	3	(97.6)	(104.1)	(329.7)	(279.1)	(408.9)
Distribution and marketing costs		(181.6)	(186.1)	(544.8)	(555.2)	(778.2)
Administration costs		(26.4)	(26.7)	(78.0)	(73.4)	(107.7)
Other operating income		-	-	17.6	8.8	39.7
Other operating expenses		-	-	(0.1)	-	-
Operating profit (EBIT)		49.3	18.3	67.0	(33.7)	(129.0)
Financial income		1.8	0.8	3.0	3.0	2.4
Financial expenses		(1.5)	(10.6)	(13.6)	(16.8)	(39.4)
Financial items, net		0.3	(9.8)	(10.7)	(13.8)	(37.0)
Earnings before tax (EBT)		49.6	8.4	56.3	(47.4)	(166.0)
Income tax		(23.5)	(5.3)	(28.1)	6.7	49.4
Earnings for the year		26.1	3.1	28.3	(40.8)	(116.5)
Earnings per share						
Earnings per share (EPS), DKK		0.6	0.1	0.7	(0.9)	(2.7)
Diluted earnings per share (ESP-D), DKK		0.6	0.1	0.7	(0.9)	(2.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	3rd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
Earnings for the year	26.1	3.1	28.3	(40.8)	(116.5)
<i>Items that will be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries	(3.6)	3.6	(7.1)	7.5	(2.3)
Change in fair value of derivative financial instruments used as cash flow hedges	30.2	(8.6)	41.8	(7.6)	(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	2.7	0.2	9.4	2.6	2.9
Transfer to production costs	(18.6)	3.2	(39.4)	4.9	6.3
Income tax on items that will be reclassified to the income statement:	(0.8)	1.1	(0.2)	-	4.4
<i>Items that will not be reclassified subsequently to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	0.7
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	(0.2)
Other comprehensive income for the year, net of tax	9.9	0.5	4.5	7.4	(17.1)
Total comprehensive income for the year	36.0	2.6	32.8	(33.4)	(133.6)

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	28/2/18	28/2/17	31/5/17
Goodwill		42.8	67.4	47.0
Acquired rights		2.8	5.1	4.2
Completed development projects		206.8	244.1	196.9
Development projects in progress		33.7	88.7	137.9
Intangible assets		286.1	405.3	386.0
Land and buildings		113.6	91.0	75.2
Plant and machinery		58.8	59.4	48.6
Other equipment		5.4	11.1	5.2
Leasehold improvements		1.8	15.7	4.6
Tangible assets in course of construction and prepayments for tangible assets		9.9	26.6	45.0
Tangible assets		189.5	203.7	178.6
Investment property		15.6	16.1	16.0
Other financial receivables		51.5	32.3	41.2
Financial assets		51.5	32.3	41.2
Deferred tax assets		259.7	231.0	279.2
Total non-current assets		802.4	888.4	901.0
Inventories		373.9	555.1	347.3
Trade receivables		502.8	399.7	410.3
Other financial receivables		-	-	11.3
Corporation tax receivable		17.2	30.7	13.0
Other receivables		69.5	66.0	71.7
Prepayments		17.8	22.6	13.7
Total receivables		607.3	519.0	520.0
Cash		992.3	971.2	1,079.2
Assets held for sale		17.0	2.9	-
Total current assets		1,990.7	2,048.3	1,946.5
Total assets		2,793.0	2,936.7	2,847.4

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	28/2/18	28/2/17	31/5/17
Share capital		432.0	432.0	432.0
Translation reserve		11.6	28.6	18.7
Reserve for cash flow hedges		(1.3)	2.4	(12.8)
Retained earnings		1,180.4	1,227.0	1,148.2
Total equity		1,622.7	1,690.0	1,586.2
Pensions		14.7	15.0	14.5
Deferred tax		10.4	10.4	10.7
Provisions		41.3	45.4	28.0
Mortgage loans		163.2	173.1	170.2
Other non-current liabilities		13.6	0.6	1.6
Deferred income		95.8	129.7	123.7
Total non-current liabilities		339.0	374.3	348.7
Mortgage loans		9.1	8.5	9.1
Provisions		46.6	24.8	79.4
Trade payables		415.0	464.3	463.2
Corporation tax payable		18.1	27.6	8.2
Other liabilities		323.7	316.9	327.7
Deferred income		15.7	30.3	25.0
Other current liabilities		828.2	872.5	912.5
Liabilities associated with assets held for sale		3.1	-	-
Total liabilities		1,170.3	1,246.7	1,261.2
Total equity and liabilities		2,793.0	2,936.7	2,847.4

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	3rd quarter		YTD		Year
		2017/18	2016/17	2017/18	2016/17	2016/17
Earnings for the year		26.1	3.1	28.3	(40.8)	(116.5)
Amortisation, depreciation and impairment losses		63.5	80.4	233.6	203.6	327.9
Adjustments for non-cash items	4	31.8	0.2	19.4	12.1	(48.4)
Change in receivables		107.4	159.0	(100.2)	8.0	(5.9)
Change in inventories		65.5	5.0	(37.8)	(57.2)	59.6
Change in trade payables etc		(226.1)	(91.7)	(58.4)	135.9	154.4
Cash flow from operations		68.3	156.1	84.8	261.6	371.1
Interest received and paid, net		(1.9)	(5.1)	(9.1)	(4.8)	(9.3)
Income tax paid		(4.0)	(2.6)	(11.0)	(5.7)	(9.5)
Cash flow from operating activities		62.3	148.4	64.7	251.2	352.3
Purchase of intangible non-current assets		(7.2)	(33.8)	(90.1)	(103.1)	(177.5)
Purchase of tangible non-current assets		(21.5)	(16.4)	(55.6)	(46.0)	(64.3)
Sales of tangible non-current assets		-	-	-	2.6	2.6
Proceeds from sale of businesses		-	-	-	-	122.9
Change in financial receivables		0.8	(1.2)	1.0	91.4	71.3
Cash flow from investing activities		(27.9)	(51.5)	(144.7)	(55.1)	(45.0)
Free cash flow		34.4	96.9	(80.0)	196.1	307.2
Repayment of long-term loans		(2.3)	(2.1)	(6.9)	(8.1)	(10.4)
Settlement of share options		-	-	-	(5.3)	(6.1)
Cash flow from financing activities		(2.3)	(2.1)	(6.9)	(13.4)	(16.5)
Change in cash and cash equivalents		32.2	94.9	(86.9)	182.7	290.7
Cash and cash equivalents, opening balance		960.1	876.3	1,079.2	788.5	788.5
Cash and cash equivalents, closing balance		992.3	971.2	992.3	971.2	1,079.2
Cash and cash equivalents:						
Cash		992.3	971.2	992.3	971.2	1,079.2
Cash and cash equivalents, closing balance		992.3	971.2	992.3	971.2	1,079.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Notes	28/2/18	28/2/17	31/5/17
Equity, opening balance		1,586.2	1,724.9	1,724.9
Earnings for the period		28.3	(40.8)	(116.5)
Other comprehensive income, net of tax		4.5	7.4	(17.1)
Comprehensive income for the period		32.8	(33.4)	(133.6)
Share-based payments		3.8	3.8	1.1
Settlement of share options		-	(5.3)	(6.1)
Equity, closing balance		1,622.7	1,690.0	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 2016/17 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)	3rd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
Incurring development costs before capitalisation	60.4	78.2	235.4	229.1	360.9
Hereof capitalised	(12.6)	(36.1)	(94.1)	(104.1)	(173.7)
Incurring development costs after capitalisation	47.8	42.1	141.3	125.0	187.2
Capitalisation (%)	20.8%	46.1%	40.0%	45.4%	48.1%
Total charges and impairment losses on development projects	49.9	62.0	188.4	154.1	221.6
Development costs recognised in the consolidated income statement	97.6	104.1	329.7	279.1	408.9

(DKK million)	3rd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
EBITDA	112.8	98.7	300.6	169.9	198.9
Capitalised development costs	(12.6)	(36.1)	(94.1)	(104.1)	(173.7)
EBITDAC	100.2	62.6	206.5	65.8	25.2

NOTES

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

(DKK million)	3rd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
Change in other liabilities	(12.4)	(1.0)	(35.2)	(5.2)	26.4
Financial items, net	(0.2)	9.8	10.7	13.8	37.0
Gain/loss on sale of non-current assets	-	-	-	(2.5)	(2.5)
Gain/loss on sale of business	-	-	-	-	(30.9)
Tax on earnings for the year	23.5	5.3	28.1	(6.7)	(49.4)
Other adjustments	21.0	(13.9)	15.9	12.7	(28.9)
Total adjustments	31.8	0.2	19.4	12.1	(48.4)

5 SEGMENT INFORMATION

(DKK million)	3rd quarter		Reported change %	Local currency change %
	2017/18	2016/17		
Revenue by segment and business area				
Bang & Olufsen	460.6	463.8	(1)	2
B&O PLAY	404.3	322.3	25	28
Total	864.9	786.1	10	13
Gross margin by business area, %				
Bang & Olufsen	46.6%	44.8%		
B&O PLAY	34.7%	39.4%		
Gross margin %, Group	41.0%	42.6%		
Revenue by region				
Europe	428.6	433.5	(1)	0
North America	92.0	94.5	(3)	2
Greater China	184.2	105.5	75	94
Rest of World	160.0	152.6	5	5
Total	864.9	786.1	10	13
Revenue by channel				
B1 and shop-in-shop distribution	640.9	591.7	8	
3rd party distribution and e-commerce	224.0	194.4	15	
Total	864.9	786.1	10	

NOTES

5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2017/18	2016/17		
Revenue by segment and business area				
Bang & Olufsen	1,302.0	1,246.4	4	7
B&O PLAY	1,153.9	922.2	25	28
Total	2,455.9	2,168.7	13	16
Gross margin by business area, %				
Bang & Olufsen	44.6%	42.5%		
B&O PLAY	36.4%	36.4%		
Gross margin %, Group	40.8%	39.9%		
Revenue by region				
Europe	1,291.2	1,249.1	3	4
North America	292.3	257.3	14	21
Greater China	435.9	308.0	42	54
Rest of World	436.4	354.2	23	23
Total	2,455.9	2,168.7	13	16
Revenue by channel				
B1 and shop-in-shop distribution	1,706.6	1,573.7	8	
3rd party distribution and e-commerce	749.3	595.0	26	
Total	2,455.9	2,168.7	13	

APPENDIX 1

Earnings by quarter 2017/18:

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

Accumulated earnings by quarter 2017/18:

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

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

12 July 2018 Annual report 2017/18

4 October 2018 Interim report (1st quarter 2018/19)

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 develops iconic, innovative audio and video products for consumers and for more than 90 years the brand has been globally-renowned for its design, acoustics and craftsmanship. Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to developing functional and beautiful high-quality audio products. This remains the foundation for the company and over the last 90 years, Bang & Olufsen has developed its expertise through practice and cooperation with external partners. The long-standing craftsmanship tradition and the strong commitment to innovation and development have made the brand globally renowned for its core capabilities within acoustics, design and craftsmanship. Today, Bang & Olufsen's product portfolio epitomises seamless media experiences in the home and on the move, for the family and for the individual.

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