WEBCAST ANNUAL REPORT 2010/11 & STRATEGY PLAN

Bang & Olufsen Group



AGENDA

SUMMARY OF THE FINANCIAL RESULT - Tue Mantoni, CEO

THE FINANCIAL RESULT FOR THE 2010/11 FINANCIAL YEAR – Henning Bejer Beck, CFO

THE EXPECTATIONS FOR THE 2011/12 FINANCIAL YEAR - Tue Mantoni, CEO

NEW STRATEGY PLAN – Tue Mantoni, CEO

SUMMARY OF THE FINANCIAL RESULT

Fourth quarter

- §Turnover decreased by 9 per cent from DKK 779 million to DKK 711 million, which should be seen in the light of a tough comparison base as the previous year's quarter recorded a growth of 26 per cent.
- § Result before tax was positive at DKK 8 million against a positive result of DKK 22 million for the same period last year.

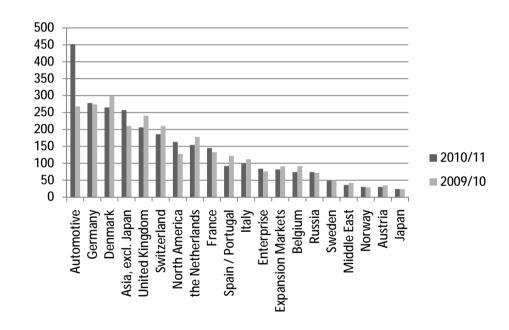
Accumulated

- § The Group increased turnover by 4 per cent from DKK 2,762 million to DKK 2,867 million. This was primarily driven by a 69 per cent turnover increase in Automotive.
- § In accordance with previous guidance, the result before tax was positive at DKK 40 million against a negative result of DKK 50 million for the same period last year.
- § Net working capital and net interest bearing debt on the same level as last year.

Looking forward

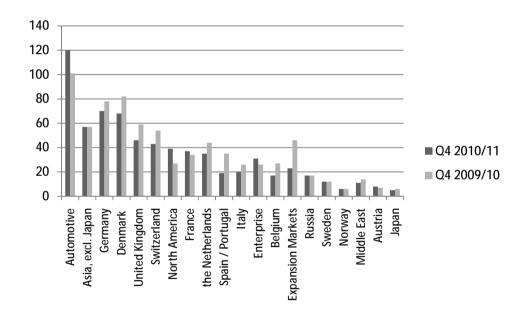
- §Bang & Olufsen expects the 2011/12 result before tax to be in the level of DKK 100 million based on a turnover level exceeding DKK 3,000 million.
- §Bang & Olufsen rolls out a five-year strategy plan 'Leaner, Faster, Stronger' aimed at taking advantage of the significant potential of the brand.

TURNOVER DEVELOPMENT PER MARKET FOR THE 2010/11 FINANCIAL YEAR



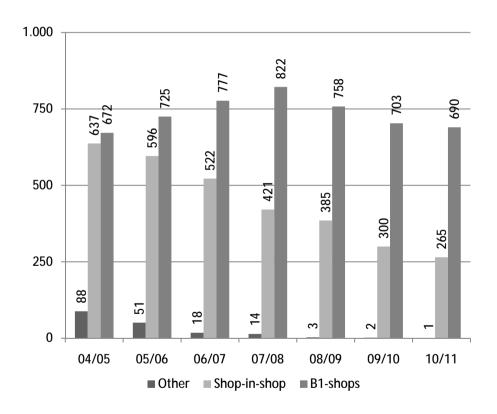
- §Automotive continues the strong performance.
- §The Asian markets recorded an increase of 22.4 per cent in the 2010/11 financial year compared to last year.
- §North America and France saw increases of 22.0 and 8.9 per cent compared to last year, while Russia recorded an increase in sales of 2.6 per cent.
- §The Group's largest market, Germany, increased by 1.5 per cent while the other main markets, Denmark and the United Kingdom, saw a decline in sales of 11.4 per cent and 15.0 per cent respectively.

TURNOVER DEVELOPMENT PER MARKET IN THE FOURTH QUARTER



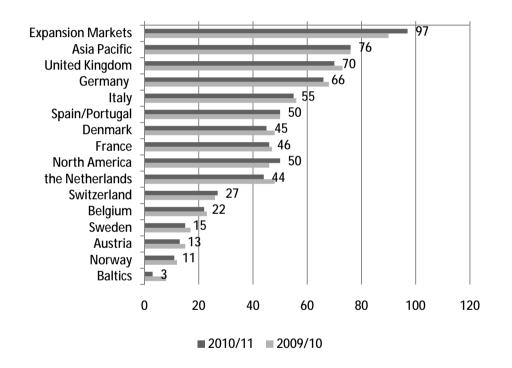
- §Automotive increased turnover in the fourth quarter with 19.2 per cent.
- §During the fourth quarter the markets in North America and France saw increases of 67.1 per cent and 8.7 per cent respectively compared to last year, while Russia recorded a decrease of 11.7 per cent.
- §The Group's largest market, Germany, saw a decline in sales of 10.2 per cent while the other main markets, Denmark and the UK, saw a decline in sales of 17.7 per cent and 22.9 per cent respectively.

DISTRIBUTION DEVELOPMENT



- §The movement in the B1 segment for the financial year 2010/11 was minus 13 shops.
- **§**During the fourth quarter the movement was plus 4 shops divided into 16 openings and 12 closures.

NUMBER OF B1 SHOPS PER MARKET MAY 31, 2011



	Δ Q4	
Market	2009/10	
Expansion Markets	7	
Asia Pacific	0	
United Kingdom	-3	
Germany	-2	
Italy	-1	
Spain/Portugal	0	
Denmark	-3	
the Netherlands	-4	
France	-1	
North America	4	
Switzerland	1	
Belgium	-1	
Sweden	-2	
Austria	-2	
Norway	-1	
Baltics	-5	

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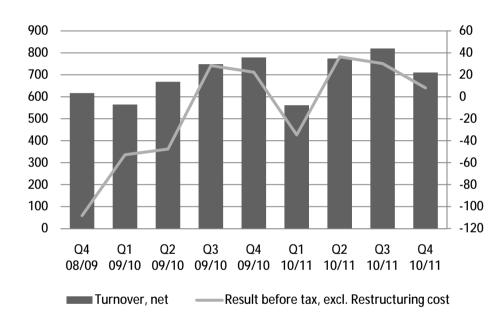
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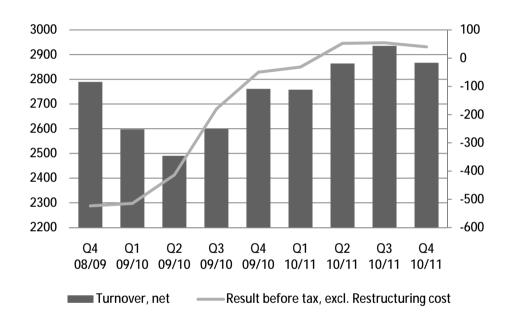
NEW STRATEGY PLAN – Tue Mantoni, CEO

DEVELOPMENT IN TURNOVER AND RESULT BEFORE TAX



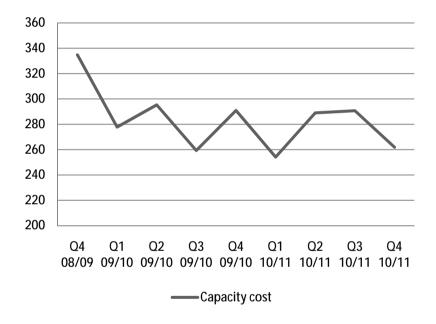
- §The fourth quarter showed a decrease in turnover of 9 per cent as expected.
- §The Group's gross margin for the fourth quarter was 39.2 per cent against 40.3 per cent for the same quarter of the 2009/10. The lower gross margin is due to a change in the product mix towards increased sales of video products, primarily BeoVision 4-85 3D, which traditionally have a lower gross margin.
- §Result before tax in the fourth quarter was positive at DKK 8 million against a positive result of DKK 22 million for the corresponding period last year.

DEVELOPMENT IN TURNOVER AND RESULT BEFORE TAX – 12 MONTHS ROLLING



- §During the last 12 months the Group has experienced a turnover increase of 4 per cent and a positive result before tax of DKK 40 million against a negative result of DKK 50 million in the previous 12 months, an improvement of DKK 90 million.
- §The result is negatively affected by non-recurring items of DKK 32 million, of which DKK 14 million can be attributed to the costs associated with the departure of the former CEO while DKK 11 million can be attributed to impairments of two development projects.

COST LEVEL UNDER CONTROL



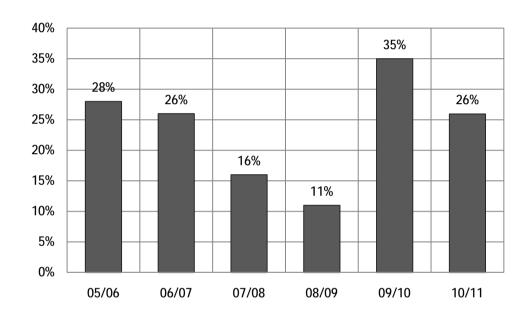
- §During the 2010/11 financial year, the Group reduced its capacity costs by DKK 41 million from DKK 1,137 million for the same period last year to DKK 1,096 million this year.
- §Distribution and marketing costs fell during the year by DKK 48 million from DKK 709 million to DKK 661 million among other things as a result of lower provisions for losses on trade receivables.
- §The increase in administration cost is mainly due to the departure of the former CEO and bonus payments to employees, which have not been paid out in the previous years.

DEVELOPMENT COSTS

	2010/11	2009/10
	mDKK	mDKK
Development costs incurred before capitalisation	448.1	437.7
Amount hereof capatilised	-251.0	-206.4
Total amortisation and impairment losses on development projects	114.3	111.5
Development costs recognised in the profit and loss account	311.4	342.8
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Completed development projects, 31/5	249.1	200.6
Development projects in progress, 31/5	154.5	145.4
Development projects total	403.6	346.0
Capitalised development costs Received reimbursement	251.0 -26.6 224.4	206.4 -37.3 169.1
Depreciation	-114.3 -114.3	-111.5 -111.5
Development projects total	513.7	403.6
Completed development projects, 31/5	191.7	249.1
Development projects in progress, 31/5	322.0	154.5
Development projects total	513.7	403.6
Net change in development projects	110.1	57.6

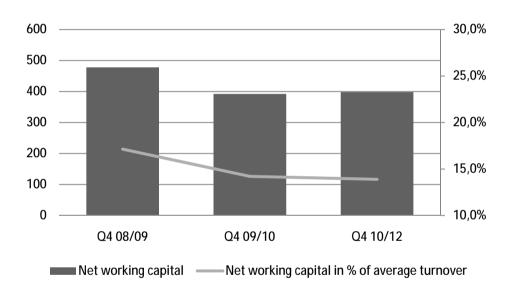
- §The Group's incurred development costs were DKK 448 million against DKK 438 million for the same period last year. The Group continues to expect to maintain a high activity level within the product development area.
- §The incurred development costs were DKK 448 million from which DKK 251 million have been capitalised. Depreciation from completed developments projects amount for DKK 114 million, which gives a total cost in the P/L of DKK 311 million.
- §The net investment in development projects amounts to DKK 110 million against DKK 58 million last year.

LAUNCH PRODUCTS' SHARE OF AUDIO-VIDEO TURNOVER



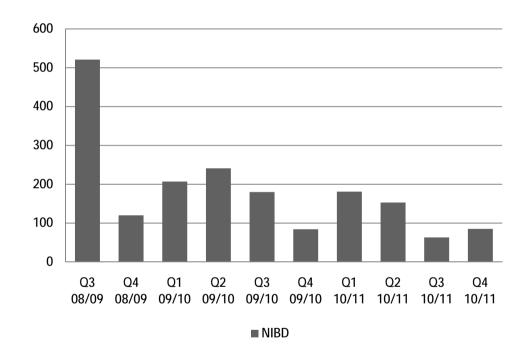
§In the 2010/11 financial year 26 per cent of the Group's turnover within the audio and video business derived from new products.

NET WORKING CAPITAL



- §The net working capital is on the same level as last year, with a small increase of DKK 6 million.
- §The net working capital in percentage of turnover is on the same level as last year at 14 per cent.

THE DEBT SITUATION



- §The net interest bearing debt has increased by DKK 22 million from the third quarter of the 2010/11 financial year to the fourth quarter of the 2010/11 financial year.
- §Compared to last year, the net interest bearing debt is on the same level DKK 85 million. At the same time, the net investments in R&D (capitalised development cost less reimbursements) equated to DKK 224 million during the last 12 months.
- §Improved NIBD/EBITDA ratio to 0.28 on a 12 month rolling basis, compared to 0.40.

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EXPECTATIONS FOR THE 2011/12 FINANCIAL YEAR

Expectations for the Group result for 2011/12

Bang & Olufsen expects the 2011/12 result before tax to be in the level of DKK 100 million based on a turnover level exceeding DKK 3,000 million.

Product portfolio

The Group's objective for the 2011/12 financial year is to support the growth ambitions within the branded business through a continued high activity level within product development. The Group therefore expects that approximately 30 per cent of the Group's turnover from the audio and video business will derive from new products and major product updates, with "new" defined as sales in the first 12 months after the launch.

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SITUATIONAL ANALYSIS

Challenges and threats

- 1. Unstable technology situation
- 2. Unclear product portfolio
- 3. Weak recruitment of new consumers
- 4. Weak end-to-end business processes
- 5. Weak sales effort in stores
- 6. Lack of focus on growing economies, especially China

Strengths and opportunities

- 1. Brand value
 - § Western world: Still perceived as a substance based premium brand
 - § Growing economies: Recognized as an aspirational luxury brand
- 2. Wide branded distribution
 - § 680 dedicated brand stores no other premium A/V brands have a similar strong distribution setup
- 3. Competencies of real differentiation
 - **§** Sound and Acoustics
 - § Design
 - S Craftsmanship (aluminum etc.)

'LEANER, FASTER, STRONGER'



Leaner

We focus our activities and investments on adding long-term value to our key stakeholders: customers, retailers, partners and shareholders



Faster

We are passionate about daily execution and performance and we believe in 'sense of urgency' to drive continuous improvement



Stronger

We are ambitious in creating a financially and strategically strong Bang & Olufsen brand and business

OUR BUSINESS LOGIC - RECRUITING CONSUMERS THROUGH DEEP BRAND ENGAGEMENTS

NEW PRODUCT CATEGORY

Premium, Contemporary, and accessible A/V products

Product characteristics: § Design and sound § No proprietary Beolink integration ("1+1=2")

Sales channels: § Alternative, high profile channels and eCommerce

CORE BUSINESS: Core A/V

Luxury integrated A/V solutions

Product characteristics:

§ Design and superior sound
§ Surprisingly connected ("1+1=3")

§ Premium support and service

Sales channels:

§ Dedicated brand experience centers with highly knowledgeable sales force

AUTOMOTIVE

High-end audio solutions for premium cars

Product characteristics: § Bang & Olufsen design and audio

Sales channels: § Premium car dealers

2011/12 MUST WIN BATTLES

1. Build Acoustics as our hero

- 3. Optimise Retail network
- 5. Transition R&D

2. Launch new product category

4. Grow BRIC

6. Simplify and speed up execution

1. INCREASE FOCUS ON SOUND AND ACOUSTICS

§ Taking advantage of Bang & Olufsen's unique competencies and market position

§Establishing a Sound & Acoustics Innovation Team

§Expanding the acoustics product portfolio







BeoLab 9



Lens from Automotive



ICEpower module

1. STRENGTHEN THE AUTOMOTIVE BUSINESS FURTHER

§Leading provider of high-end sound systems for cars

§ Automotive business to benefit from increased focus on sound and acoustics

§Increasing value to existing Automotive partners

§Evaluate approaches from potential new partners with due consideration for existing partners









Audi Aston Martin Mercedes-AMG BMW

2. LAUNCH A NEW PRODUCT CATEGORY AND EXPAND THE DISTRIBUTION

§New product category to be launched by the end of 2011

§Based on Bang & Olufsen's competencies and quality approach

§Marketed through Bang & Olufsen's shops and complementary retail channels

§Expected to generate incremental turnover and new customer leads



3. RESTRUCTURE THE RETAIL NETWORK - INCREASED CUSTOMER FOCUS AND PROFITABILITY

- §Excellent customer service and installation support as true brand differentiators
- §Future store design to reflect the focus on integrated audio-video solutions
- §Increasing the number of dedicated shops in developing markets
- § Decreasing the number of dedicated shops in mature markets
- §Strengthening the business model for the individual retailer

3. SOLUTIONS WALL



MULTIRDOM HOME AUTOMATION 3RD PARTY PRODUCT CONTROL

4. EXPAND THE BUSINESS IN BRIC MARKETS

§Geographic refocus required

§Aggressive growth strategy in China

§ National sales office to be established in Shanghai

§ Taking control of the Hong Kong and South China operations



5. LEVERAGE PARTNERS FOR AUDIO-VIDEO DEVELOPMENT AND SOURCING

§Leverage partners for audio-video development and sourcing to a significantly greater extent

§Focus internal resources on key differentiating areas

§Ensure more effectiveness in product development









BeoSound 5

BeoSound 8

BeoVision 7

Beo6

5. BEOSOUND 9000 & BEOSOUND 3200





5. BEOSOUND 5 FAMILY



6. CREATE A LEANER AND MORE AGILE ORGANIZATION WITH A GLOBAL OUTLOOK

§Global outlook is required

§Bang & Olufsen organization to be affected to a significant extent

§A leaner and flatter organization with focus on areas aligned with the strategy plan



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