

**INTERIM REPORT**  
**1ST QUARTER 2014/15**  
1 JUNE 2014 –  
31 AUGUST 2014



# Q1 HIGHLIGHTS

“Bang & Olufsen only grew 1 per cent in the first quarter of 2014/15, which is clearly a disappointment. The development was primarily a consequence of a sudden and temporary decline in Automotive of 23 per cent, and disappointing B&O PLAY sales. The core AV business grew by 19 per cent compared to the same quarter last year, driven by continued strong demand for our new TV BeoVision Avant and the new wireless speaker range. We reconfirm and further specify our guidance for the year based on our expectation that the Automotive business and B&O PLAY will recover from the disappointing first quarter and the AV business will continue the positive development”, says CEO Tue Mantoni.

- The Group’s revenue was DKK 571 million in the first quarter of the 2014/15 financial year compared to revenue of DKK 566 million in the same quarter last year, corresponding to an increase of 1 per cent.
- The B2C business recorded revenue of DKK 431 million in the first quarter of the 2014/15 financial year compared to DKK 397 million in the same quarter last year, an increase of 9 per cent. AV grew by 19 per cent, compared to the same period last year, while B&O PLAY declined by 15 per cent.
- B2C revenue in Europe increased by DKK 42 million compared to the same quarter last year, and hence continued the positive trend from the last two quarters. Revenue in North America was DKK 31 million, which was on par with last year. Overall BRIC revenue decreased by DKK 9 million due to a decrease in revenue of DKK 15 million in Russia which only to a certain extent was offset by growth in other BRIC markets. Rest of World decreased by DKK 10 million compared to last year.
- The B2B business recorded revenue of DKK 140 million in the first quarter of the 2014/15 financial year compared to revenue of DKK 173 million in the same quarter last year. Automotive declined by 23 per cent compared to last year, and registered revenue of DKK 116 million compared to DKK 151 million last year. The decline was mainly due to lower than expected production volumes over the summer of the high-end cars where Bang & Olufsen is primarily available. This led to lower unit sales but also a changed mix between car models with a strong development in the premium systems and a weak development in the high-end segment. ICEpower grew by 8 percent compared to last year.
- The Group’s gross margin in the first quarter was 36.2 per cent, compared to a gross margin of 40.1 per cent last year. The decline in the gross margin was mainly due to a high share of TV sales in the AV segment and abnormally high production and logistic costs related to the fast production ramp-up of the new TVs.

- Capacity costs were DKK 336 million in the first quarter, compared to DKK 291 million in the first quarter last year, or an increase of DKK 45 million. The increase was driven primarily by higher distribution and marketing costs related to the launch of the BeoVision Avant as well as a lower capitalization rate of development costs.
- Earnings before interest and tax for the first quarter of the 2014/15 financial year were negative DKK 129 million compared to negative DKK 64 million in the same quarter last year.
- Earnings before tax for the first quarter of the 2014/15 financial year were negative DKK 132 million against negative DKK 68 million in the same quarter last year.
- Free cash flow in the first quarter was negative DKK 241 million compared to negative DKK 70 million last year. The adverse development is due to the negative operating results and the development in the Group's net working capital which increased to DKK 777 million at the end of the first quarter of the 2014/15 financial year compared to DKK 545 million at the end of the same quarter last year and DKK 657 million at the end of the 2013/14 financial year. The increase in net working capital was mainly due to inventory build-up ahead of new product launches, ramp-up issues in the production during the quarter, increased line of credits to support the dealer network in connection with the launch of the BeoVision Avant, and lower than expected sales in Automotive.
- In June 2014 Bang & Olufsen a/s carried out a capital increase through a private placement at market price using an accelerated book-building process. The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and generated net proceeds of DKK 250 million.
- The outlook for the 2014/15 financial year is reconfirmed and further specified (refer to page 13).

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A webcast will be hosted on 2 October 2014 at 10.00 CET. Access to the webcast is obtained through our home page [www.bang-olufsen.com](http://www.bang-olufsen.com).

# KEY FIGURES

Bang & Olufsen a/s – Group

(DKK million)	1st quarter	
	2014/15	2013/14
<b>Income statement:</b>		
Revenue	571	566
Gross margin, %	36.2	40.1
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(97)	(38)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(43)	25
Earnings before interest and tax (EBIT)	(129)	(64)
Financial items, net	(3)	(3)
Earnings before tax (EBT)	(132)	(68)
Earnings after tax	(109)	(53)
<b>Financial position:</b>		
Total assets	2,883	2,761
Share capital	432	393
Equity	1,752	1,583
Net interest-bearing debt	362	343
Net working capital	777	545
<b>Cash flow:</b>		
– from operating activities	(165)	29
– from investing activities	(76)	(99)
– free cash flow	(241)	(70)
– from financing activities	206	48
Cash flow for the period	(35)	(22)
<b>Key figures:</b>		
EBITDA-margin, %	(7.5)	4.4
EBIT-margin, %	(22.6)	(11.3)
NIBD/EBITDA ratio *	1.3	2.3
Return on assets, %	(5.3)	(2.6)
Return on invested capital, excl. goodwill, %	(4.0)	(0.3)
Return on equity, %	(6.6)	(3.3)
Full time employees at the end of the period	2,285	2,019
<b>Stock related key figures:</b>		
Earnings per share (EPS), DKK	(3)	(1)
Earnings per share diluted (EPS-D), DKK	(3)	(1)
Price/Earnings	(24)	(39)

\* Calculated based on rolling 12m EBITDA

# MANAGEMENT REPORT

Bang & Olufsen revenue only grew 1 per cent in the first quarter of 2014/15. Automotive had a weak start to the year, and declined by 23 per cent, while the B2C business grew by 9 per cent, driven by the strong performance of newly launched products. EBIT was negative DKK 129 million compared to negative DKK 64 million last year, reflecting lower than expected sales, a lower gross margin and higher marketing and distribution costs.

## Development in the first quarter

Revenue Q1 2014/15 (Q1 2013/14 in brackets)



### Revenue

The Group's revenue for the first quarter of the 2014/15 financial year was DKK 571 million, compared to DKK 566 million last year, corresponding to an increase of 1 percent.

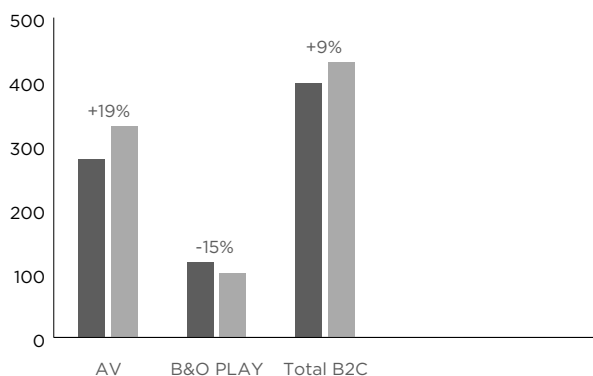
The B2C business, which consists of the AV and the B&O PLAY segments, grew by 9 per cent to DKK 431 million in the first quarter of the 2014/15 financial year

compared to revenue of DKK 397 million in the same quarter last year.

The AV segment recorded revenue of DKK 331 million in the first quarter of the 2014/15 financial year compared to DKK 279 million in the same period last year, corresponding to a growth of 52 million, or 19 per cent. The growth was driven by newly launched products, with

**Revenue and growth by segment Q1 – B2C  
(DKK million)**

■ Q1 13/14  
■ Q1 14/15



especially BeoVision Avant and BeoLab 18 showing strong sales performance in the quarter.

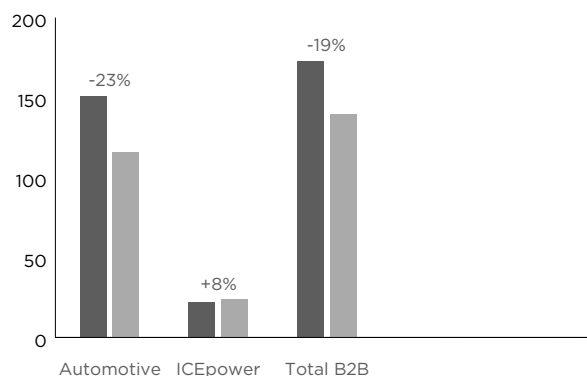
In line with our expectations and previous guidance of a back-loaded year due to the timing of product launches and the ramp-up of third-party retailers, B&O PLAY recorded revenue of DKK 100 million in the first quarter of the 2014/15 financial year compared to DKK 118 million in the first quarter last year, or a decrease of 15 per cent.

B2C revenue in Europe increased by 19 per cent in the quarter compared to the same period last year. Revenue in North America was at DKK 31 million, which was on level with last year. BRIC markets declined by 14 per cent, which was mainly due to later launch of BeoVision Avant in these markets and due to a decline in revenue of DKK 15 million in the Russian market. B2C revenue in Rest of World decreased by DKK 10 million.

The B2B business, which consists of the Automotive and ICEpower segments, recorded revenue of DKK 140 million in the first quarter of the 2014/15 financial year,

**Revenue and growth by segment Q1 – B2B  
(DKK million)**

■ Q1 13/14  
■ Q1 14/15



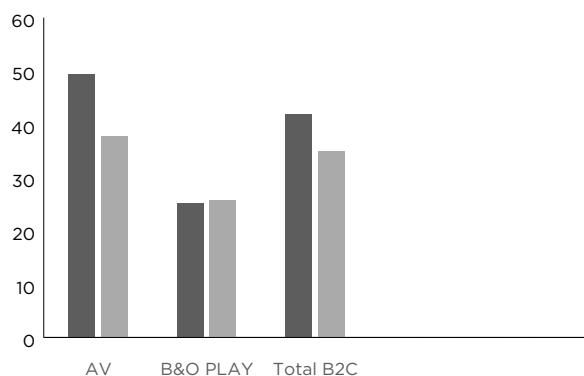
compared to DKK 173 million in the same quarter last year. The decline was due to an extraordinarily weak quarter in Automotive.

The Automotive segment recorded revenue of DKK 116 million in the first quarter of the 2014/15 financial year, compared to DKK 151 million in the same period last year. This corresponds to a decrease of 23 per cent. The sudden decline was mainly due to lower than expected production volumes of high-end cars over the summer and a changed mix between car models. Automotive will continue to invest in new technologies and product innovation and step up efforts in sales and marketing to benefit its partners and their retailers and customers globally. The development after the closure of the quarter makes us believe that Automotive will recover during the coming quarters. Revenue is expected to be flat in the 2014/15 financial year compared to last year.

The ICEpower segment recorded revenue of DKK 24 million in the first quarter of the 2014/15 financial year compared to DKK 22 million in the same period last year, or an increase of 8 per cent.

**Gross margin by segment Q1 - B2C**

(%)

■ Q1 13/14  
■ Q1 14/15**Gross margin**

The Group gross margin decreased to 36.2 per cent in the first quarter from a gross margin of 40.1 per cent in the first quarter of the 2013/14 financial year. The decline in gross margin was mainly driven by a decline in the AV segment, whereas the gross margins increased in the remaining segments.

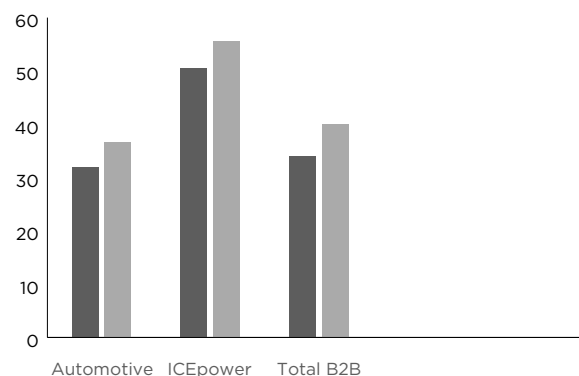
The gross margin in AV was 37.8 per cent in the first quarter of the financial year, compared to 49.4 per cent in the same quarter last year. The decrease is mainly due to a higher share of sales from TV, especially the BeoVision Avant, a higher share of the indirect production costs as well as extraordinary high costs (e.g. transportation) related to ramp-up issues in the production.

The gross margin for B&O PLAY in the first quarter of the 2014/15 financial year was 25.8 per cent against a gross margin of 25.3 per cent for the same period last year.

The gross margin within the Automotive segment in the first quarter of the 2014/15 financial year was 36.7 per cent against a gross margin of 31.9 per cent for the same

**Gross margin by segment Q1 - B2B**

(%)

■ Q1 13/14  
■ Q1 14/15

period last year. The increase in the gross margin is mainly a result of a changed mix between car models.

The gross margin within the ICEpower segment was 55.6 per cent in the first quarter of the 2014/15 financial year against a gross margin of 50.5 per cent for the same period last year.

**Capacity costs**

During the first quarter of the 2014/15 financial year, the capacity costs increased to DKK 336 million from DKK 291 million in the same period last year. The increase mainly relates to an increase in distribution and marketing costs and a lower capitalization rate on development projects.

Distribution and marketing costs were DKK 204 million in the first quarter of the 2014/15 financial year compared to DKK 172 million in the same period last year which is in line with the planned focus on marketing. This corresponds to an increase of 19 per cent. The increase was primarily driven by marketing of newly launched products.

Administration costs were DKK 22 million in the first quarter of the 2014/15 financial year which is on level with the same quarter last year.

Expensed development costs (incl. amortisation and impairment losses) were DKK 110 million for the first quarter of the 2014/15 financial year, compared to DKK 97 million for the same period last year.

Incurred development costs before capitalization were DKK 104 million for the first quarter of the 2014/15 financial year against DKK 101 million for the same quarter last year.

Capitalized development costs were DKK 54 million in the quarter compared to DKK 63 million in the same quarter last year, corresponding to a capitalization percentage of 52 per cent compared to 62 per cent last year. The B2B business area accounted for DKK 15 million, of which Automotive projects accounted for DKK 13 million.

Total amortization charges and impairment losses on development projects were DKK 59 million which was on the same level as last year. The net effect of capitalization was negative DKK 5 million compared to a positive effect of DKK 4 million last year.

Earnings before interest and tax for the first quarter of the 2014/15 financial year were negative DKK 129 million compared to negative DKK 64 million last year.

Earnings before tax for the first quarter of the 2014/15 financial year were negative DKK 132 million against negative DKK 68 million in the same period last year.

#### **Development in balance sheet items and cash flow**

At the end of the first quarter the Group's net working capital increased to DKK 777 million compared to DKK 657 million at the end of the 2013/14 financial year, and DKK 545 million at the end of the first quarter 2013/14.

#### **Capitalized development costs and carrying amount**

(DKK million) - Q1

2014/15	B2C	B2B	Total
Capitalized, net	39	15	54
Carrying amount, net	463	255	718

#### **Capitalized development costs and carrying amount**

(DKK million) - Q1

2013/14	B2C	B2B	Total
Capitalized, net	43	20	63
Carrying amount, net	431	233	664

The increase in net working capital was mainly due to inventory build-up ahead of new product launches, including the newly launched BeoVision Avant 85-inch and coming B&O PLAY products, as well as ramp-up issues in the production during the quarter and lower than expected sales in Automotive. The ramp-up issues resulted in the postponement of a large share of the sales to late in the quarter, and therefore had an adverse effect on trade receivables. Trade receivables were also unfavourably affected by increased credit lines to support the dealer network in connection with the launch of the BeoVision Avant. It is expected that net working capital will be reduced during the coming quarters and we will work towards our target of 20 per cent of revenue by the end of the year.

Free cash flow in the first quarter was negative at DKK 241 million compared to negative DKK 70 million in the



same period last year. The adverse development in the free cash flow was related to the negative operating result and the net working capital build-up during the quarter.

In June 2014 Bang & Olufsen a/s carried out a capital increase through a private placement at market price using an accelerated book-building process. The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and generated net proceeds of DKK 250 million.

The net interest bearing debt was DKK 362 million compared to DKK 374 million at the end of the 2013/14 financial year, and DKK 343 million at the end of the first quarter 2013/14. The decrease compared to the

end of the last financial year in the net interest bearing debt was primarily caused by a positive effect from the above mentioned capital increase, which was partly outweighed by an increase in the net working capital.

The Group's equity has increased from DKK 1,604 million at the end of the 2013/14 financial year to DKK 1,752 million which is due to the capital increase carried out in June 2014 which to a certain extent has been offset by the negative earnings after tax in the first quarter.

The Group equity ratio was 61 per cent at the end of the first quarter of the 2014/15 financial year against 55 per cent at the end of the 2013/14 financial year.

## Retail development in the first quarter

### Revenue development by region

In the first quarter of the 2014/15 financial year revenue in Europe increased by DKK 42 million – corresponding to 19 per cent – to DKK 263 million. The increase in revenue was mainly driven by the launch of the BeoVision Avant and the newly launched IWS speaker range.

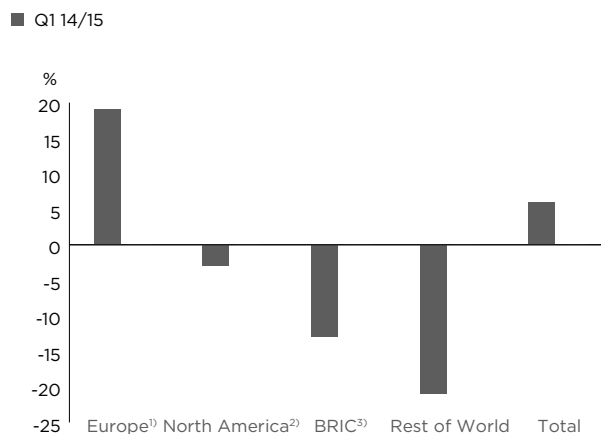
North America recorded revenue of DKK 31 million compared to DKK 32 million in revenue in the same quarter last year.

BRIC markets decreased by 14 per cent, which was mainly due to later launch of BeoVision Avant in these markets and the decline in revenue of DKK 15 million in the Russian market.

Revenue in Rest of World decreased from DKK 46 million for the same period last year to DKK 36 million, or a decrease of 21 percent.

Revenue through third party channels was DKK 43 million compared to DKK 32 million for the same period last year. The growth was mainly driven by an increase in the number of third party sales points.

### Revenue growth by region (B2C) – excluding third party revenue and e-commerce

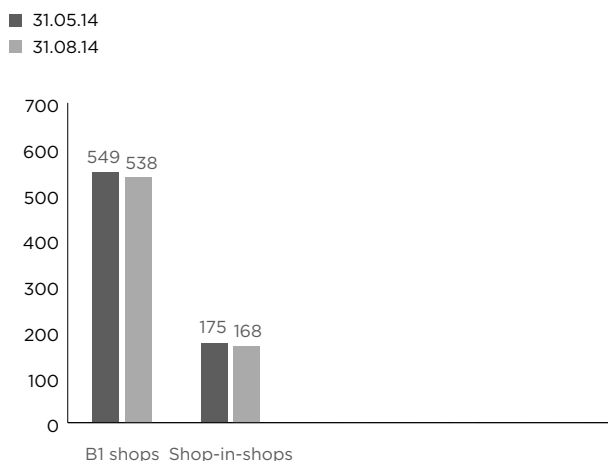


<sup>1)</sup> Europe covers Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.

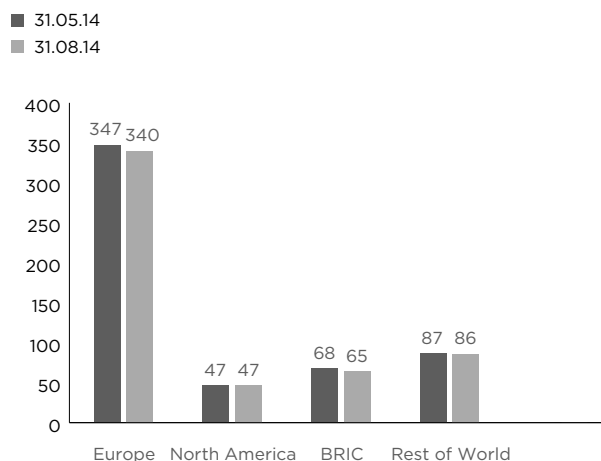
<sup>2)</sup> North America covers USA, Canada and Mexico.

<sup>3)</sup> BRIC covers Brazil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

### Number of B1 shops and shop-in-shops



### B1 shops by region



### Development in the number of shops

At the end of the first quarter, there were 538 B1 stores across the world against 549 at the end of the 2013/14 financial year. Thus, the net reduction for the first quarter was 11 stores, with 4 openings and 15 closures.

At the end of August 2014, there were 340 B1 stores in Europe against 347 at the end of the financial year 2013/14. The net movement in Europe for the first quarter therefore amounts to a reduction of 7 stores, with 4 openings and 11 closures.

In North America, there were 47 B1 stores which is status quo from the end of the financial year 2013/14.

In the BRIC markets there were 65 B1 stores against 68 at the end of the financial year 2013/14. The movement in BRIC for the first quarter was 3 closures.

In Rest of World there were 86 B1 stores against 87 at the end of the financial year 2013/14. The movement for the first quarter was 1 closure.

At the end of August 2014 the total number of shop-in-shops, including the B&O PLAY stores operated by Sparkle Roll, was 168 against 175 at the end of the financial year 2013/14.

The revenue to Bang & Olufsen stores, which have been in operation for more than 24 months, increased by 11 per cent for B1 stores and 21 per cent for shop-in-shops compared to the same quarter last year.

## Product launches Q1 2014/15

In the first quarter of the 2014/15 financial year Bang & Olufsen launched the following products:

### BeoPlay S8

BeoPlay S8 was launched in August. The flexible and compact stereo system comprises an 8-inch subwoofer powered by a dedicated 280 watts amplifier and two satellite speakers, each powered by a dedicated 140 watts amplifier. BeoPlay S8 connects to almost all streaming devices, hooks up to “regular” audio amplifiers, or connects to BeoPlay V1 or any Bang & Olufsen television.



### BeoPlay H6 Special Edition

In August, B&O PLAY introduced Graphite Blush, Bronzed Hazel and Blue Stone - three new special editions of BeoPlay H6. The special editions of the popular headphones bring an edge that makes them particularly interesting for youthful, design affectionate professionals looking for that something special that stands out.



### Automotive

In June, Bang & Olufsen announced the launch of a bespoke system for the 2014 Audi S7 powered by the company's new amplifier, the BeoCore. The amplifier generates 1,440 watts of power for the 15 loudspeakers.

Bang & Olufsen announced the launch of a high-end surround sound system for the new BMW X6 in July. The system features model specific sound tuning, anodised aluminium grilles, Acoustic Lens Technology, and a motorised opening centre speaker unit - and delivers a total of 1,200 watts of audio power.



### Subsequent launches

After the end of the reporting period Bang & Olufsen has launched BeoVision Avant 85 - an 85-inch version of the 55-inch BeoVision Avant that was introduced in May. The new flagship television displays Ultra High-Definition (4K) picture and provides sound performance unlike any other TV.

## Outlook for the 2014/15 financial year is reconfirmed and further specified

The 2014/15 financial year is the first year in the second phase of the “Leaner, Faster, Stronger” strategy. The key focus for the coming strategy period will be to ensure profitable growth for the company, based on the strong foundation of innovative products and a strengthened retail network, which was established in the first phase of the strategy. In 2014/15 emphasis will be on go-to-market activities, while maintaining a high level of product innovation.

The revenue growth in 2014/15 is expected to be in the high single-digit percentage range compared to the previous guidance of revenue growth exceeding 5 per cent. Most of the growth will be realised in the second half of the financial year. The growth will be sensitive to the success of the many new products that will be launched during the 2014/15 financial year.

For the individual segments, the following is expected:

For the AV segment, focus will be on creating a sustainable growth momentum based on the revitalized product portfolio, e.g. the Immaculate Wireless Sound speaker family and the BeoVision Avant, and a number of key product launches during the year. The initiatives to continuously lift the customer experience through strengthening the retail network will continue. A stabilization in the number of B1/SiS retailers is expected and the growth will primarily come from increased sales per retailer. The B2B potential of the AV products and solutions will be exploited more strongly than previously through a focus on luxury hotels and commercial projects in key cities.

For the B&O PLAY segment, focus will be on accelerating the pace of new product launches as well as expanding third party retail distribution. Sales through third party stores are expected to show significant growth, especially in the second half of the financial year, driven by an increase in the number of stores from approximately 1,400 to more than 2,000 at the end of the financial year. B&O PLAY revenue through the B1/SiS distribution is expected to show a moderate decline

in 2014/15 compared to last year. B&O PLAY is expected to contribute to the overall Group growth in the 2014/15 financial year.

Bang & Olufsen Automotive will continue to invest in new technologies and product innovation and step up efforts in sales and marketing to benefit its partners and their retailers and customers globally. Due to the weak performance in the first quarter of the financial year, Automotive revenue for the 2014/15 financial year is expected to be on par with the revenue last year.

ICEpower is expected to continue the stable growth by continuing to invest in product innovation, which in the last couple of years has enabled the company to build a strong customer portfolio of well-known, high-end audio brands.

The year-on-year growth in individual segments is expected to fluctuate over the course of the year depending on the timing of key product launches, seasonal campaign effects and the previous year’s quarterly performance.

The Group gross margin is highly sensitive to the change in sales mix between segments and the product mix changes within individual segments. The favourable segment and product mix will allow for a price-value repositioning of the TV portfolio, whilst maintaining overall Group gross margins at a level around that of the 2013/14 financial year.

To ensure a stronger market penetration of newly launched products as well as upcoming launches, Bang & Olufsen expects to increase distribution and marketing costs in the 2014/15 financial year. This will be done while maintaining a high level of investment in product innovation. To facilitate this, given the slower than expected start to the financial year, prudent cost management across the Group is being implemented.

Bang & Olufsen expects an increase in the Group EBIT margin compared to the last financial year.

# MANAGEMENT'S STATEMENT

We have today considered and approved the interim report for the period 1 June 2014 – 31 August 2014 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 2014 and the results of the Group's operations and cash flows for the period 1 June 2014 – 31 August 2014.

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 profit 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, 2 October 2014

## Executive Management:

Tue Mantoni  
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

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

# CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	1st quarter		Year
		2014/15	2013/14	2013/14
<b>Revenue</b>		<b>571.4</b>	<b>566.4</b>	<b>2,863.8</b>
Production costs		(364.6)	(339.4)	(1,639.5)
<b>Gross profit</b>		<b>206.8</b>	<b>227.0</b>	<b>1,224.3</b>
Gross margin, %		36.2	40.1	42.8
Development costs	3	(109.6)	(97.3)	(369.5)
Distribution and marketing costs		(204.2)	(171.9)	(780.5)
Administration costs		(22.2)	(22.0)	(71.9)
<b>Earnings before interest and tax (EBIT)</b>		<b>(129.3)</b>	<b>(64.2)</b>	<b>2.5</b>
Share of result after tax in associated companies		0.2	-	3.2
Financial income		0.9	1.5	5.6
Financial expenses		(3.5)	(4.8)	(34.5)
Financial items, net		(2.6)	(3.3)	(28.9)
<b>Earnings before tax (EBT)</b>		<b>(131.6)</b>	<b>(67.5)</b>	<b>(23.2)</b>
Income tax for the period		22.2	14.7	(5.8)
<b>Earnings for the period</b>		<b>(109.4)</b>	<b>(52.8)</b>	<b>(29.0)</b>
<b>Earnings per share</b>				
Earnings per share (EPS) and earnings per share from continuing operations, DKK		(2.7)	(1.3)	(0.7)
Diluted earnings per share (EPS-D) and earnings per share from continuing operations, DKK		(2.7)	(1.3)	(0.7)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	1st quarter		Year
	2014/15	2013/14	2013/14
<b>Earnings for the period</b>	<b>(109.4)</b>	<b>(52.8)</b>	<b>(29.0)</b>
<b><i>Items that subsequently will be reclassified to the income statement:</i></b>			
Exchange rate adjustment of investments in foreign subsidiaries	1.3	(3.9)	(9.6)
Change in fair value of derivative financial instruments used as cash flow hedges	2.1	(3.3)	(2.7)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:			
Transfer to revenue	(0.2)	0.6	1.7
Transfer to production costs	0.1	(0.2)	(2.9)
Income tax on items that will be reclassified to the income statement	(0.5)	0.7	1.0
<b><i>Items that will not be reclassified to the income statement:</i></b>			
Actuarial gains/(losses) on defined benefit plans	-	-	(0.1)
Income tax on items that will not be reclassified to the income statement	-	-	0.0
<b>Other comprehensive income, net of tax</b>	<b>2.8</b>	<b>(6.1)</b>	<b>(12.6)</b>
<b>Total comprehensive income for the period</b>	<b>(106.6)</b>	<b>(58.9)</b>	<b>(41.7)</b>



# CONSOLIDATED BALANCE SHEET

(DKK million)	31/8/14	31/8/13	31/5/14
Goodwill	63.9	56.7	63.5
Acquired rights	12.8	17.8	14.5
Completed development projects	362.4	469.0	406.2
Development projects in progress	355.7	195.3	317.6
<b>Intangible assets</b>	<b>794.7</b>	<b>738.8</b>	<b>801.8</b>
Land and buildings	112.1	192.3	114.7
Plant and machinery	117.5	138.7	123.5
Other equipment	26.5	31.3	26.8
Leasehold improvements	39.9	37.9	39.5
Tangible assets in course of construction and prepayments of tangible assets	39.3	68.6	29.8
<b>Tangible assets</b>	<b>335.3</b>	<b>468.8</b>	<b>334.3</b>
<b>Investment property</b>	<b>38.3</b>	<b>39.6</b>	<b>38.6</b>
Investments in associates	10.4	7.0	10.2
Other financial receivables	42.7	56.3	44.2
<b>Financial assets</b>	<b>53.1</b>	<b>63.3</b>	<b>54.4</b>
<b>Deferred tax assets</b>	<b>211.3</b>	<b>188.3</b>	<b>180.4</b>
<b>Total non-current assets</b>	<b>1,432.7</b>	<b>1,498.8</b>	<b>1,409.5</b>
<b>Inventories</b>	<b>710.3</b>	<b>634.7</b>	<b>666.2</b>
Trade receivables	497.4	381.4	537.4
Receivables from associates	1.9	1.8	1.9
Corporation tax receivable	14.0	27.2	21.3
Other receivables	53.6	53.8	65.8
Prepayments	65.7	35.3	69.5
<b>Receivables</b>	<b>632.7</b>	<b>499.5</b>	<b>696.0</b>
<b>Cash</b>	<b>107.7</b>	<b>128.4</b>	<b>120.4</b>
<b>Total current assets</b>	<b>1,450.7</b>	<b>1,262.6</b>	<b>1,482.6</b>
<b>Total assets</b>	<b>2,883.4</b>	<b>2,761.4</b>	<b>2,892.1</b>

# CONSOLIDATED BALANCE SHEET

(DKK million)	31/8/14	31/8/13	31/5/14
Share capital	432.0	392.7	392.7
Foreign exchange translation reserve	13.7	18.2	12.4
Cash flow hedge reserve	2.0	0.9	0.0
Retained earnings	1,304.3	1,170.8	1,199.2
<b>Total equity</b>	<b>1,752.0</b>	<b>1,582.6</b>	<b>1,604.4</b>
Pensions	13.2	13.1	13.3
Deferred tax	6.8	12.2	7.7
Provisions	41.1	61.0	39.8
Mortgage loans	195.8	204.3	197.8
Other non-current liabilities	1.9	3.2	1.9
<b>Total non-current liabilities</b>	<b>258.7</b>	<b>293.8</b>	<b>260.5</b>
Mortgage loans	8.3	6.9	8.2
Loans from banks	175.0	200.0	220.0
Overdraft facilities	90.8	60.2	68.5
Provisions	28.3	33.1	28.8
Trade payables	343.3	309.9	434.0
Corporation tax payable	18.5	23.4	18.1
Other liabilities	182.8	202.2	215.8
Deferred income	25.9	49.3	33.9
<b>Total current liabilities</b>	<b>872.8</b>	<b>885.0</b>	<b>1,027.2</b>
<b>Total liabilities</b>	<b>1,131.5</b>	<b>1,178.8</b>	<b>1,287.8</b>
<b>Total equity and liabilities</b>	<b>2,883.4</b>	<b>2,761.4</b>	<b>2,892.1</b>

# CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	1st quarter		Year
		2014/15	2013/14	2013/14
Earnings for the period		(109.4)	(52.8)	(29.0)
Amortization, depreciation and impairment losses		86.4	89.3	342.1
Adjustments for non-cash items	4	(18.8)	(13.0)	(13.9)
Change in receivables		56.0	58.3	(141.2)
Change in inventories		(44.1)	(62.5)	(63.2)
Change in trade payables etc.		(131.6)	16.0	127.1
<b>Cash flows from operations</b>		<b>(161.5)</b>	<b>35.3</b>	<b>221.9</b>
Interest received and paid, net		(2.6)	(3.3)	(28.9)
Income tax paid		(0.7)	(2.8)	(9.5)
<b>Cash flows from operating activities</b>		<b>(164.8)</b>	<b>29.2</b>	<b>183.5</b>
Purchase of intangible non-current assets		(53.8)	(69.7)	(310.5)
Purchase of tangible non-current assets		(24.3)	(29.0)	(82.3)
Acquisition of activity		-	-	(41.0)
Sale of tangible non-current assets		-	10.1	142.7
Received reimbursements, intangible non-current assets		0.4	2.5	7.4
Change in financial receivables		1.5	(12.9)	(0.9)
<b>Cash flows from investing activities</b>		<b>(76.1)</b>	<b>(99.0)</b>	<b>(284.6)</b>
<b>Free cash flow</b>		<b>(240.9)</b>	<b>(69.8)</b>	<b>(101.1)</b>
Repayment of long-term loans		(2.0)	(1.7)	(6.8)
Proceeds from short-term borrowings		(45.0)	50.0	70.0
Capital increase		250.3	-	-
Sale of own shares		2.6	-	1.2
<b>Cash flow from financing activities</b>		<b>205.9</b>	<b>48.3</b>	<b>64.4</b>
<b>Change in cash and cash equivalents</b>		<b>(35.0)</b>	<b>(21.5)</b>	<b>(36.7)</b>
Cash and cash equivalents, opening balance		51.9	89.7	89.7
Exchange rate adjustment, cash and cash equivalents		-	-	(1.1)
<b>Cash and cash equivalents, closing balance</b>		<b>16.9</b>	<b>68.2</b>	<b>51.9</b>
<b>Cash and cash equivalents:</b>				
Cash		107.7	128.4	120.4
Current overdraft facilities		(90.8)	(60.2)	(68.5)
<b>Cash and cash equivalents, closing balance</b>		<b>16.9</b>	<b>68.2</b>	<b>51.9</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Note	31/8/14	31/8/13	31/5/14
<b>Equity, opening balance</b>		<b>1,604.4</b>	<b>1,640.1</b>	<b>1,640.1</b>
Earnings for the period		(109.4)	(52.8)	(29.0)
Other comprehensive income		3.3	(6.8)	(13.7)
Other comprehensive income, tax		(0.5)	0.7	1.0
Comprehensive income for the period		(106.6)	(58.9)	(41.7)
Capital increase	7	259,2	-	-
Costs relating to capital increase	7	(8,9)	-	-
Grant of share options		1.2	1.5	4.2
Reversal of dividend		-	-	0.6
Sale of own shares		2.6	-	1.2
<b>Equity, closing balance</b>		<b>1,752.0</b>	<b>1,582.6</b>	<b>1,604.4</b>

# 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 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 2013/14 contains a full description of applied accounting principles.

The accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2013/14 Annual Report.

## 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 deviate 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 as at 31 May 2014.

## 3 DEVELOPMENT COSTS

(DKK million)	1st quarter		FY
	2014/15	2013/14	2013/14
Incurring development costs before capitalization	104.2	101.2	390.3
Hereof capitalized	(53.9)	(63.0)	(259.1)
Incurring development costs after capitalization	50.3	38.2	131.2
<i>Capitalization (%)</i>	<i>51.7</i>	<i>62.3</i>	<i>66.4</i>
Total amortisation charges and impairment losses on development projects	59.3	59.1	238.3
<b>Development costs recognised in the consolidated income statement</b>	<b>109.6</b>	<b>97.3</b>	<b>369.5</b>

## NOTES

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

(DKK million)	1st quarter		FY
	2014/15	2013/14	2013/14
Change in other liabilities	0.7	(3.2)	(29.0)
Financial items, net	2.6	3.3	28.9
Result of investments in associated companies after tax	(0.2)	-	(3.2)
Gain/loss on sale of non-current assets	-	1.4	(11.7)
Tax on earnings for the period	(22.2)	(14.7)	5.8
Other adjustments	0.3	0.2	(4.8)
<b>Adjustment for non-cash items</b>	<b>(18.8)</b>	<b>(13.0)</b>	<b>(13.9)</b>

## 5 SEGMENT INFORMATION

(DKK million)	1st quarter		Change, %
	2014/15	2013/14	YTD
<b>Revenue by segment and business area</b>			
<b>Consumer business (B2C):</b>			
AV	331.2	279.4	19
B&O PLAY	99.7	117.6	(15)
Total consumer business (B2C)	430.8	397.0	9
<b>Business to business (B2B):</b>			
Automotive	115.9	150.6	(23)
ICEpower	23.9	22.2	8
Total business to business (B2B)	139.7	172.8	(19)
Elimination of internal revenue	(1.8)	(3.3)	-
Exchange rate adjustments	2.6	(0.1)	-
<b>Revenue, Group</b>	<b>571.4</b>	<b>566.4</b>	<b>1</b>
<b>Gross margin by business area, %</b>			
<b>Consumer business (B2C):</b>			
AV	37.8	49.4	
B&O PLAY	25.8	25.3	
<b>Business to business (B2B):</b>			
Automotive	36.7	31.9	
ICEpower	55.6	50.5	
<b>Gross margin %, Group</b>	<b>36.2</b>	<b>40.1</b>	

## NOTES

## 5 SEGMENT INFORMATION (CONTINUED)

(DKK million)	1st quarter		Change, %
	2014/15	2013/14	YTD
<b>Revenue by region</b>			
<b>Consumer business (B2C)</b>			
Bang & Olufsen distribution:			
Europe	263.4	221.5	19
North America	30.7	31.6	(3)
BRIC	57.2	66.1	(14)
Rest of World	36.4	46.0	(21)
Total Bang & Olufsen distribution	387.7	365.2	6
3rd party distribution and e-commerce:			
B&O PLAY	43.1	31.8	35
Total 3rd party distribution and e-commerce	43.1	31.8	35
Total consumer business (B2C)	430.8	397.0	9
<b>Business to business (B2B)</b>			
Automotive	115.9	150.6	(23)
ICEpower	23.9	22.2	8
Total business to business (B2B)	139.7	172.8	(19)
Elimination of internal revenue	(1.8)	(3.3)	-
Exchange rate adjustments	2.7	(0.1)	-
<b>Revenue, Group</b>	<b>571.4</b>	<b>566.4</b>	<b>1</b>

## NOTES

6 SHOPS BY REGION - BANG & OLUFSEN DISTRIBUTION  
(B1 AND SHOP-IN-SHOP)

Number (units)	31/8/14	31/5/14	28/2/14	30/11/13	31/8/13
<b>B1</b>					
Europe	340	347	353	370	382
North America	47	47	48	51	53
BRIC	65	68	77	75	75
Rest of World	86	87	86	86	87
	<b>538</b>	<b>549</b>	<b>564</b>	<b>582</b>	<b>597</b>

Number (units)	31/8/14	31/5/14	28/2/14	30/11/13	31/8/13
<b>SHOP-IN-SHOP</b>					
Europe	133	136	142	147	153
North America	4	5	5	5	4
BRIC*	30	33	49	43	28
Rest of World	1	1	1	1	1
	<b>168</b>	<b>175</b>	<b>197</b>	<b>196</b>	<b>186</b>

\* includes Sparkle Roll dedicated B&O PLAY stores



## NOTES

## 7 CAPITAL INCREASE

	Issued shares			
	Number		Nominal value (DKK mio)	
	2014/15	2013/14	2014/15	2013/14
1 June	39,270,435	39,270,435	392.7	392.7
Capital increase	3,927,043	-	39.3	-
<b>31 May</b>	<b>43,197,478</b>	<b>39,270,435</b>	<b>432.0</b>	<b>392.7</b>

Bang & Olufsen a/s carried out a capital increase through a private placement at market price through an accelerated book-building process in June 2014 (refer to company announcements 14.02, 14.03 and 14.05 of 19 June, 20 June and 25 June respectively). The capital increase represents 3,927,043 shares of a nominal value of DKK 10 each and was subscribed for at a price per share of DKK 66. Bang & Olufsen received net proceeds of DKK 250 million.

Transaction costs of DKK 8.9 million have been recognised directly in equity.

The share capital consists of 43,197,478 shares with a nominal value of 10 DKK each. Each share gives one vote. No shares have special rights. There are no limitations to transferability and no voting restrictions.

Specification of movements in the share capital:	2014/15	2013/14	2012/13	2011/12	2010/11
Share capital	392.7	392.7	362.4	362.4	362.4
Capital increase	39.3	-	30.3	-	-
<b>Share capital</b>	<b>432.0</b>	<b>392.7</b>	<b>392.7</b>	<b>362.4</b>	<b>362.4</b>

# APPENDIX 1

## Earnings by quarter 2014/15:

(DKK million)	2014/15			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>571.4</b>			
<b>Gross profit</b>	<b>206.8</b>			
<b>Earnings before interest and tax (EBIT)</b>	<b>(129.3)</b>			
Share of result after tax in associated companies	0.2			
Financial items, net	(2.6)			
<b>Earnings before tax (EBT)</b>	<b>(131.6)</b>			
Income tax for the period	22.2			
<b>Earnings for the period</b>	<b>(109.4)</b>			

## Accumulated earnings by quarter 2014/15:

(DKK million)	2014/15			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>571.4</b>			
<b>Gross profit</b>	<b>206.8</b>			
<b>Earnings before interest and tax (EBIT)</b>	<b>(129.3)</b>			
Share of result after tax in associated companies	0.2			
Financial items, net	(2.6)			
<b>Earnings before tax (EBT)</b>	<b>(131.6)</b>			
Income tax for the period	22.2			
<b>Earnings for the period</b>	<b>(109.4)</b>			

## APPENDIX 1

**Earnings by quarter 2013/14:**

(DKK million)	2013/14			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>566.4</b>	<b>822.0</b>	<b>674.5</b>	<b>800.9</b>
<b>Gross profit</b>	<b>227.0</b>	<b>351.4</b>	<b>287.9</b>	<b>358.2</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(64.2)</b>	<b>30.7</b>	<b>(27.5)</b>	<b>63.6</b>
Share of result after tax in associated companies	-	-	-	3.2
Financial items, net	(3.3)	(14.0)	(9.5)	(2.1)
<b>Earnings before tax (EBT)</b>	<b>(67.5)</b>	<b>16.7</b>	<b>(37.0)</b>	<b>64.7</b>
Income tax for the period	14.7	(8.8)	5.1	(16.8)
<b>Earnings for the period</b>	<b>(52.8)</b>	<b>7.9</b>	<b>(31.9)</b>	<b>47.9</b>

**Accumulated earnings by quarter 2013/14:**

(DKK million)	2013/14			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>566.4</b>	<b>1,388.4</b>	<b>2,062.9</b>	<b>2,863.9</b>
<b>Gross profit</b>	<b>227.0</b>	<b>578.3</b>	<b>866.2</b>	<b>1,224.3</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>(64.2)</b>	<b>(33.6)</b>	<b>(61.1)</b>	<b>2.5</b>
Share of result after tax in associated companies	-	-	-	3.2
Financial items, net	(3.3)	(17.2)	(26.8)	(28.9)
<b>Earnings before tax (EBT)</b>	<b>(67.5)</b>	<b>(50.8)</b>	<b>(87.9)</b>	<b>(23.2)</b>
Income tax for the period	14.7	5.8	11.0	(5.8)
<b>Earnings for the period</b>	<b>(52.8)</b>	<b>(45.0)</b>	<b>(76.9)</b>	<b>(29.0)</b>

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**Financial calendar**

Tuesday 20 January 2015	Interim report (2nd quarter 2014/15)
Thursday 9 April 2015	Interim report (3rd quarter 2014/15)
Thursday 13 August 2015	Annual Report 2014/15
Thursday 10 September 2015	Annual General Meeting 2014/15
Friday 2 October 2015	Interim report (1st quarter 2015/16)

**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](http://www.bang-olufsen.com).**