JAWBONE

PRODUCTS & SERVICES FOR THE MOBILE LIFESTYLE

Q1 2012 Financial Results
April 20, 2012

PROPRIETARY & CONFIDENTIAL

Opening Comments

state of the union. . .

- Making significant progress on organizational development and culture shift…still work to be done but we are seeing returns
- BIG JAMBOX is the first example of a product tested within the new system – we found things that we resolved and believe that ultimately we will be much better off
- A successful BIG JAMBOX launch is as important for us internally as it for the outside world
- Markets continue to be excited about our products – we just need to get them out
- We need to continue our "molting" process and see the transition through all the way to the next level

Q1’12 financials

Q1 financial highlights – solid performance against the Plan

- Demand for all products continues strong, with customer orders totaling $42M for the quarter, versus a revenue Plan of $32.6M
- Even without BIG JAMBOX, Q1 net revenue was a solid $28.6M
  - Big orders were $9M by the end of Q1 and continue to grow
- Q1 gross margin of 21.7%, compared with Plan of 18.5%
- Operating expense was 3% lower than Plan
- Because of the strong gross margin and lower OpEx than Plan, operating loss was 5% lower than Plan
- Cash burn was $2.3M less than Plan

Q1’12 income statement – GAAP

Amounts in 000's $	Actual Qtr Ended 3/31/2012	Forecasted Qtr Ended 3/31/2012	Variance	Pos (Neg) Percent Variance
Net revenue	$ 28,625	$ 32,566	$ (3,941)	-12%
Total cost of goods sold	22,400	26,527	(4,127)	16%
Gross profit	6,225	6,039	186	3%
Gross margin (%)	*21.7%*	*18.5%*	*3.2%*	
Selling and marketing	6,184	8,932	(2,748)	-31%
General and administrative	4,855	4,554	301	7%
Research and development	10,548	9,532	1,016	11%
Depreciation and amortization	773	-	773	
Total operating expenses	22,360	23,018	(658)	3%
Operating income (loss)	(16,135)	(16,979)	844	5%
Operating margin (%)	*-56.4%*	*-52.1%*	*-4.2%*	

NOTES:

Preliminary and unaudited financials.

The financials include GAAP treatment for items such as Revenue Recognition under SOP 97-2 and EITF 08-1, Capitalization of overhead and freight into inventory, and FS123R stock based compensation (in the COGS)

balance sheet - GAAP

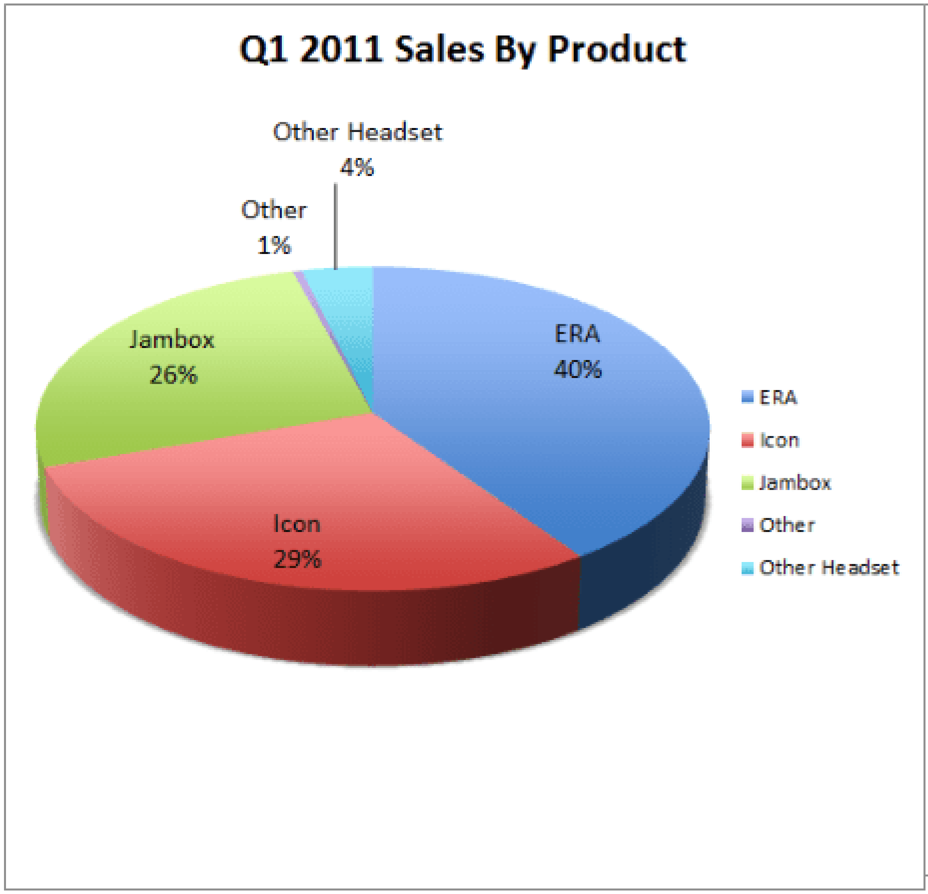
($s in 000s)
Preliminary and Unaudited

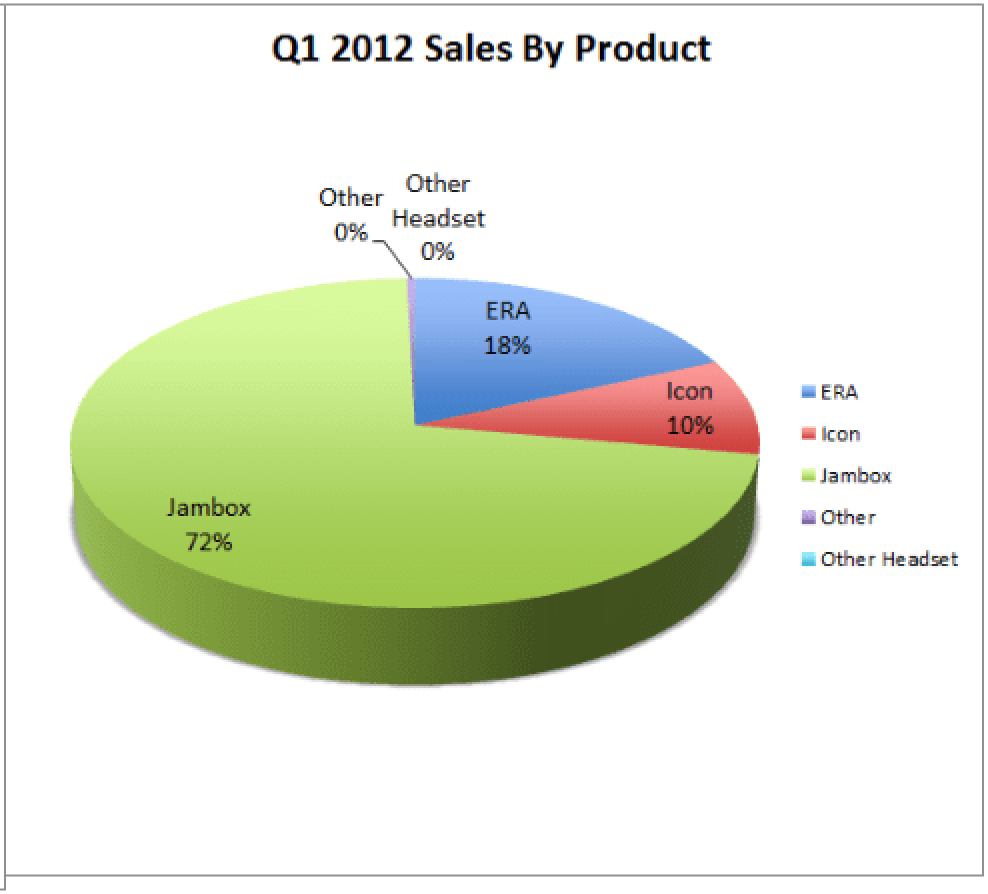
	3/31/2012	12/31/2011
ASSETS		
Current assets:		
Cash & Equivalents	$ 52,899	$ 77,066
Accounts receivable and other receivables, net	3,623	18,692
Inventory, net of reserves	17,387	14,177
Prepaids and other current assets	4,351	2,341
Total current assets	78,260	112,276
Property and equipment, net	5,977	5,538
Other assets	4,514	7,399
TOTAL ASSETS	$ 88,751	$ 125,213
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	17,444	29,865
Accrued expenses	19,721	25,330
Deferred revenue	3,060	3,109
Other current liabilities	12,910	15,127
Total current liabilities	53,135	73,431
TOTAL LIABILITIES	53,135	73,431
Stockholders' equity:		
Common stock, preferred stock, & add'l paid in cap	165,715	165,321
Accumulated deficit	(130,105)	(113,548)
Accumulated other comprehensive income (loss)	6	9
TOTAL EQUITY	35,616	51,782
TOTAL LIABILITIES AND EQUITY	$ 88,751	$ 125,213

statement of cash flow

($s in 000s) Preliminary and Unaudited		Qtr Ended 3/31/2012
Cash flow from operating activities		
Net loss	$	(16,557)
Depreciation & amortization		1,053
Stock-based compensation expense		323
Effects of exchange rate changes on monetary assets and liabilitie		(3)
Changes in operating assets and liabilities:		
Accounts receivable		15,069
Inventory		(3,210)
Other current assets and non-current assets		477
Accounts payable		(12,421)
Deferred revenue		(49)
Other current and non-current liabilities		(8,250)
Net cash used in operating activities		(23,568)
Cash flow from investing activities		
Recovery of tenant improvements allowance		400
Capital expenditures		(1,070)
Net cash used in investing activities		(670)
Cash flow from financing activities		
Proceeds from option and warrant exercises		71
Net cash provided by financing activities		71
Net decrease in cash and cash equivalents		(24,167)
Cash and cash equivalents at beginning of period		77,066
Cash and cash equivalents at end of period	$	52,899

speaker driving revenue mix (and this is BEFORE BIG)





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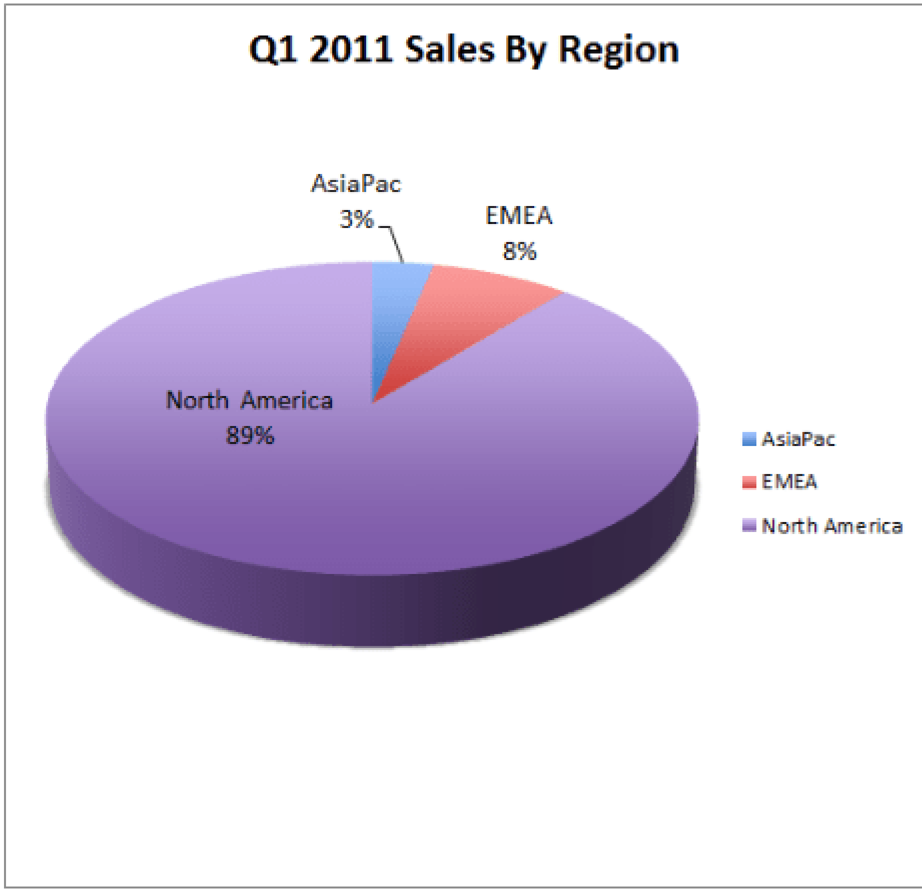
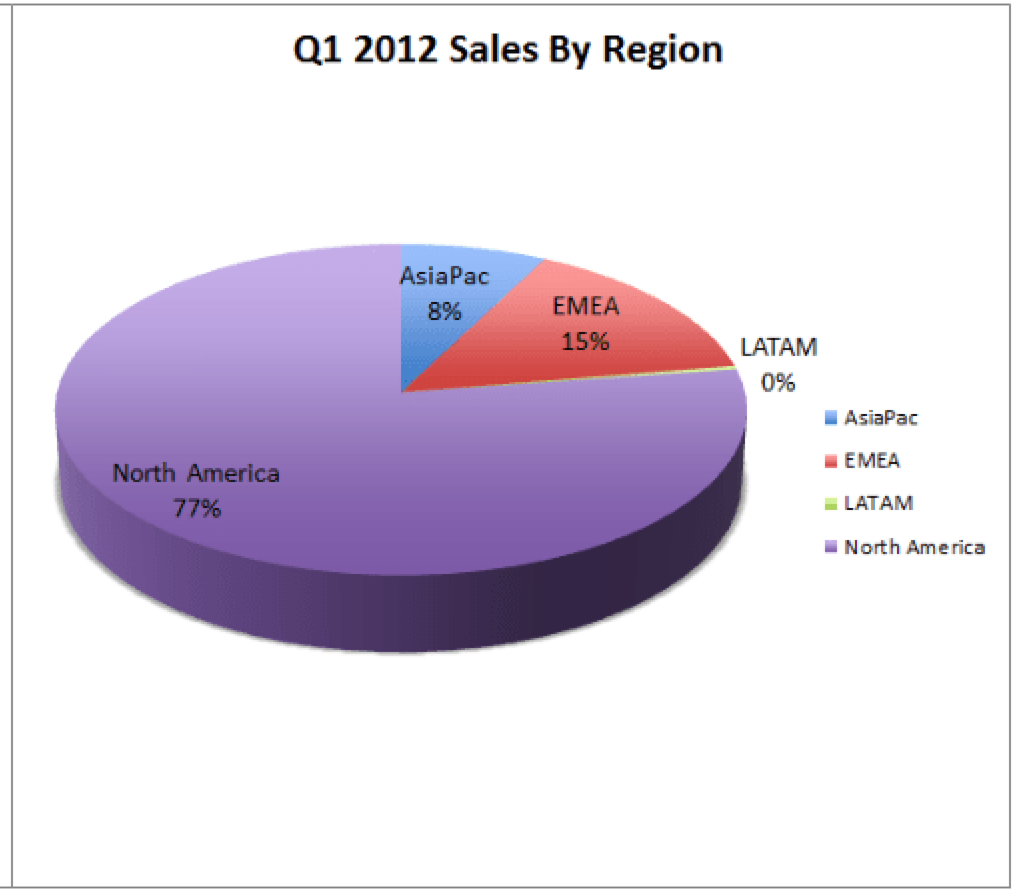
new products & categories foster international growth





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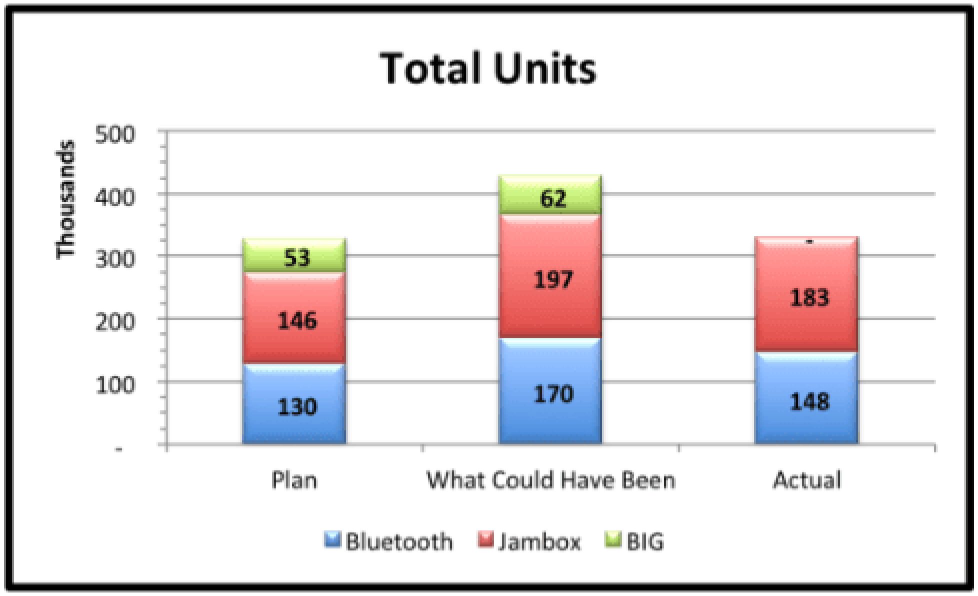
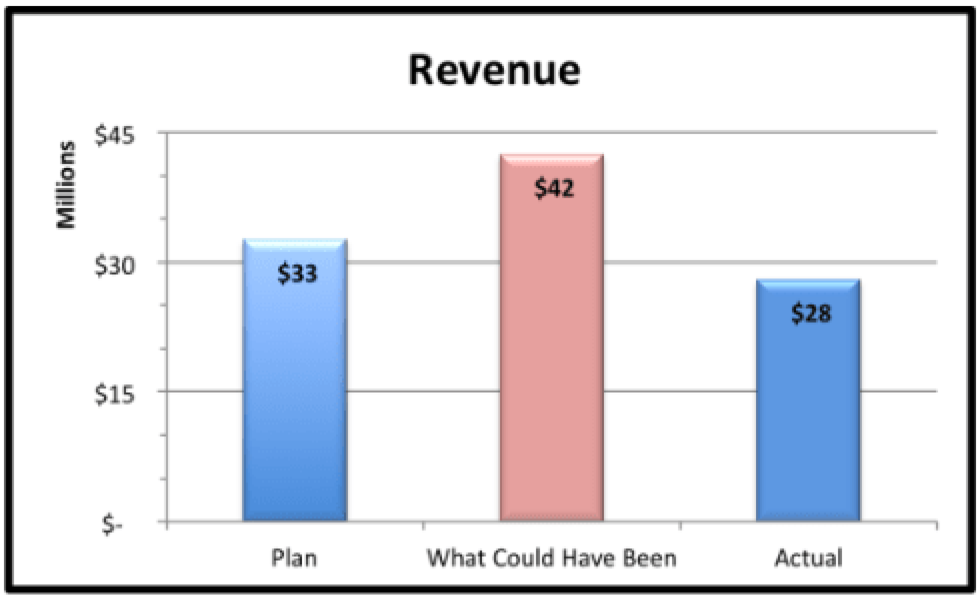
Go-to-Market Update

notes from the battlefield

- Built back a critical amount of customer confidence throughout the quarter
- BIG excitement in the channel as we get closer to launch
  - Our partners are ready to get started, and are excited for Father's Day
  - The Jambox family is positioned to dominate
- Competition is heating up and they are spending millions
- Customers are eagerly awaiting the UP re-launch
- Jambox continues to gain momentum worldwide having our best sell through quarter outside of Q4, and continues to be the best selling speaker in North America
- Global business continues to scale, and is on pace to be one-third of overall business by Q4

q1 – solid results, although it was setup to be a big one





- Exceeded our plan on all core products
  - Mono at 114% of plan
  - Jambox at 125% of Plan
  - Jambox 51% higher than any previous non-holiday quarter
- BIG Impact
  - $11M orders for 62K revenue units - **Sales not lost, but shifted into Q2**
  - Another 20K Apple units
  - All units could have shipped in the quarter

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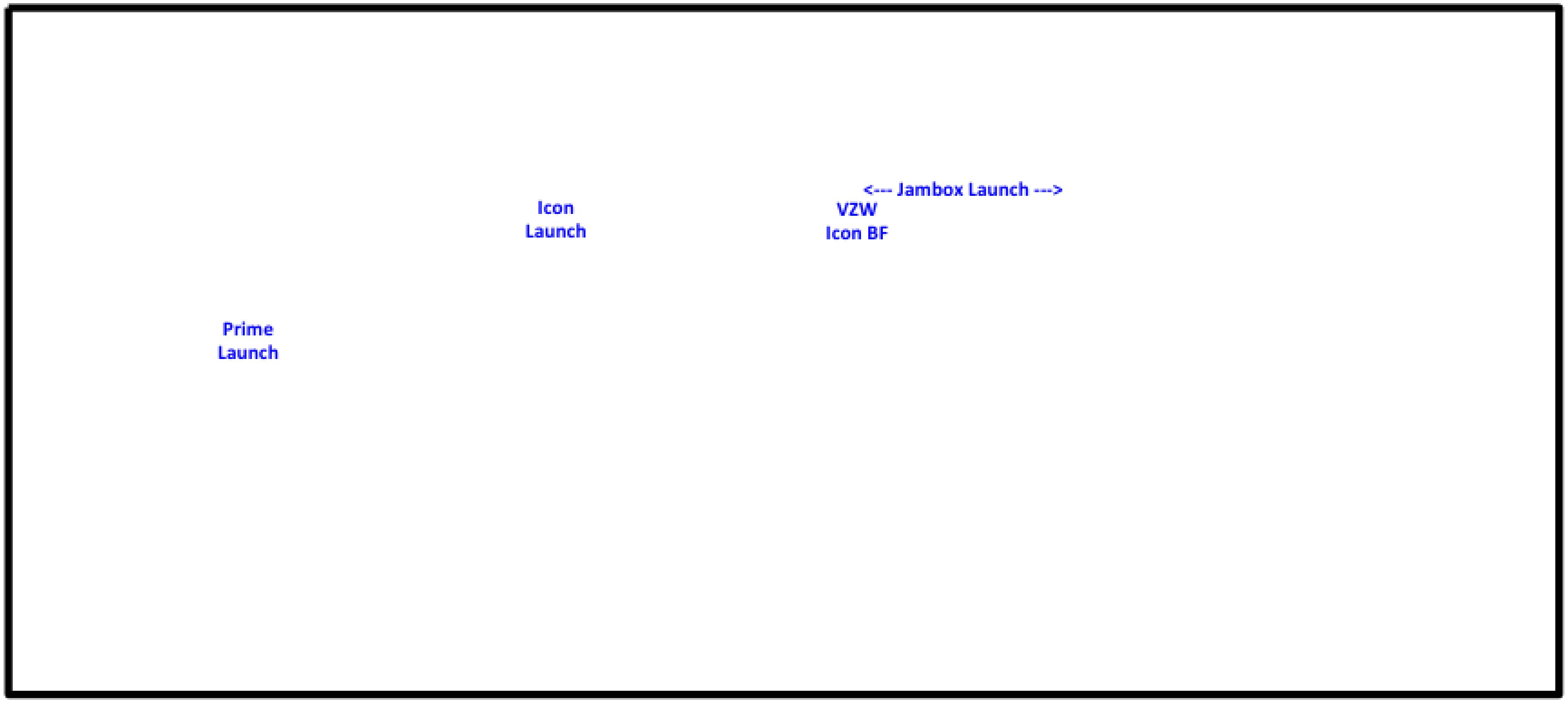
global sell through



- Sell through flat from last non-holiday quarter
- EMEA / APAC increased 31% compared to previous non-holiday quarter and 86% year over year
- B2B channel starting to develop selling through 9K units in Q1
- Average of 30K units / week

strong global Jambox sales

- Q1 Sell through up 5X compared to previous year’s quarter
- Non-holiday sell in increased by 51%
- EMEA / APAC contributed 25% of sell through

customer mix diversifies globally in q1 2012

Americas

- AT&T & Amazon contribution up 2X year over year
- AT&T continues to dominates the carrier segment

Global

- EMEA / APAC grows to 22% of global sales and doubled year over year (vs. Q1 11)
- APAC is 36% of international sales and growth
- Currently expanding into key markets with a focus on customers who can scale

key areas of focus for q2

- Flawless execution of BIG
  - **Get it right** with our launch partners with focus on inventory, training, in-store displays and marketing
  - Building demand and buzz with consumers

- Own music
  - Leverage our Jambox family to blank our competition, and send the market a message
  - Aggressively attack shelf space, and start locking holiday promotions

- Get our customers involved and start building the momentum for the re-launch of UP

- Intense focus on our global business with key hiring and expansion (GM Asia, VP Sales Europe, Sales Director for LatAm)