



## INTERIM REPORT

Q1 2014/15

2 October 2014

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# AGENDA

FIRST QUARTER HIGHLIGHTS

FINANCIAL RESULTS

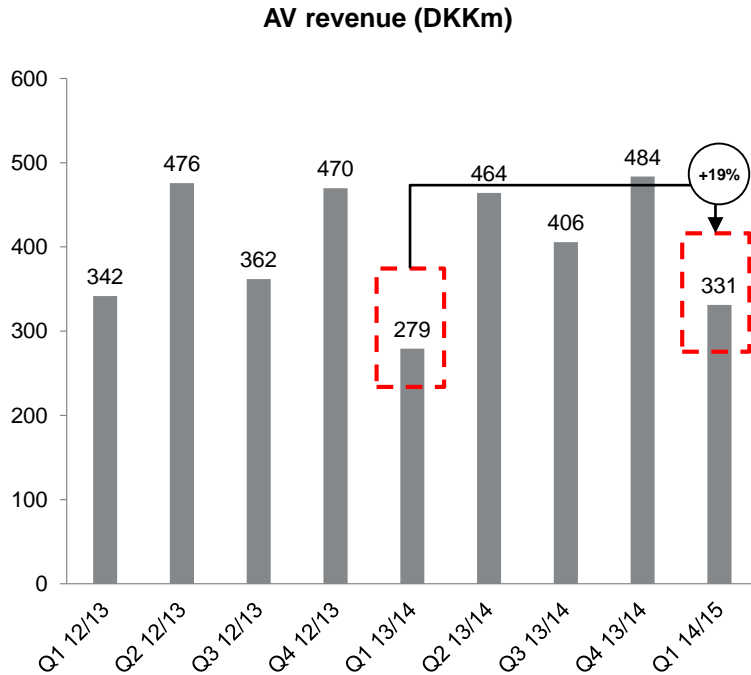
EXPECTATIONS TO THE 2014/15 FINANCIAL YEAR

QUESTIONS AND ANSWERS

# HIGHLIGHTS

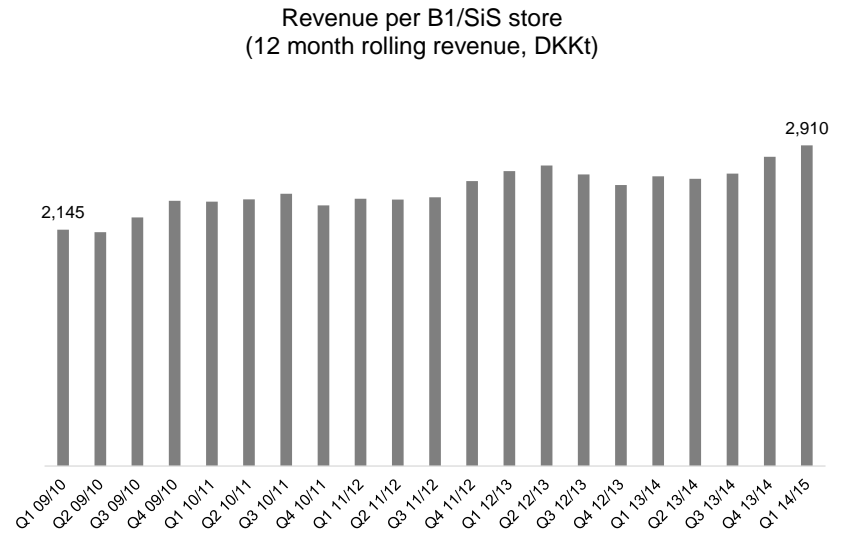
- Revenue increased by 1 per cent in the first quarter compared to the same quarter last year driven by a combination of strong growth in AV (19 per cent) and ICEpower (8 per cent), and a disappointing start to the year in Automotive (-23 per cent ) and B&O PLAY (-15 per cent)
- Gross margin declined 4 percentage points in the quarter, driven by a gross margin decline in AV
- Capacity costs increased by 15 per cent, due to increased costs related to distribution and marketing of newly launched products
- EBIT for the first quarter was negative DKK 129 million compared to negative DKK 64 million last year
- Free cash flow was negative DKK 241 million compared to negative DKK 70 million last year
- Guidance reconfirmed and further specified

# AV REVENUE GROWTH DRIVEN BY NEWLY LAUNCHED PRODUCTS



- Strong reception of the BeoVision Avant from customers, dealers and the technology press
- BeoVision Avant and BeoLab 18 were the key revenue drivers in the first quarter
- Production ramp-up issues with the BeoVision Avant resulted in the delivery of products late in the quarter. This lead to:
  - Adverse gross margin effect from higher production and transportation costs
  - High trade receivables and inventories

# AN INCREASE IN THE NUMBER OF STORES IS NEEDED WHILE CONTINUING TO GROW SAME-STORE-SALES



# NEW PRODUCT LAUNCHES



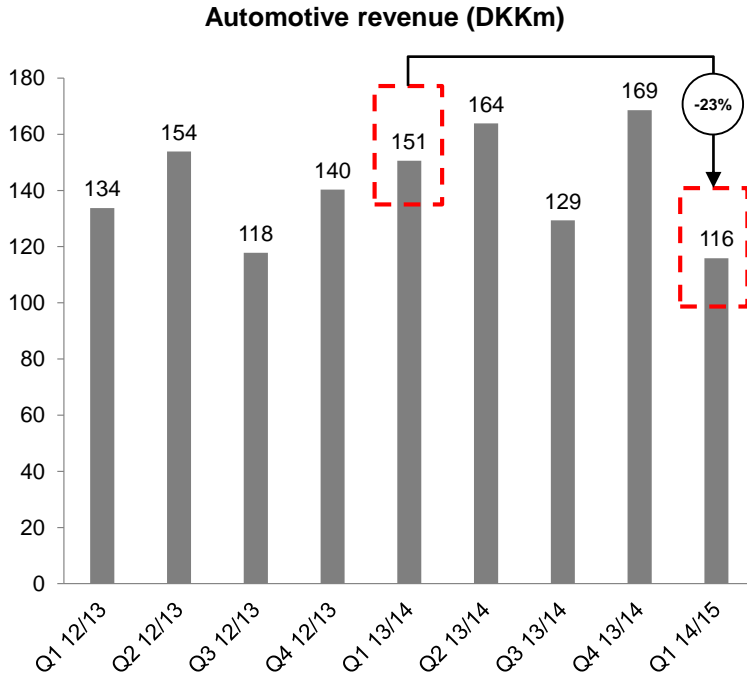
## **BeoVision Avant 85-inch launched in September**

- Launch of the BeoVision Avant 85-inch UHD (4K) in Europe in early September
- China launch is expected to happen in November 2014

## **B&O PLAY new products and special editions**

- **BeoPlay S8** – a flexible stereo system, with a powerful subwoofer based on the BeoLab 14 platform
- **BeoPlay H6** was launched in **three special colour** editions

# DISAPPOINTING FIRST QUARTER IN AUTOMOTIVE



- Disappointing first quarter for Automotive was driven by:
  - Longer than expected summer closures for key Automotive partners
  - Rebalancing of partner inventory
  - Lower specification level in cars sold
- Especially August showed weak performance
- Current trading in the second quarter is tracking slightly above last year
- Automotive revenue is expected to be flat in the 2014/15 compared to 2013/14



# AUTOMOTIVE LAUNCH IN THE FIRST QUARTER



- Launch of the new BMW X6 series in June 2014
  - High end surround sound system
  - 16 active speakers, with a total of 1,200 watts of power
  - Includes the patented Acoustic Lens Technology (ALT) as well as the Dynamic Sound Optimisation technology (DySop)
- In the first quarter of 2014/15 Bang & Olufsen sound systems were available in 22 car models, which is one more than in the same quarter last year

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# INCOME STATEMENT

## Consolidated income statement

DKK million	1st quarter		
	14/15	13/14	Index
<b>Revenue</b>	<b>571</b>	<b>566</b>	<b>101</b>
Gross profit	207	227	91
EBIT	-129	-64	-
EBT	-132	-68	-
<b>Earnings after tax</b>	<b>-109</b>	<b>-53</b>	-
Gross margin, %	36.2	40.1	
EBIT margin, %	-22.6	-11.3	

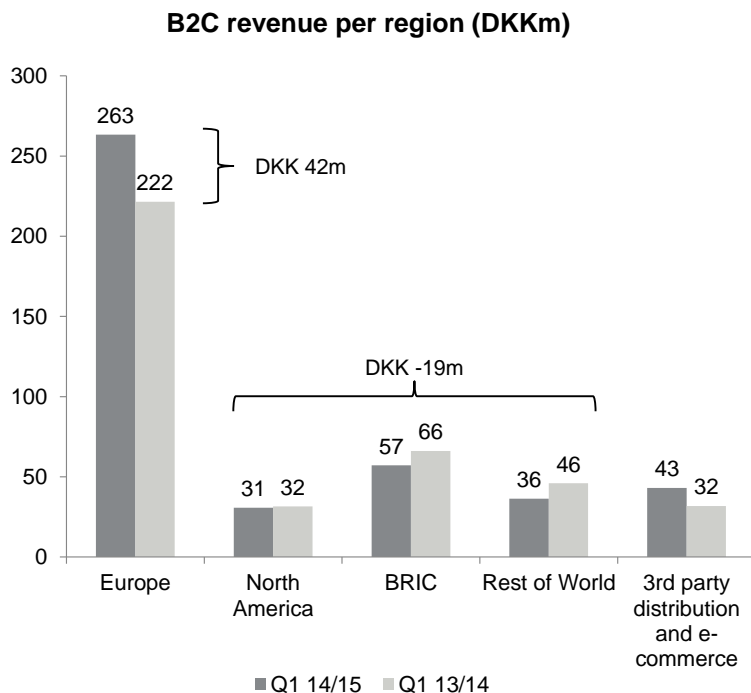
- Revenue increased by 1 per cent in the first quarter. Same-store-sales growth in the quarter was 11 per cent for B1 stores and 21 per cent for shop-in-shops
- The gross margin was 36 per cent compared to 40 per cent in the same quarter last year
- EBIT in the first quarter was negative DKK 129 million compared to negative DKK 64 million in the same quarter last year

# REVENUE

<b>Revenue</b>			
<b>DKK million</b>	<b>1st quarter</b>		
	<b>14/15</b>	<b>13/14</b>	<b>Index</b>
AV	331	279	119
B&O PLAY	100	118	85
<b>B2C</b>	<b>431</b>	<b>397</b>	<b>109</b>
Automotive	116	151	77
ICEpower	24	22	108
<b>B2B</b>	<b>140</b>	<b>173</b>	<b>81</b>
Other	1	-3	
<b>Group</b>	<b>571</b>	<b>566</b>	<b>101</b>

- AV revenue grew by 19 per cent in the quarter, which was driven especially by the newly launched BeoVision Avant
- B&O PLAY revenue decreased by 15 per cent in the quarter. Revenue through the B1/SiS distribution declined by 34 per cent, while revenue through third party channels and e-com increased by 36 per cent
- Automotive revenue declined by 23 per cent
- ICEpower revenue increased by 8 per cent

# REVENUE PER REGION, B2C BUSINESS



- Growth in Europe was driven by the newly launched BeoVision Avant and the IWS speaker range – especially the BeoLab 18
- North America declined by 3 per cent in the quarter
- BRIC revenue decreased by 14 per cent in the quarter. The decline was driven by a DKK 15 million decline in the revenue in Russia. China showed year-on-year growth
- Rest of World declined by 21 per cent compared to the same quarter last year
- Third party distribution and e-commerce increased by 35 per cent compared to the same quarter last year

# GROSS MARGIN

<b>Gross margin</b>			
%	<b>1st quarter</b>		
	<b>14/15</b>	<b>13/14</b>	<b>Chg.</b>
AV	37.8	49.4	-11.6
B&O PLAY	25.8	25.3	0.5
Automotive	36.7	31.9	4.8
ICEpower	55.6	50.5	5.1
<b>Group</b>	<b>36.2</b>	<b>40.1</b>	<b>-3.9</b>

- Group gross margin declined to 36.2 per cent from 40.1 per cent in the same quarter last year
- The gross margin in AV was 37.8 per cent compared to 49.4 per cent last year. The decline was driven by:
  - A high share of sales related to TV sales
  - An increased share of indirect production costs
  - Extraordinary high costs related to ramp-up issues in the production
- The gross margin in B&O PLAY in the quarter was 25.8 per cent compared to 25.3 per cent last year
- The gross margin in Automotive was 36.7 per cent compared to 31.9 per cent last year. The change was primarily due to a change in mix between the premium and the advanced sound systems

# CAPACITY COSTS

## Capacity costs

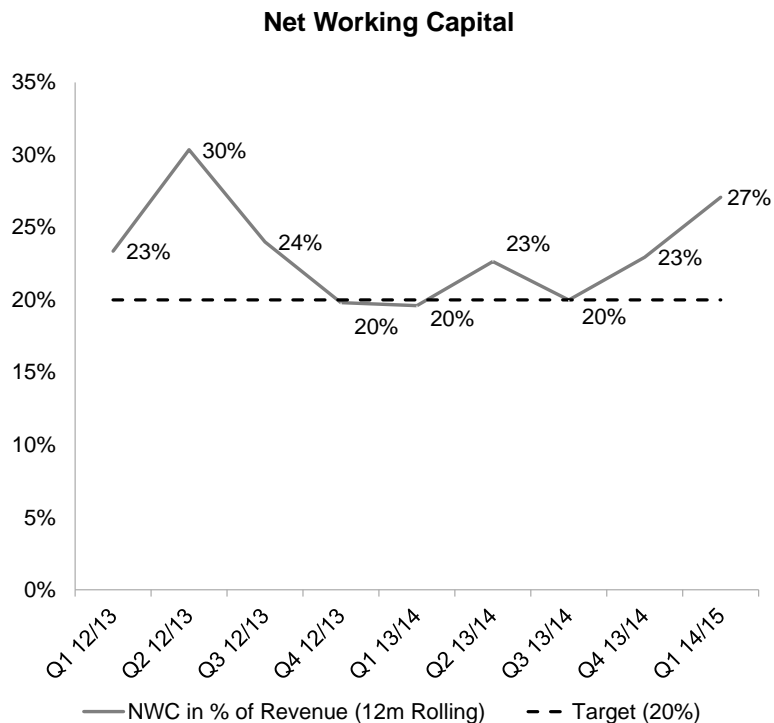
DKK million	1st quarter	
	14/15	13/14
Development	110	97
Dist. and marketing	204	172
Administration	22	22
<b>Total cap. costs</b>	<b>336</b>	<b>291</b>

## Development costs

DKK million	1st quarter	
	14/15	13/14
Incurring development costs before capitalisation	104	101
Net effect of capitalisations and amortisations	5	-4
<b>Development costs in P&amp;L</b>	<b>110</b>	<b>97</b>
Capitalisation (%)	52%	62%

- Capacity costs increased to DKK 336 million from DKK 291 million in the same quarter last year
- Distribution and marketing costs increased by DKK 32 million to DKK 204 million from DKK 172 million in the same quarter last year, due to increased marketing spend on newly launched products
- Administration costs were DKK 22 million, which was unchanged compared to the same quarter last year
- Development costs were DKK 110 million compared to DKK 97 million in the same quarter last year. The capitalization rate was 52 per cent compared to 62 per cent in the same quarter last year

# NET WORKING CAPITAL



- The net working capital was DKK 777 million at the end of the first quarter compared to DKK 545 million at the end of the same quarter last year
- The net working capital of DKK 777 million corresponds to 27 per cent of the last 12 months' revenue compared to 20 per cent in the same quarter last year
- The increase in net working capital was a result of:
  - Inventory build up ahead of new product launches, including the newly launched BeoVision Avant 85-inch and B&O PLAY products
  - Product ramp-up issues related to the BeoVision Avant
  - Increased credit lines to the dealer network in connection with the launch of BeoVision Avant



# CASH FLOW

## Cash Flow

DKK million

1st quarter

	14/15	13/14
<b>Earnings for the period</b>	<b>-109</b>	<b>-53</b>
Change in receivables	56	58
Change in inventories	-44	-63
Change in trade payables	-132	16
Other	64	70
Cash flow from oper. activities	-165	29
Cash flow from investing activities	-76	-99
<b>Free Cash Flow</b>	<b>-241</b>	<b>-70</b>

- The free cash flow was negative DKK 241 million in the quarter compared to negative DKK 70 million last year
- The negative development was primarily driven by the previously mentioned development in the net working capital

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# EXPECTATIONS TO THE 2014/15 FINANCIAL YEAR

- High single-digit revenue growth
- Most of the growth in the second half of the financial year
- AV, B&O PLAY and ICEpower revenue is expected to grow
- Automotive is expected to be flat
- Gross margin around the same level as in 2013/14
- EBIT margin increase compared to 2013/14

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# Q&A

# BANG & OLUFSEN

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