

INTERIM REPORT
4TH QUARTER 2016/17
1 JUNE 2016 –
31 MAY 2017



Q4 HIGHLIGHTS

Group revenue increased 13 per cent in the fourth quarter of 2016/17, resulting in a satisfactory growth for the full year of 12 per cent.

As part of the long-term strategy to create a more profitable and agile asset-light business, the fourth quarter included significant investments into product development and costs related to continued adaptation of the company's operating model.

Key financial highlights Q4

(DKK million)	Q4 2016/17	Q4 2015/16	Change %	YTD 2016/17	YTD 2015/16	Change %
Revenue	785	696	13	2,954	2,633	12
Bang & Olufsen	471	425	11	1,718	1,663	3
B&O PLAY	314	271	16	1,236	970	27
Gross Margin, %	33.2	37.8	(4.6)	38.1	36.1	2.0
Bang & Olufsen, %	33.0	40.6	(7.6)	39.9	38.8	1.1
B&O PLAY, %	33.7	33.4	0.3	35.7	31.6	4.1
Gross Margin, underlying business %	38.6	39.8	(1.2)	39.7	37.7	2.0
Bang & Olufsen, %	41.9	43.5	(1.7)	42.4	40.9	1.5
B&O PLAY, %	33.7	33.8	(0.1)	35.7	32.2	3.5
Capacity Costs	387	335	15.6	1,295	1,159	11.7
Capacity Costs, underlying business	301	271	11.0	1,208	1,066	13.4
EBITDAC	(41)	(40)		25	(106)	
EBITDAC, underlying business	15	24		81	14	
EBIT	(95)	(72)		(129)	(202)	
EBIT, underlying business	2	6		(32)	(69)	
Free cash flow	111	(18)		307	(187)	

Underlying business has been adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business.

Fourth quarter 2016/17

- The Group realised a revenue growth of 13 per cent in line with expectations. The B&O PLAY business unit revenue increased by 16 per cent compared to the same quarter last year, despite the high level in Q4 2015/16. The Bang & Olufsen business unit revenue increased by 11 per cent, driven by the launch of new products and new brand partnering deals.
- During the quarter, the company continued to take initiatives to adapt its operating model. Therefore, the fourth quarter was impacted by extraordinary costs and non-cash adjustments in the company's balance sheet for the year end 2016/17 (cf. company announcement no. 16.27). In total, the Group gross margin was impacted by DKK 42 million and the capacity costs were impacted by DKK 86 million.
- The underlying Group gross margin decreased to 38.6 per cent from 39.8 per cent last year, primarily due to the product mix and negative impact from exchange rates.
- Capacity costs in the underlying business increased by 11 per cent compared to last year. This was due to higher development costs related to upcoming product launches.
- EBITDAC in the underlying business was DKK 15 million against DKK 24 million last year. The decline was mainly due to the above-mentioned costs related to new product launches and increased distribution and marketing costs in B&O PLAY.
- Free cash flow was positive DKK 111 million against negative DKK 18 million last year. Cash flow was positively impacted by DKK 123 million from the sale of the Czech subsidiary.

Full year 2016/17

- The Group's total revenue for 2016/17 was DKK 2,954 million, corresponding to an increase of 12 per cent (14 per cent in local currency), driven by 27 per cent growth in B&O PLAY (28 per cent in local currency) and 3 per cent growth in the Bang & Olufsen business unit (5 per cent in local currency). EBITDAC of the underlying business was DKK 81 million, which was an improvement of DKK 67 million compared to last year. Free cash flow was DKK 307 million against negative DKK 187 million last year, resulting in an improvement of DKK 494 million.
- On 31 May 2017, Bang & Olufsen completed the divestiture of its Czech subsidiary and announced non-cash adjustments to the balance sheet in the fourth quarter of 2016/17 (cf. company announcement no. 16.27). As a consequence of the transaction, all of Bang & Olufsen's 322 Czech employees were transferred to Tympany.
- 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. For further details regarding to the outlook for 2017/18 and the updated 3 year financial targets, please see page 10 and the 2016/17 Annual Report.

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A webcast will be hosted on 12 July 2017 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)	4th quarter		YTD	
	2016/17	2015/16	2016/17	2015/16
Income statement:				
Revenue	785	696	2,954	2,633
Gross margin, %	33.2	37.8	38.1	36.1
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(41)	(40)	25	(106)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	29	(1)	199	46
Earnings before interest and tax (EBIT)	(95)	(72)	(129)	(202)
Financial items, net	(23)	(13)	(37)	(39)
Earnings before tax (EBT)	(119)	(86)	(166)	(242)
Earnings after tax, continued operations	(76)	(75)	(117)	(198)
Earnings after tax, discontinued operations	-	(35)	-	(10)
Earnings after tax	(76)	(110)	(117)	(208)
Financial position:				
Total Assets	2,847	2,832	2,847	2,832
Share capital	432	432	432	432
Equity	1,586	1,725	1,586	1,725
Net interest-bearing deposit / (debt)	900	599	900	599
Net working capital	27	319	27	319
Cash flow				
- from operating activities	101	(0)	352	(5)
- from investment activities	10	(18)	(45)	(182)
Free cash flow	111	(18)	307	(187)
- from financing activities	(3)	(4)	(17)	(223)
Cash flow for the period	108	(22)	291	(409)
Key figures				
EBITDA-margin, %	3.7	(0.2)	6.7	1.8
EBIT-margin, %	(12.1)	(10.3)	(4.4)	(8.4)
Return on assets, %	(5.1)	(3.6)	(6.9)	(10.2)
Return on invested capital, excl. Goodwill, %	(0.5)	(3.5)	20.1	(4.1)
Return on equity, %	(4.6)	(6.0)	(7.0)	(11.4)
Full time employees at the end of the period	1,169	1,734	1,169	1,734
Stock related key figures				
Earnings per share (EPS), DKK	(1.8)	(2.5)	(2.7)	(4.8)
Earnings per share from continuing operations (EPS), DKK	(1.8)	(1.7)	(2.7)	(4.6)
Earnings per share, diluted (EPS-D), DKK	(1.8)	(2.5)	(2.7)	(4.8)
Earnings per share from continuing operations, diluted (EPS-D), DKK	(1.8)	(1.7)	(2.7)	(4.6)
Price/Earnings	(59)	(25)	(38)	(13)

MANAGEMENT REPORT

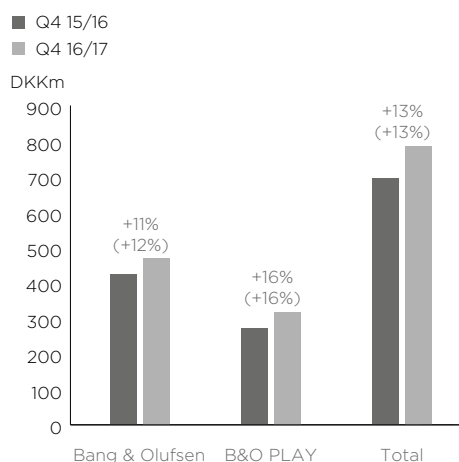
The Group revenue grew by 13 per cent in the fourth quarter of 2016/17. The growth in the B&O PLAY business unit was 16 per cent while the Bang & Olufsen business unit grew 11 per cent. The fourth quarter result was impacted by initiatives to adapt the company's operating model as well as investments into development of new products.

Revenue development by business unit

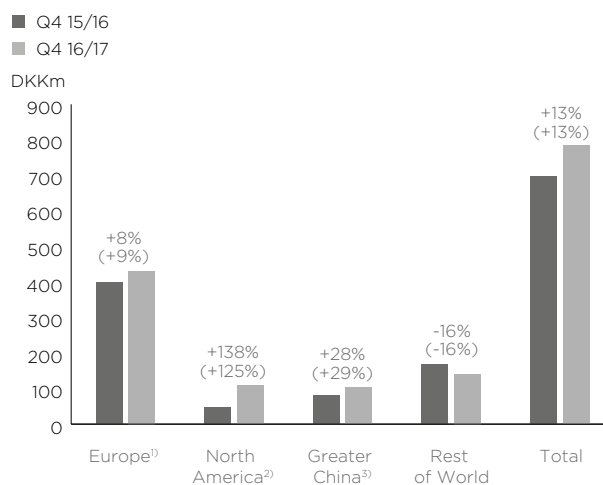
The Group's revenue increased from DKK 696 million last year to DKK 785 million, corresponding to a growth of 13 per cent (13 per cent in local currency). For the full year, revenue grew 12 per cent (14 per cent in local currency) which was in line with guidance.

The Bang & Olufsen business unit realised a revenue of DKK 471 million, compared to DKK 425 million last year, which was an increase of 11 per cent (12 per cent in local currency). The increase was primarily due to new products launched in 2016/17 including BeoSound 1 and 2, and increased income from brand partnerships.

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.

B&O PLAY recorded a revenue of DKK 314 million against DKK 271 million last year, corresponding to an increase of 16 per cent (16 per cent in local currency). The growth in B&O PLAY was driven by a combination of strong customer demand for existing and new products, especially Beoplay P2 and Beoplay H5.

B&O PLAY revenue through third-party retail and e-commerce increased by 19 per cent from DKK 182 million last year to DKK 217 million. The revenue through third-party retailers was primarily driven by new product launches and further development of the third-party retail stores. B&O PLAY revenue through the B1 and shop-in-shop channel increased by 10 per cent compared to last year.

Revenue development by region

Revenue in Europe was DKK 431 million, corresponding to an 8 per cent growth compared to last year (9 per cent in local currency). The growth was primarily driven by B&O PLAY sales.

Revenue in North America was DKK 109 million against DKK 46 million last year, corresponding to an increase of 138 per cent (125 per cent in local currency). The revenue growth was driven by a combination of growth in B&O PLAY sales, higher revenue from custom installers, and increased income from brand partnerships.

In the Greater China region, revenue was DKK 104 million against DKK 82 million last year, corresponding to an increase of 28 per cent (29 per cent in local currency). The growth was driven by B&O PLAY sales.

Revenue in the region Rest of World was DKK 141 million against DKK 168 million last year, corresponding to a decrease of 16 per cent (negative 16 per cent in local currency). The decline was due to a tough comparison last year, which was positively impacted by a substantial single order.

During the fourth quarter, the focus on improving the overall quality and profitability of the retail network continued. The number of B1 stores declined by 21 stores compared to the number of B1 stores at the end of the last quarter, and by 39 stores compared to last year. This was the result of 26 closings – of which 8 were converted to shop-in-shops – and 5 openings during the quarter. The number of shop-in-shops increased by 4 stores compared to the previous quarter.

The number of third-party retail stores increased from 5,692 in May 2016 to 6,424 stores in May 2017, and the company continues to expand the distribution through third-party retailers as well as showing strong growth in the revenue per store. Then number of stores declined with 234 in the fourth quarter due to the discontinuation of selected stores with low revenue.

Distribution development (number of stores) from Q3 to Q4

	B1		Shop-in-shop		Third party retail	
	31/5/2017	28/2/2017	31/5/2017	28/2/2017	31/5/2017	28/2/2017
Europe	297	301	136	137	3,278	3,301
North America	22	23	2	2	790	925
Greater China	36	33	30	31	1,146	1,145
Rest of World	91	110	12	6	1,210	1,287
Total	446	467	180	176	6,424	6,658

Non-recurring and aperiodic income and costs

The fourth quarter included costs related to the continued adaptation of the company's operating model and was therefore impacted by several non-recurring and aperiodic items.

The impact on gross profit totaled DKK 42 million and were related to write-down of inventories including service stock and retail inventory. This was due to changes in the end-to-end operating model, affecting the company's inventories and service model.

The company's capacity costs were adversely impacted by DKK 86 million, which were mainly related to:

- Restructuring of the Bang & Olufsen business unit in May 2017 corresponding to DKK 30 million
- In addition, the Group will continue the journey towards fewer company owned and operated stores in all regions. The optimised distribution has resulted in additional costs, impairments of goodwill, and write-down of tangible assets corresponding to a total of DKK 56 million

The DKK 86 million impacted development costs by DKK 23 million, distribution and marketing costs by DKK 53 million and administration costs by DKK 10 million.

In addition, the company had an accounting gain of DKK 31 million related to the sales of the shares in Bang & Olufsen's Czech subsidiary.

Gross margin

(All gross margins are underlying business)

The Group gross margin was 38.6 per cent against 39.8 per cent last year.

The gross margin in the Bang & Olufsen business unit was 41.9 per cent against 43.5 per cent last year. A positive impact from increased income in brand partner-

ships in the business unit was offset by exchange rate developments, negative impact from product mix, higher revenue from audio products including BeoSound 1 and 2 and lower revenue from the speaker category.

The gross margin for B&O PLAY was 33.7 per cent against 33.8 per cent last year. The gross margin was positively impacted by higher volumes and positive scalability impacts on the supply chain, while exchange rates, especially GBP, USD and CNY fluctuations continued to have a negative impact on the gross margin in B&O PLAY as well as in the Bang & Olufsen business unit.

Exchange rates, especially GBP and CNY fluctuations, continued to have a negative impact on the gross margins in both business units.

Capacity costs

(All capacity costs are underlying business)

The capacity costs were DKK 301 million compared to DKK 271 million last year.

Distribution and marketing costs were DKK 170 million compared to DKK 177 million last year. This was a result of reclassification of cost to administration costs, continued investment in marketing and distribution in B&O PLAY, and lower costs in Bang & Olufsen.

Administration costs totalled DKK 24 million compared to DKK 19 million in the same quarter last year. The increase is primarily due to reclassification of costs from distribution and marketing to administration.

Development costs were DKK 107 million against DKK 94 million last year. The increase was mainly due to higher depreciations of the current TV product portfolio. Incurred development costs were DKK 132 million (of which DKK 70 million were capitalised) against DKK 92 million last year (of which DKK 39 million were capitalised). The development was mainly due to a higher

level of activities related to new product development. Total amortisation charges and impairment losses on development projects were DKK 68 million against DKK 40 million last year. The net effect on earnings before interest and tax of capitalisations and amortisations was positive DKK 2 million compared to a negative effect of DKK 1 million last year.

Capitalised development costs and carrying amount

(DKK million)

Q4 - 2016/17

Capitalised, net	70
Carrying amount, net	335

Q4 - 2015/16

Capitalised, net	39
Carrying amount, net	383

The accounting gain from the sale of all of the shares in Bang & Olufsen's Czech subsidiary was included in other operating income.

Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) in the underlying business was impacted by the investments in the development of new products and the continued investments in distribution and marketing in B&O PLAY, and were DKK 15 million against DKK 24 million last year. The decrease was primarily driven by higher capacity costs.

The company's net financial items were negative DKK 23 million against negative DKK 14 million last year. The change was mainly related to a negative impact from changes in exchange rates.

Earnings before tax (EBT) in the underlying business were DKK negative DKK 21 million compared to DKK negative DKK 8 million in the same quarter last year. EBT was negative DKK 119 million against negative DKK 86 million last year.

Development in balance sheet items and cash flow

The Group's net working capital was DKK 27 million against DKK 318 million last year. The net working capital was reduced by DKK 112 million due to the sale of the Czech subsidiary and reduced by DKK 98 million due to the development in trade payables compared to last year. In addition, net working capital was impacted by the write-down of service and retail stock.

Free cash flow was positive DKK 111 million. Adjusted for the impact from the sale of the Czech subsidiary, free cash flow was negative DKK 12 million against negative DKK 18 million last year.

The net interest bearing deposit was DKK 900 million against DKK 599 million last year, which was an increase of DKK 301 million due to positive free cash flow in 2016/17.

The Group's equity decreased to DKK 1,586 million from DKK 1,725 million last year, and DKK 1,690 million at the end of the previous quarter. The Group equity ratio was at 56 per cent against 61 per cent last year.

Other events during the fourth quarter

On 31 May 2017, Bang & Olufsen completed the divestiture of the Czech subsidiary to Tymphany, and announced non-cash adjustments to the balance sheet. Bang & Olufsen expects to receive DKK 123 million in cash payments for the transaction resulting in an accounting gain of DKK 31 million. As part of the strategic partnership, Tymphany will produce Bang & Olufsen products in the Czech factory.

Product launches in Q4 2016/17

In the fourth quarter of 2016/17, Bang & Olufsen launched the following products and services:

Beolit 17

March Beolit 17 speaks the same design language as Beolit 12 and Beolit 15. It is the most powerful Beolit speaker to date due to a redesign of the speaker grill, which eliminates the cable compartment. This makes room for an enhanced sound performance delivering 240 watts of peak power. Beolit 17 comes with a new intelligent one-touch connect button that can be customised via the Beoplay App.



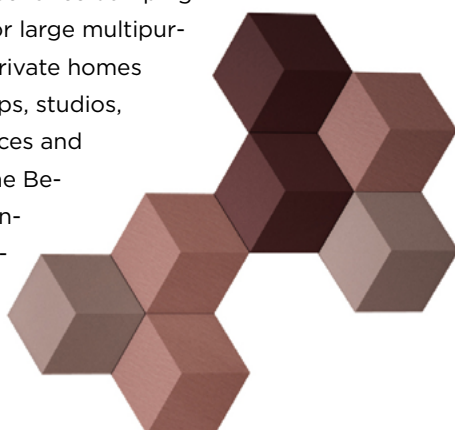
Beoplay P2

April Beoplay P2 is the smallest and most intelligent member of the B&O PLAY range of wireless Bluetooth speakers, and it is designed for a spontaneous and spirited approach to life. It has no switches or buttons – just double tap or shake Beoplay P2 to play, pause, or skip track. Beoplay P2 comes in premium materials such as pearl-blasted aluminium and real leather, with customisable and intuitive control features via the Beoplay App.



BeoSound Shape

April Bang & Olufsen unveils BeoSound Shape; a wall-mounted, modular speaker system based on hexagonal tiles that can be placed creatively on the wall in every imaginable size and pattern. The system also offers unique resonance damping features, ideal for large multipurpose rooms in private homes as well as in shops, studios, showrooms, offices and hotel lobbies. The BeoSound Core connectivity hub enables wireless streaming of high quality music from mobile devices via streaming technologies such as AirPlay, Chromecast, or Bluetooth and includes multiroom functionality.



OUTLOOK FOR 2017/18

In 2017/18, the Group expects to maintain the current 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 busi-

ness is expected to be 8-10 per cent of revenue. 2017/18 will continue to be impacted by the changed operating model in the Bang & Olufsen business unit, which will entail a continued high-level of depreciations and amortisations, while the level of capitalisations will decline.

The EBIT margin for the underlying business is expected to be 1-3 per cent for 2017/18.

Free cash flow

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

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

Safe Harbour statement

The report contains statements relating to the expectations for future developments, including future revenues and operating results, as well as expected business-related events. Such statements are uncertain and carry an element of risk since many factors, of which some are beyond Bang & Olufsen's control, can mean that actual developments will deviate significantly from the expectations expressed in the report. Without being exhaustive, such factors include among others general economic and commercial factors, including market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit and liquidity risk.

MANAGEMENT'S STATEMENT

We have today considered and approved the interim report for the period 1 June 2016 – 31 May 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 31 May 2017 and the results of the Group's operations and cash flows for the period 1 June 2016 – 31 May 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, 12 July 2017

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

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Jim Hagemann Snabe
Deputy Chairman

Albert Bensoussan

Brian Bjørn Hansen

Geoff Martin

Ivan Tong Kai Lap

Jesper Jarlbæk

Jesper Olesen

Juha Christensen

Mads Nipper

Majken Schultz

CONSOLIDATED INCOME STATEMENT

(DKK million)	Notes	4th quarter		YTD	
		2016/17	2015/16	2016/17	2015/16
Revenue		785.3	696.1	2,954.0	2,633.4
Production costs		(524.4)	(433.1)	(1,827.9)	(1,681.5)
Gross profit		260.9	263.1	1,126.1	951.9
Development costs	3	(129.7)	(93.9)	(408.9)	(314.8)
Distribution and marketing costs		(223.1)	(197.2)	(778.2)	(740.3)
Administration costs		(34.3)	(43.6)	(107.7)	(104.3)
Other operating income		30.9	-	39.7	42.0
Other operating expenses		-	-	-	(36.8)
Operating profit (EBIT)		(95.3)	(71.6)	(129.0)	(202.2)
Share of result after tax in associated companies		-	(0.4)	-	(0.4)
Financial income		-	-	2.4	1.6
Financial expenses		(23.2)	(13.5)	(39.4)	(40.5)
Financial items, net		(23.2)	(13.5)	(37.0)	(38.9)
Earnings before tax (EBT)		(118.5)	(85.5)	(166.0)	(241.6)
Income tax		42.8	10.2	49.4	43.8
Earnings for the year - continued operations		(75.8)	(75.4)	(116.5)	(197.8)
Earnings for the year - discontinued operations	6	-	(34.5)	-	(9.9)
Earnings for the year		(75.8)	(109.8)	(116.5)	(207.7)
Earnings per share					
Earnings per share (EPS) DKK		(1.8)	(2.5)	(2.7)	(4.8)
Diluted earnings per share (ESP-D) DKK		(1.8)	(2.5)	(2.7)	(4.8)
Earnings per share (EPS) from continuing operations, DKK		(1.8)	(1.7)	(2.7)	(4.6)
Diluted earnings per share (ESP-D) from continuing operations, DKK		(1.8)	(1.7)	(2.7)	(4.6)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	Notes	4th quarter		YTD	
		2016/17	2015/16	2016/17	2015/16
Earnings for the year		(75.8)	(109.8)	(116.5)	(207.7)
<i>Items that will be reclassified subsequent to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries		(9.8)	0.6	(2.3)	(3.5)
Change in fair value of derivative financial instruments used as cash flow hedges		(21.3)	(2.3)	(28.9)	1.9
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue		0.3	2.5	2.9	6.3
Transfer to production costs		1.4	(1.4)	6.3	(0.5)
Income tax on items that will be reclassified to the income statement:		4.4	(0.7)	4.4	(1.7)
<i>Items that will not be reclassified subsequent to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans		0.7	0.8	0.7	0.8
Income tax on items that will not be reclassified to the income statement:		(0.2)	(0.2)	(0.2)	(0.2)
Other comprehensive income for the year, net of tax		(24.5)	(0.7)	(17.1)	3.1
Total comprehensive income for the year		(100.3)	(110.5)	(133.6)	(204.6)

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	31/5/17	31/5/16
Goodwill		47.0	66.4
Acquired rights		4.2	6.1
Completed development projects		196.9	231.2
Development projects in progress		137.9	151.6
Intangible assets		386.0	455.2
Land and buildings		75.2	97.8
Plant and machinery		48.6	63.5
Other equipment		5.2	18.9
Leasehold improvements		4.6	21.8
Tangible assets in course of construction and prepayments for tangible assets		45.0	7.7
Tangible assets		178.6	209.7
Investment property		16.0	16.5
Other financial receivables		41.2	30.6
Financial assets		41.2	30.6
Deferred tax assets		279.2	209.0
Total non-current assets		901.0	921.0
Inventories		347.3	498.0
Trade receivables		410.3	430.5
Other financial receivables		11.3	93.1
Corporation tax receivable		13.0	32.0
Other receivables		71.7	48.9
Prepayments		13.7	17.0
Total receivables		520.0	621.4
Cash		1,079.2	788.5
Assets held for sale	6	-	2.9
Total current assets		1,946.5	1,910.8
Total assets		2,847.4	2,831.8

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	31/5/17	31/5/16
Share capital		432.0	432.0
Translation reserve		18.7	21.1
Reserve for cash flow hedges		(12.8)	2.5
Retained earnings		1,148.2	1,269.3
Total equity		1,586.2	1,724.9
Pensions		14.5	14.8
Deferred tax		10.7	11.5
Provisions		28.0	43.4
Mortgage loans		170.2	181.1
Other non-current liabilities		1.6	1.1
Deferred income		123.7	136.7
Total non-current liabilities		348.7	388.6
Mortgage loans		9.1	8.5
Provisions		79.4	24.8
Trade payables		463.2	365.4
Corporation tax payable		8.2	9.3
Other liabilities		327.7	270.5
Deferred income		25.0	39.8
Other current liabilities		912.5	718.3
Total liabilities		1,261.2	1,106.9
Total equity and liabilities		2,847.4	2,831.8

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	4th quarter		YTD	
		2016/17	2015/16	2016/17	2015/16
Earnings for the year - continuing operations		(75.8)	(75.3)	(116.5)	(197.8)
Earnings for the year - discontinued operations		-	(34.5)	-	(9.9)
Amortisation, depreciation and impairment losses		124.3	70.4	327.9	248.4
Adjustments for non-cash items	4	(60.5)	11.4	(48.4)	(9.1)
Change in receivables		(13.9)	(46.2)	(5.9)	64.9
Change in inventories		116.8	61.7	59.6	30.2
Change in trade payables, etc		18.5	14.9	154.4	(127.6)
Cash flow from operations		109.4	2.5	371.1	(0.8)
Interest received and paid, net		(4.5)	(3.4)	(9.3)	(9.3)
Income tax paid		(3.8)	0.5	(9.5)	5.1
Cash flow from operating activities		101.1	(0.4)	352.3	(5.1)
Purchase of intangible non-current assets		(74.4)	(42.3)	(177.5)	(165.8)
Purchase of tangible non-current assets		(18.3)	(6.2)	(64.3)	(46.0)
Sales of tangible non-current assets		-	1.7	2.6	1.7
Proceeds from sale of associated companies		-	5.5	-	5.5
Proceeds from sale of businesses		122.9	23.0	122.9	23.0
Change in financial receivables		(20.1)	0.6	71.3	-
Cash flow from investing activities		10.1	(17.7)	(45.0)	(181.6)
Free cash flow		111.1	(18.1)	307.2	(186.7)
Repayment of long-term loans		(2.3)	(2.1)	(10.4)	(219.8)
Settlement of share options		(0.8)	(1.6)	(6.1)	(3.0)
Cash flow from financing activities		(3.1)	(3.7)	(16.5)	(222.8)
Change in cash and cash equivalents		108.0	(21.7)	290.7	(409.5)
Cash and cash equivalents, opening balance		971.2	810.2	788.5	1,198.0
Cash and cash equivalents, closing balance		1,079.2	788.5	1,079.2	788.5
Cash and cash equivalents:					
Cash		1079.2	788.5	1,079.2	788.5
Cash and cash equivalents, closing balance		1,079.2	788.5	1,079.2	788.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	31/5/17	31/5/16
Equity, opening balance	1,724.9	1,921.4
Earnings for the period	(116.5)	(207.7)
Other comprehensive income, net of tax	(17.1)	3.1
Comprehensive income for the period	(137.8)	(204.6)
Grant of share options	1.1	11.1
Settlement of share options	(6.1)	(3.0)
Equity, closing balance	1,586.2	1,724.9

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)	4th quarter		YTD	
	2016/17	2015/16	2016/17	2015/16
Incurring development costs before capitalisation	131.8	92.5	360.9	302.1
Hereof capitalised	(69.6)	(38.6)	(173.7)	(152.0)
Incurring development costs after capitalisation	62.2	53.9	187.2	150.1
<i>Capitalisation (%)</i>	<i>52.8</i>	<i>41.7</i>	<i>48.1</i>	<i>50.3</i>
Total charges and impairment losses on development projects	67.6	40.0	221.6	164.7
Development costs recognised in the consolidated income statement	129.7	93.9	408.9	314.8

(DKK million)	4th quarter		YTD	
	2016/17	2015/16	2016/17	2015/16
EBITDA	29.0	(1.0)	198.9	46.2
Capitalised development costs	(69.6)	(38.6)	(173.7)	(152.0)
EBITDAC	(40.6)	(39.6)	25.2	(105.8)

NOTES

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

(DKK million)	4th quarter		YTD	
	2016/17	2015/16	2016/17	2015/16
Change in other liabilities	31.6	(8.2)	26.4	(18.7)
Financial items, net	23.2	13.5	37.0	38.9
Result of investments in associates after tax	-	0.4	-	0.4
Gain/loss on sale of non-current assets	-	(1.9)	(2.5)	(4.1)
Gain/loss on sale of business	(30.9)	39.0	(30.9)	39.0
Tax on earnings for the year	(42.7)	(8.6)	(49.4)	(36.4)
Other adjustments	(41.6)	(22.8)	(28.9)	(28.3)
Total adjustments	(60.5)	11.4	(48.4)	(9.1)

5 SEGMENT INFORMATION

(DKK million)	4th quarter		Reported change %	Local currency change %
	2016/17	2015/16		
Revenue by segment and business area				
Bang & Olufsen	471.1	425.4	11	12
B&O PLAY	314.2	270.7	16	16
Total	785.3	696.1	13	13
Gross margin by business area, %				
Bang & Olufsen	33.0%	38.8%		
B&O PLAY	33.7%	32.9%		
Gross margin %, Group	33.2%	37.0%		

Revenue by region

Europe	431.4	400.1	8	9
North America	109.4	46.2	138	125
Greater China	103.9	81.8	28	29
Rest of World	140.6	168.0	-16	-16
Total	785.3	696.1	13	13

Revenue by channel

B1 and shop-in-shop distribution	568.5	514.2	11	
3rd party distribution and e-commerce	216.8	181.9	19	
Total	785.3	696.1	13	

NOTES

5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2016/17	2015/16		
Revenue by segment and business area				
Bang & Olufsen	1,717.5	1,663.2	3	5
B&O PLAY	1,236.5	970.2	27	28
Total	2,954.0	2,633.4	12	14
Gross margin by business area, %				
Bang & Olufsen	39.9%	38.2%		
B&O PLAY	35.7%	30.9%		
Gross margin %, Group	38.1%	35.6%		
Revenue by region				
Europe	1,680.5	1,668.7	1	3
North America	366.7	214.1	71	68
Greater China	412.0	293.5	40	47
Rest of World	494.8	457.1	8	8
Total	2,954.0	2,633.4	12	14
Revenue by channel				
B1 and shop-in-shop distribution	2,142.2	2,055.6	4	
3rd party distribution and e-commerce	811.8	577.8	40	
Total	2,954.0	2,633.4	12	

NOTES

6 DISCONTINUED OPERATIONS

(DKK million)	4th quarter		YTD	
	2016/17	2015/16	2016/17	2015/16
Revenue	-	17.2	-	94.0
Expenses	-	(11.1)	-	(57.5)
Earnings before tax	-	6.1	-	36.5
Tax	-	(1.6)	-	(7.4)
Earnings for the year discontinued operations	-	4.5	-	29.1
Gains/losses on sale of assets and businesses	-	(39.0)	-	(39.0)
Gains/losses on sale of assets and businesses after tax	-	(39.0)	-	(39.0)
Earnings per share of discontinued operations	-	(0.7)	-	(0.2)
Diluted earnings per share of discontinued operations	-	(0.7)	-	(0.2)
Cash flow from operating activities	-	12.3	-	52.6
Cash flow used for investing activities	-	21.2	-	13.4
Net cash flow from discontinued operations	-	33.5	-	66.0

(DKK million)	2016/17	2015/16
Balance sheet items comprise:		
Plant & machinery	-	2.9
Assets held for sale	-	2.9

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)
Share of result after tax in associated companies	-	-	-	-
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)	(8.7)	(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)

APPENDIX 1

Earnings by quarter 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Revenue	506.0	728.6	702.6	696.1
Production costs	(353.5)	(452.4)	(442.5)	(433.1)
Gross profit	152.5	276.2	260.1	263.1
Development costs	(71.5)	(73.9)	(75.5)	(93.9)
Distribution and marketing costs	(166.4)	(216.1)	(160.6)	(197.2)
Administration costs	(20.3)	(19.0)	(21.4)	(43.6)
Other operating income, net	0.9	2.0	2.3	-
Earnings before interest and tax (EBIT)	(104.7)	(30.9)	5.0	(71.6)
Share of result after tax in associated companies	-	-	-	(0.4)
Financial income	0.3	9.1	-	-
Financial expenses	(13.8)	(1.7)	(19.3)	(13.5)
Financial items, net	(13.5)	7.4	(19.3)	(13.5)
Earnings before tax (EBT)	(118.3)	(23.3)	(14.4)	(85.5)
Income tax	26.1	3.9	3.6	10.2
Earnings for the year - continued operations	(92.2)	(19.5)	(10.7)	(75.4)
Earnings for the year - discontinued operations	6.1	9.0	9.5	(34.5)
Earnings for the year	(86.1)	(10.5)	(1.2)	(109.8)

Accumulated earnings by quarter 2015/16:

(DKK million)	2015/16			
	3M	6M	9M	12M
Revenue	506.0	1,234.6	1,937.2	2,633.4
Production costs	(353.5)	(805.9)	(1,248.4)	(1,681.5)
Gross profit	152.5	428.7	688.8	951.9
Development costs	(71.5)	(145.4)	(220.9)	(314.8)
Distribution and marketing costs	(166.4)	(382.5)	(543.1)	(740.3)
Administration costs	(20.3)	(39.3)	(60.7)	(104.3)
Other operating income, net	0.9	2.9	5.2	5.2
Earnings before interest and tax (EBIT)	(104.7)	(135.6)	(130.6)	(202.2)
Share of result after tax in associated companies	-	-	-	(0.4)
Financial income	0.3	4.3	3.7	1.6
Financial expenses	(13.8)	(10.4)	(29.1)	(40.5)
Financial items, net	(13.5)	(6.1)	(25.4)	(38.9)
Earnings before tax (EBT)	(118.3)	(141.6)	(156.0)	(241.6)
Income tax	26.1	30.0	33.6	43.8
Earnings for the year - continued operations	(92.2)	(111.7)	(122.4)	(197.8)
Earnings for the year - discontinued operations	6.1	15.1	24.6	(9.9)
Earnings for the year	(86.1)	(96.6)	(97.8)	(207.7)

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Financial calendar

Financial statements

4 October 2017	Interim report (1 st quarter 2017/18)
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11 January 2018	Interim report (2 nd quarter 2017/18)
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6 April 2018	Interim report (3 rd quarter 2017/18)
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12 July 2018	Annual report 2017/18
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4 October 2018	Interim report (1 st quarter 2018/19)
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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.