ANNUAL REPORT FOR THE 2012/13 FINANCIAL YEAR

16 AUGUST 2013

BANG & OLUFSEN

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AGENDA

FULL YEAR AND FOURTH QUARTER HIGHLIGHTS – Tue Mantoni, CEO

FINANCIAL RESULTS – Henning Bejer Beck, CFO

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

QUESTIONS & ANSWERS

FULL YEAR AND FOURTH QUARTER HIGHLIGHTS

Highlights for the 2012/13 financial year

- Revenue declined by six per cent compared to 2011/12 and EBIT ended on negative DKK 188 million. EBIT was adversely affected by DKK 39 million in non-recurring items and DKK 101 million in lower capitalisation and higher amortisation of development projects
- A year of many new and innovative product launches within all segments of the Group – defining important steps in the transformation of the product portfolio as set out in the “Leaner, Faster, Stronger”-strategy
- Significant strategic milestones in the transformation of the retail network during the year include initiatives to create a healthier retail network in Europe of fewer, more productive stores, launch of the new store concept, and the creation of a strong platform for growth in China
- The strong performance of Automotive (20 per cent growth y-o-y) and B&O PLAY (41 per cent growth y-o-y) has confirmed their importance for Bang & Olufsen.

Highlights for the fourth quarter of the 2012/13 financial year

- Revenue in B2C markets outside Europe increased by more than 20 per cent compared to the same quarter last year. However, this was not enough to compensate for the adverse impact from network restructuring and a tough y-o-y comparison leading to a decline in revenue in Europe
- Strategically important product launches with the BeoLab 14 and the headphones BeoPlay H3 and H6, supported by a strong collaboration with partners to promote the products
- Significant next steps taken in rejuvenating and strengthening the AV product portfolio as well as strengthening the retail network
- NWC reduced to DKK 577 million (20% of revenue) from DKK 708 million in the previous quarter, which reflects a return to normal NWC levels

PRODUCTS LAUNCHED DURING THE FOURTH QUARTER

BeoLab 14

- Surround sound system “in-a-box” compatible with Bang & Olufsen TVs as well as all other TV brands
- Offers high acoustical performance and beautiful design at a very competitive price
- Sold in 5.1, 4.1 and 2.1 versions offering the maximum flexibility for consumers

BeoPlay H3 and H6

- BeoPlay H3 is an in-ear headphone that gives an authentic sound along with simple and superb ergonomic comfort
- BeoPlay H6 is a flexible over-ear headphone designed with the finest materials and with a superior sound performance
- The new headphones will be a spearhead to increase the presence, awareness, and hence revenue through third party channels

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AUTOMOTIVE LAUNCHES DURING THE FOURTH QUARTER

BMW X5

- The new generation of BMW X5 is the first-ever BMW SUV to be fitted with Bang & Olufsen sound
- Launched with the High-End Surround Sound System
- The sound system offers 16 active loudspeakers powered by a 1,200-watts amplifier

Mercedes-Benz E-Class

- Launched with the BeoSound AMG High-End Surround Sound System
- The sound system offers 14 active loudspeakers powered by a 1,200-watts amplifier

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PRODUCTS LAUNCHED IN AUGUST

BeoPlay A9 Nordic Sky Edition

- Special edition of the iconic BeoPlay A9 inspired by the beautiful light and intensity of the long Scandinavian summer nights
- Available with the speaker unit for new BeoPlay A9 owners and as an accessory pack for existing owners.

BeoVision 12 New Generation and BeoLab 12

- BeoVision 12 launched with the new BeoSystem 4, which is equipped with the latest digital technology and Bang & Olufsen Smart TV. New features also include new topaz colour option and stand
- The new topaz color is also launched for the BeoLab 12 speaker series

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AN IMPORTANT STEP IN THE TV STRATEGY

2012/13

STATEMENT

BeoVision 4
(85’’, 103’’)
BeoVision 12
(65’’)
BeoVision 7
(40’’, 55’’)

PREMIUM

BeoVision 11
(40’’, 46’’, 55’’)

BeoVision 10
(32’’, 40’’, 46’’)

ENTRY

BeoPlay V1
(32’’, 40’’)

2013/14

STATEMENT

BeoVision 12 -65’’
New Generation

PREMIUM

BeoVision 11
(40’’, 46’’, 55’’)

ENTRY

BeoPlay V1
(32’’, 40’’)

Bang & Olufsen’s TV range now includes functionalities such as:

- Build in high-quality acoustics
- Integrated Surround Sound module
- Bang & Olufsen Smart TV
- Hbb-TV
- Full HD 3D technology
- Built in hard disk recorder
- Ability to control all Bang & Olufsen devices with one remote control
- Can be remote controlled from iPad or Android device
- Motorised stand program
- Screen sizes ranging between 32’’ and 65’’

Customer benefits

- New and fresh design across all Bang & Olufsen TVs
- All TVs launched after April 2012
- The significant increase in functionalities, which was introduced with the new video engine (May 2012) is now available across all TV lines e.g. Hbb-TV and remote control functionality from iPad or Android
- Easy functionality updates, such as the Bang & Olufsen Smart TV updated in the BeoPlay V1 in October 2012
- A significant improvement in the price-value relationship

Bang & Olufsen benefits

- Faster and efficient updates which will ensure product quality remains high
- TV SKUs reduced by 75 per cent compared to a year ago improving NWC and production efficiency
- Improved gross margins

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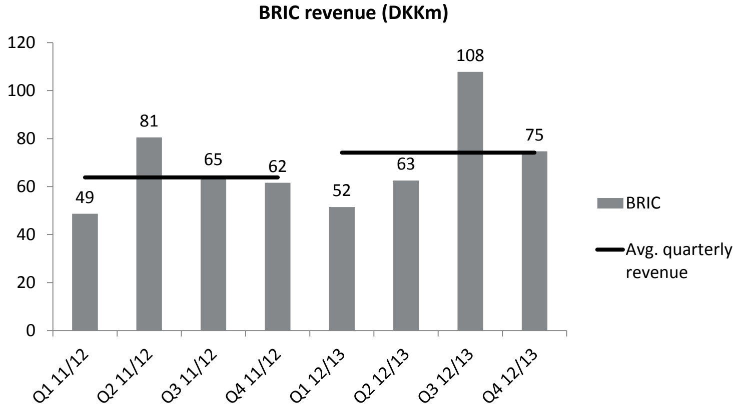
PROGRESS IN THE CHINA STRATEGY



Li Yundi

World-renowned Chinese classical pianist

Bang & Olufsen store opening, Shanghai 27 June 2013

- Revenue in BRIC increased by 21 per cent in the fourth quarter, driven mainly by strong growth in Bang & Olufsen's own stores in Hong Kong and South China
- The take-over of the existing master dealer in mid-China was finalised on 1 June 2013. Bang & Olufsen now owns and operates 31 of 36 stores in China
- New 270m2 corporate owned flagship store opened in the fashionable Xintiandi shopping district in Shanghai on 27 June 2013. The store was the second shop to open with the new store concept.
- Li Yundi appointed Bang & Olufsen ambassador
- Sparkle Roll had opened 16 dedicated B&O PLAY stores at the end of the 2012/13 financial year
- In June BMW launched a special edition of the 5 series for the Chinese market called the ”Supreme Sound Edition” with a 1,200-watts Bang & Olufsen high-end surround sound system as standard equipement

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INCOME STATEMENT

Consolidated income statement						
DKK million	**4th quarter**			**YTD**		
	12/13	**11/12**	**Index**	**12/13**	**11/12**	**Index**
Revenue	740	867	85	2,814	3,008	94
Gross profit	265	352	75	1,096	1,216	90
EBIT	-39	81	-	-188	122	-
EBT	-45	77	-	-212	104	-
Earnings after tax	**-37**	**55**	-	**-160**	**73**	-
Gross margin, %	35.8	40.6	88.1	38.9	40.4	96.4
EBIT margin, %	-5.2	9.4	-	-6.7	4.1	-
Capitalised dev.	-77	-87	88	-251	-280	90
Amort. of dev. projects	60	40	151	217	146	149
Other depreciation	29	35	83	115	110	104
EBITDAC	**-27**	**69**	-	**-107**	**99**	-

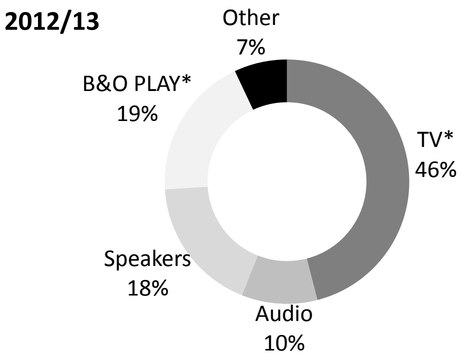
- Revenue declined by six per cent in 2012/13 compared to 2011/12 and was DKK 2,814 million for the full year and DKK 740 million in the fourth quarter. This was in line with the latest guidance
- EBIT was negative DKK 188 million compared to a positive DKK 122 million last year. Fourth quarter EBIT was negative DKK 39 million compared to positive DKK 81 million in the same quarter last year
- Earnings after tax were negative DKK 37 million compared to positive DKK 55 million in the same quarter last year

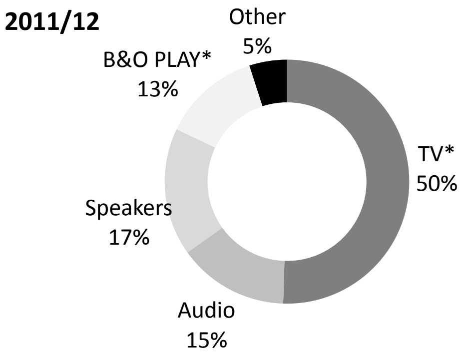
REVENUE

Revenue						
DKK million	4th quarter			YTD		
	12/13	11/12	Index	12/13	11/12	Index
AV	470	505	93	1,649	2,043	81
B&O PLAY	113	183	62	532	378	141
B2C	**582**	**688**	**85**	**2,181**	**2,421**	**90**
Automotive	140	120	117	546	454	120
ICEpower	19	38	50	87	115	75
B2B	**159**	**158**	**101**	**633**	**569**	**111**
Other	-2	22	-8	0	18	1
Group	**740**	**867**	**85**	**2,814**	**3,008**	**94**

- Group revenue for the fourth quarter was DKK 740 million compared to DKK 867 million last year
- The revenue decline in the fourth quarter was mainly due to a lower B2C revenue, where especially B&O PLAY had a tough comparison due to the launch of the BeoPlay V1, the BeoPlay A8 and the BeoPlay A3 in fourth quarter last year
- B2B revenue increased by 1 per cent in the fourth quarter compared to the same quarter last year. Automotive grew by 17 per cent in the quarter

PRODUCT SPLIT IN B2C





*BeoPlay V1 included in TV

- The share of B2C revenue from TV fell from 50 per cent in to 46 per cent in the 2012/13 financial year.
- The new TV models continue to perform well but this was not enough to compensate for the decline in older high-end TV models
- In line with the ”Leaner, Faster, Stronger”-strategy, the share of speaker revenue increased and reached 18 per cent of B2C revenue in the 2012/13 financial year
- 141 per cent growth in B&O PLAY means that this segment is now 19 per cent of group revenue

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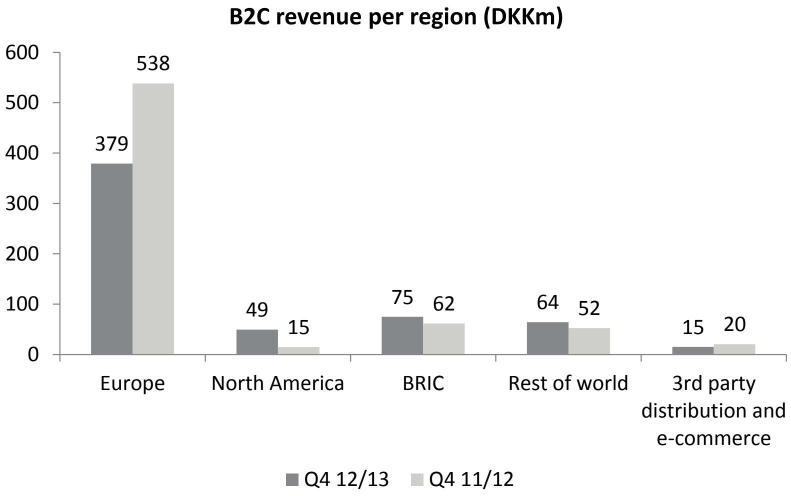
REVENUE PER REGION, B2C BUSINESS



- B2C revenue decreased to DKK 582 million from DKK 688 million in the same quarter last year
- Revenue in Europe was DKK 379 million compared to DKK 538 million last year. The decline was seen in all European markets
- Revenue in North America was DKK 49 million compared to an unusually low DKK 15 million in the same quarter last year
- BRIC revenue increased by 21 per cent mainly driven by strong growth in own stores.
- Rest of world revenue increased by 22 per cent
- Third party distribution was DKK 15 million compared to DKK 20 million in the fourth quarter last year, which was positively affected by the launch of the BeoPlay A8 and BeoPlay A3

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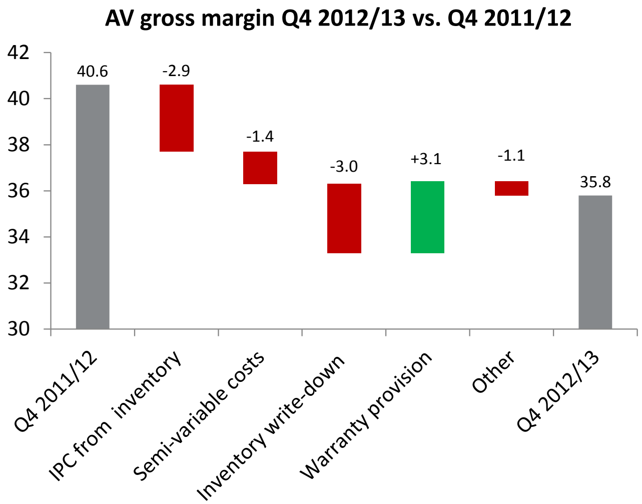
GROSS MARGIN

Gross margin						
%	4th quarter			YTD		
	12/13	**11/12**	**Chg.**	**12/13**	**11/12**	**Chg.**
AV	35.5	44.7	-9.2	41.7	43.1	-1.4
B&O PLAY	31.4	25.5	5.9	29.6	27.7	1.9
Automotive	36.9	32.4	4.5	36.4	36.6	-0.2
ICEpower	56.2	49.9	6.3	53.9	48.3	5.6
Group	**35.8**	**40.6**	**-4.8**	**38.9**	**40.4**	**-1.5**

- Group gross margin was 35.8 per cent compared to 40.6 per cent in the same quarter last year due to a lower margin in the AV segment
- The gross margin in B&O PLAY was 31.4 per cent compared to 25.5 per cent last year. The improvement was driven by a change in the product mix
- The gross margin in Automotive was 36.9 per cent compared to 32.4 per cent last year. For the full year the gross margin was 36.4 per cent, which was in line with the 2011/12 financial year

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 2.9 percentage points in the fourth quarter
- 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
- During the fourth quarter an extraordinary write down of inventory of DKK 22 million related to a number of older, non-productive products
- Warranty provisions have been reduced by DKK 23 million

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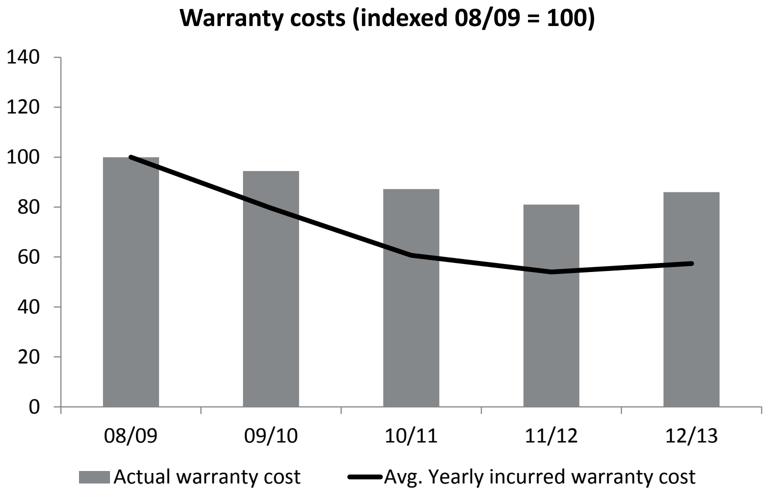
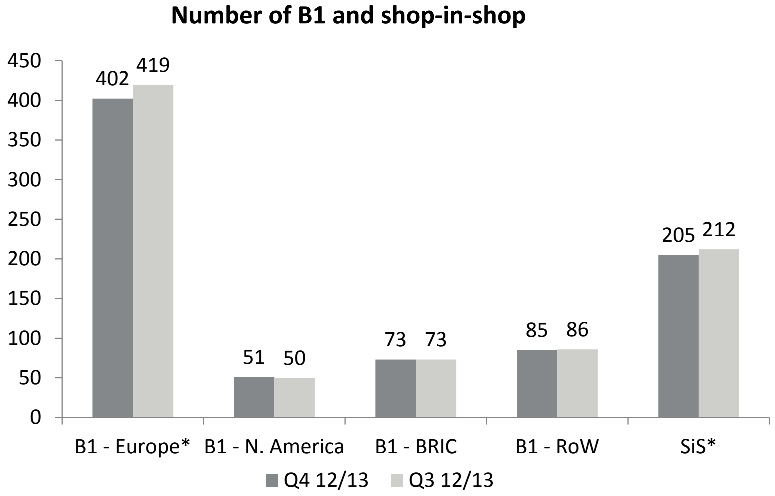
WARRANTY COSTS STABLE DESPITE EXTENDED WARRANTY



- 1 September 2009 Bang & Olufsen extended the warranty on all products from 2 to 3 years and made a cautious provisioning to account for the potential increase in warranty costs
- Warranty costs have however remained stable. As a result of fewer than expected claims and continuous focus on improving product quality DKK 23 million in warranty provisions have been released

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

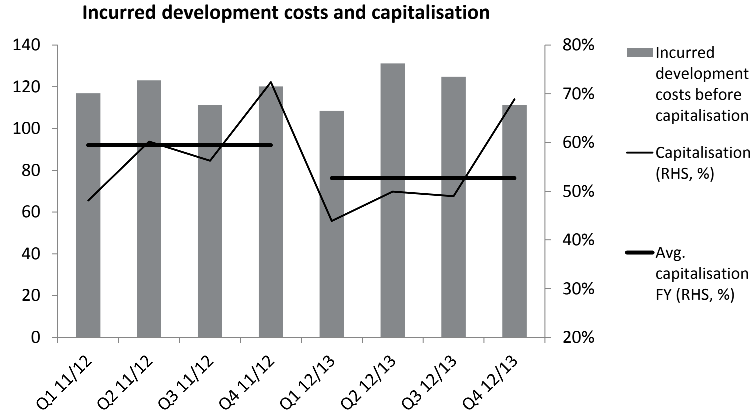
- In accordance with strategy, 80 stores were terminated (closed or notified) in Europe during the second half of the 2012/13 financial year
- The remaining stores up to the projected 125 stores will be closed during the first half of 2013/14. This completes the accelerated store closing programme
- Full year adverse revenue impact in 2012/13 was approximately DKK 130 million
- Continued focus on opening stores in locations where there is unexploited potential. In the fourth quarter stores were opened in Shanghai (CN), Paris (F), Naples (US) and Oslo (NO)

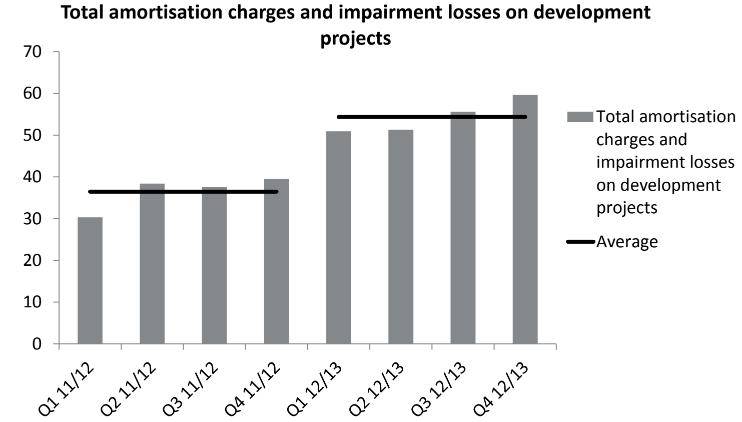
CAPACITY COSTS – DISTRIBUTION AND MARKETING COSTS

Capacity costs						
DKK million	**4th quarter**			**YTD**		
	12/13	**11/12**	**Index**	**12/13**	**11/12**	**Index**
Development	94	73	130	442	337	131
Dist. and marketing	188	168	112	756	654	116
Administration	22	30	72	86	102	85
Total capacity costs	**304**	**271**	**112**	**1,284**	**1,093**	**117**

- Capacity costs increased to DKK 304 million from DKK 271 million in the same quarter last year
- Distribution and marketing costs increased by DKK 20 million during the fourth quarter of the 2012/13 financial year from DKK 168 million to DKK 188 million
- The capacity cost include net non-recurring costs of DKK 15 million for the fourth quarter of the financial year mainly related to the to restructuring of the distribution network, regional sales setup and other organisational changes

CAPACITY COSTS – DEVELOPMENT COSTS





- Development costs were DKK 94 million in the fourth quarter compared to DKK 73 million in the same quarter last year
- Development costs increased mainly due to higher amortisation on development projects and lower capitalised development costs in the fourth quarter compared to the same quarter last year
- Incurred development costs were DKK 111 million compared to DKK 120 million last year and hence the company maintains its high level of investment in research and development
- The capitalisation percentage was 69 per cent compared to 72 per cent in the same quarter last year

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SUMMARY OF NON-RECURRING AND SPECIAL ITEMS IN THE 12/13 P&L

Non-recurring items				
DKK million	**2012/13**			**2011/12**
	Reported P&L	**Non-recurring**	**Adjusted P&L**	**Reported P&L**
Revenue	2,814		2,814	3,008
Extraordinary inventory write down		*-22*		
Reduced warrenty provisions		*23*		
Gross profit	1,096	1	1,095	1,216
Restructuring costs etc.		*-40*		
Capacity costs	-1,284	-40	-1,244	-1,093
EBIT	**-188**	**-39**	**-149**	**122**

Non-recurring items in 2012/13

- EBIT was adversely affected by net DKK 39 million in non-recurring costs in the 2012/13 financial year
- Non-recurring costs mainly related to restructuring of the distribution network, regional sales setup and other organisational changes

Other special items in 2012/13

- Estimated revenue impacted of DKK 130 million related to the accelerated store closures
- Acquisition of the master dealer operations in mid-China and Brazil adversely impacted revenue by approximately DKK 100 million
- EBIT adversely affected by DKK 101 million from lower capitalisation and higher amortisation

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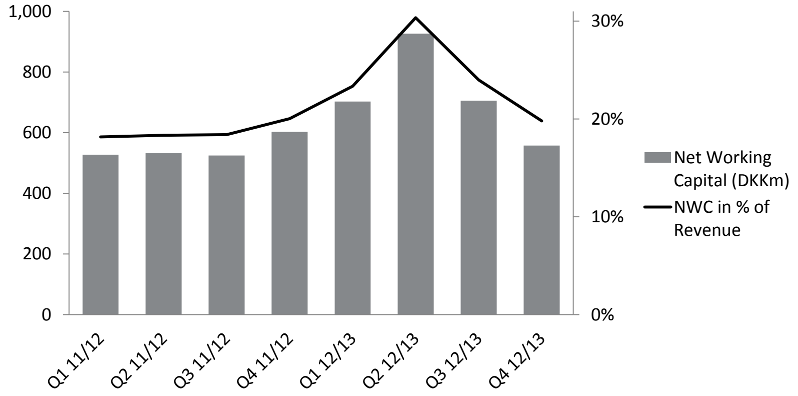
CASH FLOW AND NET WORKING CAPITAL

Cash Flow				
DKK million	4th quarter		YTD	
	2012/13	2011/12	2012/13	2011/12
Earnings for the period	**-37**	**55**	**-160**	**73**
Amort., depr. and imp.	89	74	332	256
Change in receivables	-4	-154	81	-205
Change in inventories	133	-46	93	-95
Change in trade payables	20	120	-118	145
Other	-31	39	-101	51
Cash flow from operating activities	**168**	**87**	**127**	**225**
Cash flow from investing activities	-109	-137	-328	-380
Free Cash Flow	**59**	**-51**	**-202**	**-155**



- Free cash flow was DKK 59 million for the quarter compared to negative DKK 51 million in the same quarter last year
- The positive cash flow in the fourth quarter reflects the significant decrease in inventories and trade receivables
- Net working capital decreased by DKK 151 million to DKK 557 million in the fourth quarter from DKK 708 million in the previous quarter
- The net working capital of DKK 557 million corresponds to 20 per cent of the last 12 months' revenue and reflects a return to a more normalised level

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THE UPS AND DOWNS OF 2012/13

GEOGRAPHIES

B2C Europe
(-19%, DKK 1,405m)

B2C non-Europe
(+13%, DKK 718m)

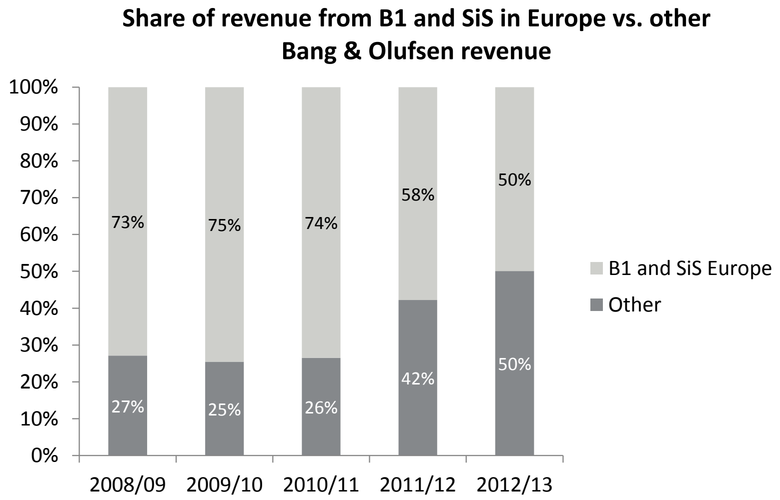
SEGMENTS

AV (-19%, DKK 1,649m)
ICEpower (-25%, DKK 87m)

B&O PLAY (41%, DKK 532m)
Automotive (20%, DKK 546m)

(Growth 2012/13 vs. 2011/12, Revenue financial year 2012/13)

EUROPE VS. NON-EUROPE



- Strong performance of Automotive and the B2C distribution outside Europe combined with weak performance of the distribution in Europe has reduced the share of revenue from B1 and shop-in-shop in Europe to 50 per cent from 73 per cent 5 years ago

- Two main tasks for 2013/14
  - **Europe:** Concentrate the distribution to fewer, more productive stores that can ensure the long-term growth
  - **Outside Europe:** Ensure platform for continued growth (both B2C and Automotive) by ensuring the right products, optimised distribution, and by increasing brand awareness

STRATEGIC FOCUS FOR THE 2013/14 FINANCIAL YEAR

2013/14 is the third year in the transition phase in the ”Leaner, Faster, Stronger”-strategy

Key strategic focus areas are:

- Rejuvenation and strengthening of the AV product portfolio
  - Launch of new and innovative products and enhancing the functionality of existing products
  - Focusing the product portfolio on productive products
- Continued strengthening of the retail network
  - Ensure a smooth transition to fewer, more productive stores
  - Strengthening of the retail network in key locations
  - Gradual roll out of the new store concept
- Continue to build the B&O PLAY brand awareness and increase sales through third party channels
  - Leveraging brand partnerships such as Universal Music
  - Focus on improving sales through e-commerce and third party channels
- Continue to build on the success in Automotive
  - Focus on increasing the take-rate in Automotive through a series of sales efforts
  - Continue to build lead-generation to the AV segment

EXPECTATIONS TO THE 2013/14 FINANCIAL YEAR

- Revenue is expected to be moderately above the level in 2012/13

- 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

QUESTIONS AND ANSWERS