

INTERIM REPORT

FIRST QUARTER OF THE 2012/13 FINANCIAL YEAR

10 October 2012



BANG & OLUFSEN

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AGENDA

FIRST QUARTER HIGHLIGHTS – Tue Mantoni, CEO

FINANCIAL RESULT FOR THE FIRST QUARTER OF 2012/13 – Henning Bejer Beck, CFO

EXPECTATIONS TO THE 2012/13 FINANCIAL YEAR – Tue Mantoni, CEO

QUESTIONS & ANSWERS

FINANCIAL HIGHLIGHTS FOR THE FIRST QUARTER

- First quarter revenue was DKK 600 million compared to DKK 599 million last year
- Transition towards seasonal product launch windows, as announced in the “Leaner, Faster, Stronger” strategy, creates, among other things, greater seasonality in the revenue and net working capital profiles
- Gross margin was 40.8 per cent against a gross margin of 38.6 per cent last year
- Amortisation charges were DKK 21 million higher than last year and capitalised development costs were DKK 9 million lower than the same quarter last year
- Result before tax was negative DKK 64 million against negative DKK 33 million in the same quarter last year
- Net working capital increased to DKK 703 million from DKK 534 million in the first quarter 2011/12 due to stock build up in anticipation of product launches
- Free cash flow was negative at DKK 145 million compared to negative DKK 137 million in the same quarter last year. The negative cash flow is mainly due to the seasonally low revenue as well as the increase in net working capital

AUTOMOTIVE ANNOUNCEMENTS IN FIRST QUARTER



- Bang & Olufsen has launched a sound system for the Aston Martin Vanquish. The system will be standard equipment



- Bang & Olufsen has launched sound systems for Mercedes-Benz CLS Shooting Brake. The High-End Sound System will be offered as an optional extra and available in the whole engine line-up

NEW PRODUCTS RELEASED IN THE FIRST QUARTER



BeoLab 12-2 launched in June

- The latest addition to Bang & Olufsen's collection of dedicated wall speakers
- Together, BeoLab 12-3 and 12-2 comprise a unique surround sound setup



Playmaker launched in July

- A simple way to add digital music – wirelessly – even to the most demanding Bang & Olufsen's speakers, BeoLab 5. It is currently sold in bundle with BeoLab 3
- Has a high performance Digital Audio Converter, which delivers audio performance superior to most other wireless solutions
- Targeted at existing customers who wish to stream wireless to their Bang & Olufsen speakers and customers who are new to Bang & Olufsen
- Wireless streaming with Apple AirPlay and DLNA

NEW INNOVATIVE PRODUCTS LAUNCHED IN OCTOBER



BeoPlay A9 launched on October 3

- The system integrates dedicated speaker units and amplifiers – delivering a total output of 480 watts
- Inspired Scandinavian design
- Wireless streaming with Apple AirPlay and DLNA
- Available in shops from the second half of November

BeoVision 11 launched on October 10

- A new generation of Bang & Olufsen TVs building on the well known design virtues and the acoustical expertise of Bang & Olufsen
- Introducing Bang & Olufsen Smart TV technology, delivered in an intuitive and easy-to-use way
- Major global press launch in Copenhagen October 10
- "Open house" and product viewing in all retailers in Denmark on October 10 in the evening. Available in shops from October 11



OTHER SUBSEQUENT EVENTS



Partnership with Sparkle Roll and A CAPITAL

- On September 28 2012, the capital increase to Sparkle Roll and A CAPITAL was finalised
- Sparkle Roll and A CAPITAL now hold 6.1 per cent and 1.6 per cent of the share capital respectively

Distribution of B&O PLAY

- Distribution agreement entered with Apple in Australia, China, Hong Kong and Japan

Management change

- Lars Flyvholm has been appointed new Head of Global Sales and will join the Corporate Management Team



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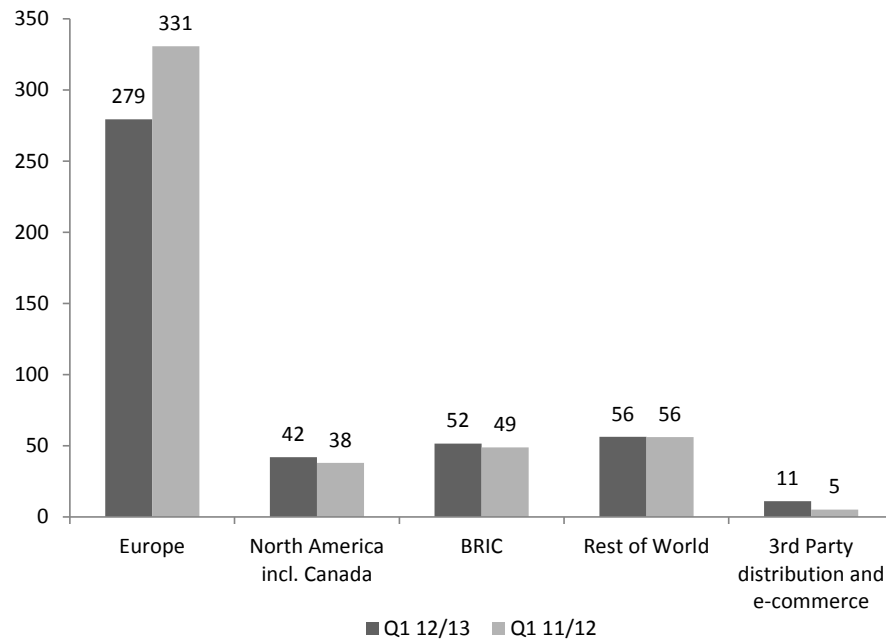
DEVELOPMENT IN REVENUE AND GROSS MARGIN

Revenue			
DKK million	Q1 12/13	Q1 11/12	Chg., %
AV	342	427	-20
B&O PLAY	99	52	+92
B2C	440	478	-8
Automotive	134	98	+37
ICEpower	27	24	+10
B2B	160	122	+32
Other	0	-2	-87
Group	600	599	0%

Gross margin			
DKK million	Q1 12/13	Q1 11/12	Chg., %-pts
AV	48.1	39.8	+8.3
B&O PLAY	21.5	34.6	-13.1
Automotive	33.4	32.2	+1.2
ICEpower	55.1	49.4	+5.7
Group	40.8	38.6	+2.2

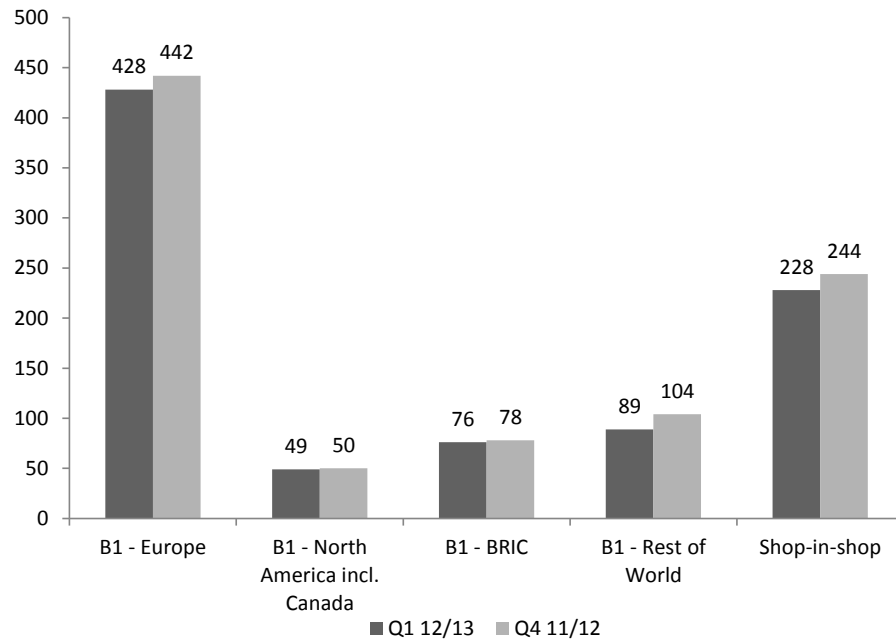
- Revenue for the first quarter was DKK 600 million compared to DKK 599 million last year
- Revenue growth is driven by strong growth in B&O PLAY and Automotive
- Total gross margin increased to 40.8 per cent from 38.6 per cent in the same quarter last year
- Gross margins improved in all segments except for B&O PLAY, which was adversely affected by low margins on the BeoPlay V1 TV

REVENUE DEVELOPMENT PER REGION, CONSUMER BUSINESS (DKK MILLION)



- B2C revenue fell to DKK 440 million from DKK 478 million in the same quarter last year
- First quarter 2011/12 was positively impacted by DKK 50 million by the launch of BeoSound 5 Encore and BeoVision 7-55 3D
- Revenue in Europe was DKK 279 million compared to DKK 331 million last year. The drop is explained by tough comparisons and macro economic headwind
- North America and BRIC grew 11 per cent and 6 per cent respectively
- Third party distribution and e-commerce grew to DKK 11 million from DKK 5 million

DISTRIBUTION DEVELOPMENT



- To improve the health of the retail network, an extra effort has been done to close some of the weakest B1-shops and shop-in-shops
- The total number of B1-shops was 642 compared to 674 B1-shops at the end of the fourth quarter 2011/12
- B2C revenue per B1-shop (open more than 24 months) fell 8 per cent compared to the same period last year.
- The total number of shop-in-shops was 228 compared to 244 shop-in-shops at the end of the fourth quarter 2011/12
- Average annual revenue of the closed B1-shops and shop-in-shops is below DKK 1 million

CAPACITY COSTS

Capacity costs

DKK million	Q1 12/13	Q1 11/12	Chg., %
Development costs	111.8	91.0	+23
Distribution and marketing costs	175.2	147.8	+19
Administration costs	19.3	20.7	-7
Total capacity costs	306.3	259.5	+18

- Capacity costs increased to DKK 306 million from DKK 260 million last year

- Development costs increased due to DKK 21 million higher amortisation on development projects and DKK 9 million in lower capitalised development costs

Development costs

DKK million	Q1 12/13	Q1 11/12	Chg., %
Incurring development costs bef. cap.	108.5	116.9	-7
Capitalised development costs	-47.6	-56.2	-15
Amortisation of development projects	50.9	30.3	+68
Development costs in the income statement	111.8	91.0	+23

- Distribution and marketing costs increased during the first quarter of the 2012/13 financial year by DKK 27 million from DKK 148 million to DKK 175 million

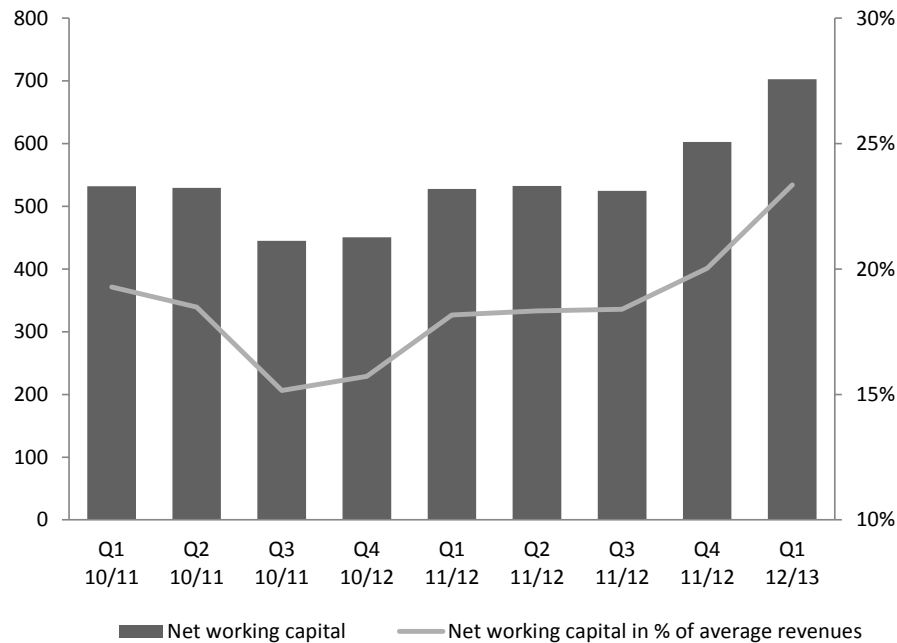
INCOME STATEMENT

Consolidated income statement

DKK million	Q1 12/13	Q1 11/12
Revenue	600.4	598.6
Gross profit	245.0	231.0
Earnings before interest and tax (EBIT)	-61.3	-28.5
Earnings before tax (EBT)	-64.2	-32.6
Earnings after tax	-47.2	-27.0
Gross margin, %	40.8	38.6
EBIT margin, %	-10.2	-4.8
Capitalised development costs	-47.6	-56.2
Amortisation of development projects	50.9	30.3
Other depreciations	28.3	29.1
EBITDA without capitalisation	-29.7	-25.3

- In the first quarter of the 2012/13 financial year, the EBIT fell to negative DKK 61 million from negative DKK 29 million
- The lower EBIT is mainly explained by a lower level of capitalised development projects and higher amortisation of development projects
- The earnings after tax was negative DKK 47 million compared to negative 27 million in the same quarter last year

NET WORKING CAPITAL



- Net working capital increased by DKK 90 million from DKK 613 million in the fourth quarter to DKK 703 million
- Net working capital in percentage of revenue is 23 per cent compared to 20 per cent at the end of the fourth quarter 2011/12
- The increase in net working capital is due to high inventories related to the launches of BeoVision 11 and BeoPlay A9 and B&O PLAY products in general

CASH FLOW

Cash flow		
DKK million	Q1 12/13	Q1 11/12
Earnings for the period	-47	-27
Amort., depr. and imp.	79	59
Change in receivables	137	-24
Change in inventories	-192	-34
Change in trade payables	-35	-24
Other	-16	-3
Cash flow from operating activities	-74	-53
Cash flow from investing activities	-70	-84
Free Cash Flow	-145	-137

- The Free Cash Flow was negative with DKK 145 million for the quarter compared to DKK 137 million last year
- The negative cash flow reflects seasonality and product launches

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EXPECTATIONS TO THE 2012/13 FINANCIAL YEAR

- The challenging macroeconomic outlook, the low level of consumer confidence and the company's high exposure to Europe lead to an uncertain trading environment ahead
- Due to the company's strong innovation pipeline and the continued implementation of the strategic initiatives from the "Leaner, Faster, Stronger" strategy, we continue to expect double-digit revenue growth in 2012/13 driven mainly by Automotive and B&O PLAY
- The core AV business will remain challenged due to exposure to Europe and the fact that we are in the first two years of the strategy implementation which represents a transition period
- We expect the second and the third quarter to be strong compared to last year, the timing driven primarily by product launches and updates. The fourth quarter represents a tough comparison and no or moderate growth can be expected in this quarter
- We expect an improved EBIT-margin compared to the previous year, despite increased amortisation charges on development projects

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