

INTERIM REPORT
1ST HALF-YEAR 2015/16
1 JUNE 2015 –
30 NOVEMBER 2015



Q2 HIGHLIGHTS

“The second quarter revenue increased by 26 per cent, driven by a very strong momentum in B&O PLAY, where new and existing products and the ongoing expansion of the retail network drove revenue growth.

The revenue in Bang & Olufsen declined slightly, but margins were improved significantly. We are excited about the demand for our new products and will continue to launch innovative products across Bang & Olufsen and B&O PLAY to improve our profitability through revenue growth, margin improvements and cost management”, says CEO Tue Mantoni.

Key financial highlights Q2

(DKK million)	Q2 2015/16	Q2 2014/15	Change %	YTD 2015/16	YTD 2014/15	Change %
Revenue	729	579	26	1,235	1,012	22
Bang & Olufsen	403	438	(8)	746	771	(3)
B&O PLAY	326	141	132	489	241	103
Gross Margin, %	37.9	26.9	11.0	34.7	28.1	6.6
Bang & Olufsen, %	42.2	25.5	16.7	37.8	27.8	10.0
B&O PLAY, %	32.6	31.1	1.5	30.0	29.0	1.0
Capacity Costs	(309)	(311)		(567)	(611)	
EBIT	(31)	(155)		(136)	(327)	
EBIT excl. costs previously allocated to the Automotive business	(14)	(118)		(96)	(257)	
Free cash flow	63	(40)		(105)	(281)	

- The revenue growth of 26 per cent (21 per cent in local currency) was driven by a continued momentum in the B&O PLAY segment, which grew 132 per cent compared to the same quarter last year. The growth was driven by strong high-season customer demand for existing and new products through all sales channels and a continued expansion of the number of third party retailers.
- The revenue in the Bang & Olufsen segment declined by 8 per cent (14 per cent in local currency) in the second quarter, compared to the same quarter last year. The decline was mainly in the European market.
- The Group's gross margin improved significantly compared to the same quarter last year. The im-

provement was mainly driven by improvements in the Bang & Olufsen segment. The improvement compared to last year was driven by a change in product mix, positive effects from the ongoing cost optimisation, as well as the fact, that the second quarter last year was adversely impacted by costs related to the ramp-up issues in the TV production. The Bang & Olufsen gross margin was adversely impacted by approximately DKK 7 million of costs previously allocated to Automotive, which the company is planning to eliminate over time.

- Capacity costs were moderately lower than last year, as costs for distribution and marketing during the high-season remained high, while the costs for R&D showed a moderate decline. The capacity costs for the second quarter included costs for shared functions previously allocated to Automotive of DKK 10 million.
- Earnings before interest and tax (adjusted for costs previously allocated to Automotive) were negative DKK 14 million, compared to negative DKK 118 million last year, corresponding to an improvement of DKK 104 million. The improvement was mainly driven by the increase in revenue and an improvement in the gross margin.
- Free cash flow for the second quarter was positive DKK 63 million compared to negative DKK 40 million in the same quarter last year. Net working capital decreased to DKK 270 million, compared to DKK 338 million at the end of the first quarter of 2015/16, mainly due to an increase in trade payables. The increase in trade payables was mainly related to higher activity, especially within the B&O PLAY segment.
- The Group's total revenue for the first half of the 2015/16 financial year was DKK 1,235 million against DKK 1,012 million last year, corresponding to an increase of 22 per cent. Earnings before interest and tax for the first half of the 2015/16 financial year were negative DKK 136 million against negative DKK 327 million last year, corresponding to an improvement of DKK 191 million. Free cash flow in the first half of the 2015/16 financial year were negative DKK 105 million compared to negative DKK 281 million last year.
- Full year guidance for the Group is maintained. Revenue is expected to grow by 8 to 12 per cent compared to 2014/15. EBIT before costs previously allocated to Automotive is expected to be around break-even. Costs previously allocated to Automotive are expected to be in the range of DKK 70 to 80 million. The Group expects to fully eliminate the costs for shared functions previously allocated to Automotive during the 2016/17 financial year.
- As previously announced (Company Announcement no. 14.26) Bang & Olufsen has decided to investigate the future ownership alternatives for ICEpower. ICEpower therefore continues to be classified as discontinued operations.
- On 26 November 2015 Bang & Olufsen announced (Company announcement no. 15.07) that the company has received certain initial approaches in respect of a potential launch of a takeover offer, and based hereon the company has initiated a dialogue to investigate and analyse the firmness of these approaches. The ongoing dialogue may or may not lead to an offer for the whole or part of the issued share capital of Bang & Olufsen. As such, there is no certainty about the outcome of the discussions, or whether a takeover offer will be announced at all. Bang & Olufsen will make further announcements if and when it is deemed necessary or appropriate.

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A webcast will be hosted on 17 December 2015, at 14:00 CET. Access to the webcast is obtained through our home page www.bang-olufsen.com.

KEY FIGURES

Bang & Olufsen a/s – Group

(DKK million)	2nd quarter		YTD	
	2015/16	2014/15	2015/16	2014/15
Income statement:				
Revenue	729	579	1,235	1,012
Gross margin, %	37.9	26.9	34.7	28.1
Earnings before interest, taxes, depreciation, amortization and capitalization (EBITDAC)	(20)	(136)	(93)	(275)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	27	(88)	(15)	(188)
Earnings before interest and tax (EBIT)	(31)	(155)	(136)	(327)
Financial items, net	7	2	(6)	(1)
Earnings before tax (EBT)	(23)	(152)	(142)	(326)
Earnings after tax, continued operations	(19)	(118)	(112)	(259)
Earnings after tax, discontinued operations	9	46	15	78
Earnings after tax	(10)	(72)	(97)	(181)
Financial position:				
Total Assets	3,389	3,048	3,389	3,048
Share capital	432	432	432	432
Equity	1,836	1,681	1,836	1,681
Net interest-bearing deposit / (debt)	683	(405)	683	(405)
Net working capital	270	724	270	724
Cash flow				
- from operating activities	138	39	19	(125)
- from investment activities	(75)	(80)	(124)	(156)
Free cash flow	63	(40)	(105)	(281)
- from financing activities	(2)	1	(216)	207
Cash flow for the period	61	(40)	(321)	(75)
Key figures				
EBITDA-margin, %	3.7	(15.2)	(1.2)	(18.6)
EBIT-margin, %	(4.2)	(26.8)	(11.0)	(32.3)
NIBD/EBITDA ratio	-	4.6	-	2.2
Return on assets, %	(1.2)	(5.8)	(5.2)	(12.2)
Return on invested capital, excl. Goodwill, %	0.6	(5.8)	(3.7)	(13.3)
Return on equity, %	(0.6)	(4.3)	(5.5)	(11.0)
Full time employees at the end of the period	1,867	2,171	1,867	2,171
Stock related key figures				
Earnings per share (EPS), DKK	(0)	(2)	(2)	(4)
Earnings per share from continuing operations (EPS), DKK	(0)	(3)	(3)	(6)
Earnings per share, diluted (EPS-D), DKK	(0)	(2)	(2)	(4)
Earnings per share from continuing operations, diluted (EPS-D), DKK	(0)	(3)	(3)	(6)
Price/Earnings	n/a	n/a	n/a	n/a

MANAGEMENT REPORT

In line with the company's strategy, the second quarter showed strong growth momentum in B&O PLAY and significant margin improvement in Bang & Olufsen. The second quarter Group revenue increased by 26 per cent and the gross margin improved to 38 per cent. The increased revenue, improved gross margins, and continued focus on costs significantly improved the profitability of the Group, which is however still at an unsatisfactory level.

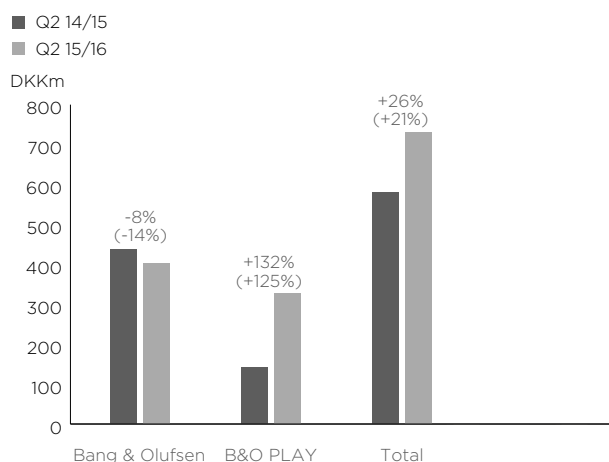
Revenue development by segment

The Group's revenue for the second quarter of the 2015/16 financial year was DKK 729 million, compared to DKK 579 million last year, corresponding to a growth of 26 per cent (21 per cent in local currency). Year to date Group revenue increased by 22 per cent. The growth was, as expected, driven by the B&O PLAY segment.

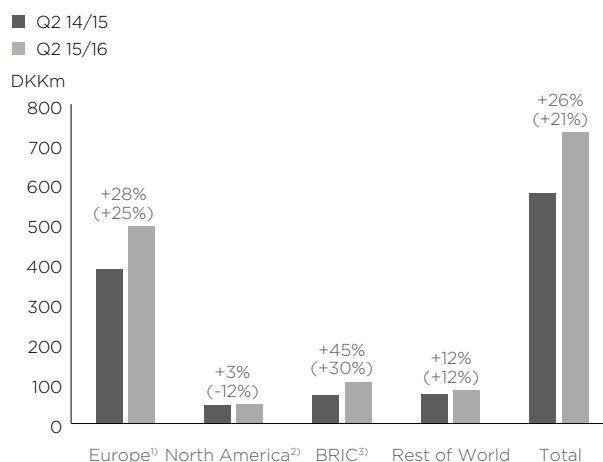
The Bang & Olufsen segment recorded revenue of DKK 403 million in the second quarter of the 2015/16 financial year, compared to DKK 438 million last year, a decrease of 8 per cent, which was below expectations.

B&O PLAY recorded revenue of DKK 326 million in the second quarter of the 2015/16 financial year compared

Revenue by segment (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⁾ BRIC covers Brazil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

to DKK 141 million in the same period last year, or an increase of 132 per cent. The growth in B&O PLAY was driven by a combination of a strong consumer demand for existing and new products as well as a continued expansion of the third party retailers.

The B&O PLAY revenue through the B1 and shop-in-shop channel increased by 70 per cent, compared to the same quarter last year. Revenue through third party retail and e-commerce increased by 218 per cent in the quarter, compared to the same period last year. The revenue through third party retailers was positively affected by an increase in the number of third party retail stores, which increased to 5,444 stores at the end of the second quarter from 3,721 stores at the end of the first quarter of 2015/16 and approximately 1,822 stores at the end of the second quarter last year.

The second quarter of the 2015/16 financial year was the fourth quarter in a row with more than 40 per cent year-over-year growth in the B&O PLAY segment. The growth has been driven by a significant strengthening of the product portfolio as well as an expansion of the third party retailers. The growth in the B&O PLAY is expected to continue to be driven by an improvement and expansion of the product portfolio and the distribution in the coming quarters, albeit at a lower year-

over-year growth rate than that of the first half of the financial year.

As part of the Automotive transaction, completed in May 2014/15, the Company will receive brand license payments from new Automotive deals entered by Harman in the future. The first revenue from these license payments are expected to be received in 2017.

Revenue development by region

In the second quarter revenue was DKK 495 million in Europe, corresponding to an increase of DKK 108 million (28 per cent) compared to last year. Year to date revenue in Europe increased by 19 per cent. The growth in Europe was driven by growth in B&O PLAY products, whereas the revenue from Bang & Olufsen branded products declined.

Revenue in North America was DKK 48 million, which was 3 per cent above last year. Adjusting for the strengthening of the US dollar, revenue declined by 12 per cent in the second quarter. The decline in the second quarter was expected and mainly due to restructuring of the B1 and shop-in-shop channel, where focus has been on improving profitability and customer experiences in the retail network leading to the closure of a number of non-performing stores.

Distribution Development (Number of stores)

	B1		Shop-in-shop		Third party retail ¹⁾	
	30/11/15	31/08/15	30/11/15	31/08/15	30/11/15	31/08/15
Europe	321	329	141	141	2,813	1,769
North America	29	34	1	5	900	701
BRIC	67	68	36	38	722	582
Rest of World	83	85	2	3	1,009	669
Total	500	516	180	186	5,444	3,721

¹⁾ Only B&O PLAY branded products are distributed through third party retail stores.

Revenue in the BRIC markets was DKK 103 million, corresponding to an increase of 45 per cent (30 per cent in local currency). The growth was mainly driven by continued growth in China and Hong Kong, which grew in Bang & Olufsen as well as B&O PLAY. In the region Rest of World the revenue increased by 12 per cent in the second quarter, driven by a general increase across most markets.

The number of B1 stores declined by 16 stores compared to the number of B1 stores at the end of the last quarter, and by 41 stores compared to last year. This was the result of 22 closings of underperforming stores and 6 openings and upgrades during the quarter as the focus on improving the overall quality and profitability of the retail network continued. This trend of improving the network through churn is expected to continue. The decline was mainly seen in Europe and North America. The number of shop-in-shops declined by 6 stores compared to last quarter, mainly driven by a decrease in North America. The number of third party retail stores increased to 5,444 stores from 1,822 stores at the end of the last quarter.

During the quarter, Bang & Olufsen continued the roll-out of the Sensory Store concept. The concept has proven to increase the like-for-like sales in the stores which have been upgraded, and is therefore expected to support the long term growth of the company.

Gross margin

The Group's gross margin improved to 37.9 per cent in the second quarter from 26.9 per cent in the same quarter last year. This resulted in an improved gross margin year to date of 34.7 per cent compared to 28.1 per cent last year. The margin improvement initiatives in the Bang & Olufsen segment continued to show a positive effect, and the improvement in the Bang & Olufsen gross margin mitigated the effect of an increased share of the Group's gross margin generated in the B&O PLAY segment. The Group's gross margin in the second quarter was adversely impacted by approximately DKK

7 million of costs previously allocated to Automotive which the company is planning to eliminate over time.

The gross margin in the Bang & Olufsen segment was 42.2 per cent in the second quarter, compared to 25.5 per cent in the same quarter last year. The improvement in the quarter was mainly driven by a change in the product mix, positive effects from the ongoing cost optimisation as well as the fact, that the second quarter last year was adversely impacted by costs related to the ramp-up issues in the TV production.

The gross margin for B&O PLAY in the second quarter of the 2015/16 financial year was 32.6 per cent against a gross margin of 31.1 per cent for the same period last year. The improvement in the quarter was mainly related to a change in product mix, reduced production cost from increased scale in production and an improved distribution setup, which outweighed the adverse currency effects on the product sourcing costs.

Capacity costs

The capacity costs in the second quarter were DKK 309 million, which was almost at the same level as the DKK 311 million realised last year despite the significant increase in revenue.

Distribution and marketing costs were DKK 216 million in the second quarter of the 2015/16 financial year compared to DKK 205 million in the same period last year. The moderate increase was mainly related to the 90th anniversary, the launch of BeoLab 90 and the high season campaign activities.

Administration costs totalled DKK 19 million in the second quarter of the 2015/16 financial year compared to DKK 19 million in the same quarter last year.

The Group continues to invest in the development of new products. Incurred development costs were DKK 76 million for the second quarter of the 2015/16 financial year (of which DKK 48 million were capitalized)

against DKK 88 million for the same period last year (of which DKK 48 million were capitalized).

Total amortization charges and impairment losses on development projects were DKK 46 million compared to DKK 47 million last year. The net effect on earnings before interest and tax of capitalizations and amortizations was positive DKK 2 million compared to a positive effect of DKK 1 million last year.

Capitalized development costs and carrying amount (DKK million)

Q2 - 2015/16

Capitalized, net	48
Carrying amount, net	388

Q2 - 2014/15

Capitalized, net	48
Carrying amount, net	714

This resulted in expensed development costs (incl. amortization and impairment losses) of DKK 74 million for the second quarter of the 2015/16 financial year, compared to DKK 87 million for the same period last year.

Following the Automotive transaction, the company will receive payments and incur costs related to services provided during the transition of the support functions to Harman. This has been booked as "other income and cost" in the Group's consolidated income statement. As the completion of the transition gradually occurs, Bang & Olufsen will receive fewer payments

to cover costs related to the services provided, and will hence continuously seek to reduce the costs related to these services.

In addition, the Group's capacity costs were adversely affected by costs related to shared functions previously allocated to the discontinued operations of DKK 10 million.

Earnings

Earnings before interest and tax (EBIT) for the second quarter of the 2015/16 financial year were negative DKK 31 million compared to negative DKK 155 million for the same period last year, corresponding to an improvement of DKK 124 million.

EBIT for the first six months of the 2015/16 financial year were negative DKK 136 million against negative DKK 327 million last year. Adjusting for the costs previously allocated to Automotive, the EBIT was negative DKK 96 million compared to negative DKK 257 million last year.

The company's net financial items were positive DKK 7 million in the second quarter of the financial year, compared to DKK 2 million last year. The change was mainly related to positive currency adjustments.

Earnings before tax for the second quarter were negative DKK 23 million against negative DKK 152 million in the same period last year, and for the first six months of the year, earnings before tax were negative DKK 142 million compared to negative DKK 326 million last year.

Development in balance sheet items and cash flow

Free cash flow in the second quarter was positive DKK 63 million compared to negative DKK 40 million in the same quarter last year, corresponding to an improvement of DKK 103 million.

At the end of the second quarter, the Group's net working capital was DKK 270 million compared to DKK 338

million at the end of the first quarter of the 2015/16 financial year and DKK 724 million at the end of the second quarter last year. The improvement in the net working capital in the quarter was mainly driven by an increased level of trade payables mainly related to higher activity, especially within the B&O PLAY segment.

The net interest bearing deposit was DKK 683 million at the end of the second quarter compared to a net interest bearing deposit of DKK 620 million at the end of the first quarter of 2015/16. The improvement was driv-

en by the positive free cash flow in the second quarter. At the end of the second quarter 2014/15 the company had a net interest bearing debt of DKK 405 million. The significant change in the cash position was a result of the Automotive transaction announced in March 2015.

The Group's equity increased to DKK 1,836 million from DKK 1,681 million at the end of the second quarter last year. The Group equity ratio was 54 per cent at the end of the second quarter of the 2015/16 financial year compared to 55 per cent at the end of the same quarter last year.

Product launches Q2 2015/16

In the second quarter of the 2015/16 financial year, Bang & Olufsen launched the following products:

BeoPlay A6

September BeoPlay A6 is a flexible and powerful music system designed to fit a modern lifestyle.

The music system works with almost all streaming standards and features BeoLink Multiroom technology, which unites B&O PLAY and Bang & Olufsen products into one wireless system across multiple rooms. The custom-made textile on the front cover is the result of a collaboration with Kvadrat, one of Europe's leading manufacturers of design textiles.



BeoPlay H7

October BeoPlay H7 is a wireless headphone combining the comfort of the BeoPlay H6 over-ear headphone with the wireless technology of the BeoPlay H8. BeoPlay H7 has up to 20 hours of rechargeable battery lifetime and offers a combination of stylish aesthetics, luxurious materials, aluminium touch interface and superior sound.



BeoPlay S3

September BeoPlay S3 is a new, flexible Bluetooth speaker crafted from rigid polymer and targeted the consumers that want flexibility at home.

Two BeoPlay S3 speakers can form a wireless stereo pair, and it is even possible to connect up to four. The speaker covers are available in a variety of colours.



BeoLab 90

November BeoLab 90 is a state-of-the-art loudspeaker for the uncompromising sound enthusiast, and it delivers an ultimate sound experience no matter the circumstances. The loudspeaker contains a number of technologies such as Beam Width Control and Active Room Compensation, which adjusts for the impact of the room, the furniture, the placement of the loudspeakers and the location of the listener. Future Bang & Olufsen products will benefit from the innovation and know-how gained from the development of BeoLab 90.



BeoPlay H3 ANC

September BeoPlay H3 ANC is an Active Noise Cancellation in-ear headphone crafted from lightweight metal. The rechargeable battery provides up to 20 hours of continuous playtime with Active Noise Cancellation turned on.



OUTLOOK FOR 2015/16

In the 2015/16 financial year, the key focus will be to create profitable growth, by growing revenue, improving gross margin and adapting the cost base to reflect the reduced size of the company.

Revenue

The revenue for the Group's business is expected to grow 8 to 12 per cent compared to 2014/15, which is unchanged compared to the Group's previous guidance.

B&O PLAY is expected to be the main growth driver, and continue to show strong growth in the coming quarters, albeit at lower year over year growth rates than in the first half of 2015/16.

The revenue in the Bang & Olufsen segment has been weaker than expected in the first half of 2015/16, and is therefore expected to show a moderate decline in 2015/16 compared to 2014/15, compared to the previous expectation of moderate growth. The revenue development in the Bang & Olufsen segment will be dependant on the performance of new products launched in the second half of the financial year, and the performance of the newly launched BeoLab 90.

EBIT

As a result of higher revenue, an improved gross margin and continued cost reduction efforts, Bang & Olufsen expects to significantly improve the earnings before interest and tax (EBIT) of the continuing business, compared to 2014/15.

Costs for functions that previously were shared with the Automotive division will not be fully eliminated during 2015/16 and are expected to adversely impact the earnings before interest and tax by between DKK 70 million and DKK 80 million in the 2015/16 financial year.

Since the strategic initiatives such as footprint optimization and restructuring will take time to implement and as the company does not expect to receive any license payment related to Automotive during 2015/16, Bang & Olufsen expects to realize a negative EBIT. Adjusted for costs for shared functions previously allocated to Automotive, EBIT in 2015/16 is expected to be around break-even, which is unchanged compared to the company's previous guidance.

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 2015 – 30 November 2015 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 30 November 2015 and the results of the Group's operations and cash flows for the period 1 June 2015 – 30 November 2015.

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, 17 December 2015

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

Geoff Martin

Jesper Olesen

Brian Bjørn Hansen

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2nd quarter		YTD		FY
		2015/16	2014/15	2015/16	2014/15	2014/15
Revenue		728.6	578.5	1,234.6	1,011.9	2,356.5
Production costs		(452.4)	(423.0)	(805.9)	(727.4)	(1,776.2)
Gross profit		276.2	155.5	428.7	284.6	580.3
Development costs	3	(73.9)	(86.9)	(145.4)	(175.5)	(448.5)
Distribution and marketing costs		(216.1)	(204.5)	(382.5)	(395.7)	(861.7)
Administration costs		(19.0)	(19.4)	(39.3)	(40.0)	(77.1)
Other operating income		14.3	-	33.8	-	-
Other operating expenses		(12.3)	-	(30.9)	-	-
Operating profit (EBIT)		(30.9)	(155.3)	(135.6)	(326.6)	(807.0)
Share of result after tax in associated companies		-	1.6	-	1.8	10.5
Financial income		9.1	8.9	4.3	13.7	24.8
Financial expenses		(1.7)	(7.4)	(10.4)	(14.8)	(30.9)
Financial items, net		7.4	1.5	(6.1)	(1.1)	(6.1)
Earnings before tax (EBT)		(23.3)	(152.2)	(141.6)	(325.9)	(802.7)
Income tax		3.9	34.3	30.0	66.4	195.4
Earnings for the year						
- continued operations		(19.5)	(117.9)	(111.7)	(259.5)	(607.3)
Earnings for the year						
- discontinued operations	6	9.0	46.0	15.1	78.2	664.3
Earnings for the year		(10.5)	(71.9)	(96.6)	(181.3)	57.0
Earnings per share						
Earnings per share (EPS) DKK		(0.2)	(1.7)	(2.2)	(4.4)	1.3
Diluted earnings per share (ESP-D) DKK		(0.2)	(1.7)	(2.2)	(4.4)	1.3
Earnings per share (EPS) from continuing operations, DKK		(0.5)	(2.9)	(2.6)	(6.3)	(14.2)
Diluted earnings per share (ESP-D) from continuing operations, DKK		(0.5)	(2.9)	(2.6)	(6.3)	(14.2)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2nd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Earnings for the year	(10.5)	(71.9)	(96.6)	(181.3)	57.0
<i>Items that will be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries	3.9	(0.6)	(0.7)	0.7	12.1
Change in fair value of derivative financial instruments used as cash flow hedges	8.7	1.4	12.4	3.5	(8.8)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	1.9	(0.4)	0.4	(0.5)	(8.2)
Transfer to production costs	(1.1)	2.0	(0.3)	2.0	12.4
Income tax on items that will be reclassified to the income statement:	(2.2)	(0.7)	(2.9)	(1.2)	1.1
<i>Items that will not be reclassified subsequently to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(4.2)
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	0.9
Other comprehensive income for the year, net of tax	11.2	1.7	8.9	4.5	5.3
Total comprehensive income for the year	0.7	(70.1)	(87.7)	(176.7)	62.3

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	30/11/15	30/11/14	31/5/15
Goodwill		70.8	64.7	70.2
Acquired rights		7.7	11.6	8.0
Completed development projects		251.1	307.0	312.1
Development projects in progress		136.5	406.8	80.3
Intangible assets		466.0	790.2	470.6
Land and buildings		99.7	114.2	104.6
Plant and machinery		51.8	131.3	68.9
Other equipment		35.2	24.9	26.8
Leasehold improvements		47.4	43.6	44.9
Tangible assets in course of construction and prepayments for tangible assets		22.7	22.2	9.1
Tangible assets		256.9	336.3	254.3
Investment property		17.2	38.0	17.2
Investments in associates		5.9	12.0	5.9
Other financial receivables		120.2	41.4	123.3
Financial assets		126.2	53.4	129.2
Deferred tax assets		201.7	221.2	187.5
Total non-current assets		1,067.9	1,439.1	1,058.8
Inventories		621.8	706.8	533.1
Trade receivables		525.5	580.7	456.6
Receivables from associates		-	1.9	-
Corporation tax receivable		74.5	32.6	33.5
Other receivables		54.6	69.3	71.5
Prepayments		94.7	45.1	19.9
Total receivables		749.3	729.7	581.5
Cash		877.1	172.6	1,198.0
Assets held for sale	6	72.6	-	77.6
Total current assets		2,320.8	1,609.1	2,390.2
Total assets		3,388.7	3,048.2	3,449.0

CONSOLIDATED BALANCE SHEET

(DKK million)	Note	30/11/15	30/11/14	31/5/15
Share capital		432.0	432.0	432.0
Translation reserve		20.5	13.2	24.6
Reserve for cash flow hedges		(1.2)	4.9	(3.5)
Retained earnings		1,384.9	1,230.8	1,468.3
Total equity		1,836.2	1,680.8	1,921.4
Pensions		16.4	12.5	17.1
Deferred tax		10.0	7.2	10.6
Provisions		44.9	41.4	44.8
Mortgage loans		185.4	193.7	191.1
Other non-current liabilities		1.7	1.7	1.6
Deferred income		145.7	-	148.7
Total non-current liabilities		404.2	256.5	414.0
Mortgage loans		8.4	8.3	8.4
Loans from banks		-	180.0	210.0
Overdraft facilities		-	195.4	-
Provisions		25.6	26.8	25.4
Trade payables		720.2	435.0	443.1
Corporation tax payable		63.6	20.6	33.7
Other liabilities		237.0	208.6	309.1
Deferred income		69.3	36.2	67.7
Other current liabilities		1,124.2	1,110.9	1,097.4
Liabilities associated with assets held for sale	6	24.2	-	16.3
Total liabilities		1,552.5	1,367.4	1,527.6
Total equity and liabilities		3,388.7	3,048.2	3,449.0

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2nd quarter		YTD		FY
		2015/16	2014/15	2015/16	2014/15	2014/15
Earnings for the year						
- continuing operations		(19.5)	(117.9)	(111.7)	(259.5)	(607.3)
Earnings for the year						
- discontinued operations		9.0	46.0	15.1	78.2	664.3
Amortization, depreciation and impairment losses		58.4	84.2	120.7	170.5	430.8
Adjustments for non-cash items	4	9.0	(23.2)	(9.5)	(42.0)	(662.3)
Change in receivables		(147.5)	(78.4)	(113.9)	(22.4)	10.6
Change in inventories		(94.3)	3.5	(91.0)	(40.6)	78.5
Change in trade payables etc		320.7	127.8	210.2	(3.8)	155.8
Cash flow from operations		135.8	41.9	19.9	(119.6)	70.3
Interest received and paid, net		(3.5)	1.5	(5.7)	(1.1)	(6.1)
Income tax paid		5.4	(4.0)	4.8	(4.7)	(9.2)
Cash flow from operating activities		137.8	39.4	19.1	(125.4)	55.0
Purchase of intangible non-current assets		(52.7)	(60.7)	(86.1)	(114.5)	(209.2)
Purchase of tangible non-current assets		(25.7)	(26.6)	(41.3)	(50.9)	(82.9)
Proceeds from sale of associated companies		-	-	-	-	12.5
Proceeds from sale of businesses		-	-	-	-	1,110.8
Received reimbursements, intangible non-current assets		-	6.2	-	6.6	12.5
Change in financial receivables		3.4	1.4	3.1	2.9	14.0
Cash flow from investing activities		(75.0)	(79.8)	(124.3)	(156.0)	857.7
Free cash flow		62.8	(40.4)	(105.2)	(281.3)	912.7
Repayment of long-term loans		(2.1)	(2.1)	(215.7)	(4.1)	(6.5)
Proceeds from short-term borrowings		-	5.0	-	(40.0)	(10.0)
Capital increase		-	(1.7)	-	248.6	248.2
Sale of own shares		-	(0.5)	-	2.2	2.6
Settlement of share options		-	-	-	-	(0.9)
Cash flow from financing activities		(2.1)	0.7	(215.7)	206.6	233.4
Change in cash and cash equivalents		60.7	(39.7)	(320.9)	(74.7)	1,146.1
Cash and cash equivalents, opening balance		816.3	16.9	1,198.0	51.9	51.9
Cash and cash equivalents, closing balance		877.1	(22.8)	877.1	(22.8)	1,198.0
Cash and cash equivalents:						
Cash		877.1	172.6	877.1	172.6	1,198.0
Current overdraft facilities		-	(195.4)	-	(195.4)	-
Cash and cash equivalents, closing balance		877.1	(22.8)	877.1	(22.8)	1,198.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	30/11/15	30/11/14	31/5/15
Equity, opening balance	1,921.4	1,604.4	1,604.4
Earnings for the period	(96.6)	(181.2)	57.0
Other comprehensive income, net of tax	8.9	4.5	5.3
Comprehensive income for the period	(87.7)	(176.7)	62.3
Capital increase	-	259.2	259.2
Costs relating to capital increase	-	(10.6)	(10.9)
Grant of share options	2.5	2.5	4.6
Sale of own shares	-	2.2	2.6
Settlement of share options	-	-	(0.9)
Equity, closing balance	1,836.2	1,680.8	1,921.4

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.

Bang & Olufsen A/S has from 1 June 2015 included other operating income and other operating expenses in the income statement. Other operating income and other operating expenses comprise income and expenses of a secondary nature relative to the principal activities of the Bang & Olufsen A/S Group.

The accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2014/15 Annual Report.

The Annual Report 2014/15 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 recognized 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

(DKK million)	2nd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Incurring development costs before capitalization	76.0	87.5	137.5	168.3	369.7
Hereof capitalized	(48.0)	(47.5)	(78.5)	(86.6)	(159.2)
Incurring development costs after capitalization	28.0	40.0	59.0	81.7	210.5
Capitalization (%)	63.2%	54.3%	57.1%	51.5%	43.1%
Total charges and impairment losses on development projects	45.9	46.9	86.4	93.8	238.0
Development costs recognised in the consolidated income statement	73.9	86.9	145.4	175.5	448.5

NOTES

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

(DKK million)	2nd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Change in other liabilities	0.8	(2.0)	(2.5)	(1.3)	7.0
Financial items, net	(7.4)	(1.5)	6.1	1.1	6.1
Result of investments in associates after tax	-	(1.6)	-	(1.8)	(10.5)
Gain/loss on sale of non-current assets	(0.1)	-	0.3	-	1.8
Gain/loss on sale of business	-	-	-	-	(643.0)
Tax on earnings for the year	(1.1)	(20.1)	(25.3)	(42.4)	8.7
Other adjustments	16.8	2.0	11.9	2.4	(32.4)
Total adjustments	9.0	(23.2)	(9.5)	(42.0)	(662.3)

5 SEGMENT INFORMATION

(DKK million)	2nd quarter		Reported change %	Local currency change %
	2015/16	2014/15		
Revenue by segment and business area				
Bang & Olufsen	402.5	437.7	(8)	(14)
B&O PLAY	326.1	140.8	132	125
Total	728.6	578.5	26	21
Gross margin by business area, %				
Bang & Olufsen	42.2%	25.5%		
B&O PLAY	32.6%	31.1%		
Gross margin %, Group	37.9%	26.9%		
Revenue by region				
Europe	494.6	386.8	28	25
North America	48.4	46.8	3	(12)
BRIC	103.0	71.0	45	30
Rest of World	82.7	73.8	12	12
Total	728.6	578.5	26	21
Revenue by channel				
B1 and shop-in-shop distribution	542.1	519.9	4	
3rd party distribution and e-commerce	186.5	58.6	218	
Total	728.6	578.5	26	

NOTES

5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2015/16	2014/15		
Revenue by segment and business area				
Bang & Olufsen	745.8	770.8	(3)	(9)
B&O PLAY	488.8	241.1	103	96
Total	1,234.6	1,011.9	22	16
Gross margin by business area, %				
Bang & Olufsen	37.8%	27.8%		
B&O PLAY	30.0%	29.0%		
Gross margin %, Group	34.7%	28.1%		
Revenue by region				
Europe	804.1	675.3	19	16
North America	117.3	85.5	37	12
BRIC	189.9	136.0	40	23
Rest of World	123.4	115.1	7	7
Total	1,234.6	1,011.9	22	16
Revenue by channel				
B1 and shop-in-shop distribution	952.9	910.2	5	
3rd party distribution and e-commerce	281.7	101.7	177	
Total	1,234.6	1,011.9	22	

NOTES

6 DISCONTINUED OPERATIONS

(DKK million)	2nd quarter		YTD		FY
	2015/16	2014/15	2015/16	2014/15	2014/15
Revenue	29.2	184.6	51.5	322.5	647.1
Expenses	(17.4)	(124.4)	(31.7)	(220.3)	(421.7)
Earnings before tax	11.8	60.2	19.8	102.2	225.4
Tax	(2.8)	(14.1)	(4.7)	(24.0)	(53.0)
Earnings for the year discontinued operations	9.0	46.0	15.1	78.2	172.4
Gains/losses on sale of assets and businesses	-	-	-	-	643.0
Tax	-	-	-	-	(151.1)
Gains/losses on sale of assets and businesses after tax	-	-	-	-	491.9
Earnings per share of discontinued operations	0.2	1.2	0.3	1.9	15.5
Diluted earnings per share of discontinued operations	0.2	1.2	0.3	1.9	15.5
Cash flow from operating activities	22.0	64.9	33.8	102.2	283.3
Cash flow used for investing activities	(2.7)	(12.8)	(5.5)	(27.3)	1,063.2
Cash flow from financing activities	-	-	-	-	-
Net cash flow from discontinued operations	19.3	52.1	28.3	74.9	1,346.5

(DKK million)	2015/16	2014/15	31/5/15
Balance sheet items comprise:			
Development projects	39.9	-	34.4
Plant & machinery	0.2	-	0.2
Other equipment and assets under construction	1.1	-	1.1
Inventories	11.4	-	9.1
Trade receivables	14.4	-	18.9
Other receivables	3.5	-	12.0
Prepayments	1.9	-	1.8
Cash	0.2	-	0.1
Assets held for sale	72.6	-	77.6
Trade payables	10.3	-	8.4
Provisions	2.8	-	1.8
Corporation tax payable	6.9	-	3.3
Other liabilities	4.2	-	2.8
Liabilities associated with assets held for sale	24.2	-	16.3

APPENDIX 1

Earnings by quarter 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Revenue	506.0	728.6		
Production costs	(353.5)	(452.4)		
Gross profit	152.5	276.2		
Development costs	(71.5)	(73.9)		
Distribution and marketing costs	(166.4)	(216.1)		
Administration costs	(20.3)	(19.0)		
Other operating income, net	0.9	2.0		
Earnings before interest and tax (EBIT)	(104.7)	(30.9)		
Share of result after tax in associated companies	-	-		
Financial income	0.3	9.1		
Financial expenses	(13.8)	(1.7)		
Financial items, net	(13.5)	7.4		
Earnings before tax (EBT)	(118.3)	(23.3)		
Income tax	26.1	3.9		
Earnings for the year – continued operations	(92.2)	(19.5)		
Earnings for the year – discontinued operations	6.1	9.0		
Earnings for the year	(86.1)	(10.5)		

Accumulated earnings by quarter 2015/16:

(DKK million)	2015/16			
	3M	6M	9M	12M
Revenue	506.0	1,234.6		
Production costs	(353.5)	(805.9)		
Gross profit	152.5	428.7		
Development costs	(71.5)	(145.4)		
Distribution and marketing costs	(166.4)	(382.5)		
Administration costs	(20.3)	(39.3)		
Other operating income, net	0.9	2.9		
Earnings before interest and tax (EBIT)	(104.7)	(135.6)		
Share of result after tax in associated companies	-	-		
Financial income	0.3	4.3		
Financial expenses	(13.8)	(10.4)		
Financial items, net	(13.5)	(6.1)		
Earnings before tax (EBT)	(118.3)	(141.6)		
Income tax	26.1	30.0		
Earnings for the year – continued operations	(92.2)	(111.7)		
Earnings for the year – discontinued operations	6.1	15.1		
Earnings for the year	(86.1)	(96.6)		

APPENDIX 1

Earnings by quarter 2014/15:

(DKK million)	2014/15			
	Q1	Q2	Q3	Q4
Revenue	433.5	578.5	649.4	695.1
Production costs	(304.4)	(423.0)	(417.8)	(631.0)
Gross profit	129.0	155.5	231.6	64.2
Development costs	(88.6)	(86.9)	(95.2)	(177.8)
Distribution and marketing costs	(191.2)	(204.5)	(186.3)	(279.8)
Administration costs	(20.5)	(19.4)	(20.3)	(16.8)
Earnings before interest and tax (EBIT)	(171.2)	(155.3)	(70.2)	(410.2)
Share of result after tax in associated companies	0.2	1.6	2.0	6.7
Financial income	0.9	8.9	20.7	-
Financial expenses	(3.5)	(7.4)	(7.5)	(18.1)
Financial items, net ¹⁾	(2.6)	1.5	13.2	(18.1)
Earnings before tax (EBT)	(173.6)	(152.2)	(55.2)	(421.7)
Income tax	32.1	34.3	26.1	102.9
Earnings for the year – continued operations	(141.6)	(117.9)	(29.1)	(318.8)
Earnings for the year – discontinued operations	32.2	46.0	46.3	539.9
Earnings for the year	(109.4)	(71.9)	17.3	221.0

Accumulated earnings by quarter 2014/15:

(DKK million)	2014/15			
	3M	6M	9M	12M
Revenue	433.5	1,011.9	1,661.4	2,356.5
Production costs	(304.4)	(727.4)	(1,145.2)	(1,776.2)
Gross profit	129.0	284.6	516.1	580.3
Development costs	(88.6)	(175.5)	(270.7)	(448.5)
Distribution and marketing costs	(191.2)	(395.7)	(582.0)	(861.7)
Administration costs	(20.5)	(40.0)	(60.3)	(77.1)
Earnings before interest and tax (EBIT)	(171.2)	(326.6)	(396.8)	(807.0)
Share of result after tax in associated companies	0.2	1.8	3.8	10.5
Financial income	0.9	13.7	34.3	24.8
Financial expenses	(3.5)	(14.8)	(22.3)	(30.9)
Financial items, net ¹⁾	(2.6)	(1.1)	12.0	(6.1)
Earnings before tax (EBT)	(173.6)	(325.9)	(381.0)	(802.7)
Income tax	32.1	66.4	92.5	195.4
Earnings for the year – continued operations	(141.6)	(259.5)	(288.5)	(607.3)
Earnings for the year – discontinued operations	32.2	78.2	124.5	664.3
Earnings for the year	(109.4)	(181.3)	(164.0)	57.0

¹⁾ Financial items have been adjusted between Q2 and Q3 2014/15 compared to figures previously reported.

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Financial calendar

Financial statements

6 April 2016	Interim report (3 rd quarter 2015/16)
11 August 2016	Annual report 2015/16
27 September 2016	Interim report (1 st quarter 2016/17)

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 on the move.

For additional information refer to www.bang-olufsen.com.