Translation of the Chairman's oral report to the Annual General Meeting on 28 September 2007 *N.B. In the event of any discrepancy between the oral and the written versions, the oral version prevails.*

The Report

Again this year, it is a pleasure to present the Board of Directors' report - after which President & CEO Torben Ballegaard Sørensen will review the accounts. As usual, the figures will be illustrated by some interesting stories about our new products.

The Board has deemed it prudent to include the options programme for the Management Board in the agenda although the programme could have been approved by the Board of Directors without the AGM's involvement. The options programme is included under point 5 f of the agenda and will be commented upon under that point.

The 2006/2007 financial year was, once again, a year of growth for the Bang & Olufsen group. While turnover rose by 4 per cent, i.e. slightly below expectations, pre-tax profits were DKK 524 million, the best in the Group's history. Thus we have passed the half billion mark for the first time. First and foremost, the growth derives from a strong performance in new markets, whereas the three old, large markets, Denmark, Germany and the UK between them only accounted for growth of 1 per cent. I shall return to this in a moment. The number of B1 shops increased satisfactorily by 52 new shops. Unfortunately, the launch of two new products was delayed, and the disposal of 65 per cent of the shares in Medicom has had a negative effect on turnover.

The branded business grew by 6 per cent. This is not entirely satisfactory although we recorded double-digit growth rates in a number of countries. Turnover in the UK, in particular, was disappointing. The pre-conditions for achieving turnover growth are that product launches and shop openings are on schedule. The Group's objective of opening 50 new B1 shops per year was achieved in that we opened 52 shops during the year under review. The majority of the shops, however, did not open until late in the year and, therefore, did not contribute sufficiently to the turnover. The fact that some launches were delayed also impacted negatively on turnover. In both cases, the outcome will be a positive contribution to the current financial year.

Not only did we achieve a high level of earnings, we also saw an advance in earnings of 22 per cent. Another figure that attracts the interest of the stock market is our relative earnings potential - expressed as EBIT margin. This also set a new record - just above 12 per cent. In general, I can say that we ended the year well above the earnings level we expected at the beginning of the financial year.

Not everything, however, is earnings-related. In my report, I will try to give a picture of the many challenges, tasks and goals that the Group has been engaged in over the past year.

Some years ago, we set ourselves the objective that the Group should grow - and we have succeeded in this.

In respect of earnings, it is pleasing to note that we have achieved growth of 22 per cent compared to last year. This is not least due to the fact that earnings, as a percentage of the turnover, have increased to 12 per cent against 10 per cent last year. With regard to the gross margin percentage, this increased from 46 to 46.6 per cent primarily due to changes to the product mix and the successful running in of the factory in Koprivnice in the Czech Republic. The greater focus on the loudspeaker segment has made a particularly positive contribution to earnings.

The B1 shops now account for 75 per cent of the Group's A/V turnover against 73 per cent last year and form an important strategic foundation for Bang & Olufsen - a foundation which no other manufacturer in our industry can match. At the close of the financial year, the number of B1 shops totalled 777 and around 500 shop-in-shops. 25 per cent of our turnover is channelled through these shops.

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A further pre-condition for growth is that the product launches proceed according to plan. The past year saw the launch of a range of new products, and we almost met the objective of launching 3-4 new product concepts per year - although we were slightly later than envisaged at the beginning of the year. Among the year's high-end launches was BeoLab 9, another loudspeaker based on Bang & Olufsen's patented acoustic lens technology.

Other high-end launches included the successor to BeoVision 5, BeoVision 9, a 50 inch plasma TV with integrated hard disk and media-server.

The end of the year saw the launch of BeoVision 8 in 26 inch format - a product family for which we have considerable expectations. This new TV family is, in part, intended to replace the old MX-TV which disappeared with the tube, and, in part, to appeal to younger consumers. At the attractive end of the price scale, BeoVision 8 products are, in the longer term, expected to go on sale in all major markets. BeoVision 8-26" was launched in the spring of 2007 while BeoVision 8-32" is being launched in Europe, Asia and our Expansion markets as we speak.

If we look at developments in individual markets, the picture behind me shows the growth rates for the individual countries. It is obvious that 6 per cent growth in Germany is much more interesting in real turnover growth than growth of 50 per cent in the Baltic countries. Nevertheless, it is highly satisfactory to note that we achieved double digit growth in geographical areas such as Asia, Australia, China and Russia while European countries like Norway, Belgium, Sweden, Switzerland and Spain also saw substantial growth. Asia/Pacific and the Middle East offer significant opportunities for Bang & Olufsen. There should be no doubt that we are less than satisfied with developments in the UK market. Only a few years ago, the UK market was the Group's largest market while in 2006/07 it was the third largest. The situation is being handled now.

With regard to the US, decline in turnover is owing to the disposal of 100 per cent Bang & Olufsen owned shops. Sales from these shops was part of our general turnover before, which now only comprises wholesale turnover. The comparative growth in wholesale turnover amounts to 7 per cent.

In respect of sales to hotels and major property projects, known as Enterprise, turnover two years ago totalled approximately DKK 40 million. Last year, the figure was DKK 100 million and, on top of that, our order books are full. Enterprise, which now runs as a separate business area with its own sales organisation, has secured contracts from hotels and golf resorts in Europe, the Middle East and Asia. Besides offering business opportunities for Bang & Olufsen, the area allows us to present our products to a wider, high-spending public who can try the products at their leisure.

The automotive segment has also seen very substantial growth. From a turnover of DKK 19 million last year, we achieved a turnover of DKK 87 million in 2006/2007. Approximately 15 per cent of all new Audi 8 cars sold were equipped with B&O's unique solution which offers an outstanding audio experience. Expanded during the year with installations for Audi R8 and Audi A5/S5, the partnership is continuing to develop to comprise new models. Again, I would like to return to this later. Automotive is clearly a high-profile business area that attracts considerable attention and provides B&O with a new window to the consumer market.

The area, however, also requires investment, resources and method development and Bang & Olufsen has endeavoured to gain a foothold in this area. During the year under review, there was a negative impact on the result of DKK 19 million and the negative effect can be expected to continue in the new financial year. However, after this it is expected to become a profitable business area as ongoing orders begin to outweigh the start-up costs.

As for ICEpower, the result has been highly satisfactory. Turnover increased from DKK 100 million to DKK 117 million and profits rose from DKK 30 to DKK 39 million. When examining ICEpower's importance for Bang & Olufsen it is necessary to look at the extent to which the development and the products in ICEpower's technology base become part of B&O's products. Not only has ICEpower

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achieved impressive results in recent years, but ICEpower technology can also be found in most B&O loudspeakers and in the new Automotive installations, with ICEpower acting as both technology and hardware supplier. Consequently, ICEpower has become a strong asset for the Group. In terms of external sales, Samsung, which has chosen ICEpower technology for its high-end mobile phones, is ICEpower's biggest customer.

As for Bang & Olufsen Medicom, which grew out of Bang & Olufsen, the company has, over the years, changed character and today is more of a development company within the field of medico technology than a production business. Consequently, it was decided to let Medicom pursue a life of its own outside B&O by disposing of 65 per cent of the share capital to LD Equity while retaining a minority shareholding of 35 per cent. The disposal triggered non-recurring income of approximately DKK 11 million. Under the contract, Bang & Olufsen will receive a share of any future up-side, either through a buy-out or in connection with a sale of the company.

Again in 2006/2007, B&O recorded a negative cash flow of DKK 346 million against DKK 229 million last year. Nevertheless, the interest-bearing net debt only totalled 0.11 times the earnings before interest, tax and depreciation - EBITDA. For the 2006/2007 financial year, the Group's EBITDA was DKK 789 million against DKK 670 million last year. Last year, we decided that we should gear our balance sheet much more in order to meet the capital market's requirements for a more efficient capital structure. The objective is for the net debt share to be between 0.25 and 2.00 times EBITDA. Based on this, the Board recommends that the AGM approves a dividend increase from DKK 16 to DKK 20 per share and that the Board is authorised to initiate a share buy-back programme of DKK 200 million.

As for the development in the share price, unfortunately, we have to recognise that a number of factors have had an adverse effect. The substantial blocks of B&O shares which came on to the market during the first six months of 2006, brought us into the C20 index in the autumn of 2006 since that it has been difficult to maintain the same activity for the share, which has seen trading decline. Since July 1 this year, daily trading on the stock exchange has totalled DKK 38 million against DKK 77 million in the first half year of 2006. The analysts who monitor Bang & Olufsen have voiced some criticism of the low top line growth, which has probably had a negative impact on the share price. This morning the share price was around 607 – and this is independent of the good results B&O has posted.

Later during the AGM, the Board will present our proposal for establishing an options scheme for the Board of Management and senior executives to you. The Board is putting this before the AGM irrespective of the fact that recent legislation will only apply to Bang & Olufsen with effect from today's AGM. The Board is also aware of the fact that only option schemes relating to the Management Board have to be presented to the AGM. However, we have decided to present the entire scheme. With regard to the value of the option scheme in accordance with the Black-Scholes formula, this varies considerably according to the current market value and the volatility of the share price. In its proposal, the Board of Directors has set a strike price of at 625, i.e. the share price level in mid-August when the Board reviewed the scheme. The value based on conditions around August 13 was DKK 11.7 million. Today the share price is 607 which equates to a Black-Scholes value of DKK 11.2 million.

On August 13, the forecast for the current financial year was announced. The announcement envisaged turnover growth of 8 per cent equating to a turnover of between DKK 4,700 and DKK 4,800 million. The Board believes strongly in growth in turnover for the coming year - provided, of course that the growth is profitable. Profit on ordinary operations of DKK 560 - 590 million and result before tax of DKK 540 - DKK 570 million. We can inform you that the start of the year is on schedule. Consequently, the previous announcements are sustained.

With regard to the long-term perspectives, we maintain our ambitions to achieve a turnover of DKK 6 billion (independent of the disposal of Medicom) with an EBIT margin of 12 per cent. The more recent

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business areas are expected to contribute between DKK 300 and DKK 500 million for Automotive, DKK 250 million for Enterprise and DKK 200 million for ICEpower.

If, finally, we are to point out some highlights from the 2006/2007 financial year, they are: Turnover rose by 4 per cent.

Profits rose by 22 per cent.

EBIT margin increased to 12 per cent.

Satisfactory growth in new business areas.

Finally, I would like to thank our loyal shareholders for their support over the years and for being here today. I would also like to take the opportunity to thank my fellow members of the Board of Directors, the Management Board and our many loyal and competent employees in Denmark and abroad as well as our dealers who have shown such commitment towards achieving our results.

Many thanks