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Translation

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Report for the 2004/05 financial year for Bang & Olufsen a/s

- The Group's result from ordinary operations before tax was DKK 387 million against DKK 341 million last year. This represents an increase of DKK 46 million or 13 per cent. The result reflects an increase in turnover of DKK 132 million from DKK 3,610 million to DKK 3,742 million. This equates to a 4 per cent growth in turnover.

- In the fourth quarter, the Group achieved an increase in turnover of DKK 18 million to DKK 972 million against DKK 954 million last year. The result before tax for the fourth quarter totalled DKK 109 million against DKK 69 million last year.

- In the 2004/05 financial year, the Group had a positive cash flow of DKK 259 million. As a consequence of the satisfactory financial position, the Board proposes a dividend of DKK 12 per share corresponding to DKK 149 million and a buy-back of own shares in the region of DKK 150 million.

- Sales of tube TVs halved, but this has been more than offset by sales of new LCD and plasma TVs.

- The US market broke even as expected, and the German market once again achieved growth.

- It is the ambition for the coming 5 years to achieve annual growth in turnover of 6-8 per cent in the A/V core business. Including the new business areas it is the ambition that the total turnover achieves a level of approximately DKK 6 billion. At the same time it is the ambition to maintain the achieved EBIT of at least 10 per cent.

- Expectations for the 2005/06 financial year are for turnover growth between 6-8 per cent and a rise in profits before tax of between 30 and 60 million compared to 2004/05. From the 2005/06 financial year, the Group will present its accounts in accordance with the IFRS accounting standards, which will negatively affect the profit and loss account by approx. DKK 20 million. Expectations for profits before tax for 2005/06 according to IFRS will thus be in the region of DKK 400-430 million.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President & CEO

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

Group (DKK million)	**2004/05**	2003/04	2002/03	2001/02	2000/01
Profit and loss account					
Net turnover	**3,742**	3,610	3,974	4,212	3,810
Turnover on foreign markets as percentage of the above	**82**	83	81	81	80
Operating profit	**380**	337	296	260	283
Financial items, net	**7**	2	(9)	(35)	(50)
Result from ordinary operations before tax	**387**	341	290	228	236
Group result	**269**	266	193	138	156
Result for the year, Bang & Olufsen a/s' share	**269**	264	190	149	162
Balance sheet					
Total assets, end of year	**2,762**	2,721	2,572	2,504	2,466
Share capital	**124**	124	134	134	134
Equity, end of year	**1,751**	1,652	1,551	1,406	1,308
Minority interests	**2**	2	1	-	1
Cash flow for the year	**259**	28	296	184	(157)
Of which cash flow from:					
Operating activity	**741**	448	643	433	222
Investment activity	**(233)**	(195)	(245)	(224)	(327)
- of which investment in tangible fixed assets	**(123)**	(138)	(132)	(150)	(269)
- of which investment in intangible fixed assets	**(125)**	(147)	(146)	(85)	(91)
Financing activity	**(249)**	(225)	(102)	(25)	(52)
Employment					
Number of employees at year-end	**2,331**	2,339	2,636	2,871	2,776
Key figures					
Profit ratio, %	**10**	9	7	6	7
Rate of return, %	**18**	15	13	11	13
Return on equity, %	**16**	17	13	10	12
Current ratio	**2.7**	2.6	2.6	2.1	1.9
Equity ratio, %	**63**	60	60	56	53
Earnings per share (nom. DKK 10), DKK	**22**	22	15	11	13
Intrinsic value (nom. DKK 10), DKK	**141**	133	115	112	105
Quotation as at 31 May (closing price)	**389**	355	159	235	268
Price/earnings	**18**	16	10	21	21
Quotation/intrinsic value	**2.8**	2.7	1.4	2.1	2.6
Dividend paid/proposed per share (nom. DKK 10), DKK	**12.00**	7.00	7.00	3.50	3.50

Parentheses denote negative figures.

Please refer to appendix 5 for definitions of the key figures.

Comments on the development

Advances in both turnover and profit

In the 2004/05 financial year, the Group recorded a turnover of DKK 3,742 million against DKK 3,610 million last year, equating to an advance of DKK 132 million or 4 per cent. The result from ordinary activities before tax totalled DKK 387 million against DKK 341 million last year, i.e. a 13 per cent increase. The result is in line with the Group's expectations for a result in the region of DKK 360-390 million.

For the fourth quarter, turnover totalled DKK 972 million against DKK 954 million in the fourth quarter last year, equating to an advance of DKK 18 million. As the result for the fourth quarter was DKK 109 million against DKK 69 million for the fourth quarter last year, ordinary profit before tax showed an improvement of DKK 40 million

Operating profit for the 2004/2005 financial year totalled DKK 380 million against DKK 337 million last year, i.e. an advance of DKK 43 million.

The TV portfolio produced a DKK 100 million increase in turnover. This positive development stems from the launch of the new flat screen TVs. Sales of LCD and plasma TVs have, therefore, more than offset the 50 per cent decline in sales of tube TVs. Although the video portfolio has lower margins than the rest of the product portfolio, the Group succeeded in improving the gross margin to 46.5 per cent against 45.5 per cent in the 2003/04 financial year. This is partly due to the continued efficiency measures within production and lower purchase prices.

The Group increased its activities within the development area. Thus development costs totalled DKK 412 million against DKK 364 million in 2003/04. As a result of capitalisations, DKK 390 million was expensed compared to DKK 328 million last year. The net capitalisation effect on profits for 2004/05 was positive by DKK 22 million against DKK 36 million the previous year.

Despite the increase in turnover, distribution and marketing costs were unchanged for 2004/05, totalling DKK 837 million for 2004/05 against DKK 843 million the previous year.

Administration costs for the year under review were DKK 133 million, which is on level with the DKK 136 million last year.

Financial items were positive at DKK 7 million against DKK 2 million the previous year. The improvement was largely due to an increase in exchange rate gains.

The year's overall tax rate was 30.6 per cent, corresponding to a tax charge of DKK 118 million. In the 2003/04 financial year, the tax charge was DKK 75 million, i.e. 22 per cent, which was uncharacteristically low owing to extraordinary circumstances. The Group did not capitalise the value of deferred tax relating to the US in the current financial year. Consequently, profits for the year after tax totalled DKK 269 million against DKK 266 million the previous year.

The balance sheet increased by DKK 41 million during the financial year, from DKK 2,721 million to DKK 2,762 million. The increase is primarily attributable to an increase in the Group's liquid funds from DKK 473 million to DKK 732 million.

As at 31 May, 2005 capitalised development projects totalled DKK 258 million against DKK 236 million on 31 May, 2004.

Investments (net) totalled DKK 223 million against DKK 201 million last year. Of this, investments in development projects account for DKK 111 million against DKK 128 million last year. Capital investments (net) totalled DKK 101 million against DKK 58 million in 2003/04 that was affected by the disposal of the electronics factory in Skive.

The investment in the new factory in the Czech Republic commences in the new financial year. Tangible fixed assets declined by DKK 40 million net – from DKK 658 million to DKK 618 million.

The Group's inventories were reduced by DKK 61 million during the year under review, while trade receivables increased by DKK 33 million.

As in the previous year, the Group did not raise any loans during the financial year. Repayments on long-term loans totalled DKK 70 million against DKK 56 million last year. Dividend of DKK 87 million was paid during the year and own shares repurchased for DKK 106 million.

Cash flow for the year was positive at DKK 259 million against DKK 28 million the year before.

Bang & Olufsen's dividend policy stipulates that one third of the year's profits after tax will be paid as dividend to the Group's shareholders. This equates to DKK 7 per share. Due to the positive liquidity situation, the Board of Directors recommends, extraordinarily, that DKK 12 per share be paid, i.e. DKK 149 million, or approx. 55 per cent of the year's profits after tax. In addition, the Group intends to use the existing mandate to acquire own shares for the sum of approx. DKK 150 million during the financial year.

As the second tranche of a 3-year programme, the Board has decided, like last year, to allocate 70,000 share options to the Management Board and 35,000 share options to the company's senior managers who also benefit from a bonus programme. The strike price will be determined as the average price on the ten trading days following the publication of the annual accounts and will be increased by 5 per cent per annum adjusted for any dividend payment. The maturity of the options is five years from the allocation date. Continued employment is a condition for the options, which cannot be exercised before August 2007 and remain valid until August 2010. Calculated on the basis of the Black-Scholes model, the value of the pool is approx. DKK 4.2 million.

As in previous years, the Board of Directors has decided to issue employee shares. The subscription price will be set at DKK 150 per share for a maximum issue of 43,025 employee shares.

Equity was DKK 1,750 million against DKK 1,652 million last year.

Branded business

The Group's branded business comprises the activities marketed under the Bang & Olufsen brand.

Turnover in the Group's branded business in 2004/05 totalled DKK 3,547 million against DKK 3,469 million last financial year, representing an increase of DKK 78 million or 2 per cent.

The ordinary result before tax for the Group's branded business was DKK 362 million against DKK 344 million last year, i.e. an improvement of DKK 18 million or 5 per cent. The improvement is owing to the increase in turnover and an increased gross margin.

Development in the markets

Percentage changes are calculated in local currency. Please refer to supplementary figures in Appendix 3.

UK and Benelux

For the first time in a decade, the UK, the Group's largest market, has recorded a slight decline despite a very high marketing level and substantial store activity. The decline is owing to a strong fall in the sale of traditional tube TVs and a certain slowdown in retail spending.

Regardless of short-term changes in consumer attitudes and changes in macroeconomic parameters, the company maintains its development plans. Equally, distribution will also continue to expand through more B1 shops. The UK market has strong and effective dealers.

Sales in the Benelux region remain satisfactory. Last summer, Bang & Olufsen took over the distribution to dealers in Holland, who are now directly linked to the Group's IT systems. At the same time, the company decided to rationalise its sales organisation by amalgamating the Belgian and Dutch businesses, which together with the UK, now form one region. Agreement still has to be reached with the previous Dutch distributor concerning any goodwill compensation as a result of the takeover. If agreement cannot be negotiated the matter will be settled by arbitration.

Scandinavia

In Denmark, the Group, to a considerable extent, capitalised on its product launches through its broad and effective distribution and also benefited from strong retail spending in Denmark. Growth in Denmark continues to be characterised by two opposing trends: Fewer shops and a continuing increase in the B1 shops' share of the overall turnover. The DKK 28 million growth has, therefore, been achieved in tandem with enhanced quality in the distribution.

Norway and Sweden failed to make satisfactory use of the potential in the two markets.

Central Europe

Over the past four years, the German market has seen significant changes. In recent years, the Group has chosen to trim its distribution and, at the same time, upgrade its quality. This took place on the backdrop of difficult market conditions where the retail sector was under pressure and our consumers in general spent less. Throughout the period, the company has, as is well known, maintained its strategy and chosen not to be part of the discount trend which, to some extent, has characterised the German market. In consequence there has been a steadily declining turnover in the German market in recent financial years. Since December 2004, monthly sales have stabilised and are beginning to show growth. Consequently, this important market is showing progress.

The current market conditions are not regarded as especially favourable by the Group, and work aimed at enhancing the distribution continues. The overall picture will, therefore, continue to be characterised by a certain variation.

The Swiss market also showed signs of improvement, not least in the shop in shop segment. The distribution structure in this market reflects the demographic spread of consumer spending in small local areas. Consequently, the restructuring is proceeding at a slower pace than in Germany. Austria showed fair progress.

Latin-Europe
The Latin European markets, France, Italy and Spain/Portugal all had a difficult start to the year, but performed well in the second half of the year as a result of the launch of the new flat screen products. Overall, however, the markets saw a marginal decline on the year.

There were more shop closures in France and Spain than anticipated. Work is now aimed at expanding the distribution over the next few years.

In Italy, the distribution network was strengthened following the opening of 9 new B1-shops, and focus is now on achieving the anticipated activity and growth in individual shops.

North America
At the Annual General Meeting in the autumn of 2002, the objective of transforming the American losses into a break-even situation or a small profit in no more than two financial years was set. As the Group's US subsidiary broke even in 2004/05, this objective has been reached. The result was achieved through substantial cost reductions, innovative marketing and enhanced sales activities in individual B1 shops.

On the backdrop of two opposing trends, US turnover grew by a good 4 per cent. One (a turnover reducing trend) is the continuing decline in the number of own retail shops as the Group disposed of five shops and closed three own shops during the year. The second is the steadily increasing sale (calculated on a wholesale basis) of products to independent shops and the remaining own shops that increased by 14.6 per cent.

Overall, we regard the development as satisfactory but important tasks concerning the distribution structure still remain before the reorganisation is complete. During the year, further resources were dedicated to the future opening of new shops and business-to-business sales, including supplies for major building projects and sales to hotels. An important order for the MGM hotel in Las Vegas was won during the year.

Asia and overseas markets
In Asia, focus remains on expanding the Group's distribution. Working with partners with extensive brand experience, the strategy is to penetrate these markets with high profile shops in the region's capitals. As well as the already established markets, new partnership agreements have been signed in China and India where 5 and 2 B1 shops respectively were opened during the year. Russia saw a fair advance in sales. The shop with the largest turnover of Bang & Olufsen products anywhere in the world was in Moscow.

In view of the Group's ever increasing activities in the Middle East, Bang & Olufsen has established a sales office in Dubai. The Group is currently negotiating with the partner who is responsible for sales and distribution in Australia with regard to the acquisition of all Bang & Olufsen activities in Australia and New Zealand.

Other Asian markets have been characterised by variations in turnover, however the expectations are still for significant growth in turnover for the whole region.

Overall distribution development

At the close of the 2004/05 financial year, there were 672 B1 shops worldwide and 637 shop in shops. In addition, there were 88 shops within the ”other” multibrand shop category. This segment was reduced by 127 sales outlets during the year, of which 53 were upgraded to shop in shops while the partnerships with 74 others were dissolved.

At the start of the financial year, the Group’s objective continued to be to focus on improving the quality of the distribution and open new shops at a moderate pace. The aim was to open 30-40 new shops (net) during the year based on the opening of 60-70 new shops. Although 90 new shops were opened, 60 shops were closed or downgraded to shop in shops. More closures than expected occurred, especially in Holland, USA and France/Spain, owing to a combination of financial circumstances at the dealers and the Group’s desire to improve the quality of the distribution. Thus 30 B1 shops (net) were opened. As several of these only started operations towards the end of the 4th quarter, the openings only had a minimal effect on turnover for 2004/05.

Turnover in B1 shops with a minimum of two years in operation rose by 6 per cent on the year.

New business development

Sales to the hotel sector
During the financial year, the Group continued its global efforts with regard to sales of audio/video equipment to the hotel sector. Within the business area Enterprise turnover totalled DKK 39 million against DKK 21 million the previous year, equating to an increase of DKK 18 million.

During the year under review, Bang & Olufsen supplied products to a number of hotels and hotel chains worldwide, including Hyatt International. Other examples of major partnerships are Radisson Edwardian in the UK and the global Starwood Hotel chain.

Although the development in turnover was slightly slower than desired, the Group continues to see potential for growth in this segment.

As a natural extension of sales to hotels and sales of integrated BeoLiving systems, the Group has embarked on a new sales initiative targeted at the luxury yacht sector, with particular focus on pre-installed solutions supplied by major yacht yards.

Advanced sound systems for cars (CarFi)
On March 1, 2005, during the automotive show in Geneva, Bang & Olufsen announced its partnership with the car manufacturer Audi concerning the development of a unique “Bang & Olufsen Advanced Sound System” for the Audi A8.

The sound system will be launched at the Frankfurt Motorshow in September and is expected to arrive in European markets around the turn of the year and in other markets during the spring of 2006.

Based on 14 carefully balanced loudspeakers, the system comprises integrated ICEpower amplifier technology with an effect exceeding 1,000 watts. In combination with its lens technology this makes for a unique Hi-Fi experience of a quality so far not achievable in vehicles.

The development work is currently focused on Audi but sales and prototype work is also being conducted with other leading carmakers. Expectations are that advanced Bang & Olufsen sound systems will be available to other selected car models over the next years.

Production and purchasing

The effort to improve profitability and productivity through further development, quality enhancement and re-engineering of both products and production processes proceeds.

In general, we have seen a favourable development with regard to purchase prices in that prices for electronic raw materials and components have declined, assisted by the falling dollar. Price increases for steel and oil, however, have had a negative impact on price trends.

Investments in production plant were on a par with last year and were, in particular, directed towards capacity expansion and the automation of a number of processes at the Mechanics factory.

The Group has decided to set up its own production in the town of Koprivnice in the eastern part of the Czech Republic. The objective is to improve profitability through a reduction in wage costs relating to part components and assembly. As planned, production started up in September 2004 in leased premises. The transfer of assembly work has proceeded satisfactorily and, at the end of the financial year, the plant employed a staff of 70. During the spring the Group acquired a site, and a new factory is expected to be ready for commissioning in early spring 2006.

The year’s product launches

The Group’s massive effort with regard to product development has resulted in a range of strong, new products with flat screen products making a particularly positive impact on turnover. This applies both to the autumn launch of the two LCD-TVs, BeoVision 6-26 and BeoVision 7-32, and the launch of plasma TVs in the BeoVision 4 family. BeoVision 7-32 has been received very enthusiastically and sales have exceeded expectations due to the TV’s unique design, unparalleled picture quality and world-class sound.

Within the digital area, the Group launched the Harddisk Recorder HDR1 in January 2005 and BeoLink Media, which integrates PC technology and direct internet access into the Bang & Olufsen system. The latter product is being launched gradually in individual markets in tandem with the training of dealers.

Bang & Olufsen also made an impact within the field of large format TVs through the launch in the first quarter of the 50” plasma TV, BeoVision 4-50, followed by Bang & Olufsen’s largest ever flat screen TV, the 65” BeoVision 4-65 in February. BeoVision 4-65 offers an impressive, cinema-like performance in the home, a performance which is further enhanced by the complete integration and management of light, the surrounding environment and projection within the new, advanced BeoLiving concept – all managed by one single remote control.

Non-branded business

The Group's non-branded business encompasses the activities which are marketed independently of the Bang & Olufsen brand, i.e. Bang & Olufsen Medicom a/s and Bang & Olufsen ICEpower a/s.

Bang & Olufsen Medicom a/s develops and manufactures products for the medico-technical and pharmaceutical industries, while Bang & Olufsen ICEpower a/s develops and manufactures efficient, compact and intelligent amplifier modules for Bang & Olufsen itself as well as for external partners.

Bang & Olufsen Medicom a/s
The turnover for Bang & Olufsen Medicom totalled DKK 184 million against DKK 135 million last year, equating to an advance of DKK 49 million or 36 per cent. The result from ordinary operations before tax was a profit of DKK 23 million against a loss of DKK 9 million last year. This represents an improvement of DKK 32 million.

This development is, in part, due to new customers and, in part, due to increased sales to existing customers. The result is favourably affected by non-recurring income in the 4th quarter relating to a customer-financed development project. Sales of services within the field of development and production preparations for new medico-products also increased during the year under review.

Continuing its development of new medico-technical products, Medicom has developed its own solutions within the field of "Patient Compliant Devices" by which the company has established a good position in the new and growing market for medical dosing systems.

Moreover, a number of contracts have been signed with regard to specific drugs. During the year, tests as well as initial deliveries were initiated. The area is expected to offer significant potential over the coming years.

Bang & Olufsen ICEpower a/s
Turnover for Bang & Olufsen ICEpower was DKK 50 million against DKK 43 million last year, i.e. an advance of DKK 7 million or 16 per cent. The turnover is based on sales of ICEpower standard modules and development services as well as revenue realised in connection with licence agreements. Licence sales of ICEpower technology through Sanyo fell below expectations whereas licence sales to Samsung are well up on the expected levels. More than 70 per cent of the turnover is externally based.

ICEpower continues to invest substantial sums in the development of technology, and the effort to attract new customers also remains a focus area. Development costs, therefore, showed an increase from DKK 6 million to DKK 12 million. Ordinary profit before tax was DKK 2 million against DKK 6 million last year.

Ambition for the next 5 years

For the past three years, the Group has been committed to achieving the objective for a 10-15 per cent growth in result from ordinary operations before tax. This objective was based on the ambition to strengthen the Group's profitability, increase its robustness in relation to macro-economic fluctuations, enhance distribution and implement the substantial transition from tube to flat screen TV. With the result for 2004/05 also the third year of the objective has been realised. This was accomplished through a systematic and sustained commitment to product development, distribution development and efficiency measures, including lower production and capacity costs. The guiding principles have been innovation, simplicity and focus.

The Group's ambition for the next 5 years is as follows:

Turnover
The main emphasis is to create earnings growth first and foremost by increasing turnover. In this, three factors will be crucial:

- **Distribution development** – Following recent years' disposal of own shops and a modest net addition of B1 shops as a consequence of many shop closures, the aim for the coming years is to achieve a net addition of 50 B1 shops per year. The number of shop in shops is expected to remain at the current level, 630-650, as some SIS shops will be upgraded to B1 and new SIS shops will be opened. The remaining 'other' multibrand shops, approx. 90, are expected to be upgraded to shop in shops or discontinued.

  In order to further sustain Bang & Olufsen's high market position a number of selected B1-shops will be upgraded by means of the so-called BeoLiving room, which showcases the complete Bang & Olufsen experience in the form of advanced, fully integrated home cinema solutions. Good growth potential is expected at this upper end of the market where consumers are increasingly demanding complete solutions rather than putting together a number of different products themselves.

  Bang & Olufsen operates in markets with varying degrees of maturity, different per capita sales and thus different growth patterns. Consequently, the growth expectations for some of the larger European markets are more modest than the expectations for e.g. the Asian, Middle Eastern, North American and Latin European markets. Regardless of the fact that the Group's shop network is, to a significant degree, aimed at geographical expansion, the expected growth rate will be characterised by the development in the large European markets, which account for a relatively large proportion of the overall turnover.

- **Marketing** – Over the past three years, the Group's communication has primarily focused on the brand's substance and product-related qualities. Emphasis has also been on implementing more effective dialogue marketing where the individual customer has closer links to an individual Bang & Olufsen shop and to the brand. Bang & Olufsen's customer database comprises more than 1.5 million people. This development work and use of new tools will intensify in order to ensure a high level of activity in and around the individual shops.

  Besides this the aim is to increase the impact of the Group's overall communication by allocating greater resources to national and international advertising. This means that the overall sales and distribution costs will show an increasing trend over the next few years, despite the continuing efforts towards rationalising the sales' structure and operations.

- **The product portfolio** – As in previous years, the pace of development will remain high. Resource consumption for product development will continue to increase. The primary focus will be on new, differentiated concepts within flat screen TVs, new global platforms, new acoustic products and new "converg-ing" digital audio/video products where A/V and IT technologies merge. With a balanced product portfolio, launches will cover the high, middle and low end of the price scale.

On the backdrop of this, the Group's ambition for the next 5 years is to create organic growth of, at a minimum, 6-8 per cent per year within the established core business.

Moreover, focus will continue to be on selected new business areas in order to create further growth as well as a sustainable platform for growth.

- **New business development** – In recent years, investments have been made in a range of new business areas - ICEpower, Medicom, Enterprise (sales to hotels and yacht yards) and Automotive. The three first mentioned areas have to grow more rapidly, relatively speaking, than other areas in the Group. Automotive's potential is believed to be substantial, but turnover and earnings will only materialise some years on. In addition, work continues on developing the business through alliances with selected partners and in distribution development where Bang & Olufsen's share of the value chain is enhanced.

Consequently, the Group's ambition is that turnover in the established core business and in the new business areas will, within a 5 year time span, achieve a level in the area of DKK 6 billion.

Profitability
Improving profitability in order to maintain the achieved gross margin and financing the increased product development remains an important task. This will be accomplished partly through ongoing product and process improvements throughout the company and partly through the planned extension of production facilities in the Czech Republic.

The next few years will see cost increases within product development and marketing. With regard to product development, the idea and configuration-based development in conjunction with related quality management will be firmly embedded in Denmark. Besides, new methods will be implemented to ensure that the Group capitalises on the global sourcing opportunities that are available for part of the development tasks ahead – including increased co-operation with selected partners within module and software development in e.g. Eastern Europe, Asia and India. The objective is to soften the rate of increase in costs relating to product development.

Work will continue to be aimed at creating flexibility as well as reducing the Group's fixed costs in order to, as a minimum, maintain the achieved EBIT of 10 per cent.

Cash flow
The Group is expected to have an ongoing positive cash flow from operations. The next year will, however, be affected by larger investments, e.g. as mentioned

concerning the production facilities in the Czech Republic where construction of the new plant has just started. Overall, the investment will be in the region of DKK 100 million, which exceeds the Group's normal investment level and will be recognised in the financial year 2005/06. Moreover, a possible goodwill compensation following our take over of the Dutch distribution and the investment in Australia will increase liquidity requirements over the coming financial year.

Expectations for the 2005/06 financial year

Product launches

The 2005/06 financial year will see the launch of several exciting products of which the TV portfolio accounts for three:

- **BeoVision 7-40**, a 40” larger version of the BeoVision 7-32 also with integrated DVD-player and unique picture quality. This new, even larger LCD TV, scheduled for launch in the second quarter, is supported by two different sound concepts, a powerful stereo loudspeaker, BeoLab 7-2, and a dedicated centre speaker, BeoLab 7-4 with acoustic lens technology specially developed for surround sound in the home cinema.

- **New flat screen family**. A differentiated family of flat screen TVs, the first model, a 26” set, is expected to be launched towards the end of the financial year. The family is aimed at the important market segment to which the MX-8000 and BeoVision 3 models appealed.

- **BeoSystem 3**. The first version of a new global, high-quality TV platform will arrive in the second half of the financial year. The platform will support future large-screen solutions with analogue as well as digital technologies and, in the following year, support the Group’s first launch of a global TV solution for Japan as well as the US and Europe. The BeoSystem 3 project is regarded as extensive and significant.

Within the audio and acoustic area, the Group plans to launch a group of new products in 2005/06 which are unique in concept, design and functionality while, at the same time offering a price point at the lower end of the scale. These products are expected to attract new customers to Bang & Olufsen. They are:

- **BeoSound 4** is a new music system which, in addition to the conventional sources such as AM & FM radio and CD also boasts an SD card recorder/player and the option of a DAB module for receiving digital radio signals. The SD technology enables customers to easily carry their favourite CD tracks on to an MP3 player without the use of a PC. BeoSound 4 will arrive in launch markets in the second quarter of the financial year.

- **BeoLab 4** is a compact, flexible loudspeaker concept at a highly attractive price point. In addition to its use with the BeoSound 4 music system, BeoLab 4 can also be combined with PCs or be part of other Bang & Olufsen music systems. Offering a large number of positioning options, BeoLab 4 is scheduled for initial roll-out in the second quarter.

- **BeoSound 3** is a new compact music system comprising FM radio and SD card player for e.g. music recorded on BeoSound 4. The product represents a genuine portable solution with integrated, rechargeable battery, soft-touch operation, clock-radio function and a high quality loudspeaker. BeoSound 3 is scheduled for the second quarter of the financial year.

Moreover, an updated version of the new “convergence” concept, BeoMedia, is planned for the third quarter. The concept integrates the PC and web environments into the Bang & Olufsen system providing quick and easy access to the internet. This provides for net radio, access to stored music files and the showing of high quality digital photos on the TV screen – without having to use the home PC - by using a simple Beo 4 remote control. Late in the year BeoLink Wireless 1 will be launched allowing for cordless distribution of high-quality, robust sound to any room in the house. The second quarter will see the launch of a new telephone concept in cooperation with a technology-leading partner, which, in addition to design and concept, incorporates new concepts in terms of development processes and business system concepts.

Expectations for the Group's 2005/06 result

Based on the IFRS accounting standards, the Group expects profits to be in the region of DKK 400-430 million. The changeover to International Financial Reporting Standards (IFRS) will mean that, inter alia, the costs relating to option programmes and employee shares in the region of DKK 20 million must be expensed over operations. The actual improvement on 2004/05 is, therefore, expected to be between DKK 30-60 million.

Presentation of financial statements in accordance with IFRS

From and including 1 June, 2005, Bang & Olufsen's consolidated accounts must be presented in accordance with the IFRS. On 3 October, 2005, before the publication of the company's 1st quarter announcement for 2005/06, an announcement to the Stock Exchange will be issued with details of the effect of the changeover to IFSR.

Information on the Group's share buy-back

With reference to the mandate given at the last Annual General Meeting regarding the purchase of own shares, the following buy-back programme has been initiated.

The aim of the share buy-back at the next Annual General Meeting following the expiry of the periods mentioned below is to present a proposal for reducing the share capital. The acquisition of the shares will be executed in accordance with the Safe Habour principle employing Carnegie as Lead Manager on behalf of Bang & Olufsen a/s. Carnegie will organise the share buy-back of up to 375,000 shares directly in the market to a maximum value of DKK150 million over the three periods mentioned below. The share buy-back will be carried out up to four weeks following the issue of the following Stock Exchange Announcements:

- Annual Report 2004/05 as at 15 August, 2005
- Report for the first quarter 2005/06 as at 7 October, 2005
- Interim Report for 2005/06 as at 11 January, 2006

The Board of Directors' resolutions and recommendations to the Annual General Meeting

The Board of Directors recommends to the Annual General Meeting:

a. That the Board of Directors is authorised on behalf of the company – within 18 months from the date of the Annual General Meeting - to acquire up to 10% of the company's share capital at a price which must not be more than 10% above or below the most recent price quoted for the ordinary shares on the Copenhagen Stock Exchange.

b. That a dividend of DKK12 be paid per nominal share of DKK 10 bringing the total dividend to approx. DKK 149 million. Last year, the dividend was DKK 7.00 per nominal share of DKK 10, corresponding to approx. DKK 87 million.

The printed accounts will be available no later than 19 September, 2005.

The Annual General Meeting will be held on Wednesday, 28 September at 16.30 in Struer Hallerne.

Dividend payment is expected to take place on Tuesday, 4 October, 2005.

Appendix 1

Annual report for the financial year 1/6 2004 to 31/5 2005

(DKK million)	**Branded business** Bang & Olufsen	**Non-branded business** B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	B&O a/s Group
Net turnover	3,547.3	183.8	50.2	(39.1)	3,742.2
Internal turnover	(24.3)	-	(14.8)	39.1	-
External turnover	3,523.0	183.8	35.4	-	3,742.2
Operating profit	351.6	25.6	2.3	-	379.5
Profit on ordinary operations before tax	362.4	23.0	1.7	-	387.1

Annual report for the financial year 1/6 2003 to 31/5 2004

(DKK million)	**Branded business** Bang & Olufsen	**Non-branded** B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	B&O a/s Group
Net turnover	3,469.2	135.4	43.1	(38.0)	3,609.7
Internal turnover	(20.4)	-	(17.6)	38.0	-
External turnover	3,448.8	135.4	25.5	-	3,609.7
Operating profit/loss	336.9	(6.2)	6.1	-	336.8
Profit/loss on ordinary operations before tax	343.5	(8.8)	5.,8	-	340.5

Parentheses denote negative figures or amounts to be deducted.

Appendix 2

Profit and loss account

Bang & Olufsen a/s

(DKK million)

	Group		Parent company	
	2004/05	2003/04	2004/05	2003/04
Net turnover	**3,742.2**	**3,609.7**	**265.1**	**263.6**
Production costs	(2,002.4)	(1,967.1)	(250.6)	(270.9)
Gross profit	**1,739.8**	**1,642.6**	**14.5**	**(7.3)**
Development costs	(390.3)	(327.6)	-	-
Distribution and marketing costs	(836.8)	(842.5)	-	-
Administration costs etc.	(133.2)	(135.7)	(20.3)	(22.0)
Operating profit	**379.5**	**336.8**	**(5.8)**	**(29.3)**
Result from investment in subsidiaries before tax	-	-	363.8	354.8
Result from investment in associated companies before tax	0.4	1.7	0.4	1.7
Financial income	30.7	27.2	50.4	34.5
Financial costs	(23.5)	(25.2)	(21.9)	(21.7)
Financial items, net	7.2	2.0	28.5	12.8
Result from ordinary operations before tax	**387.1**	**340.5**	**386.9**	**340.0**
Tax on ordinary result	(118.4)	(74.7)	(118.0)	(75.9)
Group result	**268.7**	**265.8**		
Minority interests' share of the year's result	0.2	(1.7)		
Result for the year. Bang & Olufsen a/s' share	**268.9**	**264.1**	**268.9**	**264.1**
Proposed profit distribution				
Reserve for net revaluation according to the equity method			124.8	20.6
Retained earnings			(4.8)	156.8
Proposed dividend for the financial year			148.9	86.7
			268.9	264.1

The proposed dividend corresponds to a dividend of DKK 12 per share (DKK 7 per share in 2003/04).

Parentheses denote negative figures or amounts to be deducted.

Assets

Bang & Olufsen a/s

(DKK million)

	Group		Parent company	
	31/05 - 05	31/05 - 04	31/05 - 05	31/05 - 04
Intangible fixed assets				
Completed development projects	176.3	154.0	-	-
Acquired rights	14.3	22.2	10.4	13.7
Goodwill	15.6	11.1	1.6	-
Development projects in progreess	81.9	82.1	-	-
Total intangible fixed assets	288.1	269.4	12.0	13.7
Tangible fixed assets				
Land and buildings	283.3	288.0	191.6	197.0
Plant and machinery	201.5	216.3	7.0	1.9
Other equipment	49.7	52.7	12.6	16.0
Leasehold improvements	29.9	36.6	0.5	0.8
Tangible fixed assets in progress and prepayments for tangible fixed assets	53.4	64.6	0.5	12.5
Total tangible fixed assets	617.8	658.2	212.2	228.2
Financial fixed assets				
Investment in subsidiaries	-	-	1,199.2	1,030.0
Investment in associated companies	7.0	8.6	7.0	8.6
Other financial receivables	28.7	16.7	-	-
Total financial receivables	35.7	25.3	1,206.2	1,038.6
Total fixed assets	**941.6**	**952.9**	**1,430.4**	**1,280.5**
Inventories				
Raw materials	142.4	158.1	-	-
Work in progress	32.0	26.0	-	-
Spare parts	90.5	112.7	-	-
Finished goods	164.9	193.6	0.2	0.4
Total inventories	429.8	490.4	0.2	0.4
Receivables				
Trade receivables	548.8	515.7	-	-
Receivables from subsidiaries	-	-	85.9	199.6
Other receivables	68.5	244.1	2.3	98.0
Deferred tax assets	25.7	23.0	2.7	0.5
Accruals	15.2	22.3	3.3	4.0
Total receivables	658.2	805.1	94.2	302.1
Liquid funds	731.9	473.0	537.4	403.1
Total current assets	**1,819.9**	**1,768.5**	**631.8**	**705.6**
Total assets	**2,761.5**	**2,721.4**	**2,062.2**	**1,986.1**

Equity and Liabilities

Bang & Olufsen a/s

(DKK million)

	Group		Parent company	
	31/05 - 05	31/05 - 04	31/05 - 05	31/05 - 04
Equity				
Share capital	124.1	123.8	124.1	123.8
Paid in premium	9.4	5.7	9.4	5.7
Reserve for net revaluation according to the equity method	-	-	333.4	208.6
Retained earnings	1,468.1	1,435.7	1,134.7	1,227.1
Proposed dividend for the financial year	148.9	86.7	148.9	86.7
Total equity	**1,750.5**	**1,651.9**	**1,750.5**	**1,651.9**
Minority interests	**2.1**	**2.3**	**-**	**-**
Provisions				
Pensions	0.8	1.2	-	-
Deferred tax	64.4	65.8	-	-
Other provisions	60.0	67.5	-	-
Total provisions	**125.2**	**134.5**	**-**	**-**
Long-term liabilities				
Mortgage loans	120.7	134.9	79.3	91.7
Loans from banks, etc.	87.5	139.1	87.5	112.5
Total long-term liabilities	208.2	274.0	166.8	204.2
Short-term liabilities				
Repayment of long-term borrowing in the coming year	39.2	42.9	37.4	37.4
Trade payables	208.0	183.8	16.5	12.5
Prepayments from customers	41.5	19.4	0.1	0.1
Corporation tax	72.0	9.6	30.7	-
Other payables	314.8	403.0	60.2	80.0
Total short-term liabilities	675.5	658.7	144.9	130.0
Total liabilities	**883.7**	**932.7**	**311.7**	**334.2**
Total equity and liabilities	**2,761.5**	**2,721.4**	**2,062.2**	**1,986.1**

Cash flow statement

Bang & Olufsen a/s

(DKK million)

	Group	
	2004/05	2003/04
Result for the year	268.9	264.1
Depreciation and write-downs	249.3	284.2
Adjustments	103.3	138.8
Change in working capital	69.7	(30.5)
Cash flow from operating activities before financial items	691.2	656.6
Interest received etc.	30.7	27.2
Interest paid etc.	(23.5)	(25.2)
Cash flow from ordinary operations	698.4	658.6
Corporation tax paid	42.9	(210.6)
Cash flow from operating activities	**741.3**	**448.0**
Purchase of intangible fixed assets	(124.7)	(146.5)
Purchase of tangible fixed assets	(122.9)	(138.2)
Sale of intangible fixed assets	2.1	3.6
Sale of tangible fixed assets	22.1	80.1
Dividend received from associated company	2.0	2.0
Change in financial receivables	(12.0)	4.0
Cash flow from investment activities	**(233.4)**	**(195.0)**
Repayment of long-term loans	(69.5)	(55.6)
Dividend paid	(86.7)	(94.0)
Repurchase of own shares	(105.5)	(98.1)
Increase of share capital used for employee shares	4.0	2.6
Tax relating to share option programme	(1.0)	-
Dividend, own shares	3.2	9.3
Sale of own shares	6.5	10.8
Cash flow from financing activities	**(249.0)**	**(225.0)**
Change in liquid funds - cash flow for the year	**258.9**	**28.0**
Liquid funds 1 June	473.0	445.0
Liquid funds 31 May	**731.9**	**473.0**
Liquid funds are calculated as follows:		
Liquid funds	731.9	473.0
	731.9	**473.0**

Parentheses denote negative figures or amounts to be deducted.

Equity statement

Bang & Olufsen a/s, group

(DKK million)

	Share capital	Paid in premium	Retained earnings	Proposed dividend	Total
Equity 1 June 2004	**123.8**	**5.7**	**1,435.7**	**86.7**	**1,651.9**
Capital increase used for employee shares	0.3	3.7	-	-	4.0
Tax relating to employee shares and share option programmes	-	-	2.6	-	2.6
Purchase of own shares	-	-	(105.5)	-	(105.5)
Sale of own shares	-	-	6.5	-	6.5
Exchange rate adjustment, subsidiaries	-	-	2.5	-	2.5
Equity adjustments, subsidiaries	-	-	2.9	-	2.9
Unrealised exchange gain on derivative financial instrument	-	-	0.2	-	0.2
Dividend paid	-	-	-	(86.7)	(86.7)
Dividend, own shares	-	-	3.2	-	3.2
Result for the year	-	-	120.0	148.9	268.9
Equity 31 May 2005	**124.1**	**9.4**	**1,468.1**	**148.9**	**1,750.5**

Equity 1 June 2003	**134.3**	**3.5**	**1,319.3**	**94.0**	**1,551.1**
Capital increase used for employee shares	0.4	2.2	-	-	2.6
Tax relating to employee shares	-	-	1.0	-	1.0
Capital reduction	(10.9)	-	10.9	-	-
Purchase of own shares	-	-	(98.1)	-	(98.1)
Sale of own shares	-	-	10.8	-	10.8
Exchange rate adjustment, subsidiaries	-	-	4.7	-	4.7
Unrealised exchange gain on derivative financial instrument	-	-	0.4	-	0.4
Dividend paid	-	-	-	(94.0)	(94.0)
Dividend, own shares	-	-	9.3	-	9.3
Result for the year	-	-	177.4	86.7	264.1
Equity 1 June 2004	**123.8**	**5.7**	**1,435.7**	**86.7**	**1,651.9**

Paid in premium is according to the Danish Limited Companies Act a free reserve.

Parentheses denote negative figures or amounts to be deducted.

Specifications

Bang & Olufsen a/s, the Group

(DKK million)	2004/05	2003/04
Development costs		
Expensed development costs before capitalisation	412.2	363.5
Of whcih capitalised	(111.4)	(128.5)
Amortisation and write-downs of development projects	89.5	92.6
Development costs recognised in the profit and loss account	390.3	327.6

Financial income

	2004/05	2003/04
Interest on bank loans	8.6	7.7
Exchange rate gains, net	12.7	7.9
Other financial income	9.4	11.6
	30.7	27.2

Financial costs

	2004/05	2003/04
Interest on bank loans	10.4	10.1
Interest on mortgage loans	7.8	10.3
Other financial costs	5.3	4.8
	23.5	25.2

Change in working capital

	2004/05	2003/04
Change in receivables	51.0	(178.7)
Change in inventories	60.6	39.2
Change in trade payables	(41.9)	109.0
	69.7	(30.5)

Parentheses denote negative figures or amounts to be deducted.

Appendix 3

Turnover and distribution, Branded Business

(DKK million)	Turnover 2004/05	Turnover 2003/04	Growth in local currency
United Kingdom	536	584	(9) %
Denmark	511	483	6 %
Germany	399	384	4 %
USA	270	279	4 %
Holland	239	194	-
Switzerland	230	216	5 %
Italy	192	196	(2) %
Spain/Portugal	187	197	(5) %
France	173	180	(4) %
Asian markets, excl. Japan	173	169	3 %
Expansion Markets	149	121	22 %
Sweden	103	110	(6) %
Belgium	80	82	(3) %
Norway	60	65	(9) %
Japan	60	62	0 %
Austria	59	52	14 %
Middle East	24	12	110 %
Enterprise	39	21	-
Teledistribution	23	37	-
Other	16	5	-
Turnover for non-branded business	24	20	-
Total branded business	3,547	3,469	

Parentheses denote negative figures.

Enterprise represents turnover to the hotel sector.

Development in number of shops

Shop segment	Number of shops as of 31/5-05	Change in the period 1/6-04 – 31/5-05	Share of turnover per segment 2004/05	Share of turnover per segment 2003/04
B1	672	30	71 %	70 %
Shop in shop	637	(33)	27 %	24 %
Other	88	(127)	2 %	6 %
Total	1,397	(130)	100 %	100 %

Parentheses denote negative figures.

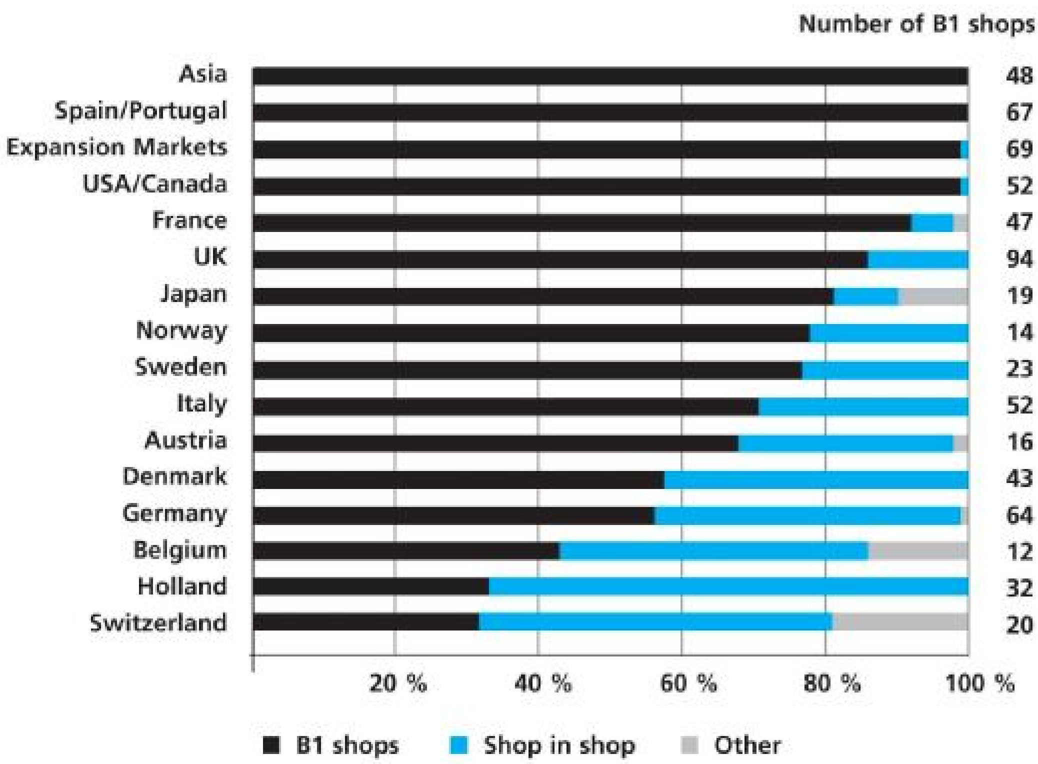
Definitions of shop segments:

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.

Appendix 4

Bang & Olufsen Branded Business

Share of turnover per shop segment in 2004/05



Appendix 5

Definitions of key figures

Bang & Olufsen a/s

The key figures have been calculated on the basis of the recommendations in The Danish Society of Investment Professionals' guidelines "Guidelines and Key Figures 1997". The Danish Society of Investment Professionals' guidelines from 2005 have not been implemented. These are expected to be implemented in connection with the Groups transition to preparing financial statements in accordance with the International Financial Reporting Standards (IFRS). The calculation of the ordinary profit after tax has been adjusted for minority interests. In respect of Group goodwill, the accounting practice differs from the guidelines' recommendations for key figures until and including 2001/02 where Group goodwill has been amortised directly over the equity in the acquisition year. Group goodwill acquired after 1 June, 2002 is capitalised and amortised, c.f. accounting principles applied.

The key figures are defined as follows:

Profit ratio	$\frac{\text{Operating profit x 100}}{\text{Net turnover}}$
Rate of return	$\frac{\text{Operating profit x 100}}{\text{Average operational assets}}$
Return on equity	$\frac{\text{Ordinary result after tax x 100}}{\text{Average equity}}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity at year-end x 100}}{\text{Liabilities at year-end}}$
Earnings per share (nom. DKK 10)	$\frac{\text{Ordinary result after tax}}{\text{Average number of circulating shares}}$
Intrinsic value (nom. DKK 10)	$\frac{\text{Equity at year-end}}{\text{Number of shares at year-end}}$
Price / earnings:	$\frac{\text{Quoted share proice}}{\text{Earnings per share (nom. DKK 10)}}$

Option schemes

The market value of the options has been calculated on the basis of the Black-Scholes model for determining the value of options. For the approximated valuation of the options for 2005/06, an average addition of 2.26% and a volatility of 21.8% have been used. The risk-free interest rate (swap interest, mid-price) has for 2005/06 been calculated for the 5th year at 2.93%, and the expected term is fixed for the expiry of the maturity period.