# **INTERIM REPORT, 1 HALF-YEAR 2011/12**1 JUNE 2011 – 30 NOVEMBER 2011



**BEOSOUND 5 ENCORE** AWARDED BEST DANISH GADGET 2011

## PROGRESS CONTINUES IN Q2 AND OUTLOOK FOR THE YEAR IS MAINTAINED

"Bang & Olufsen delivered a satisfactory result in a difficult market with second quarter revenues marginally above last year, an increase in gross margin of 1.7 percentage point to 43.8 per cent and operating profit (EBIT) growth of 27 per cent. The result before tax was DKK 41 million in the second quarter compared to DKK 36 million last year", says CEO Tue Mantoni.

"We continue to see a strong performance in our B2B (business-to-business) line (Automotive and ICEpower), whereas the B2C (business-to-consumer) line (AV and B&O PLAY) remains challenged. We took the decision to postpone the launch of B&O PLAY from second quarter to third quarter to ensure sufficient launch quantities of the Beolit 12. The postponement obviously had an adverse impact on the results for the quarter".

"For the financial year, an outlook of a 2011/12 result before tax is maintained at the level of DKK 100 million based on a revenue level exceeding DKK 3,000 million".

## Headlines

- The Group's revenues for the second quarter of the 2011/12 financial year were DKK 776 million, which is marginally above last year's level.
- The B2C business line recorded revenues of DKK 617 million in the second quarter of the 2011/12 financial year compared to revenues of DKK 619 million in the same period last year. The B2B business line recorded revenues of DKK 163 million in the second quarter of the 2011/12 financial year compared to revenues of DKK 148 million in the same period last year. This corresponds to a growth of 10 per cent.
- AV revenues in BRIC markets grew 25 per cent, whereas Europe declined 8 per cent.
- The Group's gross margin for the second quarter of the 2011/12 financial year was 43.8 per cent against a gross margin of 42.1 per cent for the same period last year. The higher gross margin is partly due to a change in the product mix.

- The result before tax for the second guarter was positive at DKK 41 million against a positive result last year of DKK 36 million. The result in the second quarter of the 2011/12 financial year is positively affected by nonrecurring items of DKK 5 million.
- Free cash flow in the second quarter was positive at DKK 17 million compared to DKK 30 million in the same period last year. The Group's net working capital was DKK 533 million at the end of the second quarter of the 2011/12 financial year, which is on the same level as last year.
- The Group's total revenues for the first half of the 2011/12 financial year was DKK 1,374 million against DKK 1,336 million last year, which equates to a growth of 3 per cent. The result before tax for the first half of the 2011/12 financial year was DKK 8 million against DKK 2 million last year. In the first half of the 2011/12 financial year, the net impact from non-recurring items is negative at DKK 1 million. Free cash flow in the first half of the 2011/12 financial year was negative at DKK 123 million compared to negative DKK 67 million last year.
- For the financial year, an outlook of a 2011/12 result before tax is maintained at the level of DKK 100 million based on a revenue level exceeding DKK 3,000 million. The EBIT-margin for the 2011/12 financial year is expected to be 3.5-4.0 per cent.
- After the reporting period, we have launched the B&O PLAY brand and Beolit 12 and announced the launch of Beolab 12 and Beovision 12.

Any enquiries about this announcement can be addressed to:

President & CEO Tue Mantoni, tel.: +45 9684 5000.

We will host a webcast on 18 January 2012 at 10.00. Access to the webcast is obtained through our home page www.bang-olufsen.com.

Progress continues in Q2 Key Figures Management Report Statement of Executive Management and Board of Directors Financial Review Additional Information

Headlines

**KEY FIGURES** 

Bang & Olufsen a/s - Group The figures have not been audited

| DKK million                   | 2nd q   | uarter  | Growth | 1st ha  | lf-year | Growth |
|-------------------------------|---------|---------|--------|---------|---------|--------|
|                               | 2011/12 | 2010/11 | %      | 2011/12 | 2010/11 | %      |
| Profit and loss statement:    |         |         |        |         |         |        |
| Revenues                      | 776     | 775     | 0%     | 1,374   | 1,336   | 3%     |
| Gross margin, %               | 43.8    | 42.1    | 4%     | 41.5    | 41.2    | 1%     |
| EBITDA                        | 106     | 92      | 15%    | 137     | 119     | 15%    |
| Operating profit/loss (EBIT)  | 47      | 37      | 27%    | 18      | 8       | 125%   |
| Financial items, net          | (5)     | (5)     | 0%     | (8)     | (7)     | 14%    |
| Result before tax (EBT)       | 41      | 36      | 14%    | 8       | 2       | 300%   |
| Result after tax              | 29      | 28      | 4%     | 2       | 1       | 100%   |
| Financial position:           |         |         |        |         |         |        |
| Balance sheet total           | 2,698   | 2,652   | 2%     | 2,698   | 2,652   | 2%     |
| Share capital                 | 362     | 362     | 0%     | 362     | 362     | 0%     |
| Equity                        | 1,540   | 1,501   | 3%     | 1,540   | 1,501   | 3%     |
| Net interest-bearing debt     | 219     | 153     | 43%    | 219     | 153     | 43%    |
| Net working capital           | 533     | 529     | 1%     | 533     | 529     | 1%     |
| Cash flow:                    |         |         |        |         |         |        |
| - from operating activities   | 104     | 94      | 11%    | 51      | 43      | 19%    |
| - from investment activities  | (87)    | (64)    | 36%    | (175)   | (110)   | 59%    |
| - free cash flow              | 17      | 30      | (43%)  | (123)   | (67)    | 84%    |
| - from financing activities   | 46      | (10)    | -      | 95      | (13)    | -      |
| Cash flow for the period      | 63      | 19      | 232%   | (29)    | (80)    | -      |
| Key figures:                  |         |         |        |         |         |        |
| EBITDA-margin, %              | 13.6    | 11.8    |        | 9.9     | 8.9     |        |
| EBIT-margin, %                | 6.0     | 4.8     |        | 1.3     | 0.5     |        |
| NIBD/EBITDA                   | 0.7     | 0.5     |        | 0.7     | 0.5     |        |
| Return on investments, %      | 2.0     | 1.6     |        | 0.8     | 0.3     |        |
| Return on invested capital,   |         |         |        |         |         |        |
| excl. goodwill, %             | 6.0     | 4.6     |        | 6.1     | 4.4     |        |
| Return on equity, %           | 1.9     | 1.9     |        | 0.1     | 0.1     |        |
| Full time employees at the    |         |         |        |         |         |        |
| end of the period             | 2,040   | 2,108   |        | 2,040   | 2,108   |        |
| Stock related key figures:    |         |         |        |         |         |        |
| Earnings per share (EPS), DKK | 0.8     | 8.0     |        | 0.0     | 0.0     |        |
| Price / Earnings              | 65      | 80      |        | 1,047   | 2,451   |        |

Note – the key figures have been adjusted cf. disclosure in Note 1 to the Annual Report 2010/11

## MANAGEMENT REPORT

## Revenues 1 half-year 2011/12 (DKK million)



## Progress continues in second quarter

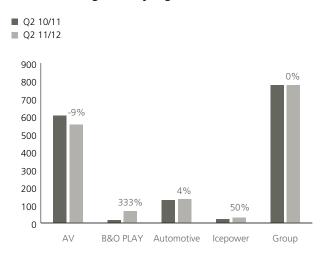
The Group's revenues for the second quarter of the 2011/12 financial year were DKK 776 million, which is marginally above last year's level. The Group's total revenues for the first half of the 2011/12 financial year were DKK 1,374 million against DKK 1,336 million last year, which equates to a growth of 3 per cent.

The result before tax for the second quarter was positive at DKK 41 million against a positive result last year of DKK 36 million. The result in the second quarter of the 2011/12 financial year is positively affected by non-recurring items of net DKK 5 million. The non-recurring items in the second quarter consist of DKK 7 million related to the sale of property and negatively impacted by DKK 2 million in severance provisions related to the organisational changes following the implementation of the new corporate strategy. The result before tax for the first half of the 2011/12 financial year was DKK 8 million against DKK 2 million last year. In the first half

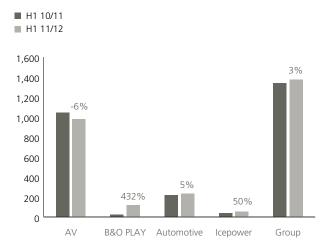
of the 2011/12 financial year, the result is negatively affected by non-recurring items of net DKK 1 million. Accumulated the non-recurring items consist of DKK 7 million related to the sale of property and negatively impacted by DKK 8 million in severance provisions related to the organisational changes following the implementation of the new corporate strategy.

The Group's gross margin for the second quarter of the 2011/12 financial year was 43.8 per cent against a gross margin of 42.1 per cent for the same period last year. The higher gross margin is partly due to a change in the product mix within the AV business towards increased sales of loudspeaker products, which traditionally have a higher gross margin, partly due to a change in the product mix within the Automotive segment. In the first half of the 2011/12 financial year, the gross margin was 41.5 per cent against a gross margin of 41.2 per cent for the same period last year.

## Revenues and growth by segment (Q2)

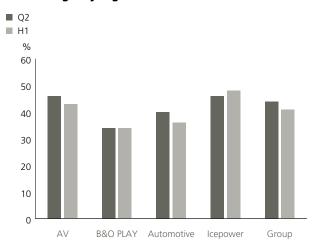


## Revenues and growth by segment (H1)



The B2C business line, which consists of the AV and the B&O PLAY segments, recorded revenues of DKK 617 million in the second quarter of the 2011/12 financial year compared to revenues of DKK 619 million in the same period last year.

#### **Gross margin by segment**



The AV business recorded revenues of DKK 552 million in the second guarter of the 2011/12 financial year compared to DKK 604 million in the same period last year. AV revenues in BRIC markets grew 25 per cent, whereas Europe declined 8 per cent. Accumulated the AV business recorded revenues of DKK 979 million compared to DKK 1,042 million in the first half of the 2010/11 financial year. The gross margin within the AV business in the second quarter of the 2011/12 financial year was 45.8 per cent against a gross margin of 45.0 per cent for the same period last year. The change in gross margin is primarily due to a change in product mix.

B&O PLAY offers premium audio and visual equipment for the digital generation, taking advantage of Bang & Olufsen's core competences within design, sound, connectivity and user friendliness. Sales of B&O PLAY products have until now been classified as part of the AV segment, and therefore the historical AV figures have been restated to reclassify sales now shown under the new B&O PLAY brand.

B&O PLAY recorded revenues of DKK 65 million in the second quarter of the 2011/12 financial year compared to DKK 15 million in the same period last year. Accumulated B&O PLAY recorded revenues of DKK 117 million DKK compared to DKK 22 million in the first half of the 2010/11 financial year, due to the introduction of BeoSound 8 in November 2010. The gross margin within B&O PLAY in the

second guarter of the 2011/12 financial year was 33.9 per cent against a gross margin of 46.3 per cent for the same period last year. The significant change in the gross margin is due to the recent extension of the B&O PLAY segment, which now consists of other products than accessories (earphones, headphones etc.), i.e. the BeoSound 8.

The B2B business line, which consists of the Automotive and ICEpower segments, recorded revenues of DKK 163 million in the second quarter of the 2011/12 financial year compared to revenues of DKK 148 million in the same period last year. This corresponds to a growth of 10 per cent.

The Automotive business recorded revenues of DKK 133 million in the second quarter of the 2011/12 financial year compared to DKK 128 million in the same period last year. Accumulated the Automotive business recorded revenues of DKK 231 million DKK compared to DKK 219 million in the first half of the 2010/11 financial year. The gross margin within the Automotive business in the second quarter of the 2011/12 financial year was 39.5 per cent against a gross margin of 27.6 per cent for the same period last year. The change in gross margin is primarily due to a change in the product mix.

The ICEpower business recorded revenues of DKK 30 million in the second guarter of the 2011/12 financial year compared to DKK 20 million in the same period last year. Accumulated the ICEpower business recorded revenues of DKK 54 million DKK compared to DKK 36 million in the first half of the 2010/11 financial year. The gross margin within the ICEpower business was 46.3 per cent in the second quarter of the 2011/12 financial year against a gross margin of 45.5 per cent for the same period last year.

During the second quarter of the 2011/12 financial year, the Group increased its capacity costs by DKK 4 million from DKK 289 million for the same period last year to DKK 293 million this year. The increase is caused by a high activity level in product development. During the first half of the 2011/12 financial year, the Group increased its capacity costs by DKK 9 million from DKK 543 million in the same period last year to DKK 552 million this year.

Distribution and marketing costs decreased during the second quarter of the 2011/12 financial year by DKK 13 million from DKK 188 million to DKK 175 million, among other things as a result of organisational changes in the global

sales organisation, following the implementation of the new corporate strategy. Administration costs etc. totalled DKK 30 million, which is slightly higher than the same period last year.

The Group incurred development costs of DKK 116 million for the second quarter of the 2011/12 financial year against DKK 110 million for the same period last year. The increase is the result of a high activity level in product development, primarily relating to development projects within Automotive.

Expensed development costs (incl. amortisation and impairment losses) were DKK 87 million for the second quarter of the 2011/12 financial year, whereas the expensed development costs for the same period last year were DKK 72 million. The net effect of capitalisation was positive at DKK 29 million compared to DKK 27 million last year.

#### Capitalised development costs and book value

(DKK million) - 1 half-year of 2011/12

| 2011/12          | Consumer<br>business | Business-to-<br>business |
|------------------|----------------------|--------------------------|
| Capitalised, net | 79                   | 45                       |
| Book value, net  | 402                  | 167                      |

For the second quarter of the 2011/12 financial year the capitalised development costs were DKK 67 million, of which DKK 20 million relate to Automotive projects. For the first half of the 2011/12 financial year the capitalised development costs were DKK 124 million, of which DKK 45 million were within the B2B area. DKK 42 million relate to Automotive projects.

Reimbursements for development projects from Automotive partners of DKK 6 million were received during the second quarter of the 2011/12 financial year compared to DKK 19 million in the same period last year. The received reimbursements have been offset directly in intangible assets.

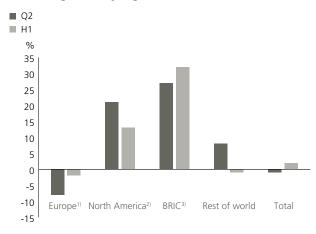
Free cash flow in the quarter was positive at DKK 17 million compared to DKK 30 million in the same period last year. The Group's net working capital was DKK 533 million by the end of the second quarter of the 2011/12 financial year, which is on the same level as last year.

The net interest bearing debt increased to DKK 219 million compared to DKK 153 million by the end of the second quarter of the 2010/11 financial year. The increase in the net interest bearing debt is primarily caused by higher investments in fixed assets.

The Group's equity has increased from DKK 1,538 million to DKK 1,540 million, which among other things is due to the net result. The equity ratio is 57.1 per cent.

## The development in Bang & Olufsen distribution by region

## Revenue growth by region



In the second quarter of the 2011/12 financial year Region Europe<sup>1)</sup> saw a decline in revenues of DKK 37 million or 8 per cent from DKK 444 million to DKK 407 million in the same period last year. North America<sup>2)</sup> recorded revenues of DKK 40 million compared to DKK 33 million last year, an increase of 20 per cent. The BRIC<sup>3)</sup> countries increased from DKK 64 million to DKK 81 million, i.e. 25 per cent. Revenues in Rest of World increased from DKK 73 million to DKK 79 million, i.e. an increase of 7 per cent.

<sup>1)</sup> Europe covers Finland, Ireland, Luxembourg, Denmark, Norway, Sweden, United Kingdom, Netherlands, Belgium, Germany, Switzerland, Austria, Spain, Italy and France.

<sup>&</sup>lt;sup>2)</sup> North America covers USA, Canada and Mexico. 3) BRIC covers Brazil, Russia, India and China.

#### **Product launches**

In the second quarter of the 2011/12 financial year, Bang & Olufsen launched an addition to the BeoVision 7 TV family and a new CD Ripping Device to the audio product BeoSound 5.



## BeoVision 7-40 3D

In November Bang & Olufsen extended the BeoVision 7 family with a 3D version of BeoVision 7-40. BeoVision 7-40 is one of the very few flatscreen TV's in the world to have an integrated Blu-ray player with 3D functionality. Bang & Olufsen now offers 3D viewing experiences in the entire BeoVision 4 and BeoVision 7 families.



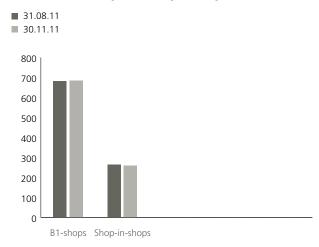
## **CD Ripping Device**

In November, Bang & Olufsen launched a CD Ripping Device for BeoSound 5, which makes it possible to automatically rip all the tracks on a CD to BeoSound 5 and start playback immediately. The new CD Ripping Device will rip the music to BeoSound 5 in the highest possible quality to ensure that any downgrade of the music quality is avoided. The product is a way to create a "bridge" between the analogue and the digital world of music.

## **Distribution development**

By the end of November 2011, there were 685 B1-shops across the world against 682 at the end of the first quarter of 2011/12. Thus, the net movement for the second quarter amounted to an additional 3 shops, with 14 openings and 11 closures.

## Number of B1-shops and shop-in-shops



In accordance with the communicated strategy, the Group expects a reduction in the number of shops in Europe and an increase in the number of shops in growth markets over the coming years.

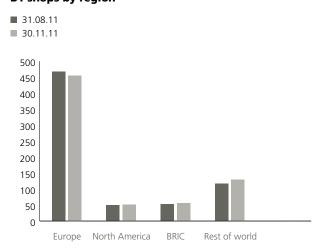
By the end of November 2011, there were 455 B1-shops in Region Europe against 457 at the end of the first quarter of 2011/12. Thus, the net movement in Europe for the second quarter amounts to -2 shops, with 7 openings and 9 closures.

In Region North America, there were 51 B1-shops, which is unchanged from the end of first quarter of 2011/12.

In the BRIC markets there were 55 B1-shops against 53 at the end of the first quarter of 2011/12. Thus, the net movement for the second quarter amounts to 2 shops, based on 2 openings.

In Rest of World there were 124 B1-shops against 121 at the end of the first guarter of 2011/12. Thus, the net movement for the second quarter amounted to an additional 3 shops, with 4 openings and 1 closure.

## **B1** shops by region



The number of shop-in-shops is 258 against 265 at the end of last financial year. The share of revenue for B1-shops is 84 per cent compared to 82 per cent in the first half of the 2010/11 financial year.

The organic growth in Bang & Olufsen shops with more than 24 months of operations was for the second quarter of the 2011/12 financial year 3 per cent for B1-shops and -26 per cent for shop-in-shops, primarily due to the geographical split of shop-in shops in Europe. For the first half-year of the 2011/12 financial year the growth was 6 per cent for B1shops and -8 per cent for shop-in-shops.

INTERIM REPORT 1 HALF-YEAR 2011/12 9

## **Expectations for the future**

Bang & Olufsen maintains the market guidance of a 2011/12 result before tax in the level of DKK 100 million based on a revenue level exceeding DKK 3,000 million.

The EBIT-margin for the 2011/12 financial year is expected to be 3.5-4.0 per cent. This compares to an EBIT-margin of 2.1 per cent for the 2010/11 financial year.

As communicated in the announcement of the 'Leaner, Faster, Stronger' strategy, the focus in the B2C business line will be to drive increased sales through new product launches in the AV and the B&O PLAY segments. The B1 distribution will be reduced further in Europe to focus on the shops that deliver the highest customer service and experience and to increase sales and profitability per shop. We expect to see growth in the number of B1 shops outside Europe. In parallel, the distribution will be broadened through the introduction of complementary channels and an online shop.

In the B2B business line the focus is on delivering a strong service to the existing four Automotive partners; Aston Martin, Audi, BMW and Mercedes AMG and increase the takerates (the percentage of the cars that are sold with a Bang & Olufsen sound system) for models in the market. Several of the partners will launch new models with Bang & Olufsen systems in the second half of the 2011/12 financial year. We therefore expect a strong 2012/13, whereas the 2011/12 financial year is expected to show only modest growth due to the late impact of the new models.

The 2011/12 outlook is sensitive to major changes in the European and the global economies.

## **Subsequent events**

As of 1 January 2012 Bang & Olufsen has acquired the Hong Kong and South China operations that previously were run by an agent. This is expected to lead the way for further expansion and stronger control of distribution in the Greater China region. After the reporting period, we have launched the B&O PLAY brand and Beolit 12 and announced the launch of Beolab 12 and Beovision 12

## STATEMENT OF THE EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS

We have today considered and approved the interim report for the period 1 June - 30 November 2011 for Bang & Olufsen a/s.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting, as endorsed by the EU and further Danish disclosure requirements for interim reports for listed companies.

It is our opinion that the interim report provides a true and fair view of the Group's assets, liabilities and financial position as at 30 November 2011 and the results of the Group's operations and cash flows for the period 1 June -30 November 2011.

It is also our opinion that the management report gives a true and fair view of developments in the Group's activities and financial situation, the result for the period and the Group's financial position in general as well as a description of the most significant risks and uncertainties to which the Group is exposed.

Struer, 18 January 2012

The Board of Directors for Bang & Olufsen a/s

## Management:

Tue Mantoni President & CEO

Henning Bejer Beck Executive Vice President, CFO

John Bennett-Therkildsen **Executive Vice President** 

## **Board of Directors:**

Ole Andersen Alberto Torres Peter Skak Olufsen

Chairman Deputy Chairman

Rolf Eriksen Jesper Jarlbæk Jim Hagemann Snabe

Knud Olesen Jesper Olesen Per Østergaard Frederiksen

# PROFIT AND LOSS ACCOUNT

| DKK million                                   |      | 2nd quarter |         | 1st half-year |         | Year      |  |
|---|------|-------------|---------|---------------|---------|-----------|--|
| No  | Note | 2011/12     | 2010/11 | 2011/12       | 2010/11 | 2010/11   |  |
| Revenues                                      |      | 775.5       | 774.5   | 1,374.1       | 1,336.2 | 2,866.9   |  |
| Production costs                              |      | (436.2)     | (448.5) | (803.8)       | (785.4) | (1,711.4) |  |
| Gross profit                                  |      | 339.3       | 326.0   | 570.3         | 550.8   | 1,155.5   |  |
| Gross margin-%                                |      | 43.8        | 42.1    | 41.5          | 41.2    | 40.3      |  |
| Development costs                             | 3    | (87.4)      | (72.4)  | (178.4)       | (147.8) | (311.4)   |  |
| Distribution and marketing costs              |      | (175.4)     | (188.4) | (323.2)       | (348.5) | (660.8)   |  |
| Administration costs etc.                     |      | (29.7)      | (28.2)  | (50.4)        | (46.8)  | (123.5)   |  |
| Operating profit (EBIT)                       |      | 46.8        | 37.0    | 18.3          | 7.7     | 59.8      |  |
| Result of investments in associates after tax |      | (0.9)       | 4.1     | (1.8)         | 1.2     | 0.2       |  |
| Financial income                              |      | 2.0         | 1.4     | 3.6           | 3.8     | 7.5       |  |
| Financial costs                               |      | (7.1)       | (6.1)   | (11.9)        | (11.0)  | (27.4)    |  |
| Result before tax (EBT)                       |      | 40.8        | 36.4    | 8.2           | 1.7     | 40.1      |  |
| Tax on result for the period                  |      | (12.0)      | (8.3)   | (6.4)         | (0.3)   | (12.1)    |  |
| Result for the period                         |      | 28.8        | 28.1    | 1.8           | 1.4     | 28.0      |  |
| Attributable to:                              |      |             |         |               |         |           |  |
| Shareholders of the parent company            |      | 28.8        | 27.6    | 1.8           | 0.9     | 26.9      |  |
| Minority interests                            |      | 0.0         | 0.5     | 0.0           | 0.5     | 1.1       |  |
|   |      | 28.8        | 28.1    | 1.8           | 1.4     | 28.0      |  |
| Earnings per share                            |      |             |         |               |         |           |  |
| Earnings per share (EPS), DKK                 |      | 0.8         | 0.8     | 0.0           | 0.0     | 0.7       |  |
| Diluted earnings per share (EPS-D), DKK       |      | 0.8         | 0.8     | 0.0           | 0.0     | 0.7       |  |

# STATEMENT OF COMPREHENSIVE INCOME

| DKK million                                     | 2nd o   | 2nd quarter |         | 1st half-year |         |
|---|---------|-------------|---------|---------------|---------|
|   | 2011/12 | 2010/11     | 2011/12 | 2010/11       | 2010/11 |
| Result for the period                           | 28.8    | 28.1        | 1.8     | 1.4           | 28.0    |
| Exchange rate adjustment of investments in      |         |             |         |               |         |
| foreign subsidiaries                            | (9.4)   | 0.1         | (6.0)   | 8.6           | 12.0    |
| Change in fair value of derivative financial    |         |             |         |               |         |
| instruments used as cash flow hedges            | 9.4     | (0.2)       | 11.9    | (22.5)        | (36.2)  |
| Transfer to the profit and loss account of fair |         |             |         |               |         |
| value adjustments of derivative financial       |         |             |         |               |         |
| instruments used as cash flow hedges:           |         |             |         |               |         |
| Transfer to revenues                            | (0.5)   | 6.5         | (3.4)   | 14.0          | 28.5    |
| Transfer to production costs                    | 0.7     | 0.7         | 0.0     | (1.5)         | 1.8     |
| Tax on other comprehensive income               | (2.4)   | (1.7)       | (2.1)   | 2.5           | 1.4     |
| Other comprehensive income, net of tax          | (2.2)   | 5.4         | 0.4     | 1.1           | 7.5     |
| Comprehensive income for the period             | 26.6    | 33.5        | 2.2     | 2.5           | 35.5    |
| <u> </u>  |         |             |         |               |         |
| Attributable to:                                |         |             |         |               |         |
| Shareholders' of the parent company             | 26.6    | 33.0        | 2.2     | 2.0           | 34.4    |
| Minority interests                              | 0.0     | 0.5         | 0.0     | 0.5           | 1.1     |
|   | 26.6    | 33.5        | 2.2     | 2.5           | 35.5    |

# **BALANCE SHEET - ASSETS**

| DKK million  | 30/11        | 30/11         | 31/5          |
|--|--------------|---------------|---------------|
|  | 2011         | 2010          | 2011          |
| Caadwill   | 447          | 44.0          | 44.0          |
| Goodwill Acquired rights                                       | 44.7<br>31.9 | 44.8<br>42.6  | 44.8<br>37.7  |
| Completed development projects                                 | 279.1        | 42.6<br>224.7 | 37.7<br>191.7 |
| Development projects in progress                               | 289.6        | 224.7         | 322.0         |
| Total intangible assets  | 645.3        | 532.8         | <b>596.2</b>  |
| iotal intaligible assets                                       | 043.3        | 332.0         | 330.2         |
| Land and buildings   | 215.5        | 234.7         | 227.8         |
| Plant and machinery  | 151.5        | 190.8         | 164.0         |
| Other equipment  | 30.1         | 31.9          | 31.3          |
| Leasehold improvements   | 16.1         | 19.5          | 15.6          |
| Tangible assets in progress and prepayment for tangible assets | 80.3         | 33.5          | 69.1          |
| Total tangible assets  | 493.5        | 510.4         | 507.8         |
| Investment property  | 42.0         | 43.5          | 42.7          |
| Investments in associates                                      | 5.7          | 5.7           | 5.7           |
| Other financial receivables                                    | 48.3         | 39.2          | 40.1          |
| Total financial assets   | 54.0         | 44.9          | 45.8          |
| Deferred tax assets  | 142.5        | 146.4         | 144.1         |
| Total non-current assets                                       | 1,377.3      | 1,278.0       | 1,336.6       |
|  |              |               | •             |
| Inventories  | 612.3        | 637.3         | 563.0         |
| Trade receivables  | 470.7        | 496.5         | 365.2         |
| Receivables from associates                                    | 1.0          | 4.0           | 1.7           |
| Income tax receivables   | 18.6         | 19.7          | 13.3          |
| Other receivables  | 32.1         | 32.5          | 24.3          |
| Prepayments  | 31.1         | 22.2          | 15.0          |
| Total receivables  | 553.5        | 574.9         | 419.5         |
| Cash   | 155.3        | 161.8         | 189.1         |
| Total current assets   | 1,321.1      | 1,374.0       | 1,171.6       |
|  |              |               |               |

# BALANCE SHEET – EQUITY AND LIABILITIES

| DKK million   | 30/11   | 30/11         | 31/5        |
|---|---------|---------------|-------------|
|   | 2011    | 2010          | 2011        |
| Chaus assistal  | 262.4   | 262.4         | 262.4       |
| Share capital   | 362.4   | 362.4         | 362.4       |
| Share premium   | 0.0     | 232.1<br>21.7 | 0.0<br>25.1 |
| Translation reserve                                       | 19.2    |               |             |
| Reserve for cash flow hedges                              | (9.3)   | (15.0)        | (10.9)      |
| Retained earnings   | 1,168.0 | 900.1         | 1,161.1     |
| Equity attributable to shareholders of the parent company | 1,540.3 | 1,501.3       | 1,537.7     |
| Minority interests  | 0.0     | 0.0           | 0.6         |
| Total equity  | 1,540.3 | 1,501.3       | 1,538.3     |
| Pensions  | 10.0    | 7.9           | 9.0         |
| Deferred tax  | 6.6     | 6.4           | 8.1         |
| Provisions  | 86.8    | 85.6          | 81.5        |
| Mortgage loans  | 216.2   | 223.4         | 219.5       |
| Loans from banks etc.                                     | 0.0     | 43.9          | 0.0         |
| Other non-current liabilities                             | 0.8     | 0.4           | 0.9         |
| Total non-current liabilities                             | 320.4   | 367.6         | 319.0       |
| Markey on Lange   | 6.7     | 4 7           | C 4         |
| Mortgage loans  | 6.7     | 4.7           | 6.4         |
| Loans from banks etc.                                     | 100.0   | 42.9          | 0.0         |
| Overdraft facilities                                      | 42.1    | 0.0           | 47.7        |
| Provisions  | 50.7    | 52.3          | 56.4        |
| Trade payables  | 302.7   | 324.8         | 199.8       |
| Income tax  | 23.5    | 20.1          | 21.7        |
| Other payables  | 266.6   | 317.1         | 303.9       |
| Deferred income   | 45.4    | 21.2          | 15.0        |
| Total current liabilities                                 | 837.7   | 783.1         | 650.9       |
| Total liabilities   | 1,158.1 | 1,150.7       | 969.9       |
|   |         |               |             |
| Total equity and liabilities                              | 2,698.4 | 2,652.0       | 2,508.2     |

Note – the comparatives for the corresponding periods in 2010 have been adjusted cf. disclosure in Note 1 to the Annual Report 2010/11

# **CASH FLOW STATEMENT**

| DKK million                                | 2nd c   | quarter | 1st ha  | alf-year | Year                  |  |
|--|---------|---------|---------|----------|-----------------------|--|
| Note                                       | 2011/12 | 2010/11 | 2011/12 | 2010/11  | 2010/11               |  |
| Result for the period                      | 28.8    | 28.1    | 1.8     | 1.4      | 28.0                  |  |
| Depreciation, amortisation and             | 20.0    | 20.1    | 1.0     | 1.4      | 20.0                  |  |
| impairment losses                          | 58.8    | 54.7    | 118.2   | 110.8    | 239.6                 |  |
| Adjustments for non-cash items 4           | 31.7    | 23.8    | 33.6    | 8.1      | 48.5                  |  |
| Cash flows from ordinary activities before | 31.7    | 23.0    | 33.0    | 0.1      |                       |  |
| change in working capital                  | 119.3   | 106.6   | 153.6   | 120.3    | 316.1                 |  |
| Change in receivables                      | (105.8) | (162.8) | (129.4) | (85.8)   | 63.1                  |  |
| Change in inventories                      | (15.2)  | (30.7)  | (49.3)  | (73.7)   | 0.6                   |  |
| Change in accounts payables etc.           | 121.0   | 186.8   | 96.7    | 91.0     | (37.0)                |  |
| Interest paid etc.                         | (5.2)   | (4.7)   | (8.4)   | (7.2)    | (19.9)                |  |
| Income tax paid                            | (10.0)  | (1.6)   | (12.0)  | (2.0)    | (3.1)                 |  |
| Cash flows from operating activities       | 104.1   | 93.6    | 51.2    | 42.6     | 319.8                 |  |
| Purchase of intangible non-current assets  | (79.8)  | (63.9)  | (130.8) | (113.0)  | (253.3)               |  |
| Purchase of tangible non-current assets    | (24.8)  | (24.7)  | (58.9)  | (39.6)   | (96.4)                |  |
| Investments in associated companies        | 0.0     | 0.0     | (3.4)   | 0.0      | (0.8)                 |  |
| Sale of tangible non-current assets        | 19.2    | 5.6     | 20.0    | 5.6      | 4.9                   |  |
| Received reimbursements, intangible        | 13.2    | 5.0     | 20.0    | 3.0      | 4.5                   |  |
| non-current assets                         | 6.2     | 18.5    | 6.7     | 35.1     | 26.6                  |  |
| Change in financial receivables            | (7.9)   | 0.5     | (8.2)   | 2.2      | 1.3                   |  |
| Cash flows from investment activities      | (87.1)  | (64.0)  | (174.6) | (109.7)  | (317.7)               |  |
| Free cash flow                             | 17.0    | 29.6    | (123.4) | (67.1)   | 2.1                   |  |
|  |         |         |         |          |                       |  |
| Repayment of long-term loans               | (1.3)   | (8.2)   | (2.9)   | (11.1)   | (100.1)               |  |
| Proceeds from short-term borrowings        | 50.0    | 0.0     | 100.0   | 0.0      | 0.0                   |  |
| Dividend paid, minority interests          | (2.3)   | (2.0)   | (2.3)   | (2.0)    | (2.0)                 |  |
| Disposal of own shares                     | 0.0     | 0.0     | 0.0     | 0.0      | 2.0                   |  |
| Cash flow from financing activities        | 46.4    | (10.2)  | 94.8    | (13.1)   | (100.1)               |  |
| Changes in cash and cash equivalents       | 63.4    | 19.4    | (28.6)  | (80.2)   | (98.0)                |  |
| Cash and cash equivalents, opening balance | 49.9    | 142.1   | 141.4   | 241.7    | 241.7                 |  |
| Exchange rate adjustment, cash             | (0.1)   | 0.3     | 0.4     | 0.3      |                       |  |
| Cash and cash equivalents, closing balance | 113.2   | 161,8   |         | 161,8    | (2.3)<br><b>141.4</b> |  |
| cash and cash equivalents, closing balance | 115.2   | 101,8   | 113,2   | 101,0    | 141.4                 |  |
| Cash and cash equivalents:                 |         |         |         |          |                       |  |
| Cash                                       | 155.3   | 161.8   | 155.3   | 161.8    | 189.1                 |  |
| Current overdraft facilities               | (42.1)  | 0.0     | (42.1)  | 0.0      | (47.7)                |  |
| Cash and cash equivalents, closing balance | 113.2   | 161.8   | 113.2   | 161.8    | 141.4                 |  |

# STATEMENT OF CHANGES IN EQUITY

| DKK million                              | 30/11   | 30/11   | 31/5    |
|--|---------|---------|---------|
|  | 2011    | 2010    | 2011    |
|  |         |         |         |
| Equity - opening balance                 | 1,538.3 | 1,496.2 | 1,496.2 |
|  | 4.0     | 4.4     | 20.0    |
| Result for the period                    | 1.8     | 1.4     | 28.0    |
| Comprehensive income after tax           | 0.4     | 1.1     | 7.5     |
| Comprehensive income for the period      | 2.2     | 2.5     | 35.5    |
| Employee shares                          | 0.0     | 1.1     | 1.1     |
| Acquisition of minority shares Bo-Soft   | (0.6)   | 0.0     | 0.0     |
| Grant of share options                   | 2.7     | 3.5     | 5.5     |
| Disposal of own shares                   | 0.0     | 0.0     | 2.0     |
| Distributed dividend, minority interests | (2.3)   | (2.0)   | (2.0)   |
| Equity - closing balance                 | 1,540.3 | 1,501.3 | 1,538.3 |

# **NOTE 1:** Applied accounting principles

The interim report for Bang & Olufsen a/s is prepared as a condensed set of financial statements in accordance with IAS 34 'Interim Financial Reporting', as endorsed by the European Union and further Danish disclosure requirements for interim reports for listed companies. The interim report has not been audited or reviewed by the company's external auditors. An interim report for the parent company has not been prepared. The interim report is stated in Danish krone (DKK) which is the functional currency of the parent company.

The Annual Report 2010/11 contains a full description of applied accounting principles.

Accounting principles and computation methods applied in the interim report are unchanged compared to the principles applied in the 2010/11 Annual Report, with the exception of some new or amended Standards (IFRS and IAS) and Interpretations (IFRICs) which have become effective. Management assesses that these new Standards and Interpretations will not have any material impact on the interim report.

The segmentation in Note 5 has been changed to reflect the changes made in the internal reporting following the implementation of the new corporate strategy.

## **NOTE 2:** Assumptions and accounting estimates

The preparation of interim reports requires that management makes estimates and asssumptions which affect the application of accounting principles and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The material estimates that management makes when applying the accounting principles of the group, and the material uncertainty connected with these estimates and assumptions, are unchanged in the preparation of the interim report compared to the preparation of the Annual Report as at 31 May 2011.

## **NOTE 3:** Development costs

| DKK million                              | 2nd quarter |         | 1st half-year |         | Year    |
|--|-------------|---------|---------------|---------|---------|
|  | 2011/12     | 2010/11 | 2011/12       | 2010/11 | 2010/11 |
|  |             |         |               |         |         |
| Incurred development costs               | 116.4       | 109.7   | 233.3         | 209.6   | 448.1   |
| Hereof capitalised                       | (67.4)      | (62.3)  | (123.6)       | (111.1) | (251.0) |
| Total amortisation and impairment losses |             |         |               |         |         |
| on development projects                  | 38.4        | 25.0    | 68.7          | 49.3    | 114.3   |
| Development costs recognised in the      |             |         |               |         |         |
| profit and loss account                  | 87.4        | 72.4    | 178.4         | 147.8   | 311.4   |

NOTE 4: Adjustments for non-cash items in cash flow statement

| DKK million                                   | 2nd quarter |         | 1st half-year |         | Year    |
|---|-------------|---------|---------------|---------|---------|
|   | 2011/12     | 2010/11 | 2011/12       | 2010/11 | 2010/11 |
|   |             |         |               |         |         |
| Change in other liabilities                   | (2.0)       | 8.0     | 0.5           | 0.6     | 2.2     |
| Financial items                               | 5.1         | 4.7     | 8.3           | 7.2     | 19.9    |
| Result of investments in associates after tax | 0.9         | (4.1)   | 1.8           | (1.2)   | (0.2)   |
| Profit/loss on sale of non-current assets     | 0.0         | 0.0     | 0.0           | 0.3     | 2.4     |
| Tax on result for the period                  | 12.0        | 8.3     | 6.4           | 0.3     | 12.1    |
| Various adjustments                           | 15.7        | 14.1    | 16.6          | 0.9     | 12.1    |
| Adjustments for non-cash items                | 31.7        | 23.8    | 33.6          | 8.1     | 48.5    |

# **NOTE 5:** Segment information

| DKK million                      | 2nd d   | 2nd quarter |         | 1st half-year |           |
|----------------------------------|---------|-------------|---------|---------------|-----------|
|                                  | 2011/12 | 2010/11     | 2011/12 | 2010/11       | Half-year |
| Revenues by business area        |         |             |         |               |           |
| Consumer business:               |         |             |         |               |           |
| AV                               | 552.0   | 603.8       | 978.9   | 1,042.2       | (6.1)     |
| B&O PLAY                         | 65.3    | 14.7        | 116.8   | 21.9          | 433.3     |
| Total                            | 617.3   | 618.5       | 1,095.7 | 1,064.1       | 3.0       |
| Business to business:            |         |             |         |               |           |
| ICEpower                         | 29.8    | 20.0        | 54.1    | 35.5          | 52.4      |
| Automotive                       | 133.2   | 127.9       | 230.7   | 218.7         | 5.5       |
| Total                            | 163.0   | 147.9       | 284.8   | 254.2         | 12.0      |
| Elimination of internal revenues | (6.3)   | (4.5)       | (8.4)   | (6.4)         | 31.3      |
| Exchange rate adjustments        | 1.5     | 12.6        | 2.0     | 24.3          | (91.8)    |
| Revenues net                     | 775.5   | 774.5       | 1,374.1 | 1,336.2       | 2.8       |
| Gross margin by business area, % |         |             |         |               |           |
| Consumer business:               |         |             |         |               |           |
| AV                               | 45.8    | 45.0        | 43.2    | 43.2          |           |
| B&O PLAY                         | 33.9    | 46.2        | 34.2    | 43.7          |           |
| Business to business:            |         |             |         |               |           |
| ICEpower                         | 46.3    | 45.5        | 47.7    | 47.3          |           |
| Automotive                       | 39.5    | 27.6        | 36.4    | 30.5          |           |
| Total gross margin %             | 43.8    | 42.1        | 41.5    | 41.2          |           |

**NOTE 5:** Segment information – continued

| DKK million                            | 2nd     | 2nd quarter |         | 1st half-year |           |
|--|---------|-------------|---------|---------------|-----------|
|  | 2011/12 | 2010/11     | 2011/12 | 2010/11       | Half-year |
| Revenues by region                     |         |             |         |               |           |
| Consumer business                      |         |             |         |               |           |
| Bang & Olufsen distribution:           |         |             |         |               |           |
| Europe                                 | 407.1   | 443.8       | 737.7   | 754.1         | (2.2)     |
| North America incl. Canada             | 39.7    | 33.0        | 77.7    | 69.4          | 12.0      |
| BRIC                                   | 80.5    | 64.2        | 129.2   | 97.5          | 32.5      |
| Rest of World                          | 78.5    | 73.4        | 134.5   | 135.7         | (0.9)     |
| Sub-total                              | 605.8   | 614.4       | 1,079.1 | 1,056.7       | 2.1       |
| 3rd party distribution and e-commerce: |         |             |         |               |           |
| B&O PLAY                               | 11.5    | 4.1         | 16.6    | 7.4           | 124.3     |
| Sub-total                              | 11.5    | 4.1         | 16.6    | 7.4           | 124.3     |
| Total consumer business                | 617.3   | 618.5       | 1,095.7 | 1,066.1       | 2.8       |
| Business to business                   |         |             |         |               |           |
| ICEpower                               | 29.8    | 20.0        | 54.1    | 35.5          | 52.4      |
| Automotive                             | 133.2   | 127.9       | 230.7   | 218.7         | 5.5       |
| Total business to business             | 163.0   | 147.9       | 284.8   | 254.2         | 12.0      |
| Elimination of internal revenues       | (6.3)   | (4.5)       | (8.4)   | (6.4)         | -         |
| Exchange rate adjustments              | 1.5     | 12.6        | 2.0     | 24.3          | -         |
| Revenues net                           | 775.5   | 774.5       | 1,374.1 | 1,336.2       | 2.8       |

**NOTE 5:** Segment information – continued

| DKK million             | 1st half-year 2011/12 |          |                      |            |          |         |
|-------------------------|-----------------------|----------|----------------------|------------|----------|---------|
|                         |                       |          |                      |            | Internal |         |
|                         |                       |          |                      |            | revenues |         |
|                         | Consumer business     |          | Business to business |            | and adj. | Total   |
|                         | AV                    | B&O PLAY | ICEpower             | Automotive |          |         |
| Revenues                | 978.9                 | 116.8    | 54.1                 | 230.7      | (6.4)    | 1,374.1 |
| Production costs        | (556.0)               | (76.9)   | (28.3)               | (146.7)    | 4.1      | (803.8) |
| Gross profit            | 422.9                 | 39.9     | 25.8                 | 84.0       | (2.3)    | 570.3   |
| Unallocated costs       |                       |          |                      |            |          | (562.1) |
| Result before tax (PBT) |                       |          |                      |            |          | 8.2     |

**NOTE 6:** Shops by region – Bang & Olufsen distribution (B1 and shop-in-shop)

|                            |            | Number (units) |            |            | Share of revenues (%) |  |  |
|----------------------------|------------|----------------|------------|------------|-----------------------|--|--|
|                            | 30.11.2011 | 31.08.2011     | 31.05.2011 | H1 2011/12 | H1 2010/11            |  |  |
|                            |            |                |            |            |                       |  |  |
| Europe                     | 711        | 717            | 730        | 67.3%      | 70.9%                 |  |  |
| North America incl. Canada | 53         | 53             | 52         | 8.2%       | 6.7%                  |  |  |
| BRIC                       | 55         | 53             | 52         | 11.8%      | 9.2%                  |  |  |
| Rest of world              | 124        | 121            | 121        | 12.7%      | 13.2%                 |  |  |
|                            | 943        | 944            | 955        | 100%       | 100%                  |  |  |

# APPENDIX 1

# Result by quarter 2011/12:

| DKK million                                   | 2011/12 |        |    |    |
|---|---------|--------|----|----|
|   | Q1      | Q2     | Q3 | Q4 |
| Revenues                                      | 598.6   | 775.5  |    |    |
| Gross profit                                  | 231.0   | 339.3  |    |    |
| Operating profit (EBIT)                       | (28.5)  | 46.8   |    |    |
| Result of investments in associates after tax | (0.9)   | (0.9)  |    |    |
| Financial items, net                          | (3.2)   | (5.1)  |    |    |
| Result before tax (EBT)                       | (32.6)  | 40.8   |    |    |
| Tax on result for the period                  | 5.6     | (12.0) |    |    |
| Result for the period                         | (27.0)  | 28.8   |    |    |

# Accumulated result by quarter 2011/12:

| DKK million                                   | 2011/12 |         |    |    |
|---|---------|---------|----|----|
|   | Q1      | Q2      | Q3 | Q4 |
| Revenues                                      | 598.6   | 1,374.1 |    |    |
| Gross profit                                  | 231.0   | 570.3   |    |    |
| Operating profit (EBIT)                       | (28.5)  | 18.3    |    |    |
| Result of investments in associates after tax | (0.9)   | (1.8)   |    |    |
| Financial items, net                          | (3.2)   | (8.3)   |    |    |
| Result before tax (EBT)                       | (32.6)  | 8.2     |    |    |
| Tax on result for the period                  | 5.6     | (6.4)   |    |    |
| Result for the period                         | (27.0)  | 1.8     |    |    |

# APPENDIX 1 – CONTINUED

# Result by quarter 2010/11:

| DKK million                                   | 2010/11 |       |       |       |
|---|---------|-------|-------|-------|
|   | Q1      | Q2    | Q3    | Q4    |
| Revenues                                      | 561.7   | 774.5 | 820.1 | 710.6 |
| Gross profit                                  | 224.8   | 326.0 | 326.4 | 278.3 |
| Operating profit (EBIT)                       | (29.3)  | 37.0  | 35.7  | 16.4  |
| Result of investments in associates after tax | (2.9)   | 4.1   | (2.4) | 1.4   |
| Financial items, net                          | (2.5)   | (4.7) | (3.0) | (9.7) |
| Result before tax (EBT)                       | (34.7)  | 36.4  | 30.3  | 8.1   |
| Tax on result for the period                  | 8.0     | (8.3) | (2.4) | (9.4) |
| Result for the period                         | (26.7)  | 28.1  | 27.9  | (1.3) |
| Minority interests' share                     | 0.0     | (0.5) | (0.4) | (0.2) |
| Parent company shareholders' share            | (26.7)  | 27.6  | 27.5  | (1.5) |

# Accumulated result by quarter 2010/11:

| DKK million                                   | 2010/11 |         |         |         |
|---|---------|---------|---------|---------|
|   | Q1      | Q2      | Q3      | Q4      |
| Revenues                                      | 561.7   | 1,336.2 | 2,156.3 | 2,866.9 |
| Gross profit                                  | 224.8   | 550.8   | 877.2   | 1,155.5 |
| Operating profit (EBIT)                       | (29.3)  | 7.7     | 43.4    | 59.8    |
| Result of investments in associates after tax | (2.9)   | 1.2     | (1.2)   | 0.2     |
| Financial items, net                          | (2.5)   | (7.2)   | (10.2)  | (19.9)  |
| Result before tax (EBT)                       | (34.7)  | 1.7     | 32.0    | 40.1    |
| Tax on result for the period                  | 8.0     | (0.3)   | (2.7)   | (12.1)  |
| Result for the period                         | (26.7)  | 1.4     | 29.3    | 28.0    |
| Minority interests' share                     | 0.0     | (0.5)   | (0.9)   | (1.1)   |
| Parent company shareholders' share            | (26.7)  | 0.9     | 28.4    | 26.9    |

## ADDITIONAL INFORMATION

## For further information please contact:

President, CEO Tue Mantoni, tel: +45 9684 5000.

## Financial calendar

Wednesday 18 April 2012 Interim report (3rd quarter 2011/12)

Wednesday 15 August 2012 Annual Report 2011/12 Friday 21 September 2012 Annual General Meeting

Interim report (1st quarter 2012/13) Wednesday 10 October 2012

#### The future

The report contains statements relating to expectations for future developments, including future revenues and operating results, as well as expected business-related events. Such statements are uncertain and carry an element of risk since many factors, of which some are beyond Bang & Olufsen's control, can mean that actual developments will deviate significantly from the expectations expressed in the report. Without being exhaustive, such factors include among others general economic and commercial factors, including market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit and liquidity risks.

## **Applicable version**

The interim report has been translated from Danish. In case of doubt the Danish version shall apply at all times.

## **About Bang & Olufsen**

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to high quality audio reproduction. Since then, the brand has become an icon of performance and design excellence through its long-standing craftsmanship tradition and the strongest possible commitment to high-tech research and development.

For additional information refer to www.bang-olufsen.com.