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INTERIM REPORT FOR THE THIRD QUARTER OF THE 2013/14 FINANCIAL YEAR
11 APRIL 2014

...n...
...lye...
Vi glæder os til at byde dig
velkommen den 31. JANUAR.

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AGENDA

THIRD QUARTER HIGHLIGHTS – Tue Mantoni, CEO

FINANCIAL RESULTS – Henning Bejer Beck, CFO

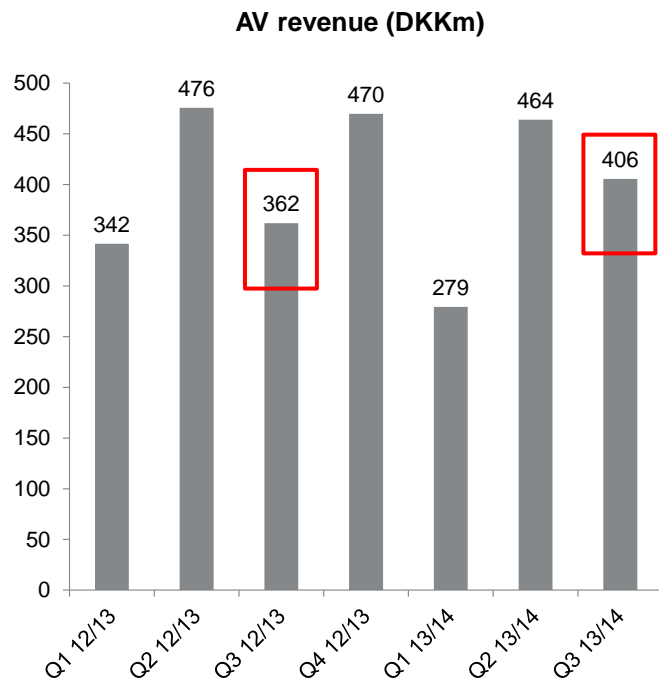
EXPECTATIONS TO THE 2013/14 FINANCIAL YEAR – Tue Mantoni, CEO

Q&A

HIGHLIGHTS FOR THE THIRD QUARTER OF 2013/14

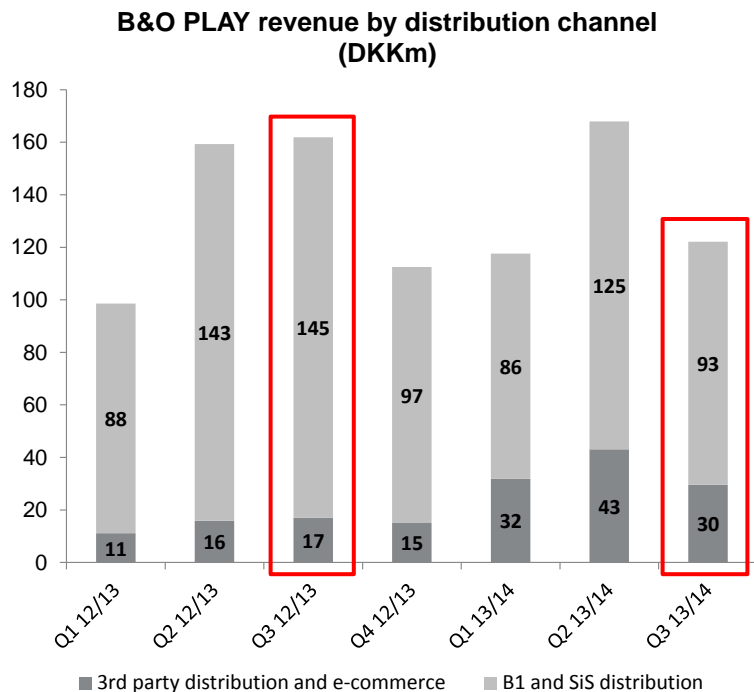
- Group revenue increased by 3 per cent in the third quarter compared to the same quarter last year
- There are signs of improvement in the European business, driven by strong demand for the newly launched speakers in particular and AV products in general
- B&O PLAY revenue saw a set-back due to the focus on AV activities in the B1 stores and a too low level of new product introductions
- The gross margin increased to 42.7 per cent in the third quarter compared to 34.9 per cent in the same quarter last year
- EBIT improved to negative DKK 28 million from negative DKK 114 million in the same quarter last year
- The free cash flow was DKK 94 million in the third quarter. It was positively impacted by DKK 79 million from the sale and lease-back of the land and production facilities in the Czech Republic
- Expectations for the 2013/14 financial year are unchanged

AV SHOWS SIGNS OF IMPROVEMENT



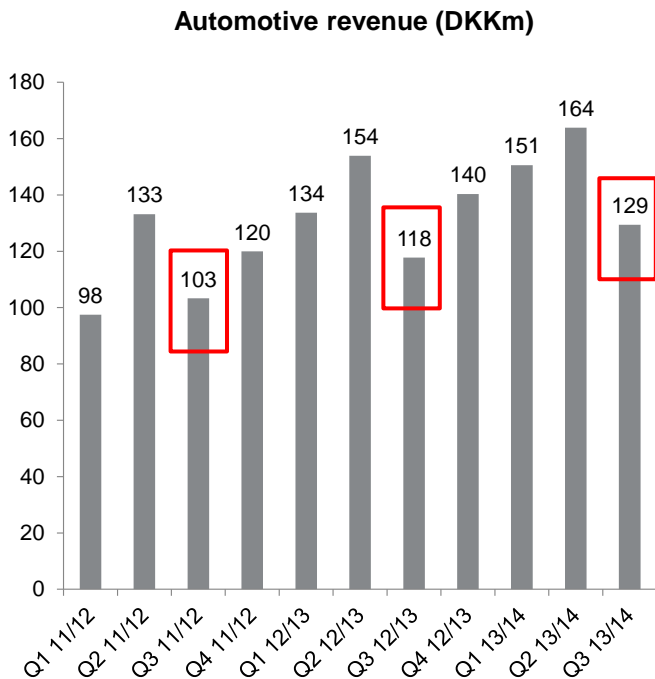
- Revenue in the AV segment was DKK 406 million in the third quarter of the 2013/14 financial year, compared to DKK 362 million last year. This corresponds to an increase of 12 per cent
- The AV growth was driven by a 17 per cent growth in Europe. This was despite the closing of 140 stores in Europe in the last 12 months
- The growth was driven by increased demand for the newly launched speaker products, especially the BeoLab 18, as well as a strong demand across the AV product range

B&O PLAY SET-BACK IN THE B1/SIS DISTRIBUTION CHANNEL



- B&O PLAY revenue declined by 25 per cent in the quarter. The decline in revenue through the B1/SiS sales channel is mainly attributable to:
 - DKK 25 million build-up of inventory in BRIC in the third quarter last year
 - Activities in the quarter focused on promoting and launching new AV products
 - Too little new product activity in B&O PLAY
- Revenue in third party distribution and e-commerce increased to DKK 30 million in the third quarter from DKK 17 million in the same quarter last year.

STRONG AUTOMOTIVE PERFORMANCE CONTINUES



- Revenue in the Automotive segment was DKK 129 million in the third quarter of the 2013/14 financial year compared to DKK 118 million last year. This corresponds to an increase of 10 per cent. The third quarter is a seasonally low revenue quarter
- In March, Automotive announced new sound systems for the Audi TT and the Aston Martin V8 Vantage N430



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FLAGSHIP STORE OPENING IN HERNING, DENMARK



Partner owned store in Herning, Denmark

- On 31 January a strong partner, Kenneth Koed Lauritzen, opened a 450 m2 store in the city center of Herning, Denmark
- The store was the first store built from the ground with Bang & Olufsen's new store concept
- Innovative technological solutions create magical and unique experiences for customers, both inside and outside the store
- Another 8 stores are expected to open in Europe in the 2013/14 financial year and the pipeline of new store openings is beginning to show signs of stronger momentum

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INCOME STATEMENT

Consolidated income statement						
DKK million	3rd quarter			YTD		
	13/14	12/13	Index	13/14	12/13	Index
Revenue	675	655	103	2,063	2,074	99
Gross profit	288	228	126	866	831	104
EBIT	-28	-114	25	-61	-149	41
EBT	-37	-125	30	-88	-167	53
Earnings after tax	-32	-91	35	-77	-122	63
Gross margin, %	42.7	34.9	122	42.0	40.1	105
EBIT margin, %	-4.1	-17.5	-	-3.0	-7.2	42
Capitalised dev.	-36	-61	58	-183	-174	105
Amort. of dev. projects	59	56	106	178	158	112
Other depreciation	15	29	51	76	86	89
EBITDAC	11	-91	-	10	-80	-

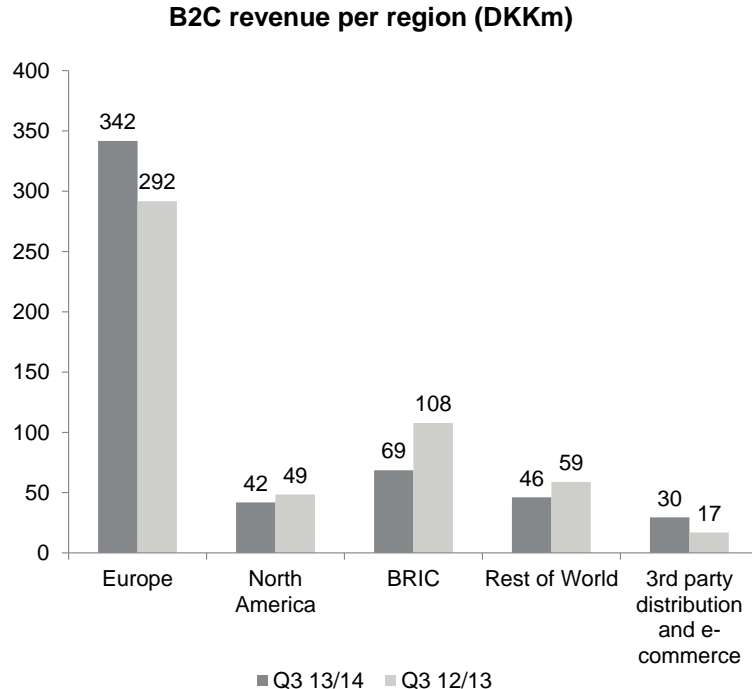
- Revenue increased by 3 per cent in the third quarter compared to the same quarter last year. Same-store-sales growth in the quarter was 21 per cent for B1 stores and 11 per cent for shop-in-shops
- The gross margin was 42.7 per cent compared to 34.9 per cent in the same quarter last year. The third quarter last year was adversely affected by indirect production costs, due to the reduction of inventory. The improved gross margin is also a result of higher margins on new products in both the AV and the B&O PLAY segments
- EBITDAC improved to DKK 11 million from negative DKK 91 million in the same quarter last year
- EBIT in the third quarter was positively impacted by approximately by DKK 11 million from the sale and leaseback of the land and buildings in the Czech Republic

REVENUE

Revenue						
DKK million	3rd quarter			YTD		
	13/14	12/13	Index	13/14	12/13	Index
AV	406	362	112	1,149	1,179	97
B&O PLAY	122	162	75	408	420	97
B2C	528	524	101	1,557	1,599	97
Automotive	129	118	110	444	405	109
ICEpower	23	13	171	75	68	111
B2B	152	131	116	519	473	110
Other	-6	0	-	-13	2	-
Group	674	655	103	2,063	2,074	99

- AV revenue grew by 12 per cent in the quarter, which was the first quarter with positive growth in AV since the fourth quarter 2011/12 (which showed a modest 0.3 per cent growth)
- B&O PLAY revenue declined by 25 per cent in the quarter. The decline in revenue through the B1/SiS sales channel is mainly attributable to:
 - DKK 25 million build-up of inventory in BRIC in the third quarter last year
 - Activities in the quarter focused on promoting and launching new AV products
 - Too little new product activity in B&O PLAY
- Automotive revenue grew by 10 per cent, driven by a combination of an increased number of car models as well as sales and marketing campaigns targeted at increasing take-rates

REVENUE PER REGION, B2C BUSINESS



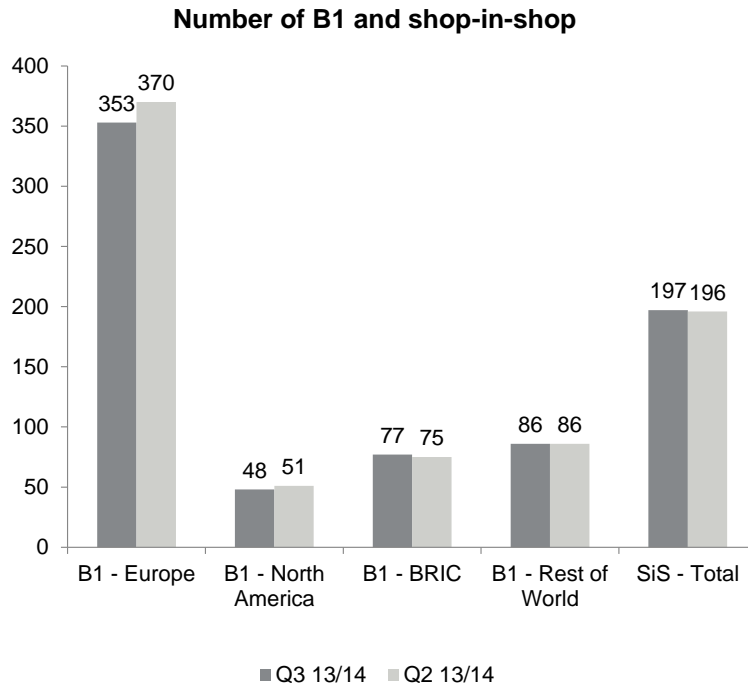
- Europe grew by 17 per cent in the quarter, which was driven by strong demand for newly launched speaker products, especially the BeoLab 18, as well as a general strong demand across the AV product range
- North America declined by 14 per cent in the quarter. The revenue was adversely affected by the relocation of a few major stores
- BRIC revenue declined by 36 per cent in the quarter. Revenue in the third quarter last year was positively affected by DKK 25 million in build up of inventory to the dedicated B&O PLAY shop-in-shops
- Third party distribution and e-commerce continue to show a strong year-on-year growth

GROSS MARGIN

Gross margin						
%	3rd quarter			YTD		
	13/14	12/13	Chg.	13/14	12/13	Chg.
AV	45.4	35.1	10.3	46.5	44.2	2.3
B&O PLAY	33.7	30.1	3.6	32.1	29.1	3.0
Automotive	38.8	36.1	2.7	36.1	36.2	-0.1
ICEpower	53.2	48.3	4.9	54.3	53.3	1.0
Group	42.7	34.9	7.8	42.0	40.1	1.9

- The gross margin in AV was 45.4 per cent compared to 35.1 per cent last year. The gross margin was positively affected by higher margins on new products as well as the above mentioned effect from indirect production costs
- The gross margin in B&O PLAY was 33.7 per cent compared to 30.1 per cent last year. The increase was driven mainly by a change in product mix
- The gross margin in Automotive was 38.8 per cent compared to 36.1 per cent last year. The increase was due to a change in mix between the premium and the advanced sound systems

DISTRIBUTION DEVELOPMENT



- There was a net reduction of stores in Europe of 17 shops, which was comprised of 1 opening and 18 closures
- The number of stores increased by 2 in the BRIC markets, comprised of 4 openings and 2 closures
- In North America 3 B1 stores were closed. In Rest of World the number of stores was unchanged compared to the second quarter of the financial year
- The number of shop-in-shops increased to 197 from 196 in the previous quarter, driven by an increase in dedicated B&O PLAY shop-in-shops. This includes 48 dedicated B&O PLAY shop-in-shops in China

CAPACITY COSTS

Capacity costs						
DKK million	3rd quarter			YTD		
	13/14	12/13	Index	13/14	12/13	Index
Development	-98	-119	82	-295	-348	85
Dist. and marketing	-208	-202	103	-579	-568	102
Administration	-10	-22	47	-54	-64	84
Total cap. costs	-315	-343	92	-927	-981	95

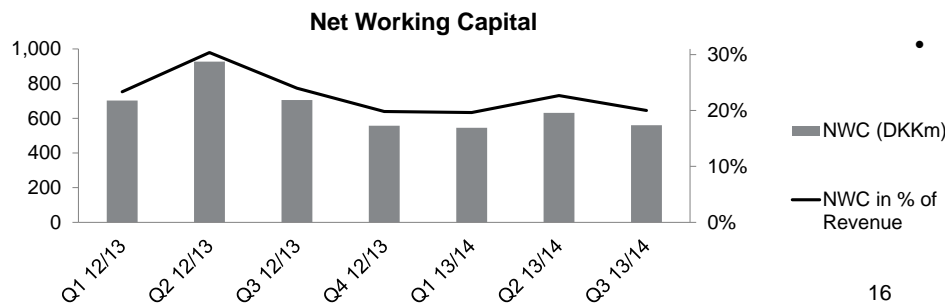
- Capacity costs decreased to DKK 315 million from DKK 343 million in the same quarter last year
- Development costs were DKK 98 million in the third quarter compared to DKK 119 million in the same quarter last year. The capitalization rate was 48 per cent in the quarter compared to 49 per cent in the same quarter last year
- Distribution and marketing costs increased by 3 per cent to DKK 208 million compared to DKK 202 million in the same quarter last year, due to increased marketing spend on newly launched products and a generally high level of marketing activities during the high-season
- Administration costs decreased to DKK 10 million from DKK 22 million in the same quarter last year. The administration costs were positively impacted by approximately DKK 11 million from the sale and leaseback of land and production facilities in the Czech Republic

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CASH FLOW AND NET WORKING CAPITAL

Cash Flow				
DKK million	3rd quarter		YTD	
	13/14	12/13	13/14	12/13
Earnings for the period	-32	-91	-77	-123
Amort., depr. and imp.	75	85	254	243
Change in receivables	71	200	-27	85
Change in inventories	14	144	-48	-40
Change in trade payables	-26	-121	72	-138
Other	-14	-45	-54	-70
Cash flow from operating activities	87	172	120	-42
Cash flow from investing activities	6	-80	-147	-219
Free Cash Flow	94	92	-28	-261

- The free cash flow was DKK 94 million in the third quarter compared to DKK 92 million in the same quarter last year. Year to date, the free cash flow was negative DKK 28 million compared to negative DKK 261 million last year
- The free cash flow was positively impacted by DKK 79 million in the third quarter from the sale and leaseback of the land and production facilities in the Czech Republic
- The net working capital was DKK 560 million at the end of the third quarter compared to DKK 708 million at the end of the same quarter last year



- The net working capital of DKK 560 million corresponds to 20 per cent of the last 12 months' revenue compared to 24 per cent in the same quarter last year

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UNCHANGED EXPECTATIONS TO THE 2013/14 FINANCIAL YEAR

- Revenue is expected to be moderately above the level in 2012/13
- The rejuvenation and strengthening of the Bang & Olufsen product portfolio and a transformation of the retail network will continue
- In the fourth quarter of the 2013/14 financial year, Bang & Olufsen will launch a new TV and a new high-end speaker in the IWS speaker range
- Growth is expected in Automotive and B&O PLAY, albeit at a reduced rate compared to the 2012/13 financial year
- A continued focus on operational and sourcing efficiencies and an increased share of sales of high margin products are expected to increase the gross margin to a level slightly above the level in the 2012/13 financial year
- Capacity costs excluding the increased costs of own retail are expected to be reduced. The costs related to own retail will increase compared to the 2012/13 financial year in particular due to the takeover of the retail operations in China
- The EBIT margin is expected to show significant improvement compared to 2012/13 financial year to a level around zero.

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