



INTERIM REPORT
1ST HALF-YEAR 2017/18
1 JUNE 2017 –
30 NOVEMBER 2017

Q2 HIGHLIGHTS

“In the second quarter, we delivered double-digit growth and improved our profitability, and we remain on track for the full year. The result was driven by strong sales in B&O PLAY, cost control and positive developments across all markets. All in all, I am pleased with the progress that we have made in the first 6 months. It underlines that we have a strong product portfolio and that our continued focus on creating a scalable business model is paying off”, says CEO Henrik Clausen.

Key financial highlights Q2

(DKK million)	Q2 2017/18	Q2 2016/17	Change %	YTD 2017/18	YTD 2016/17	Change %
Revenue	999	867	15	1,591	1,383	15
Bang & Olufsen	516	496	4	841	783	8
B&O PLAY	483	371	30	750	600	25
Gross margin, %	41.2	41.2	0.0	40.7	38.3	2.3
Bang & Olufsen, %	45.5	45.5	0.0	43.4	41.0	2.4
B&O PLAY, %	36.5	35.6	0.8	37.6	34.8	2.8
Capacity costs	346	330	4.9	647	591	9.5
Capacity Costs, underlying business	341	330	3.5	642	591	8.7
EBITDAC	148	70		106	3	
EBITDAC, underlying business	135	70		93	3	
EBIT	83	37		18	(52)	
EBIT, underlying business	70	37		5	(52)	
Free cash flow	44	131		(114)	99	

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

All numbers are compared to same period last year:

Second quarter 2017/18

- The Group realised a revenue growth of 15 per cent. The revenue of the B&O PLAY business unit increased by 30 per cent, and the revenue of the

Bang & Olufsen business unit increased by 4 per cent. The growth was driven by a combination of strong sales of both existing and new products with good development across all markets.

- As expected, the gross margin for the Group was on par with last year (41.2 per cent), but with a higher share of the revenue coming from the B&O PLAY business unit.
- Capacity costs in the underlying business increased by 3.5 per cent, mainly due to higher depreciations. Excluding the effect from the higher depreciations, capacity costs were slightly below last year.
- EBITDAC in the underlying business was DKK 135 million against DKK 70 million last year. The company's ability to increase revenue without increasing capacity costs was key to the improved profitability.
- Free cash flow was positive DKK 44 million against DKK 131 million last year. Last year, free cash flow included the escrow payment from HARMAN of DKK 93 million, and excluding this impact free cash flow improved by DKK 6 million.

First half year 2017/18

- The Group's total revenue for the first half of 2017/18 was DKK 1,591 million, corresponding to an increase of 15 per cent, which was driven by 25 per cent growth in the B&O PLAY business unit and 8 per cent growth in the Bang & Olufsen business unit compared to last year. EBITDAC in the underlying business for the first half of 2017/18 was DKK 93 million, which was an improvement of DKK 90 million

compared to last year, while EBIT in the underlying business was DKK 5 million compared to negative DKK 52 million last year. Free cash flow in the first half of 2017/18 was negative DKK 114 million against DKK 99 million last year. The development was mainly due to an increase in net working capital of DKK 144 million compared to 31 May 2017.

Outlook

- The Group expects to continue the growth momentum and increase revenue by 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 (previously 1-3 per cent) for 2017/18.

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A webcast will be hosted on 11 January 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)	2nd quarter		YTD	
	2017/18	2016/17	2017/18	2016/17
Income statement				
Revenue	999	867	1,591	1,383
Gross margin, %	41.2	41.2	40.7	38.3
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	148	70	106	3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	165	111	188	71
Earnings before interest and tax (EBIT)	83	37	18	(52)
Financial items, net	(6)	(5)	(11)	(4)
Earnings before tax (EBT)	77	31	7	(56)
Earnings after tax	57	23	2	(44)
Financial position				
Total assets	3,002	3,046	3,002	3,046
Share capital	432	432	432	432
Equity	1,585	1,686	1,585	1,686
Net interest-bearing deposit	786	693	786	693
Net working capital	171	304	171	304
Cash flow				
– from operating activities	81	109	2	103
– from investment activities	(37)	22	(117)	(4)
Free cash flow	44	131	(114)	99
– from financing activities	(2)	(6)	(5)	(11)
Cash flow for the period	42	126	(119)	88
Key figures				
EBITDA-margin, %	16.5	12.8	11.8	5.2
EBIT-margin, %	8.3	4.2	1.1	(3.8)
Return on assets, %	4.0	1.6	0.9	(2.3)
Return on invested capital, excl. goodwill, %	26.1	12.7	27.5	5.4
Return on equity, %	3.5	1.3	0.1	(2.6)
Full time employees at the end of the period	1,125	1,648	1,125	1,648
Stock related key figures				
Earnings per share (EPS), DKK	1.3	0.5	0.1	(1.0)
Earnings per share, diluted (EPS-D), DKK	1.3	0.5	0.1	(1.0)

MANAGEMENT REPORT

The B&O PLAY and Bang & Olufsen business units grew by 30 per cent and 4 per cent respectively. The Group managed to increase revenue without increasing capacity costs in the second quarter, which drove the improved profitability.

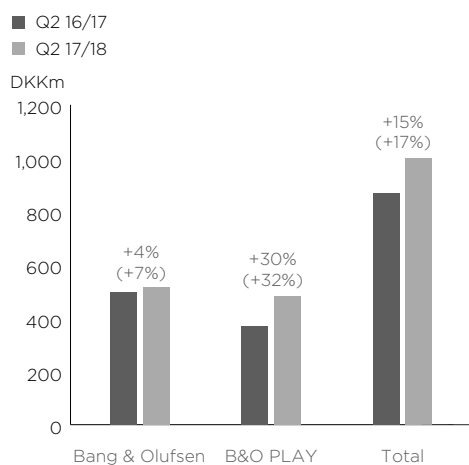
Revenue development by business unit

The Group's revenue increased from DKK 867 million last year to DKK 999 million, corresponding to a growth of 15 per cent (17 per cent in local currency). Overall, revenue in the quarter was characterised by solid demand across all channels prior to the high season. Year-

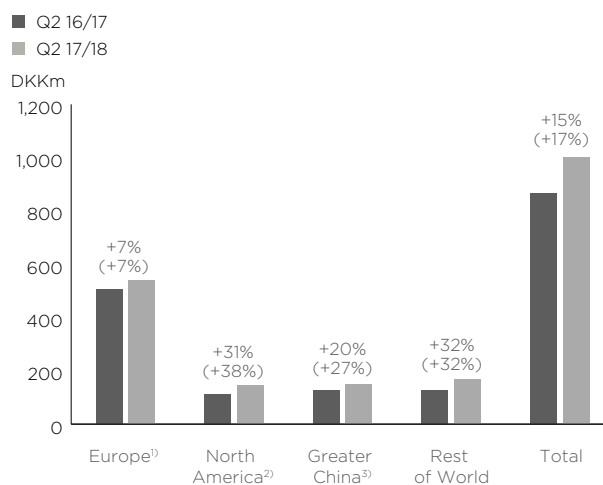
to-date Group revenue increased by 15 per cent (17 per cent in local currency).

The Bang & Olufsen business unit realised a revenue of DKK 516 million, compared to DKK 496 million last year, which was an increase of 4 per cent (7 per cent in lo-

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.

cal currency). The increase was driven by strong sales within TV, connected audio and speakers. There was a slight increase in income from brand partnering, which remains on track for the year.

The revenue in the B&O PLAY business unit grew 30 per cent (32 per cent in local currency) compared to last year and equivalent to DKK 483 million. The main growth contributors were existing products such as Beoplay A1, H5 and A9 complemented by Beoplay E8 wireless earphones, launched in the previous quarter. Revenue through the B1 and shop-in-shop channel grew to DKK 141 million from DKK 117 million last year, corresponding to a growth of 21 per cent. Revenue through third-party retail and e-commerce increased by 35 per cent.

Revenue development by channel and region

As part of the company's focus on strengthening the customer experience, 31 low-performing B1 stores and shop-in-shops were closed or changed to shop-in-shops in the second quarter, while 21 new B1 stores and shop-in-shops were opened or upgraded. The number of B1 stores and shop-in-shops was 588 at the end of the second quarter compared to 598 at the end of the previous quarter.

Improving the quality and depth of third-party stores continues to be a main priority. The number of third-party retail stores increased to 6,823 stores from 6,607 stores last year, and was almost on par with the number of third-party retail stores at the end of the previous quarter.

Revenue in Europe was DKK 538 million against DKK 505 million last year, corresponding to an increase of 7 per cent (7 per cent growth in local currency). The growth was primarily driven by B&O PLAY and higher sales of connected audio, including BeoSound Shape in the Bang & Olufsen business unit.

Revenue in North America was DKK 145 million against DKK 111 million last year, corresponding to an increase of 31 per cent (38 per cent in local currency). The revenue growth was driven by growth in B&O PLAY sales, especially in the third-party retail stores.

The growth momentum in the Greater China region continued in the second quarter driven by strong B&O PLAY sales. Revenue in the region was DKK 149 million against DKK 125 million last year, corresponding to an increase of 20 per cent (27 per cent in local currency).

Distribution development (number of stores)

	B1		Shop-in-shop		Third-party retail	
	30/11/2017	31/08/2017	30/11/2017	31/08/2017	30/11/2017	31/08/2017
Europe	286	291	125	128	3,302	3,330
North America	17	18	1	2	1,074	1,102
Greater China	33	35	20	21	1,108	1,150
Rest of World	81	89	25	14	1,339	1,251
Total	417	433	171	165	6,823	6,833

Revenue in the region Rest of World was DKK 167 million against DKK 127 million last year, corresponding to an increase of 32 per cent (32 per cent in local currency). The development in the region was characterised by growth in both business units with especially connected audio and TVs in the Bang & Olufsen business unit performing well.

Gross margin

The Group gross margin was at 41.2 per cent on par with last year.

The gross margin in the Bang & Olufsen business unit was on par with last year (45.5 per cent). There was an overall improvement in product profitability but also a decrease in revenue from fewer company-owned and company-operated stores.

The gross margin for the B&O PLAY business unit was 36.5 per cent against 35.6 per cent last year. The improvement in gross margin was driven by key product margins improvement compared to last year, which was partially offset by a negative product mix impact compared to last year.

Capacity costs

(All capacity costs are underlying business)

The capacity costs were DKK 341 million compared to DKK 330 million last year – an increase of 3.5 per cent. The increase was due to higher depreciation on development projects, which increased from DKK 57 million to DKK 69 million. Adjusted for this impact, capacity costs decreased by DKK 2 million.

Distribution and marketing costs were DKK 196 million, which was slightly lower than last year (DKK 206 million). In line with previous quarters, investments were focused more towards marketing and distribution in the B&O PLAY business unit, with lower spend in the Bang & Olufsen business unit. The Bang & Olufsen spend was also impacted by fewer company-owned and company-operated stores

Administration costs totalled DKK 27 million compared to DKK 24 million last year.

Development costs were DKK 118 million against DKK 100 million last year. Incurred development costs were DKK 66 million (of which DKK 17 million were capitalised) against DKK 84 million last year (of which DKK 41 million were capitalised). Capitalisations are expected to be approximately 30 per cent of incurred development costs throughout 2017/18.

Total amortisation charges on development projects were DKK 69 million against DKK 57 million last year.

The net effect on earnings before interest and tax of capitalisations and amortisations was negative DKK 52 million compared to a negative effect of DKK 16 million last year.

Capitalised development costs and carrying amount (DKK million)

Q2 - 2017/18

Capitalised, net	17
Carrying amount, net	278

Q2 - 2016/17

Capitalised, net	41
Carrying amount, net	359

Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) in the underlying business were DKK 135 million against DKK 70 million last year. The ability to increase the revenue without creating a corresponding increase in capacity cost levels contributed to the improved profitability.

In line with our expectations, EBITDAC in the underlying business for the first half of 2017/18 was DKK 93 million against DKK 3 million last year.

The company's net financial items were negative DKK 6 million compared to negative DKK 5 million last year. The costs were related to interest expenses and exchange rate adjustments.

For the first half of 2017/18, EBIT for the underlying business was DKK 5 million compared to negative DKK 52 million last year. This is a satisfying result and in line with expectations.

Earnings before tax were DKK 77 million against DKK 32 million last year, and for the first half of the year, earnings before tax were DKK 7 million against negative DKK 56 million last year.

Development in balance sheet items and cash flow

The Group's net working capital was DKK 171 million. This was an increase of DKK 41 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. Net working capital of DKK 304 million last year included the Czech production facility which was divested in

May 2017. Excluding this impact, the net working capital was on par with last year.

Free cash flow was positive DKK 44 million compared to DKK 131 million last year. Last year, free cash flow included the escrow payment from HARMAN of DKK 93 million, and excluding this impact, free cash flow was DKK 38 million last year. The improved earnings and lower investment levels were key to the positive free cash flow in the quarter.

Year-to-date free cash flow was negative DKK 114 million compared to positive DKK 99 million in the first half of 2016/17. The development was mainly due to an increase in net working capital of DKK 144 million compared to 31 May 2017.

The net interest-bearing deposit was DKK 786 million compared to DKK 693 million last year.

The Group's equity decreased to DKK 1,585 million from DKK 1,686 million last year. The Group equity ratio was 53 per cent compared to 55 per cent last year.

Subsequent events

No material events have occurred after 30 November 2017.

Q2 2017/18: Product portfolio and collaborations

The second quarter was characterised by a continued solid performance of existing products such as Beoplay H5, A1 and A9, supported by recently launched products, led by strong sales of BeoLab 50 and BeoVision Eclipse in the Bang & Olufsen business unit and Beoplay E8 in the B&O PLAY business unit.

The quarter also saw the launch of a new wireless home speaker, Beoplay M3, which builds on the company's core capabilities of acoustics, design and craftsmanship and further strengthens the Group's position within the strategically important market for connected audio products. In addition, the company launched a new colour-coordinated collection called Harmonies by Bang & Olufsen.

The company continues to develop the brand partnering activities. Two new brand collaborations were announced in the second quarter, generating good media coverage and thereby increasing brand awareness.



Harmonies by Bang & Olufsen

Bang & Olufsen launched a new colour-coordinated collection called Harmonies by Bang & Olufsen. The collection includes connected audio products in a limited, lush green tone. The colour is named 'Infantry Green' and is inspired by nature. The Harmonies Collection is featuring the multiroom enabled products that can perform and interact in perfect harmony as one. The collection includes the connected audio products Beoplay A9, Beoplay M5, BeoSound 1, BeoSound 2 and BeoSound 35.

B&O PLAY collection for Saint Laurent

B&O PLAY designed a collection for an exclusive Saint Laurent launch in Paris. The collection consists of three products in a very limited edition made



in collaboration with the French luxury fashion house. The three products are Beoplay P2 Black, Beoplay H9 Black and Beoplay A9 Black, all customised with Saint Laurent logo and minor changes in material and finish.

Beoplay A9 David Lynch

B&O PLAY announced a collaboration with cult-classic director, screenwriter, actor, and musician David Lynch. Together B&O PLAY and David Lynch have created a limited edition A9 speaker with a custom lithographic speaker cover featuring Lynch's famed "Paris Suite" works. The collaboration generated significant media coverage in especially the US.



Beoplay M3 Multiroom speaker

B&O PLAY expanded its family of wireless home speakers with the launch of the compact Beoplay M3. The user can choose between instant music listening with Bluetooth, streaming music directly from a smart device to the speaker, or the speaker can be connected to Wi-Fi for a multiroom setup which can be controlled from the Bang & Olufsen app. Beoplay M3 comes with Chromecast Built-in and supports Beolink Multiroom, Apple AirPlay and QPlay 2.0. Beoplay M3 will also support Apple's AirPlay 2 in 2018 letting the user send audio to multiple AirPlay compatible speakers at once.



OUTLOOK FOR 2017/18

In 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 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 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 faster than previously anticipated. This is expected to result in an EBIT margin for the underlying business of around 3 per cent (previously 1-3 percent) 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 – 30 November 2017 for Bang & Olufsen a/s.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as endorsed by the EU and 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 30 November 2017 and the results of the Group's operations and cash flows for the period 1 June 2017 – 30 November 2017.

It is also our opinion that the management report gives a true and fair view of developments in the Group's activities and financial situation, the earnings for the period and the Group's financial position in general as well as a description of the most significant risks and uncertainties to which the Group is exposed.

Struer, 11 January 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
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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	2nd quarter		YTD		Year
		2017/18	2016/17	2017/18	2016/17	2016/17
Revenue		999.0	867.1	1,591.0	1,382.6	2,954.0
Production costs		(587.9)	(509.5)	(943.9)	(852.5)	(1,827.9)
Gross profit		411.1	357.6	647.1	530.0	1,126.1
Development costs	3	(118.4)	(99.7)	(232.1)	(175.0)	(408.9)
Distribution and marketing costs		(200.9)	(206.1)	(363.2)	(369.1)	(778.2)
Administration costs		(26.7)	(24.0)	(51.6)	(46.7)	(107.7)
Other operating income		17.6	8.8	17.6	8.8	39.7
Other operating expenses		(0.1)	-	(0.1)	-	-
Operating profit (EBIT)		82.7	36.7	17.7	(52.0)	(129.0)
Financial income		0.5	0.7	1.2	2.2	2.4
Financial expenses		(6.4)	(6.0)	(12.1)	(6.2)	(39.4)
Financial items, net		(5.8)	(5.3)	(10.9)	(3.9)	(37.0)
Earnings before tax (EBT)		76.8	31.5	6.7	(55.9)	(166.0)
Income tax		(20.0)	(8.8)	(4.6)	12.0	49.4
Earnings for the year		56.8	22.7	2.2	(43.9)	(116.5)
Earnings per share						
Earnings per share (EPS), DKK		1.3	0.5	0.1	(1.0)	(2.7)
Diluted earnings per share (ESP-D), DKK		1.3	0.5	0.1	(1.0)	(2.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2nd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
Earnings for the year	56.8	22.7	2.2	(43.9)	(116.5)
<i>Items that will be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries	2.1	7.4	(3.5)	3.9	(2.3)
Change in fair value of derivative financial instruments used as cash flow hedges	18.0	1.6	11.6	1.0	(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	3.9	1.4	6.7	2.4	2.9
Transfer to production costs	(15.5)	1.7	(20.8)	1.7	6.3
Income tax on items that will be reclassified to the income statement:	(1.4)	(1.0)	0.6	(1.1)	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	7.1	11.2	(5.4)	7.9	(17.1)
Total comprehensive income for the year	63.9	33.8	(3.2)	(36.0)	(133.6)

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	30/11/17	30/11/16	31/5/17
Goodwill		43.4	67.4	47.0
Acquired rights		3.4	6.6	4.2
Completed development projects		253.1	269.9	196.9
Development projects in progress		24.6	88.8	137.9
Intangible assets		324.5	432.6	386.0
Land and buildings		71.1	98.4	75.2
Plant and machinery		62.6	59.6	48.6
Other equipment		5.2	14.9	5.2
Leasehold improvements		2.8	19.8	4.6
Tangible assets in course of construction and prepayments for tangible assets		43.8	13.0	45.0
Tangible assets		185.4	205.6	178.6
Investment property		15.6	16.2	16.0
Other financial receivables		52.3	31.1	41.2
Financial assets		52.3	31.1	41.2
Deferred tax assets		295.2	227.7	279.2
Total non-current assets		873.1	913.3	901.0
Inventories		450.7	560.2	347.3
Trade receivables		609.9	571.8	410.3
Other financial receivables		-	-	11.3
Corporation tax receivable		15.2	45.5	13.0
Other receivables		52.4	52.5	71.7
Prepayments		41.2	23.1	13.7
Total receivables		718.6	692.8	520.0
Cash		960.1	876.3	1,079.2
Assets held for sale		-	2.9	-
Total current assets		2,129.4	2,132.2	1,946.5
Total assets		3,002.5	3,045.5	2,847.4

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	30/11/17	30/11/16	31/5/17
Share capital		432.0	432.0	432.0
Translation reserve		15.2	25.0	18.7
Reserve for cash flow hedges		(14.9)	6.5	(12.8)
Retained earnings		1,153.1	1,222.7	1,148.2
Total equity		1,585.4	1,686.1	1,586.2
Pensions		14.6	14.9	14.5
Deferred tax		10.1	10.8	10.7
Provisions		38.1	45.3	28.0
Mortgage loans		165.5	175.2	170.2
Other non-current liabilities		13.9	1.8	1.6
Deferred income		105.7	129.7	123.7
Total non-current liabilities		347.9	377.7	348.7
Mortgage loans		9.1	8.5	9.1
Provisions		52.1	24.8	79.4
Trade payables		568.4	571.0	463.2
Corporation tax payable		24.5	45.1	8.2
Other liabilities		387.6	301.5	327.7
Deferred income		27.5	30.7	25.0
Other current liabilities		1,069.2	981.7	912.5
Total liabilities		1,417.1	1,359.4	1,261.2
Total equity and liabilities		3,002.5	3,045.5	2,847.4

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	2nd quarter		YTD		Year
		2017/18	2016/17	2017/18	2016/17	2016/17
Earnings for the year - continuing operations		56.8	22.8	2.2	(43.9)	(116.5)
Amortisation, depreciation and impairment losses		81.9	74.5	170.1	123.2	327.9
Adjustments for non-cash items	4	(8.2)	34.1	(12.4)	11.9	(48.4)
Change in receivables		(216.1)	(232.1)	(207.7)	(151.0)	(5.9)
Change in inventories		(37.0)	(34.2)	(103.3)	(62.2)	59.6
Change in trade payables etc		212.4	247.0	167.7	227.6	154.4
Cash flow from operations		89.9	111.9	16.6	105.5	371.1
Interest received and paid, net		(3.8)	(1.0)	(7.1)	0.4	(9.3)
Income tax paid		(5.4)	(1.7)	(7.0)	(3.1)	(9.5)
Cash flow from operating activities		80.7	109.3	2.4	102.8	352.3
Purchase of intangible non-current assets		(17.1)	(42.8)	(82.9)	(69.4)	(177.5)
Purchase of tangible non-current assets		(20.1)	(26.5)	(34.1)	(29.6)	(64.3)
Sales of tangible non-current assets		-	-	-	2.6	2.6
Proceeds from sale of businesses		-	-	-	-	122.9
Change in financial receivables		0.6	91.5	0.1	92.6	71.3
Cash flow from investing activities		(36.6)	22.2	(116.9)	(3.7)	(45.0)
Free cash flow		44.1	131.5	(114.4)	99.1	307.2
Repayment of long-term loans		(2.4)	(2.2)	(4.7)	(6.0)	(10.4)
Settlement of share options		-	(3.7)	-	(5.3)	(6.1)
Cash flow from financing activities		(2.4)	(5.9)	(4.7)	(11.3)	(16.5)
Change in cash and cash equivalents		41.7	125.7	(119.1)	87.8	290.7
Cash and cash equivalents, opening balance		918.4	750.6	1,079.2	788.5	788.5
Cash and cash equivalents, closing balance		960.1	876.3	960.1	876.3	1,079.2
Cash and cash equivalents:						
Cash		960.1	876.3	960.1	876.3	1,079.2
Cash and cash equivalents, closing balance		960.1	876.3	960.1	876.3	1,079.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Notes	30/11/17	30/11/16	31/5/17
Equity, opening balance		1,586.2	1,724.9	1,724.9
Earnings for the period		2.2	(43.9)	(116.5)
Other comprehensive income, net of tax		(5.4)	7.9	(17.1)
Comprehensive income for the period		(3.2)	(36.0)	(133.6)
Grant of share options		2.5	2.5	1.1
Settlement of share options		-	(5.3)	(6.1)
Equity, closing balance		1,585.4	1,686.1	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.

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)	2nd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
Incurring development costs before capitalisation	66.3	83.9	175.0	150.9	360.9
Hereof capitalised	(16.6)	(41.3)	(81.5)	(68.0)	(173.7)
Incurring development costs after capitalisation	49.7	42.5	93.5	82.9	187.2
Capitalisation (%)	25.0%	49.3%	46.6%	45.1%	48.1%
Total charges and impairment losses on development projects	68.6	57.1	138.6	92.1	221.6
Development costs recognised in the consolidated income statement	118.4	99.7	232.1	175.0	408.9

(DKK million)	2nd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
EBITDA	164.5	111.2	187.8	71.2	198.9
Capitalised development costs	(16.6)	(41.3)	(81.5)	(68.0)	(173.7)
EBITDAC	147.9	69.9	106.3	3.2	25.2

NOTES

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

(DKK million)	2nd quarter		YTD		Year
	2017/18	2016/17	2017/18	2016/17	2016/17
Change in other liabilities	(42.0)	0.2	(22.8)	(4.2)	26.4
Financial items, net	5.8	5.2	10.9	3.9	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	20.0	8.8	4.6	(12.0)	(49.4)
Other adjustments	8.0	19.8	(5.1)	26.6	(28.9)
Total adjustments	(8.2)	34.1	(12.4)	11.9	(48.4)

5 SEGMENT INFORMATION

(DKK million)	2nd quarter		Reported change %	Local currency change %
	2017/18	2016/17		
Revenue by segment and business area				
Bang & Olufsen	516.1	495.9	4	7
B&O PLAY	483.0	371.2	30	32
Total	999.0	867.1	15	17
Gross margin by business area, %				
Bang & Olufsen	45.5%	45.5%		
B&O PLAY	36.5%	35.6%		
Gross margin %, Group	41.2%	41.2%		
Revenue by region				
Europe	538.2	505.1	7	7
North America	144.9	110.5	31	38
Greater China	149.3	124.9	20	27
Rest of World	166.6	126.5	32	32
Total	999.0	867.1	15	17
Revenue by channel				
B1 and shop-in-shop distribution	657.4	613.1	7	
3rd party distribution and e-commerce	341.7	254.0	35	
Total	999.0	867.1	15	

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	841.4	782.7	8	10
B&O PLAY	749.6	599.9	25	27
Total	1,591.0	1,382.6	15	17
Gross margin by business area, %				
Bang & Olufsen	43.4%	41.0%		
B&O PLAY	37.6%	34.8%		
Gross margin %, Group	40.7%	38.3%		
Revenue by region				
Europe	862.6	815.6	6	7
North America	200.3	162.8	23	29
Greater China	251.7	202.5	24	32
Rest of World	276.4	201.6	37	37
Total	1,591.0	1,382.6	15	17
Revenue by channel				
B1 and shop-in-shop distribution	1,065.7	981.9	9	
3rd party distribution and e-commerce	525.3	400.6	31	
Total	1,591.0	1,382.6	15	

APPENDIX 1

Earnings by quarter 2017/18:

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

Accumulated earnings by quarter 2017/18:

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

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	332.2	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

6 April 2018	Interim report (3 rd quarter 2017/18)
12 July 2018	Annual report 2017/18
4 October 2018	Interim report (1 st 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.