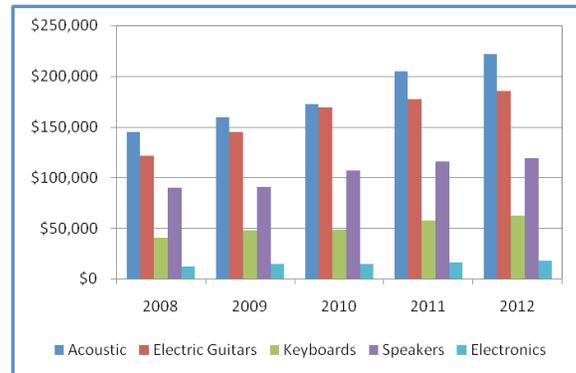


# ACME Inc. Q4 2008 Executive Update

*Prepared by the Executive Steering Committee under the Leadership of James White, CFO*

## Executive Summary

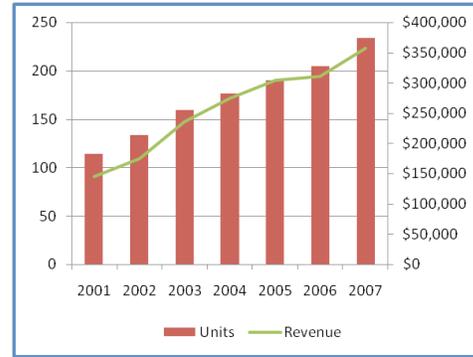
ACME Inc. faces an important new challenge. Our privileged position as the premier name in high-quality musical instruments, the choice of the concert professional, is threatened by new technology. Electronic alternatives become more important every day. Yet our most important product line, acoustic instruments, is addressing the slowest-growing market segment in the industry.



Our answer to this challenge is change and development. This 5-year business plan guides ACME Inc. through the transition to new technology. We will continue to develop and expand our position in keyboards, speakers, and related electronic equipment, while slowly reducing our present dependence on acoustics.

Our new plan is ambitious. We expect a dramatic increase in sales and profits, as shown in the chart Business Plan Highlights. Greater growth rates are expected for keyboards, speakers, and electronic equipment, all of which grow between 10% and 20% per year.

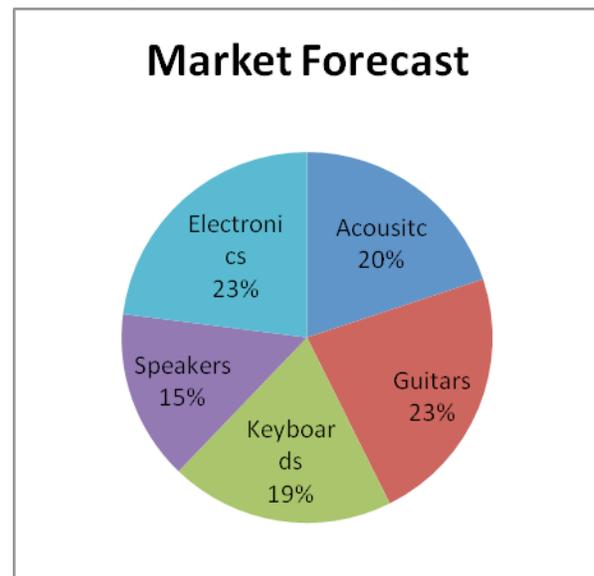
## Market Analysis



The worldwide market for musical instruments is a very mature, very competitive market. Overall market growth is estimated between **6% and 8%** per year, in both units and value. Distribution patterns vary a great deal by segment, from the mass retail distribution of the low end to the specialized distribution of the high-quality and high-price segments. ACME Inc. operates in a narrow part of the market; instruments and equipment are sold to professionals who insist on the **highest-quality** sound. Most of our customers are concert musicians.

## Market Forecast

The market forecast shown here refers to the segment of the market relevant to ACME Inc., which is of course the very high-quality professional music segment. The acoustic instruments segment, our most important market segment, is expected to grow at a very slow 2%



## **ACME Inc. Q4 2007 Executive Update**

per year through 2012. Greater growth rates are expected for keyboards, speakers, and electronic equipment, all of which grow between 10% and 20% per year.

### **Business Strategy & Implementation**

We must walk a difficult tightrope to adapt our business to new technologies, without losing our stronghold among professional musicians. We will need to let our market share drop a bit in the slow-growth acoustics segments of the market, while we significantly increase our share in keyboards, speakers, and other electronic equipment. We want to maintain continuity and tradition even while the industry sorts itself out with changes in market and technology. There will always be a traditional segment, and ACME Inc. will always be there.

### **Business Strategy & Implementation**

Our strategy focuses on key opinion leaders to maintain our position in the traditional music sector, while simultaneously developing new technologies that will protect our long-term position and may eventually lead us to new markets:

- We must maintain positioning as a traditional and high-quality manufacturer, playing to our strengths and away from our weaknesses.
- Where possible, we must position our marketing communications to emphasize good relations with specialty media and opinion leaders. Programs like the endorsement program, including give-away units, are most important. We need to keep our name and reputation in the minds of the true professionals.
- We will continue to maintain focused high-prestige channels in a few major cities. Our customers know and respect our channels.