

BANG & OLUFSEN
INTERIM REPORT Q2 2016/17
13 January 2017



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AGENDA

HIGHLIGHTS

FINANCIAL RESULTS

OUTLOOK

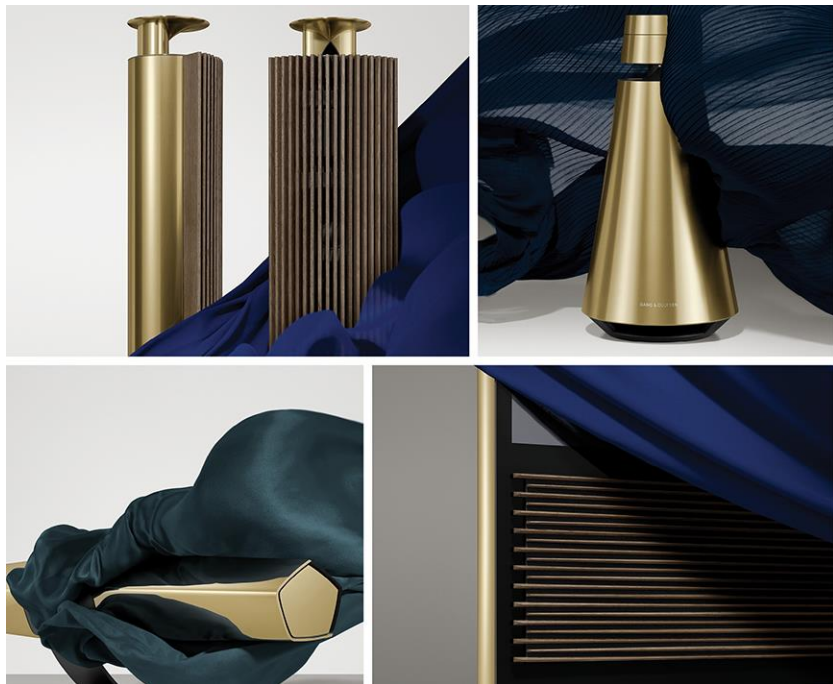
QUESTIONS AND ANSWERS

HIGHLIGHTS

- The group realised a revenue growth of 19 per cent
- Catch-up effect from the delayed TV product launches in previous quarters
- Expansion of TPR distribution and increased traction in US and GCR compared to last year
- EBITDAC was DKK 70 million against negative DKK 4 million last year
- Free cash flow was DKK 131 million against DKK 63 million last year
- Results after the first half of the 2016/17 financial year in line with our expectations
- The outlook for 2016/17 remains unchanged however with additional clarifications



BANG & OLUFSEN PRESENTS COOL MODERN COLLECTION



Cool Modern Collection

- New permanent collection of brass-toned products
- A range of the most popular sound systems, speakers and televisions draped in warm colours, rarely seen in electronic products
- The new collection includes BeoVision 14, BeoSound 35, BeoLab 18, BeoSound 1 and BeoSound 2
- Other products included in the collection are BeoRemote One Bluetooth, BeoLab 5, BeoLab 17, BeoLab 19 and BeoLab 90

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NEW WIRELESS B&O PLAY HEADPHONES

Beoplay H9

- In December, B&O PLAY expanded its portfolio of headphones with the new wireless Beoplay H9 headphones
- Beoplay H9 are active noise cancelling over-ear headphones with intuitive touch interface, rechargeable battery, and luxurious materials



RCP DKK 3,799 kroner

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B&O PLAY ADDS NEW MULTIROOM SPEAKER TO THE PORTFOLIO



Beoplay M5

- B&O PLAY just added Beoplay M5 to the B&O PLAY connected audio portfolio
- Beoplay M5 is a powerful, wireless speaker with True360 omnidirectional sound, crafted aluminium top and exchangeable wool blend fabric cover
- Supports BeoLink Multiroom and Chromecast built-in technologies as well as Bluetooth and Apple AirPlay
- Beoplay M5 is launched in two colour options: light (natural) and dark (black) grey

UPDATE ON BRAND PARTNERING ACTIVITIES



LG

- The LG V20 premium smartphone with audio by B&O PLAY comes with a special pair of B&O PLAY earphones



HARMAN

- HARMAN has announced two new car models with B&O PLAY sound system in 2017: The Fiesta and the EcoSport
- Bang & Olufsen sound systems available in Audi, Aston Martin, BMW and Mercedes-AMG



Hewlett-Packard

- The collaboration with Hewlett-Packard has been extended from the consumer segment to also include the commercial segment, i.e. business PCs

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FINANCIAL HIGHLIGHTS FOR THE SECOND QUARTER

Key financial figures

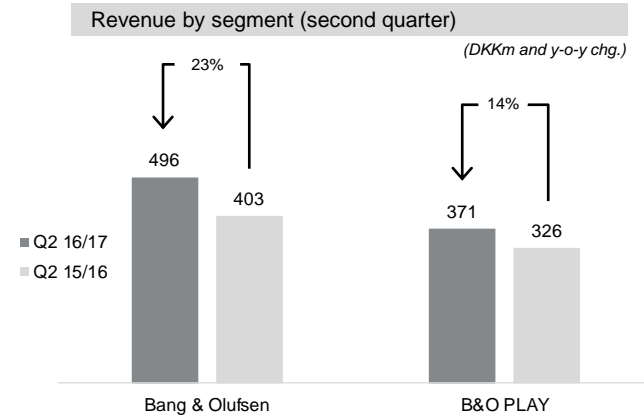
DKK million	2nd quarter		YTD	
	16/17	15/16	16/17	15/16
Revenue	867	729	1,383	1,235
Gross profit	358	276	530	429
EBITDAC (underlying)	70	-4	3	-55
EBIT	37	-31	-52	-136
EBIT (underlying)	37	-14	-52	-97
EBT	32	-23	-56	-142
Earnings after tax (cont. busi.)	23	-20	-44	-112
Earnings after tax (disc. busi.)	0	9	0	15
Earnings	23	-11	-44	-97
Gross margin, %	41.2	37.9	38.3	34.7
Gross margin, % (underlying)	41.2	38.9	38.3	36.3
Net working capital	304	270	304	270
Free cash flow	131	63	99	-105

- Revenue increased from DKK 729 million last year to DKK 867 million, corresponding to a growth of 19 per cent
- The Group gross margin increased to 41.2 per cent from 38.9 per cent last year, primarily due to improved gross margins in B&O PLAY and positive impact from increased license income from brand partnerships. Exchange rate fluctuations impacted margins negatively in the quarter compared to last year
- EBITDAC was DKK 70 million against negative DKK 4 million last year. The improvement in profitability was driven by double digit increase in revenue and an improved Group gross margin
- Free cash flow was DKK 131 million against DKK 63 million last year. The free cash flow was impacted by the final escrow settlement with HARMAN following the automotive transaction

DOUBLE-DIGIT GROWTH IN BOTH SEGMENTS

The Bang & Olufsen segment grew 23 per cent

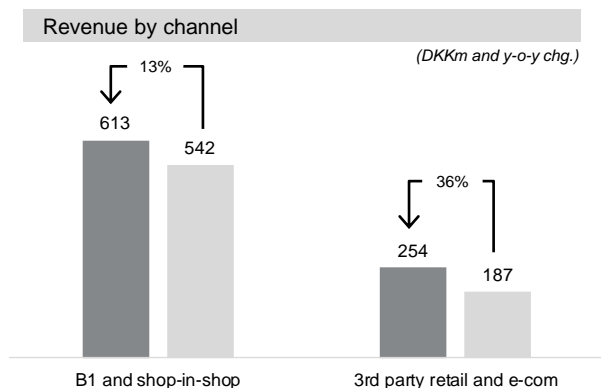
- Revenue in the Bang & Olufsen segment grew by 23 per cent in the quarter
 - Strong product portfolio
 - Catch-up effect from the postponed launch of new TV products
 - Increased revenue from brand partnerships with Hewlett-Packard and LG
- B&O PLAY revenue grew by 14 per cent in the quarter
 - The main growth contributor was the headphone category
 - The speaker category showed lower growth compared to the same quarter last year, which was positively impacted by the launches of especially Beoplay A6 and Beolit 15



GROWTH DRIVEN BY NEW PRODUCTS AND THIRD PARTY RETAIL

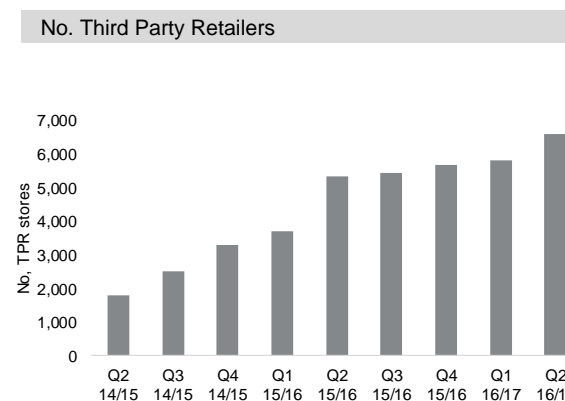
Growth in TPR as well as in B1 and SiS

- Growth was driven by the third party retail and e-com channel, which grew by 36 per cent, as well as a 13 per cent growth in the B1 and shop-in-shop channel
- B&O PLAY revenue through the B1 and shop-in-shop channel decreased by 16 per cent compared to last year



Solid pipeline of new TPR store openings

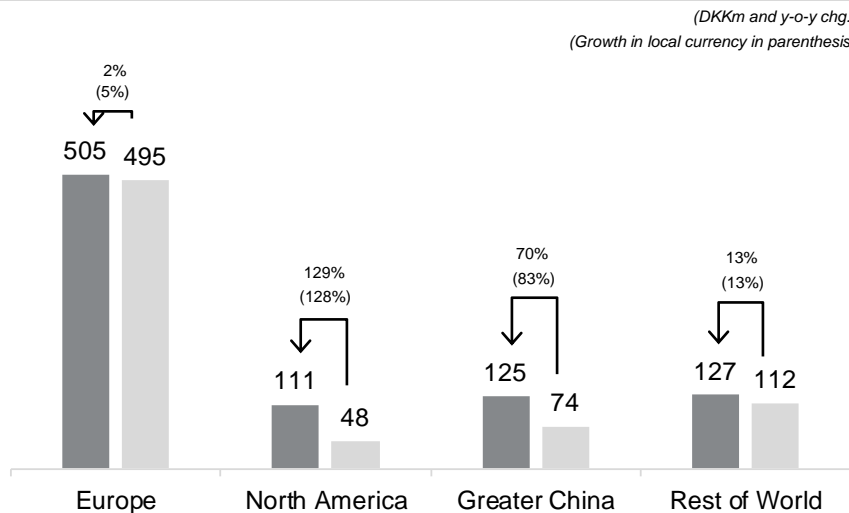
- 800 TPR stores added during the quarter
- New products has created new opportunities for additional TPR stores
- Solid pipeline of new TPR store openings
- We continue to see a potential for approximately 10,000 Third Party Retail stores for B&O PLAY



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SALES PER REGION SLIDE

Revenue by region



North America and Greater China drove growth

- North America revenue increased, mainly driven by a combination of new third party retailers and increased license income from brand partnerships.
- Revenue in Greater China increased, mainly driven by continued growth in B&O PLAY

GROUP GROSS MARGIN IMPROVED TO 41.2 PER CENT

Gross margin

%	2nd quarter		YTD	
	16/17	15/16	16/17	15/16
	Bang & Olufsen	45.5	42.2	41.0
B&O PLAY	35.6	32.6	34.8	30.0
Group	41.2	37.9	38.3	34.7

Gross margin, underlying business

%	2nd quarter		YTD	
	16/17	15/16	16/17	15/16
	Bang & Olufsen	45.5	43.6	41.0
B&O PLAY	35.6	33.0	34.8	30.7
Group	41.2	38.9	38.3	36.3

Gross margins in both segments improved

- The Group's gross margin was 41.2 per cent against 38.9 per cent last year
- The gross margin in the Bang & Olufsen segment was 45.5 per cent against 43.6 per cent last year
 - Improved margins within specific product categories and increased license income from brand partnerships
 - Negative impact from product category mix and exchange rates
- The gross margin for the B&O PLAY segment was 35.6 per cent against 33.0 per cent last year
 - Driven by higher volumes and positive scalability impacts on the supply chain
 - Improved product margins, but adverse impact from product mix and exchange rates

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INCREASE IN CAPACITY COSTS IN THE QUARTER

Capacity costs were DKK 31 million higher than last year

- The capacity costs were DKK 330 million against DKK 299 million last year
- The increase was mainly driven by higher development costs, which were impacted by DKK 18 million from increased amortisations and depreciations, and lower capitalisations, compared to the same quarter last year

Capacity costs				
DKK million	2nd quarter		YTD	
	16/17	15/16	16/17	15/16
Development	100	74	175	145
Dist. and marketing	206	216	369	383
Administration	24	19	47	39
Total cap. costs	330	309	591	567
Total cap. costs underlying	330	299	591	546

Continued investments in product development

- The Group continues to invest in the development of new products. Development costs were DKK 84 million against DKK 76 million last year

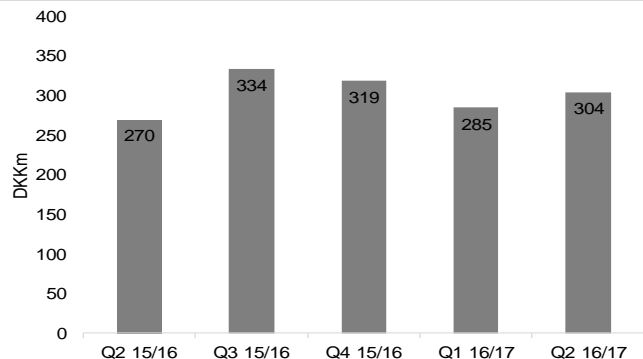
Development costs				
DKK million	2nd quarter		YTD	
	16/17	15/16	16/17	15/16
Incurred development costs before capitalization	84	76	151	138
Net effect of capitalizations and amortisations	16	-2	24	8
Development costs in P&L	100	74	175	145
Capitalization (%)	49.3%	63.2%	45.1%	57.1%

NET WORKING CAPITAL INCREASED IN THE QUARTER

Net working capital increased driven by trade payables

- The net working capital was DKK 304 million compared to DKK 270 million last year
- The increase was mainly driven by a decrease in trade payables

Net working capital by quarter



Positive free cash flow in the quarter

- Free cash flow was DKK 131 million against DKK 63 million last year, corresponding to an increase of DKK 68 million
- The free cash flow was positively impacted by DKK 93 million from the final escrow settlement with HARMAN following the automotive transaction

Cash Flow

DKK million	2nd quarter		YTD	
	16/17	15/16	16/17	15/16
Earnings for the period	23	-11	-44	-97
Net working capital related	-50	90	2	120
Other	137	59	145	-4
Cash flow from oper. activities	109	138	103	19
Cash flow from investing activities	22	-75	-4	-124
Free Cash Flow	131	63	99	-105

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- Group revenue is expected to grow by 10 to 15 per cent, compared to 2015/16
 - B&O PLAY is expected to be the main growth driver, with 25 to 30 per cent growth
 - The Bang & Olufsen segment is expected to grow low single digit
- EBITDAC is expected to increase, compared to the underlying amount of DKK 14 million in 2015/16
- Bang & Olufsen will incur higher depreciations of the current TV product portfolio in the range of DKK 30 to 40 million as well as lower capitalisations during the 2016/17 financial year

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Q&A

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