

Copenhagen Stock Exchange
Nikolaj Plads 6
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Translation

Struer, 7 October 2005

Interim report for the period 1 June – 31 August 2005 for Bang & Olufsen a/s

- The Group's turnover for the first quarter of the financial year was DKK 799 million against DKK 726 million for the same period last year, i.e. an advance of DKK 73 million or 10%.
- Result from ordinary operations before tax totalled DKK 50 million against DKK 10 million for the same period last year.
- The Group saw advances in almost all European markets as well as in several Asian markets.
- Bang & Olufsen Medicom a/s and Bang & Olufsen ICEpower a/s both recorded increased profits.
- In September, as planned, the Group launched a new sound system for the Audi A8 at the IAA in Frankfurt. The new Advanced Sound System is expected to be ready for delivery in Europe around the turn of the year and in other markets during the spring.
- The first quarter developed satisfactorily. Historically speaking, developments in the first quarter, the year's weakest, are not indicative for the rest of the year. The Group maintains its expectations for a result from ordinary operations before tax of between DKK 400-430 million (now computed in accordance with IFRS standards) for the full year.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

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

This interim report includes as the first financial statements presented in accordance with the guidelines of the IFRS (International Financial Reporting Standards).

(DKK million)

	1/6–31/8 2005	1/6–31/8 2004
Net turnover	798.7	725.6
Gross profit	370.2	328.7
<i>Gross margin</i>	46.4	45.3
Operating profit	53.9	6.7
Financial items, net	<u>(3.8)</u>	<u>3.4</u>
Result from ordinary operations before tax	50.1	10.1
Tax on ordinary profit*	<u>(17.5)</u>	<u>(3.4)</u>
Result for the period after tax	<u>32.6</u>	<u>6.7</u>
Result for the period, Bang & Olufsen a/s' share	32.7	6.9
Result for the period, minority interests' share	<u>(0.1)</u>	<u>(0.2)</u>
Profit for the period after tax	<u>32.6</u>	<u>6.7</u>
Balance sheet information	31/8 2005	31/8 2004
Total intangible assets	311.6	269.9
Total tangible assets	609.5	633.0
Investment property	0.8	0.8
Total financial assets	<u>68.4</u>	<u>88.0</u>
Total non-current assets	<u>990.3</u>	<u>991.7</u>
Inventories	495.0	541.7
Receivables	655.2	660.5
Liquid funds	<u>635.1</u>	<u>482.8</u>
Total current assets	<u>1,785.3</u>	<u>1,685.0</u>
Total assets	<u>2,775.6</u>	<u>2,676.7</u>
Total equity	1,735.9	1,575.0
Non-current liabilities	348.6	399.7
Current liabilities	<u>691.1</u>	<u>702.0</u>
Total equity and liabilities	<u>2,775.6</u>	<u>2,676.7</u>

Development in equity	1/6-31/8 2005	1/6-31/8 2004
Equity as at 1 June	1,750.5	1,651.9
Accumulated effect at the beginning of the year of changes to accounting principles applied	(34.0)	(38.0)
Equity adjustment, subsidiaries	-	(1.3)
Exchange rate adjustment, subsidiaries	(0.8)	0.1
Change in fair value of derivative financial instrument	0.1	5.0
Purchase of own shares	(31.9)	(49.4)
Capital increase for employee shares	11.5	-
Sale of own shares	6.3	-
Distribution of share options	1.0	-
Tax relating to share options and jubilee benefits	0.6	-
Retained earnings	<u>32.6</u>	<u>6.7</u>
Equity as at 31 August	<u>1,735.9</u>	<u>1,575.0</u>
Cash flow – main figures	1/6-31/8 2005	1/6-31/8 2004
Cash flow from operating activities	(15.1)	96.2
Cash flow from investment activities	(68.2)	(38.8)
Cash flow from financing activities	<u>(13.5)</u>	<u>(47.6)</u>
Cash flow for the period	<u>(96.8)</u>	<u>9.8</u>

* Corporation tax has been calculated as the share of the financial year's expected tax liability relating to the result for the 3 months.

Parentheses denote negative figures or amounts to be deducted.

Comments to the development in the first quarter

Bang & Olufsen a/s

Turnover for the Bang & Olufsen a/s Group for the first quarter was DKK 799 million against DKK 726 million for the same period last year, which represents a DKK 73 million advance, or 10%.

For the period under review, the branded business saw growth in turnover of DKK 51 million. The non-branded business comprising Bang & Olufsen Medicom a/s and Bang & Olufsen ICEpower a/s recorded a DKK 22 million increase in turnover.

The Group maintained its gross margin level, i.e. 46.4%, which is on a par with the 2004/05 financial year (46.5%). The gross margin for the first quarter last year was 45.3%.

With DKK 104 million expended in the development area against DKK 81 million in the first quarter last year, the high activity levels in this area continue. The net effect of capitalisation during the quarter was positive at DKK 20 million against a negative effect of DKK 4 million for the same period last year.

Costs of DKK 11 million relating to the issue of employee shares were incurred during the first quarter. Costs relating to employee shares in 2004/05 were recognised in the second quarter and totalled DKK 8 million.

Result from ordinary operations before tax were DKK 50 million against DKK 10 million for the same period last year, i.e. an improvement of DKK 40 million. The Group result after tax totalled DKK 33 million against DKK 7 million the year before.

Cash flow for the period under review was negative at DKK 97 million against a positive cash flow in the first quarter last year of DKK 10 million. The main reason for this is the increased tie-up of liquidity in trade debtors as a result of the increased turnover coupled with the fact that DKK 32 million worth of shares were repurchased during the quarter.

Branded business

Turnover in the branded business increased by 7% to DKK 747 million against DKK 696 million last year.

Result from ordinary operations before tax totalled DKK 46 million against DKK 15 million for the same period last year. This is an advance of DKK 31 million.

Development in the markets

Percentage changes are computed in local currencies

Turnover increased in the majority of the European markets and in several Asian countries:

Developments in the key regions:

- For the UK, realised turnover in the first quarter was on par with last year. The market continues to be characterised by a lower-than-usual level of traffic in our shops.
- The positive development in the Danish market continues. Demand remains substantial and turnover for the first quarter was DKK 103 million against DKK 98 million for the same period last year corresponding to a growth in turnover of 5%.
- The positive advance in turnover, which was evidenced in Germany and in the rest of Central Europe in the second half of 2004/05, continued in the first quarter of 2005/06 with a turnover increase in Germany of 20% compared to the same period last year. In Austria and Switzerland, developments were also positive.
- In the US, turnover for the first quarter was DKK 60 million against DKK 61 million last year. In local currency, the level is unchanged.
- Latin Europe experienced a fair advance in the first quarter of 2005/06. France, Spain and Italy produced double digit growth rates during the first three months compared to the same period last year. The positive development is especially attributable to increasing sales of flat-screen TVs. The broad portfolio of flat-screen TVs has matched consumer demand well.
- Asia, with the exception of Japan, saw a small, general increase of 12% but developments in individual countries varied significantly.

Product launches

As planned, no new audio or video products were launched in the first quarter.

In the Stock Exchange announcement of 15 August, we referred to a new telephone concept as one of the year's planned launches. The Group has subsequently announced a partnership with Samsung Electronics with regard to the development of a unique mobile telephone concept which is expected to be launched before Christmas.

Distribution development

During the first quarter of the financial year, 9 B1 shops were opened or upgraded, while 13 shops were closed or converted to shop in shops.

Consequently, by the end of the first quarter there were 668 B1 shops worldwide compared to 672 at the end of the 2004/05 financial year. The Group continues to enlarge its global distribution focusing on quality and the aim for the year is, as previously mentioned, a net addition of 50 B1 shops.

The turnover share for B1 shops remains unchanged at 71%. The number of shop in shops is 628 against 637 at the end of the previous financial year.

New business development

As planned, Bang & Olufsen launched its new advanced sound system for the Audi A8 at the IAA motor show in Frankfurt in early September. The sound system is expected to be ready for delivery around the turn of the year in Europe and during the spring in other markets.

Although development work is currently focused on Audi, sales and prototype work aimed at other leading car manufacturers is proceeding.

Production development

The construction of a new plant at Koprivnice in the Czech Republic continues as planned and by the end of the first quarter 84 people were employed at the plant. The design of the new factory is proceeding on schedule and the stone-laying ceremony took place on September 8. The factory is expected to be commissioned at the beginning of 2006.

Non-branded business

Bang & Olufsen Medicom a/s

During the financial year's first quarter, Bang & Olufsen Medicom a/s' turnover was DKK 48 million. This is an advance of DKK 16 million compared to the same period the previous year where turnover was DKK 32 million.

As the result from the first quarter showed a profit of DKK 3.6 million against a loss of DKK 1.6 million for the same period last year, result from ordinary operations before tax showed an improvement of DKK 5.2 million.

The first quarter development thus maintains the positive trend from the last financial year. The activity level is relatively high as a result of current contracts and new development and production projects for pharmaceutical customers.

Bang & Olufsen ICEpower a/s

Turnover for Bang & Olufsen ICEpower a/s for the first quarter was DKK 13 million against DKK 7 million for the same period the year before. The substantial focus on development has continued and the result for the first quarter was break-even against a loss of DKK 3 million for the same period last year.

Turnover derives from sales of ICEpower standard modules and development services and revenue from license agreements. Investment in technology development continues. As well as Sanyo and Sony, ICEpower's partners include Samsung.

Expectations for the financial year

Turnover and result

The first quarter developed satisfactorily. Historically speaking, developments in the first quarter, the year's weakest, are not indicative of the rest of the year.

At the end of the 2004/05 financial year, the Group expressed its expectations for the current financial year as follows:

"Based on the International Financial Reporting Standards (IFRS), the Group expects profits to be in the region of DKK 400-430 million."

On the basis of the realised quarterly result, the Group maintains its expectations mentioned above.

Statement by the management

The Board of Directors and Management Board have today discussed and adopted the interim report for the first quarter of 2005/06 for Bang & Olufsen a/s. The interim report, which comprises combined consolidated accounts for Bang & Olufsen a/s, is presented in accordance with the international accounting standards (IFRS/IAS), and further Danish information requirements for listed companies.

We regard the accounting policies as appropriate, the accounting estimates as sound and the overall presentation of the interim report as adequate. It is our view that the interim report gives a true and fair view of the Group's assets, liabilities and financial position as at August 31 2005, and the result of the Group's activities and cash flow for the period 1 June – 31 August, 2005.

Struer, 7 October 2005

Bang & Olufsen a/s, Board of Directors

Jørgen Worning

Torsten Erik Rasmussen

Peter Skak Olufsen

Preben Damgaard Nielsen

Lars Brorsen

Thorleif Krarup

Ole Christian Olesen

John Christoffersen

Knud Olesen

Bang & Olufsen a/s, Board of Management

Torben Ballegaard Sørensen

Peter Thostrup

Appendix 1

Interim report For the period 1/6 2005 to 31/8 2005

(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	747.1	48.3	13.3	(10.0)	798.7
Internal turnover	<u>(6.8)</u>	<u>(0.3)</u>	<u>(2.9)</u>	<u>10.0</u>	<u>0.0</u>
External turnover	<u>740.3</u>	<u>48.0</u>	<u>10.4</u>	<u>0.0</u>	<u>798.7</u>
Operating profit/(loss)	<u>50.0</u>	<u>4.0</u>	<u>(0.1)</u>	<u>-</u>	<u>53.9</u>
Profit from ordinary operations before tax	<u>46.5</u>	<u>3.6</u>	<u>0.0</u>	<u>-</u>	<u>50.1</u>

Interim report For the period 1/6 2004 to 31/8 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	695.5	32.4	7.2	(9.5)	725.6
Internal turnover	<u>(6.3)</u>	<u>(0.6)</u>	<u>(2.6)</u>	<u>9.5</u>	<u>0.0</u>
External turnover	<u>689.2</u>	<u>31.8</u>	<u>4.6</u>	<u>0.0</u>	<u>725.6</u>
Operating profit/(loss)	<u>10.4</u>	<u>(0.9)</u>	<u>(2.8)</u>	<u>-</u>	<u>6.7</u>
Profit/(loss) from ordinary operations before tax	<u>15.0</u>	<u>(1.6)</u>	<u>(3.3)</u>	<u>-</u>	<u>10.1</u>

Parentheses denote negative figures or amounts to be deducted.

Appendix 2

Turnover Branded Business

(DKK million)	Turnover 1/6-31/8		Growth in local currency
	2005/06	2004/05	
United Kingdom	108	111	0 %
Denmark	103	98	5 %
Germany	100	84	20 %
USA	60	61	0 %
Holland	54	47	16 %
Switzerland	53	42	30 %
Spain/Portugal	40	36	12 %
Asian markets, excl. Japan	38	34	12 %
France	35	31	19 %
Italy	22	18	23 %
Expansion Markets	22	25	(17 %)
Belgium	17	15	15 %
Enterprise*	16	15	7 %
Sweden	16	18	(12 %)
Austria	14	14	3 %
Norway	12	8	41 %
Japan	12	18	(33 %)
Middle East	8	3	121 %
Telephone distribution	4	4	
Other	6	8	
Turnover to non-branded business	<u>7</u>	<u>6</u>	
Total branded business	<u>747</u>	<u>696</u>	

* Enterprise handles the turnover to the hotel business.

Parentheses denote negative figures.

Distribution development

Shop segment	Number of shops <u>per 31/8-05</u>	Number of shops <u>per 1/6 2005</u>	Change during the period <u>1/6-05 – 31/8-05</u>	Share of turnover <u>per segment</u>
B1	668	672	(4)	71 %
Shop in shop	628	637	(9)	27 %
Other	<u>82</u>	<u>88</u>	<u>(6)</u>	<u>2 %</u>
Total	<u>1,378</u>	<u>1,397</u>	<u>(19)</u>	<u>100 %</u>

Definitions of shop segments:

B1	Shops, which are dedicated retailers of Bang & Olufsen products.
Shop in shop	Shops with a dedicated sales area for Bang & Olufsen products.
Other	Shops without a dedicated sales area for Bang & Olufsen products.

Parentheses denote negative figures.

Appendix 3

Specifications

Bang & Olufsen a/s – the Group (DKK million)

	2005/06	2004/05
Development costs		
Expensed development costs before capitalization	104.3	80.8
Of which capitalized	(40.9)	(17.0)
Amortization and write-downs of development projects	<u>20.5</u>	<u>20.5</u>
Development costs included in the Profit and Loss account	<u>83.9</u>	<u>84.3</u>
Financial income		
Interest income from banks	3.2	2.2
Exchange rate gains, net	0.0	5.5
Other financial income	<u>2.7</u>	<u>2.2</u>
	<u>5.9</u>	<u>9.9</u>
Financial costs		
Interest on bank loans	0.7	2.3
Interest on mortgage loans	1.8	2.4
Exchange rate loss, net	5.3	0.0
Other financial costs	<u>1.9</u>	<u>1.8</u>
	<u>9.7</u>	<u>6.5</u>

Parentheses denote negative figures.