JAWBONE

PROPRIETARY + CONFIDENTIAL

Q2 **RESULTS**

HIGHLIGHTS

NEW PRODUCTS DRIVE REVENUE

- Gross sales was $57.6M, compared to Plan of $54.8M
  - BIG generated $23.4M or nearly half of Q2's gross revenue
- With the launch of BIG Jambox in May, Q2 net revenue nearly doubled Q1's level
  - $49.1M in Q2, compared with $28.6M in Q1 (and Q2 Plan of $48.5M)
- Q2 gross margin came in at 16.0%, compared with Plan of 22.2%
  - Variance to the Plan was due primarily to the higher initial COGS on BIG and Jambox, and higher level of airfreighting to meet customer demand
  - We secured 18% reduction on Jambox COGS starting w Q3 and are driving reductions on BIG to bring GM back to 22-23% range

HIGHLIGHTS

NEW PRODUCTS DRIVE REVENUE

- Operating expense was 5% lower (favorable) than Plan
- Due to the gross margin variance, operating loss was 10% larger (unfavorable) than Plan
- Cash outflow was $27.7M, which was $9.9M more (unfavorable) than Plan of $17.9M for Q2
  - Timing difference as working capital (inventory) built up earlier than the Plan assumed.

INCOME STATEMENT

Amounts in 000's $	Qtr Ended 6/30/2012	Forecasted Qtr Ended 6/30/2012	Forecast Variance	Pos (Neg) Percent Variance
Gross revenue	$ 57,598	$ 54,760	$ 2,838	5%
Sales adjustments	(8,493)	(6,292)	(2,201)	-35%
Net revenue	49,105	48,468	637	1%
Total cost of goods sold	41,225	37,703	3,522	-9%
Gross profit	**7,880**	**10,765**	**(2,885)**	**-27%**
Gross margin (%)	***16.0%***	***22.2%***	***-6.2%***	
Operating expenses				
Selling and marketing	7,852	10,680	(2,828)	26%
General and administrative	3,796	5,022	(1,226)	24%
Research and development	12,116	10,138	1,978	-20%
Depreciation and amortization	771	-	771	NA
Total operating expenses	24,535	25,840	(1,305)	5%
Operating income (loss)	**(16,655)**	**(15,075)**	**(1,580)**	**-10%**

*PRELIMINARY AND UNAUDITED FINANCIALS. FORECASTED IS THE ORIGINAL PLAN SHOWN TO THE BOARD IN JANUARY 2012. THE FINANCIALS INCLUDE GAAP TREATMENT FOR ITEMS SUCH AS REVENUE RECOGNITION UNDER EITF 08-01 AND CAPITALIZATION OF OVERHEAD AND FREIGHT INTO INVENTORY. EXCLUDED FROM THESE FIGURES IS SFAS 123R STOCK-BASED COMPENSATION EXPENSE.

BALANCE SHEET

($s in 000s)
Preliminary and Unaudited

	6/30/12	3/31/12	12/31/11
ASSETS			
Current assets:			
Cash & equivalents	$ 35,178	$ 52,899	$ 77,066
Accounts receivable and other receivables, net	29,797	3,623	18,688
Inventory	22,039	17,386	14,175
Prepaids and other current assets	4,217	4,351	2,341
Total current assets	91,231	78,259	112,270
Property and equipment, net	6,024	5,977	5,538
Other assets	3,811	4,514	7,399
TOTAL ASSETS	$ 101,066	$ 88,750	$ 125,207
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	25,640	17,448	29,862
Accrued expenses	30,123	19,721	25,329
Deferred revenue	3,239	3,060	3,109
Other current liabilities	13,007	12,910	15,127
Total current liabilities	72,009	53,139	73,427
TOTAL LIABILITIES	72,009	53,139	73,427
Stockholders' equity:			
Common stock, preferred stock, & add'l paid in capital	176,050	165,715	165,321
Retained earnings (retained loss)	(146,998)	(130,110)	(113,550)
Accumulated other comprehensive income (loss)	5	6	9
TOTAL EQUITY	29,057	35,611	51,780
TOTAL LIABILITIES AND EQUITY	$ 101,066	$ 88,750	$ 125,207

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STATEMENT OF CASH FLOW

Amounts in 000's $		Quarter Ended 6/30/2012
Cash flow from operating activities		
Net loss	$	(16,888)
Depreciation & amortization		1,079
Stock-based compensation expense		266
Effects of exchange rate changes on monetary assets and liabilities		(1)
Changes in operating assets and liabilities:		
Accounts receivable		(26,174)
Inventory		(4,653)
Other current assets and non-current assets		438
Accounts payable		8,192
Deferred revenue		179
Other current and non-current liabilities		11,268
Net cash used in operating activities		(26,294)
Cash flow from investing activities		
Capital expenditures		(1,500)
Net cash used in investing activities		(1,500)
Cash flow from financing activities		
Proceeds from option and warrant exercises		73
Proceeds from issuance of common stock		5,000
Proceeds from issuance of preferred stock		5,000
Net cash provided by financing activities		10,073
Net increase (decrease) in cash and cash equivalents		(17,721)
Cash and cash equivalents at beginning of period		52,899
Cash and cash equivalents at end of period	$	35,178

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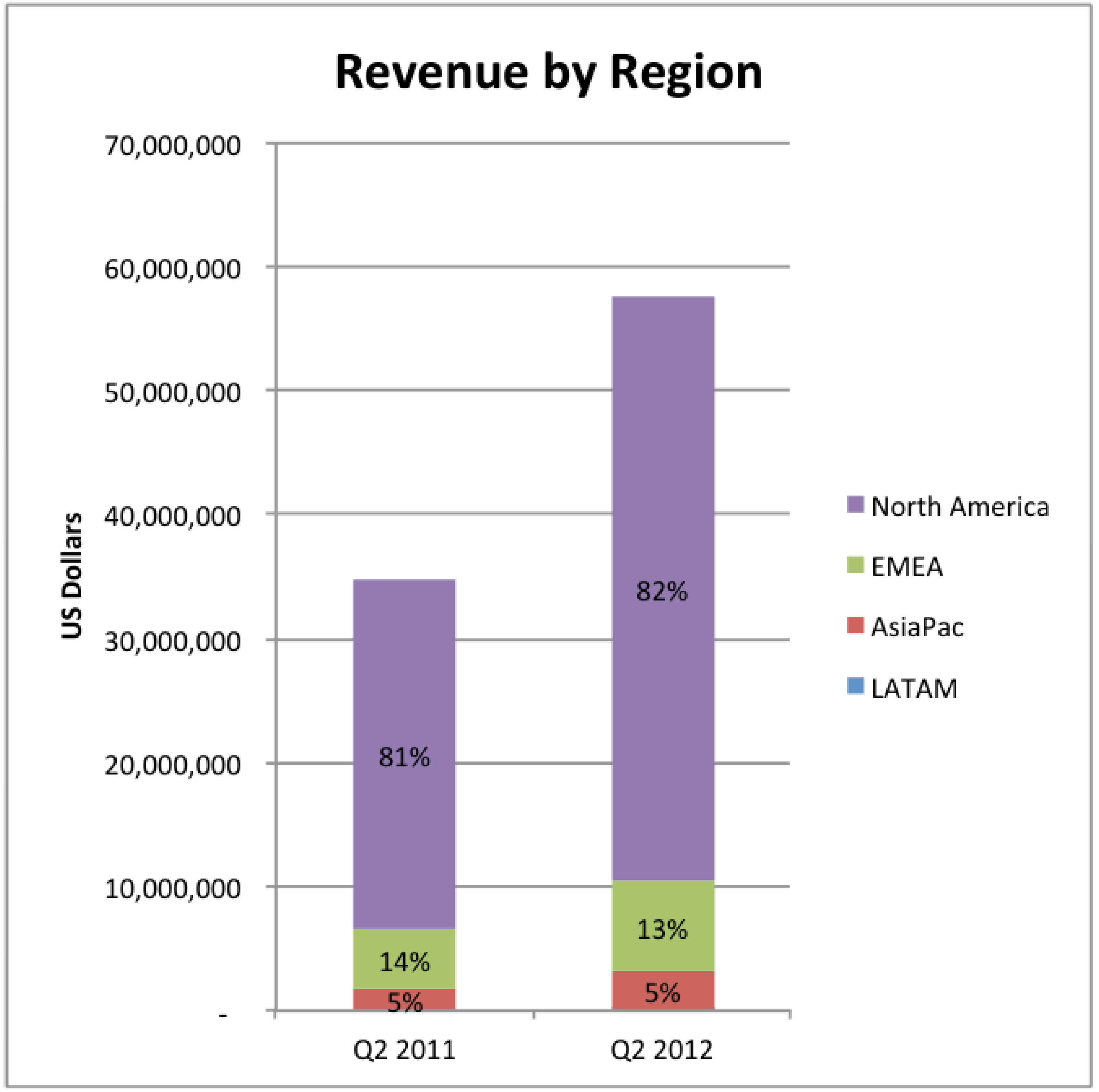
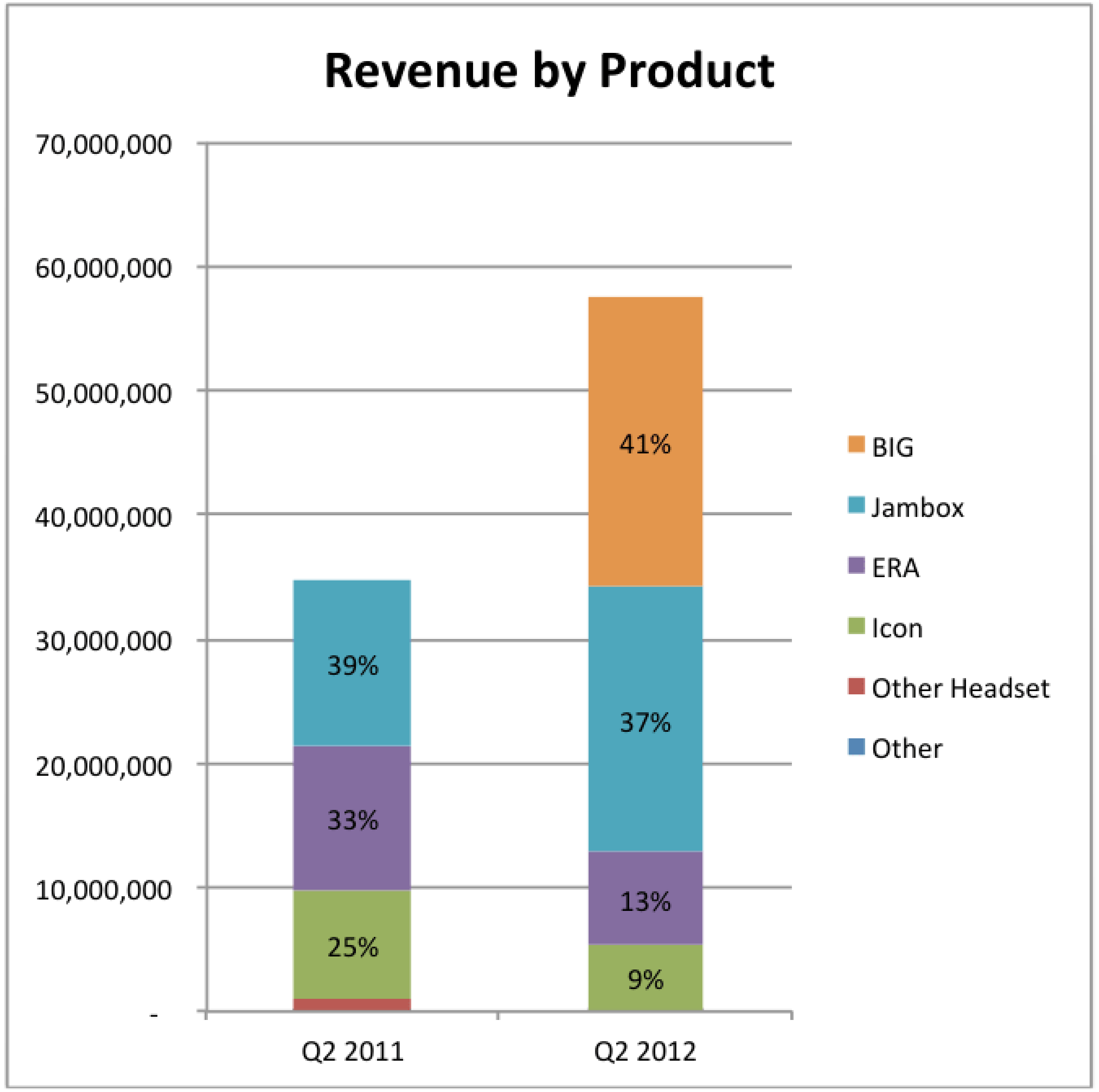
NEW PRODUCTS

FUEL OUR REVENUE GROWTH





Q2'12 REVENUE*

- Our existing products exceeded the Q2 forecast
  - Speakers are the primary contributor with BIG driving 41% of the gross revenue while Jambox is at 37%
  - International (outside North America) sales remained flat as a % of total gross sales year over year due to Q2 BIG rollout was focused on the US region
  - See next chart on revenue by region by product

Q2'12 REVENUE*

- While the original Plan included gross sales of $9.2M of UP, we still beat the Plan of $48.5M with net revenue of $49.1M
  - Strong initial customer demand for BIG was a key factor
  - Jambox continues to show strong demand—BIG is complimenting Jambox, not cannibalizing it
- Solid management of pricing
  - Contra-revenue came in 2 points higher than forecast as a % of gross revenue, But, that was due mainly to one-time event around launch of BIG. Expect Contra-revenue to return to long term trend of 12-13% of gross revenue

CORE PRODUCTS
CONTINUED STRONG SHIPMENT ACTIVITY INTO Q2'12*

Q2 2012 Gross Revenue by Product Family (Globally)			
Product Class	Gross Sales	Units Shipped	Gross ASP per Unit
BIG	$ 23,443,022	117,637	$ 199.28
Jambox	$ 21,394,426	165,972	$ 128.90
ERA	$ 7,429,686	107,763	$ 68.94
ICON-HD	$ 2,809,735	56,018	$ 50.16
ICON-COSTCO	$ 1,026,360	18,003	$ 57.01
ICON HD+NERD	$ 694,727	9,366	$ 74.18
Icon	$ 688,597	13,213	$ 52.12
Nerd	$ 10,630	242	$ 43.93
JB2X	$ 10,348	736	$ 14.06
Other	$ 111,768	8,522	$ 13.12
Grand Total	**$ 57,619,299**	**497,472**	**$ 115.82**

Q2 2012 Gross Revenue by Region by Productline			
Region	Gross Sales	Units Shipped	Gross ASP per Unit
North America	47,146,050	408,702	115
BIG	18,317,985	90,682	202
Jambox	18,062,344	138,966	130
Headset	10,655,707	172,256	62
Other	110,014	6,798	16
EMEA	7,285,481	52,252	139
BIG	4,426,273	23,272	190
Jambox	2,195,236	17,669	124
Headset	662,219	10,662	62
Other	1,753	649	3
AsiaPac	3,084,578	35,510	87
BIG	698,764	3,683	190
Jambox	1,052,355	8,617	122
Headset	1,333,459	22,135	60
Other	-	1,075	-
LATAM	103,190	1,008	102
Jambox	84,492	720	117
Headset	18,698	288	65
Grand Total	**$ 57,619,299**	**497,472**	**$ 115.82**

*DIFFERENCES TO FINANCIALS ARE DUE TO DEFERRED REVENUE ADJUSTMENTS

Q2'12 GROSS MARGIN*

- Q2 Gross margin came in at 16.0% versus Plan of 22.2%
  - Sales adjustments were higher than Plan, driving 2 points of the variance
  - Remainder of the variance was due to the standard COGS of BIG and Jambox running higher than Plan. Additionally, we air freighted nearly 100% of BIG orders to meet customer launch dates
  - We have already secured a 18% reduction in the cost of Jambox, starting with Q3. We are negotiating COGS reductions on BIG
  - We are already ocean freighting a significant portion of July/August demand

Q2'12 GROSS MARGIN*

- Continuing focus on Ex-factory COGS reductions, which is the largest opportunity for improving gross margin over the next 12 months
  - Goal is to drive > 30% gross margin within the next 12 months

Q2'12 OPEX*

- Q2 opex came in at $24.5M, favorable to Plan of $25.8M
- Breakdown of Q2 actual opex:
  - Compensation expense (salaries, bonus, benefits, employer taxes) = $8.4M
  - Travel and entertainment = $1.3M
  - Proto/soft tools/test and certs = $1.6M
  - Channel marketing, PR, Corp Marketing = $7.1M (fixed PR/Marketing contracts include West Studios, etc.)
  - Litigation fees, Patent/TM filings = $1.3M
  - Outside services - Contractors and Consultants = $3.3M (majority is for [redacted])
  - Facilities, Insurance, Supplies, Telco, etc. = $1.5M
- Current monthly opex run rate is at $8.5M

Q2'12 WORKING CAPITAL + CASH FLOW*

- A/R DSO were excellent, below our usual 30-35 day range
  - June DSO came in at 29 days
- Inventory Days were at 49 across Q2, reflecting the Build-To-Stock model that we adopted in the past year to be more responsive to customer demand
- Cash conversion cycle came in at 17 days for Q2
  - Sales were heavily back-end loaded in the quarter, which caused the gross AR balance to increase to $31M at 6/30/12. The cash benefit of the initial BIG launch will be realized in early Q3

A/R CONTINUES AS OUR BEST MANAGED ASSET*

Customer	Current Open Balance	5/31/2012 - 6/29/2012 (30) Open Balance	5/1/2012 - 5/30/2012 (60) Open Balance	4/1/2012 - 4/30/2012 (90) Open Balance	Before 3/31/2012 (>90) Open Balance	Total Open Balance
Superior Communications	$11,436,733	$0	$0	$0	$0	$11,436,733
Costco Wholesale	$3,985,609	$615,816	$0	$11,033	$0	$4,612,458
Amazon	$3,182,756	$0	$67,383	$3,846	$0	$3,253,985
TESSCO	$2,413,800	$0	$0	$0	$0	$2,413,800
Micro Peripherals Ltd	$1,933,124	$0	$0	$0	$0	$1,933,124
Powerdata S.A.	$1,701,423	$0	$0	$0	$0	$1,701,423
Brightstar US	$369,367	$585,694	$0	$0	$0	$955,060
631 Digital River	$748,531	$0	$0	$0	$0	$748,531
Beijing Lava Technology Develop Co., Ltd	$544,744	($3,857)	$0	$0	$0	$540,887
Luzern Solutions LTD	$440,832	$0	$38,511	$0	$0	$479,343
Avoca	$449,060	$0	$0	$0	$0	$449,060
Almo Distributing Pennsylvania, Inc	$392,508	$0	$0	$0	$0	$392,508
EET Group	$358,275	$0	$0	$0	$0	$358,275
Alpha Tech	$263,477	$0	$0	$0	$0	$263,477
Force	$224,651	$0	$0	$0	$0	$224,651
ABM Wireless Inc.	$305,691	($87,309)	$0	$0	$0	$218,382
Dugo Tech Co. , Ltd	$200,389	$0	$0	$0	$0	$200,389
Autra - Norway	$144,706	$0	$0	($124)	$0	$144,581
Thinking Group Limited	$148,910	($4,384)	$0	$0	$0	$144,526
Other 21 Customers	$508,360	($20,582)	$113,021	($2,650)	($38,489)	$559,660
GRAND TOTAL	$29,752,945	$1,085,378	$218,915	$12,105	($38,489)	$31,030,854
Aging Category as % of Total A/R	**96%**	**3%**	**1%**	**0%**	**0%**	**100%**

NOTE: Credit balances are for customer returns that occur after the original shipping invoice has already been paid. Hence a credit balance appears as there is no outstanding invoice to offset that amount. These credit memo's are covered by our various Contra Revenue accruals which are liability accounts

The credit memo stays on the A/R ledger because the customer has not elected to use that credit to offset another A/R invoice or ask us for a cash refund

The difference between the AR aging and the AR balance represented on the balance sheet is due to the AR reserve relating to the UP Guarantee

GLOBAL HEADCOUNT BY FUNCTION AND LOCATION

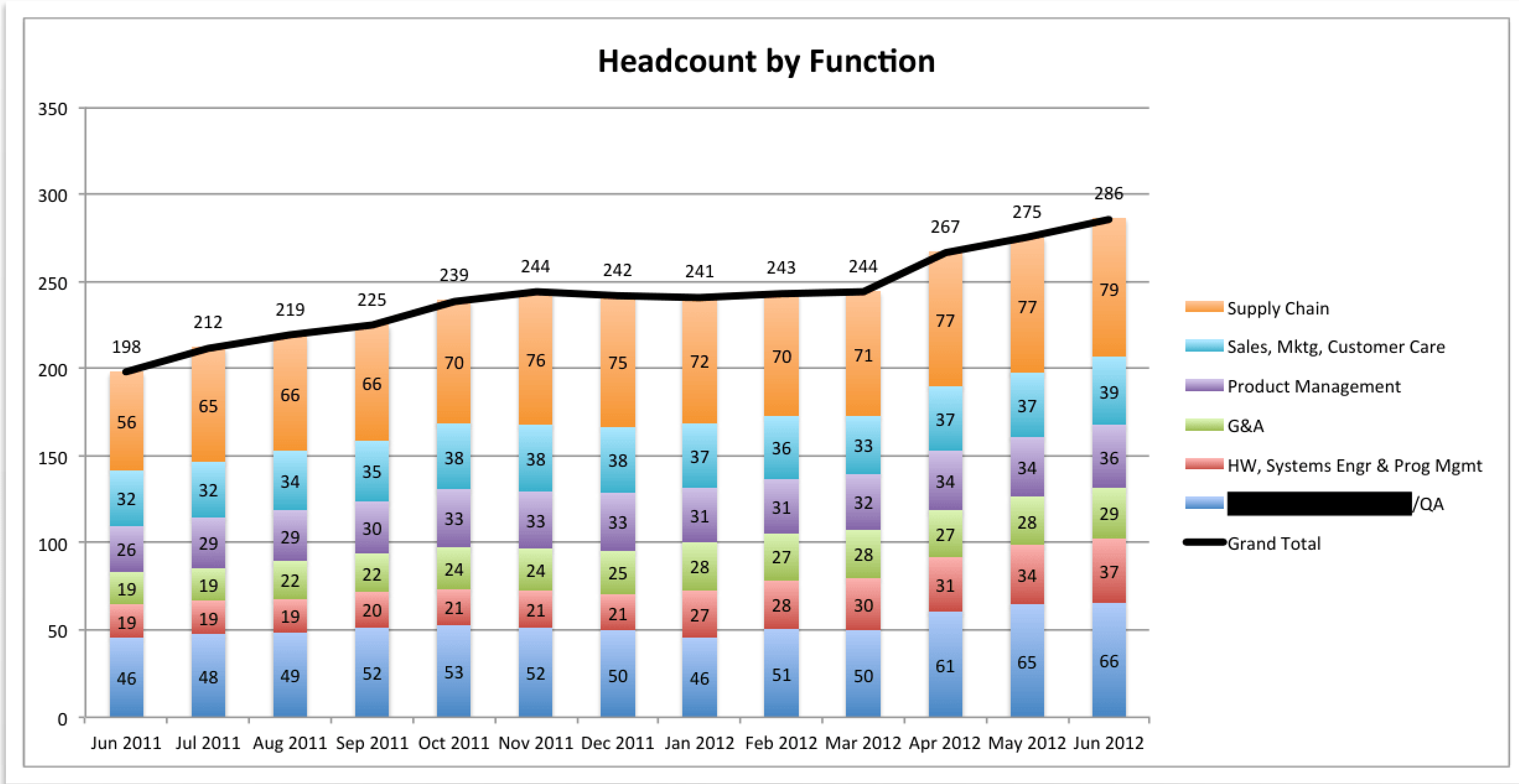
FOCUS CONTINUES TO BE [redacted] HEADCOUNT*

By Primary Function	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	year/year % increase
[redacted]	46	52	50	50	**66**	43%
HW, Systems Engr & Prog Mgmt	19	20	21	30	**37**	95%
G&A	19	22	25	28	**29**	53%
Product Management	26	30	33	32	**36**	38%
Sales, Mktg, Customer Care	32	35	38	33	**39**	22%
Supply Chain	56	66	75	71	**79**	41%
Grand Total	**198**	**225**	**242**	**244**	**286**	**44%**

By Location	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	year/year % increase
CHINA	18	26	31	32	**37**	106%
EUROPE - Remote	11	10	13	11	**12**	9%
US - Remote (mainly sales)	15	16	16	15	**23**	53%
SAN FRANCISCO, CA	75	86	91	94	**114**	52%
SEATTLE, WA	3	3	4	4	**3**	0%
SUNNYVALE, CA	49	56	58	64	**73**	49%
TIJUANA BAJA MEXICO	27	28	29	24	**24**	-11%
Grand Total	**198**	**225**	**242**	**244**	**286**	**44%**

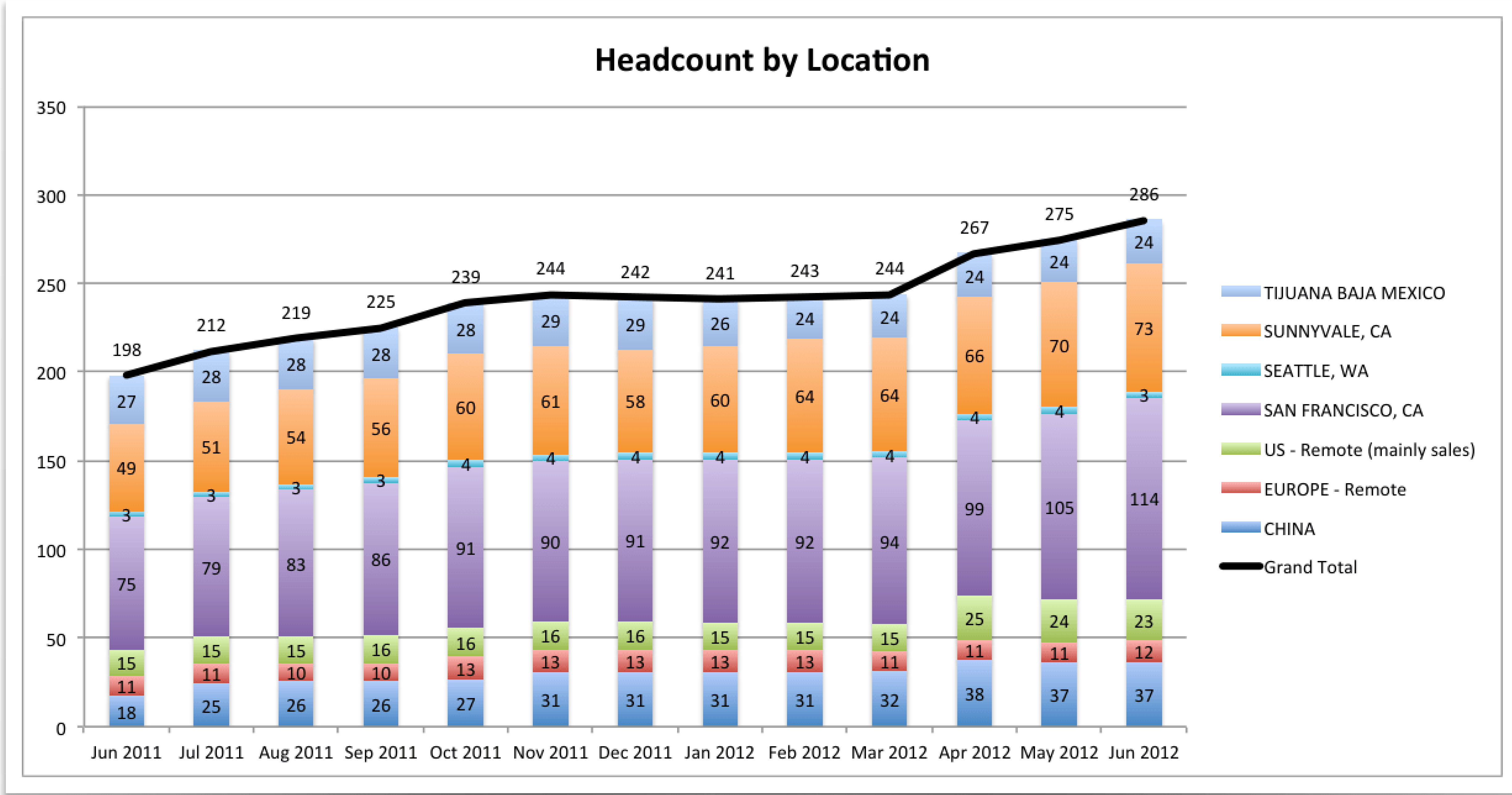
GLOBAL HEADCOUNT BY FUNCTION*

[redacted] IS OUR LARGEST GROUP



GLOBAL HEADCOUNT BY LOCATION*

SF/SUNNYVALE HOUSES 2/3RD OF OUR STAFF



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CHANGING OUR
BUSINESS MODEL

CHANGING OUR BUSINESS MODEL FOR THE BETTER

- Our inventory model has been a “bootstrap” one, whereby we take limited cash risk by making purchase commitments as late as possible and within a short time frame
  - Basically a Build-To-Order (BTO) model with limited commitment to the supply chain and factory
- This model worked well when we were a sub-$100M revenue headset company
  - Demand for headsets (a business-class product) was even throughout the year (no seasonal fluctuation)
  - So our factory and supply chain ran at a fairly even pace
  - The BTO model optimized the financial aspects

CHANGING OUR BUSINESS MODEL FOR THE BETTER

- We recognized several quarters back that our shift into high-tech consumer electronics requires a different business model
  - CE products such as our Wireless Speakers have highly seasonal demand
  - The addressable TAM's are multiple times larger than the headset market
  - These products are distributed in a wider variety of channels (branching beyond our Carrier stores and into Mass Merchant Retail, CE Superstores, Discount Merchants and other channels on an international dimension

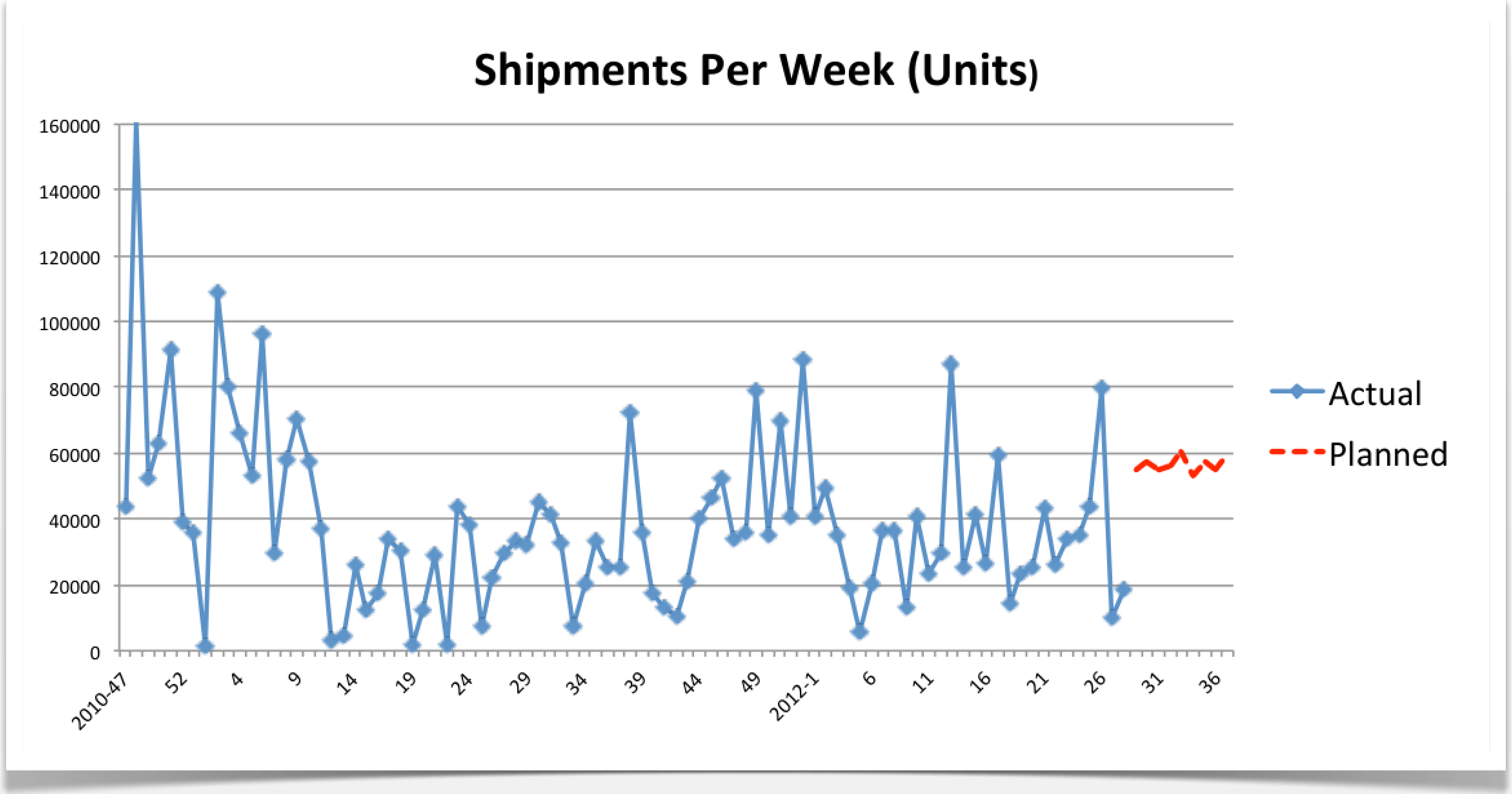
CHANGING OUR BUSINESS MODEL FOR THE BETTER

- The BTO model doesn't optimize the financial metrics of Jawbone, mainly the key elements of the income statement:
  - Limits our ability to capture any demand upside (we left > $15M revenue on-the-table in Q4'2011—just factoring in Headsets and Speakers)
  - Providing such short leadtimes on commitments to the factory and material suppliers results in lower priority and higher costs for our products
  - Limiting the production scheduling time horizon for our factory results in unplanned overtime, inefficiencies and puts strain on product quality processes
  - Creates a mindset where we chase demand, rather than shape it and optimize it

CHANGING OUR BUSINESS MODEL FOR THE BETTER

- We have been revamping the staffing, systems, processes to changeover the company to a Build-to-Stock (BTS) model
  - We are forecasting demand at a detailed level for a 6-9 month horizon, versus our prior 3 month detailed (product SKU, customer, weekly) focus
  - We are planning the factory and supply chain to this longer time horizon
  - We are upgrading the quality, reliability, test, and manufacturing operations processes to drive high gross margin at high volume ramp
- The benefit of this changeover in 2nd Half of 2012 for the Jambox product line is NPV of + $12.6M for the Company
  - Applying this across all product lines going forward will add significant value to Jawbone

FACTORY VARIABILITY



FACTORY VARIABILITY

WoW Volatility	Historical Performance		Q2CY12 Performance		Target	
	# of Weeks	% of Total	# of Weeks	% of Total	# of Weeks	% of Total
less than 30%	27	34%	7	58%	9	90%
between 30% - 50%	9	11%	3	25%	1	10%
between 50% to 100%	22	28%	1	8%	0	0%
between 100% to 150%	13	16%	0	0%	0	0%
over 150%	8	10%	1	8%	0	0%

WoW Volatility	Historical Performance		Q2CY12 Performance		Target
	# of Weeks	% of Total	# of Weeks	% of Total	% of Total
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between 50% to 100%	22	28%	1	8%	0%
between 100% to 150%	13	16%	-	0%	0%
over 150%	8	10%	1	8%	0%

2ND HALF 2012

FOCUS IS ON DRIVING PROFITABILITY

- We piloted this BTS approach with our ODM factory (Foxlink) and key materials suppliers to see what Product COGS and Overhead reductions we can drive
  - In exchange for providing 6 month visibility on our material/production needs and making commitments to purchase this inventory, we were able to secure significant savings on the JamBox speaker product
  - The new Product COGS for July onwards is now $57.48 (blended), a $12.68 drop or 18% decrease from the Q1'12 cost
  - In addition, with our longer range demand /supply plan and factory load-balancing, we plan to ocean freight most of these JamBoxes to the North American market. Compared to our standard mode of airfreighting, this will generate another $3.00 to 4.00 per unit savings in logistics costs

2ND HALF 2012

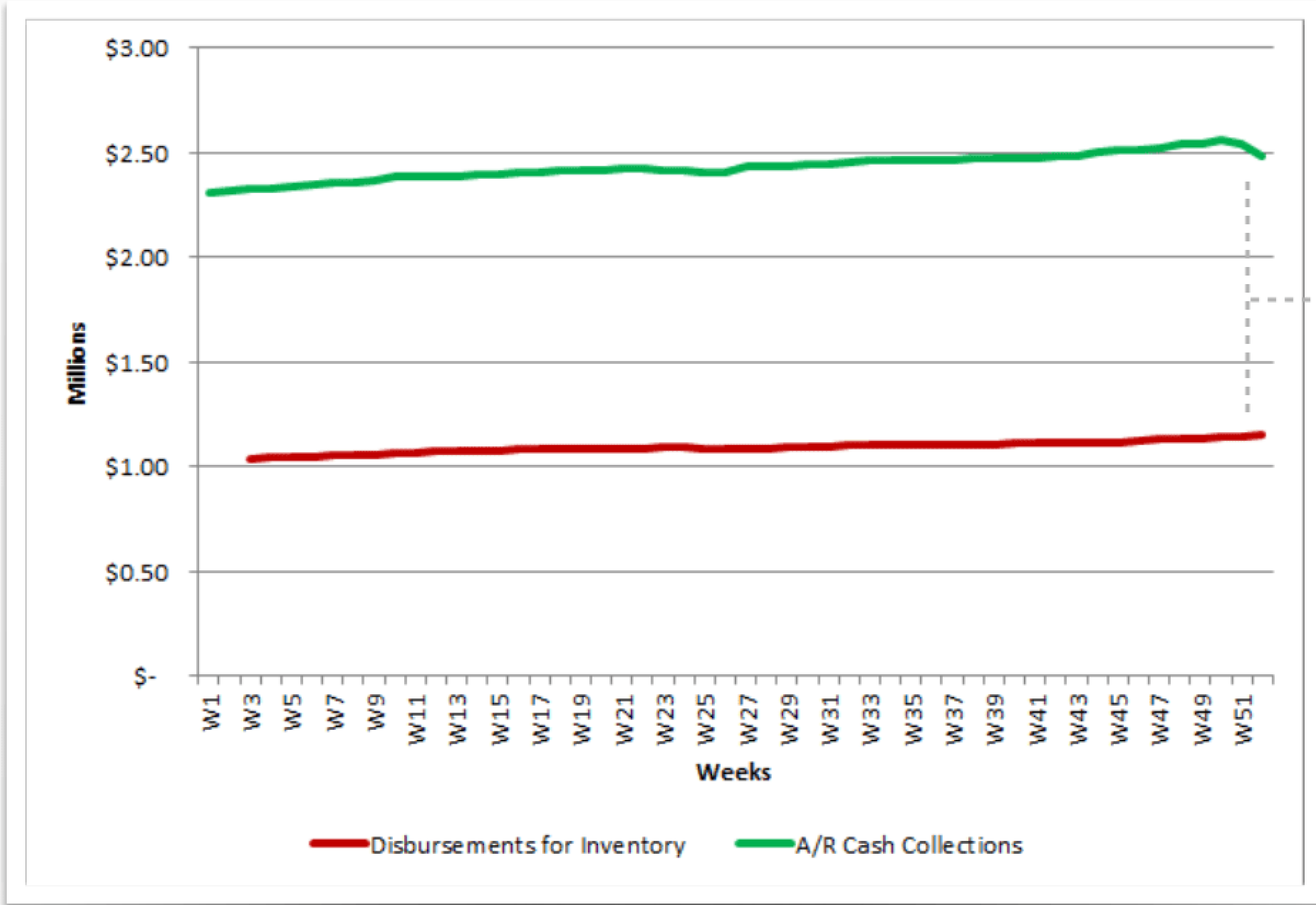
FOCUS IS ON DRIVING PROFITABILITY

- This combined Product and Logistics cost savings totals 21%
- This improves Jambox gross margins by 16 points at our current MSRP of $199
- Or we can drop MSRP to $159-169 range and still generate the same gross margin percent and drive significant revenue volume and market share increase

• The trade-off of this build-ahead plan is the initial increase of the inventory in mid-Q3 through early Q4

- Cash Conversion Cycle goes from today's +8 days range to +50 to +70 days
- Next slide that shows the cash flow impact of the BTO model that Jawbone operated on prior to 2012 and the BTS model that we will run on in 2nd Half of 2012

THE OLD BUILD-TO-ORDER INVENTORY MODEL (PRE-2012)



We collect the Customer A/R BEFORE we payour Suppliers for the Inventory

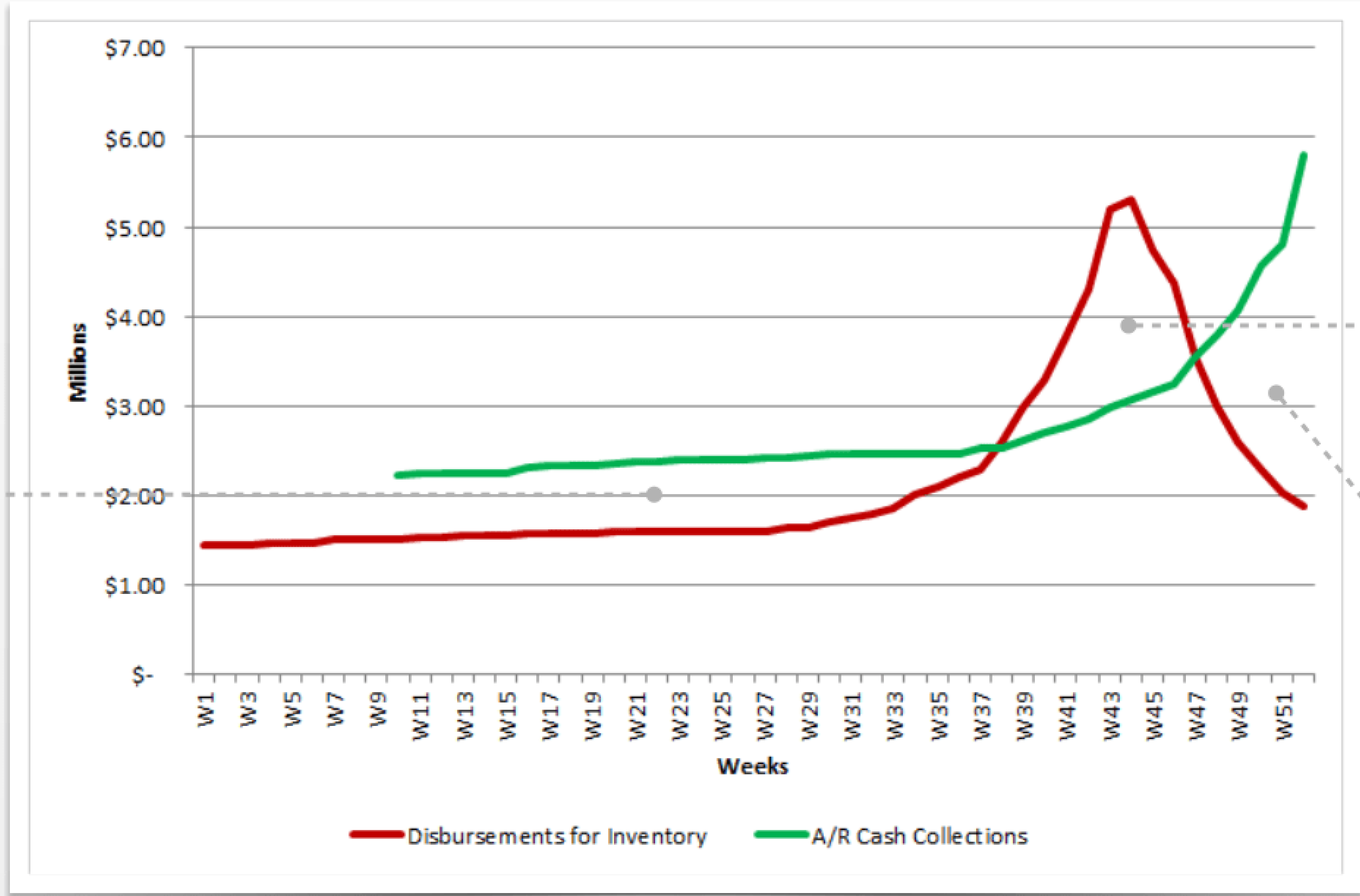
Benefits:
- Limit our supply chain exposure
- Drive a negative cash conversion cycle

The Cost of this BTO model:
- Higher Product Costs (15-20%)
- Limited production upside
- Higher overhead costs of running the factory and Jawbone operations
- Short leadtimes result in significant airfreighting and logistics costs
- Short planning window puts product quality at higher risk

THE BUILD-TO-STOCK MODEL

2ND HALF'12

During the less seasonal part of the year, our CCC is closer to



NET CASHFLOW OUT *:
To load balance the factory and supply chain over a longer time frame. So purchase inventory in July-Nov, to be sold to retailers in Q4. Hence the A/P-Inventory disbursements exceed the A/R cash collections in mid Q3 thru late Q4

NET CASHFLOW IN*:
By Q4, the inventory purchases slow down, while the shipments to the retailers reach their max level. A/R cash collections exceed the A/P-Inventory disbursements

* EXCLUDES CASHFLOW IMPACT OF OCOGS, OPEX AND CAPEX ITEMS

2ND HALF 2012 WORKING CAPITAL PLAN

- The increase in working capital requirement (cash outflow) during the Q3 thru early Q4 timeframe is **$12M** (for Jambox build ahead of inventory)
  - However, the COGS/freight savings/extra margin for running this BTS model exceeds **$13M**
  - ROI from implementing this BTS model for Jambox is NPV of **+$12.6M**
- Intend to fund most of this working capital build up with an Asset-Based Loan
  - Basically a revolver, secured by all tangible assets of the Company
  - Loan balance is dependent on the eligible Inventory and A/R
  - So the loan balance will fluctuate with the seasonal changes in the business

2ND HALF 2012 WORKING CAPITAL PLAN

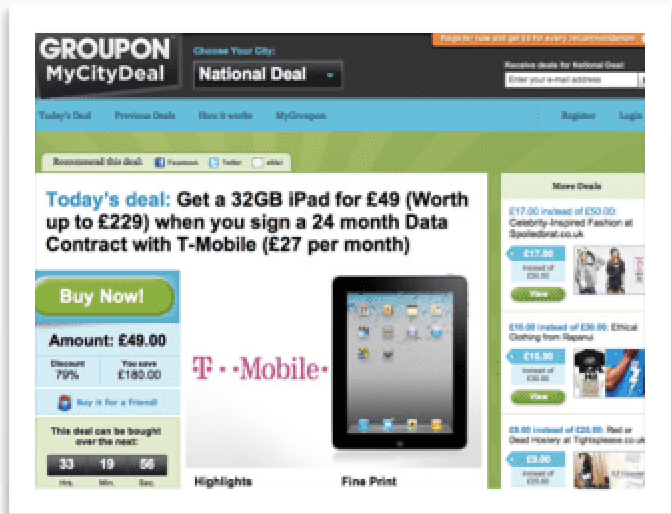
- We had several commercial lenders provide proposals
  - Wells Fargo presented the best terms and after further negotiations, we signed a non-binding term sheet
    - $25M facility, with accordion feature to allow it to flex up to $35M
    - 3 year term, with options to terminate at end of each year anniversary
    - Good advance rates of up to 85% on A/R and 60% on Finished Goods Inventory
    - Interest rate of LIBOR + 200 basis points (at today's rate that's about 2.5% annual rate)
    - Unused line fee of 0.25%
    - Legal, setup and maintenance fees are reasonable (adds about 1.5% to annual rate)
    - Excludes IP and other intangibles from the assets that Wells has a lien on
    - Only significant covenant is min Liquidity threshold of $15M

2ND HALF 2012
WORKING CAPITAL PLAN

- Wells Fargo started their due diligence
    - Field audit week of July 16 to verify Jawbone's processes and controls over A/R and Inventory
    - Review of historic financials, company history, etc
- Draft loan documents within 30-45 days
- Expect to have the facility in place during September
- This facility provides a low cost liquidity vehicle for the Company

RISK MANAGEMENT

MULTIPLE STRATEGIES TO HANDLE EUROPE CRASH OR SLOW HOLIDAY SALES



- All of our holiday deals have the ability to sweeten as the Holiday season progresses through in-store promotions (we have a history of success there)
- We can be even more aggressive with our Black Friday promotion to aggressively sell inventory
- Product is not seasonal and January is a strong consumer electronics month; we have the ability to leverage existing partners' rapid sales tools (Amazon Gold Box, Costco MVMs, etc)
- New players with significant reach have been courting our products (Groupon, FAB, etc)

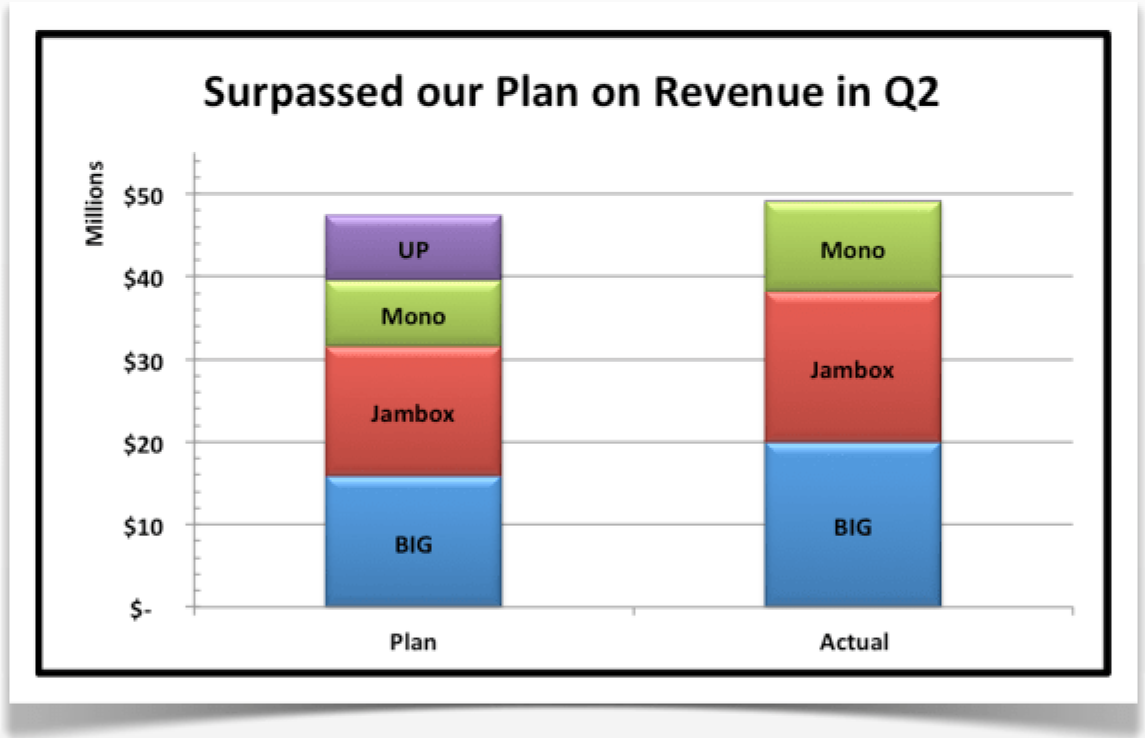
GO TO **MARKET**

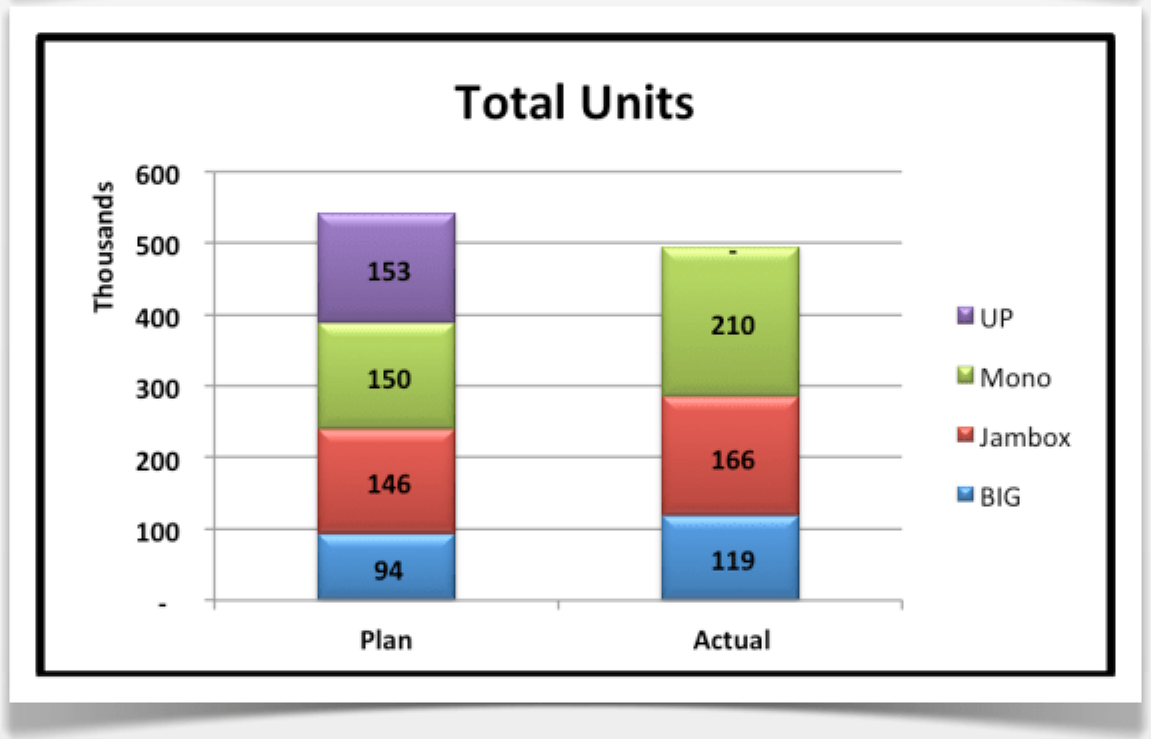
NOTES FROM THE BATTLEFIELD

- Our Q2 2012 revenue was larger than Q4 2011 and was the company's second largest ever
- Our speaker business is building significant momentum in the channel and with the launch of BIG we are positioned to win
- We are setting up the business to dominate in Q4 2012 by capturing all of the available consumer demand
- The market is primed for the return of UP and raises the importance of capitalizing on our partner and customer opportunities
- Our success is making our competitors defensive and we are seeing aggressive media and channel plays in response to our rise
- While the uncertainty in Europe has challenged our global business, we continue to grow and outpace our competitors
- Investing in Brazil presents a significant long-term opportunity

Q2 2012

WE BEAT OUR STRETCH PLAN!



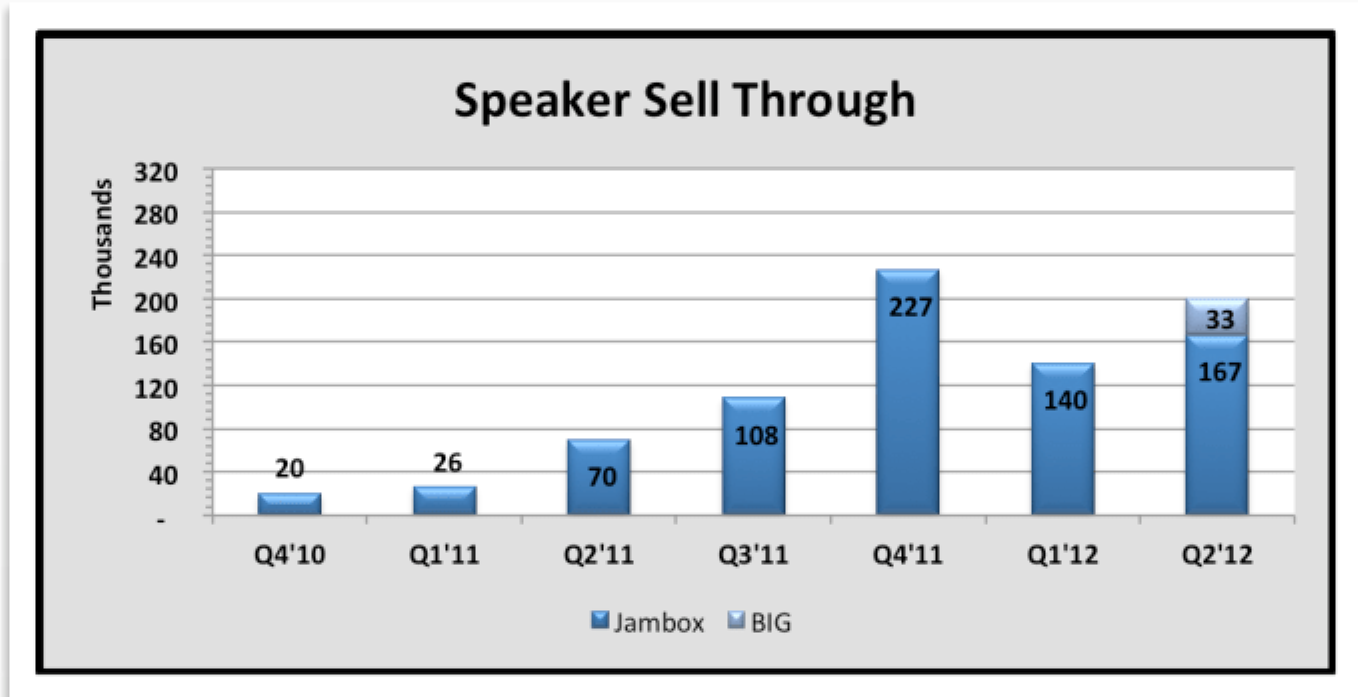


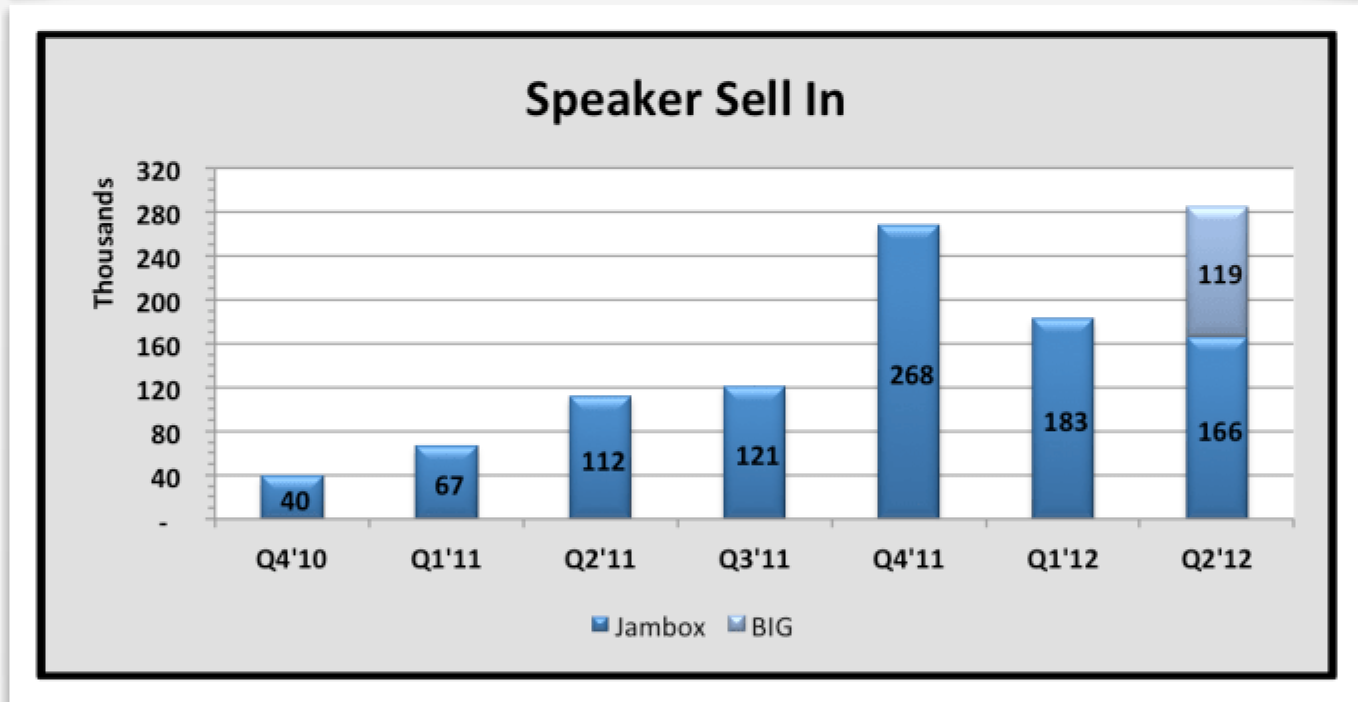
- Net revenue 71% higher in Q2 2012 compared to Q1 2012
- Highest revenue quarter since 2008 and the introduction of CA hands-free regulation
- Strong demand across all of our products contributed to beating plan without UP
  - Mono at 141% of plan
  - Jambox at 116% of plan
  - BIG at 130% of plan

SHIFT TO SPEAKERS MAKES US MORE VALUABLE TO OUR CHANNEL PARTNERS

- High revenue product mix has led to dramatic revenue share growth over the last 6 quarters
- Sell through dollars increased 24% from Q1 2012 to Q2 2012
- Average sell through of 32K units / week

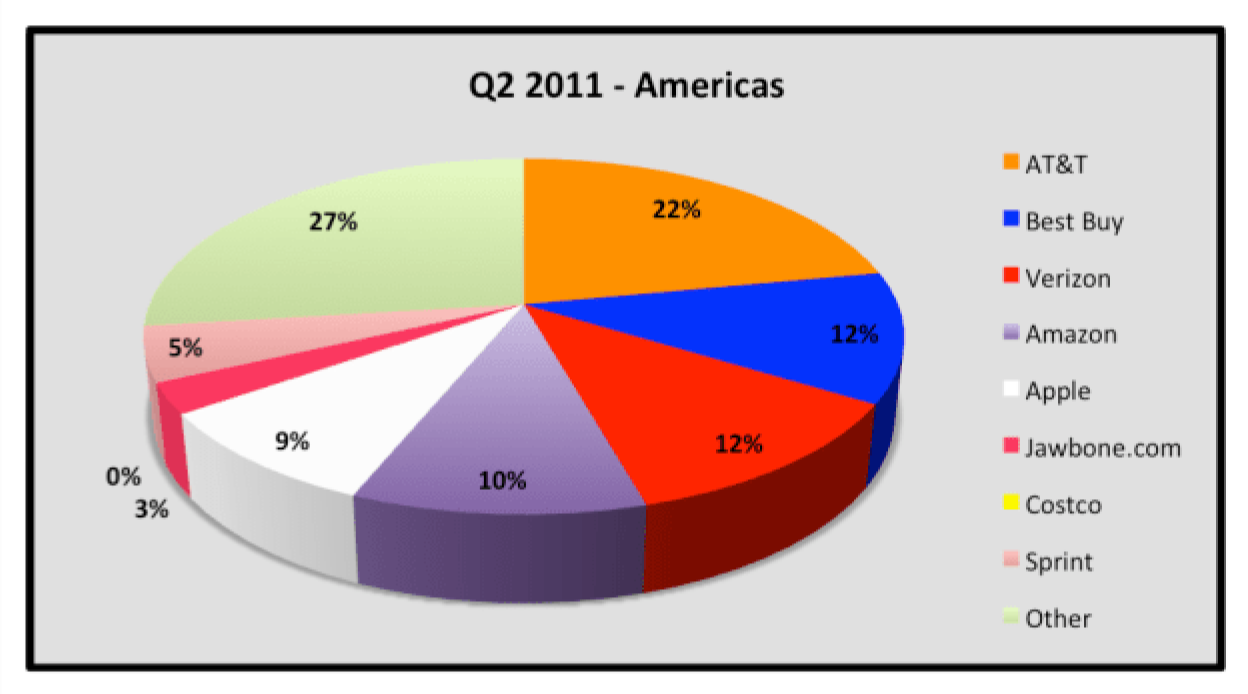
STRONG SPEAKER DEMAND IN CHANNEL

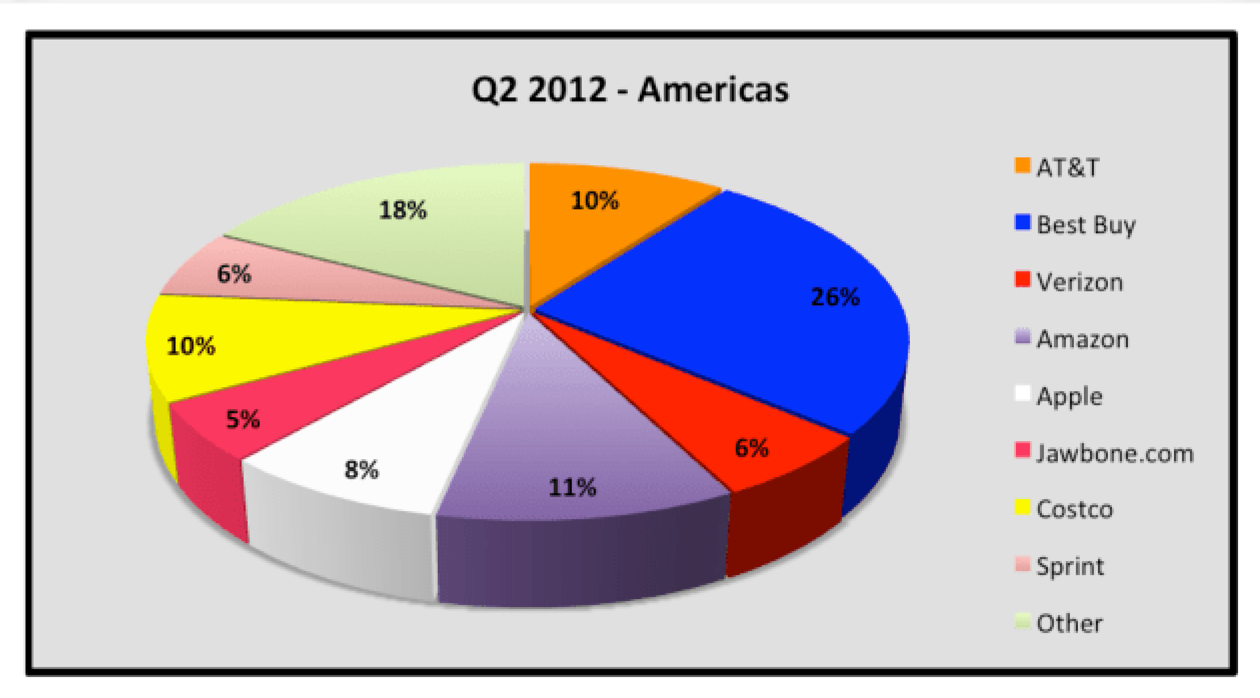




- Jambox
  - Sell through doubled in Q2 compared to previous year's quarter
  - Product continues to gain momentum worldwide; Q2 was best quarter for Jambox outside of Q4 and continues to be the best selling speaker in North America and the UK
- BIG
  - Initial channel fill of BIG was greater than the first 2 quarters of Jambox combined

CUSTOMER MIX CONTINUES TO DIVERSIFY IN Q2 2012





- Speaker business is making Best Buy more relevant and we expect that trend to continue
- Carrier channels are still extremely strong and we are building the music category with them
- International diversification continues
  - EMEA / APAC 18% of global sales, more than 2X from Q2 2011
  - APAC is 32% of international sales

KEY AREAS OF FOCUS FOR Q3

- Own all of the key holiday deals and vehicles with our key customers
  - Costco holiday MVM
  - Key circulars and in-store positions/presence
  - Smart Black Friday plays
  - In-store promotions
  - Online merchandising
- Continue to own and become the music leader (start taking share)
  - Leverage our Jambox family to blank our competition and send the market a message
- Start engaging our customers in the UP launch to make it impactful
- Continue our intense focus on our global business, hire top talent and expand
  - Asia/China GM, and a LatAm Sales Director are most critical
  - Hired top talent for our EMEA Sales Director

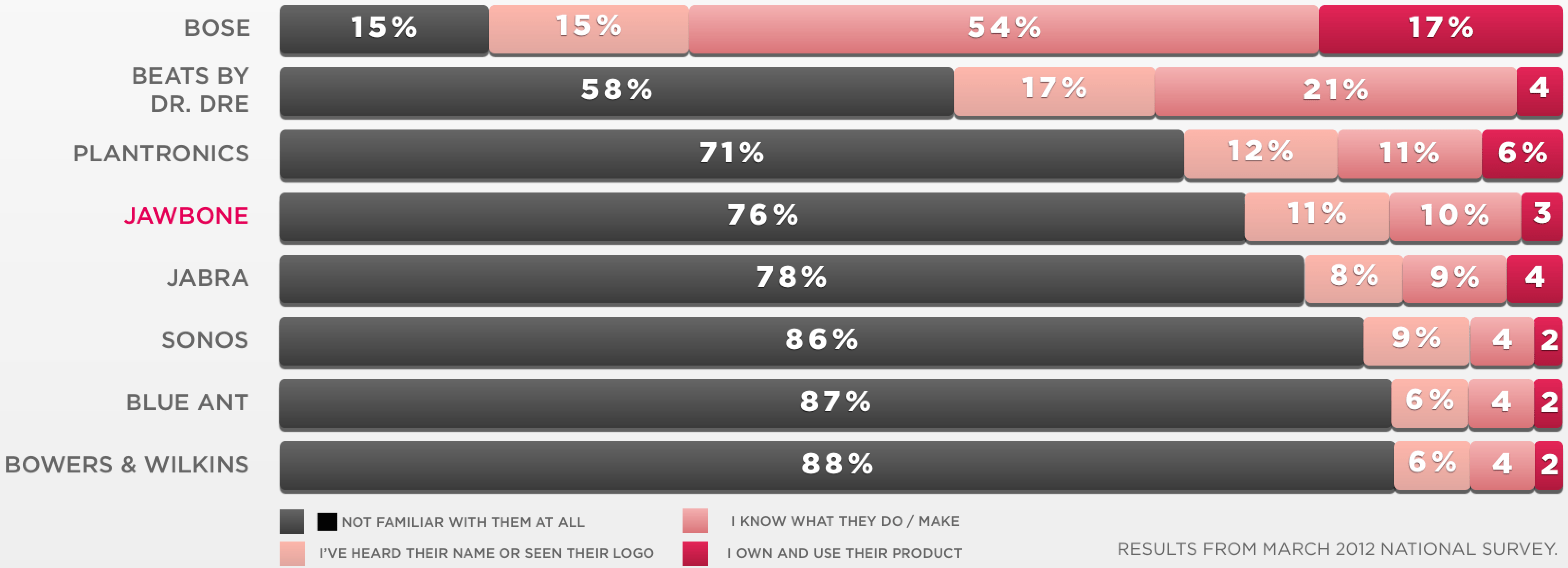
MARKETING **PLAN**

PLAY TO WIN

- It's time for a new model
- We're at an inflection point in the market, and need to strike now
- Scaling a CE business takes investment - we aren't going to win on organic growth
- There are no rain-checks for Xmas
- Play to win - starting now and sustained over time

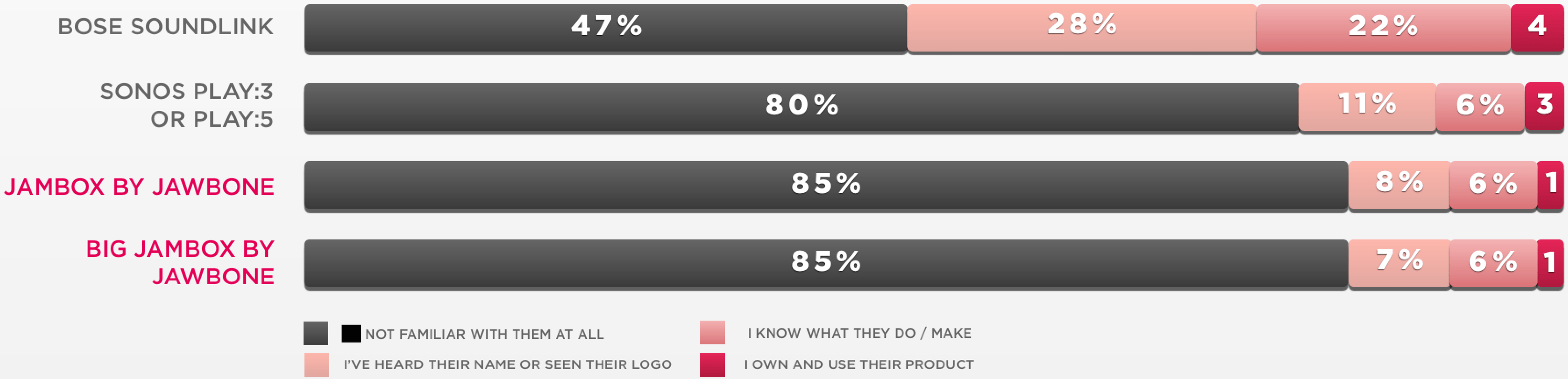
76% OF THE US CUSTOMERS HAVE NEVER HEARD OF JAWBONE

"WHICH OF THESE BEST DESCRIBES YOUR LEVEL OF FAMILIARITY WITH EACH OF THE FOLLOWING COMPANIES / BRANDS?"



NO ONE KNOWS ABOUT JAMBOX EITHER

"WHICH OF THESE BEST DESCRIBES YOUR LEVEL OF FAMILIARITY WITH EACH OF THE FOLLOWING PRODUCTS?"



RESULTS FROM MARCH 2012 NATIONAL SURVEY.

DESPITE THIS, WE SELL OK

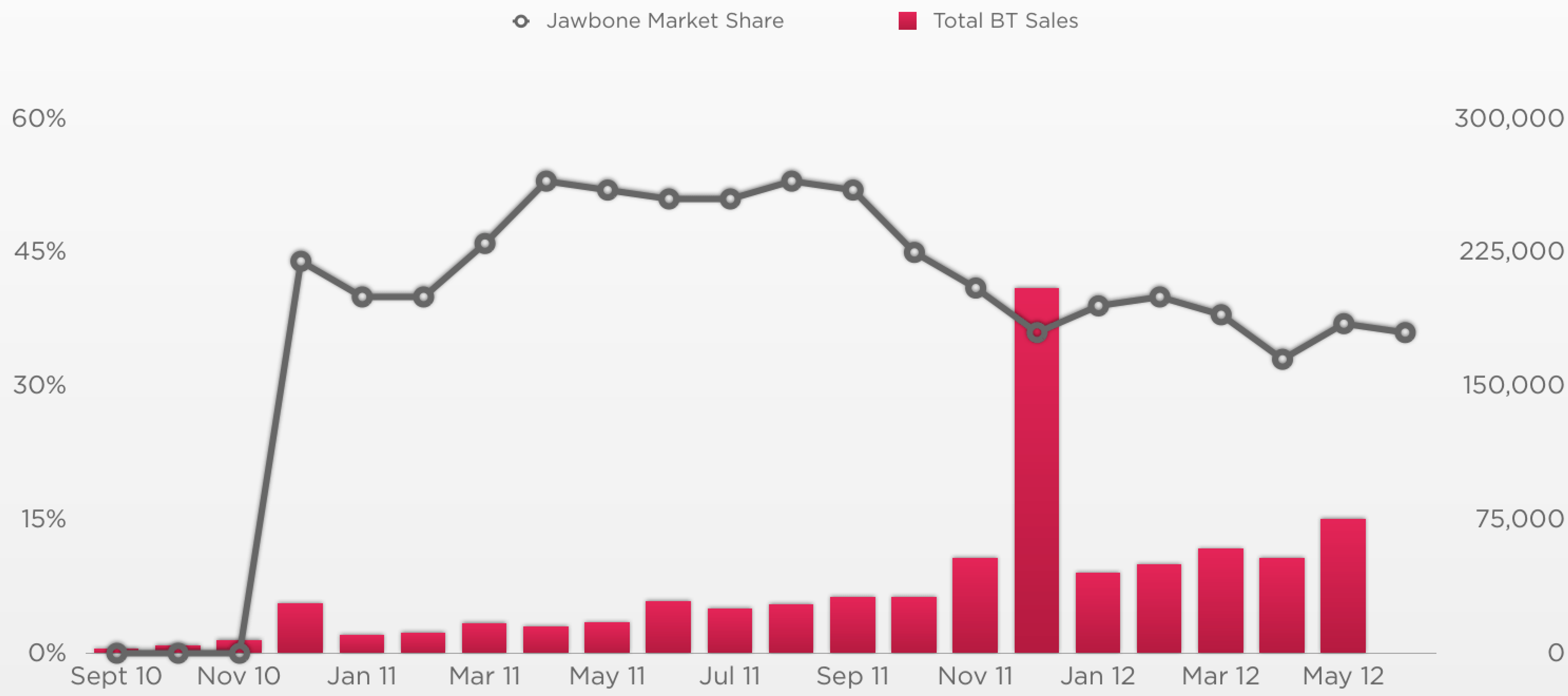
BUT THE COMPETITION IS HEATING UP

Brand	Model	Sales in May 2012	Sales in June 2012
Bose	SoundLink Mobile Wireless Mobile Speaker	15,892	26,672
Jawbone	**JAMBOX**	**14,828**	**22,440**
Jawbone	**BIG JAMBOX**	**2,972**	**9,441**
Logitech	984-000181 Bluetooth Wireless Boombox	3,929	8,332
Logitech	984-000204 Bluetooth Mini Boombox Speaker	2,451	5,148
Monster	MBL CLY MBT 100 ClarityHD Precision Micro Bluetooth Speaker	3,762	4,571
Sony	RDP-XF300IP Portable Bluetooth Speaker w/Dock	2,912	4,439
Bose	SoundLink Mobile LX Wireless Mobile Speaker	2,230	3,215
iHome	IDM12B Portable Bluetooth Speaker System	2,156	2,487
Sony	RDP-X200iP Bluetooth Speaker w/Dock	1,994	2,374
iHome	iDM9G Cupholder Portable Bluetooth Speaker	209	1,654
Homedics	HX-P230BL Jam Portable Wireless Bluetooth Speaker	0	1,389

DATA FROM WIRELESS CARRIERS NOT INCLUDED; SEE LIST OF NPD CHANNEL PARTNERS

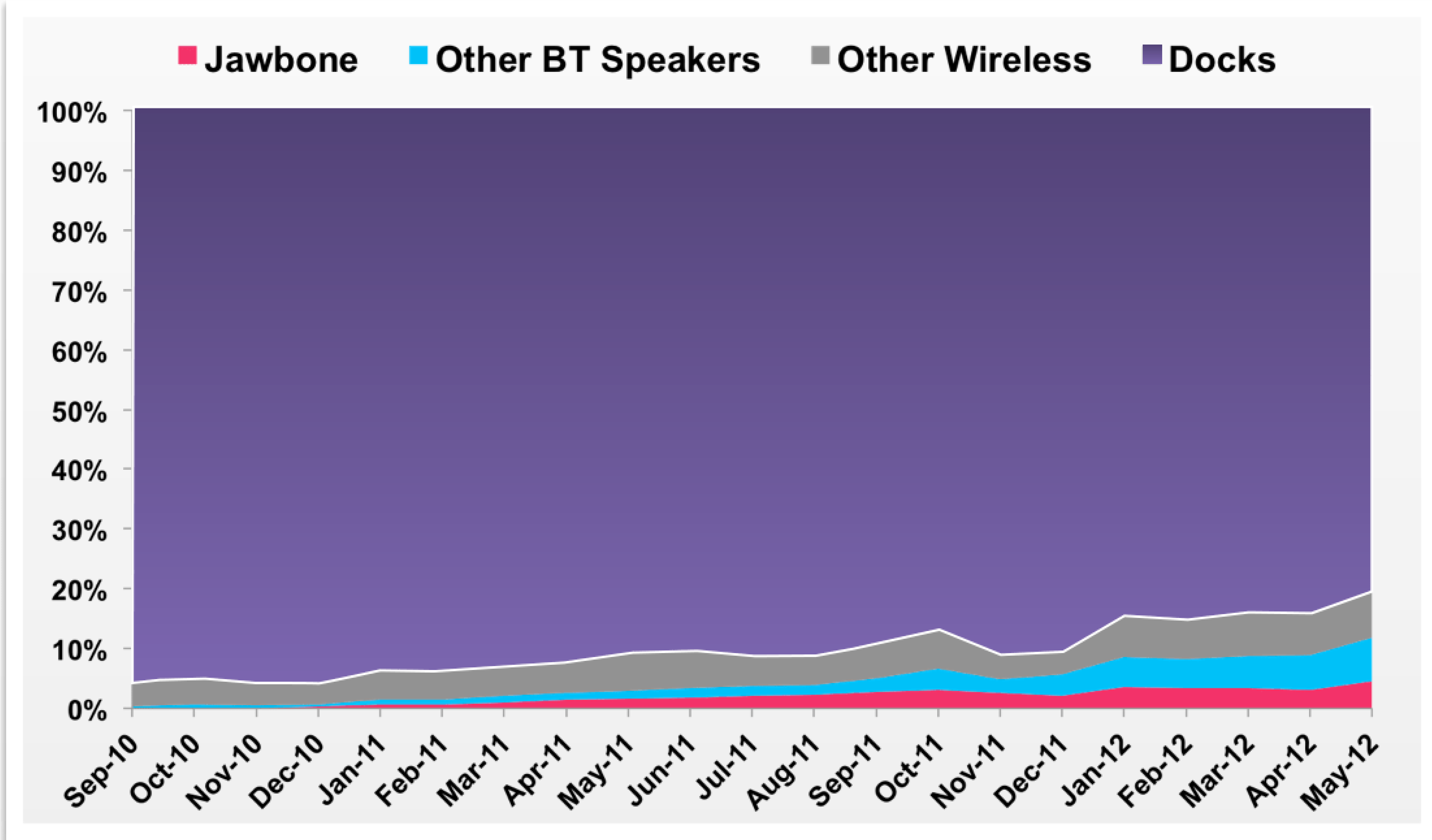
BT SPEAKER MARKET IS GROWING

JAWBONE MARKET SHARE IS DECLINING



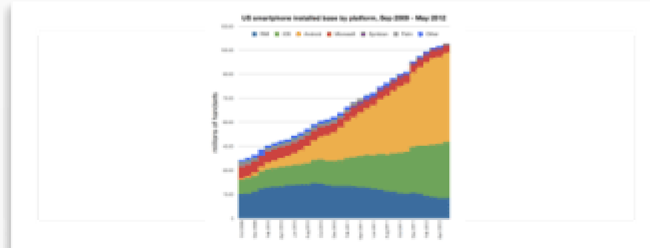
DOCKS ARE ERODING

IN SOME SEGMENTS RAPIDLY



MARKET FORCES EXPANDING TOTAL ADDRESSABLE MARKET

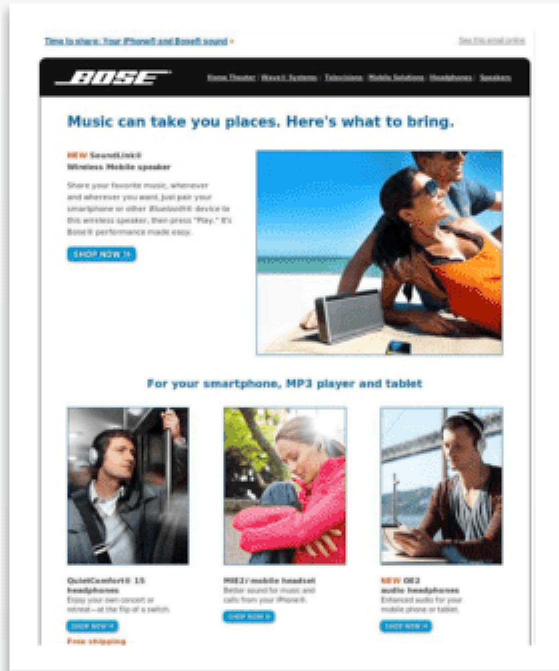
- Increase in # of attachable products
  - Smartphones, tablets, laptops
- Growth in mobile media consumption
  - Portability, digital files, streaming music & video
- Overall Market Driving Awareness
  - Competition and attachable products driving attention
- Anticipated iOS connector change
  - Physical connector type change, push for wireless



69M

BOSE

PAID MEDIA SPEND

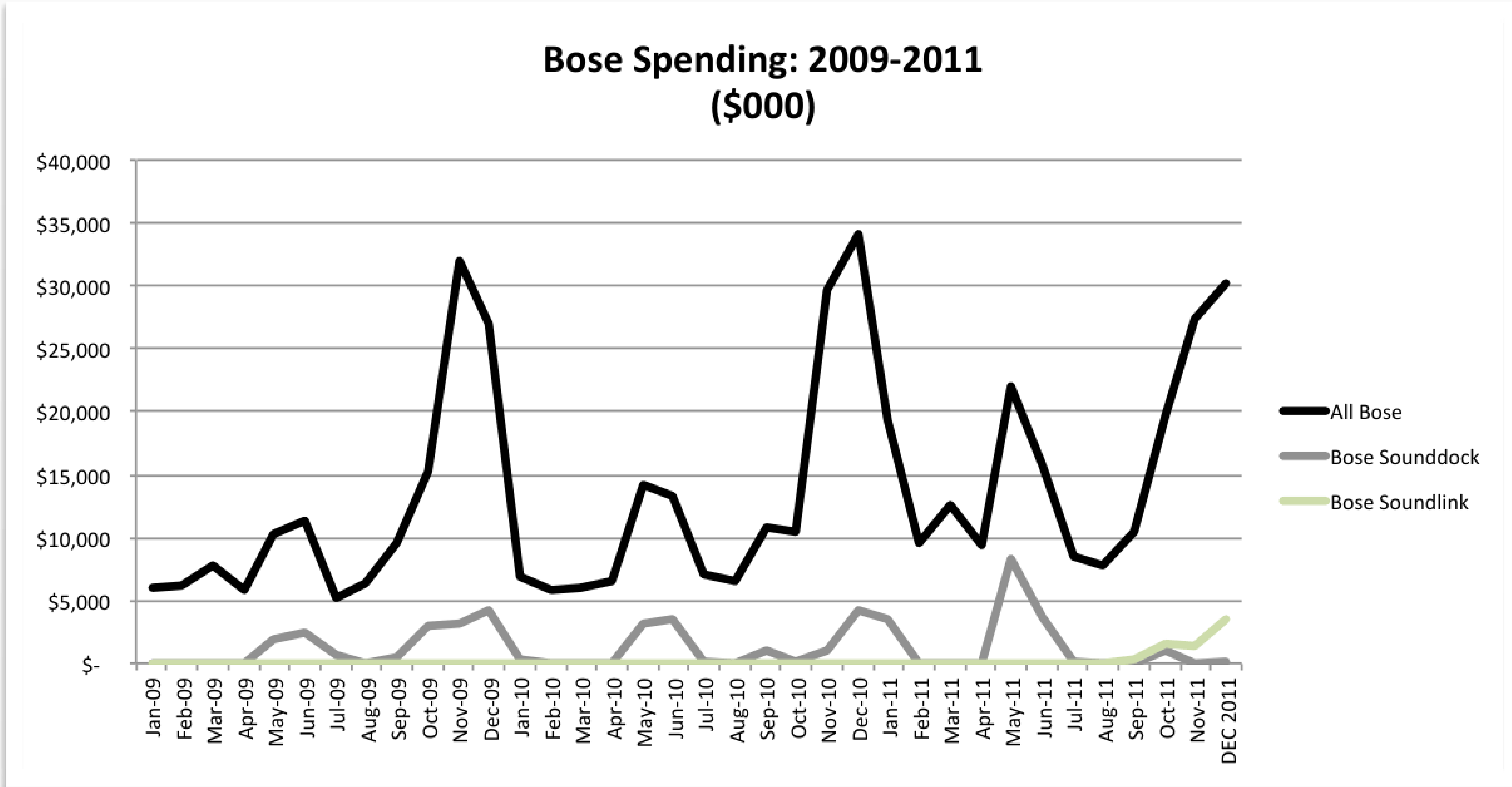


- Bose is by far the largest spending brand in the category across all products
  - $127MM total spend between Sept ’11 - April ’12
  - 56% of spend against Wave and Acoustic Wave; >8.2% of spend against SoundLink and SoundDock
- SoundLink and SoundDock concentrate spend on sports and younger skewing digital and print media
  - SoundLink ran a very targeted blitz OOH campaign in SF ($397K) and NYC ($486K) in October ’11
- Majority of media spend targets older, affluent men, via magazines and primetime sporting events on TV
- Creative is conservative

ALL SPEND FIGURES INCLUSIVE OF PAID MEDIA ONLY: DO NOT TOTAL MARKETING SPEND.

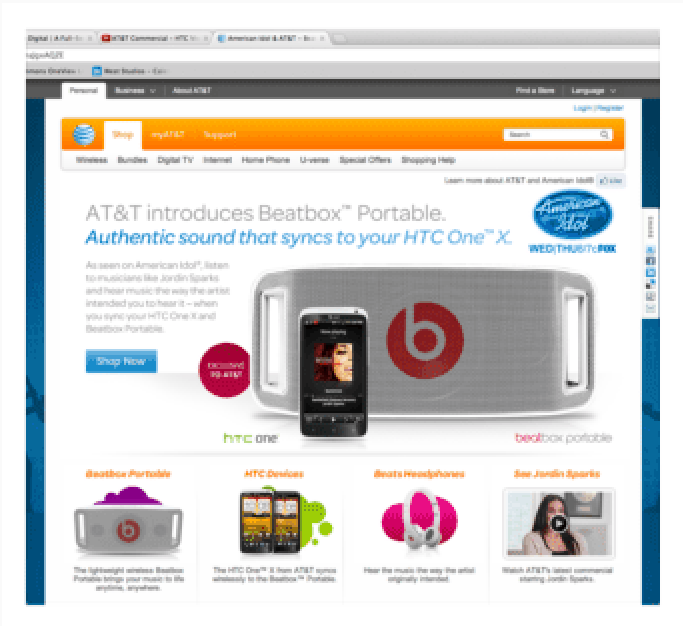
BOSE

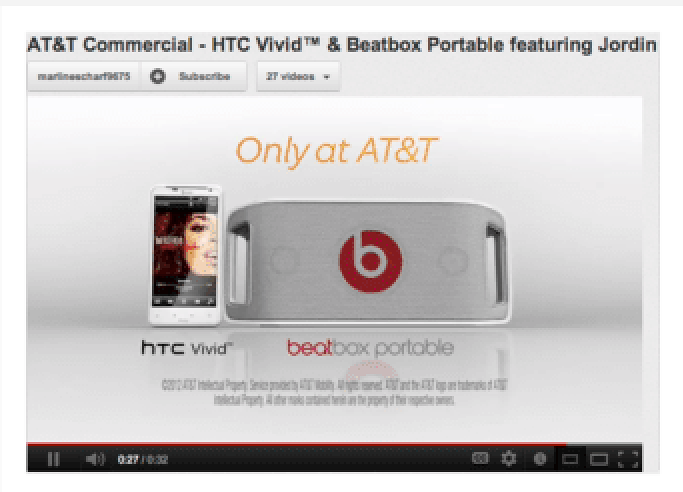
SEASONALITY OF MEDIA SPEND IS CONSISTENT OVER 3 YEARS

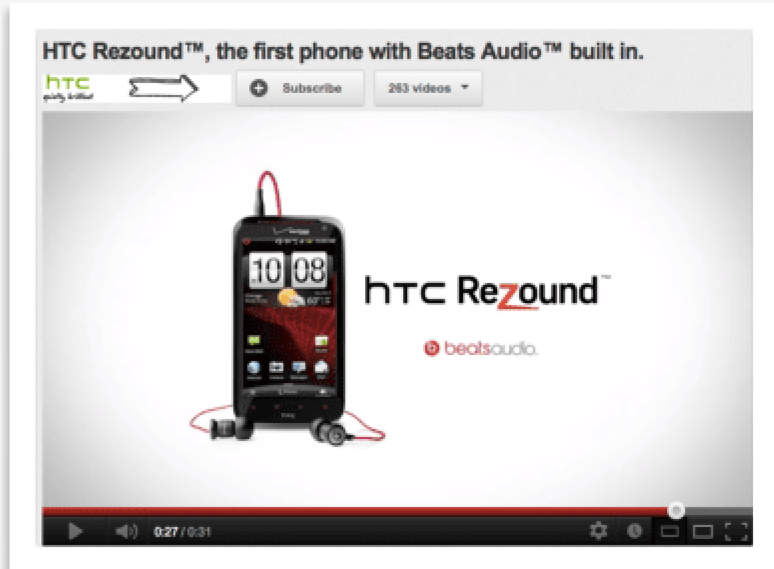


BEATS BY DRE

PARTNER + CELEBRITY FUELED







- Beats by Dre brand significantly relies on support by channel partners (ATT, Verizon, HP, & Best Buy), product placements, and celebrity endorsements
- Reported spending was very minimal and is exclusively for headset products ($984K), focused in Dec - Jan
- Spend is focused on magazines (77%) and newspapers (17%), with minimal digital (6%)
- Targets young, urban, pop driven consumers (based on creative)

ALL SPEND FIGURES INCLUSIVE OF PAID MEDIA ONLY: DO NOT TOTAL MARKETING SPEND.

SONOS

INVESTING IN BRAND

- Reported minimal media spend between Sept '11- Apr '12 ($2.4MM)
- Historical spend indicates primary investment in magazines (87%), with minimal digital and OOH activity
- However, spend is anticipated to increase for 2012 holiday season, based on reported annual budget of $20MM, current ad campaign, and recently revamped owned assets
- Media placements and creative focus on a targeting younger, affluent, cultured, urban crowd

ALL SPEND FIGURES INCLUSIVE OF PAID MEDIA ONLY: DO NOT TOTAL MARKETING SPEND.

DOMINATE THE CATEGORY

MARKETING IMPLICATIONS

- Establish majority marketshare in growing category
- Outsmart the competition targeting the ripe 69M
- Significantly grow awareness & invest in building brand
- Invest in creating best-in-class channel experience
- Commit to sustained product & marketing investment

Q3 + Q4 **OUTLOOK**

Q3-Q4 2012 OUTLOOK

TARGET + BASELINE

- We are planning for a strong Q4 increase in Speaker sales, fueled by continual growth in the TAM and our market leadership driving solid share
  - Speakers are a popular Holiday Season seller, with various OEM's seeing a 3x to 10x increase in late Q4 sales over other quarters
- The target revenue forecast
  - $300M revenue, assumes some additional upside on speakers and a wider rollout of UP in Q4
- The baseline revenue forecast
  - $244M revenue, driven mainly by speakers, with a limited rollout of UP

Q3-Q4 2012 OUTLOOK

TARGET + BASELINE

- Gross margins benefit from the COGS reductions that we have secured and continue to drive
  - GM expected to increase significantly—rising from today's 16% rate to 23% in Q3
  - Factored in various Holiday price promotions to drive multi-fold increase in unit volumes in Q4. GM still increase to 25-26% level as we continue to drive Product COGS reductions, use ocean freight, and benefit from the volume effect of Q4
  - Target forecast has slightly lower GM than the baseline, due to the high COGS on the UP product during its launch

Q3-Q4 2012 OUTLOOK

TARGET + BASELINE

- OpEx increasing at a slower rate than the revenue increase
  - Most of the increase is for Channel marketing, branding and programs to drive Holiday sales
  - Continue to add [redacted] resources to support the 2013 roadmap
  - Target forecast has higher opex than the baseline to accommodate the UP launch and additional channel marketing for the higher speaker volumes

Q3-Q4 2012 OUTLOOK

TARGET + BASELINE

- Operating loss expected to hit inflection point by Q4
  - Operating loss approximately the same from Q2 to Q3
  - Operating loss moves towards break-even in Q4 due to revenue uplift, improving Product COGS, and slowing increase in Opex spend
  - Expect operating loss to swing to operating profit through most of next year

Q3-Q4 2012 OUTLOOK

TARGET + BASELINE

- Cash balance increases from today's level thru end of the year
  - Cumulative operating cash outflow of -$28M for the 2nd Half of 2012
  - Offset by $10M equity infusion from Mort (Osborne-related) group
  - $25M drawn down on the ABL facility at year end

2ND HALF 2012 TARGET

INCOME STATEMENT

($s in thousands)	2012				
	Q1 (A)	**Q2 (P)**	**Q3 (F)**	**Q4 (F)**	**FY 12 (F)**
Revenue					
Gross Units Sold	*334*	*496*	*503*	*1,718*	*3,052*
Net Units Sold	*318*	*464*	*473*	*1,598*	*2,853*
Net Revenue	**$ 28,453**	**$ 49,331**	**$ 56,583**	**$ 165,957**	**$ 300,324**
Cost of Goods Sold	**22,400**	**41,226**	**43,621**	**124,348**	**231,594**
Gross Profit	**6,053**	**8,105**	**12,963**	**41,609**	**68,730**
Gross Margin %	21.3%	16.4%	22.9%	25.1%	22.9%
Operating Expenses	**22,366**	**24,540**	**28,648**	**34,985**	**110,538**
OpEx as % net rev	78.6%	49.7%	50.6%	21.1%	36.8%
Operating Income	**(16,313)**	**(16,434)**	**(15,685)**	**6,624**	**(41,808)**
OpInc as % net rev	-57.3%	-33.3%	-27.7%	4.0%	-13.9%
Interest and Other	(412)	(232)	(19)	(149)	(811)
Pre-tax Income	(16,725)	(16,666)	(15,704)	6,475	(42,619)
Net Income	**$ (16,725)**	**$ (16,666)**	**$ (15,704)**	**$ 6,475**	**$ (42,619)**

NOTE: THE FINANCIAL FORECAST EXCLUDES CERTAIN GAAP , NON-CASH ITEMS:
REVENUE RECOGNITION UNDER SOP97-2 AND EITF 08-1, FAS123R STOCK BASED COMPENSATION,.

2ND HALF 2012 TARGET

BALANCE SHEET

($s in thousands)	2012			
	Q1 Actual	Q2 Prelim	Q3 Fcst	Q4 Fcst
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 52,899	$ 35,178	$ 34,587	$ 43,350
Accounts Receivable, Net of Allow.	3,623	29,797	24,401	64,442
Other Receivables	-	-	-	-
Inventory	14,796	15,355	28,397	16,903
Prepaid Inventory	2,921	2,772	568	507
Other Current Assets	4,020	8,130	2,500	2,500
Total Current Assets	78,260	91,232	90,453	127,702
Property and Equipment, Net	5,977	6,024	7,725	7,875
Other Long-term Assets	4,514	3,811	3,301	2,903
Total Assets	$ 88,751	$ 101,067	$101,479	$138,480
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts Payable	$ 17,444	$ 25,641	$ 22,854	$ 38,550
Other Current Liabilities	32,632	43,129	52,032	66,861
Total Current Liabilities	50,075	68,770	74,886	105,412
Total Liabilities	50,075	68,770	74,886	105,412
Total Shareholders' Equity	38,676	32,297	26,593	33,069
Total Current Liab & Shareholders' Equity	$ 88,751	$ 101,067	$101,479	$138,480

NOTE: THE FINANCIAL FORECAST EXCLUDES CERTAIN GAAP , NON-CASH ITEMS:
REVENUE RECOGNITION UNDER SOP97-2 AND EITF 08-1, FAS123R STOCK BASED COMPENSATION,.

2ND HALF 2012 TARGET

CASHFLOW

($s in thousands)	Q1 Actual	Q2 Prelim	Q3 FCST	Q4 FCST	FY 12
	2012				
Cash Flow From Operating Activities					
Net Income/Loss	$ (16,725)	$ (16,666)	$ (15,704)	$ 6,475	$ (42,619)
Reconciling Adjustments:	-	-	-	-	-
Depreciation & Ammortization	375	639	698	698	2,410
Changes in Operating Assets and Liabilities:					
Accounts Receivable	15,065	(26,174)	5,396	(40,041)	(45,753)
Other Current Assets and Other Assets	210	(3,258)	8,343	459	5,754
Inventory	(2,546)	(559)	(13,041)	11,494	(4,653)
Accounts Payable	(12,422)	8,197	(2,787)	15,697	8,685
Other Current Liabilities and Other Liabilities	(7,825)	10,498	8,903	14,829	26,404
Net Cash Provided By Operating Activities	(23,867)	(27,322)	(8,193)	9,611	(49,772)
Cash Flow From Investing Activities					
Purchase of Short-Term Investments	-	-	-	-	-
Capital Expenditures	(691)	(897)	(2,399)	(848)	(4,835)
Unrealized Gain/(Loss) On Investments	-	-	-	-	-
Net Cash Used In Investing Activities	(691)	(897)	(2,399)	(848)	(4,835)
Cash Flow From Financing Activities					
Net Cash Provided by Financing Activities	392	10,334	10,000	-	20,726
Net Increase in Cash and Cash Equivalents	(24,167)	(17,721)	(591)	8,763	(33,716)
Cash and Cash Equivalents at Beginning of Period	77,066	52,899	35,178	34,587	77,066
Cash and Cash Equivalents at End of Period	$ 52,899	$ 35,178	$ 34,587	$ 43,350	$ 43,350

NOTE: THE FINANCIAL FORECAST EXCLUDES CERTAIN GAAP , NON-CASH ITEMS:
REVENUE RECOGNITION UNDER SOP97-2 AND EITF 08-1, FAS123R STOCK BASED COMPENSATION,.

2ND HALF 2012 BASELINE

INCOME STATEMENT

($s in thousands)	2012				
	Q1 (A)	Q2 (P)	Q3 (F)	Q4 (F)	FY 12 (F)
Revenue					
Gross Units Sold	*334*	*496*	*486*	*1,015*	*2,332*
Net Units Sold	*318*	*464*	*457*	*954*	*2,193*
Net Revenue	**$ 28,453**	**$ 49,331**	**$ 53,974**	**$ 113,080**	**$ 244,838**
Cost of Goods Sold	**22,400**	**41,226**	**41,540**	**82,996**	**188,162**
Gross Profit	**6,053**	**8,105**	**12,434**	**30,084**	**56,676**
Gross Margin %	21.3%	16.4%	23.0%	26.6%	23.1%
Operating Expenses	**22,366**	**24,540**	**27,848**	**31,779**	**106,533**
OpEx as % net rev	78.6%	49.7%	51.6%	28.1%	43.5%
Operating Income	**(16,313)**	**(16,434)**	**(15,414)**	**(1,696)**	**(49,857)**
OpInc as % net rev	-57.3%	-33.3%	-28.6%	-1.5%	-20.4%
Interest and Other	(412)	(232)	(18)	(148)	(809)
Pre-tax Income	(16,725)	(16,666)	(15,431)	(1,843)	(50,666)
Net Income	**$ (16,725)**	**$ (16,666)**	**$ (15,431)**	**$ (1,843)**	**$ (50,666)**

NOTE: THE FINANCIAL FORECAST EXCLUDES CERTAIN GAAP , NON-CASH ITEMS:
REVENUE RECOGNITION UNDER SOP97-2 AND EITF 08-1, FAS123R STOCK BASED COMPENSATION,.

2ND HALF 2012 BASELINE

BALANCE SHEET

($s in thousands)	2012			
	Q1 Actual	**Q2 Prelim**	**Q3 Fcst**	**Q4 Fcst**
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 52,899	$ 35,178	$ 31,693	$ 44,631
Accounts Receivable, Net of Allow.	3,623	29,797	23,235	37,673
Other Receivables	-	-	-	-
Inventory	14,796	15,355	29,480	22,260
Prepaid Inventory	2,921	2,772	590	668
Other Current Assets	4,020	8,130	2,500	2,500
Total Current Assets	78,260	91,232	87,498	107,732
Property and Equipment, Net	5,977	6,024	7,725	7,875
Other Long-term Assets	4,514	3,811	3,301	2,903
Total Assets	$ 88,751	$ 101,067	$ 98,524	$ 118,510
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts Payable	$ 17,444	$ 25,641	$ 21,242	$ 30,528
Other Current Liabilities	32,632	43,129	50,417	62,960
Total Current Liabilities	50,075	68,770	71,659	93,488
Total Liabilities	50,075	68,770	71,659	93,488
Total Shareholders' Equity	38,676	32,297	26,866	25,022
Total Current Liab & Shareholders' Equity	$ 88,751	$ 101,067	$ 98,524	$ 118,510

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2ND HALF 2012 BASELINE

CASHFLOW

($s in thousands)	2012				
	Q1 Actual	Q2 Prelim	Q3 FCST	Q4 FCST	FY 12 (F)
Cash Flow From Operating Activities					
Net Income/Loss	$ (16,725)	$ (16,666)	$ (15,431)	$ (1,843)	$ (50,666)
Reconciling Adjustments:	-	-	-	-	-
Depreciation & Ammortization	375	639	698	698	2,410
Changes in Operating Assets and Liabilities:					
Accounts Receivable	15,065	(26,174)	6,562	(14,438)	(18,984)
Other Current Assets and Other Assets	210	(3,258)	8,322	320	5,594
Inventory	(2,546)	(559)	(14,125)	7,220	(10,010)
Accounts Payable	(12,422)	8,197	(4,399)	9,286	663
Other Current Liabilities and Other Liabilities	(7,825)	10,498	7,288	12,543	22,503
Net Cash Provided By Operating Activities	(23,867)	(27,322)	(11,087)	13,786	(48,490)
Cash Flow From Investing Activities					
Purchase of Short-Term Investments	-	-	-	-	-
Capital Expenditures	(691)	(897)	(2,399)	(848)	(4,835)
Unrealized Gain/(Loss) On Investments	-	-	-	-	-
Net Cash Used In Investing Activities	(691)	(897)	(2,399)	(848)	(4,835)
Cash Flow From Financing Activities					
Net Cash Provided by Financing Activities	392	10,334	10,000	-	20,726
Net Increase in Cash and Cash Equivalents	(24,167)	(17,721)	(3,485)	12,938	(32,435)
Cash and Cash Equivalents at Beginning of Period	77,066	52,899	35,178	31,693	77,066
Cash and Cash Equivalents at End of Period	$ 52,899	$ 35,178	$ 31,693	$ 44,631	$ 44,631

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JAWBONE