

Copenhagen Stock Exchange  
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Translation

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### **Interim report for first half year 2000/2001**

- Turnover rose to DKK 1,866 million, i.e. 4 per cent, compared to the first half of 1999/00.
- Ordinary result before tax was DKK 135 million. This is in accordance with the expectations expressed in recent Stock Exchange Announcements.
- DKK 17 million was invested in new business areas, including Multimedia, PowerHouse and Car Entertainment.
- The ordinary result for Bang & Olufsen AudioVisual a/s rose by 23 per cent.
- Bang & Olufsen Medicom a/s has established a partnership with AstraZeneca.
- Larger than expected decline in Bang & Olufsen Telecom a/s.
- Strategic alliances with strongly positioned partners are developing for ICEpower, and the first range of amplifiers will go into production.
- For the year as a whole we expect an ordinary result before tax on a par with last year, following considerable investments in new business areas.

Peter Skak Olufsen  
Chairman

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President, CEO

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## First half year 2000/2001

### Main figures - Bang & Olufsen a/s - the Group (DKK million)

	2000/01	1999/00
Net turnover	1,866	1,800
Operating profit	156	147
Result from ordinary operations in associated company	2	1
Financial items	(23)	(15)
Result from ordinary operations before tax	135	133
Tax on ordinary result	(42)	(43)
Ordinary result after tax	93	90
Extraordinary items	-	20
Result for the half year	93	110

Corporation tax is calculated as the share of the financial year's expected tax liability which relates to the interim result.

Operating profit before tax of DKK 156 million is apportioned between the following companies:

Bang & Olufsen AudioVisual a/s	143	111
Bang & Olufsen Telecom a/s	2	29
Bang & Olufsen Medicom a/s	13	15
Bang & Olufsen New Business a/s	(3)	-
Bang & Olufsen a/s <sup>*)</sup>	1	(8)

<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.

Balance sheet information	30/11-00	30/11-99
Equity capital	1,151	1,037
Assets	2,483	2,346
Assets, excl. liquid assets and securities	2,415	2,226

Parentheses denote negative figures or amounts to be deducted.

The accounting practice is unchanged compared to previous years.

**Development in equity capital**

(DKK million)

Equity capital as at 1/6 2000	1,058
Exchange rate adjustment for investment in subsidiaries	5
Write-down own shares	(10)
Dividend own shares	5
Appreciation of own shares for anniversary bonus	24
Value own shares for anniversary bonus	(24)
Profit after tax carried forward	<u>93</u>
Equity capital as at 30/11 2000	<u>1,151</u>

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

**Notes on the development for the past half year**

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

Bang & Olufsen's new business model, Bang & Olufsen United, is in the process of implementation. This means that from the coming financial year separate reports will be compiled for the individual business areas.

Turnover in Bang & Olufsen a/s for the period under review was DKK 1,866 million against DKK 1,800 million for the first half year 1999/00. This represents an increase of DKK 66 million or 4 per cent.

Operating profit amounted to DKK 156 million, i.e. a 6 per cent improvement on last year.

At DKK 135 million, the ordinary pre-tax result showed a marginal improvement. The result is in accordance with the expectations expressed in the two most recent Stock Exchange Announcements. We continue to expect that growth in both turnover and earnings will largely occur during the second half year as most product launches took place in the latter part of the first half year or early in the second half year.

The improvement in the ordinary result is owing to the advance in Bang & Olufsen AudioVisual a/s, i.e. a 23 per cent increase due to significantly improved profitability.

DKK 17 million was invested in the new business areas, New Business, Multimedia, and PowerHouse.

## Bang & Olufsen AudioVisual a/s

### Advance in turnover

Turnover in Bang & Olufsen AudioVisual a/s totalled DKK 1,732 million, an increase of DKK 71 million, or 4 per cent, on the first half of 1999/00.

Significant advancement in turnover was achieved in the US, Holland and Expansion Markets. Spain, UK and France also saw fair increases. Turnover in Denmark declined largely because growth in the audio/video market as a whole is currently limited to the cut-price sector. This is to be expected in a market where rising taxes and charges are diverting private consumption away from quality products.

Once again Germany registered a decline in sales through the multi-brand shops, resulting in an overall fall of 9 per cent in the German market.

### Development in the largest markets

#### Germany – sales via multibrand shops continue to decline

For the half year Bang & Olufsen posted a 9 per cent fall in turnover to DKK 291 million. This is owing to a continuing decline in the multibrand sector coupled with the fact that we have not succeeded in opening enough B1 shops to compensate for the decline. Currently, Bang & Olufsen has 49 B1 shops which are developing satisfactorily. The B1 segment accounts for 27 per cent of the total turnover of the German market.

#### Growth in the cut-price sector in Denmark

Sales of Bang & Olufsen products in Denmark fell by 9 per cent to DKK 234 million during the first half year.

The decrease has occurred in multibrand shops and in chainstores where sales of Bang & Olufsen products account for a very small proportion. B1 shops showed a 17 per cent increase in turnover compared to the first half of 1999/00. The multibrand shops with the highest profile saw an increase of 8 per cent. This reflects the trend in Denmark where growth in audio/video products is currently only taking place in the cut-price sector.

**Moderate fall in turnover in Switzerland**

Turnover in Switzerland amounted to DKK 128 million, a modest decrease which indicates that the decline over several years has now bottomed out. Experiencing a positive upturn in turnover in November and December, Switzerland now has 16 B1 shops which account for 28 per cent of the turnover. In all, 195 shops sell Bang & Olufsen products in Switzerland.

**North America continues its positive development**

The American and Canadian operations were merged during the past financial year and is now one market: North America. Turnover rose to DKK 168 million against DKK 106 million for the first half of 1999/00. Growth has mainly taken place in the US where there are now 44 B1 shops. During the half year, the B1 shops saw a 14 per cent advance. The intention remains to open 25 new shops per year in the current and coming year. This will be achieved by Bang & Olufsen becoming directly involved in the running of shops or entering into joint ventures as main shareholder.

During the spring, we expect to launch the first e-commerce activities in the US.

These activities will focus on telephone products and accessories.

E-sales will be developed in close co-operation with American dealers.

On the basis of experience from the US, we will extend our e-business to other selected markets.

BeoVision Avant USA was launched in the North American market in August. The introduction added an important product to our US platform. Sales of BeoVision Avant USA are progressing satisfactorily.

**Growth in the rest of Europe**

Holland, Bang & Olufsen's fifth largest market, saw turnover increase to DKK 139 million, i.e. 12 per cent. There are now 25 B1 shops in Holland.

Turnover in the UK totalled DKK 227 million, representing real growth of 3 per cent compared to the first half of 1999/00. B1 shops account for 55 per cent of the total turnover in the British market.

France, Spain, Sweden and Norway also advanced. Sales through B1 shops in Norway rose by 40 per cent during the half year.

**New markets in the pipeline**

Turnover for Expansion Markets amounted to DKK 136 million with Russia and Poland showing marked increases. In Russia, turnover rose by 51 per cent compared to the first half of 1999/00. Taiwan and Australia also registered satisfactory progress. In South America, turnover rose by 8 per cent on the half year 1999/00.

During the summer of 2001, the subsidiary in Singapore will have extended operations to include Hong Kong, Taiwan, Thailand, South Korea and Indonesia.

On January 1, 2000 Bang & Olufsen established its own subsidiary in Japan. In the first half year, Bang & Olufsen Japan grew by 46 per cent compared to the first half year of 1999/00.

### **Turnover in B1 shops increases**

By mid January 2001, Bang & Olufsen had opened 46 new B1 shops, bringing the number of B1 shops worldwide to 490. The dedicated B1 shops account for 48 per cent of the total turnover. Turnover in the segment increased by 7 per cent during the half year compared to the same period last year.

The roll-out of Bang & Olufsen's Internet-based Retail System is proceeding more rapidly than planned. Thus, by the end of the calendar year 450 shops were on-line with the head office in Struer. It is expected that all Bang & Olufsen shops will be on-line by the end of 2001. The system supports the close dialogue between the individual shop and Bang & Olufsen and significantly enhances opportunities to service the customers.

### **Product launches meet expectations**

During the latter part of the half year, Bang & Olufsen AudioVisual launched three new products in some markets. These products launch in other markets during the spring. All products are living up to expectations.

BeoCenter 1 combines audio/video in one product comprising TV, DVD, CD and Radio. In addition, there is an option of an in-built satellite receiver. BeoCenter 1 has been positively received.

BeoSound 1 is a new portable audio system with CD and radio. BeoSound 1 was introduced on [www.bang-olufsen.com](http://www.bang-olufsen.com) from where the first 1,000 products were ordered within a short time.

DVD 1 is the first stand-alone DVD player from Bang & Olufsen. The demand for DVD 1 has exceeded expectations.

In December Bang & Olufsen and Philips Components signed an agreement for the development of a cordless loudspeaker module, based on Bluetooth technology. The first Bang & Olufsen products containing the new technology are expected to launch early in 2002.

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

### **Fall in turnover for Telecom**

Bang & Olufsen Telecom a/s' turnover for the first half year totalled DKK 123 million, i.e. DKK 75 million less than last year. This was partly due to a delay in the launch of BeoCom 2.

Bang & Olufsen dealers account for 75 per cent of the turnover while other channels, primarily telephone companies, account for the rest. The distribution strategy will be maintained. There will, however, be increasing emphasis on sales through alternative channels.

Product development costs for Bang & Olufsen Telecom increased to approximately DKK 21 million. These costs are related to the further development of the cordless product programme and the development of ISDN products.

The launch of the new cordless phone, BeoCom 2, was seriously delayed due to software problems. The product is now expected to launch in May. The spring will also see the launch of the digital BeoCom 3 ISDN telephone offering the well-known Bang & Olufsen functionality.

An ISDN version of the successful BeoCom 6000 is now on the market. The telephone is currently marketed in a number of European countries.

Peter Eckhardt was appointed new director with effect from March 1. Peter Eckhardt has been working for Bang & Olufsen since 1987, most recently as Director of Bang & Olufsen Scandinavia.

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

### **Partnership with AstraZeneca**

During the period under review Bang & Olufsen Medicom a/s had a turnover of DKK 99 million with a result of DKK 10 million. In recent years Medicom has established and expanded a partnership with AstraZeneca, one of the world's leading pharmaceutical companies.

The business area "Intelligent Drug Administration" continues to expand with new product development agreements and production contracts. The new automatic production facility, commissioned in the autumn of 2000, supports this development.

In the area of "Intelligent Acoustic Diagnostics" it is expected that licence and production revenue will contribute to increased growth as products based on Medicom's technology come to the market during the first quarter of 2001.

Developments in Bang & Olufsen Medicom are proceeding according to plan and the company expects a result in line with last year's.

## Bang & Olufsen New Business a/s

### **Better commercial exploitation of acoustics competencies**

New Business was established with the objective of optimising the commercial exploitation of the Group's considerable competencies within the field of acoustics. Besides the development of the Group's loud-speaker and sound systems, New Business is responsible for growing the Car Entertainment and professional acoustics businesses.

A prototype for a Bang & Olufsen in-car music system was on view at the Paris Motor Show in September. It can be viewed at [www.bang-olufsen.com](http://www.bang-olufsen.com)

New Business has engaged in a dialogue with selected high-end car manufacturers to explore the Bang & Olufsen automotive concept, acoustics and design under the Bang & Olufsen brand. The first financial results from this new business areas are not expected until the coming financial year at the earliest.

## Bang & Olufsen Multimedia a/s

### **Net music takes off**

BeoPlayer is the company's first offering in respect of how to organise music in the digital world. BeoPlayer can be downloaded for free from the Internet. During the pre-launch in December, 1,000 beta-testers signed up within 24 hours.

A total of 2,000 beta-testers will trial the system before its spring launch.

In the summer, our BeoLink system will be expanded to integrate the PC into the system. This will enable distribution of music from the PC to B&O audio and video products throughout the home via the BeoLink system. Furthermore, new software as well as hardware products are under development for launch in the coming financial year. These include monitors for the home office and portable products (mp3-man).

## Bang & Olufsen PowerHouse

### **Further development of the business concept**

At the end of the year Bang & Olufsen PowerHouse relocated to Lyngby. The new facilities offer better scope for the planned expansion and the location ensures continuing and intensified collaboration with Denmark's Technical University. The organisation will be allocated significant resources for research, patenting and maturing of technologies and for product development, sales and marketing. The business platform will be divided into three units for catalogue products, system products and partnership alliances.

Several key customers for the consumer and professional market segments have decided to use ICEpower for active loudspeakers and amplifiers.

The first series of ICEpower amplifiers will be launched for production in the first quarter of 2001 following which the sales and marketing effort will intensify significantly, just as product development will continue in a high level of activity.

Strategic alliances with strongly positioned partners are under development for the purpose of exploiting ICEpower technology within telecommunications, car entertainment and for hybrid and integrated amplifier components. The technology is currently going through the evaluation and contract phase, and contracts are expected to be in place during the current financial year. PowerHouse will typically provide the partnerships with patent rights (IPR), knowledge and prototype development.

## **Bang & Olufsen and the second half year**

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

December and January were by and large satisfactory. In the US, however, sales have shown somewhat slower growth compared to the beginning of the financial year and in Denmark and Germany the Christmas trade did not live up to expectations. If the falling demand spreads to the rest of Europe, this will have an adverse impact on the second half year and, therefore, on the year as a whole.

In view of developments so far, our expectations for the full year remain unchanged.

This means that we expect ordinary pre-tax profits to be in line with last year after investments in the region of DKK 50 million in new business areas.

**Enclosure 1**

**Main and key figures**

**Bang & Olufsen a/s**  
*First half year*

<b>The Group (DKK million)</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>	<b>2000/01</b>
<b>Result</b>					
Net turnover	1,550	1,594	1,779	1,800	1,866
Turnover on foreign markets as % of above	78	79	77	78	80
Operating profit	162	173	191	147	156
Result from ordinary operations before tax	174	187	206	133	135
Ordinary result after tax	117	128	141	90	93
Extraordinary result after tax	-	75	(50)	20	-
Result for the half year	117	203	91	110	93
<b>Balance sheet</b>					
Balance sheet total as at November 30	2,163	2,195	2,088	2,346	2,483
Share capital	127	133	134	134	134
Equity capital as at November 30	967	1,166	940	1,037	1,151
Minority interests	221	-	-	-	0
<b>Cash flow for the half year</b>	-	(411)	(544)	(163)	(197)
<b>Key figures</b>					
Profit ratio, %	10	11	11	8	8
Rate of return, %	10	10	10	7	7
Return on equity, %	13	12	13	9	9
Current ratio	2.4	2.1	1.6	1.8	1.8
Equity ratio, %	45	53	45	44	46
Intrinsic value (nominal DKK 10)	76	92	71	77	86
Quoted share price on November 30	240	398	392	242	369
Quoted share price / intrinsic value	3.2	4.3	5.5	3.1	4.3

Parentheses denote negative figures.

**The key figures are as follows:**

Profit ratio:	$\frac{\text{Operating profit} * 100}{\text{Net turnover}}$
Rate of return:	$\frac{\text{Operating profit} * 100}{\text{Average operative assets}}$
Return on equity:	$\frac{\text{Ordinary result after tax} * 100}{\text{Average equity}}$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio:	$\frac{\text{Equity capital} * 100}{\text{Total liabilities}}$
Intrinsic value (nominal DKK 10)	$\frac{\text{Equity capital at year end}}{\text{No of shares at year end}}$

## Enclosure 2

### Share of turnover in individual markets within the Bang & Olufsen AudioVisual a/s group

(DKK million)	Turnover first half year <u>2000/01</u>	Growth in local <u>currency</u>
Germany	291	(9 %)
Denmark	234	(9 %)
United Kingdom	227	3 %
USA	168	37 %
Switzerland	128	(6 %)
Holland	139	12 %
Expansion Markets	136	51 %
Italy	84	(2 %)
France	84	7 %
Spain	68	6 %
Sweden	59	2 %
Belgium	41	(1 %)
Norway	36	4 %
Austria	32	(2 %)
Other	5	
Total	<u>1,732</u>	

Parentheses denote negative figures.