

Copenhagen Stock Exchange
Nikolaj Plads 6
1067 Copenhagen K

Translation

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**Interim Report for the period June 1 – August 31, 2004 for
Bang & Olufsen a/s**

- The Group's first quarter turnover totalled DKK 726 million against DKK 642 million in the first quarter of 2003/04, i.e. an advance of DKK 84 million, or 13%. Compared to last year, turnover was only marginally affected by exchange rate changes.
- Ordinary profit before tax was DKK 10 million against a loss of DKK 36 million in the first quarter last year. This represents an improvement of DKK 46 million.
- The Group's cash flow for the first quarter was positive at DKK 10 million against a negative cash flow of DKK 66 million for the same period last year. The main reason for this was the cash flow from operating activities.
- As planned, the Group is currently launching a new 26" LCD TV, BeoVision 6 – 26.
- The Group maintains its expectations for a result before tax for the year in the region of DKK 360-390 million based on a modest increase in turnover.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

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

1/6-31/8 2004

	2004/05	2003/04
Net turnover*	725.6	641.8
Gross profit	328.7	272.6
<i>Gross margin</i>	45.3	42.5
Operating profit	6.5	(44.6)
Financial items, net	<u>3.4</u>	<u>9.0</u>
Profit from ordinary operations before tax	9.9	(35.6)
Tax on ordinary profit**	<u>(3.7)</u>	<u>10.1</u>
Result for the period after tax	6.2	(25.5)
Of which minority interests	<u>0.2</u>	<u>0.1</u>
Bang & Olufsen a/s' share of the result	<u>6.4</u>	<u>(25.4)</u>

Balance sheet information	31/8 04	31/8 03
Equity	1,612.6	1,463.8
Assets	2,657.9	2,483.4
Assets, excluding liquid funds	2,175.1	2,104.6

Development in equity	2004/05	2003/04
Equity as at June 1	1,651.9	1,551.1
Repurchase of own shares	(49.4)	(60.5)
Exchange rate adjustment of investment in subsidiaries	(1.3)	0.2
Equity adjustments in subsidiaries	-	(1.6)
Change in fair value, derivative financial instrument	5.0	0.0
Retained earnings	<u>6.4</u>	<u>(25.4)</u>
Equity as at August 31	<u>1,612.6</u>	<u>1,463.8</u>

Cash flow	2004/05	2003/04
Cash flow from operating activities	96.2	58.2
Cash flow from investment activities	(38.8)	(56.4)
Cash flow from financing activities	<u>(47.6)</u>	<u>(68.0)</u>
Cash flow for the period	<u>9.8</u>	<u>(66.2)</u>

* According to the Danish accounting guideline 22 cash discounts are set off against turnover and cost of sales. As a consequence the figures for 2003/04 have been changed accordingly.

** 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

First quarter turnover for the Bang & Olufsen a/s Group was DKK 726 million against DKK 642 million for the same period last year. This represents an advance in turnover of DKK 84 million, i.e. 13%.

The increased turnover, compared to the first quarter last year, is due to a general improvement in the majority of the Group's markets.

Turnover in the branded business grew by DKK 75 million with many markets recording advances (cf. appendix 2).

Bang & Olufsen Medicom a/s recorded a turnover of DKK 32 million against DKK 24 million last year, i.e. an advance of DKK 8 million.

Turnover for Bang & Olufsen ICEpower a/s is unchanged on the year.

As expected, the Group's gross margin was slightly lower than last year at 45.3% for the first quarter. This is 0.1% below the gross margin for the 2003/04 financial year. Nevertheless, this was 2.8% above the first quarter of 2003/04.

Ordinary profit before tax totalled DKK 10 million against a loss of DKK 36 million for the first quarter last year, i.e. an advance of DKK 46 million. After tax profits totalled DKK 6 million against a loss of DKK 25 million last year.

Cash flow for the period was positive at DKK 10 million against a negative cash flow of DKK 66 million for the same quarter last year.

Branded business

Turnover for the Group's branded business totalled DKK 695 million for the first quarter against DKK 620 million for the first quarter last year. This equates to an advance of DKK 75 million.

Ordinary profit before tax for the Group's branded business was DKK 15 million. This represents an advance of DKK 40 million compared to the first quarter of the previous year when the result was negative at DKK 25 million.

Development in the markets

(Percentage changes are calculated in local currency)

As expected, the first quarter showed a positive development in turnover in by far the majority of the Group's markets.

On the product side, the new plasma screens among other things contributed to the growth.

In the US market, the Group succeeded in achieving an improvement in turnover of 3% in local currency while reducing operating losses from DKK 9.5 million to DKK 1.7 million.

Bang & Olufsen's largest market, the UK, recorded a moderate decrease of 3% (in local currency).

Germany recorded a growth of 3% compared with first quarter last year. Turnover was DKK 84 million for the first quarter against 81 million last year.

The Danish market saw growth compared with first quarter last year. Turnover increased by DKK 18 million to DKK 98 million against DKK 80 million in the first quarter last year, i.e. an advance of 22%.

Product launches

The first quarter saw the launch of a 50" module-based flat screen TV, BeoVision 4 – 50, which is based on plasma technology and matches the quality of BeoVision 5.

In addition, BeoLink PC2 has been upgraded and can now be used with Apple computers as well as with PCs.

Distribution development

The Group maintains its aim of expanding and improving its global distribution network and, focusing on quality, intends to accelerate the pace of new shop openings. The aim is a net increase of 30-40 shops in 2004/05.

During the first quarter, among others two shops were opened in China, in the Guangdong province and in Shanghai. An additional shop will open in Beijing during the 2004/05 financial year.

By the end of the first quarter, there were 637 B1 shops worldwide against 638 shops in the first quarter last year and 642 at the end of the last financial year. B1 shops continued to account for slightly less than 70% of the turnover.

The number of shop in shop outlets was 660 in the first quarter, a decline of 10 compared to the 2003/04 financial year. Compared to the first quarter last year, however, this represents an increase of 9 shops.

Production

At the end of May 2004, Flextronics International Ltd. acquired Bang & Olufsen's electronics factory in Skive. The subsequent coordination has proceeded as planned.

The establishment of new production facilities in Koprivnice in the Czech Republic is also proceeding on schedule. The first pre-assembly began towards the end of September.

Non-branded business

Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom recorded a turnover of DKK 32 million for the first quarter against DKK 24 million last year. This equates to an advance of DKK 8 million. The pre-tax result for the period was a loss of DKK 2 million against a loss of DKK 11 million in the first quarter last year, corresponding to an improvement of DKK 9 million.

The positive development relates to two factors: firstly, the past year's trimming of the organisation has proved successful by generating savings in fixed costs and secondly, the gross profit reflects rising sales of development services for the pharmaceutical industry.

Bang & Olufsen ICEpower a/s

Bang & Olufsen ICEpower recorded a turnover of DKK 7 million (unchanged from last year). The result for the period was a loss of DKK 3.3 million against a loss of 0.4 million for the first quarter last year.

Turnover derives from sales of ICEpower standard modules and development services as well as revenue realised in connection with licence agreements. Further investments are being made in technology development, and the addition of new customers is a focus point. Besides Sanyo and Sony, Samsung is among ICEpower's partners.

Expectations for the financial year

As expected, the first quarter, which, by tradition, is not indicative of the whole year, saw advances in both turnover and result compared to the first quarter last year. Gross margin improved by 2.8% and there will be continuing focus on keeping flexibility of capacity costs.

The expectations for the American and Asian markets remain generally positive while the outlook for sales to the European markets is believed to be less favourable.

As planned, the 2004/05 financial year will see the launch of a number of new TV products. As a result, the product mix will shift towards the video portfolio which traditionally has achieved a lower gross margin. Product development costs will be above last year's level.

At the time of writing, a new flat screen TV, BeoVision 6 – 26, a 26" LCD TV, is being launched.

The other new product launches are expected to take place as planned and will contribute to the expected moderate growth, which the Group has based its expectations on.

In the 2003/04 annual report, the Group stated its expectations for the current financial year as follows:

"Turnover and earnings for the first quarter 2004/05 will be above the same period last year. On the background of a moderate growth in turnover, the Group expects pre-tax profits in the region of DKK 360-390 million, which holds the 3-year objective of 10-15% annual growth in earnings."

Based on the above and the result achieved for the first quarter, the Group maintains its expectations for earnings for the year of between DKK 360-390 million before tax based on a moderate increase in turnover.

Appendix 1

Interim report For the period 1/6 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 result	10.2	(0.9)	(2.8)	-	6.5
Result from ordinary operations before tax	14.8	(1.6)	(3.3)	-	9.9

Interim report For the period 1/6 to 31/8 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	620.0	24.1	7.0	(9.3)	641.8
Internal turnover	<u>(7.1)</u>	<u>(0.1)</u>	<u>(2.1)</u>	<u>9.3</u>	<u>0.0</u>
External turnover	<u>612.9</u>	<u>24.0</u>	<u>4.9</u>	<u>0.0</u>	<u>641.8</u>
Operating result	(34.5)	(9.8)	(0.3)	-	(44.6)
Result from ordinary operations before tax	(24.7)	(10.5)	(0.4)	-	(35.6)

Parentheses denote negative figures or amounts to be deducted.

Appendix 2

Turnover, branded business

(DKK million)	Turnover 2004/05	Turnover 2003/04	Growth in local currency
United Kingdom	111	108	(2.9%)
Denmark	98	80	22.4%
Germany	84	81	2.8%
USA	61	63	2.9%
Holland*	47	32	-
Switzerland	42	35	20.3%
Spain/Portugal	36	37	(3.2%)
Asian markets, excl. Japan	34	37	(8.0%)
France	30	30	(2.9%)
Expansion Markets	29	22	31.8%
Sweden	18	18	(0.2%)
Italy	18	14	31.5%
Japan	18	13	30.9%
Belgium	15	12	24.0%
Austria	14	9	59.3%
Norway	8	11	(22.8%)
Enterprise	15	2	-
Telephone distribution	4	7	(38.7%)
Other	7	2	
Turnover to non-branded business	<u>6</u>	<u>7</u>	
Total branded business	<u>695</u>	<u>620</u>	

Development in the number of shops

Shop segment	Number of shops per 31/8 04	Change during the period 1/6-31/8 04	Share of turnover per segment
B1	637	(5)	69%
Shop in shop	660	(10)	26%
Other	<u>184</u>	<u>(31)</u>	<u>5%</u>
Total	<u>1,481</u>	<u>(46)</u>	<u>100%</u>

Parentheses denote negative figures.

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.

* The figures are non-comparable as Bang & Olufsen has taken over the distribution to the Dutch market.

Appendix 3

Specifications

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

	2004/05	2003/04
Development costs		
Expensed development costs before capitalization	80.8	76.9
Of which capitalized	(17.0)	(31.1)
Depreciation and write-downs of development projects	<u>20.5</u>	<u>16.0</u>
Development costs included in the Profit and Loss account	<u>84.3</u>	<u>61.8</u>
Financial income		
Interest income from banks	2.2	2.4
Exchange rate gains, net	5.5	10.3
Other financial income	<u>2.2</u>	<u>3.0</u>
	<u>9.9</u>	<u>15.7</u>
Financial costs		
Interest on bank loans	2.3	3.2
Interest on mortgage loans	2.4	2.4
Other financial costs	<u>1.8</u>	<u>1.1</u>
	<u>6.5</u>	<u>6.7</u>

Parentheses denote negative figures.