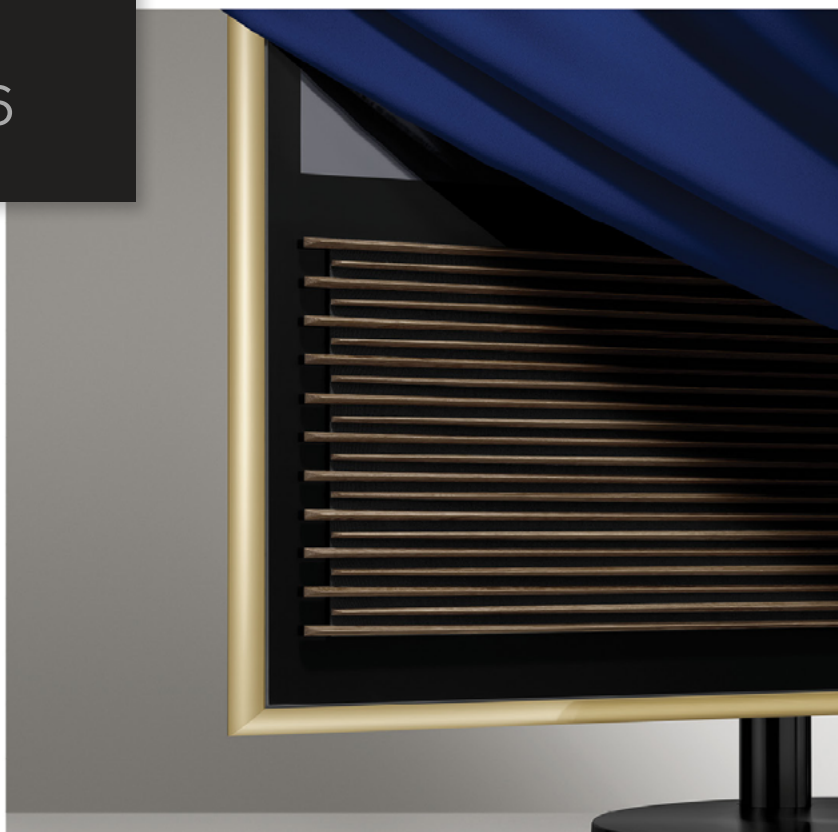




**INTERIM REPORT**  
**1ST HALF-YEAR 2016/17**  
1 JUNE 2016 –  
30 NOVEMBER 2016



# Q2 HIGHLIGHTS

“The Group launched a considerable number of new products and especially the Bang & Olufsen segment grew, supported by the catch-up effect from the delayed TV product launches in previous quarters. Another double-digit sales increase in B&O PLAY contributed to the Group’s growth of 19 per cent in the second quarter, where we also saw a significant improvement in profitability. Overall, the results after the first half of the financial year were in line with our expectations and confirmed that we are on track to deliver the guidance for the full year,” says CEO Henrik Clausen.

## Key financial highlights Q2

(DKK million)	Q2 2016/17	Q2 2015/16*	Change %	YTD 2016/17	YTD 2015/16*	Change %
Revenue	867	729	19	1,383	1,235	12
Bang & Olufsen	496	403	23	783	746	5
B&O PLAY	371	326	14	600	489	23
Gross margin, %	41.2	38.9	2.3	38.3	36.3	2.0
Bang & Olufsen, %	45.5	43.6	1.9	41.0	40.0	1.0
B&O PLAY, %	35.6	33.0	2.6	34.8	30.7	4.1
Capacity costs	(330)	(299)	10.3	(591)	(546)	8.2
EBITDAC	70	(4)		3	(55)	
EBIT	37	(14)		(52)	(97)	
Free cash flow	131	63		99	(105)	

\* 2015/16 has been adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business.

- The Group realised a revenue growth of 19 per cent. The Bang & Olufsen segment revenue increased by 23 per cent, mainly due to the launch of the new TV models and increased income from brand partnerships. B&O PLAY revenue increased by 14 per cent compared to a very high quarter last year, when the growth rate was 132 per cent.
- The Group gross margin increased to 41.2 per cent from 38.9 per cent last year, primarily due to improved gross margins in B&O PLAY and a positive impact from increased income in brand partnerships.

- Capacity costs increased by 10.3 per cent compared to last year, mainly driven by accelerated depreciations and higher development costs.
- EBITDAC was DKK 70 million against negative DKK 4 million last year. The improvement in profitability was driven by the double-digit increase in revenue, the improvement in the Group gross margin and a moderate increase in capacity costs.
- Free cash flow was DKK 131 million against DKK 63 million last year.
- The Group's total revenue for the first half of the 2016/17 financial year was DKK 1,383 million, an increase of 12 per cent (15 per cent in local currency), driven by 23 per cent growth in B&O PLAY (26 per cent in local currency) and 5 per cent growth in the Bang & Olufsen segment (7 per cent in local currency) compared to last year. EBITDAC for the first half of the 2016/17 financial year was DKK 3 million, an improvement of DKK 58 million compared to last year. Free cash flow in the first half of the 2016/17 financial year was DKK 99 million against negative DKK 105 million last year. Excluding the release of the final escrow payment from HARMAN, free cash flow was positive DKK 6 million.
- The outlook for 2016/17 remains unchanged however with additional clarification. Revenue for the Group is expected to grow by 10-15 per cent compared to 2015/16 (previous guidance was growth compared to 2015/16), driven by 25-30 per cent growth (previous guidance was double-digit growth) in B&O PLAY and low single-digit growth (previous guidance was moderate growth) in the Bang & Olufsen segment. The EBITDAC margin for the underlying business for the full year is expected to improve for the full year compared to 2015/16 (unchanged compared to previous guidance).

Any enquiries about this announcement can be addressed to:

Investor contact, Claus Højmark Jensen,  
tel.: +45 2325 1067

Press contact, Morten Juhl Madsen,  
tel.: +45 4030 8986

A webcast will be hosted on 13 January 2017 at 10:00 CET. Access to the webcast is obtained through our website [www.bang-olufsen.com](http://www.bang-olufsen.com).

# KEY FIGURES

Bang &amp; Olufsen a/s – Group

(DKK million)	2nd quarter		YTD	
	2016/17	2015/16	2016/17	2015/16
<b>Income statement:</b>				
Revenue	867	729	1,383	1,235
Gross margin, %	41.2	37.9	38.3	34.7
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	70	(20)	3	(93)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	111	27	71	(15)
Earnings before interest and tax (EBIT)	37	(31)	(52)	(136)
Financial items, net	(5)	7	(4)	(6)
Earnings before tax (EBT)	31	(23)	(56)	(142)
Earnings after tax, continued operations	23	(19)	(44)	(112)
Earnings after tax, discontinued operations	-	9	-	15
Earnings after tax	23	(10)	(44)	(97)
<b>Financial position:</b>				
Total assets	3,046	3,389	3,046	3,389
Share capital	432	432	432	432
Equity	1,686	1,836	1,686	1,836
Net interest-bearing deposit / (debt)	693	683	693	683
Net working capital	304	270	304	270
<b>Cash flow</b>				
- from operating activities	109	138	103	19
- from investment activities	22	(75)	(4)	(124)
Free cash flow	131	63	99	(105)
- from financing activities	(6)	(2)	(11)	(216)
Cash flow for the period	126	61	88	(321)
<b>Key figures</b>				
EBITDA-margin, %	12.8	3.7	5.2	(1.2)
EBIT-margin, %	4.2	(4.2)	(3.8)	(11.0)
Return on assets, %	1.6	(1.2)	(2.3)	(5.2)
Return on invested capital, excl. goodwill, %	12.7	0.6	5.4	(3.7)
Return on equity, %	1.3	(0.6)	(2.6)	(5.5)
Full time employees at the end of the period	1,648	1,867	1,648	1,867
<b>Stock related key figures</b>				
Earnings per share (EPS), DKK	0.5	(0.2)	(1.0)	(2.2)
Earnings per share from continuing operations (EPS), DKK	0.5	(0.5)	(1.0)	(2.6)
Earnings per share, diluted (EPS-D), DKK	0.5	(0.2)	(1.0)	(2.2)
Earnings per share from continuing operations, diluted (EPS-D), DKK	0.5	(0.5)	(1.0)	(2.6)
Price/Earnings	140	(309)	(72)	(34)

# MANAGEMENT REPORT

The new product launches have been well-received by customers and contributed to an overall revenue growth of 19 per cent in the second quarter of 2016/17. The Bang & Olufsen segment grew by 23 per cent and B&O PLAY grew by 14 per cent compared to the second quarter last year.

The increase in revenue and the improved gross margins resulted in a significant profitability improvement compared to last year.

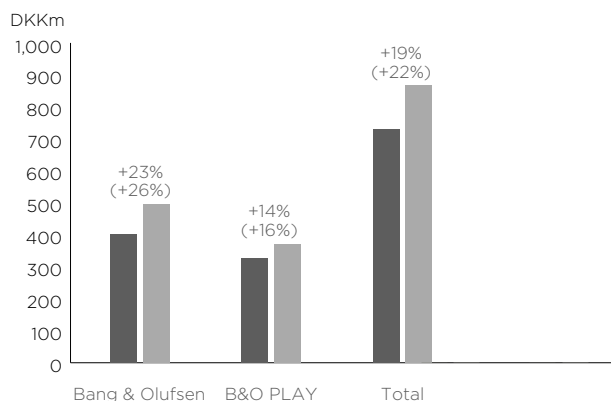
## Revenue development by segment

The Group's revenue increased from DKK 729 million last year to DKK 867 million, corresponding to a growth of 19 per cent (22 per cent in local currency). Year-to-date Group revenue increased by 12 per cent (15 per cent in local currency).

The Bang & Olufsen segment realised a revenue of DKK 496 million against DKK 403 million last year, which was an improvement of 23 per cent (26 per cent in local currency). The growth was a result of a strong product portfolio and a catch-up effect from the postponed launch of new TV products in the previous quarters. In

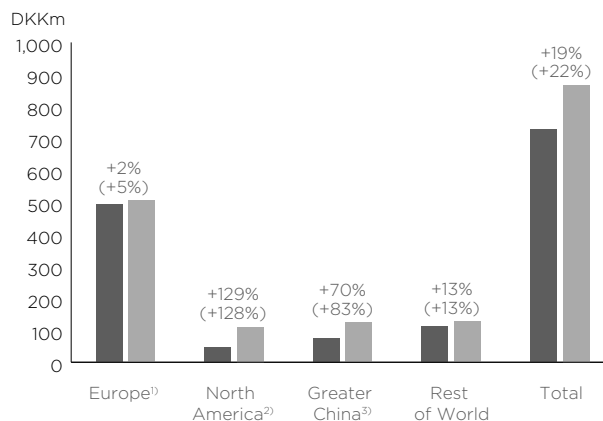
## Revenue by segment (growth in local currency in parenthesis)

■ Q2 15/16  
■ Q2 16/17



## Revenue by region (growth in local currency in parenthesis)

■ Q2 15/16  
■ Q2 16/17



<sup>1)</sup> Europe covers Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and United Kingdom.

<sup>2)</sup> North America covers USA, Canada and Mexico.

<sup>3)</sup> Greater China covers China, Hong Kong and Taiwan.

addition, revenue in the Bang & Olufsen segment was positively impacted by increased revenue from brand partnerships.

B&O PLAY recorded a revenue of DKK 371 million against DKK 326 million last year. At a growth rate of 14 per cent (16 per cent in local currency), the main growth contributor in B&O PLAY was the headphone category, while the speaker category showed lower growth compared to last year, which was positively impacted by the launches of especially Beoplay A6 and Beolit 15.

B&O PLAY revenue through third party retail and e-commerce increased by 36 per cent. The revenue through third party retailers was positively affected by an increase in the number of third party retail stores. B&O PLAY revenue through the B1 and shop-in-shop channel decreased by 16 per cent compared to last year. The decline was partially the result of a tough comparison with the second quarter last year, which was positively impacted by strong sales of Beoplay A6, Beoplay A2 and Beolit 15 in the B1 and shop-in-shop channel. The timing of product launches quarter over quarter will continue to have significant impact on the growth rates for any given quarter.

### Revenue development by region

Revenue in Europe in the second quarter was DKK 505 million, corresponding to an increase of 2 per cent compared to last year (5 per cent in local currency).

The revenue growth was primarily driven by an increase in revenue from newly launched products in the Bang & Olufsen segment including the TV models and BeoSound 1 and 2.

Revenue in North America was DKK 111 million against DKK 48 million last year, corresponding to an increase of 129 per cent (128 per cent in local currency). The revenue growth was driven by a combination of new third party retailers and increased income from brand partnerships.

Revenue in the Greater China region was DKK 125 million against DKK 74 million last year, corresponding to an increase of 70 per cent (83 per cent in local currency). The growth was mainly driven by continued growth in B&O PLAY.

In the region Rest of World, revenue was DKK 127 million against DKK 112 million last year, corresponding to an increase of 13 per cent (13 per cent in local currency). The increase was primarily driven by an

### Distribution Development (Number of stores)

	B1		Shop-in-shop		Third party retail	
	30/11/16	31/08/16	30/11/16	31/08/16	30/11/16	31/08/16
Europe	305	304	137	135	3,322	2,793
North America	22	24	3	1	970	870
Greater China	43	37	30	30	1,130	1,100
Rest of World	104	111	4	4	1,185	1,045
<b>Total</b>	<b>474</b>	<b>476</b>	<b>174</b>	<b>170</b>	<b>6,607</b>	<b>5,808</b>

increase in revenue from the new TV products in the Bang & Olufsen segment.

#### Distribution development

There were no significant changes to the number of B1 stores and shop-in-shops in the quarter. The number of third party retail stores increased to 6,607 stores from 5,808 stores at the end of the previous quarter and from 5,444 stores at the end of the same quarter last year. A positive development in the number of third party retail stores is expected during the remaining part of the 2016/17 financial year.

#### Gross margin\*

The Group's gross margin was 41.2 per cent against 38.9 per cent last year.

The gross margin in the Bang & Olufsen segment was 45.5 per cent against 43.6 per cent last year. The gross margin was positively impacted by increased license income from brand partnerships, whereas a change in product mix in the Bang & Olufsen segment and exchange rates, especially GBP fluctuations, had a negative impact on the gross margin.

The gross margin for the B&O PLAY segment was 35.6 per cent against 33.0 per cent last year. The increase was driven by higher volumes, continued positive scalability impacts on the supply chain, and improved product margins, whereas exchange rates, especially GBP fluctuations, impacted the gross margin negatively.

#### Capacity costs

The capacity costs were DKK 330 million against DKK 299 million last year\*. The increase was mainly driven by higher development costs, including the impact from increased amortisations and depreciations.

Distribution and marketing costs were DKK 206 million against DKK 216 million in the same period last year. The decrease was primarily a result of general savings across the Group and the divestiture of company owned stores.

Administration costs totalled DKK 24 million against DKK 19 million last year.

The Group continues to invest in the development of new products. Development costs were DKK 84 million (of which DKK 41 million were capitalised) against DKK 76 million last year (of which DKK 48 million were capitalised).

Total amortisation charges and impairment losses on development projects were DKK 57 million against DKK 46 million last year. The net effect on earnings before interest and tax of capitalisations and amortisations was negative DKK 16 million compared to a positive

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#### Capitalised development costs and carrying amount (DKK million)

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##### Q2 - 2016/17

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Capitalised, net	41
Carrying amount, net	359

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##### Q2 - 2015/16

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Capitalised, net	48
Carrying amount, net	388

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effect of DKK 2 million last year. The change was the result of accelerated depreciations of the current TV product portfolio.

This resulted in expensed development costs (incl. amortisation and impairment losses) of DKK 100 million against DKK 74 million last year.

#### Earnings

Earnings before interest, tax, depreciation, amortisation and capitalisation (EBITDAC) were DKK 70 million

\* 2015/16 has been adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business.

against negative DKK 4 million last year\*. The improvement was primarily driven by the increase in revenue and the improved gross margins.

EBITDAC for the first half of the 2016/17 financial year was DKK 3 million against negative DKK 55 million last year\*.

The company's net financial items were negative DKK 5 million against DKK 7 million last year. The change was mainly related to a negative impact from exchange rate adjustments.

Earnings before tax were DKK 32 million against negative DKK 23 million last year, and for the first half of the year, earnings before tax were negative DKK 56 million against negative DKK 142 million last year.

#### **Development in balance sheet items and cash flow**

The Group's net working capital was DKK 304 million against DKK 270 million last year. The change was mainly driven by a decrease in trade payables, which were adversely impacted by activities related to the carve-out of the Automotive business last year. Inventory and trade receivables decreased compared to last year.

Free cash flow was DKK 131 million against DKK 63 million last year. The development was impacted by the release of the final escrow payment from HARMAN of DKK 93 million. Excluding the escrow payment, free cash flow was positive DKK 38 million, which was a reduction of DKK 25 million compared to the same quarter last year. The reduction was due to trade payables being unusually high last year, a direct impact from the carve-out process of the Automotive business. Adjusted for the escrow release and the impacts on trade payables from the carve-out process, free cash flow improved DKK 46 million compared to the same quarter last year.

Year-to-date free cash flow is DKK 6 million when adjusting for the escrow settlement, which is an improvement of DKK 111 million compared to first half year of 2015/16.

The net interest bearing deposit was DKK 693 million against DKK 683 million last year. The Group's equity decreased to DKK 1,686 million from DKK 1,836 million last year, and DKK 1,655 million at the end of last quarter. The Group equity ratio was at 55 per cent slightly higher than last year.

\* 2015/16 has been adjusted for non-recurring and aperiodic items and costs and license fees previously allocated to the Automotive business.



## Product launches Q2 2016/17

In the second quarter of the 2016/17 financial year, Bang & Olufsen launched the following products:

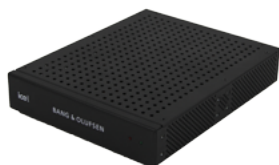
### Beoplay Autumn/Winter 2016 Collection

**September** B&O PLAY launches the Beoplay Autumn/Winter Collection 2016, which is a limited edition range of premium speakers, headphones and the latest wireless earphones inspired by the colours found in the Nordic nature. The collection includes updates of Beoplay A1, Beoplay H5, Beoplay H7, Beoplay H8, and Beoplay A6.



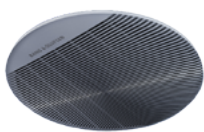
### BeoAmp 2

**September** Bang & Olufsen announces a new 300 watts two-channel amplifier for passive speaker installations. The BeoAmp 2 is a highly compact and light-weight solution with audiophile sound quality. The amplifier has very low heat dissipation and is therefore perfectly suitable for installation in a rack system.



### Celestial and Palatial

**September** Bang & Olufsen announces a new range of in-ceiling and in-wall speakers, Celestial and Palatial, developed together with Origin Acoustics. Celestial and Palatial are complementary to the existing Bang & Olufsen speaker portfolio and support projects where the customer requires discrete speaker solutions.



### Beoplay A2 Active

**November** B&O PLAY introduces an updated version of the Beoplay A2 Bluetooth speaker. The new Beoplay A2 Active is dust and splash resistant, comes with a USB-C charging cable for faster charging and seamless portability and two stylish NATO-inspired straps made of woven polyamide. Beoplay A2 Active launches in two colours, Natural and Stone Grey.



### Cool Modern Collection

**November** Bang & Olufsen presents a new permanent collection of brass-toned products. The Cool Modern Collection includes a range of the most popular sound systems, speakers and televisions draped in warm colours, rarely seen in electronic products. The new collection includes BeoVision 14, BeoSound 35, BeoLab 18, BeoSound 1, BeoSound 2, BeoRemote One Bluetooth, BeoLab 5, BeoLab 17, BeoLab 19 and BeoLab 90.



### Subsequent launches

After the end of the reporting period, B&O PLAY announced the launch of 2 new products. Beoplay H9 are premium wireless and active noise cancelling over-ear headphones with intuitive touch interface, rechargeable battery, and luxurious materials. Beoplay M5 is a powerful, wireless speaker with True360 omnidirectional sound, crafted aluminium top and exchangeable wool blend fabric cover.

# OUTLOOK FOR 2016/17

In the 2016/17 financial year, the key focus will be to continue the growth of B&O PLAY, while maintaining moderate growth for the full year for the Bang & Olufsen segment. Overall, we expect growth for the Group in 2016/17. In addition, we will ensure continued strengthening of the profitability across the company through strong product launches, improvement of gross margin and tight cost control.

## Revenue

Revenue for the Group is expected to grow by 10-15 per cent compared to last year (previous guidance was growth compared to last year). B&O PLAY is expected to continue to be the main growth driver with 25-30 per cent growth (previous guidance was double-digit growth). New product launches, increased brand awareness, and continued expansion of the distribution are 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, capitalising on the strong product portfolio, and improving the health and profitability of the business segment. In addition, the segment will be positively impacted by increased revenue from brand partnerships. The revenue in the Bang & Olufsen segment is expected to grow with low single digits in 2016/17 (previous guidance was moderate growth).

## EBITDAC

Earnings before interest, tax, depreciation, amortisation and capitalisation for the underlying business (EBITDAC) are 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 2015/16. 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 strategic technology partnership with LG Electronics, Bang & Olufsen will incur higher depreciations of the current TV product portfolio in the range of DKK 30-40 million as well as lower capitalisations during 2016/17. These items will adversely impact the EBIT of 2016/17, but will not impact the 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

Today, we have considered and approved the interim report for the period 1 June 2016 – 30 November 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 30 November 2016 and the results of the Group's operations and cash flows for the period 1 June 2016 – 30 November 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, 13 January 2017

## 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

Albert Bensoussan

Majken Schultz

Mads Nipper

Ivan Tong Kai Lap

Juha Christensen

Geoff Martin

Jesper Olesen

Brian Bjørn Hansen

# CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2nd quarter		YTD		FY
		2016/17	2015/16	2016/17	2015/16	2015/16
<b>Revenue</b>		<b>867.1</b>	<b>728.6</b>	<b>1,382.6</b>	<b>1,234.6</b>	<b>2,633.4</b>
Production costs		(509.5)	(452.4)	(852.5)	(805.9)	(1,681.5)
<b>Gross profit</b>		<b>357.6</b>	<b>276.2</b>	<b>530.0</b>	<b>428.7</b>	<b>951.9</b>
Development costs	3	(99.7)	(73.9)	(175.0)	(145.4)	(314.8)
Distribution and marketing costs		(206.1)	(216.1)	(369.1)	(382.5)	(740.3)
Administration costs		(24.0)	(19.0)	(46.7)	(39.3)	(104.3)
Other operating income		8.8	14.3	8.8	33.8	42.0
Other operating expenses		-	(12.3)	-	(30.9)	(36.8)
<b>Operating profit (EBIT)</b>		<b>36.7</b>	<b>(30.9)</b>	<b>(52.0)</b>	<b>(135.6)</b>	<b>(202.2)</b>
Share of result after tax in associated companies		-	-	-	-	(0.4)
Financial income		0.7	9.1	2.2	4.3	1.6
Financial expenses		(6.0)	(1.7)	(6.2)	(10.4)	(40.5)
<b>Financial items, net</b>		<b>(5.3)</b>	<b>7.4</b>	<b>(3.9)</b>	<b>(6.1)</b>	<b>(38.9)</b>
<b>Earnings before tax (EBT)</b>		<b>31.5</b>	<b>(23.3)</b>	<b>(55.9)</b>	<b>(141.6)</b>	<b>(241.6)</b>
Income tax		(8.8)	3.9	12.0	30.0	43.8
Earnings for the year						
- continued operations		22.7	(19.5)	(43.9)	(111.7)	(197.8)
Earnings for the year						
- discontinued operations	6	-	9.0	-	15.1	(9.9)
<b>Earnings for the year</b>		<b>22.7</b>	<b>(10.5)</b>	<b>(43.9)</b>	<b>(96.6)</b>	<b>(207.7)</b>
<b>Earnings per share</b>						
Earnings per share (EPS) DKK		0.5	(0.2)	(1.0)	(2.2)	(4.8)
Diluted earnings per share (ESP-D) DKK		0.5	(0.2)	(1.0)	(2.2)	(4.8)
Earnings per share (EPS) from continuing operations, DKK		0.5	(0.5)	(1.0)	(2.6)	(4.6)
Diluted earnings per share (ESP-D) from continuing operations, DKK		0.5	(0.5)	(1.0)	(2.6)	(4.6)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2nd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
<b>Earnings for the year</b>	<b>22.7</b>	<b>(10.5)</b>	<b>(43.9)</b>	<b>(96.6)</b>	<b>(207.7)</b>
<b><i>Items that will be reclassified subsequently to the income statement:</i></b>					
Exchange rate adjustment of investment in foreign subsidiaries	7.4	3.9	3.9	(0.7)	(3.5)
Change in fair value of derivative financial instruments used as cash flow hedges	1.6	8.7	1.0	12.4	1.9
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:					
Transfer to revenue	1.4	1.9	2.4	0.4	6.3
Transfer to production costs	1.7	(1.1)	1.7	(0.3)	(0.5)
Income tax on items that will be reclassified to the income statement:	(1.0)	(2.2)	(1.1)	(2.9)	(1.7)
<b><i>Items that will not be reclassified subsequently to the income statement:</i></b>					
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	0.8
Income tax on items that will not be reclassified to the income statement:	-	-	-	-	(0.2)
<b>Other comprehensive income for the year, net of tax</b>	<b>11.1</b>	<b>11.2</b>	<b>7.9</b>	<b>8.9</b>	<b>3.1</b>
<b>Total comprehensive income for the year</b>	<b>33.8</b>	<b>0.7</b>	<b>(36.0)</b>	<b>(87.7)</b>	<b>(204.6)</b>

# CONSOLIDATED BALANCE SHEET

(DKK million)	Note	30/11/16	30/11/15	31/5/16
Goodwill		67.4	70.8	66.4
Acquired rights		6.6	7.7	6.1
Completed development projects		269.9	251.1	231.2
Development projects in progress		88.8	136.5	151.6
<b>Intangible assets</b>		<b>432.6</b>	<b>466.0</b>	<b>455.2</b>
Land and buildings		98.4	99.7	97.8
Plant and machinery		59.6	51.8	63.5
Other equipment		14.9	35.2	18.9
Leasehold improvements		19.8	47.4	21.8
Tangible assets in course of construction and prepayments for tangible assets		13.0	22.7	7.7
<b>Tangible assets</b>		<b>205.6</b>	<b>256.9</b>	<b>209.7</b>
<b>Investment property</b>		<b>16.2</b>	<b>17.2</b>	<b>16.5</b>
Investment in associates		-	5.9	-
Other financial receivables		31.1	120.2	30.6
<b>Financial assets</b>		<b>31.1</b>	<b>126.2</b>	<b>30.6</b>
<b>Deferred tax assets</b>		<b>227.7</b>	<b>201.7</b>	<b>209.0</b>
<b>Total non-current assets</b>		<b>913.3</b>	<b>1,067.9</b>	<b>921.0</b>
<b>Inventories</b>		<b>560.2</b>	<b>621.8</b>	<b>498.0</b>
Trade receivables		571.8	525.5	430.5
Other financial receivables		-	-	93.1
Corporation tax receivable		45.5	74.5	32.0
Other receivables		52.5	54.6	48.9
Prepayments		23.1	94.7	17.0
<b>Total receivables</b>		<b>692.8</b>	<b>749.3</b>	<b>621.4</b>
<b>Cash</b>		<b>876.3</b>	<b>877.1</b>	<b>788.5</b>
<b>Assets held for sale</b>	6	<b>2.9</b>	<b>72.6</b>	<b>2.9</b>
<b>Total current assets</b>		<b>2,132.2</b>	<b>2,320.8</b>	<b>1,910.8</b>
<b>Total assets</b>		<b>3,045.5</b>	<b>3,388.7</b>	<b>2,831.8</b>

# CONSOLIDATED BALANCE SHEET

(DKK million)	Note	30/11/16	30/11/15	31/5/16
Share capital		432.0	432.0	432.0
Translation reserve		25.0	20.5	21.1
Reserve for cash flow hedges		6.5	(1.2)	2.5
Retained earnings		1,222.7	1,384.9	1,269.3
<b>Total equity</b>		<b>1,686.1</b>	<b>1,836.2</b>	<b>1,724.9</b>
Pensions		14.9	16.4	14.8
Deferred tax		10.8	10.0	11.5
Provisions		45.3	44.9	43.4
Mortgage loans		175.2	185.4	181.1
Other non-current liabilities		1.8	1.7	1.1
Deferred income		129.7	145.7	136.7
<b>Total non-current liabilities</b>		<b>377.7</b>	<b>404.2</b>	<b>388.6</b>
Mortgage loans		8.5	8.4	8.5
Provisions		24.8	25.6	24.8
Trade payables		571.0	720.2	365.4
Corporation tax payable		45.1	63.6	9.3
Other liabilities		301.5	237.0	270.5
Deferred income		30.7	69.3	39.8
<b>Other current liabilities</b>		<b>981.7</b>	<b>1,124.2</b>	<b>718.3</b>
<b>Liabilities associated with assets held for sale</b>	6	-	24.2	-
<b>Total liabilities</b>		<b>1,359.4</b>	<b>1,552.5</b>	<b>1,106.9</b>
<b>Total equity and liabilities</b>		<b>3,045.5</b>	<b>3,388.7</b>	<b>2,831.8</b>

# CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2nd quarter		YTD		FY
		2016/17	2015/16	2016/17	2015/16	2015/16
Earnings for the year						
- continuing operations		22.8	(19.5)	(43.9)	(111.7)	(197.8)
Earnings for the year						
- discontinued operations		-	9.0	-	15.1	(9.9)
Amortisation, depreciation and impairment losses		74.5	58.4	123.2	120.7	248.4
Adjustments for non-cash items	4	34.1	9.0	11.9	(9.5)	(9.1)
Change in receivables		(232.1)	(147.5)	(151.0)	(113.9)	64.9
Change in inventories		(34.2)	(94.3)	(62.2)	(91.0)	30.2
Change in trade payables etc		247.0	320.7	227.6	210.2	(127.7)
<b>Cash flow from operations</b>		<b>111.9</b>	<b>135.8</b>	<b>105.5</b>	<b>19.9</b>	<b>(0.8)</b>
Interest received and paid, net		(1.0)	(3.5)	0.4	(5.7)	(9.3)
Income tax paid		(1.7)	5.4	(3.1)	4.8	5.1
<b>Cash flow from operating activities</b>		<b>109.3</b>	<b>137.8</b>	<b>102.8</b>	<b>19.1</b>	<b>(5.0)</b>
Purchase of intangible non-current assets		(42.8)	(52.7)	(69.4)	(86.1)	(165.8)
Purchase of tangible non-current assets		(26.5)	(25.7)	(29.6)	(41.3)	(46.0)
Sales of tangible non-current assets		-	-	2.6	-	1.7
Proceeds from sale of associated companies		-	-	-	-	5.5
Proceeds from sale of businesses		-	-	-	-	23.0
Change in financial receivables		91.5	3.4	92.6	3.1	-
<b>Cash flow from investing activities</b>		<b>22.2</b>	<b>(75.0)</b>	<b>(3.7)</b>	<b>(124.3)</b>	<b>(181.6)</b>
<b>Free cash flow</b>		<b>131.5</b>	<b>62.8</b>	<b>99.1</b>	<b>(105.2)</b>	<b>(186.7)</b>
Repayment of long-term loans		(2.2)	(2.1)	(6.0)	(215.7)	(219.8)
Settlement of share options		(3.7)	-	(5.3)	-	(3.0)
<b>Cash flow from financing activities</b>		<b>(5.9)</b>	<b>(2.1)</b>	<b>(11.3)</b>	<b>(215.7)</b>	<b>(222.8)</b>
<b>Change in cash and cash equivalents</b>		<b>125.7</b>	<b>60.7</b>	<b>87.8</b>	<b>(320.9)</b>	<b>(409.5)</b>
Cash and cash equivalents, opening balance		750.6	816.3	788.5	1,198.0	1,198.0
<b>Cash and cash equivalents, closing balance</b>		<b>876.3</b>	<b>877.1</b>	<b>876.3</b>	<b>877.1</b>	<b>788.5</b>
<b>Cash and cash equivalents:</b>						
Cash		876.3	877.1	876.3	877.1	788.5
<b>Cash and cash equivalents, closing balance</b>		<b>876.3</b>	<b>877.1</b>	<b>876.3</b>	<b>877.1</b>	<b>788.5</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	30/11/16	30/11/15	31/5/16
<b>Equity, opening balance</b>	<b>1,724.9</b>	<b>1,921.4</b>	<b>1,921.4</b>
Earnings for the period	(43.9)	(96.6)	(207.7)
Other comprehensive income, net of tax	7.9	8.9	3.1
Comprehensive income for the period	(36.0)	(87.7)	(204.6)
Grant of share options	2.5	2.5	11.1
Settlement of share options	(5.3)	-	(3.0)
<b>Equity, closing balance</b>	<b>1,686.1</b>	<b>1,836.2</b>	<b>1,724.9</b>

# 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 accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2015/16 Annual Report.

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 AND EBITDAC

(DKK million)	2nd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Incurring development costs before capitalisation	83.9	76.0	150.9	137.5	302.1
Hereof capitalised	(41.3)	(48.0)	(68.0)	(78.5)	(152.0)
Incurring development costs after capitalisation	42.5	28.0	82.9	59.0	150.1
Capitalisation (%)	49.3%	63.2%	45.1%	57.1%	50.3%
Total charges and impairment losses on development projects	57.1	45.9	92.1	86.4	164.7
<b>Development costs recognised in the consolidated income statement</b>	<b>99.7</b>	<b>73.9</b>	<b>175.0</b>	<b>145.4</b>	<b>314.8</b>
EBITDA	111.2	27.4	71.2	(15.0)	46.2
Capitalised development costs	(41.3)	(48.0)	(68.0)	(78.5)	(152.0)
<b>EBITDAC</b>	<b>69.9</b>	<b>(20.5)</b>	<b>3.2</b>	<b>(93.5)</b>	<b>(105.8)</b>

## NOTES

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

(DKK million)	2nd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Change in other liabilities	0.2	0.8	(4.2)	(2.5)	(18.7)
Financial items, net	5.2	(7.4)	3.9	6.1	38.9
Result of investments in associates after tax	-	-	-	-	0.4
Gain/loss on sale of non-current assets	-	(0.1)	(2.5)	0.3	(4.1)
Gain/loss on sale of business	-	-	-	-	39.0
Tax on earnings for the year	8.8	(1.1)	(12.0)	(25.3)	(36.4)
Other adjustments	19.8	16.8	26.6	11.9	(28.3)
<b>Total adjustments</b>	<b>34.1</b>	<b>9.0</b>	<b>11.9</b>	<b>(9.5)</b>	<b>(9.1)</b>

## 5 SEGMENT INFORMATION

(DKK million)	2nd quarter		Reported change %	Local currency change %
	2016/17	2015/16		
<b>Revenue by segment and business area</b>				
Bang & Olufsen	495.9	402.5	23	26
B&O PLAY	371.2	326.1	14	16
<b>Total</b>	<b>867.1</b>	<b>728.6</b>	<b>19</b>	<b>22</b>
<b>Gross margin by business area, %</b>				
Bang & Olufsen	45.5%	42.2%		
B&O PLAY	35.6%	32.6%		
<b>Gross margin %, Group</b>	<b>41.2%</b>	<b>37.9%</b>		

In the Management Review gross margin for 2015/16 has been adjusted to underlying business. 2015/16 included DKK 19 million (DKK 7 million in Q2) of costs previously allocated to Automotive.

**Revenue by region**

	2016/17	2015/16	Reported change %	Local currency change %
Europe	505.1	494.6	2	5
North America	110.5	48.4	129	128
Greater China	124.9	73.7	70	83
Rest of World	126.5	112.0	13	13
<b>Total</b>	<b>867.1</b>	<b>728.6</b>	<b>19</b>	<b>22</b>

**Revenue by channel**

	2016/17	2015/16	Reported change %	Local currency change %
B1 and shop-in-shop distribution	613.1	542.1	13	
3rd party distribution and e-commerce	254.0	186.5	36	
<b>Total</b>	<b>867.1</b>	<b>728.6</b>	<b>19</b>	

## NOTES

## 5 SEGMENT INFORMATION - CONTINUED

(DKK million)	YTD		Reported change %	Local currency change %
	2016/17	2015/16		
<b>Revenue by segment and business area</b>				
Bang & Olufsen	782.7	745.8	5	7
B&O PLAY	599.9	488.9	23	26
<b>Total</b>	<b>1,382.6</b>	<b>1,234.6</b>	<b>12</b>	<b>15</b>
<b>Gross margin by business area, %</b>				
Bang & Olufsen	41.0%	37.8%		
B&O PLAY	34.8%	30.0%		
<b>Gross margin %, Group</b>	<b>38.3%</b>	<b>34.7%</b>		
<b>Revenue by region</b>				
Europe	815.6	804.1	1	4
North America	162.8	117.3	39	39
Greater China	202.5	138.6	46	57
Rest of World	201.6	174.7	15	15
<b>Total</b>	<b>1,382.6</b>	<b>1,234.6</b>	<b>12</b>	<b>15</b>
<b>Revenue by channel</b>				
B1 and shop-in-shop distribution	981.9	952.9	3	
3rd party distribution and e-commerce	400.6	281.7	42	
<b>Total</b>	<b>1,382.6</b>	<b>1,234.6</b>	<b>12</b>	

## NOTES

## 6 DISCONTINUED OPERATIONS

(DKK million)	2nd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
Revenue	-	29.2	-	51.5	94.0
Expenses	-	(17.4)	-	(31.7)	(57.5)
<b>Earnings before tax</b>	-	<b>11.8</b>	-	<b>19.8</b>	<b>36.5</b>
Tax	-	(2.8)	-	(4.7)	(7.4)
<b>Earnings for the year discontinued operations</b>	-	<b>9.0</b>	-	<b>15.1</b>	<b>29.1</b>
Gains/losses on sale of assets and businesses	-	-	-	-	39.0
Tax	-	-	-	-	-
<b>Gains/losses on sale of assets and businesses after tax</b>	-	-	-	-	<b>39.0</b>
Earnings per share of discontinued operations	-	0.2	-	0.3	(0.2)
Diluted earnings per share of discontinued operations	-	0.2	-	0.3	(0.2)
Cash flow from operating activities	-	22.0	-	33.8	52.6
Cash flow used for investing activities	-	(2.7)	-	(5.5)	13.4
Cash flow from financing activities	-	-	-	-	-
<b>Net cash flow from discontinued operations</b>	-	<b>19.3</b>	-	<b>28.3</b>	<b>66.0</b>

(DKK million)	2nd quarter		YTD		FY
	2016/17	2015/16	2016/17	2015/16	2015/16
<b>Balance sheet items comprise:</b>					
Development projects	-	39.9	-	39.9	-
Plant & machinery	2.9	0.2	2.9	0.2	2.9
Other equipment and assets under construction	-	1.1	-	1.1	-
Inventories	-	11.4	-	11.4	-
Trade receivables	-	14.4	-	14.4	-
Other receivables	-	3.5	-	3.5	-
Prepayments	-	1.9	-	1.9	-
Cash	-	0.2	-	0.2	-
<b>Assets held for sale</b>	<b>2.9</b>	<b>72.6</b>	<b>2.9</b>	<b>72.6</b>	<b>2.9</b>
Trade payables	-	10.3	-	10.3	-
Provisions	-	2.8	-	2.8	-
Corporation tax payable	-	6.9	-	6.9	-
Other liabilities	-	4.2	-	4.2	-
<b>Liabilities associated with assets held for sale</b>	-	<b>24.2</b>	-	<b>24.2</b>	-

# APPENDIX 1

## Earnings by quarter 2016/17:

(DKK million)	2016/17			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>515.5</b>	<b>867.1</b>		
Production costs	(343.1)	(509.5)		
<b>Gross profit</b>	<b>172.4</b>	<b>357.6</b>		
Development costs	(75.3)	(99.7)		
Distribution and marketing costs	(163.0)	(206.1)		
Administration costs	(22.7)	(24.0)		
Other operating income, net	-	8.8		
<b>Earnings before interest and tax (EBIT)</b>	<b>(88.7)</b>	<b>36.7</b>		
Share of result after tax in associated companies	-	-		
Financial income	1.6	0.7		
Financial expenses	(0.2)	(6.0)		
Financial items, net	1.3	(5.3)		
<b>Earnings before tax (EBT)</b>	<b>(87.3)</b>	<b>31.5</b>		
Income tax	20.8	(8.8)		
Earnings for the year - continued operations	(66.5)	22.7		
Earnings for the year - discontinued operations	-	-		
<b>Earnings for the year</b>	<b>(66.5)</b>	<b>22.7</b>		

## Accumulated earnings by quarter 2016/17:

(DKK million)	2016/17			
	3M	6M	9M	12M
<b>Revenue</b>	<b>515.5</b>	<b>1,382.6</b>		
Production costs	(343.1)	(852.5)		
<b>Gross profit</b>	<b>172.4</b>	<b>530.0</b>		
Development costs	(75.3)	(175.0)		
Distribution and marketing costs	(163.0)	(369.1)		
Administration costs	(22.7)	(46.7)		
Other operating income, net	-	8.8		
<b>Earnings before interest and tax (EBIT)</b>	<b>(8.7)</b>	<b>(52.0)</b>		
Share of result after tax in associated companies	-	-		
Financial income	1.6	2.2		
Financial expenses	(0.2)	(6.2)		
Financial items, net	1.3	(3.9)		
<b>Earnings before tax (EBT)</b>	<b>(87.3)</b>	<b>(55.9)</b>		
Income tax	20.8	12.0		
Earnings for the year - continued operations	(66.5)	(43.9)		
Earnings for the year - discontinued operations	-	-		
<b>Earnings for the year</b>	<b>(66.5)</b>	<b>(43.9)</b>		

## APPENDIX 1

## Earnings by quarter 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
<b>Revenue</b>	<b>506.0</b>	<b>728.6</b>	<b>702.6</b>	<b>696.1</b>
Production costs	(353.5)	(452.4)	(442.5)	(433.1)
<b>Gross profit</b>	<b>152.5</b>	<b>276.2</b>	<b>260.1</b>	<b>263.1</b>
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	-
<b>Earnings before interest and tax (EBIT)</b>	<b>(104.7)</b>	<b>(30.9)</b>	<b>5.0</b>	<b>(71.6)</b>
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	<b>(19.3)</b>	(13.5)
<b>Earnings before tax (EBT)</b>	<b>(118.3)</b>	<b>(23.3)</b>	<b>(14.4)</b>	<b>(85.5)</b>
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)
<b>Earnings for the year</b>	<b>(86.1)</b>	<b>(10.5)</b>	<b>(1.2)</b>	<b>(109.8)</b>

## Accumulated earnings by quarter 2015/16:

(DKK million)	2015/16			
	3M	6M	9M	12M
<b>Revenue</b>	<b>506.0</b>	<b>1,234.6</b>	<b>1,937.2</b>	<b>2,633.4</b>
Production costs	(353.5)	(805.9)	(1,248.4)	(1,681.5)
<b>Gross profit</b>	<b>152.5</b>	<b>428.7</b>	<b>688.8</b>	<b>951.9</b>
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
<b>Earnings before interest and tax (EBIT)</b>	<b>(104.7)</b>	<b>(135.6)</b>	<b>(130.6)</b>	<b>(202.2)</b>
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)	<b>(25.4)</b>	(38.9)
<b>Earnings before tax (EBT)</b>	<b>(118.3)</b>	<b>(141.6)</b>	<b>(156.0)</b>	<b>(241.6)</b>
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)
<b>Earnings for the year</b>	<b>(86.1)</b>	<b>(96.6)</b>	<b>(97.8)</b>	<b>(207.7)</b>

## APPENDIX 2

### Revenue by region 2015/16:

(DKK million)	2015/16			
	Q1	Q2	Q3	Q4
Europe	309.5	494.6	464.5	400.1
North America	68.9	48.4	50.6	46.2
Greater China*	64.8	73.7	73.1	81.8
Rest of World	62.8	112.0	114.4	168.0
<b>Total</b>	<b>506.0</b>	<b>728.6</b>	<b>702.6</b>	<b>696.1</b>

(DKK million)	2015/16			
	3M	6M	9M	12M
Europe	309.5	804.1	1,268.5	1,668.7
North America	68.9	117.3	167.9	214.1
Greater China*	64.8	138.6	211.7	293.5
Rest of World	62.8	174.7	289.1	457.1
<b>Total</b>	<b>506.0</b>	<b>1,234.6</b>	<b>1,937.2</b>	<b>2,633.4</b>

\*The Greater China region comprises China, Taiwan and Hong Kong



# ADDITIONAL INFORMATION

## For further information please contact:

CEO, Henrik Clausen, tel.: +45 9684 5000

CFO, Anders Aakær Jensen, tel.: +45 9684 5000

Investors, Claus Højmark Jensen, tel.: +45 2325 1067

Press, Morten Juhl Madsen, tel.: +45 4030 8986

## Financial calendar

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### Financial statements

7 April 2017	Interim report (Third quarter 2016/17)
10 August 2017	Annual report 2016/17
4 October 2017	Interim report (First 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 in the car and on the move.

For additional information, please refer to [www.bang-olufsen.com](http://www.bang-olufsen.com).