

Struer, 13 August, 2007

Report for the 2006/07 financial year for Bang & Olufsen a/s

- The Group's profit before tax was DKK 524 million against DKK 431 million last year. This represents an increase of DKK 93 million, or 22 per cent. Previously announced expectations were DKK 490-520 million. The result is based on a turnover of DKK 4,376 million against a turnover in 2005/06 of DKK 4,225 million. The Group's increase in turnover totalled DKK 151 million, or 4 per cent.
- Growth in the branded business for the 2006/07 financial year totalled 6 per cent. The markets in Asia/Pacific recorded two-digit growth figures as did Spain, Norway, Sweden and Belgium. Germany saw growth of 6 per cent while turnover in the UK market was disappointing with a fall of 4 per cent.
- The Group achieved its target of opening net 50 B1 shops as net 52 B1 shops opened during the financial year. Of these, 32 opened in the fourth quarter and therefore had a limited impact on the growth for the year.
- A range of new products was launched during the financial year, including the BeoCenter 6 and BeoVision 9 as well as the BeoLab 9 and BeoVox 1 loudspeakers. The new TV family, BeoVision 8, and BeoVision7 for the USA were delayed, and had no impact on the year's turnover.
- In the Automotive area, turnover for 2006/07 increased from DKK 19 million to DKK 87 million.
- Turnover for Bang & Olufsen ICEpower a/s increased from DKK 100 million to DKK 117 million, and at the same time the company's profit before tax increased by DKK 9 million to DKK 39 million in 2006/07.
- After payment of dividend and share buy-back of DKK 471 million, the cash flow was negative at DKK 346 million.
- The company has a satisfactory financial position, and the Board recommends that a dividend of DKK 20 per share be paid (DKK 16 last year) corresponding to approx. DKK 242 million (approx. DKK 200 million last year) and that a further DKK 200 million will be used for the purchase of own shares during the quarters of the coming financial year.
- Expectations for the 2007/08 financial year are for a turnover growth of approx. 8 per cent so that the turnover reaches DKK 4,700-4,800 million. The operating profit is expected to total DKK 560-590 million, while the profit before tax is expected to increase to DKK 540-570 million.

For further information please contact President and CEO Torben Ballegaard Sørensen, tel: 00 45 96 84 50 00.

Main figures for the Bang & Olufsen a/s Group

Main and key figures for 5 years are shown in appendix 1.

(DKK million)

Main figures for the financial year	2006/07	2005/06
Net turnover	4,375.7	4,225.2
Gross profit	2,037.7	1,944.1
<i>Gross margin</i>	46.6 %	46.0 %
Operatine profit	530.0	438.9
Gain on sale of shares in subsidiaries	11.5	-
Result, associated companies	(1.1)	(1.0)
Financial items, net	(16.0)	(7.2)
Result before tax	524.4	430.7
Tax on ordinary profit	<u>(151.9)</u>	<u>(134.7)</u>
Result for the year	<u>372.5</u>	<u>296.0</u>
Attributable to:		
The parent company's shareholders	367.4	294.0
Minority interests	<u>5.1</u>	<u>2.0</u>
Result for the year	<u>372.5</u>	<u>296.0</u>
Balance sheet information	31/5 2007	31/5 2006
Intangible assets	450.0	356.2
Tangible assets	617.9	667.4
Investment properties	56.4	0.7
Financial assets	<u>125.2</u>	<u>71.2</u>
Total non-current assets	<u>1,249.5</u>	<u>1,095.5</u>
Inventories	694.3	567.4
Receivables	824.8	748.6
Liquid funds	196.4	502.5
Long-term assets classified as held for sale	-	1.1
Total current assets	<u>1,715.5</u>	<u>1,819.6</u>
Total assets	<u>2,965.0</u>	<u>2,915.1</u>
Equity	1,681.9	1,742.1
Non-current liabilities	371.1	408.0
Current liabilities	<u>912.0</u>	<u>765.0</u>
Total equity and liabilities	<u>2,965.0</u>	<u>2,915.1</u>

Parentheses denote negative figures or amounts to be deducted.

Development in equity 1/6 – 31/5	2006/07	2005/06
Equity as at 1 June	1,742.1	1,714.6
Equity and exchange rate adjustments, subsidiaries	1.5	(10.7)
Change in fair value of derivative financial instruments	0.1	-
Issues of employee shares	10.8	11.5
Grant of share options	0.4	5.8
Tax relating to share options	-	<u>6.2</u>
Net income recognised directly in equity	12.4	12.8
Retained earnings	<u>372.5</u>	<u>296.0</u>
Total income	<u>384.9</u>	<u>308.8</u>
Issue of employee shares	-	5.6
Option for minority interest	(3.4)	-
Purchase of own shares	(271.3)	(148.9)
Sale of own shares	18.5	5.3
Dividend paid	(200.2)	(149.0)
Dividend, own shares	<u>11.3</u>	<u>5.7</u>
	<u>(445.1)</u>	<u>(281.3)</u>
Equity as at 31 May	<u>1,681.9</u>	<u>1,742.1</u>
Cash flow, main figures 1/6 – 31/5	2006/07	2005/06
Cash flow from operating activities	530.1	394.6
Cash flow from investment activities	(387.7)	(378.5)
Cash flow from financing activities	<u>(488.0)</u>	<u>(245.5)</u>
Cash flow for the period	<u>(345.6)</u>	<u>(229.4)</u>

Parentheses denote negative figures or amounts to be deducted.

Comments on the development

Advance in both turnover and profit for the year

In the 2006/07 financial year, the Group achieved a turnover of DKK 4,376 million against DKK 4,225 million last year, equating to an increase of DKK 151 million or 4 per cent. The profit before tax totalled DKK 524 million against DKK 431 million last year, i.e. an increase of DKK 93 million, or 22 per cent. The profit before tax includes non-recurring income relating to the sale of the majority of the shares in Bang & Olufsen Medicom a/s of DKK 12 million.

The result is satisfactory and slightly above the recently announced expectations of a profit between DKK 490 and 520 million.

Profit and loss account for 2006/07

The turnover growth was lower than expected, particularly in the fourth quarter. A contributory factor was disappointing sales in the UK and a slower-than-expected development in the Danish market. Sales were also affected by the delayed launch of the BeoVision 8 family and the BeoVision 7 version for the USA. Finally, the majority of the shop openings took place later than expected during the financial year.

The Group's gross margin increased to 46.6 per cent against 46.0 per cent in 2005/06. The improvement is largely owing to a change in the product mix and the successful commissioning of the factory in Koprivnice in the Czech Republic.

The Group has maintained its high level of activity in the development area, where development costs incurred totalled DKK 494 million against DKK 511 million in 2005/06. After the effect of capitalisations, DKK 459 million was expensed compared to DKK 443 million last year. The net capitalisation effect on profits for 2006/07 was positive at DKK 35 million against DKK 68 million the previous year.

Of the DKK 494 million, DKK 429 million was employed within the audio-visual business against DKK 451 million the previous year.

Distribution and marketing costs fell by DKK 10 million, from DKK 920 million to DKK 910 million. Marketing efforts were sustained and the decrease is owing to reduced costs relating to own shops.

Administration costs for the year under review were DKK 139 million against DKK 142 million last year, a modest fall of DKK 3 million.

Operating profit for the 2006/07 financial year was DKK 530 million against DKK 439 million last year, i.e. an increase of DKK 91 million or 21 per cent.

Financial items were negative at DKK 16 million net compared to last year's DKK 7 million. The increase is due, inter alia, to increased net interest payments as a result of the increased payment to the share holders.

The year's effective tax rate, which relates to the Group's Danish as well as foreign companies, was 29 per cent, equating to a tax charge of DKK 152 million. For the 2005/06 financial year, the tax charge was DKK 135 million equating to 31 per cent. Thus, the year's profit after tax was DKK 373 million against DKK 296 million last year.

Danish corporation tax was recognised at 28 per cent equating to the tax rate applicable on 31 May, 2007. On 1 June, 2007 Danish corporation tax was reduced to 25 per cent, which means that recognised tax as well as deferred tax will be reduced by DKK 11 million and DKK 7 million respectively in the first

quarter of the 2007/08 financial year. As a result, there will be an overall recognition of income of DKK 18 million.

Fourth quarter

Turnover for the quarter was DKK 1,089 million against DKK 1,108 million for the fourth quarter last year, equating to a decrease of DKK 19 million. The decrease is owing to the delayed TV launch, shop openings late in the quarter and disappointing sales in the UK.

Seen in isolation, the fourth quarter gross margin was 45 per cent. This represents an improvement on the fourth quarter last year where the gross margin was 42 per cent, which, however, was lower than usual.

Distribution and marketing costs for the fourth quarter were DKK 226 million against DKK 234 million for the same quarter last year equating to a decrease of DKK 8 million.

Operating profit for the fourth quarter totalled DKK 115 million against DKK 72 million last year.

Financial items during the fourth quarter were negative at DKK 10 million compared to the previous year's DKK 7 million.

The profits before tax for the fourth quarter totalled DKK 116 million against DKK 64 million last year.

The balance sheet as at 31 May, 2007

The balance sheet increased by DKK 50 million from DKK 2,915 million to DKK 2,965 million during the financial year.

The increase is primarily attributable to the fact that the Group's inventories increased by DKK 127 million during the financial year while trade receivables increased by DKK 88 million. The item, Other Financial Receivables, increased by DKK 52 million in part owing to the fact that loans were extended to a number of dealers as part of the ongoing drive to expand and strengthen the distribution.

As at 31 May, 2007 capitalised development projects totalled DKK 361 million against DKK 326 million as at 31 May, 2006.

Investments (net) totalled DKK 359 million during the year against DKK 343 million last year. Of this, investments in intangible assets account for DKK 209 million against DKK 171 million last year. Capital investments (net) totalled DKK 150 million against DKK 172 million in 2005/06.

Repayments on long-term loans totalled DKK 46 million against DKK 39 million last year. Dividend of DKK 200 million was paid during the year and buy back of own shares accounted for DKK 271 million.

Cash flow for the year was negative at DKK 346 million against a negative cash flow of DKK 229 million for 2005/06.

The key figure set by the Group, i.e. the ratio between Earnings before Interest, Depreciations and Amortisations (EBITDA) and interest bearing debt, was 0.11, which is slightly outside the defined level. This means that the financial situation for the company is satisfactory, and the Board therefore recommends that a dividend of DKK 20 per share be paid (DKK 16 last year), totalling approx. DKK 242 million, and that a further DKK 200 million will be used for the purchase of own shares during the financial year.

As in previous years, the Board of Directors has decided to grant employee shares. Each employee will be allotted up to 12 shares corresponding to the issue of approx. 17,500 employee shares.

Equity was DKK 1,682 million against DKK 1,742 million last year.

Branded business

The Group's branded business comprises the activities marketed under the Bang & Olufsen brand.

Turnover in the Group's branded business for 2006/07 totalled DKK 4,194 million against DKK 3,964 million last year, representing an increase of DKK 230 million or 6 per cent.

The profit before tax for the Group's branded business was DKK 485 million against DKK 388 million last year, i.e. an improvement of DKK 97 million, or 25 per cent.

Development in the markets

(Percentage changes are calculated in local currency to give a true and fair view of the actual development, while turnover figures are given in DKK. Please refer to the supplementary figures in appendix 4.)

UK and Benelux

Turnover in the UK was marked by a disappointing development. A rise in the sale of loudspeakers failed to compensate for the declining sales of video products, which were adversely affected by the delayed launch of the BeoVision 8 family. Following many years' satisfactory growth and distribution expansion, the Group initiated a consolidation and revitalisation of the UK distribution and the UK sales company. Turnover for the UK for the full year was DKK 523 million against DKK 538 million last year. This represents a fall of DKK 15 million, or 4 per cent. Four B1 shops net were opened during the financial year. As a consequence, at the end of the financial year, the number of B1 shops in the UK stood at 102.

In the previous financial year, turnover in Holland showed substantial growth, achieving a particularly high level, which has proved not to be sustainable. Sales were DKK 272 million, which is DKK 16 million below last year's level, primarily owing to the delayed launch of the BeoVision 8 family, which will have an important role to play – also in the Dutch market. Six B1 shops were opened in Holland during the financial year.

In Belgium, turnover increased by 13 per cent and totalled DKK 108 million for the financial year. In Belgium and Luxembourg, three B1 shops were opened, which contributed to the two digit growth rate.

Scandinavia

In Denmark, the fourth quarter in particular was characterised by a slight decline after a period of high consumer spending. Turnover during the fourth quarter was DKK 14 million lower than the same quarter last year. As a result, turnover in the Danish market only rose by DKK 4 million for the full year, from DKK 558 million to DKK 562 million. Four new B1 shops were opened during the year, bringing the total number of Danish B1 shops to 52.

In Sweden, the two digit growth rates continued from 2005/06 as turnover rose from DKK 111 million to DKK 126 million, or 11 per cent. The opening of

a further B1 shop brought the total number of B1 shops in Sweden to 25 as at 31 May.

Norway saw positive development in 2006/07 with 15 per cent growth from DKK 65 million to DKK 72 million this year. The opening of three new B1 shops brought the total number of B1 shops in Norway to 17 by the end of the financial year.

Central Europe

Central Europe as a whole showed satisfactory growth in turnover during the financial year from DKK 791 million last year to DKK 823 million this year. In Germany, turnover increased by 6 per cent to DKK 483 million, while the Swiss market showed an increase of 7 per cent to DKK 280 million.

Growth in Germany and Switzerland can, in part, be ascribed to the well received product portfolio and the continued effort to raise the quality of the distribution, which, during the financial year, was expanded by seven new B1 shops – six in Germany and one in Switzerland. At the same time, a pro-active marketing effort helped to strengthen Bang & Olufsen's position in the region.

In Germany, the year was the third in succession for Bang & Olufsen to record satisfactory growth. Consequently, the market now ranks as the Group's third largest. Considering the market's size, the 6 per cent growth is, therefore, of great significance to the year's turnover development. The market benefited from the positive effect of Bang & Olufsen's partnership with Audi, which was received positively by the German media. A number of successful events and other marketing initiatives in large towns and cities also helped to enhance Bang & Olufsen's position among German consumers.

Southern Europe

Spain, Portugal, France and Italy continued their positive development. The total turnover for these markets was DKK 688 million against DKK 651 million the year before. Turnover in Spain and Portugal increased by a total of 12 per cent, while France advanced by 3 per cent and Italy by 2 per cent. These markets benefited from two digit growth rates in a strong fourth quarter with focus on both the new loudspeakers and the large flat screens. Efforts to streamline and improve the quality of the distribution continued in 2006/07. Overall, the region saw a net addition of 12 new B1 shops.

North America

In the US, Bang & Olufsen achieved a turnover of DKK 243 million against DKK 254 million in the previous financial year. This equates to a decrease in turnover of 3 per cent in local currency. The delayed launch of BeoVision 7-40 with the integrated BeoSystem 3 meant that the US version of the successful TV failed to achieve the planned effect. Six new B1 shops were opened during 2006/07, but the ongoing reorganisation of the distribution and the longer-than-expected time for developing new shops means that the number of B1 shops is unchanged on the year.

Asia/Pacific

Asia/Pacific saw a highly positive development during the financial year with an overall growth in turnover of DKK 56 million, bringing total turnover to DKK 317 million against DKK 261 million last year.

The turnover in the Australian market rose by 40 per cent. Following Bang & Olufsen's taking over of shop operations in October 2005, a significant effort to enhance the quality of the distribution and marketing has been made.

In Japan, the launch of the BeoVision 4, BeoSystem 3 and BeoVision 9 TV products strongly contributed to a turnover growth of 16 per cent. In

particular, the launch of BeoVision 9 in the fourth quarter had a significant impact on turnover.

The positive development in China continues. The opening of six new B1 shops brought the total number of B1 shops in China to 16.

Expansion Markets

Expansion Markets, which comprise a number of Bang & Olufsen's overseas markets, saw overall growth in turnover of DKK 19 million, achieving a turnover of DKK 186 million.

Russia, in particular, continued the positive development and reached a turnover of DKK 78 million. The distribution strategy to open well located B1 shops has contributed to raising awareness of Bang & Olufsen in the market. Two shops in Moscow occupy first and second place in the list of the best selling B1 shops in the world.

Developments were generally positive in most of Bang & Olufsen's overseas markets.

Overall distribution development

At the end of the 2006/07 financial year, 1,317 shops worldwide were selling Bang & Olufsen's products. Of these, 777 were B1 shops and 522 shop in shops. 18 shops were operating in the "other" multi-brand shop category.

At the start of the financial year, the Group's objective was to continue to focus on improving the quality of the distribution and open 50 new B1 shops (net) during the year. While 86 B1 shops were opened or upgraded, 34 were closed or downgraded. In all, 52 B1 shops (net) were opened.

Turnover in B1 shops with a minimum of two years in operation increased by 4 per cent on the year, although this differed widely from country to country.

Business-to-business areas

Enterprise (sales to the hotel sector)

Turnover for Bang & Olufsen Enterprise, which comprises sales to hotels worldwide as well as construction projects primarily in the Middle East and Asia, totalled DKK 96 million for the 2006/07 financial year against DKK 55 million last year. Thus, the Group's sales to the hotel sector grew by DKK 41 million. To a considerable extent, turnover was driven by a large number of hotels in Europe and Asia installing Bang & Olufsen products.

During the financial year, Bang & Olufsen Enterprise signed a number of important sales contracts, which will materialise in subsequent years – among them a contract to supply products to more than 300 luxury homes in Dubai at the end of the 2007/08 financial year. As several contracts were signed with top-class hotels, Bang & Olufsen's products are now represented in more than 200 five-star hotels across the world. The synergy deriving from marketing, PR and events on a local scale between Bang & Olufsen's retail business and the leading hotels is particularly positive and offers significant potential for all parties.

Automotive

Turnover for Bang & Olufsen Automotive totalled DKK 87 million for the financial year against DKK 19 million on the year. This represents turnover growth of DKK 68 million.

The partnership with Audi was extended to include in total four Audi models. Bang & Olufsen Sound Systems were launched in the Audi R8 and Audi A5/S5 during the financial year, while the Audi A8/S8 was equipped with an even more advanced Bang & Olufsen Advanced Sound System. Over the coming months, car buyers will also be able to acquire the Bang & Olufsen Advanced Sound System for the Audi Q7.

Sales to end customers of Bang & Olufsen Advanced Sound System proceeded particularly satisfactorily. 15-20 per cent of Audi A8/S8 buyers opted to equip their car with the highly acclaimed sound system from Bang & Olufsen. The Bang & Olufsen Sound System for Audi R8 and the Audi A5/S5 was positively received by car customers.

Bang & Olufsen Automotive's involvement in new projects continues. Besides its endeavours to continue to expand the partnership with Audi, the Group signed a contract for the development and supply of the Bang & Olufsen Advanced Sound System with a European car manufacturer in the high end segment. The manufacturer's name will be announced towards the end of 2007.

The Automotive area continues to be characterised by significant start-up costs, which, despite satisfactory sales – as expected – had a negative effect on the result of DKK 19 million.

Bang & Olufsen ICEpower a/s

During the year under review, turnover for Bang & Olufsen ICEpower increased from DKK 100 million to DKK 117 million. A significant proportion of the turnover derives from increased sales of standard amplifier modules and customised solutions for quality manufacturers in the global audio-market and increased royalties in connection with the sale of amplifier technology and acoustic solutions for major OEM partners, including Samsung. More than 90 per cent of the turnover for Bang & Olufsen ICEpower derives from external sales.

During the financial year, ICEpower launched a new concept with a stereo amplifier based on a platform designated ASX2. The new stereo amplifier will be supplemented by two more product variations in the same series in 2007/08. Investment continues in the development of new technology, and focus remains on attracting new, major customers.

Profits before tax totalled DKK 39 million against profits of DKK 30 million last year.

Product launches during the year

The Group's firm commitment to product development resulted in a range of strong new products in the Audio-Visual area and in new solutions for the business-to-business area during the 2006/07 financial year.

In the Audio-Visual area, two new products were launched during the first quarter. One was a new global TV platform, BeoSystem 3, which sets new standards within picture quality and sound, while the other was a new audio/video centre, BeoCenter 6-23. A 23 inch LCD TV, which includes an integrated FM tuner and the option for a DAB tuner, BeoCenter 6-23 replaces BeoVision 6-22. BeoCenter 6-26, launched in the second quarter, replaces BeoVision 6-26. BeoCenter 6-26 is a 26 inch LCD TV with a built-in FM/DAB radio.

BeoVision 9 was launched in the US at the end of the second quarter. This is Bang & Olufsen's new flagship within flat-screen TV with a 50 inch plasma screen and incorporating the new BeoSystem 3. This TV comprises a complete sound and master functionality as well as hard disc and multi-media functions. BeoVision 9 was subsequently launched in the rest of the world in the second half year where it has been particularly well received in all markets. The second quarter also saw the launch of a new bluetooth based EarSet 2 in the US.

The Group launched BeoLab 9 in the third quarter. With its advanced lens and amplifier technology, this new loudspeaker produces an extremely pure and powerful sound in a unique, compact design. BeoLab 9 has been particularly well received.

Three smaller products were launched in the third quarter in European markets: BeoVox 1, a loudspeaker designed for building in to walls or ceilings, the BeoLab 4 loudspeaker in a dedicated PC version and an updated, more powerful hard disc recorder, the HDR 2.

During the fourth quarter, the Group launched an audio version of BeoCenter 2. The product is especially targeted at customers who already have a TV with an integrated DVD player and, therefore, do not require this functionality.

Finally, Bang & Olufsen began rolling out the new TV family, BeoVision 8, with the smallest version – the 26 inch – launched.

Associated companies

Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom a/s is included in the consolidated turnover for the first nine months at DKK 101 million. By comparison, turnover for the full 12 months of the 2005/06 financial year was DKK 197 million.

The result before tax is included at DKK 0.0 million for the 2006/07 financial year against DKK 12.7 million for 2005/06.

With effect from March 1, 2007, Bang & Olufsen a/s sold 65 per cent of the Group's shares in Bang & Olufsen Medicom a/s. Bang & Olufsen Medicom a/s' result for the fourth quarter is included under the item Associated Companies at 35 per cent of Bang & Olufsen Medicom's result in the fourth quarter.

Expectations for the 2007/08 financial year

1. Product portfolio

The year is expected to offer a range of products that will contribute to maintaining the right balance in the product mix. Of the product launches planned for 2007/08, the following should be mentioned:

- During August, the new TV family, BeoVision 8, will be launched in the form of a 32 inch version to complement the 26 inch version, and will thus represent a new important concept in the shops. In terms of price, the BeoVision 8 family is expected to occupy the role previously filled by the MX family.
- During the first quarter, a 40 inch version of the successful flat-screen TV, BeoVision 7, will be launched in the US market and for the first time in Korea and Japan.
- The first quarter will see the launch of the DVD2, which is an integrated DVD recorder/player with an integrated hard disk.
- Beo5, a new and highly flexible remote control device, will be launched in the second quarter. Beo5 can be used to operate any product combination and has a newly developed LCD colour display with a programmable touch screen. Together with Beo4, it will form the nucleus of Bang & Olufsen's operational philosophy for years to come. In terms of design, Beo5 breaks with all previous forms of remote control.
- A newly developed, portable music concept will be introduced in the second quarter, which brings together high quality portable sound and telephony in a new way in terms of acoustics and operation.
- The second quarter will see the launch of another portable product, BeoSound 6, a high quality MP3 music player with a very simple user interface.
- A new audio concept will be launched in the second half year, which will set a new standard for the way people can enjoy music in their homes of the future. The concept is an important step in the direction of the new ways in which people will experience music in the converging digital world.

Through continued control of the product mix, Bang & Olufsen expects to maintain the contribution margin at the current level, as improvements to the mix will offset increases in raw material prices and wages.

2. Distribution development

During the 2006/07 financial year, Bang & Olufsen added 52 B1 shops to its distribution. The Group expects to maintain this positive development through a net addition of approx. 50 new B1 shops during 2007/08.

3. Automotive

In the new financial year, Bang & Olufsen expects to announce further contracts concerning the development and production of sound systems for more Audi models. Moreover, the Group will announce the name of a new partner at the end of 2007.

Overall, Automotive is expected to achieve a turnover of between DKK 140-160 million in 2007/08. The area will, however, have slightly less impact on the

Group's result than in 2006/07. The timing for achieving profitability will depend on the pace at which new projects are initiated, as each project – besides building on a common technology platform – requires a certain investment in special development. On the backdrop of the successful launches of Bang & Olufsen Advanced Sound System and Bang & Olufsen Sound System it is expected that the Automotive area will account for a substantial business within the next few years.

Expectations for the Group's result for 2007/08

For the 2007/08 financial year, expectations are for turnover growth of approx. 8 per cent, with turnover reaching DKK 4,700-4,800 million. The operating profit is expected to be in the region of DKK 560-590 million, while the profit before tax is expected to increase correspondingly to between DKK 540-570 million.

Growth and earnings ambitions until 2010

Two years ago, Bang & Olufsen declared its ambition of achieving a level of turnover of around DKK 6 billion in 2010 and an EBIT margin of at least 10 per cent.

Despite the disposal of the share majority in Medicom, the Group continues to aim to achieve its ambition of a turnover of DKK 6 billion during 2010. This is based on the following four elements:

- The ambition for the audio/video business is to achieve a turnover of approx. DKK 5 billion, i.e. an increase of around DKK 1 billion from the current level, which equates to around 8 per cent yearly organic growth. The Group estimates that with a more even distribution development over the year, punctual product launches and without any significant cyclical-determined relapses in the larger, more mature markets, it will be possible to achieve the 8 per cent.
- For Automotive the general objective is to achieve a turnover of DKK 300-500 million. Growth in turnover is driven by the number of car models that offer Bang & Olufsen sound systems as well as the number of car buyers who choose Bang & Olufsen's sound systems in the respective car models. The uncertainty primarily relates to the often significant time lapse from the signing of the contract to the point of delivery. This is characteristic of the car industry in general.
- With regard to Enterprise, the ambition is to reach a turnover of at least DKK 250 million. Efforts over the past few years and growth in orders have demonstrated that the potential is there.
- The ambition for ICEpower is to achieve a turnover of around DKK 200 million. The business model is not specifically geared to turnover growth as a significant part of the company's earnings derive from sales of technology rights on a royalty basis.

The previously announced ambition of achieving an EBIT margin of at least 10 per cent was met for the period's first two years. On the backdrop of the posted accounts, the ambition up to 2010 has been revised upwards to maintain the achieved relative profitability with an EBIT margin of at least 12 per cent during the remainder of the period.

The Board of Directors' resolutions and recommendations to the Annual General Meeting

The Board of Directors recommends to the Annual General Meeting:

- a. That the Board of Directors, on behalf of the company, is authorised – within 18 months from the date of the Annual General Meeting – to acquire up to 10% of the company's share capital at a price, which must not exceed 10% above or below the most recent price quoted for ordinary shares on the OMX Nordic Exchange Copenhagen A/S.
- b. That a dividend of DKK 20 be paid per nominal share of DKK 10, bringing the total dividend to approx. DKK 242 million. Last year, the dividend was DKK 16 per nominal share of DKK 10, corresponding to a dividend of DKK 199 million.

The printed annual report will be sent to shareholders, who request it no later than 19 September 2007. The report will also be available from www.bang-olufsen.com

The annual General Meeting will be held on Friday 28 September 2007 at 16.30 at Struer Gymnasium.

Dividend payment is expected to take place on Thursday 4 October 2007.

Statement by the Management on the Annual Report

The Board of Directors and the Management have today considered and adopted the announcement of the annual report and the annual report for the financial year 1 June 2006 to 31 May 2007 for Bang & Olufsen a/s.

The annual report is presented in accordance with International Financial Reporting Standards as endorsed by the European Union as well as further Danish requirements on the presentation of financial statements for listed companies.

We consider the applied accounting policies to be appropriate so that the annual report provides a true and fair view of the Group's and Parent Company's assets, liabilities and financial position as at 31 May 2007 and as well as the Group's and Parent Company's result and cash flow for the financial year 1 June 2006 - 31 May 2007.

Struer, 13 August 2007

The Board of Directors of Bang & Olufsen a/s

Jørgen Worning

Torsten Erik Rasmussen

Peter Skak Olufsen

Preben Damgaard Nielsen

Lars Brorsen

Thorleif Krarup

Ole Christian Olesen

John Christoffersen

Knud Olesen

The Board of Management of Bang & Olufsen a/s

Torben Ballegaard Sørensen

Peter Thostrup

Appendix 1

Accounting principle applied

The annual report for Bang & Olufsen a/s, which comprises the annual report for the Parent company Bang & Olufsen a/s and the annual report for the Bang & Olufsen Group, is prepared in accordance with the International Financial Reporting Standards (IFRS) and further Danish information requirements for the presentation of financial statements for listed companies. Further Danish information requirements for the presentation of financial statements are issued in the IFRS-announcement, which is issued with reference to the Danish Financial Statements Act, and by the OMX Nordic Exchange Copenhagen A/S. IFRS is implemented so that the annual report is also within the provisions in the International Financial Reporting Standards that have been endorsed by the European Union.

Main and key figures - Bang & Olufsen a/s

(DKK million)	2006/07	2005/06	2004/05	2003/04	2002/03
Profit and loss account					
Net turnover	4,376	4,225	3,742	3,613	3,974
Turnover on foreign markets as percentage of the above	85	82	82	83	81
Operating profit	530	439	372	334	296
Financial items, net	(16)	(8)	8	7	(9)
Result before tax	524	431	380	341	290
Group result	373	296	265	266	193
Result for the year, Bang & Olufsen a/s' share	367	294	265	264	190
Balance sheet					
Total assets, end of year	2,965	2,915	2,784	2,741	2,572
Share capital	121	125	124	124	134
Equity, end of year	1,682	1,742	1,715	1,652	1,551
Investment in tangible fixed assets	1,676	(185)	(123)	(138)	(132)
Minority interests	(158)	4	2	2	1
Cash flow for the year					
	(346)	(229)	259	28	296
Of which cash flow from:					
Operating activity	530	395	740	447	643
Investment activity	(388)	(379)	(233)	(195)	(245)
-of which investment in tangible fixed assets	(158)	(185)	(123)	(138)	(132)
-of which investment in intangible fixed assets	(210)	(171)	(125)	(147)	(146)
-of which investment in capital shares	0	0	0	0	0
Financing activity	(488)	(246)	(248)	(224)	(102)
Employment					
Number of employees at year-end	2,520	2,422	2,331	2,339	2,636
Key figures					
EBITDA	789	670	616	623	562
EBITDA-margin, %	18	16	16	17	14
Profit ratio (EBIT), %	12	10	10	9	7
Rate of return, %	18	20	18	15	13
Return on equity, %	21	17	16	17	13
Return on invested capital, excl. goodwill, %	51	52	48	42	36
Return on equity, %	22	17	16	16	13
Current ratio	1.9	2.3	2.5	2.6	2.6
Equity ratio, %	57	60	62	60	60
Financial gearing	0.0	0.5	0.6	0.5	0.5
Net turnover / Invested capital, excl. goodwill	2.8	3.3	2.9	2.5	3.5
Result per share (nom. DKK 10), DKK	32	25	22	22	15
Intrinsic value per share (nom. DKK 10), DKK	139	140	141	133	115
Quotation as at 31 May	698	680	389	355	159
Price/earnings	22	27	18	16	10
Quotation / Intrinsic value	5.0	4.9	2.8	2.7	1.4
Dividend paid / proposed per share (nom. DKK 10), DKK	20.00	16.00	12.00	7.00	7.00
Number of shares (multiple voting shares and ordinary shares)	12,081,338	12,450,925	12,414,240	12,380,330	13,432,033
Number of own shares (multiple voting shares and ordinary shares)	619,923	669,587	435,479	164,340	894,951

Parentheses denote negative figures.

Appendix 1 (continued)

Definitions of key figures:

EBITDA:	Result before interests, tax, depreciations, amortisations and impairment losses
EBITDA-margin:	$\frac{\text{Result before interests, tax, depreciations, amortisations and impairment losses} \times 100}{\text{Net turnover}}$
Profit ratio (EBIT):	$\frac{\text{Operating profit} \times 100}{\text{Net turnover}}$
Rate of return:	$\frac{\text{Operating profit} \times 100}{\text{Average operational assets}}$
Return on invested capital, excl. goodwill:	$\frac{\text{Operating profit before depreciation and goodwill write offs}}{\text{Average invested capital, excl. goodwill}}$
Return on equity:	$\frac{\text{Bang \& Olufsen a/s' share of result for the year} \times 100}{\text{Average equity, excl. minority interests}}$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total equity and liabilities, end of year}}$
Financial gearing:	$\frac{\text{Interest bearing debt (net) end of year}}{\text{Equity, end of year}}$
Result per share (nominal DKK 10), DKK:	$\frac{\text{Result after tax}}{\text{Average number of circulating shares}}$
Intrinsic value per share (nom. DKK 10), DKK:	$\frac{\text{Equity, end of year}}{\text{Number of shares, end of year}}$
Price / earnings:	$\frac{\text{Quotation}}{\text{Result per share (nom. DKK 10)}}$

Main and key figures for the financial years 2004/05, 2005/06 and 2006/07 are prepared in accordance with IFRS and "Recommendations and Key Figures 2005" from The Danish Association of Financial Analysts. Main and key figures for the previous years are prepared in accordance with "Recommendations and Key Figures 1997" from The Danish Association of Financial Analysts and with the company's previous accounting principles applied based on the Financial Statements Act.

Appendix 2

Annual report for the financial year 1/6 2006 to 31/5 2007

(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	4,194.0	101.2	116.7	(36.2)	4,375.7
Internal turnover	<u>(25.6)</u>	<u>(0.3)</u>	<u>(10.3)</u>	<u>(36.2)</u>	<u>-</u>
External turnover	<u>4,168.4</u>	<u>100.9</u>	<u>106.4</u>	<u>0.0</u>	<u>4,375.7</u>
Operating profit	<u>488.8</u>	<u>1.1</u>	<u>40.1</u>	<u>-</u>	<u>530.0</u>
Result before tax	<u>485.2</u>	<u>0.0</u>	<u>39.2</u>	<u>-</u>	<u>524.4</u>

Annual report for the financial year 1/6 2005 til 31/5 2006

(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	3,963.9	198.4	100.4	(37.5)	4,225.2
Internal turnover	<u>(26.0)</u>	<u>(1.4)</u>	<u>(10.1)</u>	<u>(37.5)</u>	<u>-</u>
External turnover	<u>3,937.9</u>	<u>197.0</u>	<u>90.3</u>	<u>-</u>	<u>4,225.2</u>
Operating profit	<u>397.8</u>	<u>14.0</u>	<u>27.1</u>	<u>-</u>	<u>438.9</u>
Result before tax	<u>388.1</u>	<u>12.7</u>	<u>29.9</u>	<u>-</u>	<u>430.7</u>

Parentheses denote negative figures or amounts to be deducted.

Appendix 3

Profit and loss account

Bang & Olufsen a/s

(DKK million)

	Group	
	2006/07	2005/06
Net turnover	4,375.7	4,225.2
Production costs	<u>(2,338.0)</u>	<u>(2,281.1)</u>
Gross profit	2,037.7	1,944.1
Gross margin	46.6%	46.0%
Development costs	(458.8)	(442.9)
Distribution and marketing costs	(910.2)	(920.3)
Administration costs etc.	<u>(138.7)</u>	<u>(142.0)</u>
Operating profit	530.0	439.4
Result from investments in associated companies after tax	(1.1)	(1.0)
Gain from sale of shares in subsidiary	11.5	-
Financial income	15.7	17.7
Financial costst	<u>(31.7)</u>	<u>(24.9)</u>
Financial items, net	<u>(16.0)</u>	<u>(8.2)</u>
Result before tax	524.4	430.2
Tax on result for the year	<u>(151.9)</u>	<u>(134.7)</u>
Result for the year	<u>372.5</u>	<u>295.5</u>
Attributable to:		
Equity holders of the parent company	367.4	293.5
Minority interests	<u>5.1</u>	<u>2.0</u>
	<u>372.5</u>	<u>295.5</u>

Parentheses denote negative figures or amounts to be deducted..

Balance sheet

Bang & Olufsen a/s

(DKK million)

	Group	
	31/05 - 07	31/05 - 06
Intangible assets	450.0	356.2
Tangible assets	617.9	667.4
Investment property	56.4	0.7
Financial assets	125.2	71.2
Total non-current assets	<u>1,249.5</u>	<u>1,095.5</u>
Inventories	694.3	567.4
Receivables	824.8	748.6
Liquid funds	196.4	502.5
Non-current assets classified as held for sale	-	1.1
Total current assets	<u>1,715.5</u>	<u>1,819.6</u>
Total assets	<u>2,965.0</u>	<u>2,915.1</u>
Equity	1,681.9	1,742.1
Non-current liabilities	371.1	408.0
Current liabilities	912.0	765.0
Total equity and liabilities	<u>2,965.0</u>	<u>2,915.1</u>

Cash flow statement

Bang & Olufsen a/s

(DKK million)

	Group	
	2006/07	2005/06
Result for the year	372.5	296.0
Depreciations, amortisations and impairment losses	248.9	232.3
Adjustments	162.6	162.1
Change in working capital	(142.2)	(188.2)
Interest received etc.	15.7	17.7
Interest paid etc.	(31.7)	(24.9)
Corporation tax paid	<u>(105.0)</u>	<u>(100.4)</u>
Cash flow from operating activities	520.8	394.6
Cash flow from investment activities	(378.4)	(378.5)
Cash flow from financing activities	<u>(488.0)</u>	<u>(245.5)</u>
Change in liquid funds - cash flow for the year	<u>(345.6)</u>	<u>(229.4)</u>

Parentheses denote negative figures or amounts to be deducted..

Equity statement

Bang & Olufsen a/s, Group

(DKK million)

	<u>2006/07</u>	<u>2005/06</u>
Equity 1 June	1,742.1	1,714.6
Exchange rate and equity adjustments in subsidiaries	1.5	(10.7)
Change in fair value of financial instruments	0.1	-
Subscription of employee shares	10.8	11.5
Grant of share options	0.4	5.8
Tax related to share options	(0.4)	6.2
Net income recognised directly in equity	12.4	12.8
Retained earnings	372.5	296.0
Total recognised income and expense for the period	384.9	308.8
Subscription of employee shares	-	5.6
Purchase option on minority interest	(3.4)	-
Purchase of own shares	(271.3)	(148.9)
Sale of own shares	18.5	5.3
Dividend paid	(200.2)	(149.0)
Dividend, own shares	11.3	5.7
	(445.1)	(281.3)
Equity 31 May	<u>1,681.9</u>	<u>1,742.1</u>

Parentheses denote negative figures or amounts to be deducted.

Specifications

Bang & Olufsen a/s

(DKK million)

	Group	
	2006/07	2005/06
Development costs		
Expensed development costs before capitalisation	493,5	510,8
Of which capitalised	(142,2)	(165,1)
Amortisations and impairment losses on development projects	<u>107,5</u>	<u>97,2</u>
Development costs included in the profit and loss account	<u>458,8</u>	<u>442,9</u>
Financial income		
Interest income from banks etc.	7,0	9,3
Other financial income	<u>8,7</u>	<u>8,4</u>
Financial income	<u>15,7</u>	<u>17,7</u>
Financial costs		
interest costs on bank loans etc.	10,0	6,0
Interest costs on mortgage loans	6,4	6,7
Exchange rate losses, net	7,6	9,5
Other financial costs	<u>7,7</u>	<u>2,7</u>
Financial costs	<u>31,7</u>	<u>24,9</u>

Specifications continued

Adjustments to the cash flow statements

Change in provisions	4,5	10,2
Financial income etc.	(15,7)	(17,7)
Financial costs etc.	31,7	24,9
Share in associated companies' result after tax	1,1	1,0
Gain on sale of non-current tangible assets	-	3,3
Gain on sale of activities	(11,5)	-
Tax on result for the year	151,9	134,7
Various adjustments	0,6	5,7
	<u>162,6</u>	<u>162,1</u>

Change in working capital

Change in receivables	(93,2)	(122,0)
Change in inventories	(131,4)	(112,8)
Change in accounts payable etc.	82,4	46,6
	<u>(142,2)</u>	<u>(188,2)</u>

Acquisition of activities

	2006/07	2005/06
Inventories	-	(24,9)
Tangible non-current assets	-	(8,6)
Deferred tax assets	-	(0,8)
Accruals	-	(0,1)
Provision	-	6,7
	<u>-</u>	<u>(27,7)</u>

The company has in 2006/07 acquired a development activity in Estonia.
The effect of the acquisition is immaterial for the Group financial statements

Disposal of activities

(Sale of 65 % of the shares in Bang & Olufsen Medicom a/s)

Tangible non-current assets	7,9	-
Financial non-current assets	2,2	-
Inventories	4,5	-
Receivables	27,4	-
Non-current liabilities	(0,4)	-
Current liabilities	(20,4)	-
	<u>21,2</u>	<u>-</u>
Gain on disposal	11,5	-
Addition to liquid funds	<u>32,7</u>	<u>-</u>

Parentheses denote negative figures or amounts to be deducted.

Appendix 4

Turnover branded business

(DKK million)	Turnover 2006/07	Turnover 2005/06	Growth in local currency
Denmark	562	558	1 %
United Kingdom	523	538	(4) %
Germany	483	458	6 %
Switzerland	280	270	7 %
Holland	272	288	(6) %
Asian markets, excl. Japan	263	209	26 %*
Spain/Portugal	260	233	12 %
North America	243	254	(3) %
Italy	219	215	2 %
France	209	203	3 %
Expansion Markets	186	167	12 %
Sweden	126	111	11 %
Belgium	108	95	13 %
Enterprise*	96	55	74 %
Automotive	87	19	-
Norway	72	65	15 %
Austria	60	63	(4) %
Japan	54	52	16 %
Middle East	50	39	27 %
Telephone distribution	12	25	-
Other	3	21	-
Turnover to non-branded business	<u>26</u>	<u>26</u>	-
Total branded business	<u>4,194</u>	<u>3,964</u>	-

* Growth in DKK.

** Enterprise handles the turnover to the hotel business.

Parentheses denote negative figures.

Distribution development

Shop segment	Number of shops per 31/5-07	Change in the period 1/6-06 – 31/5-07	Share of turnover per segment 2006/07	Share or turnover per segment 2005/06
B1	777	52	75 %	73 %
Shop in shop	522	(74)	25 %	26 %
Other	<u>18</u>	<u>(33)</u>	<u>0 %</u>	<u>1 %</u>
Total	<u>1,317</u>	<u>(55)</u>	<u>100 %</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 5

Bang & Olufsen a/s

(DKK million)

	2006/07				2006/07			
	1 quarter	2 quarter	3 quarter	4 quarter	1 quarter	2 quarter	3 quarter	4 quarter
Net turnover	876.0	1,193.0	1,217.6	1,089.1	876.0	2,069.0	3,286.6	4,375.7
Gross profit	409.3	573.4	568.9	486.1	409.3	928.7	1,551.6	2,037.7
Operating profit	55.9	184.0	175.2	114.9	55.9	239.9	415.1	530.0
Profit from sale of capital shares	-	-	-	11.5	-	-	-	11.5
Result from investments in associated companies after tax	-	-	-	(1.1)	-	-	-	(1.1)
Financial items, net	1.6	(3.3)	(4.5)	(9.8)	1.6	(1.7)	(6.2)	(16.0)
Result before tax	57.5	180.7	170.7	115.5	57.5	238.2	408.9	524.4
Tax on result for the period	(20.3)	(51.5)	(51.9)	28.2	(20.3)	(71.8)	(123.7)	(151.9)
Result for the period	37.2	129.2	118.8	87.3	37.2	166.4	285.2	372.5
Of which minority interests' share	(1.0)	(1.8)	(0.6)	(1.7)	(1.0)	(2.8)	(3.4)	(5.1)
Shareholders of the parent company's share of result for the period	36.2	127.4	118.2	85.6	36.2	163.6	281.8	367.4

	2005/06				2005/06			
	1 quarter	2 quarter	3 quarter	4 quarter	1 quarter	2 quarter	3 quarter	4 quarter
Net turnover	798.7	1,125.6	1,191.5	1,108.4	798.7	1,924.3	3,116.8	4,225.2
Gross profit	371.0	548.9	561.8	462.3	371.0	919.9	1,481.7	1,944.0
Operating profit	53.9	136.3	176.7	72.0	53.9	190.2	366.9	438.9
Result from investments in associated companies after tax	-	-	-	(1.0)	-	-	-	(1.0)
Financial items, net	(3.8)	(1.5)	5.0	(6.9)	(3.8)	(5.3)	(0.3)	(7.2)
Result before tax	50.1	134.8	181.7	64.1	50.1	184.9	366.6	430.7
Tax on result for the period	(17.5)	(41.6)	(52.0)	(23.6)	(17.5)	(59.1)	(111.1)	(134.7)
Result for the period	32.6	93.2	129.7	40.5	32.6	125.8	255.5	296.0
Of which minority interests' share	0.1	(1.0)	(0.3)	(0.8)	0.1	(0.9)	(1.2)	(2.0)
Shareholders of the parent company's share of result for the period	32.7	92.2	129.4	39.7	32.7	124.9	254.3	294.0

Parentheses denote negative figures.