

The Copenhagen Stock Exchange
Nikolaj Plads 6
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Translation

Struer, 6 October 2006

**Interim report for the period 1 June – 31 August 2006 for
Bang & Olufsen a/s**

- The Group's turnover for the first quarter of the financial year was DKK 876 million against DKK 799 million last year. This represents an increase of DKK 77 million or 10 per cent.
- Result before tax totalled DKK 58 million against DKK 50 million for the same period last year, an increase in result of DKK 8 million.
- The Group recorded advances in the majority of the European markets and in the Asian markets during the first quarter.
- Bang & Olufsen ICEpower a/s continued its positive development, showing growth in both turnover and result.
- In the first quarter of 2006/07, the Group launched two new products: a new global TV platform, BeoSystem 3, and a new audio/video centre, Beo-Center 6-23.
- The first quarter has proceeded as expected. Historically, the development during the first quarter, which is the year's smallest quarter, is not indicative of the rest of the year. For the 2006/07 financial year, expectations remain for turnover growth of 8-10 per cent and a result before tax of DKK 460-500 million.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

Main figures – Bang & Olufsen a/s – the Group

The main figures are prepared in accordance with IFRS (International Financial Reporting Standards).

(DKK million)

Main figures for the period 1/6 – 31/8	2006/07	2005/06	
Net turnover	876.0	798.7	
Gross profit	409.3	370.2	
Gross margin	46.7 %	46.4 %	
Operating profit	55.9	53.9	
Financial items, net	<u>1.6</u>	<u>(3.8)</u>	
Result before tax	57.5	50.1	
Tax on result for the period*	<u>(20.3)</u>	<u>(17.5)</u>	
Result for the period after tax	<u>37.2</u>	<u>32.6</u>	
Result for the period, Bang & Olufsen a/s' share	36.2	32.7	
Result for the period, minority interests' share	<u>1.0</u>	<u>(0.1)</u>	
Result for the period after tax	<u>37.2</u>	<u>32.6</u>	
Balance sheet information	31/8 2006	31/5 2006	31/8 2005
Intangible assets	368.2	356.2	311.6
Tangible assets	671.6	667.4	609.5
Investment properties	0.7	0.7	0.8
Financial assets	<u>69.1</u>	<u>71.2</u>	<u>68.4</u>
Total non-current assets	<u>1,109.6</u>	<u>1,095.5</u>	<u>990.3</u>
Inventories	652.4	567.4	495.0
Receivables	757.1	748.6	655.2
Liquid funds	470.6	502.5	635.1
Non-current assets classified as held for sale	<u>1.1</u>	<u>1.1</u>	<u>0.0</u>
Total current assets	<u>1,881.2</u>	<u>1,819.6</u>	<u>1,785.3</u>
Total assets	<u>2,990.8</u>	<u>2,915.1</u>	<u>2,775.6</u>
Equity	1,795.5	1,742.1	1,735.9
Non-current liabilities	413.3	402.7	348.6
Current liabilities	<u>782.0</u>	<u>770.3</u>	<u>691.1</u>
Total equity and liabilities	<u>2,990.8</u>	<u>2,915.1</u>	<u>2,775.6</u>

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

Parentheses denote negative figures or amounts to be deducted.

Development in equity 1/6 – 31/8

	2006/07	2005/06
Equity as at 1 June	1,742.1	1,750.5
Accumulated effect at the beginning of the year of changes to accounting principles applied	<u>0.0</u>	<u>(34.0)</u>
Adjusted equity as at 1 June	1,742.1	1,716.5
Equity and exchange rate adjustments, subsidiaries	2.4	(0.8)
Change in fair value of derivative financial instruments	0.0	0.1
Subscription of employee shares	0.0	7.5
Grant of share options	1.7	1.0
Tax related to share options and jubilee benefits	<u>0.0</u>	<u>0.6</u>
Net income recognised directly in equity	4.1	8.4
Retained earnings	<u>37.2</u>	<u>32.6</u>
Total income	<u>41.3</u>	<u>41.0</u>
Subscription of employee shares	0.0	4.0
Purchase of own shares	0.0	(31.9)
Sale of own shares	<u>12.1</u>	<u>6.3</u>
	<u>12.1</u>	<u>21.6</u>
Equity as at 31 August	<u>1,795.5</u>	<u>1,735.9</u>

Cash flow, main figures 1/6 – 31/8

	2006/07	2005/06
Cash flow from operating activities	27.3	(15.1)
Cash flow from investment activities	(68.9)	(68.2)
Cash flow from financial activities	<u>9.7</u>	<u>(13.5)</u>
Cash flow for the period	<u>(31.9)</u>	<u>(96.8)</u>

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 876 million against DKK 799 million for the same period last year. This represents an increase of DKK 77 million, i.e. 10 per cent.

Over the period, the branded business recorded growth in turnover of DKK 86 million, equating to 12 per cent.

In the non-branded business, Bang & Olufsen Medicom a/s saw a decline in turnover of DKK 16 million. Bang & Olufsen ICEpower a/s recorded an increase in turnover of DKK 8 million.

The Group's gross margin was 46.7 per cent against 46.4 per cent in the first quarter of 2005/06. For 2005/06, the realised gross margin was 46.0 per cent.

The high level of development activities continues, with a DKK 128 million spend against DKK 104 million in the first quarter last year. The net effect of capitalisation has affected the result for the quarter upwardly by DKK 14 million against DKK 20 million for the same period last year.

The result before tax was a profit of DKK 58 million against DKK 50 million for the same period last year, i.e. an improvement of DKK 8 million. The result after tax was a profit of DKK 37 million against DKK 33 million last financial year.

Again this year, the cash flow for the first quarter was negative at DKK 32 million against DKK 97 million last year.

During the first quarter, the Group built up its inventory of finished goods to ensure deliveries for the coming peak season not least since parts of the electronics industry are currently experiencing shortages of certain components as well as increasing lead times. As a consequence, the inventories increased to DKK 652 million against DKK 567 million at the end of May 2006.

Branded business

Turnover in the branded business increased by 12 per cent to DKK 833 million against DKK 747 million last year.

Result before tax was DKK 54 million against DKK 47 million for the same period last year, i.e. an increase of DKK 7 million.

The development in the markets

Percentage changes are computed in local currencies

The Group recorded growth in turnover in most European markets and in the Asian countries:

- The positive development in the Danish market continues. Consumer spending remains high with turnover in the first quarter totalling DKK 122 million against DKK 108 million for the same period last year. This equates to an increase of 13 per cent.
- The UK recorded turnover on a par with the same period last year, i.e. DKK 107 million against DKK 108 million last year.

- Growth in turnover also continued in Germany, where turnover rose to DKK 104 million against DKK 100 million last year, equating to an increase in local currency of 3 per cent. In Switzerland, developments were also positive with an increase of 24.2 per cent, i.e. turnover currently totals DKK 64 million against DKK 53 million the previous year.
- Southern Europe saw a fair advance over the first quarter of 2006/07. France and Spain recorded double-digit growth rates compared to the same period last year, driven by increasing sales of flat screen TVs.
- First quarter turnover in the US totalled DKK 51 million against DKK 60 million the previous year, equating to a decline of DKK 9 million. The American market has been affected by limited supplies of large flat screens in connection with a technology change.
- The Asian markets as a whole showed growth in turnover of DKK 20 million.

Product launches

Two new products were launched in the first quarter.

One of these products is a new global TV platform, BeoSystem 3, which sets a new standard for picture quality and sound. BeoSystem 3 was launched in the US and Japan in July and in Europe in August.

A new audio/visual centre, BeoCenter 6-23, was also launched during the first quarter. This is a 23" LCD TV, which replaces BeoVision 6-22, and which now also has an integrated FM tuner and an optional DAB tuner.

Distribution development

During the first quarter of the financial year, 5 B1 shops were opened or upgraded, while 8 shops were closed or converted to shop in shops.

As a result, by the end of the first quarter, there were 722 B1 shops worldwide against 725 at the end of the 2005/06 financial year. The Group continues to expand the global distribution with focus on quality, and the objective for the year is, as previously announced, a net addition of 50 B1 shops.

The share of the turnover for B1 shops increased to 75 per cent. The number of shop in shops is 572 against 596 at the close of the last financial year.

New business development

In December, Bang & Olufsen launched its first in-car sound system, Advanced Sound System, in collaboration with Audi. Around 10 per cent of all Audi A8 and Audi S8 cars are now equipped with Bang & Olufsen's sound system.

On September 28, Bang & Olufsen announced yet another joint project with Audi in which the new sports car, Audi R8, is equipped with a specially adapted sound system. The system comprises 12 loudspeakers, and is the first sound system specially designed for a sports car, which offers the optimum combination of driving enjoyment and ultimate musical performance.

Non-branded business

Bang & Olufsen Medicom a/s

First quarter turnover for Bang & Olufsen Medicom a/s was below last year's owing to the expected discontinuation of a major contract. Turnover totalled DKK 32 million against DKK 48 million for the same period last year, equating to a decline of DKK 16 million.

The result before tax was DKK 0 million against a result of DKK 4 million for the same period last year.

The development in the first quarter is as expected, and the target for a modest profit for the year is maintained.

Bang & Olufsen ICEpower a/s

Turnover for Bang & Olufsen ICEpower a/s totalled DKK 21 million for the first quarter against DKK 13 million for the same period last year. The focus on development continued, and the result for the first quarter was a profit of DKK 3 million against a breakeven result for the same period last year.

Turnover was driven by sales of ICEpower standard modules and from sales of development services and revenue realised in connection licence agreements with, i.a. Sanyo and Samsung.

Expectations for the financial year

Turnover and result

The first quarter has proceeded as expected. Historically, the development during the first quarter, which is the year's smallest quarter, is not indicative of the rest of the year.

At the end of the 2005/06 financial year, the Group expressed its expectations for the current financial year as:

"The Group expects a result before tax of DKK 460-500 million."

On the basis of the realised result for the quarter, the Group maintains the above expectation.

Statement by the management

The Board of Directors and the Management Board have today discussed and adopted the interim report for 1 June to 31 August 2006 for Bang & Olufsen a/s. The interim report is presented in accordance with International Financial Reporting Standards as approved by the EU and further Danish information requirements for interim reports for listed companies.

We regard the accounting policies as appropriate such that the interim report gives a true and fair view of the Group and parent company's assets, liabilities, financial position, result and cash flow.

Struer, 6 October 2006

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

Accounting principles applied

The interim report for Bang & Olufsen a/s is prepared in accordance with IFRS and further Danish information requirements for the presentation of financial statements for listed companies. Further Danish information requirements for the presentation of financial statements are issued in the IFRS-announcement, which is issued with reference to the Danish Financial Statements Act, and by the Copenhagen Stock Exchange. IFRS is implemented so that the interim report is also within the provisions in the International Financial Reporting Standards that have been endorsed by the European Union.

Bang & Olufsen a/s does not apply IAS 34 in the preparation of interim reports.

Main and key figures - Bang & Olufsen a/s 1/6 – 31/8

(DKK million)	2006/07	2005/06
Profit and loss account		
Net turnover	876.0	798.7
Operating profit	55.9	53.9
Financial items, net	1.6	(3.8)
Result before tax	57.5	50.1
Result for the period after tax	37.2	32.6
Result for the period, Bang & Olufsen a/s' share	36.2	32.7
Balance sheet		
Total assets, end of August	2,990.8	2,775.6
Share capital	124.5	124.1
Equity, end of August	1,795.5	1,735.9
Minority interests	5.1	2.0
Cash flow for the period	(31.9)	(96.8)
Of which cash flow from:		
Operating activities	27.3	(15.1)
Investment activities	(68.9)	(68.2)
- of which investment in tangible non-current assets	(35.3)	(25.4)
- of which investment in intangible non-current assets	(35.9)	(43.6)
Financing activities	9.7	(13.5)
Key figures		
Profit ratio, %	6.4	6.7
Rate of return, %	2.3	2.7
Return on equity, %	2.1	1.9
Current ratio	2.4	2.6
Equity ratio, %	60.0	62.5
Intrinsic value (nom. DKK 10), DKK	144.2	139.8
Quotation as at 31 August	597.0	496.0
Quotation / intrinsic value	4.1	3.5

Parentheses denote negative figures.

Appendix 1 (continued)

The key figures are defined as follows:

Profit ratio:	$\frac{\text{Operating profit} \times 100}{\text{Net turnover}}$
Rate of return:	$\frac{\text{Operating profit} \times 100}{\text{Average operational assets}}$
Return on equity:	$\frac{\text{Bang \& Olufsen a/s' share of the result for the period} \times 100}{\text{Average equity, excl. minority interests}}$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Equity ratio:	$\frac{\text{Equity, end of period} \times 100}{\text{Total equity and liabilities, end of period}}$
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 to 31/8 2006

	Branded business	Non-branded business			
(DKK million)	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	B&O a/s Group
Net turnover	833.0	32.4	21.0	(10.4)	876.0
Internal turnover	<u>(7.4)</u>	<u>(0.3)</u>	<u>(2.7)</u>	<u>10.4</u>	<u>0.0</u>
External turnover	<u>825.6</u>	<u>32.1</u>	<u>18.3</u>	<u>0.0</u>	<u>876.0</u>
Operating profit/(loss)	<u>52.3</u>	<u>0.8</u>	<u>2.8</u>	<u>0.0</u>	<u>55.9</u>
Result before tax	<u>53.7</u>	<u>0.4</u>	<u>3.4</u>	<u>0.0</u>	<u>57.5</u>

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

	Branded business	Non-branded business			
(DKK million)	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	B&O a/s Group
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>0.0</u>	<u>53.9</u>
Result before tax	<u>46.5</u>	<u>3.6</u>	<u>0.0</u>	<u>0.0</u>	<u>50.1</u>

Parentheses denote negative figures or amounts to be deducted.

Appendix 3

Turnover branded business

(DKK million)

	Turnover 1/6 - 31/8		Change in local currency
	2006/07	2005/06	
Denmark	122	108	13.3 %
United Kingdom	107	108	(0.5) %
Germany	104	100	3.0 %
Switzerland	64	53	24.2 %
Asian markets, excl. Japan	56	38	47.0 %
Holland	54	54	(2.5) %
The US	51	60	(9.9) %
Spain/Portugal	47	40	17.1 %
France	41	35	14.5 %
Expansion Markets	30	22	33.4 %
Sweden	25	16	58.0 %
Italy	23	22	3.7 %
Belgium	21	17	21.8 %
Japan	14	12	29.5 %
Austria	14	14	1.2 %
Norway	12	12	(1.3) %
Middle East	10	8	19.9 %
Enterprise*	8	16	(46.7) %
Telephone distribution	3	4	-
Other	20	1	-
Turnover to non-branded business	7	7	-
Total branded business	833	747	-

* Enterprise handles the turnover to the hotel business.

Parenthes denote negative figures.

Distribution development

Shop segment	Number of shops per 31/8-06	Change in the period 1/6-06 – 31/8-06	Share of turnover per segment 2006/07	Share of turnover per segment 2005/06
B1	722	(3)	75 %	71 %
Shop in shop	572	(24)	24 %	27 %
Other	41	(10)	1 %	2 %
Total	1,335	(37)	100 %	100 %

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 4

Specifications for the period 1/6 – 31/8

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

	2006/07	2005/06
Development costs		
Expensed development costs before capitalisation	128.4	104.3
Of which capitalised	(35.7)	(40.9)
Amortisation of and impairment losses on development projects	<u>21.5</u>	<u>20.5</u>
Development costs included in the profit and loss account	<u>114.2</u>	<u>83.9</u>
Financial income		
Interest income from banks	2.9	3.2
Exchange rate gains, net	1.6	0.0
Other financial income	<u>1.6</u>	<u>2.7</u>
	<u>6.1</u>	<u>5.9</u>
Financial costs		
Interest on bank loans	1.9	0.7
Interest on mortgage loans	1.6	1.8
Exchange rate losses, net	0.0	5.3
Other financial costs	<u>1.0</u>	<u>1.9</u>
	<u>4.5</u>	<u>9.7</u>

Parentheses denote negative figures or amounts to be deducted.

Appendix 5

Bang & Olufsen a/s

(DKK million)

	2006/07 Quarterly results				2006/07 Accumulated results			
	1 quarter	2 quarter	3 quarter	4 quarter	1 quarter	2 quarter	3 quarter	4 quarter
Net turnover	876.0				876.0			
Gross profit	409.3				409.3			
Operating profit	55.9				55.9			
Result from investments in associated companies after tax	-				-			
Financial items, net	1.6				1.6			
Result before tax	57.5				57.5			
Tax on ordinary profit	(20.3)				(20.3)			
Result for the period after tax	37.2				37.2			
Of which minority interests' share	1.0				1.0			
Bang & Olufsen a/s' share of result for the period	36.2				36.2			

	2005/06 Quarterly results				2005/06 Accumulated results			
	1 quarter	2 quarter	3 quarter	4 quarter	1 quarter	2 quarter	3 quarter	4 quarter
Net turnover	798.7	1,125.6	1,192.5	1,108.4	798.7	1,924.3	3,116.8	4,225.2
Gross profit	370.2	547.9	562.3	462.0	370.2	918.1	1,480.4	1,942.4
Operating profit	53.9	136.3	176.7	72.0	53.9	190.2	366.9	438.9
Result from investments in associated companies after tax	-	-	-	(1.0)	-	-	-	(1.0)
Financial items, net	(3.8)	(1.5)	5.0	(6.9)	(3.8)	(5.3)	(0.3)	(7.2)
Result before tax	50.1	134.8	181.7	64.1	50.1	184.9	366.6	430.7
Tax on ordinary profit	(17.5)	(41.6)	(52.0)	(23.6)	(17.5)	(59.1)	(111.1)	(134.7)
Result for the period after tax	32.6	93.2	129.7	40.5	32.6	125.8	255.5	296.0
Of which minority interests' share	0.1	(1.0)	(0.3)	(0.8)	0.1	(0.9)	(1.2)	(2.0)
Bang & Olufsen a/s' share of result for the period	32.7	92.2	129.4	39.7	32.7	124.9	254.3	294.0

Parentheses denote negative figures.