

INTERIM REPORT
4TH QUARTER 2015/16
1 JUNE 2015 -
31 MAY 2016



Q4 HIGHLIGHTS

The fourth quarter of 2015/16 showed continued strong growth in B&O PLAY, which grew by 40 per cent driven by new product launches and the continued expansion of the retail network. Revenue in the Bang & Olufsen segment disappointed due to postponed launch of new TV products, but overall the Group realised the same revenue level as last year. Margins improved and capacity costs were lower, which led to an improved profitability compared to last year.

Key financial highlights Q4

(DKK million)	Q4 2015/16	Q4 2014/15	Change %	YTD 2015/16	YTD 2014/15	Change %
Revenue	696	695	0	2,633	2,357	12
Bang & Olufsen	425	502	(15)	1,663	1,743	(5)
B&O PLAY	271	194	40	970	614	58
Gross margin, %	37.8	9.2	28.6	36.1	24.6	11.5
Bang & Olufsen, %	40.6	6.4	34.2	38.8	26.5	12.3
B&O PLAY, %	33.4	20.1	13.3	31.6	27.2	4.4
Gross margin, underlying business*, %	39.8	38.9	0.9	37.7	37.2	0.5
Bang & Olufsen, %	42.1	38.2	3.7	39.2	35.2	4.0
B&O PLAY, %	33.4	29.5	3.9	31.6	30.2	1.4
Capacity costs	(335)	(474)		(1,159)	(1,387)	
Capacity costs, underlying business*	(271)	(324)		(1,066)	(1,198)	
EBIT	(72)	(410)		(202)	(807)	
EBIT, underlying business*	6	(53)		(69)	(323)	
Earnings after tax	(75)	(319)		(198)	(607)	
Free cash flow	(18)	1,166		(187)	913	

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

Fourth quarter 2015/16

- The revenue was flat compared to the fourth quarter last year (negative 1 per cent in local currency). The revenue was a result of a continued strong growth momentum in B&O PLAY of 40 per cent (42 per cent in local currency), where demand for newly launched products was high in all channels, especially third party retail and e-commerce. Revenue in the Bang & Olufsen segment declined by 15 per cent (negative 16 per cent in local currency) compared to the same quarter last year. The decline in TV sales is mainly due to the postponed launch of new TV products.
- The underlying gross margin (i.e. adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business) was at 40 per cent, which was an increase of 1 percentage point compared to the same quarter last year. Both the Bang & Olufsen and the B&O PLAY gross margins improved compared to last year, but the Group's gross margin only improved slightly due to the relatively higher B&O PLAY revenue share compared to last year. Furthermore, the improvement of the Group's gross margin has materialised slower than expected, mainly due to the postponed launch of new TV products.
- Capacity costs in the underlying business were DKK 53 million lower than last year, as distribution and marketing costs declined. The decrease is a result of general savings across the Group, optimised distribution and a decision to hold back selected marketing activities until the launch of upcoming new TV products in the first half of the 2016/17 financial year.
- Capacity costs included non-recurring and aperiodic costs of DKK 54 million (DKK 189 million in 2014/15). The costs were mainly related to expenses resulting from the dialogue regarding a potential launch of a takeover offer, additional costs related to changes in the Executive Management Board, and impairment of company-owned and company-operated stores resulting from a decision to exit these in selected markets.
- Earnings before interest and tax (EBIT) adjusted for costs previously allocated to Automotive were DKK 6 million, compared to negative DKK 53 million in the underlying business in the same quarter last year. The improvement was primarily driven by the decrease in capacity costs.
- Free cash flow for the fourth quarter was negative DKK 47 million compared to positive DKK 43 million adjusted for the gain from sale of assets and businesses in the same quarter last year. Net working capital changed to DKK 319 million, compared to DKK 334 million at the end of the third quarter of 2015/16.

Full year 2015/16

- The Group's total revenue for the 2015/16 financial year was DKK 2,633 million compared to DKK 2,357 million last year, corresponding to an increase of 12 per cent (9 per cent in local currency) which was in line with guidance. Gross margins have been improved, however at a slower pace than anticipated and capacity costs have been reduced in parallel. EBIT for the underlying business in the 2015/16 financial year was negative DKK 69 million or negative 2.6 per cent of the Group's total

revenue (adjusted for costs previously allocated to Automotive) compared to negative DKK 323 million in the underlying business last year, corresponding to an improvement of DKK 254 million.

- In company announcement no. 15.16 it was announced that the dialogue with Sparkle Roll regarding a potential launch of a takeover offer had been terminated on the initiative of Bang & Olufsen's Board of Directors. The termination of the takeover dialogue provided clarity for Bang & Olufsen and its stakeholders. Bang & Olufsen will continue its efforts to deliver profitable growth based on continual additions to its portfolio of innovative products.

- As announced in company announcement no. 15.17, Bang & Olufsen has appointed Henrik Clausen as new CEO with effect from 1 July, 2016.

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A webcast will be hosted on 11 August 2016 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	
	2015/16	2014/15	2015/16	2014/15
Income statement:				
Revenue	696	695	2,633	2,356
Gross margin, %	37.8	9.2	36.1	24.6
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(40)	(237)	(106)	(535)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(1)	(277)	46	(376)
Earnings before interest and tax (EBIT)	(72)	(410)	(202)	(807)
Financial items, net	(13)	(18)	(39)	(6)
Earnings before tax (EBT)	(86)	(422)	(242)	(803)
Earnings after tax, continued operations	(75)	(319)	(198)	(607)
Earnings after tax, discontinued operations	(35)	540	(10)	664
Earnings after tax	(110)	221	(208)	57
Financial position:				
Total assets	2,832	3,449	2,832	3,449
Share capital	432	432	432	432
Equity	1,725	1,921	1,725	1,921
Net interest-bearing deposit / (debt)	599	788	599	788
Net working capital	319	261	319	261
Cash flow				
– from operating activities	0	85	(5)	55
– from investment activities	(18)	1,081	(182)	858
Free cash flow	(18)	1,166	(187)	913
– from financing activities	(4)	(11)	(223)	233
Cash flow for the period	(22)	1,155	(409)	1,146
Key figures				
EBITDA-margin, %	(0.2)	(34.1)	1.8	(16.0)
EBIT-margin, %	(10.3)	(59.0)	(8.4)	(34.3)
NIBD/EBITDA ratio	-	-	-	-
Return on assets, %	(3.6)	(0.6)	(10.2)	(36.1)
Return on invested capital, excl. goodwill, %	(3.5)	2.7	(4.1)	(41.5)
Return on equity, %	(6.0)	2.9	(11.4)	3.2
Full time employees at the end of the period	1,734	2,015	1,734	2,015
Stock related key figures				
Earnings per share (EPS), DKK	(3)	5	(5)	1
Earnings per share from continuing operations (EPS), DKK	(2)	(8)	(5)	(14)
Earnings per share, diluted (EPS-D), DKK	(3)	5	(5)	1
Earnings per share from continuing operations, diluted (EPS-D), DKK	(2)	(8)	(5)	(14)
Price/Earnings	(27)	11	(13)	44

MANAGEMENT REPORT

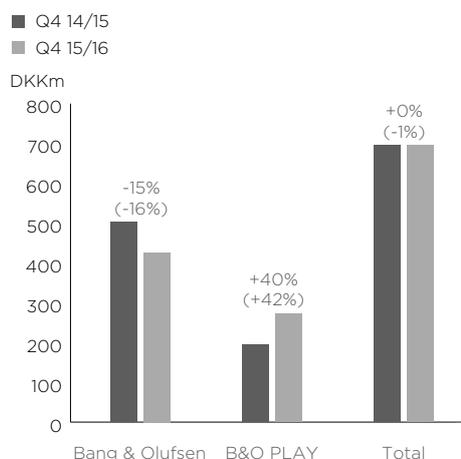
The fourth quarter showed a continued strong growth momentum in B&O PLAY with a 40 per cent increase in revenue, and the sixth consecutive quarter of revenue growth. The Bang & Olufsen segment, however, realised a disappointing 15 per cent decline in revenue due to postponed launch of new TV products. Overall, this resulted in a flat revenue development compared to last year.

Revenue development by segment

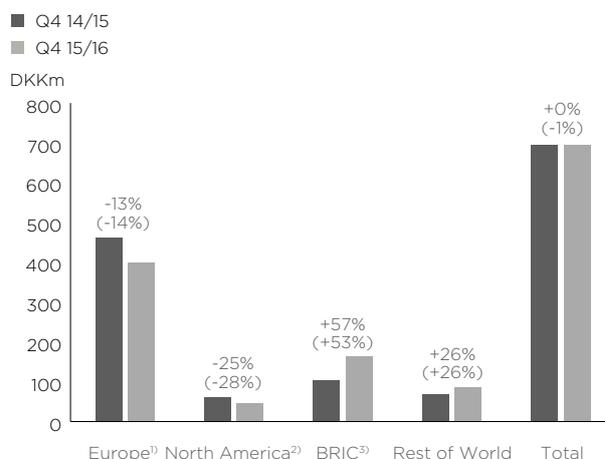
The Group's revenue for the fourth quarter of the 2015/16 financial year was DKK 696 million, which was at the same level as last year (decline of 1 per cent in local currency). For the full year, revenue grew 12 per cent (9 per cent in local currency) which was in line with guidance.

The Bang & Olufsen segment recorded revenue of DKK 425 million in the fourth quarter of the 2015/16 financial year, compared to DKK 502 million last year, which was a decline of 15 per cent (negative 16 per cent in local currency). The main reason for the decline in the Bang & Olufsen segment was lower TV sales in Europe compared to last year. The decline in TV turnover was

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 Brasil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

partially due to the postponed launch of new TV products and to the anticipation of new TVs, which will be launched in the 2016/17 financial year.

B&O PLAY recorded revenue of DKK 271 million in the fourth quarter of the 2015/16 financial year compared to DKK 194 million last year, corresponding to an increase of 40 per cent (42 per cent in local currency). The growth in B&O PLAY continued to be driven by a combination of a continued expansion of the number of third party retailers and strong customer demand for both existing and new products.

The B&O PLAY revenue through the B1 and shop-in-shop channel decreased to DKK 89 million from DKK 113 million in the same quarter last year. Revenue through third party retail and e-commerce increased by 125 per cent in the quarter compared to the same period last year, partly supported by a very strong launch of the new Beoplay A1 portable speaker.

The fourth quarter of the 2015/16 financial year was the sixth consecutive quarter with a strong growth in B&O PLAY, and the growth in the 2015/16 financial year was 58 per cent compared to last year. The growth in B&O PLAY is expected to continue to be driven by improvement and expansion of the distribution channels and continuous launch of new innovative products.

Revenue development by region

In the fourth quarter revenue was DKK 400 million in Europe, corresponding to a 13 per cent decline compared to last year (14 per cent in local currency). Strong growth in B&O PLAY sales was offset by a decline in revenue from Bang & Olufsen branded products – especially within the TV category.

Revenue in North America was DKK 46 million, which was 25 per cent below last year (28 per cent in local currency). The decline in the fourth quarter was expected and mainly caused by a 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 12 non-performing B1 stores and 7 shop-in-shops during the financial year. Concurrently, Bang & Olufsen increased the focus on collaboration with partners in the custom installations market.

Revenue in the BRIC markets was DKK 163 million, corresponding to an increase of 57 per cent (53 per cent in local currency). The growth was mainly driven by continued growth in China and Hong Kong. In the region Rest of World the revenue increased by 26 per cent in the fourth quarter, driven by a general increase across most markets, where BeoLab 90 continues to do very well.

Distribution development (number of stores) from Q3 to Q4

	B1		Shop-in-shop		Third party retail	
	31/5/2016	29/2/2016	31/5/2016	29/2/2016	31/5/2016	29/2/2016
Europe	311	315	135	140	2,759	2,851
North America	24	27	1	1	824	791
BRIC	63	65	34	38	893	768
Rest of World	87	84	2	2	1,216	1,052
Total	485	491	172	181	5,692	5,462

The number of B1 stores declined by six stores compared to the number of B1 stores at the end of the last quarter, and by 40 stores compared to last year. This was the result of 16 closings and 10 openings or upgrades during the quarter as the focus on improving the overall quality and profitability of the retail network continues. The decline in the number of stores was mainly seen in Europe and North America. The number of shop-in-shops decreased by 9 stores compared to the last quarter. The number of third party B&O PLAY retail stores increased to 5,692 stores from 3,308 stores at the end of the same quarter last year and from 5,462 stores at the end of the third quarter of the 2015/16 financial year.

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

Gross margin

The Group's underlying gross margin was 40 per cent, corresponding to an improvement of 1 percentage point compared to the same quarter last year. Despite improved gross margins in both segments, the Group's gross margin only improved slightly. This was a result of a higher share of B&O PLAY revenue, and the fact that the Automotive license income was included in the underlying Group gross margin last year. The Group gross margin is expected to improve in the future when Automotive license fees are generated from HARMAN.

The underlying gross margin in the Bang & Olufsen segment was 42 per cent in the fourth quarter, compared to 38 per cent in the same quarter last year. The improvement in the quarter was mainly driven by a change in the product mix and positive effects from the ongoing restructuring activities in the Bang & Olufsen segment.

The gross margin for B&O PLAY in the fourth quarter of the 2015/16 financial year was 33 per cent against

a gross margin of 30 per cent for the same period last year. The improvement in gross margin mainly relates to higher volumes and supply chain optimisations.

The non-recurring and aperiodic items impacting the gross profit in the fourth quarter totalled DKK 7 million and were mainly related to inventory write-offs.

The Group's gross margin in the fourth quarter was adversely impacted by approximately DKK 7 million of costs previously allocated to Automotive.

Capacity costs

The capacity costs in the fourth quarter were DKK 335 million, which was a reduction of DKK 139 million compared to the same quarter last year. Adjusted for non-recurring and aperiodic costs the underlying capacity costs were DKK 271 million compared to DKK 324 million in the same quarter last year. The non-recurring and aperiodic costs of DKK 54 million were resulting from the restructuring in the Bang & Olufsen segment, the dialogue regarding a potential launch of a takeover offer, the announced change in the Executive Management Board, and impairment of company-owned and company-operated stores.

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

Distribution and marketing costs were DKK 197 million in the fourth quarter of the 2015/16 financial year compared to DKK 280 million in the same period last year. The underlying costs were DKK 177 million compared to DKK 238 million last year. The decrease was a result of general savings across the Group, optimised distribution and a decision to hold back selected marketing activities until the launch of upcoming new TV products in the 2016/17 financial year.

Administration costs totalled DKK 44 million and DKK 19 million in the underlying business in the fourth quar-

Capitalised development costs and carrying amount
(DKK million)

Q4 - 2015/16	B2C
Capitalised, net	37
Carrying amount, net	383

Q4 - 2014/15	B2C
Capitalised, net	36
Carrying amount, net	392

ter of the 2015/16 financial year compared to DKK 17 million in the same quarter last year.

The Group continues to invest in the development of new products. Development costs were DKK 92 million for the fourth quarter of the 2015/16 financial year (of which DKK 39 million were capitalised) against DKK 118 million for the same period last year (of which DKK 36 million were capitalised).

Total amortisation charges and impairment losses on development projects were DKK 40 million compared to DKK 96 million last year, which included an impairment loss of DKK 31 million. The net effect on earnings before interest and tax of capitalisations and amortisations was negative DKK 1 million compared to a negative effect of DKK 60 million in the underlying business in the same quarter last year.

This resulted in expensed development costs (incl. amortisation and impairment losses) of DKK 94 million for the fourth quarter of the 2015/16 financial year, compared to DKK 178 million for the same period last year.

Earnings

Earnings before interest and tax (EBIT) for the fourth quarter of the 2015/16 financial year were negative DKK 72 million, compared to negative DKK 410 million in the same quarter last year. EBIT for the underlying business were DKK 6 million, compared to negative DKK 53 million in the underlying business in the same quarter last year.

The company's net financial items were negative DKK 13 million in the fourth quarter of the financial year, compared to negative DKK 18 million last year. The change was mainly related to negative exchange rate adjustments.

EBT for the fourth quarter were negative DKK 86 million against negative DKK 422 million in the same period last year.

Development in balance sheet items and cash flow

At the end of the fourth quarter, the Group's net working capital was DKK 319 million compared to DKK 261 million at the end of the fourth quarter last year. Net working capital in the quarter was mainly driven by a decrease in trade payables.

Free cash flow in the fourth quarter was negative DKK 47 million compared to positive DKK 43 million adjusted for the gain from sale of assets and businesses in the same quarter last year, which corresponds to a change of DKK 90 million. Adjusted for cash flow from operating activities in discontinued operations (from Automotive in 2014/15 and ICEpower) the free cash flow improved by DKK 17 million.

The net interest bearing deposit was DKK 599 million at the end of the fourth quarter compared to a net interest bearing deposit of DKK 788 million at the end of the fourth quarter of 2014/15. This is mainly due to negative earnings in the financial year. Free cash flow

was positively impacted by DKK 28 million from the sale of ICEpower A/S and sale of shares in associated companies.

The Group's equity decreased to DKK 1,725 million from DKK 1,921 million at the end of the fourth quarter last year. The Group equity ratio was 61 per cent at the end of the fourth quarter of the 2015/16 financial year compared to 56 per cent at the end of the same quarter last year.

Other events during the fourth quarter

On 6 April, Bang & Olufsen announced the divestment of ICEpower A/S in line with the company's strategy to focus on building the Bang & Olufsen and B&O PLAY consumer brands. The transaction was closed in May and impacted the free cash flow positively by DKK 23 million in the fourth quarter.

Product launches in fourth quarter 2015/16

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

Beoplay A9 Smoked Oak

March B&O PLAY launches Beoplay A9 Special Edition "Smoked Oak" exclusively available to Bang & Olufsen branded stores and online on beoplay.com. Beoplay A9 Special Edition represents a luxurious fusion of materials, design and technology. The look is anchored in current Scandinavian interior design trends, and combines wood, wool and metal to bring nature into the home.



Beoplay A6 Oxidised Brass

April B&O PLAY introduces the new Beoplay A6 Special Edition "Oxidised Brass" exclusively available to Bang & Olufsen branded stores and online on beoplay.com. Beoplay A6 features a new black cabinet, dark grey Kvadrat cover, anodised aluminium in oxidised brass colour and matching stitching.



Enterprise collaboration

April Bang & Olufsen announces a collaboration with Gulf Craft, an Emirates-based yacht and boat manufacturer. Together, Gulf Craft and Bang & Olufsen add a premium audio-visual system as an option for the Majesty 110 luxury yacht, enabling guests to experience wireless sound flow throughout the yacht.

Beoplay A1

April B&O PLAY introduces the smallest and most adventurous member in its family of portable Bluetooth speakers, Beoplay A1. Designed for life on the go, the Beoplay A1 combines Danish design by award-winning Cecilie Manz, signature sound by Bang & Olufsen, functionality for taking calls and up to 24 hours of battery life.



Beoplay H6 Champagne Grey

April B&O PLAY announces that the popular Beoplay H6 headphone is now available in a new colour variant called Champagne Grey.

Beoplay A2 Ocean Blue and Champagne Grey

April B&O PLAY announces two new colours of the ultra portable Bluetooth speaker Beoplay A2. The new colours Ocean Blue and Champagne Grey match the fashion trends.



BeoLab 18 Black Edition

May Bang & Olufsen launches BeoLab 18 in a black edition with smoked oak lamella. The new special edition of the wireless speaker represents a luxurious fusion of materials, design and technology. The look is anchored in current Scandinavian interior design trends, and combines raw wood and black anodised aluminium.



OUTLOOK FOR 2016/17

In the 2016/17 financial year, the key focus will be to continue the growth of B&O PLAY, while ensuring a continued strengthening of the profitability across the company.

Revenue

Revenue for the Group is expected to grow compared to 2015/16.

B&O PLAY is expected to continue to be the main growth driver with double-digit growth. New product launches, increased brand awareness, and continued expansion of the distribution is expected to be the main growth contributors in B&O PLAY.

In the Bang & Olufsen segment, the focus will be to continue strengthening the brand, launching new products, and improving the health and profitability of the business segment. Revenue in the Bang & Olufsen segment is expected to decline in the first quarter of the 2016/17 financial year compared to the same quarter last year, due to the postponed launch of new products. The revenue decline is expected to be at the level realised in the fourth quarter of 2015/16. However, due to a strong product pipeline, the Bang & Olufsen segment is expected to realise moderate growth for the financial year.

EBITDAC

Earnings before interest, tax, depreciation, amortisation and capitalisation for the underlying business (EBITDAC) is expected to improve compared to the EBITDAC of DKK 14 million in the underlying business (i.e. adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business) in the 2015/16 financial year. This will be driven by continued revenue growth, higher gross margin as well as a lower capacity cost ratio measured to revenue.

As a consequence of the newly launched strategic technology partnership with LG Electronics, Bang & Olufsen will incur higher depreciations of the current TV product portfolio as well as lower capitalisations during the 2016/17 financial year. These items will adversely impact the EBIT of the 2016/17 financial year, but will not impact the company's free cash flow.

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 – 31 May 2016 for Bang & Olufsen a/s.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as endorsed by the EU and further Danish disclosure requirements for interim reports for listed companies.

It is our opinion that the interim report provides a true and fair view of the Group's assets, liabilities and finan-

cial position as at 31 May 2016 and the results of the Group's operations and cash flows for the period 1 June 2015 – 31 May 2016.

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

Struer, 11 August 2016

Executive Management Board:

Henrik Clausen
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)	Notes	4th quarter		YTD	
		2015/16	2014/15	2015/16	2014/15
Revenue		696.1	695.1	2,633.4	2,356.5
Production costs		(433.1)	(631.0)	(1,681.5)	(1,776.2)
Gross profit		263.1	64.2	951.9	580.3
Development costs	3	(93.9)	(177.8)	(314.8)	(448.5)
Distribution and marketing costs		(197.2)	(279.8)	(740.3)	(861.7)
Administration costs		(43.6)	(16.8)	(104.3)	(77.1)
Other operating income		-	-	42.0	-
Other operating expenses		-	-	(36.8)	-
Operating profit (EBIT)		(71.6)	(410.2)	(202.2)	(807.0)
Share of result after tax in associated companies		(0.4)	6.7	(0.4)	10.5
Financial income		-	-	1.6	24.8
Financial expenses		(13.5)	(18.1)	(40.5)	(30.9)
Financial items, net		(13.5)	(18.1)	(38.9)	(6.1)
Earnings before tax (EBT)		(85.5)	(421.7)	(241.6)	(802.7)
Income tax		10.2	102.9	43.8	195.4
Earnings for the year - continued operations		(75.4)	(318.8)	(197.8)	(607.3)
Earnings for the year - discontinued operations	6	(34.5)	539.9	(9.9)	664.3
Earnings for the year		(109.8)	221.0	(207.7)	57.0
Earnings per share					
Earnings per share (EPS) DKK		(2.5)	5.4	(4.8)	1.3
Diluted earnings per share (EPS-D) DKK		(2.5)	5.4	(4.8)	1.3
Earnings per share (EPS) from continuing operations, DKK		(1.7)	(7.7)	(4.6)	(14.2)
Diluted earnings per share (EPS-D) from continuing operations, DKK		(1.7)	(7.7)	(4.6)	(14.2)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	Notes	4th quarter		YTD	
		2015/16	2014/15	2015/16	2014/15
Earnings for the year		(109.8)	221.0	(207.7)	57.0
<i>Items that will be reclassified subsequently to the income statement:</i>					
Exchange rate adjustment of investment in foreign subsidiaries		0.6	2.2	(3.5)	12.1
Change in fair value of derivative financial instruments used as cash flow hedges		(2.3)	(8.3)	1.9	(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		2.5	(4.8)	6.3	(8.2)
Transfer to production costs		(1.4)	6.3	(0.5)	12.4
Income tax on items that will be reclassified to the income statement		(0.7)	1.6	(1.7)	1.1
<i>Items that will not be reclassified subsequently to the income statement:</i>					
Actuarial gains/(losses) on defined benefit plans		0.8	(4.2)	0.8	(4.2)
Income tax on items that will not be reclassified to the income statement		(0.2)	0.9	(0.2)	0.9
Other comprehensive income for the year, net of tax		(0.7)	(6.3)	3.1	5.3
Total comprehensive income for the year		(110.5)	214.7	(204.6)	62.3

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	31/5/16	31/5/15
Goodwill		66.4	70.2
Acquired rights		6.1	8.0
Completed development projects		231.2	312.1
Development projects in progress		151.6	80.3
Intangible assets		455.2	470.6
Land and buildings		97.8	104.6
Plant and machinery		63.5	68.9
Other equipment		18.9	26.8
Leasehold improvements		21.8	44.9
Tangible assets in course of construction and prepayments for tangible assets		7.7	9.1
Tangible assets		209.7	254.2
Investment property		16.5	17.2
Investments in associates		-	5.9
Other financial receivables		30.6	123.3
Financial assets		30.6	129.3
Deferred tax assets		209.0	187.5
Total non-current assets		921.0	1,058.7
Inventories		498.0	533.1
Trade receivables		430.5	456.6
Other financial receivables		93.1	-
Corporation tax receivable		32.0	33.5
Other receivables		48.9	71.5
Prepayments		17.0	19.9
Total receivables		621.4	581.5
Cash		788.5	1,198.0
Assets held for sale	6	2.9	77.6
Total current assets		1,910.8	2,390.2
Total assets		2,831.8	3,449.0

CONSOLIDATED BALANCE SHEET

(DKK million)	Notes	31/5/16	31/5/15
Share capital		432.0	432.0
Translation reserve		21.1	24.6
Reserve for cash flow hedges		2.5	(3.5)
Retained earnings		1,269.3	1,468.3
Total equity		1,724.9	1,921.4
Pensions		14.8	17.1
Deferred tax		11.5	10.6
Provisions		43.4	44.8
Mortgage loans		181.1	191.1
Other non-current liabilities		1.1	1.6
Deferred income		136.7	148.7
Total non-current liabilities		388.6	414.0
Mortgage loans		8.5	8.4
Loans from banks		-	210.0
Provisions		24.8	25.4
Trade payables		365.4	443.1
Corporation tax payable		9.3	33.7
Other liabilities		270.5	309.1
Deferred income		39.8	67.7
Other current liabilities		718.3	1,097.4
Liabilities associated with assets held for sale	6	-	16.3
Total liabilities		1,106.9	1,527.6
Total equity and liabilities		2,831.8	3,449.0

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Notes	4th quarter		YTD	
		2015/16	2014/15	2015/16	2014/15
Earnings for the year - continuing operations		(75.3)	(318.8)	(197.8)	(607.3)
Earnings for the year - discontinued operations		(34.5)	539.8	(9.9)	664.3
Amortisation, depreciation and impairment losses		70.4	172.8	248.4	430.8
Adjustments for non-cash items	4	11.4	(596.6)	(9.1)	(662.3)
Change in receivables		(46.2)	17.5	64.9	10.6
Change in inventories		61.7	161.5	30.2	78.5
Change in trade payables etc		14.9	132.8	(127.6)	155.8
Cash flow from operations		2.5	108.8	(0.8)	70.3
Interest received and paid, net		(3.4)	(18.2)	(9.3)	(6.1)
Income tax paid		0.5	(5.4)	5.1	(9.2)
Cash flow from operating activities		(0.4)	85.2	(5.0)	55.0
Purchase of intangible non-current assets		(42.3)	(47.1)	(165.8)	(209.2)
Purchase of tangible non-current assets		(6.2)	(9.6)	(46.0)	(82.9)
Sale of tangible non-current assets		1.7	-	1.7	-
Proceeds from sale of associated companies		5.5	12.5	5.5	12.5
Proceeds from sale of businesses		23.0	1,110.8	23.0	1,110.8
Received reimbursements, intangible non-current assets		-	2.7	-	12.5
Change in financial receivables		0.6	11.3	-	14.0
Cash flow from investing activities		(17.7)	1,080.6	(181.6)	857.7
Free cash flow		(18.1)	1,165.9	(186.7)	912.7
Repayment of long-term loans		(2.1)	(0.3)	(219.8)	(6.5)
Proceeds from short-term borrowings		-	(10.0)	-	(10.0)
Capital increase		-	(0.4)	-	248.2
Sale of own shares		-	0.4	-	2.6
Settlement of share options		(1.6)	(0.9)	(3.0)	(0.9)
Cash flow from financing activities		(3.7)	(11.1)	(222.8)	233.4
Change in cash and cash equivalents		(21.7)	1,154.7	(409.5)	1,146.1
Cash and cash equivalents, opening balance		810.2	43.3	1,198.0	51.9
Cash and cash equivalents, closing balance		788.5	1,198.0	788.5	1,198.0
Cash and cash equivalents:					
Cash		788.5	1198.0	788.5	1198.0
Current overdraft facilities		-	-	-	-
Cash and cash equivalents, closing balance		788.5	1,198.0	788.5	1,198.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	31/5/16	31/5/15
Equity, opening balance	1,921.4	1,604.4
Earnings for the period	(207.7)	57.0
Other comprehensive income, net of tax	3.1	5.3
Comprehensive income for the period	(204.6)	62.3
Capital increase	-	259.2
Costs relating to capital increase	-	(10.9)
Grant of share options	11.1	4.6
Sale of own shares	-	2.6
Settlement of share options	(3.0)	(0.9)
Equity, closing balance	1,724.9	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.

The Annual Report 2015/16 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

(DKK million)	4th quarter		YTD	
	2015/16	2014/15	2015/16	2014/15
Incurring development costs before capitalisation	92.5	117.6	302.1	369.7
Hereof capitalised	(38.6)	(36.0)	(152.0)	(159.2)
Incurring development costs after capitalisation	53.9	81.6	150.1	210.5
<i>Capitalisation (%)</i>	<i>41.7%</i>	<i>30.6%</i>	<i>50.3%</i>	<i>43.1%</i>
Total charges and impairment losses on development projects	40.0	96.2	164.7	238.0
Development costs recognised in the consolidated income statement	93.9	177.8	314.8	448.5

NOTES

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

(DKK million)	4th quarter		YTD	
	2015/16	2014/15	2015/16	2014/15
Change in other liabilities	(8.2)	7.3	(18.7)	7.0
Financial items, net	13.5	18.2	38.9	6.1
Result of investments in associates after tax	0.4	(6.7)	0.4	(10.5)
Gain/loss on sale of non-current assets	(1.9)	2.5	(4.1)	1.8
Gain/loss on sale of business	39.0	(643.0)	39.0	(643.0)
Tax on earnings for the year	(8.6)	63.0	(36.4)	8.7
Other adjustments	(22.8)	(38.0)	(28.3)	(32.4)
Total adjustments	11.5	(596.6)	(9.1)	(662.3)

5 SEGMENT INFORMATION

(DKK million)	4th quarter		Reported change %	Local currency change %
	2015/16	2014/15		
Revenue by segment				
Bang & Olufsen	425.4	501.6	(15)	(16)
B&O PLAY	270.7	193.5	40	42
Total	696.1	695.1	0	(1)
Gross margin by segment				
Bang & Olufsen	40.6%	6.4%		
B&O PLAY	33.4%	20.1%		
Gross margin %, Group	37.8%	9.2%		
Revenue by region				
Europe	400.1	461.0	(13)	(14)
North America	46.2	61.3	(25)	(28)
BRIC	162.6	103.5	57	53
Rest of World	87.2	69.3	26	26
Total	696.1	695.1	0	(1)
Revenue by channel				
B1 and shop-in-shop distribution	514.2	614.4	(16)	
3rd party distribution and e-commerce	181.9	80.7	125	
Total	696.1	695.1	0	

NOTES

5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2015/16	2014/15		
Revenue by segment				
Bang & Olufsen	1,663.2	1,743.0	(5)	(7)
B&O PLAY	970.2	613.5	58	56
Total	2,633.4	2,356.5	12	9
Gross margin by segment				
Bang & Olufsen	38.8%	26.5%		
B&O PLAY	31.6%	27.2%		
Gross margin %, Group	36.1%	24.6%		
Revenue by region				
Europe	1,668.7	1,566.9	6	6
North America	214.1	200.4	7	(2)
BRIC	458.9	337.6	36	29
Rest of World	291.7	251.6	16	16
Total	2,633.4	2,356.5	12	9
Revenue by channel				
B1 and shop-in-shop distribution	2,055.6	2,112.2	(3)	
3rd party distribution and e-commerce	577.8	244.3	137	
Total	2,633.4	2,356.5	12	

NOTES

6 DISCONTINUED OPERATIONS

(DKK million)	4th quarter		YTD	
	2015/16	2014/15	2015/16	2014/15
Revenue	17.2	172.5	94.0	647.1
Expenses	(11.1)	(109.8)	(57.5)	(421.7)
Earnings before tax	6.1	62.7	36.5	225.4
Tax	(1.6)	(14.8)	(7.4)	(53.0)
Earnings for the year discontinued operations	4.5	47.9	29.1	172.4
Gains/losses on sale of assets and businesses	(39.0)	643.0	(39.0)	643.0
Tax	-	(151.1)	-	(151.1)
Gains/losses on sale of assets and businesses after tax	(39.0)	491.9	(39.0)	491.9
Earnings per share of discontinued operations	(0.7)	13.1	(2.0)	15.5
Diluted earnings per share of discontinued operations	(0.7)	13.1	(2.0)	15.5
Cash flow from operating activities	12.3	78.8	52.6	283.3
Cash flow used for investing activities	21.2	1,100.5	13.4	1,063.2
Cash flow from financing activities	-	-	-	-
Net cash flow from discontinued operations	33.5	1,179.3	66.0	1,346.5

(DKK million)	2015/16	2014/15
Balance sheet items comprise:		
Development projects	-	34.4
Plant & machinery	2.9	0.2
Other equipment and assets under construction	-	1.1
Inventories	-	9.1
Trade receivables	-	18.9
Other receivables	-	12.0
Prepayments	-	1.8
Cash	-	0.1
Assets held for sale	2.9	77.6
Trade payables	-	8.4
Provisions	-	1.8
Corporation tax payable	-	3.3
Other liabilities	-	2.8
Liabilities associated with assets held for sale	-	16.3

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)

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

11 August 2016	Annual report 2015/16
4 October 2016	Interim report (1 st quarter 2016/17)
13 January 2017	Interim report (2 nd quarter 2016/17)
7 April 2017	Interim report (3 rd quarter 2016/17)
10 August 2017	Annual report 2016/17
4 October 2017	Interim report (1 st quarter 2017/18)

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: please visit www.bang-olufsen.com.