Bang & Olufsen Group
Annual Report 2005/06
Bang & Olufsen Group

Headlines

• Profit before tax DKK 431 million, an increase of DKK 51 million (13 %)

• Turnover DKK 4,225 million, an increase of DKK 483 million (13 %)

• Satisfactory turnover development for all European markets

• Profitability is improved - EBIT now 10.4 %

• Continued focus on product development and marketing

• Doubling of turnover in Bang & Olufsen ICEpower a/s

• Dividend of DKK 16 per 10 DKK share - approx. DKK 199 million and repurchase of own shares amounting to approx. DKK 300 million during the financial year
The TV portfolio saw an increase in turnover of DKK 286 million.

Turnover distribution:
- Brand. busin. DKK 3,964 million +12 %
- Medicom a/s DKK 198 million +8 %
- ICEpower a/s DKK 100 million +100 %
- Internal turnov. DKK -37 million

Total DKK 4,225 million
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Operating profit

- EBIT of 10.4 % increased from 10 % - driven by the increase in turnover.
- Gross margin 46.0 declined as expected because of change in product mix.
- Increase in development activities.
- Increased marketing pressure.
- Buying of shops in Australia.
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Result before tax

- Exchange rate adjustment from DKK 10 million to DKK -13 million.
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Result for the year

- Tax on result for the year amounts to DKK 135 million corresponding to a tax rate of 31.3.

- The Group has not capitalised the tax losses regarding the US.
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Total assets

- Capitalised development costs 2005/06 - DKK 165 million against DKK 111 million in 2004/05.

- Inventories increased by DKK 138 million.

- Trade receivables increased by DKK 106 million.

- Cash decreased by DKK 229 million to DKK 503 million.
- DKK 298 million spent on shareholder related initiatives.
  - Repurchase of shares DKK 149 million.
  - Dividend DKK 149 million.
- Repayment of loans amount to DKK 39 millions.
- Loan of Euro 10 million raised for building a new plant in the Czech Republic.
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Shareholder related initiatives:

• Proposed dividend of DKK 16 per nominal DKK 10 share, approx. DKK 199 million.

• Repurchase of own shares amounting to approx. DKK 300 million during the financial year.
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Turnover per market 2005/06

- Denmark: 558
- UK: 538
- Germany: 458
- Holland: 288
- Switzerland: 270
- USA: 254
- Spain/Portugal: 233
- Italy: 215
- Asia: 209
- France: 203
- Expansion Markets: 167
- Sweden: 111
- Belgium: 95
- Norway: 65
- Austria: 63
- Japan: 52
- Middle East: 39
Bang & Olufsen Branded business

Growth in turnover per market in 2005/06 (local currency)
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Shops world-wide 2001/02 - 2005/06

- Changes in numbers of shops:
  - B1: +53
  - SIS: -41
  - Other: -37

Total: -25
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Number of B1-shops per market 31.05.06

- Total number of B1-shops: 725
  - New shops: 61
  - Upgrades from SIS: 31
  - Closed shops: -30
  - Downgrades: -9
  - Net: 53

### Countries

- UK: 98
- Expansion Markets: 79
- Spain/Portugal: 72
- Germany: 69
- Italy: 55
- Asia: 55
- USA/Canada: 49
- France: 49
- Denmark: 48
- Holland: 35
- Switzerland: 25
- Sweden: 24
- Japan: 21
- Austria: 16
- Norway: 16
- Belgium: 16
Bang & Olufsen  Branded business

Turnover share per shop segment 2005/06

• Share of turnover per segment:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2005/06</th>
<th>2004/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>73 %</td>
<td>71 %</td>
</tr>
<tr>
<td>SIS</td>
<td>26 %</td>
<td>27 %</td>
</tr>
<tr>
<td>Other</td>
<td>1 %</td>
<td>2 %</td>
</tr>
<tr>
<td>Total</td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Number of B1-shops

- Asia: 55
- Spain/Portugal: 72
- Expansion Markets: 79
- USA/Canada: 49
- France: 49
- Japan: 21
- UK: 98
- Norway: 16
- Sweden: 24
- Italy: 55
- Austria: 16
- Denmark: 48
- Germany: 69
- Belgium: 16
- Holland: 35
- Switzerland: 25

2005/06: B1-shops 60%, Shop in shop 36%, Other shops 4%
2004/05: B1-shops 60%, Shop in shop 36%, Other shops 4%
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Growth rate turnover in the mature shop segment 2005/06

- Holland: 34%
- Switzerland: 33%
- France: 20%
- Expansion Markets: 19%
- Sweden: 18%
- Spain/Portugal: 17%
- Germany: 14%
- Denmark: 13%
- Belgium: 11%
- Norway: 9% (Average B1-shops)
- USA/Canada: 9%
- Austria: 8%
- Italy: 1%
- UK: 0%
- Asia: -4%
- Japan: -6%
- Ireland: -8%
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New products 2005/06 - BeoVision 7-40, 2. quarter 2005/06
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New products 2005/06
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New products 2005/06

Serene, 3. quarter 2005/06

BeoLink Wireless, 4. quarter 2005/06

BeoSound 3, 4. quarter 2005/06

BeoSound 4, 4. quarter 2005/06
Carfi  Advanced sound systems for cars

2005/06:

• December 2005 - launch of the first audio system in co-operation with Audi (A8 and S8).
• New standard within high-end car stereo.
• Received very positively.
• Several awards and international recognition.
• Sales exceeding the expectations.
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Turnover and result before tax

- Increase in turnover DKK 14 million (8%).
- Decrease in gross profit.
- Substantial one off payment in 2004/05.
- Development costs for DKK 13 million compared to DKK 8 million last year.
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Turnover and result before tax

- Turnover growth DKK 50 million (36%).
- 90% of turnover is now to the Groups external customers.

![Graph showing turnover and result before tax from 2001/2002 to 2005/2006]
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Expectations for the financial year 2006/07:

• Growth in turnover 8-10 %.
• Result before tax DKK 460-500 million.
• Opening of 50 B1-shops.
• Continued high launch frequency of new products.
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Expected product launches 2006/07:

**BeoSystem 3** (1. quarter 2006/07)
- Strong global TV-platform, setting new standard within picture quality and sound reproduction.

**BeoCenter 6-23** (1. quarter 2006/07)
- New audio/video center with build-in FM- and digital radio, which in its expression continues the successful BeoVision 6 family.

**BeoCenter 6-26** (2. quarter 2006/07)
- Same product as 6-23 but with a larger screen.

**EarSet 2** (2. quarter 2006/07)
- Wireless Bluetooth earset with advanced microphone technology.
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Expected product launches 2006/07:

**BeoVision 9** (2. quarter 2006/07)
- New high-end plasma TV.

**BeoVox 1** (2. quarter 2006/07)
- New loudspeaker for inwall use.

**BeoVision 8** (2. half 2006/07)
- New flatscreen TV in 26” and 32” addressing the former MX and BeoVision 3 segment.
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Expected product launches 2006/07:

**BeoVision 7-40** (2. half 2006/07)
- Launch in USA, Japan and Korea.

**BeoLab 9** (3. quarter 2006/07)
- New floor based loudspeaker. The new BeoLab 9 will performance and price-wise replace the former BeoLab 1.

**DVD-recorder** (4. quarter 2006/07)
Carfi  Advanced sound systems for cars

Expectations:

• New contracts to be signed with Audi.

• Focused sales and prototype work directed at other leading brands.

• New cooperation agreements signed during 2006/07.

• Turnover 2006/07: DKK 50-70 million.

• Negative EBIT. New products demand investments 1-2 years prior to launch.

• Major business area within the coming years.
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Ambition for the coming 4 years:

• Net addition of 50 B1-shops per year.
• Increased marketing pressure.
• Increased launch frequency - and increased investments in product development.
• Organic growth of minimum 6-8% within established business areas.
• Growth within new business development.
• Reaching a turnover level of around 6 bnDKK in four years time.
• EBIT of at least 10%.
• Annual positive cash flow from operations.