

N.B. In the event of any discrepancy between the oral and written versions, the oral version prevails.

THE CHAIRMAN'S ORAL REPORT TO THE ANNUAL GENERAL MEETING ON 27 SEPTEMBER 2010

I am pleased to welcome all our shareholders to the Annual General Meeting.

The Board has appointed lawyer Søren Mejsling to chair the meeting. I hereby give the floor to the Chairman of the meeting.

The Chairman of the meeting confirms the legitimacy of the Annual General Meeting, reviews the agenda etc.

The Chairman of the meeting draws attention to the fact that item 1, the Board of Directors' report on the company's operations over the past year and item 2, the Presentation and Approval of the audited annual report for the 2009/10 financial year, including the decision on the discharge of the Management Board and Board of Directors as well the decision concerning the coverage of the loss in accordance with the approved annual report are combined.

(He returns the floor to the Chairman)

THE BOARD OF DIRECTORS' REPORT, INCLUDING THE PRESENTATION AND APPROVAL OF THE AUDITED ANNUAL ACCOUNTS FOR THE 2009/10 FINANCIAL YEAR ETC.

The 2009/10 financial year was the year when we succeeded in turning a loss in the first half year to a profit in the second half year.

Thanks to the successful share issue of May 2009, Bang & Olufsen's balance sheet was significantly strengthened. This enabled the previously initiated restructuring to continue as well as the targetted product development.

The positive trend in sales in the second half year is a direct consequence of an increased level of product launches. Traditionally, 25 per cent of Bang & Olufsen's sales should comprise new products, defined as sales in the first 12 months after the launch. In 2009/10, new products accounted for no less than 35 per cent of Bang & Olufsen's sales within the audio and video segment. Last year, the figure was just 11 per cent.

I shall return to the product launches shortly, but first the accounts for the period 1 June, 2009 to 31 May, 2010. As I shall refer you to the printed report, I shall only draw your attention to some specific areas here.

Sales trend for the year was unchanged compared to the year before, but reflects a negative trend in the first half year and a positive trend in the second half year.

Net turnover for 2009/10 was DKK 2,762 million against DKK 2,790 million last year. The operating losses amounted to DKK 34 million while result before tax was negative at DKK 50 million.

While the Group saw a decline in turnover in most markets during the first half of the 2009/10 financial year, the second half year of the financial year showed significant improvement in most markets. This can largely be attributed to the successful product launches. Denmark, Switzerland, Italy and the Asian markets showed advances compared to last year while one of the Group's main markets, the UK, saw a decline in sales of 9 per cent measured in local currency.

Sales to the automobile industry developed positively and now constitute 10 per cent of the company's total turnover. Sales to hotels and property developments were hit by the recession, which meant that major hotel and construction projects were cancelled or postponed.

For the 2009/10 financial year, the gross margin was 39.5 per cent, which is on par with 2008/09.

It remains crucial for Bang & Olufsen to adapt costs to actual sales level, i.e. by lowering the break-even turnover through continuous cost reductions.

As a result, Bang & Olufsen has achieved a new cost level. The Group has reduced its capacity costs by DKK 465 million, i.e. 29 per cent.

During the financial year, distribution and marketing costs were reduced by DKK 220 million from DKK 929 million to DKK 709 million. Losses and changes in provision for bad debts and dealer loans were expensed at DKK 61 million against DKK 60 million last year. Administration costs etc. declined by DKK 20 million from DKK 105 million to DKK 85 million during the 2009/10 financial year. .

Within the product development area, only limited savings were implemented with a view to ensuring a high number of important product launches as well as the development of the joint digital technology platform, which will contribute to the further streamlining of product development going forward.

The Group incurred development costs of DKK 438 million against DKK 537 million in 2008/09.

In 2009/10, the net effect of capitalisation was positive at DKK 95 million, of which DKK 25 million was subsequently refunded by Automotive customers.

Thanks to a significant reduction in cost levels, we succeeded in improving the annual result by more than DKK 350 million with the same level of sales and gross margin.

The result before tax was in line with expectations, i.e. a negative result of DKK 50 million against a negative result of DKK 523 million last year. After tax, the year's result was negative at DKK 33 million against a negative result of DKK 383 million for the 2008/09 financial year.

With regard to the balance sheet, considerable efforts have been made to reduce tie-up of capital in the company. As a consequence, working capital was reduced by DKK 82 million from DKK 475 million in 2008/09 to DKK 393 million in 2009/10.

In respect of equity, this was negatively affected by the operating result. Despite the negative operating result, the Group has a high solvency ratio of 56 per cent, which is significantly higher than our target for a solvency ratio of at least 50 per cent.

In terms of market developments, the Group experienced a decline in turnover in most markets during the 2009/10 financial year. The figures, however, include a decline in turnover in most markets in the first

half of the financial year and a significant increase in most markets in the second half of the 2009/10 financial year.

Behind me, you can see the turnover development for the individual countries. The chart shows that Denmark, Switzerland, Italy and the Asian markets showed increases compared to last year.

In respect of distribution development, there was, as expected, a net decline in the number of B1 shops of 55 in the financial year compared to a net decline of 64 shops last year.

It should be noted that organic growth for the currently active Bang & Olufsen shops with more than 24 months of operations was 7 per cent for B1 shops and 7 per cent for shop in shops during the 2009/10 financial year. This means that distribution earnings have significantly improved compared to last year.

At the end of May 2010, there were 703 B1 shops worldwide against 758 shops at the end of the 2008/09 financial year.

Sales to the automobile industry developed positively with growth of DKK 94 million over the financial year. This corresponds to growth of 54 per cent and with a positive operating result. The satisfactory growth is in part owing to a general increase in car sales and in part to the launch of several new sound systems over the period.

The partnership with Audi has been extended through the launch of Bang & Olufsen Advanced Sound System for the new Audi A8, Audi A8 Long and Audi A7.

The partnership with Aston Martin has also developed positively – all Aston Martin models on the market are now available with Bang & Olufsen sound systems, and Aston Martin has even chosen to install Bang & Olufsen as the standard system in both Aston Martin DBS and Aston Martin Rapide.

Bang & Olufsen's partnership with Mercedes-AMG reached an important milestone during the 2009/10 financial year. The autumn saw the first concrete results of the partnership: a Bang & Olufsen sound system customised for Mercedes-Benz SLS AMG. Both car and sound system have been well received by the market. At the same time, partnership with Mercedes-AMG has resulted in a high level of activity as a result of the development of no fewer than five further sound systems.

Bang & Olufsen recently signed a contract with BMW to develop and supply sound systems for a range of BMW models. The contract is a natural extension of the initial concept and development partnership 'with a potential new partner', which Bang & Olufsen announced previously.

With the continued expansion of the portfolio in partnership with a number of high profile partners, Automotive is expected to continue the growth over the coming years.

With regard to sales to luxury hotels and exclusive property development projects across the world, trends have been negatively affected by the global downturn in large hotels and construction projects.

The market continues to be characterised by delays to current projects and postponement of decisions relating to new audio-video equipment for the segments in which we are active. The business area has been particularly hit by postponements of already confirmed orders for construction projects in the Middle East.

For the 2009/10 financial year, turnover for Bang & Olufsen ICEpower totalled DKK 80 million against DKK 85 million last year.

Bang & Olufsen ICEpower supplies patented amplifier technology which combines high efficiency with low energy consumption and superb sound quality.

A significant part of the turnover continues to derive from sales of standard amplifier modules and customised solutions for quality manufacturers in the global audio market. In addition, Bang & Olufsen ICEpower receives royalties from the sale of amplifier technology and acoustic solutions for major partners.

ICEpower technology is also important across Bang & Olufsen's product portfolio and has been incorporated into many products.

With regard to product launches during the financial year, a number of important products were launched, which were particularly well received by both customers and reviewers.

Most spectacular was the new BeoVision 10 TV family launched in October. The new TV family, which comprises both a 40 inch and a 46 inch version, is characterised by a new, unique design expression. BeoVision 10 is a Full HD LCD TV with LED backlight, based on a slim 200 Hz panel. Despite this slim design, the new TV offers excellent sound quality through integrated stereo speakers and a digital surround sound module. As the wall bracket for the BeoVision 10 family is an integral part of the product, it only adds a few mm extra depth to the TV when wall mounted. At the same time, the TV offers a unique turning option enabling the screen to be viewed in the preferred viewing position.

Bang & Olufsen has also launched a new model for the BeoVision 7 family in the form of a 55 inch Full HD LCD TV with direct type LED backlight with local dimming, which breaks new

ground in terms of the contrast level for LCD TV technology. The new TV offers an integrated Bluray player as an option.

Bang & Olufsen has also launched the unique BeoTime, which combines an alarm clock with a remote control. BeoTime enables the user to choose to wake up to the sound of a gentle alarm clock and the sound of a TV programme, a radio station or music from the Bang & Olufsen system.

In November, Bang & Olufsen launched a cordless telephone with an integrated speaker for hands-free telephony and conference calls. The combination of hands-free telephony and the integrated speaker offers new conversation options in the home.

BeoLab 11, which was launched in April this year, is a new subwoofer, which combines a professional bass sound, intriguing design and unusual placement options. Unique in its class, BeoLab 11 has been nominated for the Confederation of Danish Industry's Product Award 2010.

Adaptive Sound Technology is a new patented technology, which enables the listener to optimise the sound from different locations in the home irrespective of the position of the loudspeakers. In a conventional stereo or surround sound set-up, for example, the loudspeakers need to be placed symmetrically. In many homes, this presents inconvenient restrictions in relation to the design of the room. The AST technology provides the user with the freedom to position the loudspeakers so that they are in harmony with the rest of the design and the technology will make the necessary compensation to achieve optimum sound performance.

BeoLink for iPhone and iPod Touch is a new software application launched in the financial year that provides complete control of the home's audio-video equipment and home automation system if used together with Bang & Olufsen's Master Link. The application, which can be downloaded from the internet, allows the user to operate the home's Bang & Olufsen equipment and home automation system through the use of either the iPhone or iPod Touch.

In January 2010, Directors John Bennet-Therkildsen, who is responsible for production, Christian Winther, who is responsible for sales and marketing and Henning Bejer Beck, who is responsible for finance, were appointed to the Board of Management. Henning Beck will join the board on 1 October 2010. In addition to the above-mentioned, the Board of Management will subsequently comprise Kalle Hvidt Nielsen, President and CEO.

With regard to developments in the share price, the price as at 1 June, 2009 was 44.5 and as at 31 May, 2010, 56, which equates to an increase during the financial year of 26 per cent. The highest price was reached on 19 January, 2010 at 87.

Considering that we raised new capital in the spring of 2009 and on the backdrop of the negative results, it cannot come as a surprise that the Board of Directors recommends to the General Meeting that

no dividend be paid out for the 2009/10 financial year. Bang & Olufsen's dividend policy is unchanged and aims at paying between one third and one half of the year's result after tax as dividend.

Bang & Olufsen's shareholder structure has changed in recent years. Five years ago, we had 12,966 shareholders. Today, we have 37,721 registered shareholders of whom 16,600 own less than 100 shares and 27,900 own less than 300 shares. The three largest shareholders own 28 per cent of the capital. It is estimated that around 20 per cent of our capital is foreignly owned.

Expectations for this year's accounts announced on 24 August, 2010, are maintained.

Based on a continuing high activity level within product development and an increased marketing push, Bang & Olufsen expects that the 2010/11 financial year as a whole will result in a positive development in turnover and a positive result before tax based on a gross margin not deviating significantly from the level achieved in the 2009/10 financial year.

The Group expects that the turnover for the first quarter of the 2010/11 financial year will be at the same level as the previous year.

The Group's objective is to support the growth ambitions within the branded business through a continued high activity level within product development. The Group expects that approximately 25 per cent of the Group's turnover from the audio and video business will be derived from new products, defined as sales in the first 12 months after the launch.

For competitive reasons, the Group has chosen not to announce details about the planned product launches. New product announcements will be made at the time of the launch.

The initiatives that have been implemented over the past years have made a positive contribution to the development with the clear objective that Bang & Olufsen will once again become a profitable company.

Finally, I would like to thank the Board of Directors and the Board of Management for a good working partnership. I would also like to thank Bang & Olufsen's many employees in Denmark and abroad for their significant contribution throughout the year.