

Copenhagen Stock Exchange
Nikolaj Plads 6
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Struer, October 10, 2003

**Interim report for the period June 1 – August 31, 2003 for
Bang & Olufsen a/s**

- As stated in the expectations set out in the 2002/03 Annual Report, turnover for the first quarter is lower than that of the previous year, which included substantial launch volumes. This, however, was not the case in this year's first quarter.
- The Group's turnover for the first quarter totalled DKK 643 million against DKK 887 million for the same period last year, i.e. a decrease of DKK 244 million, or 28%.
- Excluding the impact from foreign exchange rates and launch changes, the decline in sales in the core business is approximately 10% compared to the same quarter last year.
- The Group's gross profits increased to 42.4%, which is 4.0 percentage points above the first quarter last year.
- The ordinary result before tax was a loss of DKK 36 million against a loss of DKK 9 million for the same period last year.
- On the basis of the realised result for the first quarter as well as the development in September the Group maintains its expectations for a very modest growth in turnover and pre-tax profits in the region of DKK 300 - 330 million.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

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

1/6-31/8 2003

	2003/04	2002/03
Net turnover	642.7	886.8
Operating result	(45.0)	(3.0)
Financial items, net	<u>9.4</u>	<u>(5.6)</u>
Result from ordinary operations before tax	(35.6)	(8.6)
Tax on ordinary result	<u>10.1</u>	<u>(5.5)</u>
Result for the period after tax	(25.5)	(14.1)
Of which minority interests	<u>0.1</u>	<u>-</u>
Bang & Olufsen a/s' share of the result for the period	<u>(25.4)</u>	<u>(14.1)</u>

Corporation tax has been calculated as the share of the financial year's expected tax liability relating to the result for the 3 months.

Balance sheet information	31/8 03	31/8 02
Equity	1,463.8	1,395.6
Assets	2,483.4	2,532.8
Assets, excluding liquid funds	2,104.6	2,326.2

Development in equity	2003/04	2002/03
Equity as at June 1	1,551.1	1,406.0
Repurchase of own shares	(60.5)	-
Exchange rate adjustment of investment in subsidiaries	0.2	2.8
Equity adjustments in subsidiaries	(1.6)	0.9
Retained earnings	<u>(25.4)</u>	<u>(14.1)</u>
Equity as at August 31	<u>1,463.8</u>	<u>1,395.6</u>

Parentheses denote negative amounts or amounts to be deducted.

Notes to the development in the first quarter

Bang & Olufsen a/s

First quarter turnover for the Bang & Olufsen a/s Group was DKK 643 million against 887 million in the first quarter of last year, i.e. DKK 244 million, or 28%, lower.

The decline is primarily owing to the following factors:

- Turnover for the first quarter last year included launch volumes of the plasma TV, BeoVision 5, of approximately DKK 100 million. The first quarter of the current year saw no appreciable launch volumes.
- Foreign exchange rate developments particularly in USD and GBP had a negative turnover effect of DKK 31 million.
- Turnover in Southern and Central Europe was, in general, unusually low for the summer season.
- Turnover for Bang & Olufsen Medicom a/s was DKK 42 million below first quarter last year.

The ordinary loss before tax was DKK 36 million against a first quarter loss of DKK 9 million last year. The loss after tax was DKK 25 million against a loss of DKK 14 million last year.

The effect of the decline in turnover was, to some extent, offset by continuing tight cost restraints and an improvement in gross margin from 38.4% to 42.4%. This is 0.2 percentage points above the previous full-year level.

Cash flow for the period was negative at DKK 66 million after purchase of own shares of DKK 60 million.

Branded business

First quarter turnover for the Group's branded business was DKK 621 million against DKK 824 million last year. This equals a decrease of DKK 203 million.

In spite of this, the ordinary loss before tax for the branded business was limited to DKK 22 million against a loss of 5 million last year, i.e. a decrease of DKK 17 million.

Developments in the markets

Last year, the first quarter was significantly affected by large launch volumes of BeoVision 5 in all markets, whereas this year saw no first quarter launches that significantly contributed to activity or turnover. In addition, as previously mentioned, all markets were affected by unusually low activity.

The Central European region which comprises Germany, Austria and Switzerland, achieved turnover of DKK 125 million, i.e. DKK 58 million less than last year. To a significant extent, this is due to the ongoing quality improvements in the German distribution. The Group has terminated its agreements with 210 multi-brand dealers who have been offered the opportunity to upgrade to shop-in-shop. 60 dealers have decided to choose this option. The economic slowdown in Switzerland continues unabated.

The Dutch market remains very weak with turnover for the first quarter at DKK 32 million, i.e. DKK 38 million below last year's level. Besides a general consumer slowdown, the market is also characterised by significant demand for flat-screen products.

The Danish market, too, saw a year-on-year decline in turnover, i.e. DKK 80 million against DKK 94 million last year. The same applies to Spain/Portugal, which recorded a decrease in turnover from DKK 49 million last year to DKK 37 million. In Italy, turnover fell by DKK 21 million to DKK 14 million. This, however, should be seen in the light of a close to doubled turnover in the first quarter last year.

The Swedish and Japanese market both advanced (measured in local currency), while (in local currency) the UK market was marginally below last year.

In the US market, Bang & Olufsen managed to maintain turnover (in local currency) on a par with last year. In the first quarter, the Group suffered losses of DKK 9 million against losses of DKK 26 million last year. Of this, however, DKK 12 million was non-recurring expenditure. The operating loss for the first quarter was, therefore, reduced by DKK 5 million – from DKK 14 million to DKK 9 million – compared to the first quarter last year.

Product launches

The end of the first quarter saw the first deliveries of BeoLab 5. The new product has received an enthusiastic response from customers, retailers and acoustics experts alike. The Group has high expectations for future sales of BeoLab 5.

Distribution development

At the end of the first quarter, the number of B1 shops worldwide totalled 638 against 627 in the first quarter last year and 635 at the end of 2002/03. The quarter saw the continuation of last year's efforts to further develop the distribution parallel with an intensive quality assessment of the existing B1 shops. This resulted in the opening of 15 new shops while 5 shops were upgraded to become B1. 14 shops were closed and 3 downgraded so that the net increase in B1 shops for the quarter amounted to 3.

The B1 shops' share of the turnover now stands at 72% against 62% in the first quarter last year and 66% at the end of last year.

The number of shop in shops was 651 at the end of the quarter, i.e. a decrease of 16 shops for the quarter and 27 fewer than the corresponding period last year. Shop in shop solutions now account for 21% of the turnover against 24% last year.

Non-branded business

Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom achieved a turnover of DKK 24 million in the first quarter against a first quarter figure of DKK 66 million last year, i.e. a decrease of DKK 42 million.

The development continues to be the result of significantly lower order levels from Bang & Olufsen Medicom's largest customer. Medicom's structure and capacity continue to be adjusted to current activity levels.

Bang & Olufsen Medicom proceeds to develop selected projects with the aim of bringing these into production. The results will, however, not materialise until subsequent financial years.

Bang & Olufsen ICEpower a/s

Bang & Olufsen ICEpower is developing in line with expectations, but continues to impact the Group's result for the first quarter with a small loss of DKK 1 million.

During the quarter, Bang & Olufsen ICEpower signed a material development contract with a substantial supplier of consumer electronics.

Expectations for the financial year

Historically, turnover during the summer months is lower than the rest of the year and, therefore, is not indicative of the peak season.

As previously announced, the current financial year will see a substantial number of new launches. Besides BeoLab 5 these are:

- BeoVision 3 - 28, a 28" version of the tabletop TV BeoVision 3.
- BeoVision MX 4200, a technological update within the classic MX-family.
- BeoCenter 2, a new AV-center product.
- BeoVision 6, a 22" LCD TV.
- BeoCom1, a two line telephone for the US market.
- BeoLab 3, a compact, highly advanced loudspeaker.

These product launches have been received enthusiastically and we expect them to contribute to a satisfactory turnover following the weak start to the year in some important markets.

Some of the launches planned for the autumn are proceeding slightly slower than scheduled. For the year as a whole, the planned launch volumes are expected to be fully realised.

The efforts to strengthen the Group's profitability continue and the planned improvements are expected to be achieved.

In the Annual Report we expressed our expectations for the current financial year in this way:

" The Group will maintain its profitability-oriented focus and expects, on the basis of a very moderate increase in turnover, earnings for the full year of between DKK 300 and 330 million before tax. This interval holds the Group's three-year objective as stated in the Stock Exchange announcement of April 17, 2002 for an annual growth in earnings of between 10% and 15%."

As anticipated, sales at the beginning of the financial year were somewhat weaker than last year. Based on the realised result for the first quarter and the development in September, the Group maintains its expectations for the full year of earnings in the region of DKK 300 – 330 million before tax.

Appendix 1

**Interim report
for the period 1/6 to 31/8 2003**

(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	
Turnover	621.0	24.0	7.0	(9.3)	642.7
Operating result	(37.1)	(11.9)	(0.6)	4.6	(45.0)
Result from ordinary operations before tax	(22.2)	(12.7)	(0.7)	-	(35.6)

**Interim report
for the period 1/6 to 31/8 2002**

(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	
Turnover	824.4	65.9	6.0	(9.5)	886.8
Operating result	(5.7)	1.9	(4.5)	5.3	(3.0)
Result from ordinary operations before tax	(5.2)	0.9	(4.3)	-	(8.6)

Parentheses denote negative figures or amounts to be deducted.

Appendix 2

Turnover, branded business

(DKK million)	Turnover 1 quarter 2003/04	Growth in local currency
AudioVisual distribution:		
United Kingdom	108	(5)
Germany	81	(25)
Denmark	80	(14)
USA	63	-
Spain/Portugal	37	(25)
Asian markets, excl. Japan	37	(10)
Switzerland	35	(40)
Holland	32	(54)
France	30	(7)
Expansion Markets	22	(15)
Sweden	18	6
Italy	14	(60)
Japan	13	22
Belgium	12	(44)
Norway	11	(11)
Austria	9	(31)
Other	<u>5</u>	
	607	
Telephone distribution	7	
Inter-group turnover	<u>7</u>	
	<u>621</u>	

Parentheses denote negative figures or amounts to be deducted.

Development in the number of shops

Shop segment	Number of shops <u>per 31/8 03</u>	Change during the period <u>1/6-31/8 03</u>	Share of turnover <u>per segment</u>
B1	638	3	72%
Shop in shop	651	(16)	21%
Other	<u>438</u>	<u>(30)</u>	<u>7%</u>
Total	<u>1,727</u>	<u>(43)</u>	<u>100%</u>

Parentheses denote negative figures or amounts to be deducted.

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.