

TRANSLATION

BANG & OLUFSEN a/s - ANNUAL GENERAL MEETING, 21 SEPTEMBER 2012 - OLE ANDERSEN
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Welcome to the annual general meeting of Bang & Olufsen. It is – as always – wonderful to see so many of you here.

FY 2011/12 was another eventful year for Bang & Olufsen. It marked the first year of the implementation of the company's five-year strategy plan 'Leaner, Faster, Stronger', which we announced in August 2011.

The results for FY 2011/12 meet the targets defined at the beginning of the year, and we are naturally pleased with that. However, we see the results for the year as constituting the first leg of a long journey which still holds considerable challenges for the company.

The consolidated revenue for FY 2011/12 totalled DKK 3,008 million against DKK 2,867 million last year. This corresponds to a growth of 5%.

The growth in revenue can be attributed, in particular, to B&O PLAY, which was launched in 2011/12. Sales of products which existed prior to the launch of the new segment and which now form part of B&O PLAY have been reclassified under B&O PLAY revenue to provide comparative figures. Against this background, B&O PLAY demonstrated marked growth, increasing sales by DKK 229 million compared to last year. The growth in sales of B&O PLAY was driven by the launch of many exciting new products, especially in Q3 and Q4. Revenue from Bang & Olufsen's core business – i.e. the AV segment – decreased by 4% compared to the prior year, and remains one of the areas where we still face significant challenges. I will return to this issue later in the presentation.

The group's gross margin of 40.4% was largely unchanged relative to last year's gross margin of 40.3%.

The group maintained the same level of capacity costs as in FY 2011/12 despite the many new initiatives launched in connection with the implementation of the 'Leaner, Faster, Stronger' strategy plan. The new initiatives have included the takeover of a former master dealer and the master dealer's six stores in Hong Kong and southern China, the opening of a new sales office in Shanghai and the relocation of sales and marketing activities from Struer in western Jutland to Lyngby near Copenhagen. Moreover, the company has built up the B&O PLAY organisation and expanded its Automotive organisation to keep pace with increasing levels of activity. The purpose of these initiatives is to pave the way for future growth. During this period of change, distribution and marketing costs have remained largely stable. At the same time, the group's administrative expenses have been significantly reduced.

The development costs incurred by the group were DKK 472 million against DKK 448 million last year. This represents an increase in development costs at the same time as the company is focusing on increasing the efficiency of its development processes. Of the development costs of DKK 472 million, DKK 280 million were capitalised. Amortisation of completed development projects amounted to DKK 146 million, which gives a total expense of DKK 337 million recognised in the income statement.

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Two major development projects which have been under way for a number of years were completed during the financial year. One was the Audio Engine project, which was introduced in connection with the launch of BeoSound 5 Encore. The other project was the Video Engine project, which was launched in connection with B&O PLAY's first television – BeoPlay V1.

Net investments in development projects totalled DKK 122 million against DKK 110 million the year before.

The operating profit was DKK 122 million against DKK 60 million the year before. This is satisfactory in light of the fact that we are in the process of transforming the company and tailoring it for future growth.

The profit before tax for FY 2011/12 was DKK 104 million against a profit before tax of DKK 40 million last year.

The profit is negatively affected by special items of DKK 3 million. These comprise a DKK 7 million profit from the sale of a property, and expenses of DKK 10 million relating to the organisational changes following the implementation of the new strategy. Last year's profit was negatively affected by special items of DKK 32 million.

The profit before tax was in line with the outlook announced to the stock market at the beginning of the financial year.

Tax on the profit for the year totals DKK 31 million. The profit for the year was DKK 73 million against a net profit of DKK 28 million for the previous financial year.

As regards the balance sheet, efforts have been made in recent years to reduce the level of funds tied up in the company. Some people may therefore wonder why the working capital has increased by DKK 162 million to DKK 613 million at the end of the financial year, or 20% of revenue.

This development is explained by an increase in inventories of DKK 102 million and an increase in receivables of DKK 204 million, to some extent counterbalanced by an increase in trade payables. These movements are first and foremost attributable to the large number of product launches immediately before the end of the financial year in May.

In future, the working capital is thus expected to be reduced compared to a working capital of 20% of revenue at the end of FY 2011/12.

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Equity is positively affected by the net profit for the year and now amounts to 56% of the balance sheet total.

The group generated a positive cash flow from operating activities of DKK 225 million against DKK 320 million last year. As mentioned earlier, the decrease is primarily attributable to the increase in working capital just prior to the end of the financial year.

The cash flow from investing activities was DKK 380 million against DKK 318 million the year before. The increase can largely be attributed to investments in development projects and production equipment for the Automotive segment.

The net cash flow from operating and investing activities was negative at DKK -155 million against a positive cash flow of DKK 2 million last year. This is not satisfactory, but not alarming either as it is a natural consequence of the aforementioned product launches towards the very end of the financial year.

Looking at the group's net interest-bearing debt, it can be seen that the group's debt has increased by DKK 163 million to DKK 248 million. The increase is attributable to the group's negative free cash flow.

The group's net interest-bearing debt relative to EBITDA is 0.65 against 0.28 last year, and thus remains at a relatively comfortable level.

As of the 2011/12 financial year, we decided to change the presentation of the company's various business areas to ensure that the segmentation reflects the company's strategy. The segmentation thus divides activities into a business-to-consumer business area and a business-to-business business area. The B2C business area comprises the company's core AV products and the new B&O PLAY brand. The B2B business area comprises Automotive and ICEpower. The company has reclassified last year's figures to provide comparative figures for this year's figures.

The AV segment generated revenue of DKK 2,043 million against DKK 2,131 million last year, representing a decrease of 4%. The gross margin increased to 43.1% from 41.7%. The lack of growth in the AV segment thus remains a challenge for the company. However, the higher gross margin means that the segment's gross profit is almost unchanged relative to FY 2010/11. Moreover, it should be emphasised that, going forward, several of the strategic initiatives and focus areas introduced in FY 2011/12 are expected to have a positive effect on revenue in the AV segment.

Revenue for B&O PLAY was DKK 378 million compared to DKK 148 million last year. The gross margin decreased to 27.7% from 39.7%, primarily due to the launch of the first B&O PLAY television – BeoPlay V1 – which has a lower gross margin than the other B&O PLAY products. The increase in revenue is to a large

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extent linked to a number of new product launches and the launch of B&O PLAY as a business segment in the course of the financial year. The comparison is therefore with revenue generated by a very small number of products in 2010/11.

The new brand and the new products have been well received by the customers. 75% of all B&O PLAY customers are new to Bang & Olufsen. We expect the brand and its products to continue to attract new customers, thereby becoming a larger and more important part of Bang & Olufsen in the future. Moreover, we expect some of these customers over time to also go on to buy other Bang & Olufsen products.

Revenue for Automotive was DKK 454 million compared to DKK 452 million last year. The gross margin was up from 31.9% last year to 36.6%. The low growth in revenue can mainly be attributed to the launch of very few new car models during the financial year. We expect FY 2012/13 to be characterised by strong growth as our collaboration partners Audi, BMW and Mercedes have all launched new car models with options for Bang & Olufsen sound systems.

Revenue for ICEpower was DKK 115 million compared to DKK 93 million last year. The DKK 22 million increase is driven by increased external revenue of DKK 12 million and increased revenue to Bang & Olufsen of DKK 10 million.

Bang & Olufsen launched a large number of new audio and video products during the year, including BeoSound 5 Encore, which is based on the original BeoSound 5. The music system makes it possible to play digital music from a large number of sources and gives access to more than 13,000 international online radio stations. January saw the launch of a new family of loudspeakers, BeoLab 12, which has been developed specifically for television and surround sound setups. For example, it is a perfect companion for the 65" plasma television, BeoVision 12, which hit the market at the same time.

Moreover, Bang & Olufsen launched the first products under the B&O PLAY brand. Beolit 12 is a portable sound system which uses Apple's AirPlay technology for the wireless playing of music from iPods, iPhones, iPads, Macs or PCs. Beolit 12 was awarded the coveted "red dot" design award 2012 for best product design. BeoPlay V1, the first television under the B&O PLAY brand, was launched in May. BeoPlay V1 comes with a 32" or 40" screen in either black or white. BeoPlay A8 expands the functionalities of the popular BeoSound 8, now incorporating Apple's AirPlay technology. Finally, the BeoPlay A3 music system gives the sound from an iPad a fantastic new dimension.

For the third consecutive year, Bang & Olufsen was named brand of the year in Car HiFi by the German car magazine "auto motor und sport". In 2011/12, Bang & Olufsen continued its cooperation with Aston Martin, Audi, BMW and Mercedes-AMG, and a whole host of new car models are now available with sound systems from Bang & Olufsen. In addition, we concluded a new agreement with Audi during the financial year. Under this new agreement, Bang & Olufsen will, in the coming years, develop and supply new audio systems for three future Audi models.

During the financial year, ICEpower launched ICEmatch, which consists of a power supply and an amplifier module. ICEmatch is, for example, used in the BeoLab 12 loudspeaker.

TRANSLATION

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Just over a year ago, Bang & Olufsen presented its new strategy plan 'Leaner, Faster, Stronger'. The overriding objective of the five-year strategy is to realise the company's full potential. For this purpose, six so-called 'must-win battles' have been outlined, which Bang & Olufsen has focused on in 2011/12, and which will remain our focus going forward.

The first 'must-win battle' relates to increased focus on sound and acoustics and to further strengthen the Automotive segment. Bang & Olufsen wants to make the most of the company's unique expertise and market position within acoustics. The acoustics product portfolio has been expanded to include a new loudspeaker family, BeoLab 12, while B&O PLAY has launched a number of wireless sound systems. The Automotive segment has also been strengthened further through the launch of new sound systems for an extensive number of car models. The work will continue in 2012/13 with a view to further expand the acoustics product portfolio and to launch new sound systems for partners in the Automotive segment.

The second 'must-win battle' relates to the launch of a new product category and expansion of distribution through complementary sales channels. In 2011/12, a new brand was added to the Bang & Olufsen family, B&O PLAY, which is aimed at the digital generation. At the same time, distribution has been expanded through the conclusion of a number of distribution agreements with new retail outlets in Europe and the USA, as well as the set-up of an online shop. In 2012/13, focus will be on increasing the number of sales outlets. Also, a shop-in-shop concept will be launched to guarantee the best possible product and brand presentation. Furthermore, the expansion of the product portfolio within B&O PLAY will continue.

The third 'must-win battle' is about optimising distribution. During the year, Bang & Olufsen has worked to upgrade its existing store concept so that the future store design reflects the emphasis on integrated audio-video solutions and the stronger focus on acoustics. Work is continuously being undertaken to increase the number of B1 stores in developing markets and reduce the number of B1 stores in Europe. We expect to start the upgrade of the existing store concept in 2012/13.

The fourth 'must-win battle' is about expanding the business in the BRIC markets, i.e. Brazil, Russia, India and China. In 2011/12, a national sales office was established in Shanghai, and Bang & Olufsen has assumed control of activities and distribution in Hong Kong and southern China. At the same time, an agreement has been made with a new master dealer in India. In 2012/13, Bang & Olufsen will expand its organisation in China and use the know-how already acquired to further strengthen growth. In this context, the strategic partnership which Bang & Olufsen entered into with Sparkle Roll and A CAPITAL in the summer will, of course, be of considerable importance.

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The fifth 'must-win battle' is about making the most of our partnerships within audio-video development and sourcing. To enhance the efficiency of our product development activities, Bang & Olufsen has established an office in Singapore, which will bring us closer to a number of partners in Asia. In 2012/13, our efforts aimed at identifying new potential partnerships will continue. At the same time, Bang & Olufsen will increase its focus on the competencies which will really enable the company to stand out, for example competencies within sound and acoustics, customer experience mapping, concept development, design and system integration.

Bang & Olufsen is also changing its innovation processes to heighten innovation levels and to make the processes more efficient.

The sixth and final 'must-win battle' will ensure a faster and simpler execution throughout the company. A number of adjustments have already been implemented with a view to create a more trimmed and agile organisation. In addition, the sales and marketing department has moved from Struer to Lyngby near Copenhagen, which contributes to strengthening the company's global outlook and its proximity to the customers. At the same time, four European sales regions have been merged into two.

The work aimed at a more efficient execution will continue during the current financial year.

During the first financial year with the new strategy, Bang & Olufsen has generally focused on re-establishing a leading position within its core areas and on building a more efficient, globalised and customer-oriented organisation. This work will continue in 2012/13, where the primary focus areas will be to:

- Further expand the acoustics product portfolio and to strengthen the innovation levels.
- Continue the development of the B&O PLAY brand, to expand the product portfolio and the distribution.
- Increase the number of stores outside Europe and to reduce the European dealer network with a view to improving the quality of the dealer network, customer satisfaction and profitability for the dealers.
- Start the initial roll-out of the new B1 store concept.
- Continue expansion in China and start up the collaboration with Sparkle Roll and A CAPITAL.
- Upgrade the organisational skills and competencies, especially within innovation and sales/marketing.

Overall, the 'Leaner, Faster, Stronger' strategy will continue to set the direction for the management of Bang & Olufsen in the coming years.

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As mentioned in the introduction, FY 2011/12 was the first year of the implementation of the five-year strategy plan. The coming financial year will thus be the second year of transition in implementation of the strategy.

The challenging macroeconomic situation marked by low consumer confidence and the company's high exposure to Europe result in an uncertain trading environment in 2012/13.

Due to the company's strong innovation pipeline and the continued implementation of the strategic initiatives, we expect Bang & Olufsen to realise double-digit growth rates in 2012/13. We expect this growth to be driven primarily by the Automotive and B&O PLAY segments.

Meanwhile, we expect the AV core business to remain under pressure, primarily due to the exposure to Europe and the ongoing transitional process. We expect a stronger Q2 and Q3 relative to last year, driven primarily by new product launches and updates. Q1 and Q4 are tough comparisons because these two quarters were strong in 2011/12, and no or moderate growth can be expected in these quarters.

We expect the EBIT margin to improve compared to last year despite increased amortisation charges on development projects.

Bang & Olufsen considers its work with corporate governance as an important and ongoing process. The company desires a high level of transparency in its communication, and therefore generally complies with the corporate governance recommendations.

In 2011, NASDAQ OMX implemented a set of revised recommendations on corporate governance, which now include recommendations on diversity in management. Bang & Olufsen A/S expects to follow these recommendations, for example by setting up specific diversity objectives during the course of 2012/13.

As regards diversity, most people have probably already noticed that there are no women on the Board of Directors of Bang & Olufsen. The Board of Directors was planning to nominate a woman for membership of the Board this year, but to support the newly established strategic partnership with Sparkle Roll and A CAPITAL, it was decided instead to nominate André Loesekrug-Pietri from A CAPITAL. In connection with the appointment of the next new member of the Board of Directors, priority will be given to nominating female candidates.

As you know, Bang & Olufsen's annual report is no longer available in a printed version, but in an electronic version on our website. The Bang & Olufsen website also contains additional information on products, company announcements, corporate governance, corporate social responsibility etc.

Bang & Olufsen is committed to actively assuming responsibility for the society of which we are a part. Consequently, over the years we have worked with corporate social responsibility – or CSR – within the framework of our business.

TRANSLATION

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Bang & Olufsen recognises the UN and ILO declarations on human rights, labour rights, the environment and anti-corruption, and we have therefore chosen to structure our CSR activities and reporting according to the UN's Global Compact principles.

In order to formalise and clarify the CSR principles which the company pursues, Bang & Olufsen adopted a CSR policy in 2011/12. The CSR policy covers all business units and facilities in the group, and the company strives to ensure that suppliers and other business partners act in accordance with the intentions of the policy.

The company's Code of Conduct for suppliers supports the CSR policy in central areas such as the environment, human rights, labour rights and anti-corruption and sets out Bang & Olufsen's values which can then be clearly communicated to suppliers, collaboration partners etc. Moreover, the company has implemented an internal code of ethics for its purchasing function.

Bang & Olufsen's CSR activities centre on four important focus areas:

- Minimising the impact of the company's activities on the external environment through process optimisation, for example by reducing the facilities' energy consumption and waste volumes.
- Environmental improvements through product development, including a reduction of the products' electricity consumption and enhanced recyclability of components.
- Improving occupational health and safety, for example by reducing the number and seriousness of industrial injuries.
- Safeguarding human and labour rights for the employees of our component suppliers, which are primarily located in Asia.

On 19 July this year, we announced a strategic partnership with Sparkle Roll and A CAPITAL, the aim being to accelerate our growth plans in the Chinese market. The Board of Directors believe that the new partnership is an important step to secure Bang & Olufsen's future growth, and not least to strengthen the company's position in the important Chinese market.

In order to understand why the partnership is important I would like to start by briefly explaining why we have sought a Chinese partner. Bang & Olufsen has been present in the Chinese market since 2004. So far, the company has been represented by so-called 'master dealer' agreements, which is also the case in several other markets where Bang & Olufsen is present. Bang & Olufsen now has 35 B1 stores in China and Hong Kong, of which we own nine. Despite this presence, we can still see that less than 5% of our revenue is generated in China, which we consider to be far too low. As a result, on 1 January 2012 we assumed control of six stores in Hong Kong and southern China, and shortly afterwards we opened an office in Shanghai. At the same time, we wanted to find a way of accelerating the development.

The Board of Directors and the Executive Board are convinced that to be successful in the Chinese market, it is necessary to have a partner with considerable insights into distribution, branding and local operations.

TRANSLATION

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At the start of the year, we therefore started looking at a number of potential partners, and we chose Sparkle Roll Holdings and A CAPITAL.

Sparkle Roll is a private company, which is wholly owned by Mr Qi Jianhong. The company has a 28% stake in Sparkle Roll Group Ltd., a leading dealer in luxury cars, jewellery, luxury watches and exclusive wines. Sparkle Roll also holds investments in Burberry China, TSL China and Jackie Chan Cultural Media. With fifteen years of experience from the distribution and marketing of luxury goods in China, Sparkle Roll has built up a customer base of extremely affluent individuals and a strong network with upmarket shopping centres in major Chinese cities.

A CAPITAL is a leading Euro-China growth capital fund specialising in investments in market-leading European companies with a strong market potential in China.

It was important to the Board of Directors that the interests of a new partner should be closely aligned with those of our existing shareholders. A decision was therefore made to issue new shares corresponding to 6.63% of the share capital to Sparkle Roll and 1.72% to A CAPITAL. This generates net proceeds of DKK 177 million for Bang & Olufsen and ensures that all shareholders are in the same boat.

On 19 July, we announced that we expected the Chinese authorities to approve the transaction before the end of September. We still expect this to be the case.

The Board of Directors is looking forward to the new partnership and expects it to create growth for the company and value for our shareholders.