

Københavns Fondsbørs
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Struer, 14 January, 2004

**Interim report for the period 1 June – 30 November 2003 for
Bang & Olufsen a/s**

- The Group's turnover for the period totalled DKK 1,709 million against DKK 2,058 million for the same period last year, i.e. a decrease of DKK 349 million, or 17%.
- Ordinary profit before tax was DKK 109 million against DKK 136 million last year.
- Turnover in the second quarter was DKK 1,066 million against DKK 1,171 million for the same period last year, i.e. a decrease of 9%. Profits before tax were DKK 145 million, which is on a par with last year's second quarter profits of DKK 144 million.
- The Group's gross margins for the half year improved by 2.2 percentage points on last year.
- Towards the end of the second quarter, the Group launched BeoVision 6, a compact flat screen TV, based on LCD technology. Both retailers and customers have favourably received BeoVision 6.
- On the basis of the realised interim result and the development in December, the Group maintains its 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 for Bang & Olufsen a/s – the Group (unaudited)
(DKK million)

Interim report 1/6-30/11

	2003/04	2002/03
Net turnover	1,709.3	2,058.1
Operating profit	106.4	138.2
Financial items	<u>2.6</u>	<u>(2.6)</u>
Profit from ordinary operations before tax	109.0	135.6
Tax on ordinary result	<u>(13.4)</u>	<u>(54.0)</u>
Profit for the period after tax	95.6	81.6
Of which minority interests	<u>0.1</u>	<u>2.0</u>
Bang & Olufsen a/s' share of the profit for the period	<u>95.7</u>	<u>83.6</u>

Corporation tax has been calculated as the share of the financial year's expected tax liability relating to the result for the 6 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	30/11-03	30/11-02
Equity	1,471.5	1,448.1
Assets	2,597.7	2,705.3
Assets, excluding liquid funds	2,403.7	2,544.7

Development in equity		
Equity as at June 1	1,551.1	1,406.9
Repurchase of own shares	(95.9)	0
Dividend paid	(94.0)	(46.9)
Dividend, own shares	9.1	3.1
Capital increase used for employee shares	3.6	1.6
Exchange rate adjustment of investments in subsidiaries	1.9	(0.2)
Retained earnings	<u>95.7</u>	<u>83.6</u>
Equity as at November 30	<u>1,471.5</u>	<u>1,448.1</u>

Parentheses denote negative amounts or amounts to be deducted.

Comments to developments in the first half year

Bang & Olufsen a/s

The Bang & Olufsen Group's turnover for the first half year totalled DKK 1,709 million against DKK 2,058 million last year. Turnover, therefore, was DKK 349 million, or 17%, below last year.

Ordinary pre-tax profit for the first six months was DKK 109 million against DKK 136 million last year.

Most of the decline in turnover, DKK 244 million, was realised in the first quarter of the financial year. As announced in the quarterly report of 10 October 2003, the decline was mainly due to the fact that the first quarter of last year saw important launches, unfavourable foreign exchange developments in USD and GBP, weak summer sales in central and southern European markets as well as the fact that turnover in Bang & Olufsen Medicom a/s fell significantly below the level for the first quarter of last year.

During the second quarter, the decline in turnover was less pronounced, i.e. DKK 105 million less than last year. This was mainly due to:

- Lower exchange rates for primarily USD and GBP accounted for a DKK 33 million decline in turnover.
- Turnover in Bang & Olufsen Medicom a/s was DKK 20 million lower than in the second quarter last year.
- Continuing weak market conditions, primarily in southern and central European markets.

The Group achieved growth in a number of important markets during the second quarter:

- The UK, the Group's largest market, continues to perform well and achieved 7% growth, measured in local currency.
- Denmark, the Group's second largest market, experienced a good second quarter.
- The Asian markets also showed growth in the second quarter.

Ordinary profits before tax for the second quarter totalled DKK 145 million against DKK 144 million for the same period last year.

A substantial improvement in gross margins from 41.8% to 44.0% contributed to good profitability in the second quarter. The improved gross margins are partly due to the Group's continuing efficiency measures within production, development and purchasing and partly to a more favourable product mix in which the Group's audio and acoustic portfolio was given greater emphasis, e.g. through the launch of BeoLab 5, while overall video portfolio turnover declined more than has yet been offset by the growth in the flat screen area.

Continuing tight management of capacity costs and fewer non-recurring costs resulted in a DKK 75 million decrease in capacity costs. The Group maintained its focus on marketing and product development.

Cash flow for the period is affected by shareholder-related initiatives in the form of repurchased own shares at DKK 96 million and dividend payments of DKK 94 million out of the total negative cash flow of DKK 251 million.

Branded business

Turnover in the Group's branded business totalled DKK 1,639 million for the first half year against DKK 1,928 million last year. This is DKK 289 million, or 15%, below last year.

Nevertheless, ordinary pre-tax profit for the Group's branded business for the first half year totalled DKK 129 million against DKK 148 million for the first six months of last year.

In the second quarter, ordinary profits for the Group's branded business totalled DKK 151 million, which is on a par with the profits for the second quarter last year of DKK 154 million.

Development in the markets

The percentage changes are calculated in local currency

The UK posted a 2% increase in turnover for the half year. Due to the lower exchange rate, turnover (as measured in Danish kroner) totalled DKK 280 million against DKK 300 million last year. During the second quarter, the UK saw an increase in turnover of 7% on the second quarter last year.

The Danish market achieved a turnover of DKK 230 million for the first half year against DKK 227 million last year. This corresponds to a slight increase of DKK 3 million, or 1%.

The German market achieved a turnover of DKK 190 million against DKK 256 million, i.e. DKK 66 million, or 26%, below last year's level. The turnover is affected by the ongoing quality improvement of the distribution in the German market. In addition, general consumer reticence in Germany remains a factor.

Turnover in the Dutch market was DKK 105 million against DKK 127 million last year, i.e. a decline of DKK 22 million, or 18%. The second quarter, however, saw a marked improvement.

Switzerland remains characterised by weak sales with no sign of early improvement. The Belgian and Austrian markets also suffered a slowdown during the first half year.

Sales in southern European markets were unexpectedly weak and particularly in these markets demand were characterised by the shift to flat-screen technology. The Italian market saw a turnover of DKK 78 million against DKK 108 million in

the first half of last year. Turnover in the French market totalled DKK 82 million against DKK 96 million in the first half of last year. Turnover in the Spanish/Portuguese market was DKK 96 million against DKK 119 million in the first half of last year.

In the US, the Group achieved a turnover of DKK 138 million against DKK 167 million in the first six months last year. The decline in turnover is primarily due to the trend in USD. In local currency, the decline in turnover was 3%, which partly reflects the distribution adjustments. There were no non-recurring costs relating to the disposal of activities or closure of shops and the operating loss for the half year was limited to DKK 15 million against DKK 22 million and non-recurring costs of 23 million, i.e. a total of DKK 45 million last year. Ongoing operations, therefore, improved by DKK 7 million. The efforts to achieve a positive operating result in the US market continue.

Asian markets showed a satisfactory increase in turnover of DKK 6 million, i.e. from DKK 80 million in the first six months of last year to DKK 86 million this year.

Product launches

The first deliveries of BeoLab 5 took place towards the end of the first quarter and were enthusiastically received by customers, retailers and acoustics experts. In the second quarter, sales of BeoLab 5 exceeded expectations.

Towards the end of the second quarter the Group, as planned, launched BeoVision 6, Bang & Olufsen's latest flat screen TV based on LCD technology. BeoVision 6 has been positively received by both retailers and customers. Sales, however, will not have effect until the third and fourth quarters.

BeoVision 3 – 28", a 28" version of the tabletop TV BeoVision 3, was launched in the second quarter. BeoVision MX 4200, a technological upgrade within the Group's classic MX family, was launched during the financial year's first quarter.

BeoCom 1, a two-line telephone for the US market, was launched at the end of November.

Distribution development

At the end of the first six months, Bang & Olufsen had 646 B1 shops worldwide against 638 in the first half of last year and 635 at the end of the previous year. During the first half year, the Group continued its endeavours to expand distribution and carry out intensive quality improvements to the existing B1 distribution. This resulted in the opening of 30 new B1 shops, while 5 shops were upgraded to B1 status. During the period under review, 20 B1 shops were closed and 4 downgraded so that the net addition of B1 shops during the half year is 11.

B1 shops now account for 70% of the branded turnover against 66% in the first half of last year.

At the end of the first six months, the number of shop-in-shop outlets stands at 666, corresponding to a net reduction of 1 shop for the half year and 28 fewer since the end of the first half year last year.

The share of turnover from shop-in-shop outlets accounts for 23%, which is unchanged from the first half year of last year.

The number of other multibrand shops stands at 256 against 541 at the end of the first half year last year and 468 at the beginning of the current year. The relatively large reduction in the number of multibrand shops is primarily due to the measures taken to improve the quality of the distribution in the German market.

The turnover in B1 shops with two full years of operations fell by an average of 9% measured in fixed exchange rates. The overall development covers wide variations among markets.

Production development

In addition to outsourcing to external partners in Denmark and abroad, which has taken place for several years, the Group, following a series of previous analyses, has decided to establish own production in Central Europe. This will comprise the production of components and some of the Group's assembly processes. The Group expects this to create approximately 200 jobs. Production is expected to begin during the autumn of 2004 following a final decision on the production site.

The move aims at securing Bang & Olufsen's continued competitiveness and is part of the efforts to maintain and increase the Group's gross margins.

The Group expects to accelerate the yearly quantity of new products being developed and prepared for production; requiring the Danish production team to focus even further on the said areas. These are complex processes that require a high level of knowledge, substantial innovative skill and a high degree of flexibility. Consequently, it is crucial to further maximise the currently high levels of knowledge among employees in Denmark.

Non-branded business

Bang & Olufsen Medicom a/s

In the first six months of the financial year, Bang & Olufsen Medicom had a turnover of DKK 59 million against DKK 121 million in the first half of last year. This corresponds to a decline of DKK 62 million.

The ordinary pre-tax loss for Bang & Olufsen Medicom amounted to DKK 20 million for the half year against last year's loss of DKK 4 million. The result for the full year is expected to show a loss in the region of DKK 20 million as the second half year is likely to post a close to zero result.

During the first half year, new long-term contracts with leading pharmaceutical companies for the development and production of drug delivery products were signed. The result of these contracts will, however, only materialise in subsequent financial years.

Within the field of Medicom Diagnostics, the external partnership with 3M relating to electronic stethoscopes has been expanded to comprise development and production agreements for next generation products.

Bang & Olufsen ICEpower a/s

Turnover for Bang & Olufsen ICEpower was DKK 17 million for the first half year against DKK 13 million for the first six months of last year, i.e. an advance of DKK 4 million.

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, a significant number of new launches will take place during the current financial year. In addition to the recent launches these include:

- BeoCenter 2, a new AV center product released in early January. The launch occurred some months later than originally scheduled.
- BeoLab 3, a compact loudspeaker based on BeoLab 5 technologies, will be launched in February.
- BeoVision 4, a 42" modularised flat screen product, will be launched during the fourth quarter. Its quality is on a par with BeoVision 5.

The new products have been received particularly favourably by retailers and customers and the Group expects the launches to contribute positively in the second half year.

Turnover and result

The Group continues its efforts to enhance profitability and internal efficiency in order to provide the necessary resources for its ongoing development and to meet the future challenges from uncertain market conditions.

In the annual accounts, 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%."

Due to less favourable conditions in southern and central European markets, the Group does not expect growth in turnover in the current financial year. The planned launches, which will impact on the second half year, are, however, expected to contribute positively to the turnover and thus enable the Group to increase second half-year turnover in comparison to first half-year turnover level. On this background, the Group maintains its expectations for a pre-tax profit in the region of DKK 300-330 million.

Annual General Meeting 2004

Bang & Olufsen a/s' Annual General Meeting will be held on Wednesday, September 29, 2004 and not, as previously announced, on Friday, October 8, 2004.

Appendix 1

Main and key figures for Bang & Olufsen a/s – the Group

1st half year

(DKK million)	1999/00	2000/01	2001/02	2002/03	2003/04
Profit and Loss account					
Net turnover	1,800	1,866	1,997	2,058	1,709
Operating profit	157	162	108	138	106
Financial items, net	(15)	(23)	(10)	(3)	(3)
Profit from ordinary operations before tax	143	141	99	136	109
Extraordinary items	20	-	-	-	-
Consolidated profit	117	97	52	82	96
Profit for the period, Bang & Olufsen a/s' share	117	97	58	84	96
Balance sheet					
Total assets, end of November	2,487	2,641	2,844	2,705	2,598
Share capital	134	134	134	134	135
Equity, end of November	1,136	1,261	1,317	1,448	1,472
Minority interests	-	-	-	-	-
Cash flow for the year					
Of which cash flow from:	(163)	(197)	(137)	(10)	(251)
Operating activity	(87)	(17)	(22)	139	66
Investment activity	(163)	(165)	(110)	(77)	(109)
-of which investment in tangible fixed assets	(129)	(132)	(68)	(39)	(45)
-of which investment in intangible fixed assets	(50)	(45)	(44)	(50)	(70)
Financing activity	87	(49)	(6)	(72)	(208)
Key figures					
Profit ratio %	9	9	5	7	6
Rate of return, %	8	7	4	6	5
Return on equity, %	10	8	4	6	6
Current ratio	1.7	1.8	1.8	2.0	2.3
Equity ratio, %	46	48	46	54	56
Intrinsic value (nom. DKK 10), DKK	85	94	98	108	108
Quotation as at November, 30	242	369	176	165	235
Quotation/intrinsic value	2.8	3.9	1.8	1.5	2.2

Parentheses denote negative figures.

The key figures are defined as follows:

Profit ratio:	$\frac{\text{Operating profit} \times 100}{\text{Net turnover}}$
Rate of return:	$\frac{\text{Operating profit} \times 100}{\text{Average operative assets}}$
Return on equity:	$\frac{\text{Ordinary profit after tax} \times 100}{\text{Average equity}}$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio:	$\frac{\text{Equity, end of period} \times 100}{\text{Liabilities, end of period}}$
Intrinsic value (nom. DKK 10), DKK:	$\frac{\text{Equity, end of period}}{\text{Number of shares, end of period}}$

Appendix 2

Interim report For the period 1/6 2003 to 30/11 2003

(DKK million)	Branded business	Non-branded business			B&O a/s Group
	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other / eliminations	
Turnover	1,639.4	59.3	16.8	(6.2)	1,709.3
Operating profit/loss	125.1	(18.3)	(0.4)		106.4
Profit/loss on ordinary operations before tax	129.2	(19.6)	(0.6)		109.0

Interim report For the period 1/6 2002 to 30/11 2002

(DKK million)	Branded business	Non-branded business			B&O a/s Group
	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	
Turnover	1,928.1	120.9	13.4	(4.3)	2,058.1
Operating profit/loss	149.0	(2.3)	(8.5)		138.2
Profit/loss on ordinary operations before tax	148.4	(4.4)	(8.4)		135.6

Parentheses denote negative figures or amounts to be deducted.

Appendix 3

Turnover and distribution, Bang & Olufsen Branded Business

(DKK million)	Turnover 1 half-year		Growth in local currency
	2003/04	2002/03	
United Kingdom	280	300	2%
Denmark	230	227	1%
Germany	190	256	(26%)
USA	138	167	(3%)
Holland	105	127	(18%)
Switzerland	99	141	(26%)
Spain/Portugal	96	119	(18%)
Asian markets, excl. Japan	86	80	8%
France	82	96	(15%)
Italy	78	108	(28%)
Expansion Markets	59	67	(11%)
Sweden	52	53	(3%)
Belgium	35	47	(25%)
Norway	29	36	(9%)
Japan	28	25	26%
Austria	24	34	(29%)
Telephone distribution	17	23	
Other	<u>11</u>	<u>22</u>	
Total branded business	<u>1,639</u>	<u>1,928</u>	

Parentheses denote negative figures or amounts to be deducted.

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

Shop segment	Number of shops per 30/11-03	Number of shops per 1/6 2003	Change during the period 1/6-03 – 30/11-03	Share of turnover per segment
B1	646	635	11	70%
Shop in shop	666	667	(1)	23%
Other	<u>256</u>	<u>468</u>	<u>(212)</u>	<u>7%</u>
Total	<u>1,568</u>	<u>1,770</u>	<u>(202)</u>	<u>100%</u>

Parentheses denote negative figures or amounts to be deducted.

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.