

Copenhagen Stock Exchange  
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Translation

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**Interim report for the period June 1, 2000 – February 28, 2001 for  
Bang & Olufsen a/s**

- Turnover for the three first quarters was DKK 2,905 million. This is DKK 124 million, 4 per cent, above the same period last year.
- After investments of DKK 30 million in new business areas, the ordinary result before tax was DKK 214 million. This is DKK 37 million less than the previous year.
- The slump in the American market has spread to several traditionally high growth markets in Europe and has adversely impacted on the result for the quarter. The result for the third quarter was DKK 79 million against DKK 118 million last year.
- Nevertheless, turnover for Bang & Olufsen AudioVisual increased during the first 9 months from DKK 2,569 million to DKK 2,696 million, i.e. an increase of DKK 127 million or 5 per cent. Sales of audio-video products rose by approx. DKK 200 million, or 9 per cent, while sales of telephones fell by DKK 76 million or 30 per cent.
- Operating profit for Bang & Olufsen AudioVisual increased from DKK 219 million to DKK 234 million compared to the same period last year.
- The high level of investment in new business areas, distribution and market development will be maintained.
- Bang & Olufsen PowerHouse has commenced cooperation with Sony and Sanyo. Sanyo is one of the world's largest suppliers of amplifiers.
- A pre-tax result for ordinary operations of between DKK 250-270 million is expected for the full year. This is after investments of between DKK 40-50 million in new business areas.

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Chairman

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**Main figures - Bang & Olufsen a/s - the Group (non audited)**  
(DKK million)

**1/6-2000 - 28/2-2001**

	<b>2000/01</b>	<b>1999/00</b>
Net turnover	2,905	2,781
Operating profit	253	269
Result from ordinary operations in associated company	2	1
Financial items	(41)	(19)
Result from ordinary operations before tax	214	251
Tax on ordinary result	(72)	(83)
Ordinary result after tax	142	168
Extraordinary items	-	20
Result for the period	142	188

Parentheses denote negative figures or amounts to be deducted.

Corporation tax is calculated as the share of the financial year's expected tax liability relating to the result for 9 months.

The result from ordinary operations before tax of DKK 214 million is apportioned between the following companies:

Bang & Olufsen AudioVisual a/s	188	192
Bang & Olufsen Telecom a/s	9	38
Bang & Olufsen Medicom a/s	17	23
Bang & Olufsen New Business a/s	(3)	4
Bang & Olufsen a/s <sup>*)</sup>	3	(6)

<sup>\*)</sup> excl. Bang & Olufsen AudioVisual a/s, Bang & Olufsen Telecom a/s, Bang & Olufsen Medicom a/s and Bang & Olufsen New Business a/s

<b>Balance sheet information</b>	<b>28/2-01</b>	<b>29/2-00</b>
Equity capital	1,191	1,119
Assets	2,327	2,251
Assets, excl. liquid assets and securities	2,220	1,983

The accounting practice is unchanged from previous years.

### Development in equity capital

Equity capital as at 1/6 2000	1,058
Exchange rate adjustment for investment in subsidiaries	(4)
Appreciation of own shares for anniversary bonus	24
Value own shares for anniversary bonus	(24)
Write-down own shares	(10)
Dividend own shares	5
Profit after tax carried forward	<u>142</u>
Equity capital as at 28/2 2001	<u>1,191</u>

The cost of own shares acquired is deducted directly from the group's equity capital.

### Notes on the development for the past three quarters

#### Bang & Olufsen a/s (formerly Bang & Olufsen Holding a/s)

In the three first quarters of 2000/01, Bang & Olufsen a/s' turnover was DKK 2,905 million against DKK 2,781 million for the same period last year. This represents an increase of DKK 124 million or 4 per cent.

In the same period, operating profit fell from DKK 269 million to DKK 253 million.

Ordinary result before tax totalled DKK 214 million, i.e. DKK 37 million less than the previous year. This is primarily attributable to the following three factors:

- Increasing decline in international markets.
- Losses deriving from setting up own retail shops in the US in a weakening market.
- A significant fall in the sale of telephones.

The market decline began in US in December and is now impacting on the entire retail sector. Even so, by the end of January, both turnover and result for Bang & Olufsen a/s were on a par with last year. The market decline subsequently spread to a number of other markets, including Bang & Olufsen's traditionally high growth markets of Italy and Spain. The traditionally large markets of Germany and Denmark also continue to be affected.

As planned, distribution and marketing costs rose during the period, i.e. by DKK 64 million or 12 per cent. A significant part of this investment is accounted for by the long-term strategic initiatives in the US market and in the Japanese subsidiary.

## **Bang & Olufsen AudioVisual a/s**

Turnover for Bang & Olufsen AudioVisual a/s was DKK 2,696 million compared to DKK 2,569 million for the same period last year. This represents an increase of DKK 127 million or 5 per cent.

On the backdrop of general market developments, sales of audio-video products developed satisfactorily. Sales during the first nine months of the financial year increased by approx. DKK 200 million, i.e. a rise of 9 per cent. However, sales of telephones through AV distribution were clearly unsatisfactory with a 30 per cent fall.

Operating profit improved from DKK 219 million to DKK 234 million.

The ordinary result before tax was DKK 188 million compared to DKK 192 million in the first three quarters in 1999/00.

### **Developments in major markets**

#### **USA**

Turnover in US rose by 25 per cent compared to the same period last year which should be characterised as satisfactory. In view of

- recent years' highly positive development in the US economy,
- Bang & Olufsen's investments in new, specially developed products for the US market
- as well as the investments in the retail organisation

the budget had provided for even higher growth. The fact that this failed to materialise is exclusively due to the general decline in the US economy which began to have an impact in December last year. The decline has continued and sales for February were substantially below budget. During the start-up phase, a small operating loss from our own US retail shops had been expected. However, the weakening of the US economy has, at the end of the first 9 months of the financial year, resulted in a loss on own retail activities in the region of DKK 10 million.

On the background of the rise in turnover and the long-term expectations for the US market, a high investment level will be maintained in own and joint-venture owned shops.

#### **Japan and Expansion Markets**

In Japan and Expansion Markets, turnover for the first 9 months was significantly above the same period last year. Substantial investments have been made in long-term, strategic initiatives for the Japanese market where developments are particularly positive.

### **Europe**

The slump in the US market has now also begun to affect the European market – especially markets which have traditionally been high growth markets for Bang & Olufsen. This particularly applies to Italy, Spain and Holland which, in recent years, have shown annual growth rates of between 10 and 25 per cent. The slackening in the market was particularly noticeable in February when sales were below last year's level.

Developments in Denmark and Germany are – as is the case with the retail sector in general – unsatisfactory with turnover down 15 and 3 per cent respectively. The dedicated Bang & Olufsen shops continued to advance – 12 per cent in Denmark and 6 per cent in Germany. However, the advancement does not counterbalance declining sales in the multibrand shops where consumers tend to go for cut-price products.

France, UK and Switzerland continue to show satisfactory sales.

### **Distribution**

At the close of the third quarter, there was a total of 507 B1 shops worldwide (100 per cent Bang & Olufsen). As at the end of March, 81 new B1 shops had been opened during the financial year. Bang & Olufsen thus maintains the budgeted expansion rate for B1 shops.

Turnover in B1 shops increased by 5 per cent compared to the same period last year.

### **Bang & Olufsen Telecom a/s**

Bang & Olufsen Telecom a/s continues to show a substantial and unsatisfactory fall in turnover as well as result.

Turnover fell by 30 per cent from DKK 270 million to DKK 190 million and the result was DKK 9 million against DKK 38 million last year.

A characteristic of this market is that the increase in turnover is dependent on a continuing flow of newly developed and newly designed products. Accordingly, the delayed launch of BeoCom2 has had a significantly negative effect on turnover and the extended development process has proved to be more costly than expected. Originally scheduled for launch in November 2000, BeoCom 2 will now be launched in May this year.

Launched early in April 2001, BeoCom 3 is an ISDN telephone with renowned Bang & Olufsen functionality. The product is targeted for the

home and small business users.

Bang & Olufsen Telecom a/s sells 75 per cent of its products through A/V distribution, while 25 per cent is sold through professional teledistribution in Denmark and Holland.

### **Bang & Olufsen Medicom a/s**

Turnover for the first three quarters was DKK 150 million against DKK 143 million for the same period last year. The result of ordinary operations was DKK 17 million compared to DKK 23 million last year. Last year, a DKK 3 million profit contribution from Ericsson DiAx was included in the result for the period.

As the partnership with strongly positioned partners such as Novo Nordisk Healthcare and AstraZeneca continues to develop, the planned growth rates for Bang & Olufsen Medicom are being maintained.

### **Bang & Olufsen MultiMedia a/s**

The company's first offering in respect of music in a digital world was launched under the name BeoPlayer on [www.bang-olufsen.com](http://www.bang-olufsen.com) in April this year. During the summer, an expansion of the BeoLink system will be launched in which the PC will be an integral part.

Plans continue for the launch of new software and hardware products during the coming financial year. These include loudspeakers and an mp3-man, which is a portable product that exploits the BeoPlayer concept.

### **Bang & Olufsen PowerHouse ApS**

Since moving to Lyngby in January 2001, PowerHouse has doubled its R&D resources. A further doubling, which will also cover sales and marketing resources, is expected by mid-2001. This will enable PowerHouse to strengthen its development of ICEpower technology platforms and to provide for the maturing of existing platforms and development of new products.

PowerHouse has now started taking orders for the series of ICEpower amplifiers ranging from 250W through 500W and to 1000W plus variants and an order book is currently being built up. Supplies will begin in April/May. Design-in of the products has already taken place

with several customers in both the professional audio market segment and in the home audio market. In the latter category Sony has selected the ICEpower technology for its sub-woofers.

Sales and marketing initiatives of the current catalogue products and turnkey system solutions are primarily directed at the Japanese and US markets.

On the partner side, a declaration of intent has been signed with Sanyo Electric Co. Ltd. for a cooperation covering design, development, production, marketing and sales of integrated and hybrid amplifiers based on ICEpower technology. PowerHouse supplies technology, development support know-how and patent rights (IPR) in return for a royalty per unit manufactured. Sanyo, one of the world's largest suppliers of hybrid and integrated amplifiers based on conventional technology, is responsible for LSI (Large Scale Integration) and hybrid design, production and primary marketing and sales of the products. Through the joint marketing of the two brands, Sanyo and ICEpower, the intention is to create a strong constellation with regard to new amplifiers for the mass market (between a few watt and a couple of hundred watts). Contract is being prepared.

### **Expectations for the full year**

On a background of the decline in a number of major markets and the uncertainties concerning the downturn's duration and extent, Bang & Olufsen expects a pre-tax result for the full year of between DKK 250 and 270 million. This is after investments of between DKK 40-50 million in new business areas.