

ANNUAL REPORT FOR THE 2011/12 FINANCIAL YEAR

15 August 2012



BANG & OLUFSEN

AGENDA

THE FULL YEAR AND FOURTH QUARTER HIGHLIGHTS – Tue Mantoni, CEO

THE FINANCIAL RESULT FOR THE FOURTH QUARTER OF 2011/12 – Henning Bejer Beck, CFO

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

'LEANER, FASTER, STRONGER' STRATEGY FOLLOW-UP – Tue Mantoni, CEO

QUESTIONS & ANSWERS



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FINANCIAL HIGHLIGHTS FOR THE FOURTH QUARTER

- Fourth quarter revenue was DKK 867 million compared to DKK 711 million driven by product launches and increased demand ahead of the European Championships and the Olympics
- Gross margin was 40.6 per cent against a gross margin of 39.2 per cent last year
- Result before tax was DKK 77 million against DKK 8 million in the same period last year
- Net working capital increased to DKK 613 million from DKK 525 million due to stock build up in anticipation of product launches and higher accounts receivables due to high levels of sales in May
- Free cash flow was negative at DKK 47 million

HIGHLIGHTS FOR THE FINANCIAL YEAR 2011/12

- Financial year 2011/12 revenue of DKK 3,008 million compared to DKK 2,867 million last year, which was in line with expectations
- Result before tax was DKK 104 million compared to DKK 40 million last year



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NEW B&O PLAY PRODUCTS RELEASED IN FOURTH QUARTER



BeoPlay V1 launched in May:

- BeoPlay V1 is available in 32" and 40"
- Easy connection to third-party devices
- Delivers flexible placement possibilities, outstanding sound, and optimal picture quality



BeoPlay A8 launched in May:

- Expands the functionality of BeoSound 8
- Integrated AirPlay wireless connection
- Choose between wall, corner or freestanding positions



BeoPlay A3 launched in May:

- Gives the sound from an iPad a fantastic new dimension
- The battery keeps the tunes coming for five hours
- Chooses which of the four speakers to activate for the best possible listening experience



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AUTOMOTIVE ANNOUNCEMENTS IN FOURTH QUARTER



- Audi A3 is now available with an audio system from Bang & Olufsen
- Bang & Olufsen concluded a new agreement with Audi during the financial year. Under this new agreement, Bang & Olufsen will develop and supply sound systems for three future Audi models
- The cooperation with BMW was extended to include the BMW 5 and 7 series
- Bang & Olufsen launched audio systems for Mercedes-Benz E Class, Mercedes-Benz CLS and Mercedes-Benz GL Class



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ACCELERATION OF CHINA GROWTH PLANS THROUGH STRATEGIC PARTNERSHIP

- To further accelerate the growth in China, Bang & Olufsen enters a strategic partnership with Sparkle Roll and A CAPITAL
- The strategic partnership aims at leveraging the resources and experience of the strategic investors in distribution, branding and local operations to assist Bang & Olufsen's development in China
- With 15 years' experience of distributing and marketing luxury goods in China, Sparkle Roll has built a strong customer base of high net worth individuals and reliable relationships with luxury shopping malls in major Chinese cities
- Bang & Olufsen's share capital will be increased by 8.35 per cent of the existing share capital from an issue directed solely to the Chinese partners
- Sparkle Roll and A CAPITAL will hold 6.12 and 1.72 per cent of the share capital after the capital increase
- Net proceeds expected to be DKK 177 million
- The completion of the capital increase is subject to approval from the Chinese authorities



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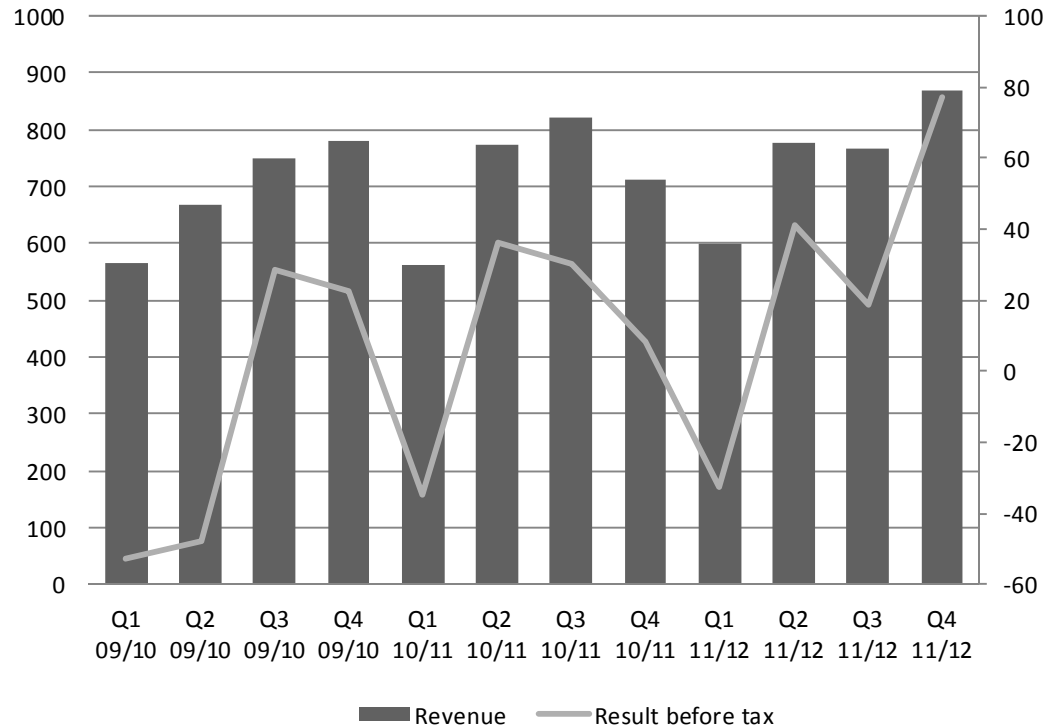
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QUESTIONS & ANSWERS



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DEVELOPMENT IN REVENUE AND RESULT BEFORE TAX (DKK MILLION)

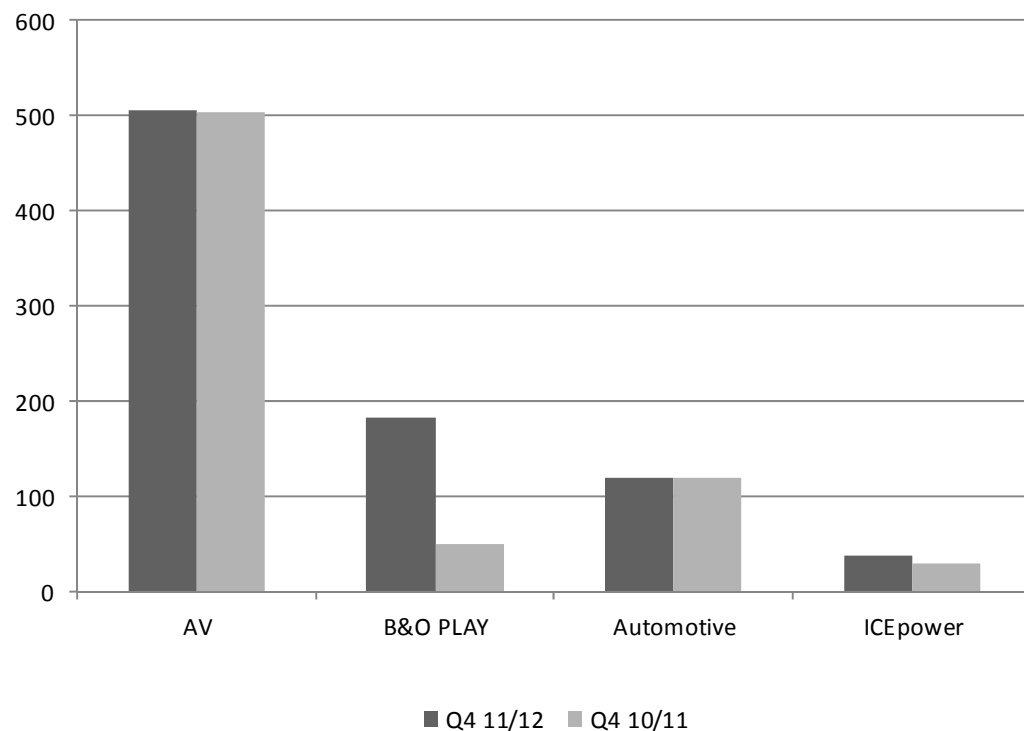


- Revenue for the fourth quarter was DKK 867 million compared to DKK 711 million last year
- Revenue for the financial year 2011/12 was DKK 3,008 million, which was up 5 per cent from DKK 2,867 million last year
- Result before tax for the fourth quarter was DKK 77 million against a result last year of DKK 8 million
- Result before tax for the financial year 2011/12 was DKK 104 million compared to DKK 40 million last year



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DEVELOPMENT IN REVENUE BY PRODUCT AREA (DKK MILLION)

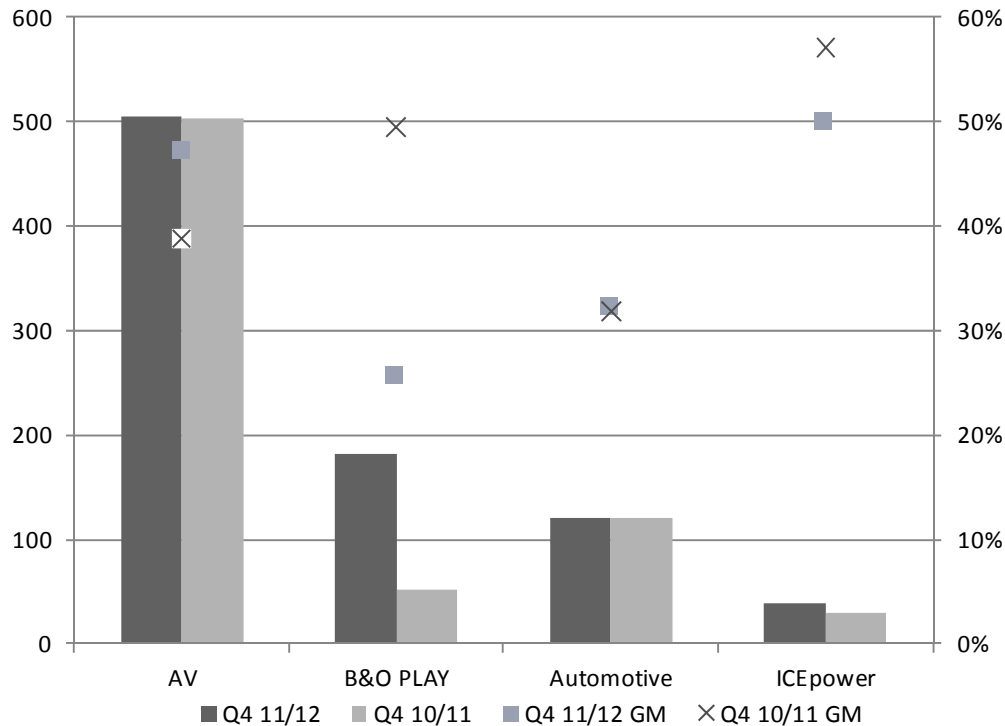


- AV recorded a revenue of DKK 505 million compared to DKK 504 million in the same period last year
- B&O PLAY recorded a revenue of DKK 183 million compared to DKK 51 million in the same period last year
- Automotive recorded a revenue of DKK 120 million compared to DKK 120 million in the same period last year
- ICEpower recorded a revenue of DKK 38 million compared to DKK 29 million in the same period last year



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DEVELOPMENT IN REVENUE AND GROSS MARGIN BY PRODUCT AREA (DKK MILLION)

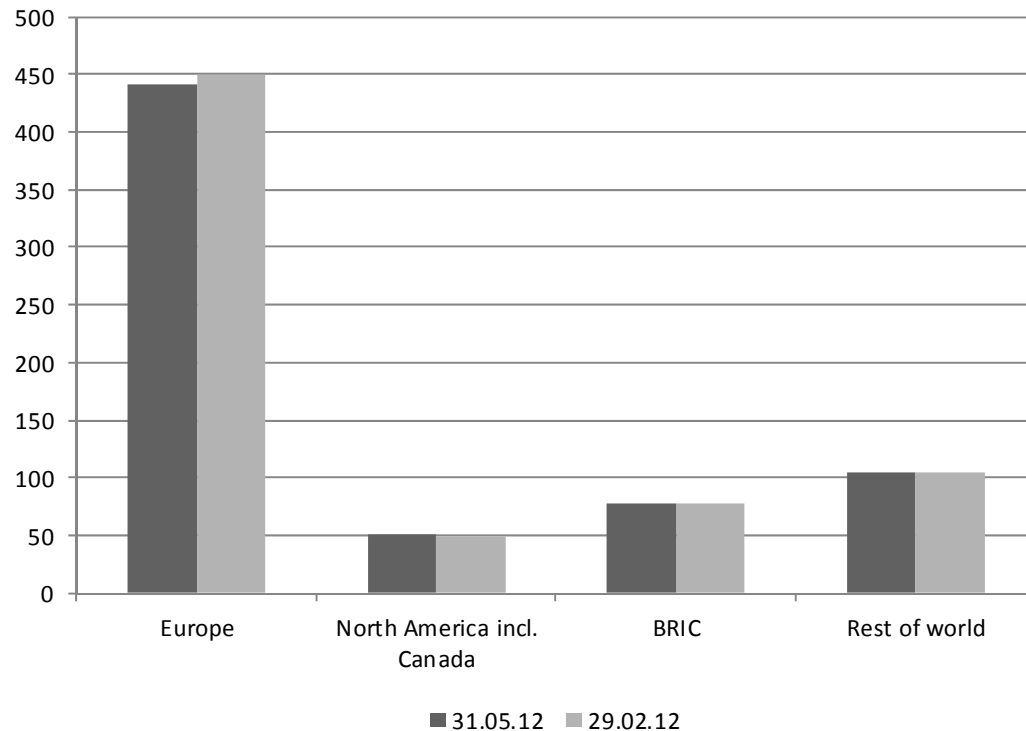


- The Group gross margin for the fourth quarter was 40.6 per cent compared to 39.2 last year
- The AV gross margin in the fourth quarter was 47 per cent against 39 per cent last year. The change is primarily due to product mix
- The gross margin within B&O PLAY was 26 per cent against a gross margin of 50 per cent last year. The main explanation is product mix
- The gross margin within Automotive was 32 per cent which was in line with last year
- The gross margin within ICEpower was 50 per cent against a gross margin of 57 per cent last year



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DISTRIBUTION DEVELOPMENT – NUMBER OF B1-SHOPS PER REGION

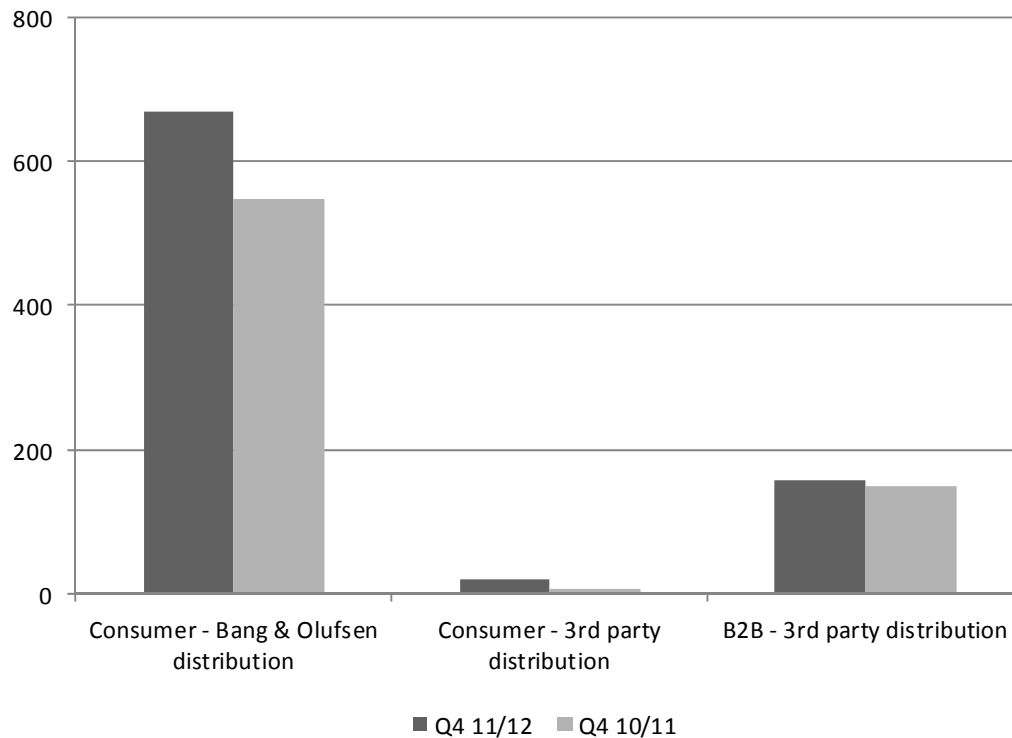


- By the end of May 2012 there were 442 B1-shops in Region Europe against 450 at the end of the third quarter of 2011/12
- In Region North America, there were 50 B1-shops, compared to 49 at the end of the third quarter of 2011/12
- In the BRIC markets there were 78 B1-shops against 77 at the end of the third quarter of 2011/12
- In Rest of World there were 104 B1-shops against 105 at the end of the third quarter of 2011/12
- By the end of May 2012 there were 674 B1-shops across the world against 681 at the end of the third quarter of 2011/12



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DEVELOPMENT IN REVENUE BY BUSINESS AREA (DKK MILLION)

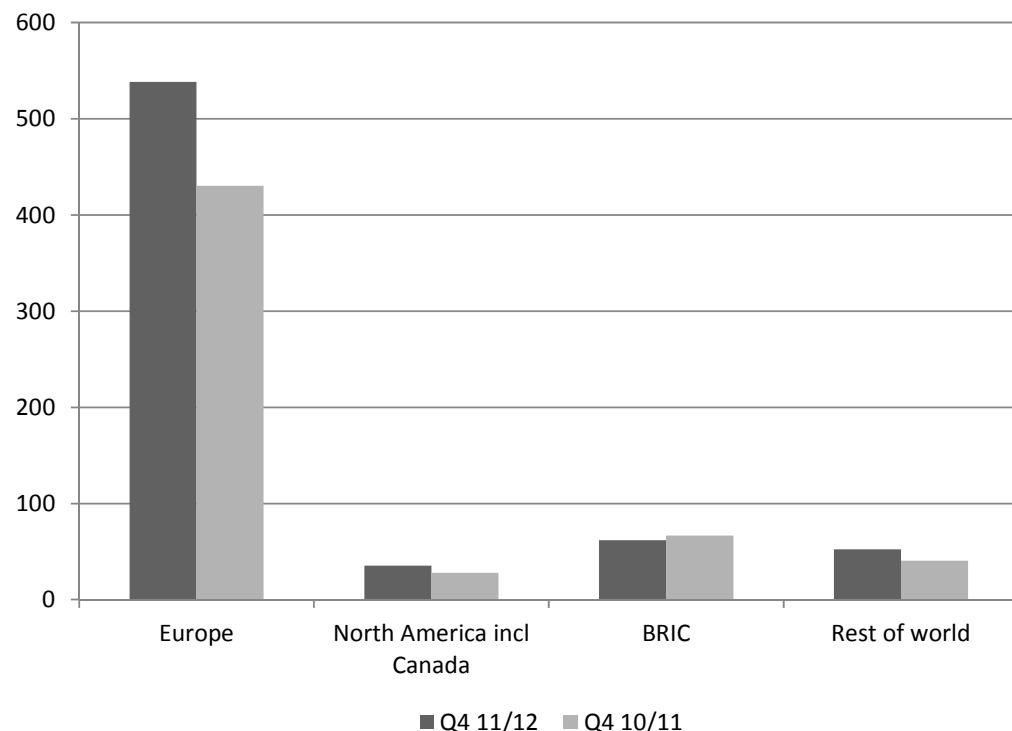


- The B2C business line, recorded revenue of DKK 688 million compared to revenue of DKK 555 million in the same period last year. In the B2C business line third party distribution and ecommerce grew to DKK 20.4 million from DKK 6.8 million last year
- B2C revenue per B1-shop (open more than 24 months) grew 11.2%. This is in line with the communicated strategy to improve the profitability of dealers
- The B2B business line, which consists of the Automotive and ICEpower segments, recorded revenue of DKK 158 million compared to revenue of DKK 149 million in the same period last year



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REVENUE DEVELOPMENT PER REGION, CONSUMER BUSINESS (DKK MILLION)

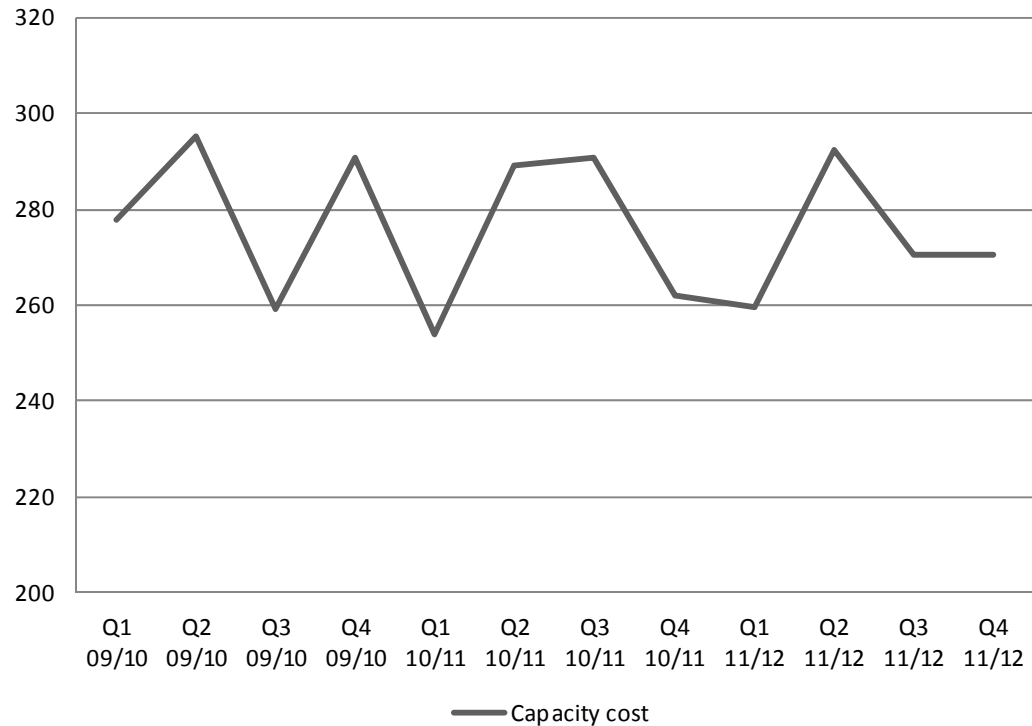


- Region Europe saw an increase in revenue of DKK 108 million or 25 per cent from DKK 430 million last year to DKK 538 million driven by product launches and sales ahead of the European Championships and the Olympics
- North America recorded revenue of DKK 35 million compared to DKK 28 million last year, an increase of 27 per cent
- The BRIC countries fell to DKK 62 million from DKK 67 million, i.e. 7.5 per cent.
- Revenue in Rest of World increased from DKK 41 million to DKK 52 million, i.e. an increase of 29 per cent



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CAPACITY COSTS (DKK MILLION)

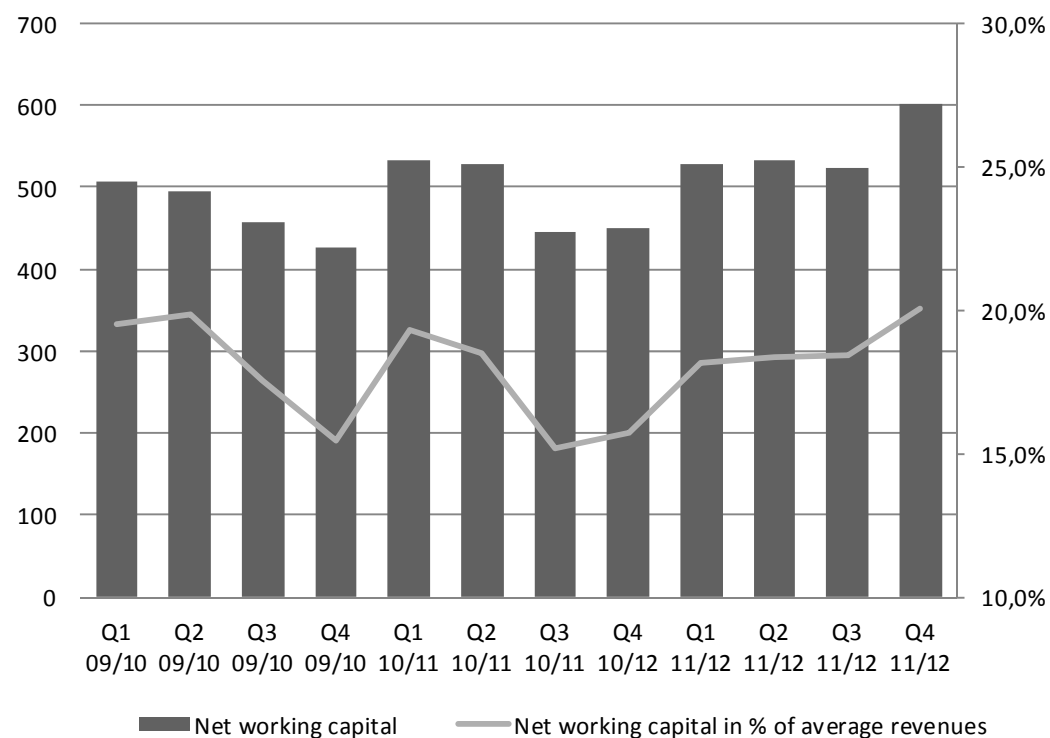


- In the fourth quarter of the 2011/12 financial year, the Group maintained its capacity costs relative to the third quarter, and only increased the costs by DKK 9 million to DKK 271 million compared to the same period last year
- Distribution and marketing costs increased during the fourth quarter of the 2011/12 financial year by DKK 27 million from DKK 141 million to DKK 168 million due to marketing campaigns related to product launches and branding of B&O PLAY



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NET WORKING CAPITAL (DKK MILLION)

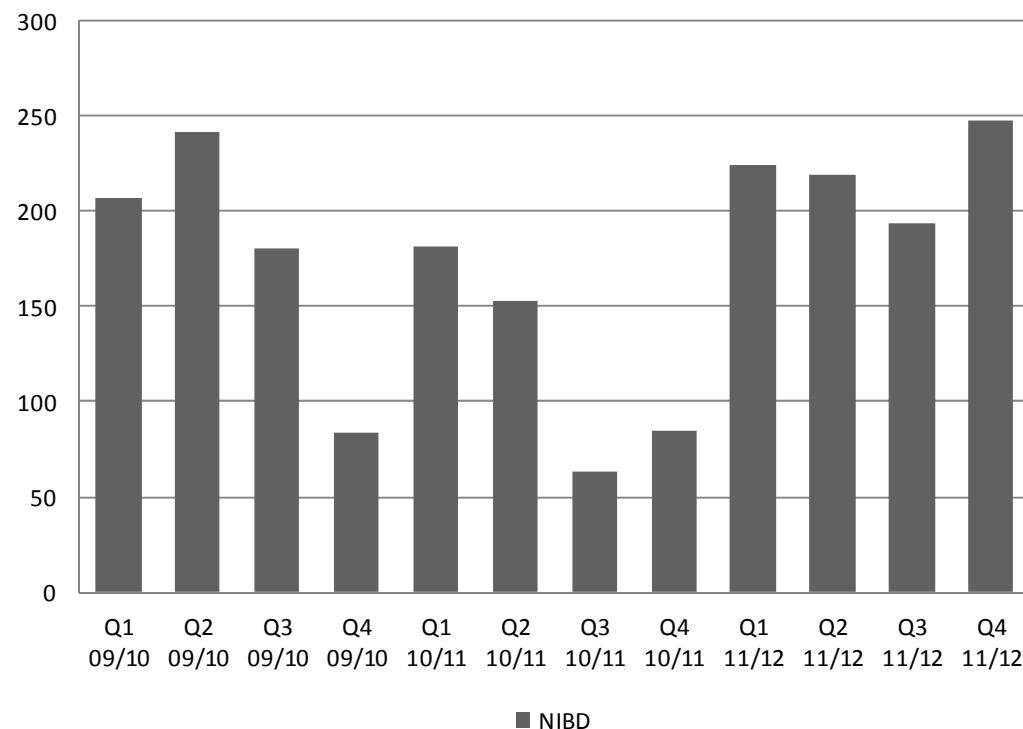


- Net working capital increased by DKK 162 million from DKK 451 million last year to DKK 613 million
- Net working capital in percentage of revenue is 20 per cent compared to 16 per cent last year
- The increase is primarily explained by the significant amount of new products launched in May, which impacted inventories as well as receivables.



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NET INTEREST BEARING DEBT (DKK MILLION)



- Net interest bearing debt has increased to DKK 248 million compared to DKK 85 million by the end of the 2010/11 financial year
- The increase in the net interest bearing debt is primarily caused by the increase in net working capital
- The NIBD/EBITDA ratio is 0.7 on a 12 months rolling basis compared to 0.3 in the previous 12 months



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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 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 Q2 and Q3 to be strong compared to last year, the timing driven primarily by product launches and updates. Q1 and Q4 represent tough comparisons and no or moderate growth can be expected in these quarters
- We expect an improved EBIT-margin compared to the previous year, despite increased amortisation charges on development projects



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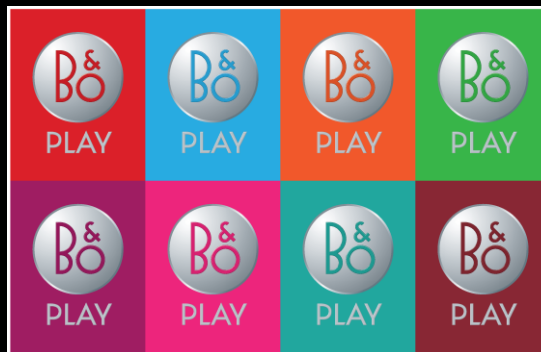
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'LEANER, FASTER, STRONGER' - MUST-WIN BATTLES FOR 2011/12

1. Build Acoustics as our hero



2. Launch new product category



3. Optimise retail network



4. Grow BRIC



5. Transition R&D



6. Simplify & speed up execution



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'LEANER, FASTER, STRONGER' – FOLLOW-UP ON THE FIRST FINANCIAL YEAR



1. Build Acoustics as our hero

- Bang & Olufsen has set-up a Sound & Acoustics Innovation Team
- The acoustics product portfolio has been expanded
- B&O PLAY has launched wireless acoustics products
- The Automotive business area was strengthened further

2. Launch new product category

- Launch of a new brand, B&O PLAY, aimed at the digital generation
- Distribution agreements with new retail outlets in Europe and the USA
- Online shop has been established
- Shop-in-shop concept will be launched in 2012/13



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'LEANER, FASTER, STRONGER' – FOLLOW-UP ON THE FIRST FINANCIAL YEAR



3. Optimise retail network

- Work is continuously being undertaken to increase the number of B1 stores in developing markets and reducing the number of B1 stores in mature markets
- Working on upgrading the existing store concept, which will be rolled out in 2012/13

4. Grow BRIC

- National sales office has been established in Shanghai
- Bang & Olufsen has assumed control of the activities and distribution in Hong Kong and Southern China
- New master dealer in India
- New Chinese partnership launched in July



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'LEANER, FASTER, STRONGER' – FOLLOW-UP ON THE FIRST FINANCIAL YEAR



5. Transition R&D

- New sourcing operations in Singapore to be closer to the company's partners in Asia
- Increased focus on the competencies where Bang & Olufsen is able to really stand out

6. Simplify & speed up execution

- Implementation of more trimmed and agile organisation
- The sales and marketing department has moved from Struer to Lyngby in Copenhagen
- Consolidated four European sales regions into two



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THE BUSINESS LOGIC: THE CORE + TWO GROWTH ENGINES

B&O PLAY



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AUTOMOTIVE



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STRATEGIC PRIORITIES IN 2012/13

- Further expand acoustics product portfolio and drive innovation for the future
- Continue building the B&O PLAY brand and expand product portfolio
- Increase the number of retail outlets outside Europe and further reduce European network to improve quality, customer satisfaction and dealer profitability
- Start roll-out of the new B1-store concept
- Continue expansion in China and initiate the partnership with Sparkle Roll and A CAPITAL
- Lift organisational skills and competences especially in the areas of innovation and sales and marketing



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