

Bang & Olufsen a/s **Interim report**

Q2 2010/11

Kalle Hvidt Nielsen
CEO & President

Henning Bejer Beck
CFO



BANG & OLUFSEN

Agenda

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INTRODUCTION – Kalle Hvidt Nielsen, CEO & President

THE FINANCIAL RESULT FOR THE FIRST HALF-YEAR 2010/11 – Henning Bejer Beck, CFO

THE MARKET/DISTRIBUTION DEVELOPMENT AND EXPECTATIONS – Kalle Hvidt Nielsen, CEO & President

QUESTIONS/ANSWERS

- The Group's total turnover for the first half of the 2010/11 financial year was DKK 1,336 million against DKK 1,234 million last year, which equates to a growth of 8 per cent. Turnover for the second quarter was DKK 775 million against DKK 669 million for the same period last year, equating to a growth of 16 per cent.
- The Group's turnover for the audio-video business for the first half of the 2010/11 financial year was DKK 1,088 million against DKK 1,089 million for the same period last year. In the second quarter the turnover in the audio-video business was DKK 630 million against DKK 588 million for the same period last year, which equals a growth of 7 per cent.
- During the second quarter, Bang & Olufsen launched BeoVision 10-32, a new member of the highly acclaimed BeoVision 10 family. In addition, during the second quarter, the Group launched BeoSound 8, which can function as a speaker dock for iPad, iPhone and iPod as well as a speaker for PCs and MACs. Both products have been well received by the markets.
- Automotive continued to show progress and increased the turnover by DKK 102 million from DKK 117 million in the first half year of 2009/10 to DKK 219 million in the first half year of 2010/11. In the second quarter the turnover was DKK 128 million against DKK 68 million for the same period last year.

- The Group's gross margin for the first half of the 2010/11 financial year was 41.2 per cent against a gross margin of 38.9 per cent for the same period last year. The Group's gross margin for the second quarter was 42.1 per cent against 38.0 per cent for the same quarter of the 2009/10 financial year.
- Result before tax was positive at DKK 2 million against a negative result of DKK 100 million for the same period last year. Result before tax in the second quarter was positive at DKK 36 million against a negative result of DKK 48 million in the second quarter of 2009/10.
- The net number of B1 shops was reduced by three during the second quarter, whereas there was a reduction of 13 shops in the first quarter of the 2010/11 financial year. The Group continues its intensified focus on recruiting new shops.
- Bang & Olufsen maintains the expectations that the 2010/11 financial year as a whole will result in a positive development in turnover and a positive result before tax. The Group expects the gross margin to increase marginally compared to the 2009/10 financial year.

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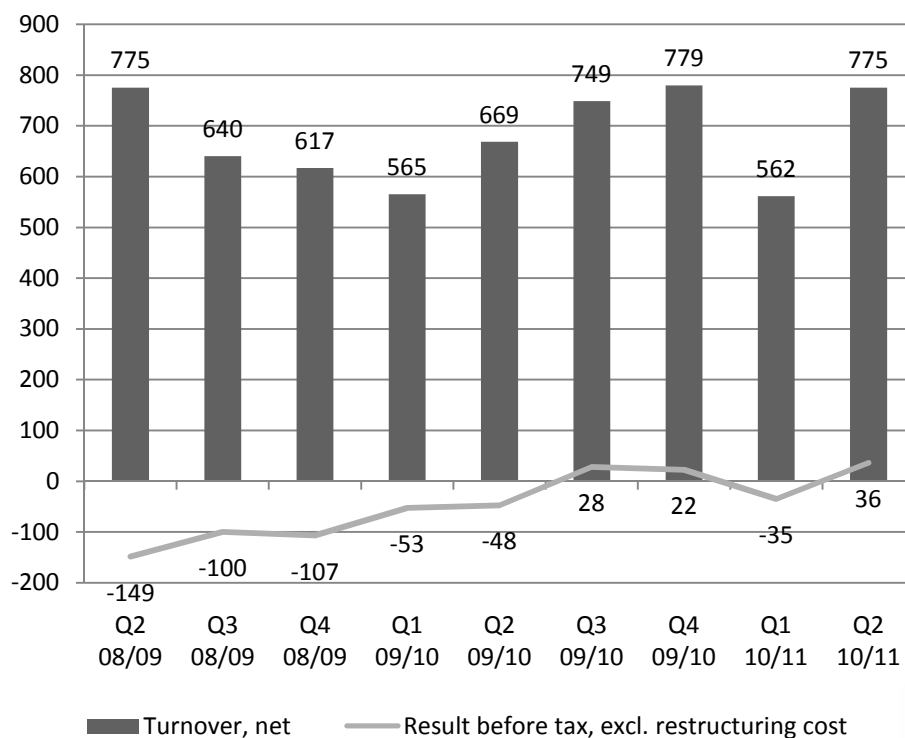
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QUESTIONS/ANSWERS

Development in turnover and result before tax

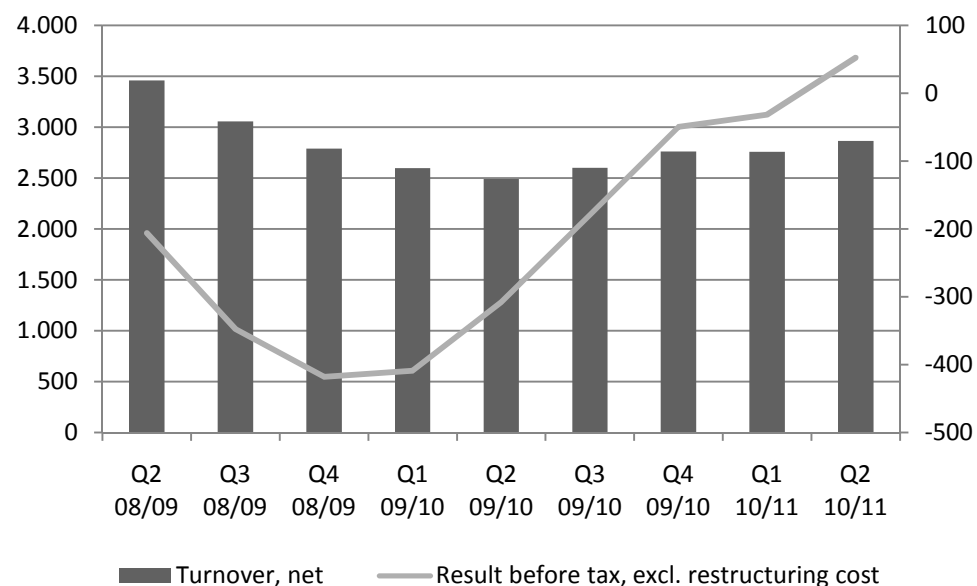
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- The second quarter showed a growth of 16 per cent.
- The Group's gross margin for the second quarter was 42.1 per cent against 38.0 per cent for the same quarter of the 2009/10 financial year. The higher gross margin is in part owing to improved product margins in the audio-video business and in part to higher turnover and thus a better utilisation of the production capacity.
- Result before tax in the second quarter was positive at DKK 36 million against a negative result of DKK 48 million for the corresponding period last year.

Development in turnover and result before tax – 12 months rolling

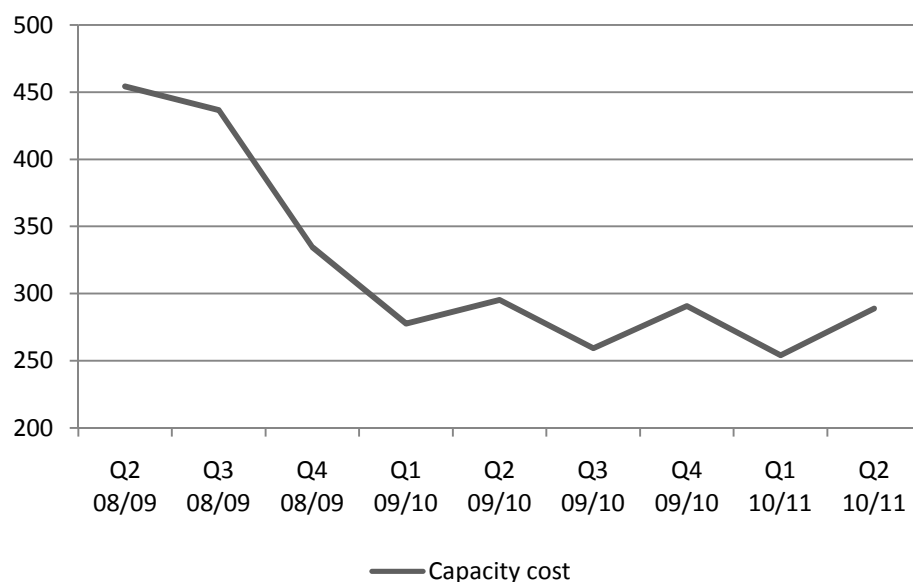
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- During the last 12 months the Group has experienced a turnover growth of 15 per cent and a positive result before tax of DKK 53 million against a negative result of DKK 309 million in the previous 12 months.

Cost level under control

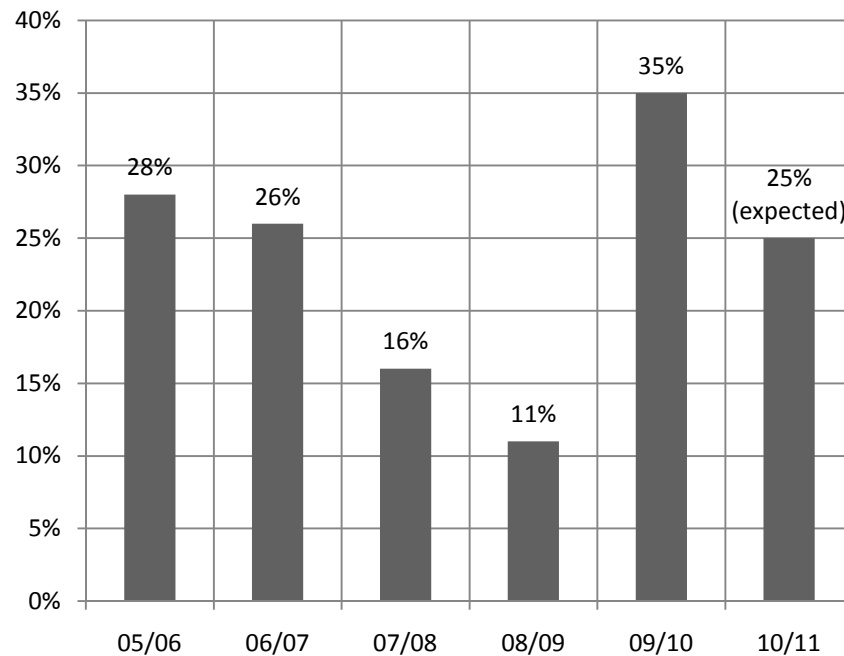
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- During the first half of the 2010/11 financial year, the Group reduced its capacity costs by DKK 43 million from DKK 586 million for the same period last year to DKK 543 million this year.
- Distribution and marketing costs decreased during the first half year by DKK 14 million from DKK 363 million to DKK 349 million, which partly is caused by lower provisions for losses on trade receivables as a result of an improvement of the distribution's financial situation, and partly is caused by the cost reductions implemented in the 2009/10 financial year.
- Administration costs etc. totalled DKK 47 million, which is on a par with the same period last year.

Launch products' share of audio/video turnover

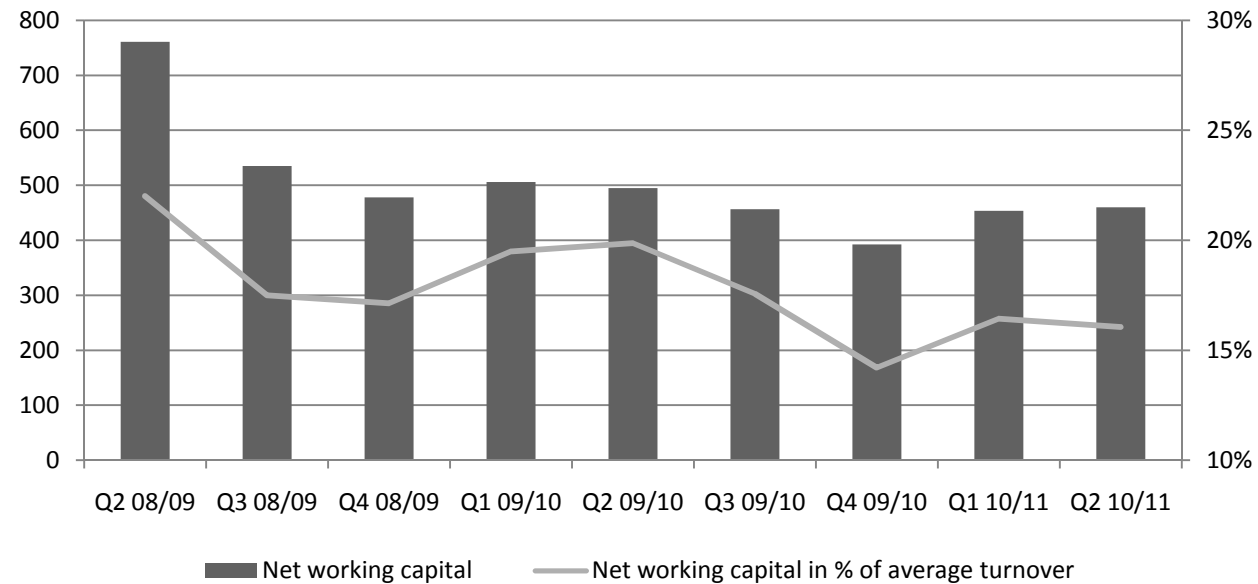
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- In the 2010/11 financial year the Group expects around 25 per cent of the Group's turnover within the audio and video business to derive from new products.
- The basic product portfolio has been strengthened compared to the same period last year, which primarily is caused by BeoVision 10 and BeoVision 7-55.

Net working capital

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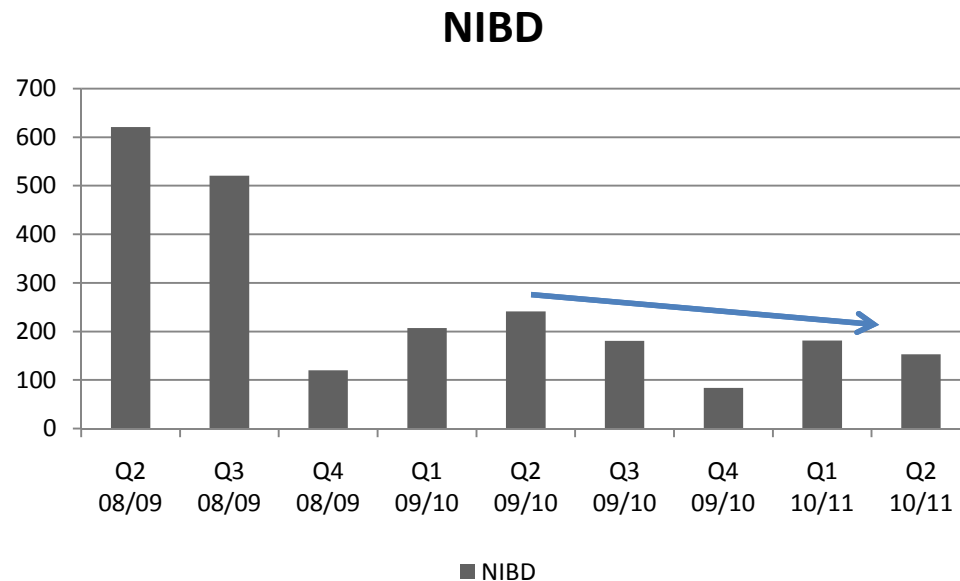


- Net working capital has been reduced.

- Net working capital in percentage of turnover has been reduced from 20 per cent to 16 per cent over the last 12 months.

Debt has been reduced

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- The net interest bearing debt has been reduced by DKK 28 million since the first quarter of the 2010/11 financial year to the second quarter of the 2010/11 financial year.
- Compared to the second quarter of the 2009/10 financial year, the net interest bearing debt has been reduced by DKK 88 million. At the same time, the net investments in R&D (capitalised development cost less re-imbursements) during the last 12 months equated to DKK 164 million.
- Improved NIBD/EBITDA ratio to 0.5 on a 12 months rolling basis.

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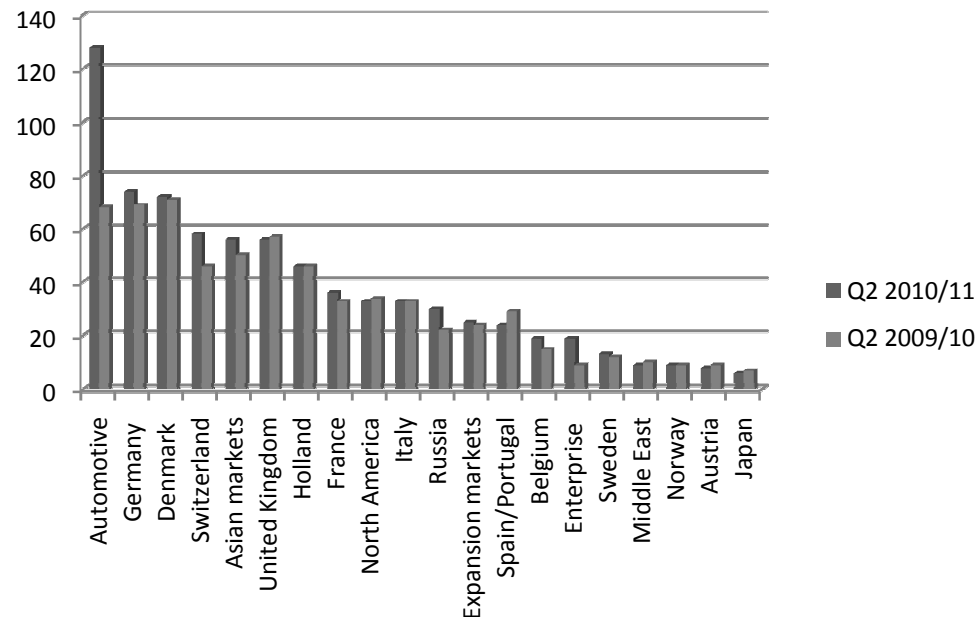
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Second quarter's turnover development per market

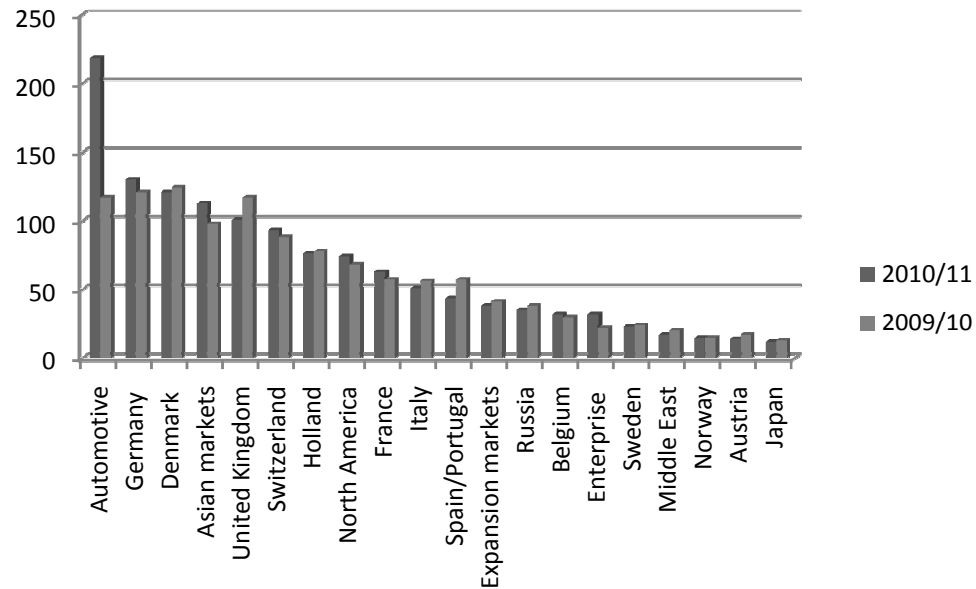
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- During second quarter the turnover development has been positive in most markets.
- The Group's main markets, Germany and Denmark, showed a turnover growth of 6.9 per cent and 1.6 per cent respectively.
- The Asian markets experienced a turnover growth of 12.0 per cent compared to the same period last year.

Half-year's turnover development per market

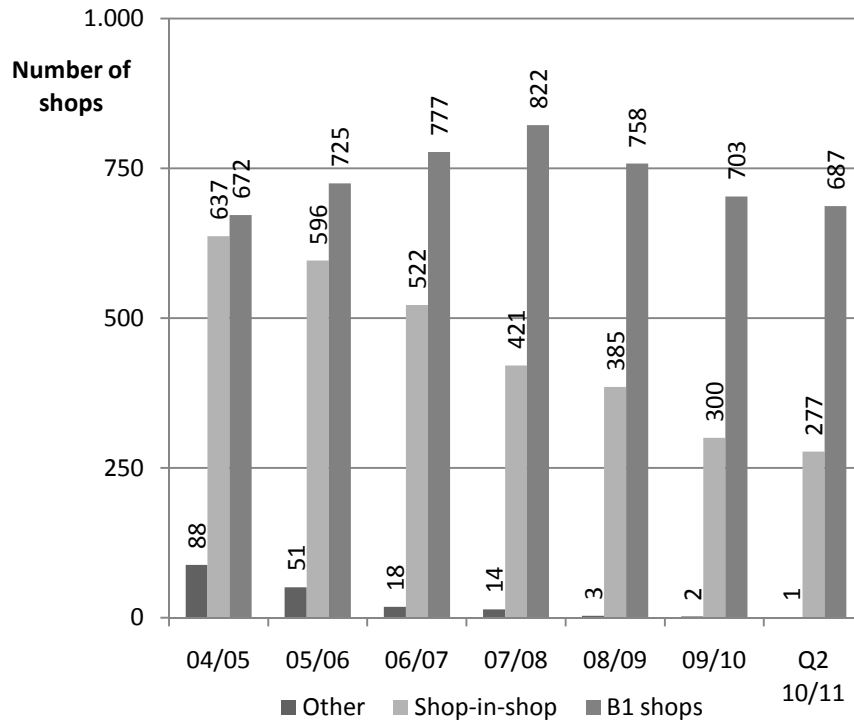
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- The half-year's turnover development per market shows a decline on most markets based on a weak first quarter.
- However, Germany, one of the Group's main markets, experienced a turnover growth of 7.2 per cent.
- The Asian markets experienced a turnover growth of 15.3 per cent compared to first half-year of the financial year 2009/10.

Distribution development

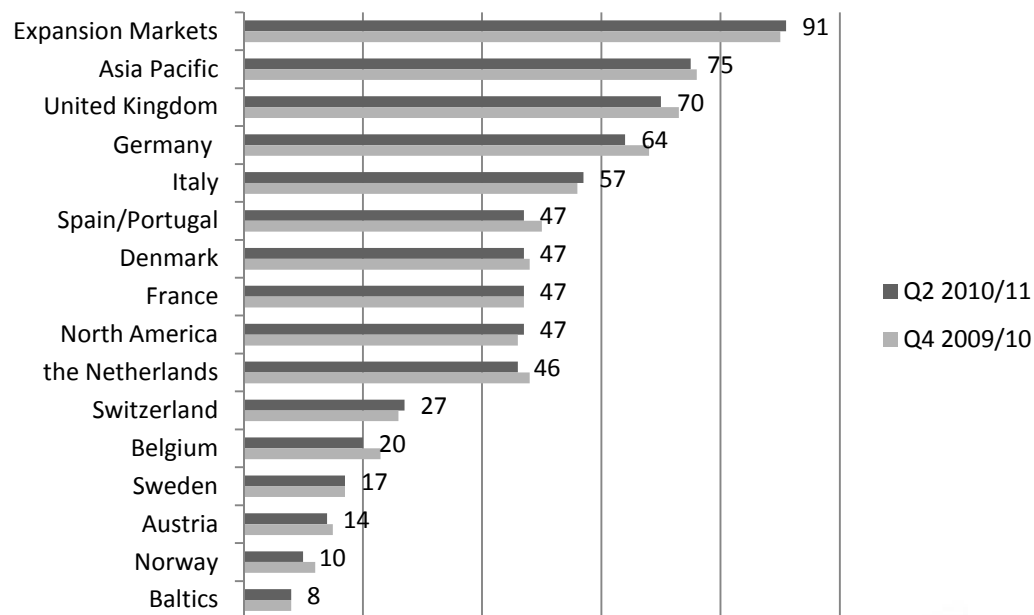
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- The net movement in the B1 segment for the first half-year of the financial year 2010/11 was minus 16 shops.
- The negative trend in the distribution development slowed down in the second quarter as the net movement was minus 3 shops compared to minus 13 shops in the first quarter of the financial year 2010/11.
- The Group continues its intensified focus on recruiting new shops.

Number of B1 shops per market November 30 2010

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Market	Δ Q4 2009/10
Expansion Markets	1
Asia Pacific	-1
United Kingdom	-3
Germany	-4
Italy	1
Spain/Portugal	-3
Denmark	-1
the Netherlands	0
France	1
North America	-2
Switzerland	1
Belgium	-3
Sweden	0
Austria	-1
Norway	-2
Baltics	0

Product portfolio

The Group's objective for the 2010/11 financial year is to support the growth ambitions for the branded business through a continuing high activity level within product development. The Group, therefore, expects 25 per cent of the Group's turnover within the audio and video business to derive from new products, defined as sales in the first 12 months following the launch.

Distribution development

Based on the recent positive turnover development in the mature shops, the Group plans to intensify its efforts to recruit new outlets. The Group expects that the total number of B1 shops will not be significantly different at the end of the 2010/11 financial year compared to the end of the 2009/10 financial year.

Expectations for the Group's result for 2010/11

Based on a continuing high activity level within product development and an increased marketing effort, Bang & Olufsen expects that the 2010/11 financial year as a whole will result in a positive development in turnover and a positive result before tax. The Group expects the gross margin to increase marginally compared to the 2009/10 financial year.

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