



BANG & OLUFSEN
INTERIM REPORT Q1 2016/17
4 October 2016

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HIGHLIGHTS

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QUESTIONS AND ANSWERS

HIGHLIGHTS

- The group realised a moderate revenue growth of 2 per cent
- EBITDAC was negative DKK 67 million in the quarter compared to negative DKK 50 million last year
- Free cash flow was negative DKK 32 million compared to negative DKK 168 million last year
- The outlook for 2016/17 remains unchanged
- Launch of exciting new products including two new Bang & Olufsen TV models
- HARMAN and Ford Motor Company collaboration entails Ford offering B&O PLAY audio solutions for Ford vehicles



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STRONG TV PORTFOLIO AFTER LAUNCH OF TWO NEW TV MODELS



BeoVision Avant

- Sizes: 55", 75" & 85"



BeoVision 14

- Sizes: 40" & 55"



BeoVision Horizon

- Sizes: 40" & 48"

BEOSOUND 1 AND BEOSOUND 2

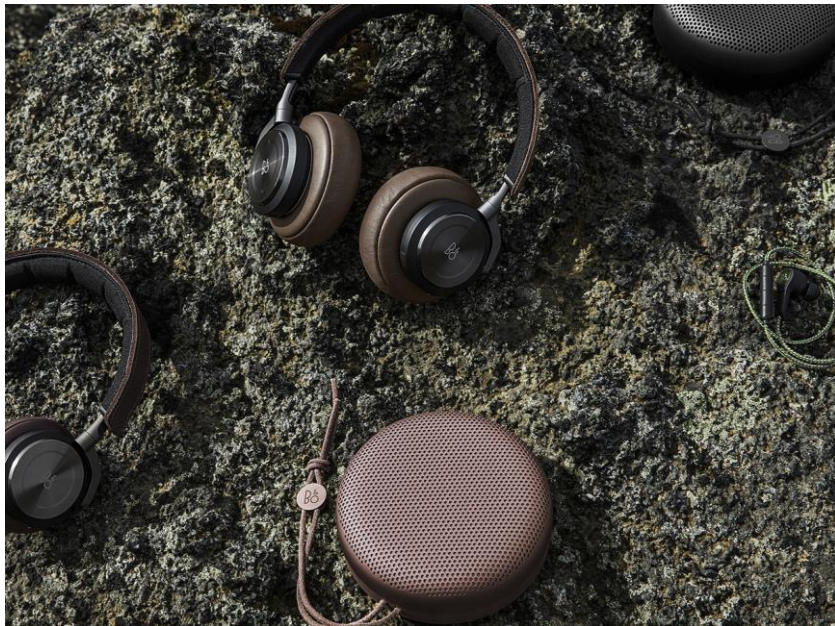


Wireless speaker systems

- New family of wireless speaker systems in the Bang & Olufsen segment comprising the BeoSound 1 and BeoSound 2 models
- User-friendly and with multiple connection and placement options. Designed in aluminium and with an acoustic lens in the top
- Suitable for incorporation into a wireless BeoLink Multiroom system
- BeoSound 1 is already in Bang & Olufsen stores and will be joined by BeoSound 2 later this autumn

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BEOPPLAY AUTUMN/WINTER 2016 COLLECTION



New B&O PLAY product updates

- During September, B&O PLAY launched the Beoplay Autumn/Winter Collection 2016
- A limited edition range of premium speakers, headphones and the latest wireless earphones inspired by the colours found in the Nordic nature
- Beoplay Autumn/Winter Collection 2016 includes:
 - Beoplay A1 and Beoplay H8 Deep Red
 - Beoplay A1 Black
 - Beoplay H5 and Beoplay A6 Cover Moss Green
 - Beoplay H7 Cocoa Brown

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HARMAN INTRODUCES B&O PLAY AUDIO SYSTEMS IN FORD VEHICLES



- Ford Motor Company offering B&O PLAY branded audio systems for the automaker's vehicle lineup worldwide
- B&O PLAY debuts in Ford vehicles globally starting next year, and is an exclusive agreement between Ford and HARMAN
- The B&O PLAY audio systems for Ford will offer model-specific tuning and calibrations to elevate the music experience
- No financial impact in the 2016/17 financial year

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FINANCIAL HIGHLIGHTS FOR THE FIRST QUARTER

Key financial figures

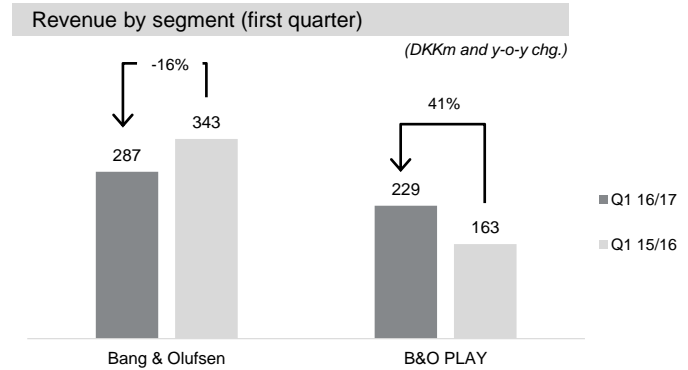
DKK million	1st quarter	
	16/17	15/16
Revenue	515	506
Gross profit	172	153
EBIT	-89	-105
EBIT (underlying business)	-89	-82
EBT	-87	-118
Earnings after tax (cont. busi.)	-67	-92
Earnings after tax (disc. busi.)	0	6
Earnings	-67	-86
Gross margin, %	33.4	30.1
Gross margin, % (underlying bus	33.4	32.5
Net working capital	285	338
Free cash flow	-32.5	-168

- Revenue increased from DKK 506 million last year to DKK 515 million, corresponding to a growth of 2 per cent
- The Group's gross margin improved slightly compared to last year. The margin in the Bang & Olufsen segment declined, whereas the margin in B&O PLAY improved from 26.1 per cent to 33.6 per cent driven by higher volumes and continued supply chain optimisations
- EBITDAC were negative DKK 67 million compared to negative DKK 50 million last year. The postponed launches in the Bang & Olufsen segment, adversely impacted the profitability and resulted in a lower EBITDAC than last year
- Free cash flow was negative DKK 32 million compared to negative DKK 168 million last year. The improvement was mainly driven by improved net working capital

REVENUE GROWTH DRIVEN BY B&O PLAY

Growth in B&O PLAY, but a decline in Bang & Olufsen

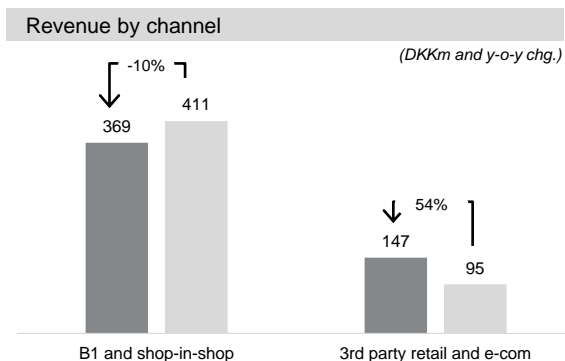
- Bang & Olufsen revenue declined by 16 per cent in the quarter. The decline was expected and due to the postponed launch of new TV products
- B&O PLAY revenue grew by 41 per cent in the quarter. The main growth contributors were newly introduced products such as Beoplay A1 and Beoplay H5 as well as continued expansion of the distribution



GROWTH IN THE FIRST QUARTER DRIVEN BY THIRD PARTY RETAIL

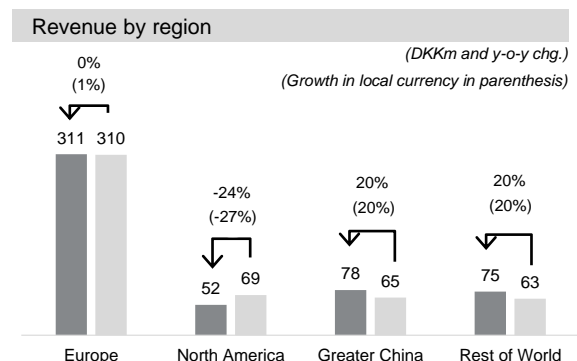
Growth in TPR offset by a decline in B1 and SiS

- Growth was primarily driven by the third party retail and e-com channel, which grew by 54 per cent, where continuous strong demand for newly launched products contributed to the strong growth
- Revenue in the B1 and shop-in-shop channel declined by 10 per cent, mainly due to the postponed launch of new TV products



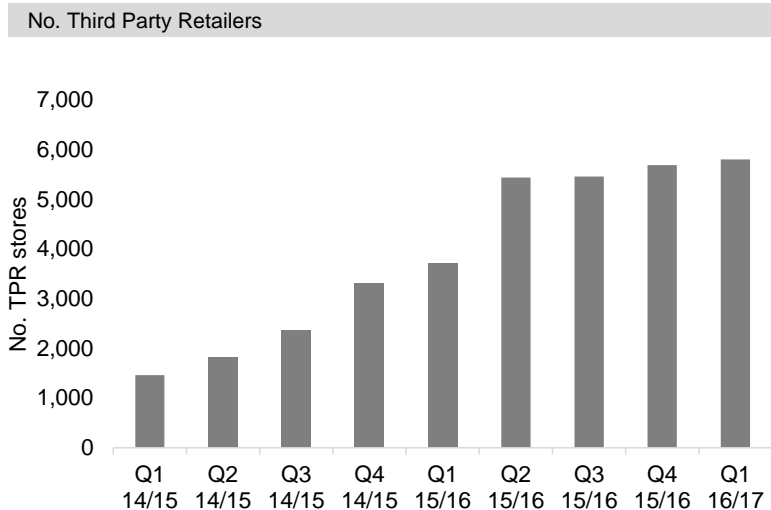
Greater China and Rest of World drove growth

- Greater China and Rest of World revenue increased, mainly driven by continued growth in B&O PLAY sales
- Revenue in Europe was on par with last year. B&O PLAY continued to grow, but a decline in revenue from Bang & Olufsen branded products resulted in a flat development
- The revenue decline in North America was mainly related to restructuring of the retail network



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A SOLID PIPELINE OF NEW TPR STORES



Solid pipeline of new TPR store openings

- The quarter over quarter increase has been modest the past four quarters
- Focus has been to consolidate and strengthen existing partners
- New products, such as the Beoplay A1, has created new opportunities for additional TPR stores
- Pipeline of up to 2,000 new doors over the coming 12 months
- We continue to see a potential for approximately 10,000 Third Party Retail stores for B&O PLAY

GROUP GROSS MARGIN IMPROVED TO 33.4 PER CENT

Gross margin

%	1st quarter	
	16/17	15/16
Bang & Olufsen	33.3	32.7
B&O PLAY	33.6	24.8
Group	33.4	30.1

Gross margin, underlying business

%	1st quarter	
	16/17	15/16
Bang & Olufsen	33.3	35.6
B&O PLAY	33.6	26.1
Group	33.4	32.5

Low gross margin in the seasonally small first quarter

- The Group's gross margin was 33.4 per cent in the first quarter compared to 32.5 per cent last year
- The gross margin in the Bang & Olufsen segment was 33.3 per cent compared to 35.6 per cent last year. The decline was mainly due to low revenue resulting in a low indirect capacity cost absorption in the quarter
- The gross margin for the B&O PLAY segment was 33.6 per cent against a gross margin of 26.1 per cent last year. The increase was driven by higher volumes and continued supply chain optimisations

INCREASE IN CAPACITY COSTS IN THE QUARTER

Capacity costs were DKK 13 million higher than last year

- The capacity costs were DKK 261 million compared to DKK 248 million last year
- The increase was driven by continued investments in the sales and marketing of newly launched products in Bang & Olufsen and B&O PLAY

Capacity costs

DKK million	1st quarter	
	16/17	15/16
Development	75	72
Dist. and marketing	163	166
Administration	23	20
Total cap. costs	261	258
Total cap. costs underlying	261	248

Continued investments in product development

- The Group continues to invest in the development of new products. Development costs were DKK 67 million against DKK 62 million last year
- Strong pipeline of new products in both the Bang & Olufsen and B&O PLAY segments

Development costs

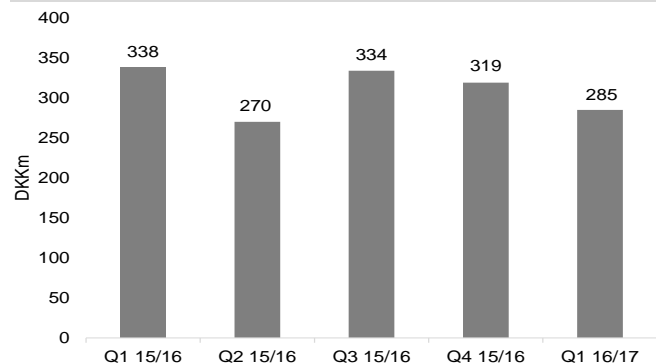
DKK million	1st quarter	
	16/17	15/16
Incurred development costs before capitalization	67	62
Net effect of capitalizations and amortisations	-27	-31
Development costs in P&L	40	31
Capitalization (%)	39.8%	49.6%

NET WORKING CAPITAL DECREASED IN THE QUARTER

Net working capital decreased driven by trade receivables

- The net working capital was DKK 285 million compared to DKK 338 million last year
- The improvement was mainly driven by a positive impact from the development in both payables as well as receivables

Net working capital by quarter



Negative free cash flow in the quarter

- Free cash flow was negative DKK 32 million compared to negative DKK 168 million last year, corresponding to an increase of DKK 136 million. The improvement was mainly related to an improved net working capital

Cash Flow

DKK million	1st quarter	
	16/17	15/16
Earnings for the period	-67	-86
Net working capital related	34	-74
Other	26	41
Cash flow from oper. activities	-7	-119
Cash flow from investing activities	-26	-49
Free Cash Flow	-32	-168

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- Group revenue is expected to grow, compared to 2015/16
 - B&O PLAY is expected to be the main growth driver, with double digit growth.
 - In the Bang & Olufsen segment, the revenue decline realized in first quarter is expected to turn into moderate growth for the full financial year
- EBITDAC is expected to increase, compared to the underlying amount of DKK 14 million in 2015/16
- Bang & Olufsen will incur higher depreciations of the current TV product portfolio as well as lower capitalisations during the 2016/17 financial year.

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Q&A

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