The image shows three modern, egg-shaped speakers on wooden stands. The speakers are arranged in a row, each on a three-legged wooden stand. The leftmost speaker has a light blue face and a light-colored stand. The middle speaker has a light blue face and a light-colored stand. The rightmost speaker has a light blue face and a dark brown stand. They are positioned in front of a large window with a grid pattern, which is out of focus. The background is bright and airy, suggesting an indoor setting with natural light.

INTERIM REPORT FOR THE FIRST QUARTER OF THE 2013/14 FINANCIAL YEAR
2 OCTOBER 2013

BANG & OLUFSEN

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AGENDA

FIRST QUARTER HIGHLIGHTS – Tue Mantoni, CEO

FINANCIAL RESULTS – Henning Bejer Beck, CFO

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

Q&A

HIGHLIGHTS

- Strategic transformation efforts are beginning to show results
- Revenue declined by six per cent in the first quarter – a lower rate of decline than in the previous two quarters
- As expected Automotive (+13 per cent) and B&O PLAY (+19 per cent) continued to show strong growth, while AV (-18 per cent) continued to decline driven by tough market conditions and network restructuring – primarily in Europe
- BRIC grew by 28 per cent driven primarily by Bang & Olufsen's own stores in China
- Expectations for the 2013/14 financial year are unchanged
- Launch of a new and innovative wireless speaker platform at CEDIA

ULTIMATE SOUND PERFORMANCE IN A WIRELESS SET UP



- Immaculate Wireless Sound: Bang & Olufsen's latest innovation within sound, design and technology



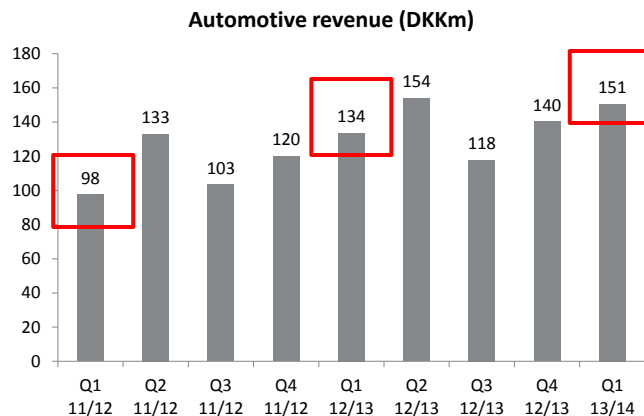
- Open wireless standard
- 8 channels of up to 24-bit audio at sample rates up to 96k/second
- Robust error recovery – smooth, uninterrupted sound
- 5 ms fixed latency – perfect lip synch and game response
- Works in 5GHz UNII band

New wireless speaker platform launched at CEDIA

- Wireless technology, allowing audiophiles to enjoy 24-bit, uncompressed music wirelessly
- The wireless platform will be implemented in the new speakers that will be launched during the autumn 2013
- A wireless transmitter will be built into Bang & Olufsen TVs going forward and wireless transmitters will be available for legacy Bang & Olufsen and other brand TVs
- Incorporates the new WiSA standard, and therefore the speakers will connect to any WiSA compliant third-party television, Blu-ray player, AV receiver or the like
- The new wireless standard is a result of a cooperation between Bang & Olufsen, Summit Semiconductor and the WiSA Association

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AUTOMOTIVE CONTINUES THE SOLID GROWTH



Automotive in the first quarter of 2013/14

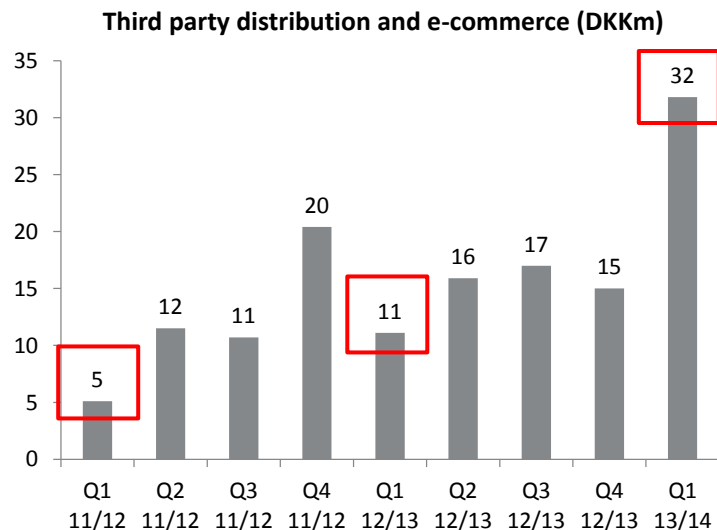
- Revenue increased by 13 per cent compared to the same quarter last year
- The revenue increase was driven by new car models as well as strong go-to-market programs and the launch of limited edition cars
- Strong focus on increasing the take-rates through a series of sales initiatives, which will also support lead generation to AV and B&O PLAY

Aston Martin Vanquish Volante launched in June

- Has the new Bang & Olufsen BeoSound Vanquish system as standard fit
- The sound system features active loudspeakers powered by a 1,000-watts amplifier

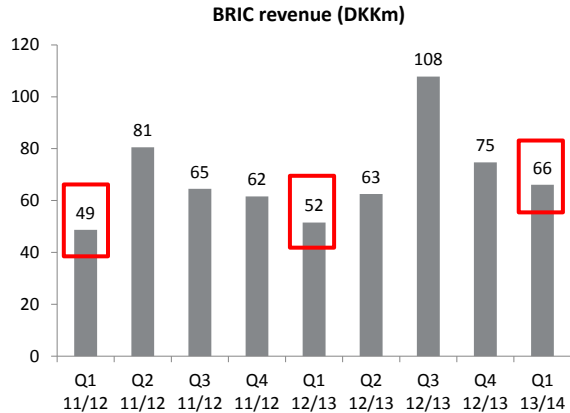
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B&O PLAY THIRD PARTY DISTRIBUTION SHOWS STRONG GROWTH



- Revenue in third party distribution and e-commerce increased to DKK 32 million in the first quarter, driven mainly by an increase in the number of third party outlets
- The new outlets include more shops with existing partners such as Apple stores, as well as entirely new distribution partners and channels such as airport stores
- The BeoPlay H6 and BeoPlay H3 have been important drivers for attracting new third party retailers. They have also been important growth drivers for the e-commerce channel in the first quarter of the 2013/14 financial year

THE CHINA STRATEGY IS SHOWING TRACTION



BeoLab 5 "88 years anniversary"



BeoLab 5 "Grand Piano"

- Revenue in BRIC increased by 28 per cent in the first quarter, driven mainly by strong growth in Bang & Olufsen's own stores in China
- With the takeover of 20 stores from the previous master dealer in mid-China, Bang & Olufsen now owns and operates 31 of 36 stores in China
- The 20 stores only had a moderate positive impact on BRIC revenue compared to the same quarter last year
- A Chinese retail organisation has been established to service and develop the Chinese distribution
- Special editions like the BeoLab 5 "Grand Piano" and "88 years anniversary" have been a success in China and more special editions will be launched during 2013/14

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INCOME STATEMENT

Consolidated income statement

DKK million	1st quarter		
	13/14	12/13	Index
Revenue	566	600	94
Gross profit	227	245	93
EBIT	-64	-61	-
EBT	-68	-64	-
Earnings after tax	-53	-47	-
Gross margin, %	40.1	40.8	98
EBIT margin, %	-11.3	-10.2	-
Capitalised dev.	-63	-48	-
Amort. of dev. projects	59	51	116
Other depreciation	30	28	107
EBITDAC	-38	-30	-

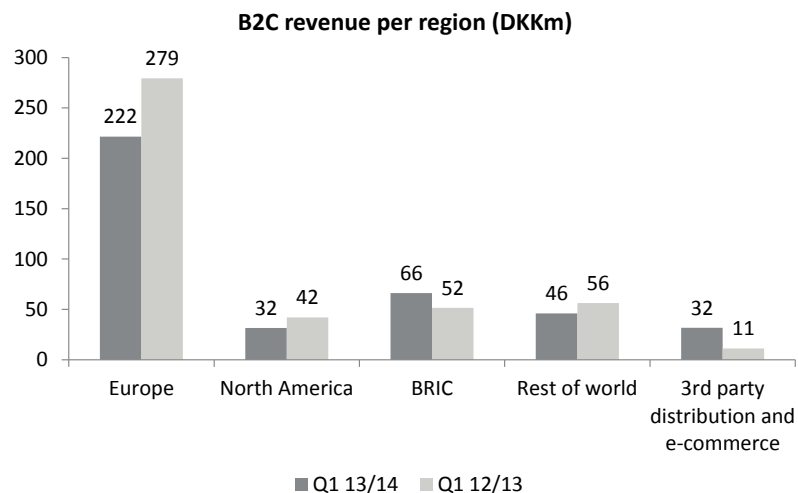
- Revenue declined by six per cent in the first quarter of 2013/14 compared to the same quarter last year
- EBIT was negative DKK 64 million compared to negative DKK 61 million last year
- Earnings after tax were negative DKK 53 million compared to negative DKK 47 million in the same quarter last year

REVENUE

Revenue			
DKK million	1st quarter		
	13/14	12/13	Index
AV	279	342	82
B&O PLAY	118	99	119
B2C	397	440	90
Automotive	151	134	113
ICEpower	22	27	83
B2B	173	160	108
Other	-3	0	-
Group	566	600	94

- Group revenue for the first quarter was DKK 566 million compared to DKK 600 million last year
- The revenue decline in the first quarter was mainly due to a lower B2C revenue, driven by a decline of 18 per cent in AV
- B&O PLAY grew by 19 per cent compared to the same quarter last year. The growth was driven primarily by sales through third party channels
- B2B revenue increased by 8 per cent in the first quarter compared to the same quarter last year. Automotive grew by 13 per cent, while ICEpower declined by 17 per cent

REVENUE PER REGION, B2C BUSINESS



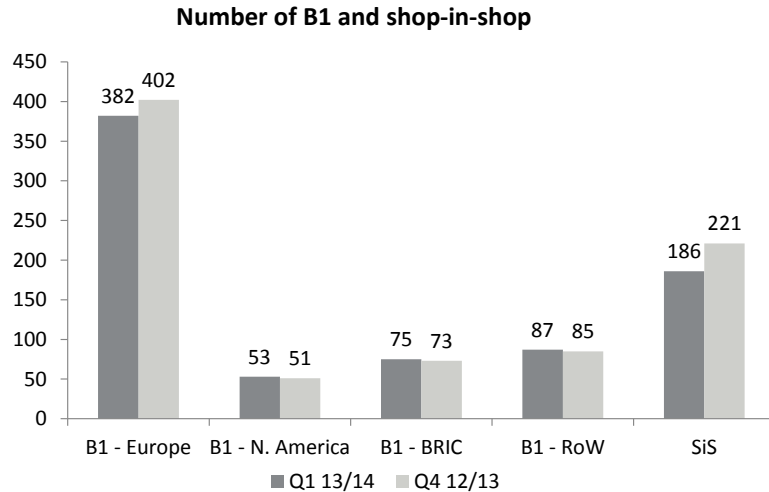
- B2C revenue decreased to DKK 397 million from DKK 440 million in the same quarter last year
- Revenue in Europe was DKK 222 million compared to DKK 279 million last year
- Revenue in North America was DKK 32 million compared to DKK 42 million in the same quarter last year
- BRIC revenue increased by 28 per cent to DKK 66 million mainly driven by strong growth in own stores
- Rest of world revenue decreased by 18 per cent
- Third party distribution was DKK 32 million compared to DKK 11 million in the first quarter last year. The quarter was positively affected by a significant increase in the number third party outlets driven by the newly launched BeoPlay H6 and H3 headphones

GROSS MARGIN

Gross margin			
%	1st quarter		
	13/14	12/13	Chg.
AV	49.4	48.1	1.3
B&O PLAY	25.3	21.5	3.8
Automotive	31.9	33.4	-1.5
ICEpower	50.5	55.1	-4.6
Group	40.1	40.8	-0.7

- Group gross margin was 40.1 per cent compared to 40.8 per cent in the same quarter last year
- The gross margin in B&O PLAY was 25.3 per cent compared to 21.5 per cent last year. The improvement was driven by a change in the product mix.
- The gross margin in Automotive was 31.9 per cent compared to 33.4 per cent last year

DISTRIBUTION DEVELOPMENT



- In accordance with the announced strategy, 93 stores have been terminated (closed or notified) since January 2013. The stores terminated are primarily B1 and shop-in-shop stores in Europe
- The number of stores increased in North America (+2), BRIC (+2) and Rest of world (+2)
- The number of shop-in-shops declined to 186 from 221 in the previous quarter
- At the end of the first quarter there were 27 dedicated B&O PLAY shop-in-shops. These have been included in the shop-in-shop store count
- The pipeline of new partners is beginning to show positive momentum

CAPACITY COSTS

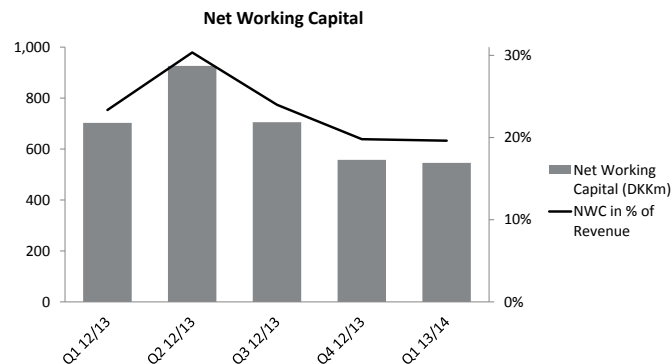
Capacity costs			
DKK million	1st quarter		
	13/14	12/13	Index
Development	97	112	87
Dist. and marketing	172	175	98
Administration	22	19	114
Total capacity costs	291	306	95

- Development costs were DKK 97 million in the first quarter compared to DKK 112 million in the same quarter last year
- Capacity costs declined to DKK 291 million from DKK 306 million in the same quarter last year
- Distribution and marketing costs were almost unchanged at DKK 172 million compared to DKK 175 million in the same quarter last year
- Administration costs increased to DKK 22 million from DKK 19 million

CASH FLOW AND NET WORKING CAPITAL

Cash Flow DKK million	1st quarter	
	2013/14	2012/13
Earnings for the period	-53	-47
Amort., depr. and imp.	89	79
Change in receivables	58	137
Change in inventories	-63	-192
Change in trade payables	16	-35
Other	-19	-16
Cash flow from operating activities	29	-74
Cash flow from investing activities	-99	-70
Free Cash Flow	-70	-145

- Free cash flow was negative DKK 70 million for the quarter compared to negative DKK 145 million in the same quarter last year
- Net working capital was DKK 545 million corresponding to a decrease of DKK 12 million compared to the previous quarter and a decrease of DKK 158 million compared to the end of the first quarter last year
- The net working capital of DKK 545 million corresponds to 20 per cent of the last 12 months' revenue



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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
- 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 break-even. However, the EBIT margin is highly sensitive to the development in the revenue

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QUESTIONS & ANSWERS

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