

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

The Chairman's oral report to Annual General Meeting on 26 September, 2008

It is a great pleasure for me to welcome all our shareholders to the Annual General Meeting.

As in previous years, the Board proposes that Eigil Lego Andersen chairs the meeting. If there are no other candidates, Eigil Lego Andersen is elected. I will now hand over to the Chairman.

(The Chairman of the meeting confirms the legitimacy of the AGM and hands over to the Chairman.

THE BOARD OF DIRECTORS' REPORT.

The 2007/08 financial year was a challenging, volatile and eventful year for Bang & Olufsen. We had a good start to the year although some black clouds started to appear on the horizon. In December, there was a serious stagnation in sales. January saw a change to the management and since then, a significant reorganisation has taken place with focus on product development. I will return to this later.

First, however, let us take a look at the accounts for the period 1 June, 2007 to 31 May, 2008.

Despite difficult market conditions, the Group achieved a turnover of almost DKK 4.1 billion. While this represents a small decline compared to the previous year, it is, nevertheless, the fourth largest turnover in Bang & Olufsen's history. Operating profit amounted to DKK 195 million, while result before tax were DKK 154 million.

This result is clearly unsatisfactory. The two main reasons for the unsatisfactory result are the radical change in market conditions and a product policy which has failed to meet our customers' requirements and led to significant delays in the B&O product process creation.

As you can see from the chart behind me, net turnover for 2007/08 totalled DKK 4,092 million against DKK 4,376 million last year.

If we take a closer look at the net turnover, we can see that there is a decline in turnover of DKK 284 million. However, since Medicom was included in last year's figures at DKK 101 million, the real decline in turnover amounts to DKK 183 million.

This development is mainly due to the fact that turnover in the Group's three largest markets - Denmark, Germany and the UK – fell by DKK 228 million compared to 2006/07. At the same time, however, Expansion Markets, The Middle East, Russia, Asia Pacific, Switzerland and France, recorded good growth.

The Automotive business area also saw a rise in turnover from DKK 87 million to DKK 123 million. Likewise, the Enterprise business area continued to show fair growth, increasing its turnover from DKK 96 million to DKK 155 million.

Owing to lower turnover, gross profits were DKK 1,892 million against DKK 2,038 million. Nevertheless, the gross margin has remained more or less at the same level as last year, i.e. 46.2 per cent against 46.6 per cent in 2006/07. Among the reasons for this slight decline is a minor change to the product mix where TV sales now account for a slightly larger share. As margins on TVs are traditionally slightly lower than for certain other product types, this has a modest effect on the gross margin.

Operating profit was DKK 195 million against DKK 530 million the previous year. The result was affected by the fact that we have chosen to maintain a high level of development across the Group on the basis that the development of new products is a crucial factor in our future operations. Marketing activities were also sustained during the year.

In addition, we incurred some non-recurring expenditures of DKK 40 million of which DKK 25 million relates to an arbitration case which, in mid-December last year, went against us.

Moreover, the result was also affected by the accounting item called change in the net effect of capitalisation. This item had a negative impact on the result of DKK 50 million.

Finally, losses and change in provisions for losses on bad debts amounted to DKK 49 million, which is an increase of DKK 32 million compared to the DKK 17 million in the 2006/07 financial year. In total, these items amount to DKK 122 million.

The profit ratio for the financial year is 5 per cent.

As you can see, financial items net rose from DKK 16 million in 2006/07 to DKK 30 million in 2007/08. One contributory factor is that, over the past five years, the Group has paid approximately one and a half billion DKK in shareholder-related initiatives in the form of dividend and buy-back of own shares.

Result before tax total DKK 154 million against DKK 524 million the previous year. After tax, the result for the year was DKK 112 million against DKK 372 million for the 2006/07 financial year.

As far as the balance sheet is concerned, I shall just mention that inventories have increased while receivables have fallen. Both trends are owing to market developments during the spring and more or less offset each other.

Cash flow was negative at DKK 104 million, which is attributable to the fact that DKK 348 million was expended for dividend and buy-back of shares.

At year end, equity amounted to DKK 1,484 million, which corresponds to a satisfactory solvency ratio of 53 per cent.

When reviewing market developments, it is noticeable how quickly and dramatically sales in our three main markets, Denmark, Germany and the UK, were affected from mid-December. That this was a reaction to the imminent economic slowdown, we have no doubt. However, the fact that the downturn continued during the spring and did not stabilise was due to the lack of product launches on the part of B&O and the wrong positioning within the TVsegment. The BeoVision 8 family was originally launched as a 26 inch version, later followed by a 32 inch version. However, the development showed that demands for larger screen sizes rose faster than anticipated. The decline in the three main markets in Europe amounted to DKK 228 million. At DKK 34 million, the decline in North America was of less importance.

In several geographical markets, developments have been highly positive. On the chart behind me, these areas are marked with green columns.

These are the Expansion Markets and the Middle East, although Russia has performed particularly well, showing growth of DKK 28 million. Asia-Pacific also showed satisfactory growth and sustained progress. Even some European countries, including Switzerland and France, saw a rise in turnover.

With regard to the distribution development, 45 new B1 shops net opened worldwide during the year under review. Despite a challenging market situation during the second half year, this came close to the target of 50 new shops net.

It is particularly positive to note that activity levels were sustained throughout. In the fourth quarter, 22 new shops opened while 11 closed. At year end, we had 822 B1 shops and 421 shop-in shops.

Sales to the automotive industry, hotels and luxury developments increased by DKK 95 million to DKK 278 million.

Sales to the automotive industry remain an investment and development area. It is satisfactory to note that the partnership with Audi was further developed to include six Audi models during the year.

Moreover, in early August, we were delighted to announce that Mercedes-AMG had become our third partner within this business area.

The partnership with Aston Martin has developed extremely positively. As recently announced, the first sound systems for Aston Martin DBS are now ready.

In fact, at this very moment, actual production of the unique sound system for Aston Martin is beginning. In the UK's CoolBrands recent list of the world's strongest brands, Aston Martin came top, with Bang & Olufsen at number four.

In view of the fact that brands like Apple and Ferrari came in at number 7 and 11 respectively, this is, indeed, worth pointing out.

With Audi, Aston Martin and Mercedes-AMG as partners, we are in a strong position to face the future and Bang & Olufsen now has a world class reputation within the field of sound systems for cars. This was further emphasised when, during the financial year, Bang & Olufsen was named as the strongest brand in the car-hifi category by the respected German magazine, "auto motor und sport".

With regard to sales to luxury hotels and exclusive residential projects across the world – i.e. the business that we refer to as Enterprise – developments have been particularly satisfactory. Consequently, the head of sales for this area has just relocated to Dubai in order to be closer to customers. In the 2007/08 financial year, we succeeded in completing the largest ever project to date, i.e. products for 430 luxury rooms at

Grand Lisboa Hotel in Macau, China. Even more extensive contracts have subsequently been signed – most recently a record-breaking agreement with a property development company in Dubai. This contract, which will add at least DKK 50 million to turnover over the next three years, comprises supplying Bang & Olufsen products to a number of prestigious developments in Dubai. Tuesday this week we have further announced a new million order for Dubai, where we are to supply equipment for more than 100 villas in the prestigious golf project, Jumeirah Golf Estates.

The remaining business-to-business area - ICEpower – ended the financial year on a high note, maintaining the overall status quo in terms of turnover.

As a part of all main products, ICEpower technology is crucial for Bang & Olufsen's entire product portfolio. The company's future development, therefore, and how best to use this unique technology to improve its products, is very important to Bang & Olufsen.

If we look at the financial year's product launches, Bang & Olufsen brought eight new products to market. This should be seen on the backdrop of our ambition to launch three-four new product concepts per year.

These included the BeoVision 8 family where we launched the first 26 inch version, a screen size which has probably been overtaken by developments. Despite having received much praise by product reviewers, we have to accept that a product like the music mobile phone, Serenata, failed to live up to expectations.

Most innovative was probably the standard-setting Automatic Colour Management which has elevated Bang & Olufsen's plasma TV to a class of its own. The technological concept, for which we are currently applying for a patent, ensures that Bang & Olufsen's plasma screens maintain optimum and colour quality throughout the lifetime of the product. With ordinary plasma TVs, the colours fade over time, resulting in deteriorating picture quality.

Bang & Olufsen's well-established remote control, Beo4, was supplemented by a new concept, which we have called Beo5. This is unique both in terms of design and functionality. The software-based remote control can, for instance, be programmed in accordance with the individual user's precise wishes requirements.

On the audio side, we launched a new centre loudspeaker, BeoLab 10, which in conjunction with BeoVision 4 with Automatic Colour Management represents a new and highly differentiated TV concept.

Towards the end of the financial year, Automatic Colour Management was also made available in our TV top model, BeoVision 9. As a result, we are now offering this unique technology in both our top models with plasma technology.

The TV portfolio was extended to include the US version of BeoVision 7-40 while BeoVision 8 was launched in a 32 inch version.

In addition, there were three minor products – the DVD2 player, the mp3 player BeoSound 6 and the music mobile phone, Serenata, which have not lived up to expectations.

On 10 January, in connection with the publication of the interim report for the half year, the Board of Directors made the landmark decision to part with the Group's previous President and CEO.

Such decisions are never easy although the decision was made unanimously by the Board following a period of careful deliberation.

It was made because it was felt that, within the broader perspective; Bang & Olufsen had underperformed and failed to expand in keeping with the strong economic trends of recent years.

It was made because Bang & Olufsen, in connection with the half-year accounts, had proved to be surprisingly vulnerable to the slowdown in the market.

It was made because Bang & Olufsen – in the Board of Directors' view – had lost its focus on the A/V business, the engine and heart of the Group.

It was made because Bang & Olufsen had not to a satisfactory extent succeeded in developing new products which reflect the A/V business' crucial importance.

And it was based on the overall assessment that it was in the best interests of the Group to instigate change.

That the decision was justified was further highlighted by the fact that subsequent to the downgrading in connection with the interim report for the half year in January, it was necessary to announce a further two downgradings of expectations for the annual accounts.

Since 10 January, we have done much to clear up a number of cases which have impacted on the company. The media and some so-called experts have done their best to describe B&O as a leaderless company in crisis. I can assure our shareholders that since 9 January, B&O has been under excellent management which has implemented a large number of initiatives. Let me mention a few: product development has been trimmed and is now more targetted and costs have been adjusted to the slightly reduced level of activity. An offshoot of the arbitration case that we lost has been settled. The legal disputes in Holland have been settled – as have a number of disputes in the US. At the same time, we have acquired full ownership of ICEpower, an office in Dubai has been established, new shops have opened in China etc. etc.

With regard to the appointment of the new CEO, we have been criticised for taking too long. I believe that the criticism is totally misguided. When searching in both Denmark and abroad, such searches usually take 3-4 months. We are, indeed, delighted that we succeeded in appointing Karl Kristian Hvidt Nielsen as our new CEO. He has been here for two months and we warmly welcome him on board.

Peter Thostrup is leaving B&O at the end of this month and I would like to thank him for the excellent work he has put in for the company – particularly during the transition period. We wish him all the best for the future.

If we look at Bang & Olufsen a/s' share price, it went from 698 on 1 June, 2007 to 265 on 31 May, 2008, which equates to a fall of approx. 62 per cent – which is highly unsatisfactory. If we look further back, the share price was approx. 10 in 1992. Compared to a price of 265 at the end of the financial year, this means that, over 16 years, the price has increased by a factor of 26, raising the company's value accordingly. We can only say that this is highly satisfactory.

Average daily trading at the OMX Nordic Exchange – the former Stock Exchange – was 74,879 shares in the 2007/08 financial year against 87,147 last year, i.e. a modest fall in trading. Overall, 18.6 million B&O shares were traded at a total value of DKK 8.7 billion during the 2007/08 financial year.

During the year, Bang & Olufsen paid dividends totalling DKK 248 million and purchased own shares for DKK 100 million. DKK 348 million was, therefore, returned to the shareholders.

With regard to the dividend for the 2007/08 financial year, Bang & Olufsen is sticking to its policy of paying 30-50 per cent of net profits to shareholders. Accordingly, the Board recommends to the AGM that a dividend of DKK 3 per share be paid – equating to approx. DKK 36 million.

On August 13, we announced our expectations for this year's accounts. These expectations are maintained. If we look at the market situation for 2008/09, we see no change compared to the spring. This means a lower level of sales compared to previous years.

Growth in the main business, i.e. the AV business, is expected in the second half year at the earliest. This, in part, is owing to the fact that the launch of new products is timed so that they will impact on turnover in the second half year at the earliest.

On such a backdrop, Bang & Olufsen announced on August 13 that the Group expects to post an operating profit and a result before tax on a par with, or above, the result for 2007/08 financial year. This is based on expectations for a lower turnover than last year.

With regard to new products scheduled for launch in the 2008/09 financial year, we expect to launch a new audio concept in November ready for the spring 2009. The product, which has been highly anticipated, will set new standards for the enjoyment of music in the home. It represents an important move for Bang & Olufsen as to how we expect people will experience music in a digitalised world. The product combines the very best from Bang & Olufsen's long-standing tradition for supplying sublime audio systems with the digital present and future.

On the video side, Bang & Olufsen again expects to set new standards. This will happen towards the end of the financial year when BeoVision 4 will become available in a version which, in terms of size and functionality, will be at the pinnacle of our TV portfolio. Personally, I'm very much looking forward to seeing the world's response to this product.

In the second half year, the TV portfolio will be further expanded by BeoVision 8 in a 40 inch version. I'm confident that with the correct pricing, this will be the breakthrough for the BeoVision 8 family.

Towards the end of the financial year, the launch of a new concept for land line telephony is planned, an area in which Bang & Olufsen also has a long-standing and proud tradition.

Without going into details, I can mention that the TV portfolio will also be enhanced by BluRay-technology in our popular BeoVision 7-40. The TV portfolio will also be updated through DVB HD – the standard also popularly known as Full HD.

In summary, we can conclude that over the next 1 to 2 years, Bang & Olufsen will launch landmark products for audio as well as TV. This provides reason to be optimistic with regard to the strengthening of the AV business which is, and will remain, Bang & Olufsen's heart and engine.

Finally, I would like to thank the Board of Directors and the Board of Management for a good working relationship. I would also like to thank Bang & Olufsen's many employees in Denmark and abroad for their committed effort over the past year.