

Bang & Olufsen a/s releases revised guidance for the 2014/15 full year based on preliminary results for the second quarter of the 2014/15 financial year

During the second quarter of the 2014/15 financial year, customer demand for newly launched products, especially BeoVision Avant continued to be strong. The quarter also saw a net increase in the number of B1/SiS stores for the first time since 2007. Automotive showed a stable development in the second quarter representing a rebound from the challenging first quarter and B&O PLAY sales through 3rd party channels increased by 36 per cent and now constitutes 42 per cent of the total B&O PLAY sales confirming the growth opportunity for this business.

However, ramp-up issues in the production have, to a larger extent than anticipated, adversely impacted the timing of key product launches, the gross margin and the capacity cost base. These and other supply-chain issues have had a significant adverse impact on the Group's financial results for the quarter.

Therefore the outlook for the 2014/15 financial year has been revised. The topline guidance of high single digit growth is maintained. The guidance for earnings before interest and tax (EBIT) is revised from the expectation of an improving EBIT margin to a negative EBIT margin for the year. EBIT in the second half of the financial year is expected to be positive, however not sufficient to compensate for the shortfall in the first half of the financial year. Free cash flow in the second half of the financial year is expected to be in the range of DKK 50 million to DKK 100 million through a combination of earnings and a reduction in net working capital.

Preliminary results for the second quarter of the 2014/15 financial year

Group revenue in the second quarter of the 2014/15 financial year is expected to decline by approximately 8 per cent compared to the same quarter last year.

The combination of declining revenue, lower gross margin and increased capacity costs is expected to result in the earnings before interest and tax for the quarter of negative DKK 90 million to DKK 100 million compared to DKK 31 million last year.

During the second quarter, the net working capital is expected to have improved compared to the level in the first quarter of the 2014/15 financial year. The improvement partially mitigated the adverse effect from the net result on free cash

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flow for the quarter. Free cash flow was negative DKK 40 million in the quarter compared to negative DKK 52 million last year.

The Board and the Executive Management will initiate a review to identify strategic and structural options to increase scale and further reduce complexity.

The full interim report for the second quarter of the 2014/15 financial year will be released Tuesday, January 20 between 08:00 and 09:00 CET and a webcast will be available on www.bang-olufsen.com

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