

Bang & Olufsen a/s downgrades profit expectations 2007/08

Operating profit is now expected to be in the region of DKK 195 million against the previously announced DKK 225-275 million. Profit before tax is expected to total approx. DKK 155 million, i.e. DKK 45-95 million less than previously estimated. This is based on a turnover of DKK 4,100 million.

The adjustment is primarily based on the following factors:

- § Uncertain global market developments and a reduced order book at the end of the financial year.
- § Extensive winding up procedures involving extraordinary expenditure in connection with the conclusion of pending legal proceedings in Denmark and abroad.
- § Increased losses and provisions to counter losses on receivables etc.

After the close of the financial year, Bang & Olufsen has taken full control of the strategically important subsidiary, ICEpower.

The market

The uncertain global economy has made it particularly difficult to anticipate market developments – especially in the US and Western Europe.

Settlement of legal proceedings

The Board has deemed it a priority to conclude certain pending legal disputes. Negotiations to this end have in a satisfactory way brought a number of these issues to a conclusion. An offshoot of an arbitration case, which in mid-December last year went against Bang & Olufsen, was also successfully closed. As stated in announcement 07.11 of 9 January, 2008, the outcome of the December arbitration case cost Bang & Olufsen DKK 25 million.

Provisions

The Board of Directors of Bang & Olufsen has consistently wished for the company's risks in the debt portfolio to be covered through provisions in the accounts. In total, DKK 48 million was expensed in the 2007/08 financial year

against DKK 13 million last year. Of this DKK 16 million was expensed in the fourth quarter.

ICEpower

Bang & Olufsen is acquiring the shareholding of one of the co-founders of the subsidiary, Bang & Olufsen ICEpower a/s, Director Karsten Nielsen, who is leaving the company.

ICEpower has developed ground-breaking technology which features in all Bang & Olufsen's main products. Consequently, it is of crucial strategic importance for Bang & Olufsen to secure full control of the company.

The 10 per cent shareholding has been acquired for DKK 23 million.

Commented Chairman Jørgen Worning:

"With a solvency percentage in excess of 50 per cent, Bang & Olufsen is well consolidated to absorb the necessary provisions and invest in the Group's key areas. I am delighted that we have succeeded in concluding these outstanding issues before we hand over responsibility for daily operations to the company's new CEO Kalle Hvidt Nielsen on August 1.

Bang & Olufsen's ongoing cost adjustment is expected to take full effect in the 2008/09 financial year.

The Board of Directors expects that this year's profits will show an improvement on the 2007/08 financial year, which will be announced on August 13.

Jørgen Worning
Chairman

Peter Thostrup
Executive Vice-President

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For further information about this announcement, please contact:

Chairman Jørgen Worning

Executive Vice President Peter Thostrup

Head of Information Tino Pedersen, tel +45 61 55 41 41