

INTERIM REPORT FOR THE THIRD QUARTER OF THE 2012/13 FINANCIAL YEAR
5 APRIL 2013

BANG & OLUFSEN

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AGENDA

THIRD QUARTER HIGHLIGHTS – Tue Mantoni, CEO

FINANCIAL RESULTS – Henning Bejer Beck, CFO

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

QUESTIONS & ANSWERS

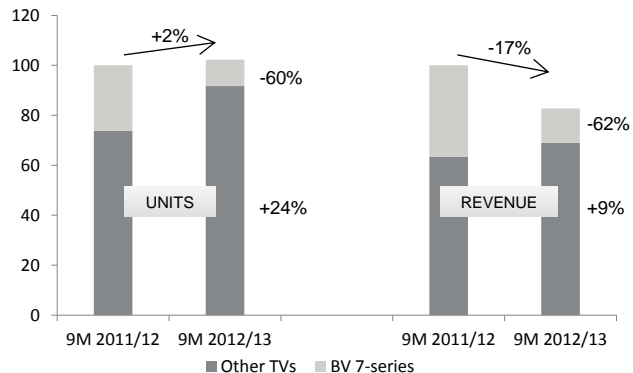
APPENDIX

THIRD QUARTER HIGHLIGHTS

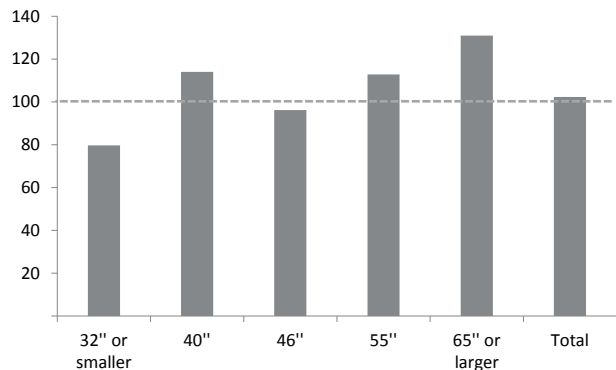
- The revenue development in AV remains challenging, whereas the investments in new product innovation continue to pay off:
 - B&O PLAY revenue grew by 107 per cent in the quarter
 - Automotive revenue grew by 14 per cent in the quarter
 - BeoVision 11 continues to show strong performance, but this is not enough to outweigh the decline in the sale of older TV products
- The quarter was negatively impacted by the accelerated transformation of the retail network, towards fewer, more productive stores in Europe
- The third quarter begins to show the positive impact from the growth strategy in China, however this is still not enough to compensate for the continued macro-economic weakness, especially in Europe
- Bang & Olufsen and Universal Music Group have announced a new partnership dedicated to music excellence and sound experiences. In addition, Bang & Olufsen has announced a new partnership with Spotify, the world's leading music streaming service

THE KEY ISSUE WITH THE TV BUSINESS

TV unit sales and revenue (9M 2011/12 = index 100)



TV unit index sales 9M 2012/13 (9M 2011/12 = index 100)



- TV units sold increased by 2 per cent in the first nine months of the 2012/13 financial year compared to the same period last year. Excluding the BV7-series unit growth was 24 per cent in the same period
- TV revenue declined by 17 per cent in the first nine months of the 2012/13 financial year. Excluding the BV-7 series TV revenue increased by 9 per cent
- TV unit growth was seen in the categories 40", 55" and 65" or larger
- A strategic objective of the 'Leaner, Faster, Stronger' strategy is to improve the price-value relationship for TVs. This has been done as evidenced by the BeoPlay V1 and the BeoVision 11
- BeoVision 11 and BeoPlay V1 have won numerous awards and received top reviews e.g.
 - BeoVision 11: "HD TV award 2012" for best TV
 - BeoPlay V1: "Red dot design award"

PRODUCT LAUNCHES AND NEW FEATURES



BeoLab 15/16

A new in-wall or in-ceiling sound system comprising two loudspeakers with a motorised tilt function (BeoLab 15) and a subwoofer (BeoLab 16)



Spotify

Spotify has been launched as a free software up-date for all existing BeoSound 5 customers signalling Bang & Olufsen's commitment to creating enduring product value

STRONG NEW PRODUCT PROGRAMME IN THE SECOND HALF OF 2013



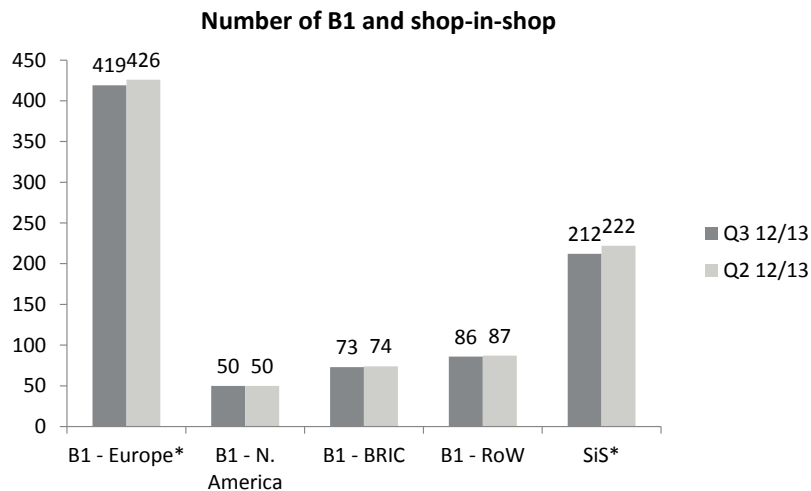
Spring 2013:

- B&O PLAY Headphones and Earphones (April)
- Bang & Olufsen (AV) surround-sound system (May)

Autumn 2013:

- A number of new AV products building on Bang & Olufsen's unique capabilities within acoustics and design
- A number of functionality and design upgrades to existing AV products

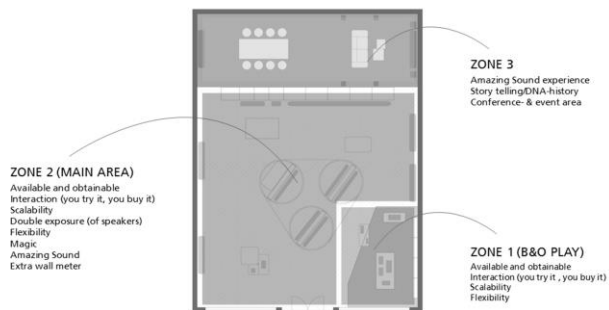
TRANSITIONING TO FEWER, MORE PRODUCTIVE STORES



*Stores typically have a notice period of 6 months. Therefore it will take up to 6 months for the store count to fully reflect the accelerated closings

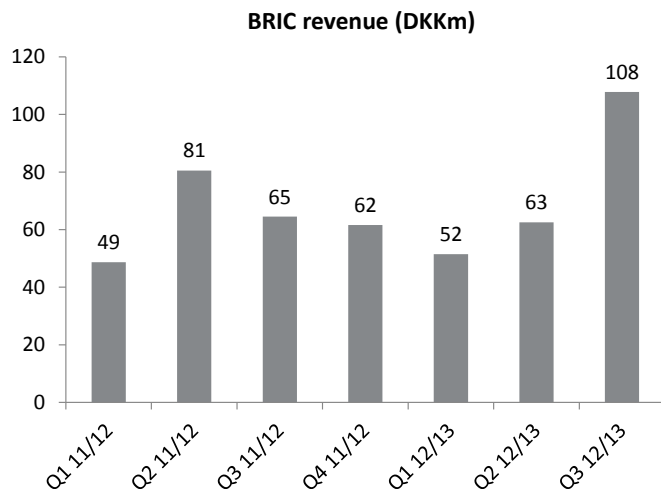
- In accordance with strategy, more than 80 stores were terminated (closed or notified) in Europe during the third quarter
- The remaining stores up to the projected 125 stores will be closed during the next couple of quarters. This completes the accelerated store closing programme
- Estimated full year adverse revenue impact in 2012/13 of up to DKK 130 million (previously DKK 100m) due to the acceleration of the transformation
- Continued focus on opening stores in locations where there is unexploited potential. In the third quarter B1 stores were opened in Tokyo, Beijing and Las Vegas among other places

UPGRADING THE NETWORK WITH LUXURY SHOPPING EXPERIENCES



- Launch of a new retail concept giving customers a truly magical shopping experience: combining the best of luxury shopping with experiential retail
- Uniting Bang & Olufsen and B&O PLAY while clearly highlighting the differences between the two brands and recognising the different shopping patterns
- Official store opening in Ny Østergade, Copenhagen, with the new retail concept on 18 April and shortly thereafter in Shanghai
- Global concept roll out will begin in September 2013

CHINA STRATEGY STARTING TO SHOW TRACTION



- Revenue in BRIC increased by 67 per cent driven mainly by strong growth in Bang & Olufsen's own stores in Hong Kong and South China as well as sales related to the opening of new stores
- Sparkle Roll will open 3 B1 shops and more than 50 dedicated B&O PLAY shop-in-shops in high-traffic locations in the 2013 calendar year
- As communicated in the second quarter, the take-over of the existing master dealer in min-China is expected to have a negative impact on revenue in China of up to DKK 100m in the 2012/13 financial year

GLOBAL BRAND COLLABORATION WITH UNIVERSAL MUSIC

Possible activities in collaboration with Universal Music

- Product launch events
- In-store audio and video content
- Artist endorsements
- Tailored high quality audio content
- And much more...

- Bang & Olufsen and Universal Music have entered a partnership with a long term perspective dedicated to musical excellence and sound experiences
- Universal Music is the biggest record label in the world, representing and growing the most well-known artists
- First initiative is the launch of new B&O PLAY headphones and earphones at Universal Music's 'Yellow Lounge' event in London on April 8, 2013



- Yellow Lounge was born as a event and lounge concept, which has grown into a movement that has brought classical music to new audiences in new locations in a number of major urban centers
- Typically 600-800 participants at concerts
- A unique awareness creation opportunity by reaching the right target group such as artists, designers etc.

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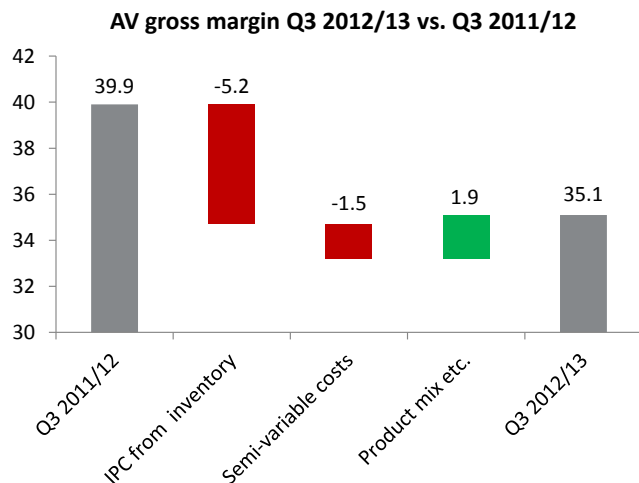
REVENUE AND GROSS MARGIN

Revenue						
DKK million	3rd quarter			YTD		
	2012/13	2011/12	Index	2012/13	2011/12	Index
AV	362	559	65	1,179	1,538	77
B&O PLAY	162	78	207	420	195	215
B2C	524	637	82	1,599	1,733	92
Automotive	118	103	114	405	334	121
ICEpower	13	23	58	68	77	88
B2B	131	126	104	473	411	115
Other	0	3	-10	2	-4	-49
Group	655	766	85	2,074	2,140	97

Gross margin						
%	3rd quarter			YTD		
	2012/13	2011/12	Chg.	2012/13	2011/12	Chg.
AV	35.1	39.9	-4.8	44.2	41.8	2.4
B&O PLAY	30.1	27.8	2.3	29.1	29.7	-0.6
Automotive	36.1	36.2	-0.1	36.2	38.2	-2.0
ICEpower	48.3	47.2	1.1	53.3	47.5	5.8
Group	34.9	38.3	-3.4	40.1	40.3	-0.2

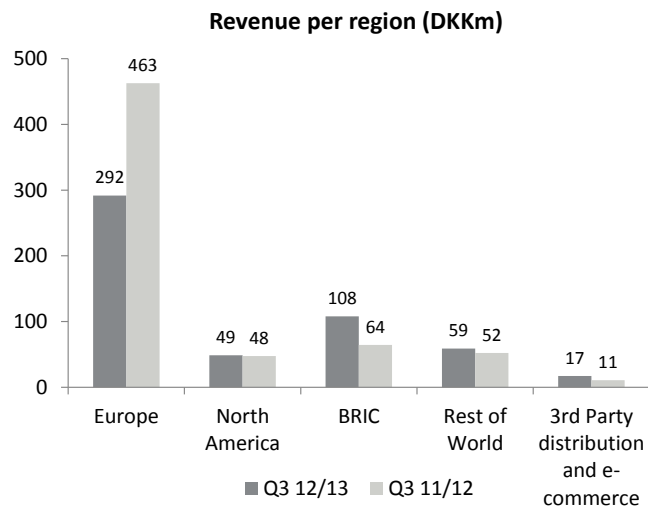
- Group revenue for the third quarter was DKK 655 million compared to DKK 766 million last year
- The revenue decline was mainly due to a lower AV revenue, whereas growth in B&O PLAY and Automotive remains strong with 107 per cent and 14 per cent respectively
- The lower AV revenue was almost entirely related to a decline in revenue in Europe
- Group gross margin was 34.9 per cent compared to 38.3 per cent in the same quarter last year driven by a lower margin in the AV segment
- The gross margin in B&O PLAY improved to 30.1 per cent from 27.8 per cent, mainly due to the launch of the BeoPlay A9

AV GROSS MARGIN DEVELOPMENT



- The AV gross margin was adversely impacted by indirect production costs (IPC) due to a significant reduction in AV inventory. This had a negative impact on the gross margin of 5.2 percentage points
- The decline in revenue in the AV segment had an adverse impact on the gross margin, as the lower revenue resulted in relatively higher semi-variable production costs
- The product mix positively impacted the gross margin in AV by 1.9 per cent in the third quarter of the financial year compared to the same quarter last year

REVENUE PER REGION, B2C BUSINESS



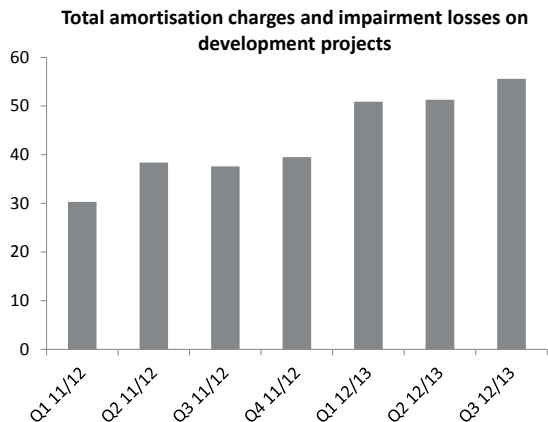
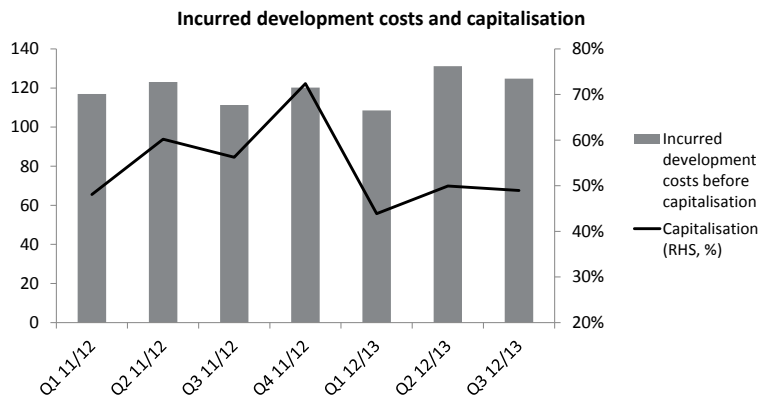
- B2C revenue decreased to DKK 524 million from DKK 638 million in the same quarter last year
- Revenue in Europe was DKK 292 million compared to DKK 463 million last year. The decline was seen in all European markets
- BRIC revenue increased by 67 per cent mainly driven by strong growth in own stores and sales to new stores. The takeover of the master dealer in mid-China continued to have an adverse impact on revenue
- Third party distribution increased to DKK 17 million from DKK 11 million last year

CAPACITY COSTS – DISTRIBUTION AND MARKETING COSTS

Capacity costs						
DKK million	3rd quarter			YTD		
	2012/13	2011/12	Index	2012/13	2011/12	Index
Development	119	86	138	348	265	132
Dist. and marketing	202	163	124	568	486	117
Administration	22	21	100	64	72	90
Total capacity costs	343	271	127	981	822	119

- Capacity costs increased to DKK 343 million from DKK 271 million in the same quarter last year
- Distribution and marketing costs increased by DKK 39 million during the third quarter of the 2012/13 financial year from DKK 163 million to DKK 202 million
 - DKK 10 million of the increase in distribution and marketing costs related to Bang & Olufsen taking over ownership of stores – mainly in China and in Hong Kong
 - The capacity cost includes non-recurring costs of DKK 15 million for the third quarter of the financial year, which mainly relate to organisational changes and network restructuring and with the majority impacting the distribution and marketing costs
 - The remaining increase in distribution and marketing costs relate to investments in B&O PLAY and China

CAPACITY COSTS – DEVELOPMENT COSTS



- Development costs were DKK 119 million in the third quarter compared to DKK 86 million in the same quarter last year
- Development costs increased mainly due to DKK 19 million higher amortisation on development projects and lower capitalised development costs in the third quarter compared to the same quarter last year
- Incurred development costs were DKK 125 million compared to DKK 111 million last year and DKK 131 million in the second quarter of the 2012/13 financial year
- The capitalisation percentage was 49 per cent compared to 56 per cent in the same quarter last year

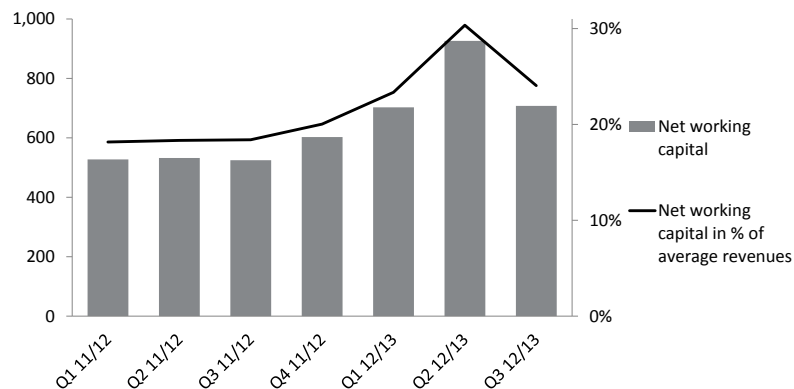
INCOME STATEMENT

Consolidated income statement						
DKK million	3rd quarter			YTD		
	2012/13	2011/12	Index	2012/13	2011/12	Index
Revenue	655	766	85	2074	2140	97
Gross profit	228	293	78	831	863	96
EBIT	-114	23	-	-149	41	-
EBT	-125	19	-	-167	27	-
Earnings after tax	-91	17	-	-123	19	-
Gross margin, %	34.9	38.3	91	40.1	40.3	99
EBIT margin, %	-17.5	2.9	-	-7.2	1.9	-
Capitalised dev.	-61	-63	98	-174	-193	90
Amort. of dev. projects	56	38	148	158	106	148
Other depreciation	29	26	112	85	76	113
EBITDAC	-91	24	-	-80	30	-

- In the third quarter of the 2012/13 financial year EBIT was negative DKK 114 million compared to DKK 23 million in the same quarter last year
- The EBIT was adversely affected by lower revenue, a lower gross margin, and higher costs
- The Earnings after tax were negative DKK 91 million compared to positive DKK 17 million in the same quarter last year

CASH FLOW AND NET WORKING CAPITAL

Cash Flow DKK million	3rd quarter		YTD	
	2012/13	2011/12	2012/13	2011/12
	Earnings for the period	-91	17	-123
Amort., depr. and imp.	85	64	243	182
Change in receivables	200	79	85	-50
Change in inventories	144	1	-40	-49
Change in trade payables	-121	-72	-138	25
Other	-45	-1	-70	12
Cash flow from operating activities	172	87	-42	139
Cash flow from investing activities	-80	-72	-219	-246
Free Cash Flow	92	16	-261	-108



- Free cash flow was DKK 92 million for the quarter compared to DKK 16 million in the same quarter last year
- The positive cash flow in the third quarter reflects the significant decrease in inventories and trade receivables
- Net working capital decreased by DKK 219 million to DKK 708 million in the third quarter from DKK 927 million in the previous quarter
- The decrease compared to the previous quarter mainly relates to a reduction in inventory and trade receivables
- The net working capital of DKK 708 million corresponds to 24 per cent of the last 12 months' revenue
- The net working capital is expected to be further reduced in the fourth quarter

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EXPECTATIONS TO THE 2012/13 FINANCIAL YEAR

Outlook for the 2012/13 financial year

- Revenue of DKK 2,800 – 2,900 million
- Gross margin at the same level as in the 2011/12 financial year
- A negative EBIT in the range of DKK 150-200 million

The outlook includes

- Non-recurring costs of DKK 40 million
- An adverse impact of more than DKK 100 million compared to last year from higher amortisation and lower capitalisation of development projects

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QUESTIONS & ANSWERS

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