INTERIM REPORT 1ST HALF-YEAR 2014/15

1 JUNE 2014 – 30 NOVEMBER 2014

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BANG & OLUFSEN

Q2 HIGHLIGHTS

"The Group's financial results for the second quarter were adversely impacted by the ramp-up issues in production and other supply-chain issues, which caused a delayed launch of key products, and higher production costs than previously anticipated. The combination of a continued strengthening of the product portfolio in AV and B&O PLAY, a more stable production rhythm, and further expansion of the distribution, as well as a stable development in Automotive, are expected to result in a strong second half of the year, with significant revenue growth and improved profitability compared to last year. It will however not be enough to compensate for the poor performance in the first half of the financial year", says CEO Tue Mantoni.

- The Group's revenue was DKK 759 million for the second quarter of the 2014/15 financial year compared to revenue of DKK 822 million in the same period last year, corresponding to a decrease of 8 per cent.
- The B2C business recorded revenue of DKK 570 million in the second quarter of the 2014/15 financial year compared to DKK 632 million in the same period last year. Ramp-up issues in the production have, to a larger extent than anticipated, adversely impacted the timing of key product launches.
- B2C revenue decreased across all regions compared to the same quarter last year. Europe and Rest of World decreased by 10 per cent, and North America and BRIC decreased by 16 and 28 per cent respectively. The decrease in BRIC was due to delayed product launches in China and continued high uncertainty in the Russian market.
- At the end of the second quarter, there were 541 B1 shops across the world against 538 at the end of the first quarter. It was the first quarter since 2007 with a net increase in the number of stores.
- The B2B business recorded revenue of DKK 183 million in the second quarter of the 2014/15 financial year compared to revenue of DKK 194 million in the same period last year. Automotive revenue was, as expected, back on par with the level of last year after a very weak first quarter. ICEpower decreased by 29 per cent.
- The Group's gross margin for the second quarter of the 2014/15 financial year was 34.2 per cent compared to 42.7 per cent in the same period last year and 36.2 per cent in the first quarter of the current financial year. The lower margin was mainly a result of a high TV share in the AV segment and ramp-up issues in the production relating to the BeoVision Avant.

- Capacity costs were DKK 355 million in the second quarter, compared to DKK 321 million in the second quarter last year due to a lower level of capitalization of R&D costs and higher distribution- and marketing costs.

- Earnings before interest and tax for the second quarter of the 2014/15 financial year were negative DKK 95 million compared to positive DKK 31 million in the same quarter last year. The impact from capitalization and amortization on earnings before interest and tax was negative DKK 23 million compared to the same quarter last year.

- Free cash flow in the second quarter was negative DKK 40 million compared to negative DKK 52 million in the same period last year. The Group's net working capital improved to DKK 724 million from DKK 777 at the end of the first quarter. This improvement partially mitigated the adverse effect from the worse than expected negative net result on free cash flow.

- The Group's total revenue for the first six months of the 2014/15 financial year was DKK 1,330 million against DKK 1,388 million last year, corresponding to a decrease of 4 per cent. Earnings before interest and tax for the first six months of the 2014/15 financial year were negative DKK 224 against negative DKK 34 million last year. Free cash flow in the first six months of the 2014/15 financial year was negative DKK 281 million compared to negative DKK 121 million last year.

- After the end of reporting period Bang & Olufsen announced the launch of BeoSound Moment, BeoVision Avant 75" and BeoPlay H8.

- As previously disclosed in company announcement 14.23 from 22 December 2014, the company has revised the outlook for 2014/15. The topline guidance of a high single digit growth is maintained. The guidance for earnings before interest and tax (EBIT) is revised from the expectation of an improving EBIT margin to a negative EBIT margin for the year. EBIT in the second half of the financial year is expected to be positive, however not sufficient to compensate for the shortfall in the first half of the financial year. Free cash flow in the second half of the financial year is expected to be in the range of DKK 50 million to DKK 100 million through a combination of earnings and a continuous reduction in net working capital.

- As disclosed in company announcement 14.23, the Board of Directors and Executive Management has initiated a review to identify strategic and structural options to increase scale and further reduce complexity.

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A webcast will be hosted on 20 January 2015 at 10.00 CET. Access to the webcast is obtained through our home page www.bang-olufsen.com.

KEY FIGURES

Bang & Olufsen a/s – Group

	2nd quarter		YTD	
(DKK million)	2014/15	2013/14	2014/15	2013/14
Income statement:				
Revenue	759	822	1,330	1,388
Gross margin, %	34.2	42.7	35.1	41.7
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(71)	36	(168)	(2)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(11)	120	(54)	146
Earnings before interest and tax (EBIT)	(95)	31	(224)	(34)
Financial items, net	2	(14)	(1)	(17)
Earnings before tax (EBT)	(92)	17	(224)	(51)
Earnings after tax	(72)	8	(181)	(45)
Financial position:				
Total assets	3,048	2,941	3,048	2,941
Share capital	432	393	432	393
Equity	1,681	1,585	1,681	1,585
Net interest-bearing debt	405	395	405	395
Net working capital	724	630	724	630
Cash flow:				
– from operating activities	39	4	(125)	32
– from investing activities	(80)	(55)	(156)	(154)
– free cash flow	(40)	(52)	(281)	(121)
– from financing activities	1	18	207	67
Cash flow for the period	(40)	(33)	(75)	(55)
Key figures:				
EBITDA-margin, %	(1.4)	14.6	(4.0)	10.5
EBIT-margin, %	(12.5)	3.7	(16.9)	(2.4)
NIBD/EBITDA ratio *	2.8	2.4	2.8	2.4
Return on assets, %	(3.7)	1.1	(8.8)	(1.2)
Return on invested capital, excl. goodwill, %	(2.0)	5.1	(6.0)	4.8
Return on equity, %	(4.4)	0.5	(11.1)	(2.7)
Full time employees at the end of the period	2.340	2,091	2.340	2,091
Stock related key figures:				
Earnings per share (EPS), DKK	(1.7)	0.2	(4.4)	(1.1)
Earnings per share diluted (EPS-D), DKK	(1.7)	0.2	(4.4)	(1.1)
Price/Earnings	(25)	239	(10)	(42)

* *Calculated based on rolling 12m EBITDA*

MANAGEMENT REPORT

The Group's financial results for the second quarter were adversely impacted by the ramp-up issues in production and other supply-chain issues. The combination of a continued strengthening of the product portfolio in AV and B&O PLAY, a more stable production rhythm, and further expansion of the distribution, as well as a stable development in Automotive, are expected to result in a strong second half of the year, with significant revenue growth and improved profitability.

Development in the second quarter

Revenue Q2 2014/15 (Q2 2013/14 in brackets)

B2C		B2B	
DKK 570m (DKK 632m)		DKK 183m (DKK 194m)	
AV	**B&O PLAY**	**Automotive**	**ICEpower**
DKK 429m (DKK 464m)	DKK 140m (DKK 168m)	DKK 162m (DKK 164m)	DKK 21m (DKK 30m)

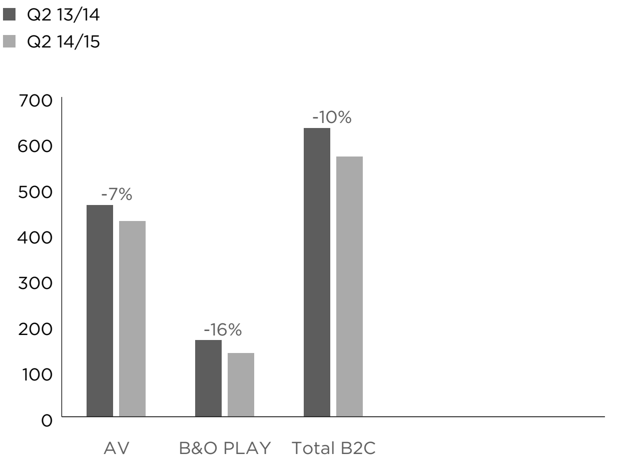
Revenue

The Group's revenue for the second quarter of the 2014/15 financial year was DKK 759 million, compared to DKK 822 million last year, corresponding to a decrease of 8 per cent.

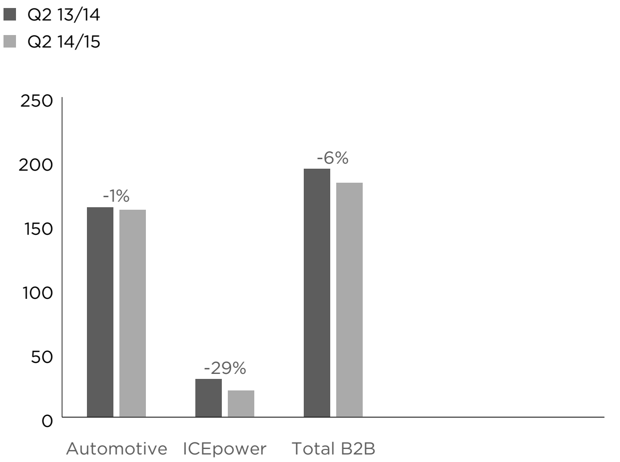
The B2C business, which consists of the AV and the B&O PLAY segments, recorded revenue of DKK 570 million in the second quarter of the 2014/15 financial year compared to revenue of DKK 632 million in the same period last year.

The AV segment generated revenue of DKK 429 million in the second quarter of the 2014/15 financial year, compared to DKK 464 million last year, or a decrease of 8 per cent. The ramp-up issues in the production relating to BeoVision Avant adversely impacted the timing of key product launches during the quarter. The TV category continues to show strong performance, driven by the newly launched BeoVision Avant, whereas the Audio- and Speaker categories performed below expectations. The launch of the BeoSound Moment in the

Revenue and growth by segment Q2 – B2C (DKK million)



Revenue and growth by segment Q2 – B2B (DKK million)



spring of 2015 is expected to positively affect the Audio portfolio and the sales of speakers.

B&O PLAY recorded revenue of DKK 140 million in the second quarter of the 2014/15 financial year compared to DKK 168 million in the same period last year, or a decline of 17 per cent. Revenue through the Bang & Olufsen distribution declined by 35 per cent, while revenue through third party distribution and e-commerce increased by 36 percent. The combination of several new products and expansion of the third party retail channel is expected to result in a strong second half of the 2014/15 financial year for B&O PLAY.

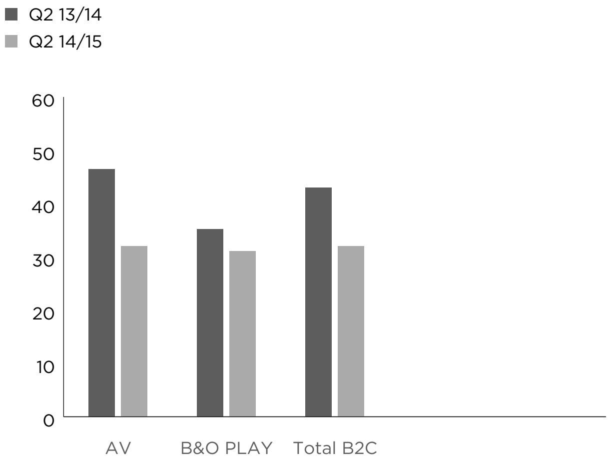
B2C revenue decreased in all markets. Europe and Rest of World registered a decrease of 10 per cent in the second quarter. North America decreased by 16 per cent and BRIC decreased by 28 per cent.

The B2B business, which consists of the Automotive and ICEpower segments, recorded revenue of DKK 183 million in the second quarter of the 2013/14 financial year compared to revenue of DKK 194 million in the same period last year, which corresponds to a decrease of 6 per cent.

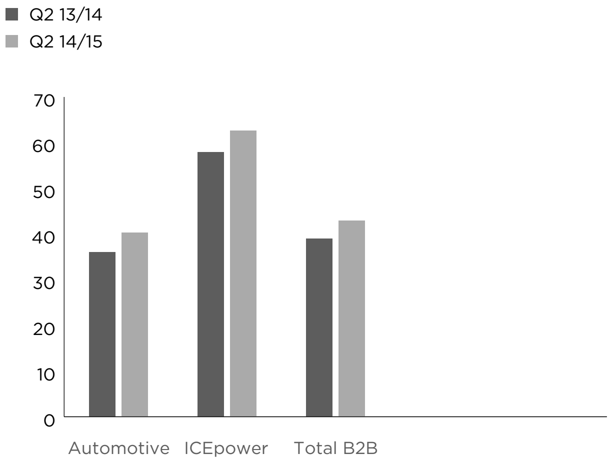
The Automotive segment recorded revenue of DKK 162 million in the second quarter of the 2014/15 financial year, compared to DKK 164 million in the second quarter last year and was, as expected, back on par with the level of last year after a very weak first quarter.

The ICEpower segment recorded revenue of DKK 21 million in the second quarter of the 2014/15 financial year compared to DKK 30 million in the same period last year, corresponding to a decline of 30 per cent. The decline was a result of a general decline in the demand across all customers and regions as well as a high comparison in the second quarter last year.

Gross margin by segment Q2 – B2C
(%)



Gross margin by segment Q2 – B2B
(%)



Gross margin
The Group's gross margin decreased to 34.2 per cent in the second quarter from a gross margin of 42.7 per cent in the second quarter of the 2013/14 financial year, which was below previous expectations.

The gross margin in AV was 32.0 per cent in the second quarter of the financial year, compared to 46.5 per cent in the same quarter last year. The decrease in the gross margin is mainly due to a change in product mix with a high level of TV sales. As previously described, the launch of the BeoSound Moment is expected to drive an increase in revenue in the audio as well as the speaker category in the second half of the financial year, which is also expected to drive an improvement in the AV gross margin.

In addition, the AV gross margin continued to be lower than expected due to ramp-up issues relating to the BeoVision Avant 85" and a delay in a number of margin improvement initiatives in the BeoVision Avant portfolio which have not yet materialized in sigificant gross margin effects.

The gross margin for B&O PLAY in the second quarter of the 2014/15 financial year was 31.1 per cent against a gross margin of 35.2 per cent for the same period last year. The decrease compared to the same quarter last year is mainly due to changes in product mix.

The gross margin within the Automotive segment in the second quarter of the 2014/15 financial year was 40.3 per cent against a gross margin of 36.1 per cent for the same period last year. The increased margin is largely due to a change in product mix towards a higher share of premium sound systems.

The gross margin within the ICEpower segment was 62.7 per cent in the second quarter of the 2014/15 financial year against a gross margin of 57.9 per cent for the same period last year.

Capacity costs
During the second quarter of the 2014/15 financial year, the capacity costs increased to DKK 355 million from DKK 321 million in the same period last year.

Distribution and marketing costs were DKK 226 million in the second quarter of the 2014/15 financial year compared to DKK 199 million in the same period last year. This corresponds to an increase of DKK 27 million, among other things as a result of increased marketing of newly launched products and a generally high level of marketing in the high-season.

Administration costs totalled DKK 21 million in the second quarter of the 2014/15 financial year compared to DKK 22 million in the second quarter of the 2013/14 financial year.

Expensed development costs (incl. amortisation and impairment losses) were DKK 108 million for the second quarter of the 2014/15 financial year, compared to DKK 100 million for the same period last year.

Incurred development costs before capitalization were DKK 110 million for the second quarter of the 2014/15 financial year against DKK 125 million for the same period last year.

Capitalized development costs were DKK 60 million in the quarter compared to DKK 84 million in the same quarter last year, corresponding to a capitalization percentage of 55 per cent compared to 68 per cent last year. The B2B business area accounted for DKK 13 million, of which Automotive projects accounted for DKK 11 million.

Total amortization charges on development projects were DKK 58 million compared to DKK 59 million in the same quarter last year. The net effect from capitalization and amortization on earnings before interest and tax was DKK 2 million compared to DKK 25 million last year.

During the second quarter reimbursements of DKK 6 million were received from Automotive partners for development projects compared to DKK 1 million in the same period last year. The reimbursements received have been offset directly in intangible assets.

Capitalized development costs and carrying amount
(DKK million) – Q2

2014/15

	B2C	B2B	Total
Capitalized, net	47	13	60
Carrying amount, net	464	250	714

Capitalized development costs and carrying amount
(DKK million) – Q2

2013/14

	B2C	B2B	Total
Capitalized, net	59	25	84
Carrying amount, net	446	242	688

Earnings before interest and tax for the second quarter of the 2014/15 financial year were negative DKK 95 million compared to positive DKK 31 million for the same period last year.

Earnings before tax for the second quarter of the 2014/15 financial year were negative DKK 92 million against positive DKK 17 million in the same period last year.

Development YTD

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

B2C		B2B	
DKK 1,001m (DKK 1,029m)		DKK 323m (DKK 367m)	
AV	B&O PLAY	Automotive	ICEpower
DKK 761m (DKK 743m)	DKK 240m (DKK 286m)	DKK 277m (DKK 314m)	DKK 45m (DKK 52m)

Revenue

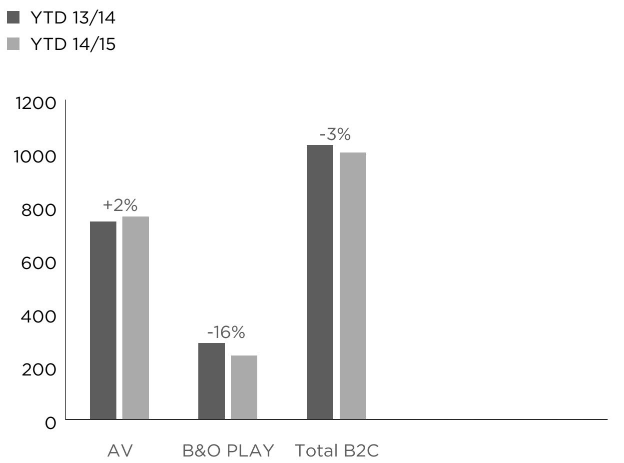
The Group's total revenue for the first half of the 2014/15 financial year was DKK 1,330 million compared to DKK 1,388 million last year, corresponding to a decline of 4 per cent.

The B2C business recorded revenue of DKK 1,001 compared to DKK 1,029 million in the first half of the 2013/14 financial year, or a decrease of 3 per cent. The AV segment grew by 2 per cent, and hence partly mitigated the decline of 16 per cent in the B&O PLAY segment. The ramp-up issues in the production relating to BeoVision Avant adversely impacted the timing of key product launches during the quarter.

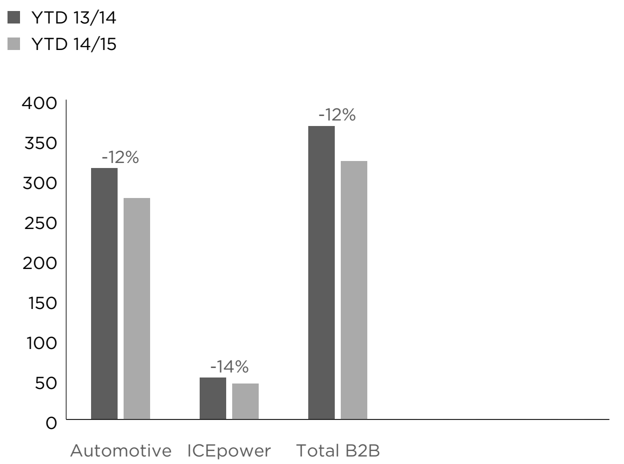
The B2B business revenue was DKK 323 million corresponding to a decline of DKK 44 million compared to the same period last year. The decline in revenue was mainly caused by a decline in Automotive revenue during the first quarter of the financial year, as production volumes over the summer were lower than expected. This lead to lower unit sales but also a changed mix between car models with a strong development in the premium systems and a weak development in the high-end segment. During the second quarter, Automotive revenue returned to the level around last year, however still with a higher share of the premium sound systems.

The revenue in ICEpower declined by 14 per cent in the first six months of the 2014/15 financial year compared to the same period last year due to lower sales of standard modules.

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



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



Gross margin

The Group's gross margin was 35.1 per cent in the first six months of the 2014/15 financial year compared to a gross margin of 41.7 for the same period last year.

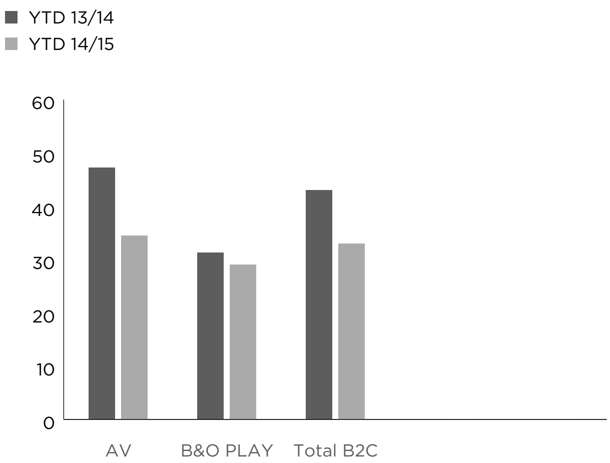
The gross margin in AV was 34.5 per cent compared to 47.2 per cent for the same period last year. The decrease in the AV margin is primarily due to a higher share of revenue from the TV segment and ramp-up issues on the BeoVision Avant 55" and 85" during the first half of the financial year.

The gross margin for B&O PLAY in the first six months of the 2014/15 financial year was 29.0 per cent against a gross margin of 31.3 per cent in the same period last year.

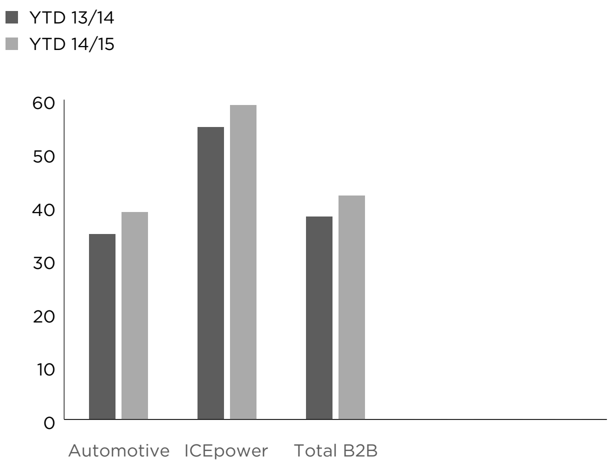
The gross margin in the Automotive segment in the first six months of the 2014/15 financial year was 38.9 per cent against a gross margin of 34.8 per cent for the same period last year, which was mainly a result of a higher share of sales driven by the premium sound systems.

The gross margin within the ICEpower segment was 59.0 per cent in the period against a gross margin of 54.8 per cent for first six months in the 2013/14 financial year.

Gross margin by segment YTD – B2C (%)



Gross margin by segment YTD – B2B (%)



Capacity costs

During the first six months of the 2013/14 financial year, the Group capacity costs increased by DKK 79 million from DKK 612 million to DKK 691 million this year.

Distribution and marketing expenses increased to DKK 430 million in the first six months compared to DKK 371 million in the same period last year. The increase in costs primarily increased due to increased marketing of newly launched products and a generally high level of marketing into the high-season.

Administration costs totalled DKK 43 million in the first six months of the 2014/15 financial year compared to DKK 44 million incurred in the same period last year.

Expensed development costs (incl. amortization and impairment losses) were DKK 217 million for the first six months of the 2014/15 financial year, compared to DKK 197 million last year.

Incurred development costs before capitalization were DKK 214 million for the first six months of the 2014/15 financial year against DKK 226 million for the same period last year.

Capitalized development costs were DKK 114 million in the first six months of the 2014/15 financial year compared to DKK 147 million last year, a capitalization percentage of 53 per cent compared to 65 per cent last year. The B2B business area accounted for DKK 27 million, of which Automotive projects accounted for DKK 24 million.

Total amortization charges on development projects were DKK 117 million compared to DKK 119 million last year. The net effect from capitalization and amortization on earnings before interest and tax was negative DKK 4 million compared to a positive effect of DKK 29 million last year. Therefore the earnings before interest and tax was negatively impacted by net capitalizations of DKK 33 million the first six months of the 2014/15 financial year compared to the same period last year.

During the first six months reimbursements of DKK 6 million were received from Automotive partners for development projects compared to DKK 4 million in the same period last year. The reimbursements received have been offset directly in intangible assets.

Capitalized development costs and carrying amount
(DKK million) – YTD

2014/15

	B2C	B2B	Total
Capitalized, net	87	27	114
Carrying amount, net	464	250	714

Capitalized development costs and carrying amount
(DKK million) – YTD

2013/14

	B2C	B2B	Total
Capitalized, net	102	45	147
Carrying amount, net	446	242	688

Earnings before interest and tax for the first six months were negative DKK 224 million against negative DKK 34 million in the same period last year.

Earnings before tax for the first six months were negative DKK 224 million against negative earnings of DKK 51 million in the same period last year.

Development in balance sheet items and cash flow
Free cash flow in the second quarter was negative at DKK 40 million compared to negative DKK 52 million in the same period last year. In the first six months of the financial year 2014/15 Bang & Olufsen generated a negative free cash flow of DKK 281 million compared to negative DKK 121 million in the same period last year. The negative cash flow in the second quarter, was mainly due to the launch of new products during the quarter, which, as expected, resulted in a high level of trade receivables at the end of the quarter.

At the end of the second quarter the Group's net working capital improved to DKK 724 million from DKK 777 at the end of the first quarter. This improvement partially mitigated the adverse effect from the negative net result on free cash flow.

The net interest bearing debt increased to DKK 405 million from DKK 395 million by the end of the second quarter of the 2013/14 financial year, and from DKK 362 million at the end of the first quarter of the 2014/15 financial year. The increase compared to the previous quarter is primarily caused by the negative net profit for the quarter.

The Group's equity has increased from DKK 1,604 million to DKK 1,681 million which is due to the capital increase carried out in June 2014, which to a certain extent has been offset by the negative earnings after tax in the first six months of the financial year.

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

Regional development in the second quarter

Revenue development by region in the quarter
In the second quarter of the 2014/15 financial year revenue in Europe decreased by DKK 38 million to DKK 342 million corresponding to a decline of 10 per cent.

Revenue in North America decreased by DKK 8m to DKK 41 million, which is 16 per cent below the same quarter last year.

BRIC markets declined by DKK 26 million to DKK 65 million from DKK 91 million, corresponding to a decline of 28 per cent. Revenue in the BRIC markets was adversely affected by the late launch of BeoVision Avant 85" in China, as well as continued high uncertainty in the Russian market.

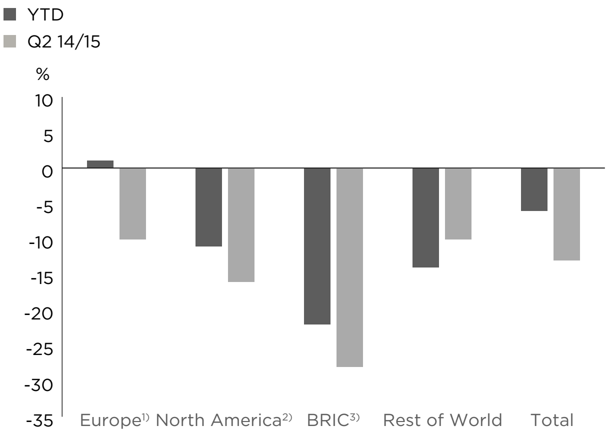
Revenue in Rest of World decreased by 10 per cent from DKK 70 million to DKK 63 million.

Revenue through third party channels was DKK 59 million compared to DKK 43 million for the same period last year. The revenue growth continues to be driven by an increase in the number of new third party stores.

Revenue development by region YTD
Europe recorded revenue of DKK 605 million in the first six months of the 2014/15 financial year, compared to DKK 601 million in the same period last year, corresponding to a small increase of 1 per cent.

North America recorded revenue of DKK 72 million for the first six months of the 2014/15 financial year, compared to DKK 81 million last year, a decrease of DKK 9 million, or 11 per cent.

B2C revenue development by region (Q2 and YTD) – excluding third party revenue and e-commerce

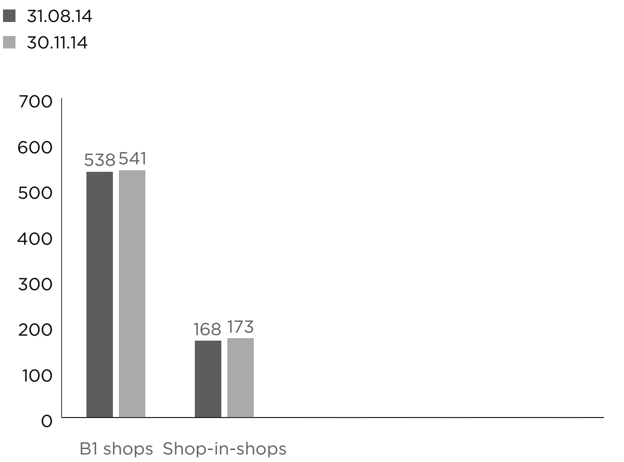


[1] Europe covers Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.
[2] North America covers USA, Canada and Mexico.
[3] BRIC covers Brazil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

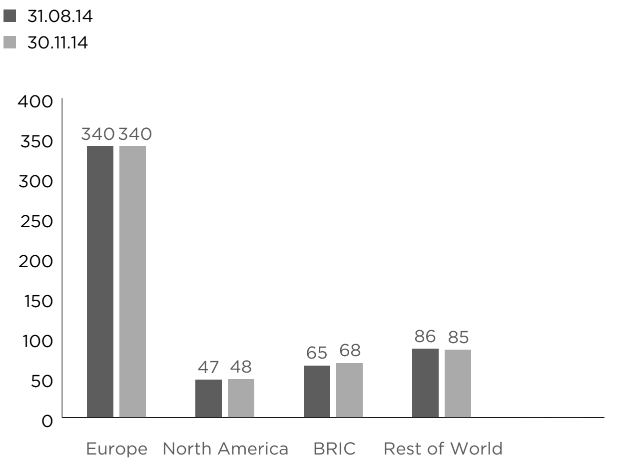
BRIC recorded revenue of DKK 122 million in the first six months of the 2014/15 financial year, compared to DKK 157 million last year, which is an decrease of 22 per cent.

Rest of World recorded revenue of DKK 99 million in the first six months of the 2014/15 financial year, compared to DKK 115 million last year, i.e. a decrease of 14 per cent.

Number of B1 shops and shop-in-shops



B1 shops by region



Development in the number of shops

At the end of the second quarter, there were 541 B1 shops across the world against 538 at the end of the first quarter of the 2014/15 financial year. Thus, the net movement for the second quarter was an increase of 3 shops, with 10 openings and 7 closures. It was the first quarter since 2007 with a net increase in the number of B1 stores.

At the end of November 2014, there were 340 B1 shops in Europe which is unchanged compared to the end of the first quarter 2014/15. The status quo is a result of 4 openings and 4 closures.

In North America, there were 48 B1 shops, against 47 at the end of the first quarter of the financial year 2014/15. The movement in North America for the second quarter was 1 opening.

In the BRIC markets the number of B1 shops were 68 compared to 65 at the end of the first quarter of the financial year 2014/15. The net movement for the second quarter is an increase of 3 shops, with 3 openings.

In Rest of World there were 85 B1 shops against 86 at the end of the first quarter of the financial year 2014/15. The net movement for the second quarter amounts to 2 openings and 3 closures.

At the end of November 2014 the total number of shop-in-shops, including the B&O PLAY stores operated by Sparkle Roll, was 173 against 168 at the end of the first quarter of the financial year 2014/15.

The revenue to Bang & Olufsen stores, which have been in operation for more than 24 months, decreased by 10 per cent for B1 stores and 4 per cent for shop-in-shops compared to the same quarter last year.

Product launches Q2 2014/15

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

BeoVision Avant 85

In September, Bang & Olufsen introduced an 85-inch version of BeoVision Avant. The new flagship television displays Ultra High-Definition (4K) picture, and with eight integrated driver units and a surround sound module BeoVision Avant 85 provides sound performance unlike any other TV. BeoVision Avant 85 is a state-of-the-art product at a competitive price for a television of this size and level of innovation.

BeoPlay H2

In November, B&O PLAY unveiled BeoPlay H2 – a new ultra flexible, on-ear headphone weighing in at a modest 150 grams. Despite the low weight it is a very strong and wear-resistant headphone, made from durable composites and rugged textiles, and with smooth, genuine lambskin covering the ears. BeoPlay H2 is available in three colours. Two more colours will be available during spring.

Automotive

Bang & Olufsen announced the launch of the Bang & Olufsen Sound System for the new Audi TT Roadster in November. The system features 12 active loudspeakers and delivers a total output of 680 watts.

BeoPlay H6 with DJ Khaled

A new collaboration between B&O PLAY and HEADS Innovation was announced in November. This has resulted in the US launch of BeoPlay H6 with DJ Khaled, an American producer and DJ.

BeoPlay A2

B&O PLAY launched its first Bluetooth speaker in October. BeoPlay A2 is a portable speaker with 360 degrees of sound, and it has enough battery power to keep the music playing for up to 24 hours on a single battery charge. Designed by industrial designer Cecilie Manz, BeoPlay A2 has a flat design with two rugged polymer shells and a solid aluminium core. BeoPlay A2 is available in grey, green and black.

Subsequent launches

After the end of the reporting period Bang & Olufsen participated at the International CES – the global consumer electronics and consumer technology tradeshow in Las Vegas. Bang & Olufsen announced the launch of BeoVision Avant 75, a 75-inch version of BeoVision Avant. At the same time, Bang & Olufsen presented BeoSound Moment, which is a new concept that will ease the way to music listening. B&O PLAY launched BeoPlay H8, a wireless active noise cancelling on-ear headphone.

Outlook for the 2014/15 financial year

As previously disclosed in company announcement 14.23 from 22 December 2014, the company has revised the outlook for 2014/15.

The topline guidance of a high single digit growth is maintained.

The growth is expected to be driven by the B2C business, where B&O PLAY in particular is expected to show double digit growth for the year driven by new product launches as well as an expansion of the third party distribution. AV is expected to show single digit growth.

The Automotive business is expected to show a stable year over year development in the second half of the financial year. However, revenue is not expected to catch up on the decline in the first half of the financial year. Therefore Automotive revenue is expected to show a single digit decline in 2014/15 compared to last year.

The guidance for earnings before interest and tax (EBIT) is revised from the expectation of an improving EBIT margin to a negative EBIT margin for the year. EBIT in the second half of the financial year is expected to be positive, however not sufficient to compensate for the shortfall in the first half of the financial year.

Free cash flow in the second half of the financial year is expected to be in the range of DKK 50 million to DKK 100 million through a combination of earnings and a reduction in net working capital.

As disclosed in company announcement 14.23, the Board of Directors and Executive Management has initiated a review to identify strategic and structural options to increase scale and further reduce complexity.

MANAGEMENT'S STATEMENT

We have today considered and approved the interim report for the period 1 June 2014 – 30 November 2014 for Bang & Olufsen a/s.

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

It is our opinion that the interim report provides a true and fair view of the Group's assets, liabilities and financial position as at 30 November 2014 and the results of the Group's operations and cash flows for the period 1 June 2014 – 30 November 2014.

It is also our opinion that the management report gives a true and fair view of developments in the Group's activities and financial situation, the 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, 20 January 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

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

CONSOLIDATED INCOME STATEMENT

		2nd quarter		**YTD**		**FY**
(DKK million)	Note	2014/15	2013/14	2014/15	2013/14	2013/14
Revenue		**759.0**	**822.0**	**1,330.4**	**1,388.4**	**2,863.8**
Production costs		(499.5)	(470.7)	(864.1)	(810.1)	(1,639.5)
Gross profit		**259.5**	**351.4**	**466.3**	**578.3**	**1,224.3**
Gross margin, %		34.2	42.7	35.1	41.7	42.8
Development costs	3	(107.8)	(99.6)	(217.4)	(196.9)	(369.5)
Distribution and marketing costs		(225.6)	(199.3)	(429.9)	(371.2)	(780.5)
Administration costs		(21.1)	(21.7)	(43.4)	(43.7)	(71.9)
Earnings before interest and tax (EBIT)		**(95.1)**	**30.7**	**(224.3)**	**(33.6)**	**2.5**
Share of result after tax in associated companies		1.6	-	1.8	-	3.2
Financial income		8.9	1.6	13.7	3.1	5.6
Financial costs		(7.4)	(15.6)	(14.8)	(20.4)	(34.5)
Financial items, net		1.5	(14.0)	(1.1)	(17.2)	(28.9)
Earnings before tax (EBT)		**(92.0)**	**16.7**	**(223.6)**	**(50.8)**	**(23.2)**
Income tax for the period		20.1	(8.8)	42.4	5.8	(5.8)
Earnings for the period		**(71.8)**	**7.9**	**(181.2)**	**(45.0)**	**(29.0)**
Earnings per share						
Earnings per share (EPS) and earnings per share from continuing operations, DKK		(1.7)	0.2	(4.4)	(1.1)	(0.7)
Diluted earnings per share (EPS-D) and diluted earnings per share from continuing operations, DKK		(1.7)	0.2	(4.4)	(1.1)	(0.7)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2nd quarter		**YTD**		**FY**
(DKK million)	2014/15	2013/14	2014/15	2013/14	2013/14
Earnings for the period	**(71.8)**	**7.9**	**(181.2)**	**(45.0)**	**(29.0)**
Items that subsequently will be reclassified to the income statement:					
Exchange rate adjustment of investments in foreign subsidiaries	(0.6)	(5.5)	0.7	(9.4)	(9.6)
Change in fair value of derivative financial instruments used as cash flow hedges	1.4	(1.5)	3.5	(4.9)	(2.7)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realized cash flows:					
Transfer to revenue	(0.4)	0.3	(0.5)	0.9	1.7
Transfer to production costs	2.0	(0.6)	2.0	(0.8)	(2.9)
Income tax on items that may be reclassified to the income statement	(0.7)	0.5	(1.2)	1.2	1.0
tems that will not be reclassified to the income statement:					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	(0.1)
Income tax on items that will not be reclassified to the income statement	-	-	-	-	0.0
Other comprehensive income, net of tax	**1.7**	**(6.9)**	**4.5**	**(13.0)**	**(12.6)**
Total comprehensive income for the period	**(70.1)**	**1.0**	**(176.7)**	**(58.0)**	**(41.7)**

CONSOLIDATED BALANCE SHEET

(DKK million)	30/11/14	30/11/13	31/5/14
Goodwill	64.7	56.5	63.5
Acquired rights	11.6	17.2	14.5
Completed development projects	307.0	456.1	406.2
Development projects in progress	406.8	231.9	317.6
Intangible assets	**790.2**	**761.8**	**801.8**
Land and buildings	114.2	184.3	114.7
Plant and machinery	131.3	133.8	123.5
Other equipment	24.9	33.7	26.8
Leasehold improvements	43.6	37.4	39.5
Tangible assets in course of construction and prepayments of tangible assets	22.2	26.1	29.8
Tangible assets	**336.3**	**415.3**	**334.3**
Investment property	**38.0**	**39.3**	**38.6**
Investments in associates	12.0	7.0	10.2
Other financial receivables	41.4	46.2	44.2
Financial assets	**53.4**	**53.2**	**54.4**
Deferred tax assets	**221.2**	**193.1**	**180.4**
Total non-current assets	**1,439.1**	**1,462.6**	**1,409.5**
Inventories	**706.8**	**634.0**	**666.2**
Trade receivables	580.7	549.5	537.4
Receivables from associates	1.9	2.3	1.9
Corporation tax receivable	32.6	28.2	21.3
Other receivables	69.3	52.8	65.8
Prepayments	45.1	35.8	69.5
Receivables	**729.7**	**668.6**	**696.0**
Cash	**172.6**	**176.0**	**120.4**
Total current assets	**1,609.1**	**1,478.6**	**1,482.6**
Total assets	**3,048.2**	**2,941.2**	**2,892.1**

CONSOLIDATED BALANCE SHEET

(DKK million)	30/11/14	30/11/13	31/5/14
Share capital	432.0	392.7	392.7
Translation reserve	13.2	12.7	12.4
Reserve for cash flow hedges	4.9	(0.8)	0.0
Retained earnings	1,230.8	1,180.4	1,199.2
Total equity	**1,680.8**	**1.585,0**	**1.604,4**
Pensions	12.5	13.2	13.3
Deferred tax	7.2	15.5	7.7
Provisions	41.4	58.9	39.8
Mortgage loans	193.7	202.6	197.8
Other non-current liabilities	1.7	3.0	1.9
Total non-current liabilities	**256.5**	**293.2**	**260.5**
Mortgage loans	8.3	6.9	8.2
Loans from banks	180.0	220.0	220.0
Overdraft facilities	195.4	141.0	68.5
Provisions	26.8	29.0	28.8
Trade payables	435.0	386.2	434.0
Corporation tax payable	20.6	22.5	18.1
Other liabilities	208.6	229.1	215.8
Deferred income	36.2	28.2	33.9
Total current liabilities	**1,110.9**	**1,063.0**	**1,027.2**
Total liabilities	**1,367.4**	**1,356.2**	**1,287.8**
Total equity and liabilities	**3,048.2**	**2,941.2**	**2,892.1**

CONSOLIDATED CASH FLOW STATEMENT

		2nd quarter		YTD		FY
(DKK million)	Note	2014/15	2013/14	2014/15	2013/14	2013/14
Earnings for the period		(71.8)	7.9	(181.2)	(45.0)	(29.0)
Amortization, depreciation and impairment losses		84.2	89.7	170.5	179.1	342.1
Adjustments for non-cash items	4	(23.2)	(5.6)	(42.0)	(18.6)	(13.9)
Change in receivables		(78.4)	(155.8)	(22.4)	(97.5)	(141.2)
Change in inventories		3.5	0.7	(40.6)	(61.8)	(63.2)
Change in trade payables etc.		127.8	81.6	(3.8)	97.7	127.1
Cash flows from operations		41.9	18.5	(119.6)	53.8	221.9
Interest received and paid, net		1.5	(13.9)	(1.1)	(17.2)	(28.9)
Income tax paid		(4.0)	(1.5)	(4.7)	(4.3)	(9.5)
Cash flows from operating activities		**39.4**	**3.0**	**(125.4)**	**32.3**	**183.5**
Purchase of intangible non-current assets		(60.7)	(85.5)	(114.5)	(155.2)	(310.5)
Purchase of tangible non-current assets		(26.6)	(23.1)	(50.9)	(52.1)	(82.3)
Acquisition of activity		-	-	-	-	(41.0)
Sale of tangible non-current assets		-	42.6	-	52.7	142.7
Received reimbursements, intangible non-current assets		6.2	1.2	6.6	3.7	7.4
Change in financial receivables		1.4	10.1	2.9	(2.9)	(0.9)
Cash flows from investing activities		**(79.8)**	**(54.7)**	**(156.0)**	**(153.7)**	**(284.6)**
Free cash flow		**(40.4)**	**(51.6)**	**(281.3)**	**(121.4)**	**(101.1)**
Repayment of long-term loans		(2.1)	(1.7)	(4.1)	(3.4)	(6.8)
Proceeds from short-term borrowings		5.0	20.0	(40.0)	70.0	70.0
Capital increase		(1.7)	-	248.6	-	-
Sale of own shares		(0.5)	-	2.2	-	1.2
Cash flow from financing activities		**0.7**	**18.3**	**206.6**	**66.6**	**64.4**
Change in cash and cash equivalents		**(39.7)**	**(33.3)**	**(74.7)**	**(54.8)**	**(36.7)**
Cash and cash equivalents, opening balance		16.9	68.2	51.9	89.7	89.7
Exchange rate adjustment, cash and cash equivalents		-	0.1	-	0.1	(1.1)
Cash and cash equivalents, closing balance		**(22.8)**	**35.0**	**(22.8)**	**35.0**	**51.9**
Cash and cash equivalents:						
Cash		172.6	176.0	172.6	176.0	120.4
Current overdraft facilities		(195.4)	(141.0)	(195.4)	(141.0)	(68.5)
Cash and cash equivalents, closing balance		**(22.8)**	**35.0**	**(22.8)**	**35.0**	**51.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	30/11/14	30/11/13	31/5/14
Equity, opening balance	**1,604.4**	**1,640.1**	**1,640.1**
Earnings for the period	(181.2)	(45.0)	(29.0)
Other comprehensive income	5.7	(13.0)	(13.7)
Other comprehensive income, tax	(1.2)		1.0
Comprehensive income for the period	(176.7)	(58.0)	(41.7)
Capital increase	259.2	-	-
Costs relating to capital increase	(10.6)	2.9	-
Grant of share options	2.5	-	4.2
Reversal of dividend	-	-	0.6
Sale of own shares	2.2	-	1.2
Equity, closing balance	**1,680.8**	**1,584.9**	**1,604.4**

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 Danish disclosure requirements for interim reports for listed companies. The interim report has not been audited or reviewed by the company's external auditors. An interim report for the parent company has not been prepared. The interim report is stated in Danish krone (DKK) which is the functional currency of the parent company.

The Annual Report 2013/14 contains a full description of applied accounting principles.

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

2 SIGNIFICANT ESTIMATES AND ASSESSMENTS BY MANAGEMENT

The preparation of interim reports requires that management makes estimates and assessments which affect the application of accounting principles and recognized assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The material estimates that management makes when applying the accounting principles of the Group, and the material uncertainty connected with these estimates and assessments are unchanged in the preparation of the interim report compared to the preparation of the Annual Report as at 31 May 2014.

3 DEVELOPMENT COSTS

	2nd quarter		**YTD**		**FY**
(DKK million)	2014/15	2013/14	2014/15	2013/14	2013/14
Incurred development costs before capitalization	109.7	124.5	213.9	225.7	390.3
Hereof capitalized	(60.0)	(84.3)	(113.9)	(147.3)	(259.1)
Incurred development costs after capitalization	49.7	40.2	100.0	78.4	131.2
Capitalization (%)	*54.7*	*67.7*	*53.2*	*65.3*	*66.4*
Total amortization charges and impairment losses on development projects	58.1	59.4	117.4	118.5	238.3
Development costs recognized in the consolidated income statement	**107.8**	**99.6**	**217.4**	**196.9**	**369.5**

NOTES

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

	2nd quarter		YTD		FY
(DKK million)	2014/15	2013/14	2014/15	2013/14	2013/14
Change in other liabilities	(2.0)	(5.4)	(1.3)	(8.6)	(29.0)
Financial items, net	(1.5)	13.9	1.1	17.2	28.9
Share of result after tax in associated companies	(1.6)	-	(1.8)	-	(3.2)
Gain/loss on sale of non-current assets	-	-	-	1.4	(11.7)
Tax on earnings for the period	(20.1)	8.8	(42.4)	(5.8)	5.8
Various adjustments	2.0	(22.9)	2.4	(22.8)	(4.8)
Adjustment for non-cash items	**(23.2)**	**(5.6)**	**(42.0)**	**(18.6)**	**(13.9)**

5 SEGMENT INFORMATION

	2nd quarter		YTD		Change, %
(DKK million)	2014/15	2013/14	2014/15	2013/14	YTD
Revenue by segment and business area					
Consumer business (B2C):					
AV	429.4	464.0	760.6	743.3	2
B&O PLAY	140.2	167.9	239.9	285.6	(16)
Total consumer business (B2C)	569.6	631.9	1,000.5	1,028.9	(3)
Business to business (B2B):					
Automotive	161.5	163.9	277.4	314.4	(12)
ICEpower	21.2	30.0	45.1	52.2	(14)
Total business to business (B2B)	182.7	193.9	322.5	366.6	(12)
Elimination of internal revenue	(2.2)	(2.8)	(4.0)	(6.1)	-
Exchange rate adjustments	8.9	(0.9)	11.5	(1.0)	-
Revenue, Group	**759.0**	**822.0**	**1,330.4**	**1,388.4**	**(4)**
Gross margin by business area, %					
Consumer business (B2C):					
AV	32.0	46.5	34.5	47.2	
B&O PLAY	31.1	35.2	29.0	31.3	
Business to business (B2B):					
Automotive	40.3	36.1	38.9	34.8	
ICEpower	62.7	57.9	59.0	54.8	
Gross margin %, Group	**34.2**	**42.7**	**35.1**	**41.7**	

NOTES

5 SEGMENT INFORMATION (CONTINUED)

	2nd quarter		YTD		Change, %
(DKK million)	2014/15	2013/14	2014/15	2013/14	YTD
Revenue by region					
Consumer business (B2C)					
Bang & Olufsen distribution:					
Europe	342.0	379.6	605.4	601.1	1
North America	41.3	49.0	72.0	80.6	(11)
BRIC	64.9	90.6	122.1	156.7	(22)
Rest of World	62.8	69.5	99.3	115.5	(14)
Total Bang & Olufsen distribution	511.0	588.8	898.7	953.9	(6)
3rd party distribution and e-commerce:					
B&O PLAY	58.6	43.1	101.7	74.9	36
Total 3rd party distribution and e-commerce	58.6	43.1	101.7	74.9	36
Total consumer business (B2C)	569.6	631.8	1,000.5	1,028.8	(3)
Business to business (B2B)					
Automotive	161.5	163.9	277.4	314.4	(12)
ICEpower	21.2	30.0	45.1	52.2	(14)
Total business to business (B2B)	182.7	193.9	322,5	366.6	(12)
Elimination of internal revenue	(2.2)	(2.8)	(4.0)	(6.1)	-
Exchange rate adjustments	8.9	(0.9)	11.5	(1.0)	-
Revenue, Group	**759.0**	**822.0**	**1,330.4**	**1,388.4**	**(4)**

NOTES

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

Number (units)	30/11/14	31/8/14	31/5/14	28/2/14	30/11/13
B1					
Europe	340	340	347	353	370
North America	48	47	47	48	51
BRIC	68	65	68	77	75
Rest of World	85	86	87	86	86
	541	**538**	**549**	**564**	**582**

Number (units)	30/11/14	31/8/14	31/5/14	28/2/14	30/11/13
SHOP-IN-SHOP					
Europe	132	133	136	142	147
North America	4	4	5	5	5
BRIC *	36	30	33	49	43
Rest of World	1	1	1	1	1
	173	**168**	**175**	**197**	**196**

** includes Sparkle Roll dedicated B&O PLAY stores*

APPENDIX 1

Earnings by quarter 2014/15:

	2014/15			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**571.4**	**759.0**		
Gross profit	**206.8**	**259.5**		
Earnings before interest and tax (EBIT)	**(129.3)**	**(95.1)**		
Share of result after tax in associated companies	0.2	1.6		
Financial items, net	(2.6)	1.5		
Earnings before tax (EBT)	**(131.6)**	**(92.0)**		
Income tax for the period	22.2	20.1		
Earnings for the period	**(109.4)**	**(71.8)**		

Accumulated earnings by quarter 2014/15:

	2014/15			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**571.4**	**1,330.4**		
Gross profit	**206.8**	**466.3**		
Earnings before interest and tax (EBIT)	**(129.3)**	**(224.3)**		
Share of result after tax in associated companies	0.2	1.8		
Financial items, net	(2.6)	(1.1)		
Earnings before tax (EBT)	**(131.6)**	**(223.6)**		
Income tax for the period	22.2	42.4		
Earnings for the period	**(109.4)**	**(181.2)**		

APPENDIX 1

Earnings by quarter 2013/14:

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

Accumulated earnings by quarter 2013/14:

	2013/14			
(DKK million)	Q1	Q2	Q3	Q4
Revenue	**566.4**	**1,388.4**	**2,062.9**	**2,863.9**
Gross profit	**227.0**	**578.3**	**866,2**	**1,224.3**
Earnings before interest and tax (EBIT)	**(64.2)**	**(33.6)**	**(61.1)**	**2.5**
Share of result after tax in associated companies	-	-	-	3.2
Financial items, net	(3.3)	(17.2)	(26.8)	(28.9)
Earnings before tax (EBT)	**(67.5)**	**(50.8)**	**(87.9)**	**(23.2)**
Income tax for the period	14.7	5.8	11.0	(5.8)
Earnings for the period	**(52.8)**	**(45.0)**	**(76.9)**	**(29.0)**

ADDITIONAL INFORMATION

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Financial calendar

Thursday 16 April 2015	Interim report (3rd quarter 2014/15)
Thursday 13 August 2015	Annual Report 2014/15
Thursday 10 September 2015	Annual General Meeting 2014/15
Wednesday 30 September 2015	Interim report (1st quarter 2015/16)

Safe Harbour statement

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

About Bang & Olufsen

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to high quality audio reproduction. Since then, the brand has become an icon of performance and design excellence through its long-standing craftsmanship tradition and the strongest possible commitment to high-tech research and development. Still at the forefront of domestic technology, Bang & Olufsen has extended its comprehensive experience with integrated audio and video solutions for the home to other areas such as the hospitality and automotive industries in recent years. Consequently, its current product range epitomises seamless media experiences in the home as well as in the car and on the move.

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