

Bang & Olufsen releases preliminary results for the third quarter of the 2012/13 financial year and revised guidance for the 2012/13 full year

Despite continued strong growth in the B&O PLAY and Automotive segments, the results for the third quarter of the 2012/13 financial year are below expectations and lead to a revised outlook for the 2012/13 financial year.

In August 2011 Bang & Olufsen launched a new strategy "Leaner, Faster, Stronger". Based on the new strategy a major transformation process was initiated. Since then, Bang & Olufsen has, among other things, entered into a new partnership in China, launched the B&O PLAY brand and introduced a number of successful products.

To accelerate the optimisation of the retail network a decision was made in January this year to close up to 125 stores during the coming 12-18 months. The execution of this initiative has been accelerated further during the third quarter to ensure stability and future growth in the retail network, and more than 80 stores have already been terminated during the third quarter.

Negative short term effects of the ongoing transformation process of Bang & Olufsen including the above mentioned store terminations combined with continued macro-economic uncertainty, especially in Europe, have resulted in a slowdown in momentum during the quarter.

Preliminary results for the third quarter of the 2012/13 financial year

The revenue in the third quarter of the 2012/13 financial year declined to DKK 655 million compared to DKK 766 million in the same quarter last year.

Revenue in the AV segment was DKK 362 million in the third quarter of the 2012/13 financial year compared to DKK 559 million in the same quarter last year, which was positively impacted by the launch of BeoVision 12 and BeoLab 12.

Revenue in the B&O PLAY segment increased to DKK 162 million from DKK 78 million in the same quarter last year.

Revenue in Automotive increased to DKK 118 million from DKK 103 million DKK in the same quarter last year.

Revenue in ICEpower was DKK 13 million compared to DKK 23 million in the same quarter last year.

The earnings before interest and tax (EBIT) for the third quarter was DKK -114 million compared to DKK 23 million for the same quarter last year.

The third quarter includes non-recurring costs of DKK 15 million, which mainly relate to organizational changes and network restructuring.

Free cash flow in the third quarter was positive at DKK 92 million compared to DKK 16 million in the same period last year. The Group's net working capital was DKK 706 million at the end of the third quarter compared to DKK 927 million at the end of the second quarter.

Outlook for the 2012/13 financial year

During the third quarter of the 2012/13 financial year, Bang & Olufsen has experienced a loss of momentum in the business, which has resulted in lower than expected revenue and an adverse impact on the profitability.

Bang & Olufsen therefore revises the revenue outlook for the 2012/13 financial year from previously exceeding the 2011/12 financial year revenue of DKK 3,008 million to revenue in the range of DKK 2,800-2,900 million.

The gross margin for the 2012/13 financial year is now expected to be at the same level as the previous financial year.

The lower expected revenue will adversely impact EBIT. The outlook for EBIT is revised from a positive EBIT margin to a negative EBIT in the range of DKK 150-200 million for the 2012/13 financial year.

Non-recurring costs of DKK 40 million mainly relating to organizational changes and network restructuring are expected for the 2012/13 financial year.

As previously communicated, the EBIT guidance includes an expected adverse impact of more than DKK 100 million compared to last year from higher amortization and lower capitalization, while continuing a high level of product development activity.

The full interim report for the third quarter of the 2012/13 financial year will be released Friday, April 5 between 08:00 and 09:00 CET and a webcast will be available on www.bang-olufsen.com

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