

Copenhagen Stock Exchange
Nikolaj Plads 6
1067 Copenhagen K

Struer, 20 April 2004

**Interim report for the period 1 June 2003 – 29 February 2004 for
Bang & Olufsen a/s**

- The Group's turnover was DKK 2,658 million against DKK 3,083 million for the same period last year, i.e. DKK 425 million or 14% less.
- Ordinary profit before tax was DKK 271 million against DKK 251 million for the same period last year. This represents an increase of DKK 20 million, or 8%. The growth in profit is largely owing to the continued improvement in the Group's gross margin, which is now 45.5%.
- Turnover in the third quarter was DKK 949 million against DKK 1,025 million in the third quarter last year. This is DKK 76 million, or 7% less.
- In the third quarter, the Group launched BeoLab 3, a compact loudspeaker based on some of the BeoLab 5 technologies. Moreover, the Group launched BeoCenter 2, a new AV center product. Both BeoLab 3 and BeoCenter 2 have been very well received by retailers and customers as well as by the trade press.
- On the basis of the realised interim result, the Group maintains its full-year expectations for pre-tax profits in the region of DKK 300 – 330 million, based on a lower turnover than the previous year.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

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

(DKK million)

1/6 2003 - 29/2 2004

	2003/04	2002/03
Net turnover	2,658.3	3,083.4
Operating profit	271.0	253.7
Financial items	<u>0.4</u>	<u>(2.4)</u>
Profit from ordinary operations before tax	271.4	251.3
Tax on ordinary result	<u>(72.1)</u>	<u>(75.9)</u>
Profit for the period after tax	199.3	175.4
Of which minority interests	<u>0.3</u>	<u>(4.4)</u>
Bang & Olufsen a/s' share of the profit for the period	<u>199.6</u>	<u>171.0</u>

Corporation tax has been calculated as the share of the financial year's expected tax liability relating to the result for the 9 months. Tax on ordinary result is influenced positively by DKK 23 million as a result of debt conversions of the account with the American subsidiary.

Balance sheet information	29/2 04	28/2 03
Equity	1,588.1	1,533.6
Assets	2,658.6	2,667.6
Assets, excluding liquid funds	2,090.2	2,243.4

Development in equity	2003/04	2002/03
Equity as at June 1	1,551.1	1,406.9
Dividend paid	(94.0)	(46.9)
Repurchase of own shares	(95.9)	-
Sale of own shares	10.8	-
Dividend own shares	9.1	3.1
Capital increase used for employee shares	3.6	1.6
Exchange rate adjustment of investments in subsidiaries	3.8	(2.1)
Retained earnings	<u>199.6</u>	<u>171.0</u>
Equity as at February 29	<u>1,588.1</u>	<u>1,533.6</u>

Parentheses denote negative figures or amounts to be deducted.

Comments to developments in the period

Bang & Olufsen a/s

Turnover for the Bang & Olufsen a/s group was DKK 2,658 million against DKK 3,083 million over the same period last year. This is DKK 425 million, or 14%, lower than last year.

The decrease in turnover is primarily due to the following factors:

- Germany, Switzerland, Austria and Holland recorded a decrease in turnover of DKK 195 million.
- Unfavourable exchange rates, mainly in USD and GBP, resulted in a decrease in turnover of DKK 96 million.
- Bang & Olufsen Medicom a/s recorded a decrease in turnover of DKK 73 million on the year.

Turnover in the third quarter was DKK 949 million against DKK 1,025 million in the third quarter last year, i.e. a decrease of DKK 76 million or 7%. Third quarter turnover, therefore, declined less than the turnover in the two first quarters.

Turnover for the core business, the branded business, was DKK 910 million for the third quarter against DKK 974 million in the third quarter last year, i.e. DKK 64 million, or 7% below the third quarter of last year. Of this DKK 33 million relates to the development in exchange rates.

Ordinary profits before tax totalled DKK 271 million against DKK 251 million last year, corresponding to an advance of DKK 20 million or 8%.

Ordinary profits before tax for the third quarter was DKK 162 million against DKK 116 million in the third quarter last year. This represents a growth of DKK 46 million or 40%.

The improved result is primarily due to continuous increase in the Group's gross margin which rose by 3.9 percentage points on the same period last year.

The improvement in the gross margin is partly due to a product mix with greater emphasis on audio and acoustic products, areas where the Group has traditionally achieved higher margins than on video products, and partly to the continued successful implementation of the efficiency programmes in respect of production, development and purchasing.

Continuing tight capacity cost management and fewer non-recurring costs resulted in a decrease in capacity costs of DKK 92 million. Of this, the trend in USD and GBP accounts for DKK 24 million while DKK 26 million is due to the elimination of non-recurring costs in the US.

The Group has maintained its product development levels and has continued to improve and increase efficiency within the area of sales and marketing.

The Group's cash flow for the period was positive at DKK 123 million against DKK 272 million last year. Adjusted for extraordinary shareholder initiatives in the form of increased dividend and repurchased own shares totalling DKK 143 million, the Group's cash flow for the period was on a par with last year.

Branded business

Turnover in the Group's branded business totalled DKK 2,564 million against DKK 2,919 million last year, i.e. DKK 355 million or 12% below the same period last year.

Of this, third quarter turnover accounted for DKK 910 million against DKK 974 million last year, i.e. DKK 64 million or 7% lower than the third quarter last year.

Ordinary profits before tax were DKK 292 million against DKK 268 million for the same period last year. This represents a growth of DKK 24 million or 9%.

In the third quarter, ordinary profits before tax were DKK 163 million against DKK 120 million last year. This equates to an advance of DKK 43 million or 36%.

Development in markets

The percentage changes are calculated in local currency

The UK recorded an advance in turnover of 4%. Due to the lower exchange rate, turnover in DKK was DKK 434 million against DKK 452 million last year. During the third quarter, the UK recorded an advance in turnover of 8% on the same period last year.

During the period under review, the Danish market recorded a turnover of DKK 352 million against DKK 361 million last year. This corresponds to a decrease of DKK 9 million, or 3%.

The German market recorded a turnover of DKK 290 million against DKK 383 million for the same period last year. This is DKK 93 million, or 24%, below the level of the same period last year. The decline in turnover should be viewed within the context of the planned qualitative improvement of the German distribution network which has resulted in a reduction in retail outlets of 165 compared to the third quarter last year. Sales also reflect a certain restraint among German consumers.

Turnover in the Swiss market totalled DKK 153 million against DKK 207 million for the same period last year, i.e. a decline of DKK 54 million or 22%. Again, this reflects a certain restraint among consumers.

Over the period, the Dutch market recorded a turnover of DKK 149 million against DKK 186 million for the same period last year. This equates to a decline of DKK 37 million or 20%.

The southern European markets experienced a weak development and furthermore, they were characterised by trends favouring flat-screen technology. The Italian market, for instance, recorded a turnover of DKK 131 million against DKK 159 million last year. Turnover in the French market totalled DKK 135 million against DKK 155 million last year, while the Spanish/Portuguese market recorded a turnover of DKK 149 million against DKK 172 million for the same period last year.

In the US, the Group recorded a turnover of DKK 214 million against DKK 252 million for the same period last year. The decline is due to the unfavourable exchange rate development for USD which amounted to DKK 38 million. Measured in local currency, turnover was on a par with last year. During the quarter there were no non-recurring costs in connection with the discontinuation of activities or shop closures and the operating loss for the nine months was limited to DKK 16 million against DKK 59 million last year, of which DKK 26 million were non-recurring costs. This means that the operating result improved by DKK 17 million. In the third quarter, the operating loss was limited to DKK 1 million. Work aimed at achieving a positive operating result in the US market continues.

Asian markets achieved a satisfactory increase in turnover of DKK 15 million, from DKK 112 million last year to DKK 127 million this year.

Product launches

During the third quarter, Bang & Olufsen launched BeoLab 3, a compact loud-speaker based on some of the technologies used in BeoLab 5. BeoLab 3 has been well received by retailers and customers and deliveries are on schedule.

The trade and lifestyle press have welcomed BeoLab 3, which, owing to its high performance and compact shape, is regarded as a unique product, technologically as well as conceptually.

BeoCenter 2, a pioneering AV center product, was also launched in the third quarter. The product, which is outstanding in respect of both design and mechanics, was also well received and deliveries are on schedule.

Distribution development

At the close of the third quarter, there are 648 B1 shops worldwide against 635 both at the end of the third quarter last year and at the end of the previous financial year. During the period under review, work aimed at further enhancing the quality of the distribution resulted in the opening of 39 new B1 shops, while six shops were upgraded to B1 shop status. Throughout the period, 27 B1 shops were closed and 5 were downgraded so that the net addition over the past 9 months is 13 B1 shops. 70% of the branded business turnover is now accounted for by B1 shops against 66% for the same period last year.

The number of shop in shops was 671 at the end of the third quarter, which is largely unchanged compared to the third quarter last year and the end of the previous financial year. The proportion of turnover for shop in shops is 24% against 23% for the same period last year.

The number of other multibrand shops is 226 against 497 at the close of the third quarter last year and 468 at the beginning of the financial year. The relatively large reduction in the number of multibrand shops is primarily due to the ongoing efforts towards improving the quality of the distribution in the German market.

Turnover in B1 shops with a minimum of two full years of operations declined by 7% measured in fixed foreign exchange rates. This, however, covers considerable differences among markets, ranging from advances of 42% to declines of 34%. In the most important European markets, however, there is a clear downward trend.

Non-branded business

Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom a/s recorded a turnover of DKK 100 million for the period against DKK 173 million last year. This equates to a decrease of DKK 73 million.

The ordinary pre-tax loss for Bang & Olufsen Medicom amounted to DKK 19 million, against DKK 6 million last year.

As expected, the company recorded a near zero result for the third quarter and a similar result is expected for the fourth quarter. Consequently, Bang & Olufsen Medicom expects a loss of approx. DKK 20 million for the full year.

Production and deliveries to the pharmaceutical and diagnostic industries proceeded as planned. In addition, new license agreements have been signed for Medicom's proprietary, electronic tablet dispensers. However, the full potential from current and new development projects will only materialise in 2-3 years.

Bang & Olufsen ICEpower a/s

Bang & Olufsen ICEpower a/s recorded a turnover of DKK 25 million against DKK 20 million for the same period last year. This equates to an advance of DKK 5 million or 25%.

As announced in the quarterly statement of 10 October, 2003, an important development contract was signed with a key supplier of consumer electronics. The results of the contract, however, will not materialise in the current financial year.

Expectations for the financial year

Product launches

As previously announced, the current financial year will see the launch of a substantial number of new products, of which almost all were launched at the close of the third quarter.

In the fourth quarter, the Group expects to launch:

- BeoVision 4, a 42" module-based flat-screen product of the same high quality as BeoVision 5.

BeoLab 3 and BeoCenter 2 were both launched towards the end of the third quarter and have, therefore, not yet contributed significantly towards turnover. As previously mentioned, our new products have been particularly well received and the Group expects that these, as well as other launches during the financial year, will contribute positively to the result for the fourth quarter.

Turnover and result

The Group continues to strive to increase profitability and internal efficiency in order to secure the necessary resources for our development and to counter the increasing uncertainties in the markets.

In the annual report, we expressed our expectations for the financial year as follows:

"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 17 April, 2002 for an annual growth in earnings of between 10% and 15%."

New product launches are expected to make a positive contribution to the turnover, however, due to the less favourable developments in southern and central European markets during the period, the Group does not expect to see an increase in turnover for the current financial year. Based on this, the Group maintains its expectations for a pre-tax profit in the region of DKK 300 – DKK 330 million.

Appendix 1

**Interim report
for the period 1/6 2003 to 29/2 2004**

(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	2,563.7	100.2	24.7	(30.3)	2,658.3
Internal turnover	<u>(21.2)</u>	<u>(1.4)</u>	<u>(7.7)</u>	<u>(30.3)</u>	<u>0.0</u>
External turnover	2,542.5	98.8	17.0	(0.0)	2,658.3
Operating profit/loss	289.3	(16.5)	(1.8)	-	271.1
Profit/loss on ordinary operations before tax	292.0	(18.5)	(2.1)	-	271.4

**Interim report
for the period 1/6 2002 to 28/2 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	
Net turnover	2,919.4	172.9	19.9	(28.8)	3,083.4
Internal turnover	<u>(22.6)</u>	<u>(1.3)</u>	<u>(4.9)</u>	<u>(28.8)</u>	<u>0.0</u>
External turnover	2,896.8	171.6	15.0	(0.0)	3,083.4
Operating profit/loss	267.1	(2.7)	(10.7)	-	253.7
Profit/loss on ordinary operations before tax	267.9	(5.7)	(10.9)	-	251.3

Parentheses denote negative figures or amounts to be deducted.

Appendix 2

Turnover and distribution, Bang & Olufsen Branded Business

	Turnover (DKK million)		Growth in local currency
	2003/04	1/6 – 29/2 2002/03	
United Kingdom	434	452	4%
Denmark	352	361	(3%)
Germany	290	383	(24%)
USA	214	252	(0%)
Switzerland	153	207	(22%)
Holland	149	186	(20%)
Spain/Portugal	149	172	(13%)
France	135	155	(12%)
Italy	131	159	(18%)
Asian markets, excl. Japan	127	112	14%
Expansion Markets	90	98	(9%)
Sweden	82	83	(2%)
Belgium	58	74	(22%)
Norway	48	56	(2%)
Japan	43	38	25%
Austria	37	48	(23%)
Telephone distribution	27	34	
Other	<u>23</u>	<u>27</u>	
Total branded business	<u>2,542</u>	<u>2,897</u>	

Parentheses denote negative figures or amounts to be deducted.

Appendix 3

Development in the number of shops - Bang & Olufsen AudioVisual a/s

Shop segment	Number of shops <u>per 29/2 04</u>	Change during the period <u>1/6 03 – 29/2 04</u>	Share of turnover <u>per segment</u>
B1	648	13	70%
Shop in shop	671	4	24%
Other	<u>226</u>	<u>(242)</u>	<u>6%</u>
Total	<u>1,545</u>	<u>(225)</u>	<u>100%</u>

Parentheses denote negative figures.

Definitions of shop segments:

B1	Shops that are dedicated retailers of Bang & Olufsen products.
Shop in shop	Shops with a dedicated sales area for Bang & Olufsen products.