INTERIM REPORT 1ST QUARTER 2013/14

1 JUNE 2013 – 31 AUGUST 2013

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BANG & OLUFSEN

Q1 HIGHLIGHTS

"Although we are beginning to see the results of our strategic transformation efforts, overall revenue declined six per cent in the first quarter of the 2013/14 financial year. B&O PLAY and Automotive continued to show revenue growth in the quarter achieving 19 per cent and 13 per cent growth respectively and BRIC revenue increased by 28 per cent driven primarily by strong progress in China. These positive developments were outweighed by continued challenges in the AV business, especially in Europe", says CEO Tue Mantoni.

- The Group's revenue was DKK 566 million in the first quarter of the 2013/14 financial year compared to revenue of DKK 600 million in the same period last year, corresponding to a decline of six per cent, which was a lower rate of decline than in the previous quarters.

- The B2C business recorded revenue of DKK 397 million in the first quarter of the 2013/14 financial year compared to DKK 440 million in the same period last year. B&O PLAY grew by 19 per cent compared to the same period last year, but this was not enough to outweigh the decline of 18 per cent in AV.

- B2C revenue decreased compared to the same quarter last year in all markets except for BRIC which increased by 28 per cent. North America decreased by DKK 10 million to DKK 42 million and Rest of world decreased by DKK 10 million. Europe continued to decline and decreased by DKK 58 million compared to the same quarter last year.

- The B2B business recorded revenue of DKK 173 million in the first quarter of the 2013/14 financial year compared to revenue of DKK 160 million in the same period last year, which was driven by a 13 per cent growth in Automotive.

- The Group's gross margin in the first quarter was 40.1 per cent, compared to a gross margin of 40.8 per cent last year. The decline in the gross margin was mainly a result of the decline in revenue resulting in relatively higher semi-variable costs.

- Capacity costs were DKK 291 million in the first quarter, compared to DKK 306 million in the first quarter last year.

- Earnings before tax for the first quarter of the 2013/14 financial year were negative DKK 68 million against negative DKK 64 million in the same quarter last year.

- Free cash flow in the first quarter was negative DKK 70 million but improved by DKK 75 million compared to the same quarter last year. The Group's net working capital was reduced to DKK 545 million at the end of the first quarter of the 2013/14 financial year compared to DKK 703 milion at the end of the first quarter last year and DKK 557 at the end of the 2012/13 financial year.

- As previously communicated Bang & Olufsen acquired 20 shops from the previous master dealer Richcom in mid-China (including Beijing and Shanghai) on 1 June 2013.

- The work to create a healthier retail network, with fewer, more productive stores is progressing as planned.

- The 2013/14 financial year is the third year of the transition phase in the “Leaner, Faster, Stronger” strategy. The key focus for the year will be to continue to build a strong foundation that will prepare Bang & Olufsen for future growth, while ensuring a significant improvement in the financial results.

- At the end of September Bang & Olufsen announced the introduction of a new wireless speaker platform at CEDIA 2013 tradeshow in Denver, Colorado. The platform is the first ever to use wireless technology that is robust enough for high-end digital sound. The new wireless technology by Bang & Olufsen incorporates WiSA’s (Wireless Speaker and Audio Association) open standard to achieve the ultimate sound performance in multi-channel wireless set up, and is a major step in terms of innovation.

Any enquiries about this announcement can be addressed to:
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A webcast will be hosted on 2 October 2013 at 10.00 CET. Access to the webcast is obtained through our home page www.bang-olufsen.com.

KEY FIGURES

Bang & Olufsen a/s – Group

(DKK million)	1st quarter 2013/14	1st quarter 2012/13
Income statement:		
Revenue	566	600
Gross margin, %	40.1	40.8
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(38)	(30)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	25	18
Earnings before interest and tax (EBIT)	(64)	(61)
Financial items, net	(3)	(3)
Earnings before tax (EBT)	(68)	(64)
Earnings after tax	(53)	(47)
Financial position:		
Total assets	2,761	2,935
Share capital	393	362
Equity	1,583	1,581
Net interest-bearing debt	343	395
Net working capital	545	703
Cash flow:		
– from operating activities	29	(74)
– from investing activities	(99)	(71)
– free cash flow	(70)	(145)
– from financing activities	48	107
Cash flow for the period	(22)	(38)
Key figures:		
EBITDA-margin, %	4.4	3.0
EBIT-margin, %	(11.3)	(10.2)
NIBD/EBITDA ratio *)	2.3	1.1
Return on assets, %	(2.6)	(2.6)
Return on invested capital, excl. goodwill, %	(0.3)	(0.6)
Return on equity, %	(3.3)	(3.1)
Full time employees at the end of the period	2,019	2,083
Stock related key figures:		
Earnings per share (EPS), DKK	(1)	(1)
Earnings per share diluted (EPS-D), DKK	(1)	(1)
Price/Earnings	(39)	(55)

*) *Calculated based on rolling 12m EBITDA*

MANAGEMENT REPORT

Although the results of the strategic transformation efforts are beginning to be seen, overall revenue declined six per cent in the first quarter of the 2013/14 financial year. B&O PLAY and Automotive continued to show revenue growth in the quarter achieving 19 per cent and 13 per cent growth respectively and BRIC revenue increased by 28 per cent driven primarily by strong progress in China. These positive developments were outweighed by continued challenges in the AV business, especially in Europe.

Development in the first quarter

Revenue Q1 2013/14 (Q1 2012/13 in brackets)

B2C		B2B	
DKK 397m (DKK 440m)		DKK 173m (DKK 160m)	
AV	B&O PLAY	Automotive	ICEpower
DKK 279m (DKK 342m)	DKK 118m (DKK 99m)	DKK 151m (DKK 134m)	DKK 22m (DKK 27m)

Revenue
The Group's revenue for the first quarter of the 2013/14 financial year was DKK 566 million, compared to DKK 600 million last year, corresponding to a decline of 6 per cent, which was a lower rate of decline than in the previous quarters.

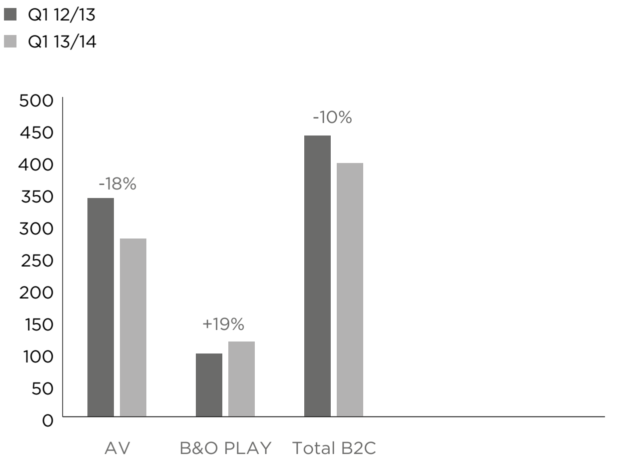
The B2C business, which consists of the AV and the B&O PLAY segments, recorded revenue of DKK 397 million in the first quarter of the 2013/14 financial year compared to revenue of DKK 440 million in the same period last year.

The AV segment recorded revenue of DKK 279 million in the first quarter of the 2013/14 financial year compared to DKK 342 million in the same period last year, corresponding to a decline of 18 per cent. The AV segment was therefore the main explanation for the decline in group revenue.

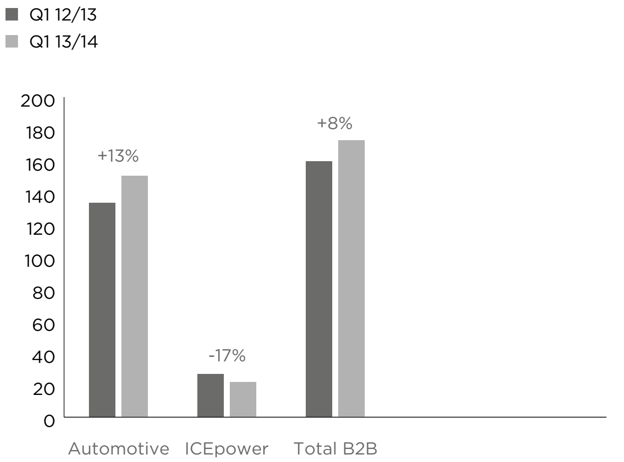
B&O PLAY recorded revenue of DKK 118 million in the first quarter of the 2013/14 financial year compared to DKK 99 million in the same period last year, corresponding to an increase of 19 per cent.

The increase in B&O PLAY was related to an increase in third party distribution and e-commerce, as the newly launched headphones BeoPlay H6 and BeoPlay H3 in particular have attracted many new third party dealers.

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



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



B2C revenue in Europe decreased by 21 per cent in the quarter compared to the same period last year. This was a result of a broad decline across all European markets due to generally adverse market conditions and expected short-term negative impact from the termination of low performing stores.

BRIC markets grew by 28 per cent. The growth in BRIC continues to be driven mainly by strong growth in Bang & Olufsen's own stores in Hong Kong and South China, newly opened B1 stores and dedicated B&O PLAY shop-in-shops in China. The 20 stores which were taken over from Richcom on 1 June 2013 only made a modest additional contribution to revenue in the first quarter of the 2013/14 financial year compared to the same quarter last year. The takeover of the stores has progressed as expected and the stores are expected to contribute to growth in the BRIC segment during the financial year as a whole.

Revenue in North America decreased to DKK 32 million, from the DKK 42 million in the same quarter last year. The lower revenue level was mainly due to timing of promotional activity compared to the same period last year.

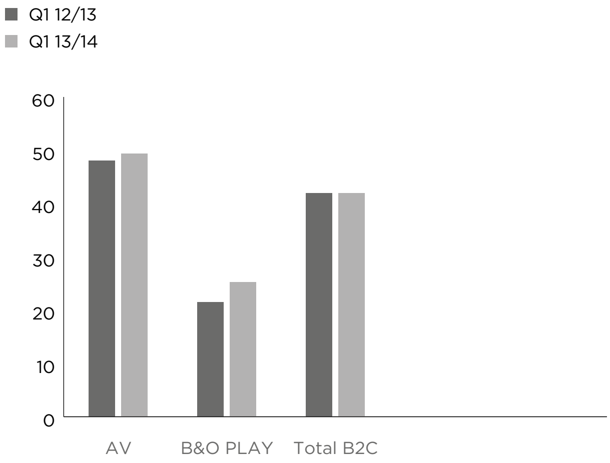
B2C revenue in the Rest of world decreased by 18 per cent.

The B2B business, which consists of the Automotive and ICEpower segments, recorded revenue of DKK 173 million in the first quarter of the 2013/14 financial year, or an increase of 8 per cent. The growth continues to be driven by Automotive.

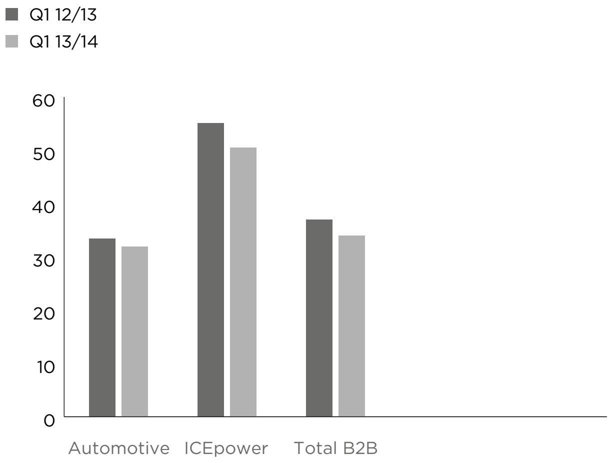
The Automotive segment recorded revenue of DKK 151 million in the first quarter of the 2013/14 financial year, compared to DKK 134 million in the same period last year, corresponding to an increase of 13 per cent. The growth in Automotive is driven by a combination of an increased number of car models as well as sales and marketing campaigns targeted at an increase in take-rates.

The ICEpower segment recorded revenue of DKK 22 million in the first quarter of the 2013/14 financial year compared to DKK 27 million in the same period last year, or a reduction of 17 per cent.

Gross margin by segment Q1 – B2C (%)



Gross margin by segment Q1 – B2B (%)



Gross margin

The Group gross margin decreased to 40.1 per cent in the first quarter from a gross margin of 40.8 per cent in the first quarter of the 2012/13 financial year. The decline in gross margin was mainly a result of the decline in revenue resulting in relatively higher semi-variable costs.

The gross margin in AV was 49.4 per cent in the first quarter of the financial year, compared to 48.1 per cent in the same quarter last year. The increase is mainly due to a higher share of own retail.

The gross margin for B&O PLAY in the first quarter of the 2013/14 financial year was 25.3 per cent against a gross margin of 21.5 per cent for the same period last year. The increase compared to last year is mainly due to a change in product mix. The gross margin in the quarter was negatively affected by BeoPlay A3 end of life sale.

The gross margin within the Automotive segment in the first quarter of the 2013/14 financial year was 31.9 per cent against a gross margin of 33.4 per cent for the same period last year. The decline in gross margin mainly relates to a change in product mix.

The gross margin within the ICEpower segment was 50.5 per cent in the first quarter of the 2013/14 financial year against a gross margin of 55.1 per cent for the same period last year.

Capacity costs

During the first quarter of the 2013/14 financial year, the capacity costs decreased to DKK 291 million from DKK 306 million in the same period last year. The decrease mainly relates to a decline in development costs.

Distribution and marketing costs were DKK 172 million in the first quarter of the 2013/14 financial year compared to DKK 175 million in the same period last year. This corresponds to a decrease of 2 per cent. It is expected that increased marketing activities and the increased number of own stores will result in a higher level of distribution and marketing costs in the coming quarters.

Administration costs totalled DKK 22 million in the first quarter of the 2013/14 financial year compared to DKK 19 million in the first quarter of the 2012/13 financial year.

The Group incurred development costs of DKK 101 million for the first quarter of the 2013/14 financial year (of which DKK 63 million were capitalised) against DKK 109 million for the same period last year (of which DKK 48 million were capitalised). The activity level in product development remains high.

Expensed development costs (incl. amortisation and impairment losses) were DKK 97 million for the first quarter of the 2013/14 financial year, compared to DKK 112 million for the same period last year. Total amortisation charges and impairment losses on development projects were DKK 59 million compared to DKK 51 million last year. The increase in amortisation charges mainly relates to amortisation on completed Automotive projects. The net effect of capitalisation was positive DKK 4 million compared to a negative effect of DKK 3 million last year.

In the first quarter of the 2013/14 financial year the capitalised development costs were DKK 63 million, of which DKK 17 million relate to Automotive projects.

During the first quarter reimbursements of DKK 3 million were received from Automotive partners which was in line with the same period last year. The reimbursements received have been offset directly in intangible assets.

Earnings before tax for the first quarter of the 2013/14 financial year were negative DKK 68 million against negative DKK 64 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 was reduced to DKK 545 million compared to DKK 557 million at the end of the 2012/13 financial year, and DKK 703 million at the end of the first quarter 2012/13.

Free cash flow in the first quarter was negative at DKK 70 million compared to negative DKK 145 million in the same period last year.

Capitalised development costs and carrying amount
(DKK million) – Q1

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

Capitalised development costs and carrying amount
(DKK million) – Q1

2012/13	**B2C**	**B2B**	**Total**
Capitalised, net	26	22	48
Carrying amount, net	428	204	632

The net interest bearing debt was DKK 343 million compared to DKK 273 million at the end of the 2012/13 financial year, and DKK 395 million at the end of the first quarter 2012/13. The increase compared to the end of the last financial year in the net interest bearing debt was primarily caused by the negative net earnings.

The Group's equity has decreased from DKK 1,641 million to DKK 1,583 million which is due to the negative earnings after tax.

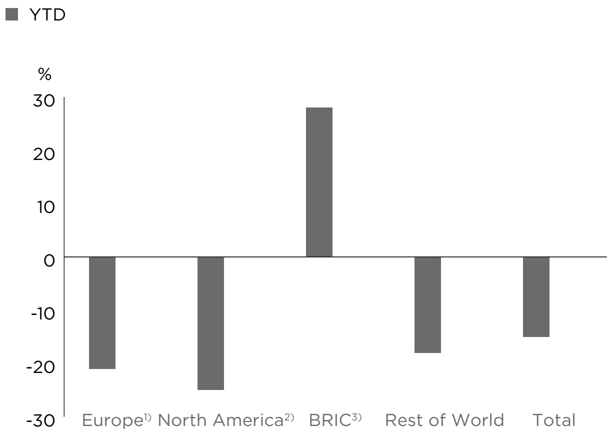
The Group equity ratio was 57 per cent at the end of the first quarter of the 2013/14 financial year against 60 per cent at the end of the 2012/13 financial year.

Distribution development in the first quarter

Revenue development by region
In the first quarter of the 2013/14 financial year revenue in Europe decreased by DKK 58 million – corresponding to 21 per cent – to DKK 222 million. The decline was seen across most European markets. The revenue in Europe was negatively affected by challenging market conditions affecting consumer demand and the decision to terminate low performing stores.

North America recorded revenue of DKK 32 million compared to DKK 42 million in revenue in the same quarter last year which was mainly due to timing of promotional activity compared to the same period last year.

Revenue growth by region



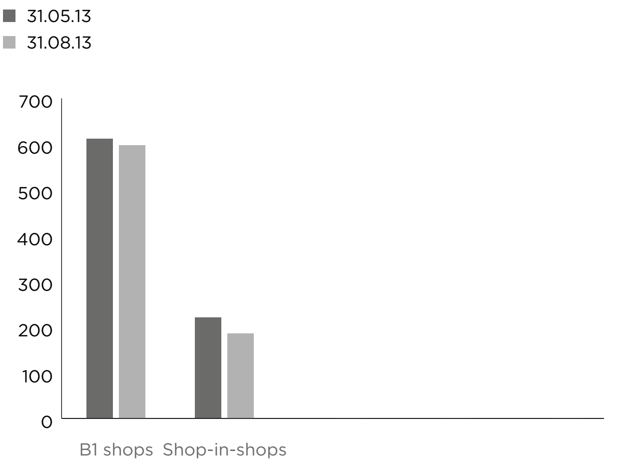
BRIC markets grew by 28 per cent. The growth in BRIC continue to be mainly driven by strong growth in Bang & Olufsen's own stores in Hong Kong and South China, newly opened B1 stores and dedicated B&O PLAY shop-in-shops in China. The 20 stores which were taken over from Richcom on 1 June 2013 only had a modest additional contribution to revenue in the first quarter of the 2013/14 financial year compared to the same quarter last year. The takeover of the stores has progressed as expected and the stores are expected to contribute to growth in the BRIC segment during the financial year as a whole.

Revenue in Rest of world decreased from DKK 56 million for the same period last year to DKK 46 million.

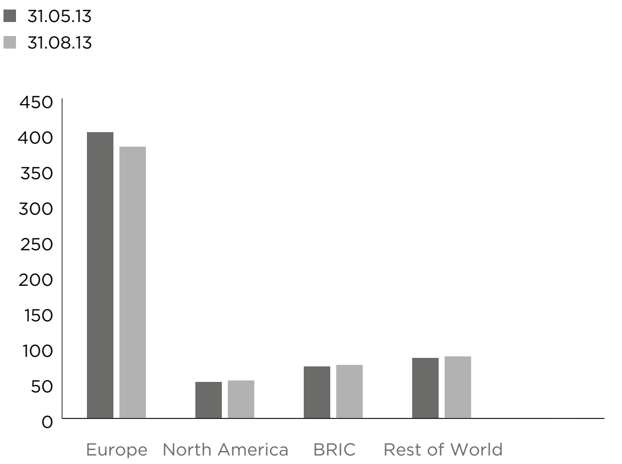
Revenue through third party channels was DKK 32 million compared to DKK 11 million for the same period last year. The first quarter was positively impacted by the launch of the headphones BeoPlay H6 and BeoPlay H3, which has led to a significant increase in the number of new third party outlets.

[1)] Europe covers Denmark, Norway, Sweden, United Kingdom, Netherlands, Belgium, Germany, Switzerland, Austria, Spain, Italy and France.
[2)] North America covers USA, Canada and Mexico.
[3)] BRIC covers Brazil, Russia, India, China, Taiwan, Hong Kong and Korea.

Number of B1 shops and shop-in-shops



B1 shops by region



Development in the number of shops

In order to create a healthier retail network, with fewer, more productive stores, Bang & Olufsen announced in January 2013, that initiatives would be taken to close up to 125 stores primarily in Europe. 93 of these stores have been terminated as of 31 August. 74 stores have already been closed and the rest will close within the six month termination period. The remaining stores will be terminated during the 2013/14 financial year.

Focusing the distribution on fewer, more productive stores will enable Bang & Olufsen and the retail network to invest in service, events, marketing, store design and other customer focused activities, which will further strengthen the customer experience and ensure a stronger long-term growth for Bang & Olufsen and the network.

By the end of the first quarter, there were 597 B1 stores across the world against 611 at the end of the 2012/13 financial year. Thus, the net movement for the first quarter was a net reduction of 14 stores, with 14 openings and 28 closures.

By the end of August 2013, there were 382 B1 stores in Europe against 402 at the end of the financial year 2012/13. The net movement in Europe for the first quarter therefore amounts to a reduction of 20 stores, with three openings and 23 closures.

In North America, there were 53 B1 stores against 51 at the end of the financial year 2012/13. The movement in North America for the first quarter was two openings.

In the BRIC markets there were 75 B1 stores against 73 at the end of the financial year 2012/13. The movement in BRIC for the first quarter was six openings and four closures.

In Rest of world there were 87 B1 stores against 85 at the end of the financial year 2012/13. The movement for the first quarter amounts to three openings and one closure.

At the end of the first quarter of the 2013/14 financial year, Sparkle Roll had opened 27 dedicated B&O PLAY stores across China, i.e an increase of 11 from the 16 stores opened at the end of the financial year 2012/13.

By the end of August 2013 the total number of shop-in-shops, including the B&O PLAY stores operated by

Sparkle Roll, was 186 against 221 at the end of the financial year 2012/13.

The share of revenue for B1 shops was 88 per cent compared to 87 per cent in first quarter of the 2012/13 financial year.

For the first quarter of the 2013/14 financial year the revenue to active Bang & Olufsen shops with more than 24 months of operations decreased by 15 per cent for B1 shops and 16 per cent for shop-in-shops.

Product launches

In the first quarter of the 2013/14 financial year, Bang & Olufsen launched BeoVision 12-65 New Generation. BeoPlay A9 Nordic Sky was launched under the B&O PLAY brand.

BeoVision 12 New Generation
BeoVision 12-65 New Generation was launched in August. The 65-inch plasma solution is controlled by the new BeoSystem 4 video engine offering exceptional connectivity and complete control from a Bang & Olufsen remote or tablet. The TV set incorporates a full 7.1 surround sound module, a number of dedicated sound modes and the new innovative TrueImage™ technology which handles the up- or downmixing of the signal to ensure optimal use of the surround sound set-up.

BeoPlay A9 Nordic Sky
BeoPlay A9 Nordic Sky Edition was launched in August. The Nordic Sky edition is a new set of covers and legs for the wireless sound system BeoPlay A9 inspired by the light and the intensity of the long Scandinavian summer nights.

Automotive
In June Bang & Olufsen launched the Bang & Olufsen BeoSound Vanquish system as standard fitment in the new Aston Martin Vanquish Volante. The system features thirteen active speakers and more than 1,000 watts of power.

The Group's expectations to the 2013/14 financial year are unchanged

The 2013/14 financial year is the third year of the transition phase in the "Leaner, Faster, Stronger" strategy. The key focus for the year will be to continue to build a strong foundation that will prepare Bang & Olufsen for future growth, while ensuring a significant improvement in the financial results.

Continued challenging market conditions in Europe is likely to have a negative impact on consumer confidence and continue to create headwind for the overall AV market in the 2013/14 financial year, and hence have an adverse effect on the general demand for products across all of Bang & Olufsen's segments.

The most important focus areas in the 2013/14 financial year are the rejuvenation and strengthening of the Bang & Olufsen product portfolio and the transformation of the retail network, while continuing to grow Automotive and B&O PLAY, albeit at a reduced rate. It is expected that this will lead to revenue moderately above the level of the 2012/13 financial year.

A continued focus on operational and sourcing efficiencies and an increased share of sales of high margin products are expected to increase the gross margin to a level slightly above the level in the 2012/13 financial year.

Capacity costs excluding the increased costs of own retail are expected to be reduced. The costs related to own retail will increase compared to the 2012/13 financial year in particular due to the takeover of the retail operations in China.

The EBIT margin is expected to show significant improvement compared to the 2012/13 financial year to a level around break-even. However, the EBIT margin is highly sensitive to the development in the revenue.

Subsequent events

At the end of September Bang & Olufsen announced the introduction of a new wireless speaker platform at CEDIA 2013 tradeshow in Denver, Colorado. The platform is the first ever to use wireless technology that is robust enough for high-end digital sound. The new wireless technology by Bang & Olufsen incorporates WiSA's (Wireless Speaker and Audio Association) open standard to achieve the ultimate sound performance in multi-channel wireless set up, and is a major step in terms of innovation.

MANAGEMENT'S STATEMENT

We have today considered and approved the interim report for the period 1 June 2013 – 31 August 2013 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 financial position as at 31 August 2013 and the results of the Group's operations and cash flows for the period 1 June 2013 – 31 August 2013.

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, 2 October 2013

Executive Management:

Tue Mantoni
President & CEO

Henning Bejer Beck
Executive Vice President & CFO

Board of Directors:

Ole Andersen
Chairman

Jim Hagemann Snabe
Deputy Chairman

Jesper Jarlbæk

André Loesekrug-Pietri

Rolf Eriksen

Majken Schultz

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

CONSOLIDATED INCOME STATEMENT

		1st quarter		**FY**
(DKK million)	Note	2013/14	2012/13	2012/13
Revenue		**566.4**	**600.4**	**2,813.9**
Production costs		(339.4)	(355.4)	(1,718.0)
Gross profit		**227.0**	**245.0**	**1,095.9**
Gross margin, %		40.1	40.8	38.9
Development costs	3	(97.3)	(111.8)	(442.4)
Distribution and marketing costs		(171.9)	(175.2)	(754.0)
Administration costs		(22.0)	(19.3)	(85.9)
Earnings before interest and tax (EBIT)		**(64.2)**	**(61.3)**	**(186.4)**
Share of result after tax in associated companies		-	-	1.3
Financial income		1.5	2.6	8.6
Financial expenses		(4.8)	(5.5)	(33.2)
Financial items, net		(3.3)	(2.9)	(24.7)
Earnings before tax (EBT)		**(67.5)**	**(64.2)**	**(209.7)**
Income tax for the period		14.7	17.0	51.3
Earnings for the period		**(52.8)**	**(47.2)**	**(158.4)**
Earnings attributable to:				
Shareholders in the parent company		(52.8)	(47.2)	(158.4)
Earnings per share				
Earnings per share (EPS) and earnings per share from continuing operations, DKK		(1.3)	(1.3)	(4.3)
Diluted earnings per share (EPS-D) and diluted earnings per share from continuing operations, DKK		(1.3)	(1.3)	(4.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st quarter		**FY**
(DKK million)	2013/14	2012/13	2012/13
Earnings for the period	**(52.8)**	**(47.2)**	**(158.4)**
Items that may be reclassified subsequently to the income statement:			
Exchange rate adjustment of investments in foreign subsidiaries	(3.9)	5.6	(3.0)
Change in fair value of derivative financial instruments used as cash flow hedges	(3.3)	(5.4)	(4.7)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:			
Transfer to revenue	0.6	(4.6)	(5.8)
Transfer to production costs	(0.2)	4.4	6.2
Income tax on items that may be reclassified to the income statement	0.7	1.4	1.1
Items that will not be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit plans	-	-	(2.7)
Income tax on items that will not be reclassified to the income statement	-	-	0.7
Other comprehensive income, net of tax	**(6.1)**	**1.4**	**(8.3)**
Total comprehensive income for the period	**(58.9)**	**(45.8)**	**(166.7)**
Total comprehensive income attributable to:			
Shareholders in the parent company	(58.9)	(45.8)	(166.7)

CONSOLIDATED BALANCE SHEET

(DKK million)	31/8/13	31/8/12	31/5/13
Goodwill	56.7	47.8	51.9
Acquired rights	17.8	27.1	20.7
Completed development projects	469.0	383.2	484.7
Development projects in progress	195.3	249.0	178.2
Intangible assets	**738.8**	**707.1**	**735.4**
Land and buildings	192.3	209.6	198.2
Plant and machinery	138.7	145.6	155.6
Other equipment	31.3	29.5	24.4
Leasehold improvements	37.9	22.2	30.2
Tangible assets in course of construction and prepayments of tangible assets	68.6	91.8	67.5
Tangible assets	**468.8**	**498.7**	**475.9**
Investment property	**39.6**	**41.0**	**40.0**
Investments in associates	7.0	5.6	7.0
Other financial receivables	56.3	47.7	43.3
Financial assets	**63.3**	**53.3**	**50.3**
Deferred tax assets	**188.3**	**156.7**	**183.3**
Total non-current assets	**1,498.8**	**1,456.8**	**1,484.9**
Inventories	**634.7**	**856.5**	**572.1**
Trade receivables	381.4	386.1	443.9
Receivables from associates	1.8	4.5	1.8
Corporation tax receivable	27.2	15.1	23.8
Other receivables	53.8	42.4	41.7
Prepayments	35.3	44.0	43.2
Receivables	**499.5**	**492.1**	**554.4**
Cash	**128.4**	**129.2**	**145.9**
Total current assets	**1,262.6**	**1,477.8**	**1,272.4**
Total assets	**2,761.4**	**2,934.6**	**2,757.3**

CONSOLIDATED BALANCE SHEET

(DKK million)	31/8/13	31/8/12	31/5/13
Share capital	392.7	362.4	392.7
Translation reserve	18.2	30.7	22.1
Reserve for cash flow hedges	0.9	2.1	4.0
Retained earnings	1,170.8	1,185.7	1,221.2
Total equity	**1,582.6**	**1,580.9**	**1,640.0**
Pensions	13.1	10.7	13.2
Deferred tax	12.2	22.8	13.8
Provisions	61.0	92.9	57.9
Mortgage loans	204.3	211.2	206.1
Other non-current liabilities	3.2	0.7	3.1
Total non-current liabilities	**293.8**	**338.3**	**294.1**
Mortgage loans	6.9	6.9	6.8
Loans from banks	200.0	260.0	150.0
Overdraft facilities	60.2	46.4	56.2
Provisions	33.1	49.8	39.4
Trade payables	309.9	332.2	295.3
Corporation tax payable	23.4	21.6	25.5
Other liabilities	202.2	277.2	226.9
Deferred income	49.3	21.3	23.1
Total current liabilities	**885.0**	**1,015.4**	**823.2**
Total liabilities	**1,178.8**	**1,353.7**	**1,117.3**
Total equity and liabilities	**2,761.4**	**2,934.6**	**2,757.3**

CONSOLIDATED CASH FLOW STATEMENT

		1st quarter		**FY**
(DKK million)	Note	2013/14	2012/13	2012/13
Earnings for the period		(52.8)	(47.2)	(158.4)
Amortisation, depreciation and impairment losses		89.3	79.2	331.9
Adjustments for non-cash items	4	(13.0)	(12.4)	(68.0)
Change in receivables		58.3	136.7	80.5
Change in inventories		(62.5)	(191.5)	92.8
Change in trade payables etc.		16.0	(35.3)	(117.9)
Cash flows from operations		35.3	(70.5)	160.9
Interest received and paid, net		(3.3)	(2.9)	(24.7)
Income tax paid		(2.8)	(1.0)	(9.7)
Cash flows from operating activities		**29.2**	**(74.4)**	**126.5**
Purchase of intangible non-current assets		(69.7)	(48.1)	(263.2)
Purchase of tangible non-current assets		(29.0)	(21.8)	(83.8)
Sale of tangible non-current assets		10.1	0.1	4.8
Received reimbursements, intangible non-current assets		2.5	0.5	10.9
Change in financial receivables		(12.9)	(1.1)	3.3
Cash flows from investing activities		**(99.0)**	**(70.4)**	**(328.1)**
Free cash flow		**(69.8)**	**(144.8)**	**(201.5)**
Repayment of long-term loans		(1.7)	(1.4)	(6.6)
Proceeds from short-term borrowings		50.0	110.0	-
Capital increase		-	-	178.7
Purchase of own shares		-	(1.3)	(1.3)
Sale of own shares		-	-	0.5
Cash flow from financing activities		**48.3**	**107.3**	**171.2**
Change in cash and cash equivalents		**(21.5)**	**(37.5)**	**(30.3)**
Cash and cash equivalents, opening balance		89.7	121.3	121.3
Exchange rate adjustment, cash and cash equivalents		-	(1.0)	(1.4)
Cash and cash equivalents, closing balance		**68.2**	**82.8**	**89.7**
Cash and cash equivalents:				
Cash		128.4	129.2	145.9
Current overdraft facilities		(60.2)	(46.4)	(56.2)
Cash and cash equivalents, closing balance		**68.2**	**82.8**	**89.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	31/8/13	31/8/12	31/5/13
Equity, opening balance	**1,640.0**	**1,626.0**	**1,626.0**
Earnings for the period	(52.8)	(47.2)	(158.4)
Other comprehensive income, net of tax	(6.1)	1.4	(8.3)
Comprehensive income for the period	(58.9)	(45.8)	(166.7)
Capital increase	-	-	178.7
Grant of share options	1.5	2.0	2.8
Purchase of own shares	-	(1.3)	(1.3)
Sale of own shares	-	-	0.5
Equity, closing balance	**1,582.6**	**1,580.9**	**1,640.0**

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 2012/13 contains a full description of applied accounting principles.

Bang & Olufsen a/s has from 1 June 2013 implemented Amendments to IAS 1 'Presentation of items of other comprehensive income' and 'IAS 19 Employee benefits (amended 2011)'. Only the changes to IAS 19 regarding pension obligations have an effect on recognition and measurement. The implementation of 'IAS 19 Employee benefits (amended 2011)' means that Bang & Olufsen no longer is using the corridor method for actuarial gains and losses. All changes to the expected pension obligations and to the plan assets will be recognised in other comprehensive income. Previously the corridor method allowed delayed recognition of certain actuarial gains and losses. The comparative numbers for financial year 2012/13 have been restated, and accumulated actuarial gains and losses as at 31 May 2011 have been recognised directly in equity per 1 June 2012. The effect on the opening equity was DKK 0.6 mio, the effect on result after tax and on total comprehensive income for the financial year 2012/13 was positive DKK 1.4 million and negative DKK 2.0 million respectively.

Other accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2012/13 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 recognised 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 2013.

3 DEVELOPMENT COSTS

	1st quarter		FY
(DKK million)	2013/14	2012/13	2012/13
Incurred development costs before capitalisation	101.2	109.0	475.8
Hereof capitalised	(63.0)	(48.1)	(250.8)
Incurred development costs after capitalisation	38.2	60.9	225.0
Capitalisation (%)	*62.3*	*44.1*	*52.7*
Total amortisation charges and impairment losses on development projects	59.1	50.9	217.4
Development costs recognised in the consolidated income statement	**97.3**	**111.8**	**442.4**

NOTES

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

	1st quarter		FY
(DKK million)	2013/14	2012/13	2012/13
Change in other liabilities	(3.2)	2.4	(39.0)
Financial items, net	3.3	2.9	24.7
Share of result after tax in associated companies	-	-	(2.6)
Gain/loss on sale of non-current assets	1.4	(0.2)	(1.2)
Tax on earnings for the period	(14.7)	(17.0)	(51.8)
Various adjustments	0.2	(0.5)	1.9
Adjustment for non-cash items	**(13.0)**	**(12.4)**	**(68.0)**

5 SEGMENT INFORMATION

	1st quarter		Change, %
(DKK million)	2013/14	2012/13	YTD
Revenue by segment and business area			
Consumer business (B2C):			
AV	279.4	341.6	(18)
B&O PLAY	117.6	98.6	19
Total consumer business (B2C)	397.0	440.2	(10)
Business to business (B2B):			
Automotive	150.6	133.7	13
ICEpower	22.2	26.7	(17)
Total business to business (B2B)	172.8	160.4	8
Elimination of internal revenue	(3.3)	(3.9)	-
Exchange rate adjustments	(0.1)	3.7	-
Revenue, Group	**566.4**	**600.4**	**(6)**
Gross margin by business area, %			
Consumer business (B2C):			
AV	49.4	48.1	
B&O PLAY	25.3	21.5	
Business to business (B2B):			
Automotive	31.9	33.4	
ICEpower	50.5	55.1	
Gross margin %, Group	**40.1**	**40.8**	

NOTES

5 SEGMENT INFORMATION (CONTINUED)

	1st quarter		**Change, %**
(DKK million)	2013/14	2012/13	YTD
Revenue by region			
Consumer business (B2C)			
Bang & Olufsen distribution:			
Europe	221.5	279.3	(21)
North America	31.6	42.0	(25)
BRIC	66.1	51.5	28
Rest of world	46.0	56.3	(18)
Total Bang & Olufsen distribution	365.2	429.1	(15)
3rd party distribution and e-commerce:			
B&O PLAY	31.8	11.1	186
Total 3rd party distribution and e-commerce	31.8	11.1	186
Total consumer business (B2C)	**397.0**	**440.2**	**(10)**
Business to business (B2B)			
Automotive	150.6	133.7	13
ICEpower	22.2	26.7	(17)
Total business to business (B2B)	**172.8**	**160.4**	**8**
Elimination of internal revenue	(3.3)	(3.9)	-
Exchange rate adjustments	(0.1)	3.7	-
Revenue, Group	**566.4**	**600.4**	**(6)**

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

	Number (units)		Share of revenue (%)	
	31/8/13	31/5/13	YTD 2013/14	YTD 2012/13
Europe[1]	535	601	60.7%	65.1%
North America[2]	57	55	8.6%	9.8%
BRIC[3] (incl Sparkle Roll dedicated B&O PLAY stores)	103	90	18.1%	12.0%
Rest of world[4]	88	86	12.6%	13.1%
	783	**832**	**100.0%**	**100.0%**

[1] *Shop-in-shop; 153 (31.05.2013; 199)*

[2] *Shop-in-shop; 4 (31.05.2013; 4)*

[3] *Shop-in-shop; 28 (31.05.2013; 17)*

[4] *Shop-in-shop; 1 (31.05.2013; 1)*

NOTES

7 BUSINESS COMBINATION

As of 1 June 2013 Bang & Olufsen has taken over 20 shops from the previous master dealer Richcom in China (including Beijing and Shanghai). This is expected to lead the way for further expansion and stronger control of distribution in the BRIC region.

	2013/14
(DKK million)	Richcom
The assumed fair value of acquired assets and liabilities is as follows:	
Other equipment	2.7
Total non-current assets	**2.7**
Inventories	20.3
Total current assets	**20.3**
Acquired net assets	**23.0**
The purchase price is as follows:	
Cash	35.9
Total purchase price	**35.9**
Goodwill	**12.9**
Expected cash flow for acquisition:	
Cash payment	35.9
Less cash and cash equivalents in acquired business	0.0
Expected cash outflow for acquisition	**35.9**

At the time of acquisition a purchase price has been paid which exceeds the fair value of the acquired identifiable assets. This positive difference (goodwill) can primarily be justified by expected synergy effects between the acquired activities and the Group's existing activities and future growth prospects. These synergies are not recognised separately from goodwill as they are not separately identifiable.

All transactions have not been completed yet and the balances above are preliminary.

APPENDIX 1

Earnings by quarter 2013/14:

	2013/14			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**566.4**			
Gross profit	**227.0**			
Earnings before interest and tax (EBIT)	**(64.2)**			
Share of result after tax in associated companies	-			
Financial items, net	(3.3)			
Earnings before tax (EBT)	**(67.5)**			
Income tax for the period	14.7			
Earnings for the period	**(52.8)**			

Accumulated earnings by quarter 2013/14:

	2013/14			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**566.4**			
Gross profit	**227.0**			
Earnings before interest and tax (EBIT)	**(64.2)**			
Share of result after tax in associated companies	-			
Financial items, net	(3.3)			
Earnings before tax (EBT)	**(67.5)**			
Income tax for the period	14.7			
Earnings for the period	**(52.8)**			

APPENDIX 1

Earnings by quarter 2012/13:

	2012/13			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**600.4**	**819.0**	**654.6**	**739.9**
Gross profit	**245.0**	**357.8**	**228.3**	**264.8**
Earnings before interest and tax (EBIT)	**(61.3)**	**26.2**	**(114.3)**	**(38.8)**
Share of result after tax in associated companies	-	0.6	0.6	0.1
Financial items, net	(2.9)	(3.9)	(11.6)	(6.2)
Earnings before tax (EBT)	**(64.2)**	**22.9**	**(125.3)**	**(45.0)**
Income tax for the period	17.0	(7.5)	34.6	7.7
Earnings for the period	**(47.2)**	**15.4**	**(90.7)**	**(37.3)**

Accumulated earnings by quarter 2012/13:

	2012/13			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**600.4**	**1,419.4**	**2,074.0**	**2,813.9**
Gross profit	**245.0**	**602.8**	**831.1**	**1,095.9**
Earnings before interest and tax (EBIT)	**(61.3)**	**(35.1)**	**(149.4)**	**(188.2)**
Share of result after tax in associated companies	-	0.6	1.2	1.3
Financial items, net	(2.9)	(6.8)	(18.4)	(24.7)
Earnings before tax (EBT)	**(64.2)**	**(41.3)**	**(166.6)**	**(211.6)**
Income tax for the period	17.0	9.5	44.1	51.8
Earnings for the period	**(47.2)**	**(31.8)**	**(122.5)**	**(159.8)**

ADDITIONAL INFORMATION

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Financial calendar

Wednesday 2 October 2013	Interim report (1st quarter 2013/14)
Thursday 16 January 2014	Interim report (2nd quarter 2013/14)
Friday 11 April 2014	Interim report (3rd quarter 2013/14)
Wednesday 13 August 2014	Annual Report 2013/14
Wednesday 10 September 2014	Annual General Meeting 2013/14
Thursday 2 October 2014	Interim report (1st quarter 2014/15)

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.

Applicable version

The interim report has been translated from Danish. In case of doubt the Danish version shall apply at all times.

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.