

Copenhagen Stock Exchange  
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*Translation*

Struer, 13 April 2005

### Interim report for the period 1 June 2004 – 28 February 2005 for Bang & Olufsen a/s

- The third quarter recorded an 11% growth in turnover – from DKK 948 million last year to DKK 1,048 million. The Group's turnover for the first three quarters was DKK 2,770 million against DKK 2,656 million for the same period last year.
- Profit from ordinary operations before tax for the first three quarters was DKK 278 million against DKK 271 million last year. Operations developed positively, but a lower net capitalisation level relating to development projects affected the result negatively by DKK 40 million.
- As planned, the Group launched a range of new products during the third quarter. In addition to the new LCD flat screen TV, BeoVision 7-32, the digital hard disk recorder, HDR 1, was launched in January followed by the new 65" plasma TV, BeoVision 4-65 in February. The plasma TV, BeoVision 4-37, was launched in the US market.
- Positive growth in turnover in, inter alia, Germany, Denmark and Switzerland while the UK experienced reduced traffic in the shops and, therefore, a minor decrease in turnover.
- The development of the CarFi system for Audi A8 is proceeding on schedule towards the launch date in September 2005. Sales within automotive remain positive.
- Medicom again posted increasing turnover and operating profit.
- In view of the realised result, the Group maintains its expectations for profit from ordinary operations before tax for the year in the region of DKK 360-390 million based on a moderate growth in turnover.

Jørgen Worning  
Chairman

Torben Ballegaard Sørensen  
President, CEO

**Main figures – Bang & Olufsen a/s – the Group (unaudited)**  
(DKK million)

**1/6 - 28/2**

	<b>2004/05</b>	<b>2003/04</b>
<b>Net turnover*</b>	2,769.9	2,655.8
<b>Gross profit*</b>	1,296.4	1,211.7
<i>Gross margin</i>	46.8	45.6
<b>Operating profit</b>	278.5	273.3
Financial items, net	<u>(0.1)</u>	<u>(1.9)</u>
<b>Profit from ordinary operations before tax</b>	278.4	271.4
Tax on ordinary profit**	<u>(93.1)</u>	<u>(72.1)</u>
<b>Profit for the period after tax</b>	185.3	199.3
Of which minority interests	<u>0.2</u>	<u>0.3</u>
<b>Profit for the period, Bang &amp; Olufsen a/s' share</b>	<u>185.5</u>	<u>199.6</u>

<b>Balance sheet information</b>	<b>28/2 05</b>	<b>29/2 04</b>
Equity	1,661.2	1,588.1
Assets	2,755.4	2,658.6
Assets, excluding liquid funds	2,132.6	2,090.2

<b>Development in equity</b>		
Equity as at June 1	1,651.9	1,551.1
Repurchase of own shares	(105.5)	(95.9)
Dividend paid	(86.7)	(94.0)
Dividend, own shares	3.2	9.1
Sale of own shares	4.8	10.8
Capital increase for employee shares	6.4	3.6
Exchange rate adjustment of investment in subsidiaries	1.3	3.8
Change in fair value, derivative financial instrument	0.3	-
Retained earnings	<u>185.5</u>	<u>199.6</u>
<b>Equity as at February 28</b>	<u>1,661.2</u>	<u>1,588.1</u>

<b>Cash flow</b>	<b>2004/05</b>	<b>2003/04</b>
Cash flow from operating activities	498.5	477.7
Cash flow from investing activities	(148.4)	(156.1)
Cash flow from financing activities	<u>(200.3)</u>	<u>(198.2)</u>
<b>Cash flow for the period</b>	<u>149.8</u>	<u>123.4</u>

\* According to the Danish accounting guideline 22 cash discounts are set off against turnover and cost of sales. As a consequence the figures for 2003/04 have been changed accordingly.

\*\* Corporation tax has been calculated as the share of the financial year's expected tax liability relating to the result for the 9 months. The corporation tax for 2003/04 was positively affected by DKK 23 million as a result of debt conversion of outstandings with the US subsidiary.

Parentheses denote negative figures or amounts to be deducted.

## Comments to the development in the period

### Bang & Olufsen a/s

The Bang & Olufsen a/s Group recorded a turnover of DKK 2,770 million against DKK 2,656 million last year. This equates to an advance of DKK 114 million or 4%. Turnover was marginally affected by changes in exchange rates.

The branded business achieved an external growth in turnover of DKK 84 million while in the non-branded business Bang & Olufsen Medicom a/s achieved an advance of DKK 24 million and Bang & Olufsen ICEpower a/s recorded an advance of DKK 6 million.

Turnover for the 3<sup>rd</sup> quarter was DKK 1,048 million against DKK 948 million the previous year. This corresponds to an advance of DKK 100 million or 11%. The new LCD-TV, BeoVision 7-32, has significantly contributed to the growth in turnover.

For the three quarters the Group's gross margin was 46.8%. As, in the same period last year, the figure was 45.6%, this is an improvement of 1.2 percentage points. As expected in the third quarter alone, the Group's gross margin declined due to the product mix by 1.3 percentage points - from 48.2% to 46.9%.

Development costs are recognised in the profit and loss account at DKK 279 million against DKK 217 million last year. This equates to an overall increase of DKK 62 million. This represents a combination of increased injection of resources for the development area of DKK 22 million and lower net capitalisation of development costs of DKK 40 million.

The lower net capitalisation level for the period is a consequence of the current accounting policies under which there is no capitalisation development costs during a project's initial phase. Consequently, the costs relating to a range of new development projects concerning future, digital platforms have not been capitalised. Moreover, following the launches in the TV segment some development resources have been transferred to new projects, where capitalisation begins in later quarters. Finally, net capitalisations were affected by impairment losses of DKK 10 million within tube TVs in that these will be phased out at a faster rate than planned.

Despite the substantially lower net capitalisation level, profits from ordinary operations before tax totalled DKK 278 million against DKK 271 million for the same period last year, i.e. an improvement of DKK 7 million. Profits after tax were DKK 185 million against DKK 200 million last year.

The period showed a positive cash flow of DKK 150 million against DKK 123 million last year. Of the DKK 150 million, DKK 115 million can be attributed to the item, corporation tax, where DKK 63 million was paid in the first three quarters of the 2003/04 financial year, while in the first three quarters of the 2004/05 financial year, there was a net repayment of DKK 52 million.

## Branded business

The branded business recorded a turnover of DKK 2,645 million against DKK 2,561 million for the same period last year. This is an advance of DKK 84 million or 3%.

Profits from ordinary operations before tax were DKK 275 million against DKK 292 million for the same period last year. This represents a decline of DKK 17 million or 6%. Turnover for the 3rd quarter totalled DKK 995 million against DKK 909 million last year, an advance of DKK 86 million and an increase of 9%. Profits from ordinary operations before tax for the 3rd quarter were DKK 127 million against DKK 163 million last year equating to a decline of DKK 36 million. The decline is owing to the previously mentioned lower gross margin for the quarter and the decline in net capitalisations.

## Development in the markets

*Percentage changes are calculated in local currency*

The Group's expectations for growth in turnover for the third quarter were met partly due to the quarter's product launches and partly because of satisfactory growth in several markets.

Development in the most important markets was as follows:

- In the 3rd quarter, Germany achieved a highly satisfactory sales increase of 24%, i.e. DKK 23 million. Germany, therefore, recorded accumulated growth for the year of 5% with an overall turnover of DKK 305 million against DKK 290 million last year. This growth, which is partly due to a stronger sales effort in individual shops and partly to the restructuring of the distribution in previous periods, primarily derives from the B1 segment, which recorded 23% growth in shops which have been operating for at least 24 months. In the third quarter, the B1 segment accounted for 55% of the total turnover against 47% in the same period last year. The shop in shop segment recorded a 5% increase.
- After several quarters of negative trends, the Swiss market recorded an advance of 38% for the third quarter, i.e. DKK 21 million. Over the last three quarters, Switzerland saw an accumulated increase in turnover of 13% from last year's DKK 153 million to DKK 175 million this year, particularly as a result of increased turnover in the shop in shop segment.
- The efforts to raise the quality of the Danish distribution were met with good results supported by strong demand in the Danish market. The Danish market advanced 19% in the 3rd quarter, i.e. by DKK 23 million. Accumulated, this is an increase of 8% corresponding to DKK 29 million. The year's first three quarters produced a turnover of DKK 381 million against DKK 352 million last year of which B1 shops account for an increasing share. In the third quarter, turnover from B1 shops accounted for 50% of the total turnover in Denmark, increasing by 29% on last year.

- 3rd quarter turnover in the UK was 5% down on the same period last year. For the first three quarters, turnover was DKK 416 million against 434 million last year. The level of customer-focused activity in shops remains high, but traffic has declined significantly.
- The Group maintains its focus on improving operations and turnover in the US and achieved a breakeven result compared to a loss of DKK 15 million last year.

### Product launches

In the third quarter, Bang & Olufsen, as planned, launched a range of new products.

In December, the new 32" LCD, BeoVision 7-32 rolled out in Europe, the Middle East and parts of Asia one month ahead of schedule. In conjunction with the new loudspeaker, BeoLab 7-1, BeoVision 7-32 has achieved a unique combination of picture and sound, which sets new standards for the TV industry.

January saw the launch of the new hard disk recorder, HDR 1, which offers many hours of TV recording and the option to timeshift ongoing transmissions. HDR 1 is a digital recorder with a built-in hard disk, which can store video recordings in a very high quality.

In February, Bang & Olufsen launched its largest ever flat screen TV, the 65" BeoVision 4-65. BeoVision 4-65 provides an impressive cinema experience in the home, which is further strengthened through the new BeoLiving concept offering complete integration and control of light and surroundings.

Also in February, Bang & Olufsen launched a 37" plasma TV in the BeoVision 4 family for the American market. The product has been on sale in Europe since November 2004.

BeoLink Media, which integrates the PC technology within the Bang & Olufsen system, is being rolled out in selected markets in tandem with the implementation of a special training programme for sales and service personnel.

All launches mentioned above have been well received by the markets.

As expected, the current shift from tube to flat screen TVs is considerable. It is encouraging to note that sales of new flat screen products have more than compensated for the expected downturn in sales of traditional tube TVs.

### **Distribution development**

New B1 shops were opened during the 3rd quarter, particularly in Italy and the UK. This brings the number of new B1 shops to 47 over the past 9 months whereas 48 B1 shops were closed. At the end of the period Bang & Olufsen had 641 B1 shops against 642 at the beginning of the financial year.

At the time of the publication of this announcement, Bang & Olufsen has 653 B1 shops, an increase of 11. A further approx. 20 shops are expected to open before the end of the financial year.

In keeping with the ongoing quality enhancement of the distribution, the number of shop in shop outlets was reduced to 629 against 670 at the beginning of the year and 671 at this time last year.

### **New business development – co-operation with Audi**

During the Geneva Car Show on 1 March 2005, Bang & Olufsen stated that the previously announced partnership with a car manufacturer concerns the German car maker Audi. Bang & Olufsen and Audi have joined together in developing a unique "Bang & Olufsen Advanced Sound System" for high-end vehicles. Initially, the new system will be available for the Audi A8.

The sound system will be launched at the Frankfurt Motor Show in September and shortly afterwards, the first customers will be able to order a Bang & Olufsen sound system for this model.

The sound system, which comprises a total of 14 carefully adjusted loudspeakers, is based on integrated ICEpower amplifier technology with an effect of more than 1,000 watts. Combined with the lens loudspeaker technology, this offers a unique sound experience so far unavailable in cars.

A range of sales activities focused on new products is maintained.

### **Production development**

The establishment of production in the Czech Republic is proceeding as planned. At the end of the 3rd quarter, the factory in Koprivnice employed a workforce of 68, a number that is expected to increase further over the next few months so that, at the end of May, the factory will employ 80 people. In early April, the construction of the new factory, which is expected to be commissioned early in 2006, will begin.

## Non-branded business

### Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom a/s recorded a turnover of DKK 124 million in the first three quarters. This is an improvement of DKK 24 million on last year when turnover was DKK 100 million.

Profits from ordinary operations before tax were DKK 5 million against a loss for the same period last year of DKK 18 million. This equates to an advance of DKK 23 million.

The advance primarily derives from three factors. First, there is substantial activity within the development of inhalators for leading pharmaceutical companies. Secondly, Medicom received a fair number of orders relating to the production of other types of medical dosing systems. Last but not least, certain partnership agreements in respect of "The Helping Hand" tablet dispenser have been signed.

In March, The Helping Hand was awarded the iF Design Award 2005, which is presented by International Forum Design in Hannover.

### Bang & Olufsen ICEpower a/s

Turnover for Bang & Olufsen ICEpower a/s was DKK 33 million for the period under review against DKK 25 million last year. This equates to growth in turnover of DKK 8 million, which mainly derives from the Group's external turnover, which increased by DKK 6 million.

Substantial resources continue to be invested in the development of technological platforms and solutions targetted at individual customers. In addition, the partner and licence business developed as planned. One example of this is Sanyo's launch of an ICEpower based amplifier chip in the component market in the last quarter. The partnership with Samsung regarding the application of ICEpower technology in parts of Samsung's product portfolio is developing positively.

## Expectations for the financial year

### Turnover and result

The expectations for an advance in turnover for the third quarter were met. The advance can be particularly attributed to the planned launch of new products. As mentioned above, profits from ordinary operations before tax for the period were negatively affected by a lower than expected net capitalisation level in respect of development projects.

The positive sales momentum created by the new LCD-products is expected to continue in the fourth quarter. A range of new product launches was implemented in the fourth quarter last year, while no launches are planned for the fourth quarter this year. Consequently, turnover for this quarter is expected to be slightly above or on level with the fourth quarter last year.

The significant transition from tube to flat-screen TVs continues. At the same time the strong emphasis on TV products in the product mix will mean that the gross margin in the fourth quarter will be lower than for the same period last year.

The result for the quarter is expected to be positively affected by a greater volume of capitalised development costs.

In the 2003/04 Annual Report, the Group expressed its expectations for the current financial year as follows:

" On the background of a moderate growth in turnover, the Group expects pre-tax profits in the region of DKK 360-390 million, which holds the three-year objective of 10-15% annual growth in earnings."

On the basis of the realised profit for the period, the Group maintains the above-mentioned expectations.

### Annual General Meeting 2005

Bang & Olufsen a/s' Annual General Meeting will be held on Wednesday, 28 September 2005 and not as previously announced on Friday, 23 September 2005.

## Appendix 1

### Interim report For the period 1/6 2004 to 28/2 2005

(DKK million)	Branded business	Non-branded business			B&O a/s Group
	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	
Net turnover	2,644.8	123.7	33.4	(32.0)	2,769.9
Internal turnover	<u>(20.8)</u>	<u>(1.2)</u>	<u>(10.0)</u>	<u>32.0</u>	<u>0.0</u>
External turnover	<u>2,624.0</u>	<u>122.5</u>	<u>23.4</u>	<u>0.0</u>	<u>2,769.9</u>
Operating profit/(loss)	272.7	6.6	(0.8)	-	278.5
Profit/(loss) from ordinary operations before tax	275.0	4.8	(1.4)	-	278.4

### Interim report For the period 1/6 2003 to 29/2 2004

(DKK million)	Branded business	Non-branded business			B&O a/s Group
	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	
Net turnover	2,561.2	100.2	24.7	(30.3)	2,655.8
Internal turnover	<u>(21.2)</u>	<u>(1.4)</u>	<u>(7.7)</u>	<u>30.3</u>	<u>0.0</u>
External turnover	<u>2,540.0</u>	<u>98.8</u>	<u>17.0</u>	<u>(0.0)</u>	<u>2,655.8</u>
Operating profit/(loss)	291.6	(16.5)	(1.8)	-	273.3
Profit/(loss) from ordinary operations before tax	292.0	(18.5)	(2.1)	-	271.4

Parentheses denote negative figures or amounts to be deducted.

## Appendix 2

### Turnover Branded Business

(DKK million)	Turnover 1/6 -28/2		Growth in local currency
	2004/05	2003/04	
United Kingdom	416	434	(5) %
Denmark	381	352	8 %
Germany	305	290	5 %
USA	207	214	4 %
Holland	183	149	22 %
Switzerland	175	153	13 %
Spain/Portugal	141	149	(5) %
Italy	131	131	0 %
France	126	135	(7) %
Asian markets, excl. Japan	123	128	(3) %
Expansion Markets	103	98	5 %
Sweden	80	82	(2) %
Belgium	61	58	4 %
Norway	48	48	(2) %
Japan	44	43	5 %
Austria	42	37	14 %
Enterprise*	27	10	162 %
Telephone distribution	19	27	
Other	12	2	
Turnover to non-branded business	<u>21</u>	<u>21</u>	
Total branded business	<u>2.645</u>	<u>2.561</u>	

\* Enterprise handles the turnover to the hotel business.

### Distribution development

Shop segment	Number of shops per 28/2-05	Number of shops per 1/6-04	Change during the period 1/6-04 – 28/2-05	Share of turnover per segment
B1	641	642	(1)	72 %
Shop in shop	629	670	(41)	25 %
Other	<u>141</u>	<u>215</u>	<u>(74)</u>	<u>3 %</u>
Total	<u>1.411</u>	<u>1.527</u>	<u>(116)</u>	<u>100 %</u>

Definitions of shop segments:

B1	Shops, which are dedicated retailers of Bang & Olufsen products.
Shop in shop	Shops with a dedicated sales area for Bang & Olufsen products.
Other	Shops without a dedicated sales area for Bang & Olufsen products.

Parentheses denote negative figures.

## Appendix 3

### Specifications

#### Bang & Olufsen a/s – the Group (DKK million)

	2004/05	2003/04
<b>Development costs</b>		
Expensed development costs before capitalization	283.2	261.5
Of which capitalized	(69.6)	(100.1)
Amortization and write-downs of development projects	<u>65.1</u>	<u>55.2</u>
Development costs included in the Profit and Loss account	<u>278.7</u>	<u>216.6</u>
<b>Financial income</b>		
Interest income from banks	5.4	5.5
Exchange rate gains, net	5.1	5.4
Other financial income	<u>6.3</u>	<u>6.7</u>
	<u>16.8</u>	<u>17.6</u>
<b>Financial costs</b>		
Interest on bank loans	7.4	8.9
Interest on mortgage loans	6.0	6.9
Other financial costs	<u>3.5</u>	<u>3.7</u>
	<u>16.9</u>	<u>19.5</u>

Parentheses denote negative figures.