TRANSLATION

On behalf of the Board of Directors, I would like to welcome you to this year's Annual General Meeting.

As an introduction to the AGM, we have shown "Inspirations" which some of you may have seen before, but which, this time, introduces several of our new products, including BeoCenter 2, which will be launched later in the year, and BeoLab 5 is now on its way to the markets. After the AGM, you will have the opportunity to have a more detailed look at the BeoLab 5.

My first task today is, on behalf of the Board of Directors, to propose Eigil Lego Andersen as chairman of the meeting.

If there are no other candidates, Eigil Lego Andersen has been elected.

I will now hand over to the chairman of the meeting.

THE REPORT:

In line with our traditions, I, as Chairman, will present the report while President and CEO Torben Ballegaard Sørensen, will go through the accounts.

When I presented my report last year, I spoke about the increased turnover which had not resulted in an increase in profitability and about a bottom line, which seen in relation to the top line, was unsatisfactory. During the past year, focus has, therefore, been on improving Bang & Olufsen's profitability.

It is with considerable satisfaction that this year I can report that not only has the earnings curve been broken, but earnings have improved by no less than 27% on last year.

To improve the company's profitability, in absolute as well as relative terms, has been a hugely important task for the company in recent years. The fact that we have succeeded in such a spectacular manner is owing to the initiatives of recent years. During the past year, the results have started to materialise – results for which the Stock Market has rewarded us. When I stood here one year ago, the share price was 128. Yesterday, it was 240, a rise of 87%.

In its communications, Bang & Olufsen has never used September 11, the war in Iraq, SARS and so on as an excuse for unsatisfactory results. I do not intend to do this now, apart from noting that it has been a difficult year.

It has been a difficult year for many – not just for Bang & Olufsen. Most businesses will probably agree about that. As I said, I shall not assign blame for the tough year to any particular cause, but just state that the macro-economic factors have been unfavourable. However, it is when times are hard that we get to know our strengths and weaknesses – knowledge that allows us to guide our company through rough waters. At this point, I would like to express our appreciation of the management and the entire organisation. When you take a detailed look at the Annual Accounts, that is both the Profit & Loss Account and the Balance Sheet, you will realise that corrective action has been taken in relation to all items and that we have emerged stronger from a very difficult year. I can only express it like this: well done!

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Although we had expected a moderate growth in turnover, we experienced a 6% decline. Part of the explanation is the change in foreign exchange rates of 2%, a decline in turnover in Bang & Olufsen Medicom corresponding to 2% and, finally, a fall in turnover of 2% in the core business.

Two main factors have put turnover in the core business under pressure. One stems from the US market and the other is the restructuring of our German distribution. Markets such as the UK, South and East European markets, Denmark and number of overseas markets, however, have shown satisfactory growth.

Our own direct involvement in retail activities in the US resulted in not insignificant losses during the financial year. Part of these losses was caused by the disposal of shops and the discontinuation of loss-making activities. At the same time, a new management team is now reorganising the American set-up. We have adjusted our whole approach, which is aimed at maintaining our presence in the US market.

The underlying US-operations are showing signs of improvement. There is, however, no doubt that the task of turning developments around will be lengthy and hard.

For some time we have been aware that the number of multi-brand shops in Germany makes us vulnerable to fluctuations in market conditions. The number of multi-brand shops is significant and we can see that the downturn in turnover primarily is linked to these shops. For some years, however, we have worked on a restructuring of the German distribution to ensure greater quality and loyalty in the distribution. This is why we are concentrating our efforts on supporting B1 and shop-in-shop solutions.

During the financial year, we decided to accelerate the pace of this work significantly. At the end of the year, there were 207 multibrand shops in the German market, 60 of these have decided to upgrade to B1 or shop-in-shop status while the rest have been discontinued. Sales of Bang & Olufsen equipment to these shops will, therefore, cease.

Closing so many shops in one go means that we shall not see an improvement in the German market in the coming year. However, the move is necessary and we expect to see positive results in the longer-term.

The UK market grew by 10% and is today the Group's largest market. Italy and Spain/Portugal rose by 12% and 11% respectively. There is no doubt that the efforts over many years to create quality in the distribution in these countries are bearing fruit. A relatively small number of shops now account for a substantial turnover and, not least, significant growth.

The Danish market also expanded – a market where our market share is already high. In recent years, work on the Danish distribution has focused on creating quality and the results are now materialising.

Countries outside the company's European core market – the former Eastern Europe, the Middle East, Latin America and Asia – also saw growth.

Overall, the development in these markets sends out a signal that growth and advancement can be achieved in periods of turbulence and uncertainty.

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For several years, Bang & Olufsen Medicom was characterised by growth and thus contributed strongly to the Group's results. In 2002-03, however, the trend reversed. Bang & Olufsen Medicom suffered a marked decline in order and production levels because its largest customer decided to implement significant changes in its sales and warehousing operations. This resulted in a substantial fall in turnover with a consequent significantly lower result. As a result, Bang & Olufsen Medicom carried out marked adjustments to its organisation during the financial year.

Other areas of Medicom's activities have lived up to expectations. The development of new products and the establishment of new partnerships continue and we have high expectations for these. However, in the medico technical industry decisions are not made from one day to the next and we cannot expect to see renewed growth until some years from now. Our decision, however, is to stand firm.

At Group level, it is pleasing to note that gross margins for the period rose from 38.6% to 42.2% despite the lower turnover of 6%. This means that gross profits improved by DKK 50 million despite the decline in turnover. This has only been possible through a highly targetted effort. A number of activities have been initiated, including the strengthening of our product portfolio, a reduction in purchasing prices, rationalisation of production and, not least, the higher quality of our products. All these activities had to be initiated internally within Bang & Olufsen and have required a significant effort from all our staff.

Cost and investment levels for the development of new products have been maintained, indeed even increased, compared to previous years. The results will not emerge until some years from now, but the new financial year, which we have now entered, shows that an expansive launch programme is in place.

The new loudspeaker, BeoLab 5, breaks with all preconceptions of what loudspeakers are and can do. It has been described as the world's best loudspeaker and is, at the time of writing, on its way to the markets. BeoLab 5 highlights our acoustic skills as well as the substance of the Bang & Olufsen brand which is one of the global market's leading technology businesses.

With regard to new product development, Bang & Olufsen again faces significant challenges. The TV market is currently undergoing a transformation with a rising demand for flat screens. Bang & Olufsen has strong and viable CRT products, but we are also focusing strongly on new TV products in line with customers' future requirements and wishes.

The improved gross margin coupled with improved cash flow, which I shall return to shortly, have resulted in profits after tax of DKK 193 million which corresponds to year on year growth of 39%. The Board considers the result particularly satisfactory in view of the current international economic trends and the results of comparable manufacturers high-end products.

With regard to the balance sheet and the cash flow, we have seen a particularly positive development during the year. The balance sheet has been significantly strengthened by an equity share, which rose from 56% to 60%. At the same time, the company has also generated a positive cash flow of DKK 296 million.

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On the basis of this, the Board has decided to carry back some of the positive cash flow to the shareholders. This can be done either by increasing dividend or through a share buy-back programme.

Consequently, the Board proposes that the AGM approves a dividend of DKK 7.00 per share – twice as much as last year or approximately 50% of the year's profits. By doing so we deviate from our normal policy of paying one third of the year's profits after tax in dividend.

At last year's AGM the Board was authorised to buy shares corresponding to 10% of the share capital. In view of the size of the existing portfolio of own shares, we could only acquire a minor shareholding within the existing authorisation. Following the publication of the annual accounts, 400,280 ordinary shares corresponding to DKK 96 million were acquired. The Board now recommends to the AGM that the portfolio of own shares be cancelled with the exception of 200,000 ordinary shares which correspond to outstanding share options for the Board of Management and the senior managers.

At the time of the publication of the annual accounts, we announced that turnover for the first quarter would fall below that of the first quarter of last year. Last year's launch of the BeoVision 5 TV generated considerable extra turnover, which we will not benefit from this year. Consequently, this year's first quarter may look slightly weaker than last year. The many new launches will, however, generate the necessary growth in the next three quarters. This is a challenge, which we expect to meet head on. We, therefore, maintain the previously expressed expectations for pre-tax profits of between DKK 300 to 330 million for the current financial year.

Last year, I emphasised the need for improved profitability. Today, I can only state that developments have exceeded our expectations thanks to the consistent effort from all involved. This year, I will say: continue to improve profitability and let us hope for better economic trends allowing for increased turnover. Bang & Olufsen is once again prepared for a growth scenario with many new products. The market remains difficult, however, and there will be considerable pressure to achieve the results.

Finally I would like to thank my colleagues on the board for their excellent and constructive input. My thanks also go to the Board of Management for their considerable effort and to all our employees across the globe. You have made a great contribution over the past year and I'm very much aware that it has been a particularly demanding one.