

Bang & Olufsen rolls out overall strategy plan

The management of Bang & Olufsen is rolling out an overall strategy plan for the Group's future development and operations.

The aim of the strategy plan is to make sure that Bang & Olufsen:

1. Focuses on product development in order for Bang & Olufsen to concentrate on fewer product categories, i.e. primarily audio and video products.
2. Builds one common digital technology platform as the future technological foundation for the Group's products across its product portfolio.
3. Ensures more effective support for, and development of, Bang & Olufsen's dealer network by creating one general global sales organisation.
4. Increases the number of shops in growth markets.
5. Adjusts costs by DKK 160 million to achieve short-term profitability.
6. Appoints a new management team for the Group.

1. Focus on product development: Bang & Olufsen will focus on the development of audio and video products as well as sound systems for cars. These areas have traditionally driven the Group's activities and have been its most important turnover generator as well as contributing to the creation of the unique Bang & Olufsen brand across the world.

Bang & Olufsen, therefore, will no longer develop products within categories such as mobile telephony, mp3 players and stand-alone systems like DVD2 and HDR2. The Group will also cease its involvement with new co-branded products. Existing products will, of course, continue to be fully supported.

Instead, focus will be on reinforcing the Group's unique brand through the creation of innovative high quality audio and video products as well as sound systems for the automotive industry. The forthcoming digital audio product, scheduled for launch in November, is an excellent example of one such innovative product.

With the BeoLiving concept, Bang & Olufsen offers an unrivalled concept in terms of total solutions for sound and picture and other technical installations in the home. The Group intends to develop and refine this concept even further into real Home Integration. This will allow users, through their Bang & Olufsen remote control, to control everything from sound and picture to curtains and air-conditioning etc, an area that is showing considerable growth around the world. As a natural progression, Bang &

Olufsen also intends to focus more on solutions and products adapted to individual customers' requirements.

The management will also maintain the successful development of exclusive sound systems for cars. Sales of these systems are seeing a highly positive development and have reached a stage where management regards the segment as part of the Group's core business.

2. Build a common, digital technology platform: Through more efficient utilisation of existing technologies and the targetted development of one general, future digital technology platform, Bang & Olufsen will not only achieve faster, but also more efficient product development. In the course of two to three years, this new digital technology platform will lay the foundation for all newly developed Bang & Olufsen products. Until then, the consolidation of the current technology platforms will ensure faster and more efficient development of high quality products from 2009.

3. One general global sales organisation: Bang & Olufsen will continue to expand its current shop concept. With immediate effect, the management will initiate a process aimed at creating a more efficient global sales organisation. Until now, the Group's seven regional sales organisations worldwide have operated as independent units with their own back office and service functions. To ensure a consistent approach and respect for the whole, the management is centralising global responsibilities and, as a result, implementing a range of efficiency measures.

The strategy plan comprises two further main components:

- The management intends to direct greater focus on the dealerships so that dealers with the strongest growth potential will take centre stage. Other dealers will also be given renewed attention when resources are available. There will also be focus on establishing a uniform sales system with clear guidelines, action plans and follow-up tools.
- The management intends to upgrade, and, more importantly, professionalise, the sales system. These measures will include a further development of the present sales staff into an international sales team of dynamic retail consultants with expertise within sales promotion, based on experiences with the best sales promoting initiatives within the global organisation. The ambition is for all Bang & Olufsen shops around the world to offer their customers a memorable experience of sound, picture, quality, professionalism and service-mindedness.

4. More shops in growth markets: The management intends to open more B1-shops in world markets with the strongest economic growth. Over the next two years, the aim is to more than double the number of B1 shops in key growth markets e.g. Russia and China. Other growth markets will also be subject to an aggressive growth policy.

5. Cost adjustments: Bang & Olufsen is implementing a DKK 160 million cost reduction programme for the current financial year compared to the activities envisaged at the beginning of the year. The purpose is to adjust the cost level to the Group's new and lower turnover level of recent months. Bang & Olufsen, however, will remain a dynamic organisation and the Group will maintain its high activity levels for product development despite the adjustments.

As part of the cost reductions, the Group has, as of today, abolished in the region of 300 jobs. As a result, 165 employees have been made redundant while the remaining positions will remain unfilled etc.

Other elements in the savings plan include reductions in the purchase of external services.

6. New management team: To secure the successful implementation of the new strategy plan, the Board of Directors and the Group's CEO have appointed a new management team which, together with the CEO, will assume responsibility for transforming the plan into action, rapidly, efficiently and accurately.

Bang & Olufsen's Management Board will consist solely of President & CEO Karl Kristian Hvidt Nielsen who took up his position on August 1 this year.

The management layer below the Management Board will comprise:

- Senior Vice President, Finance & Accounting, Randi Toftlund,
- Senior Vice President, Operations, John Bennett-Therkildsen and
- Senior Vice President, Sales, Michael Aagaard Andersen.

The Management team will be also be supplemented by a further two positions:

- A high-capacity individual with expertise in international brand marketing and
- A highly-qualified expert who can meet the challenge of taking overall charge of Bang & Olufsen's product development.

Based on his qualifications and experience, President and CEO Karl Kristian Hvidt Nielsen will personally head up - and ensure the ongoing progress of - product development until the right person has been appointed.

Seen in isolation, the strategy plan does not change Bang & Olufsen's expectations for the current financial year. Traditionally, the Group's turnover for November and December is substantially above average. This, combined with the recent turbulence in financial markets has increased uncertainties. As a result, the Group will not give an estimate for the full 2008/09 financial year until the publication of the interim report for the half year on January 15, 2009.

Karl Kristian Hvidt Nielsen
President/CEO

Later today, Tuesday, Bang & Olufsen will present, and comment on, the implemented strategy plan at a meeting for analysts and the media. The presentation will be in English.

The meeting will take place at 14:00 in Bang & Olufsen's Northern European sales headquarters at Kalvebod Brygge 43, 3, DK-1560 København V.

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