

Copenhagen Stock Exchange
Nikolaj Plads 6
1067 Copenhagen K

Translation

Struer, August 16, 2004

Report for the 2003/04 financial year for Bang & Olufsen a/s

- Ordinary profit before tax was DKK 341 million against DKK 290 million last year. This represents an increase of DKK 51 million or 17%.
- Turnover for the Bang & Olufsen a/s Group totalled DKK 3,613 million against DKK 3,974 million last year, i.e. a decrease of DKK 361 million or 9%. Turnover increased in the UK, USA, Sweden, Norway and in the Asian markets.
- In the fourth quarter, the Group recorded a turnover of DKK 954 million against DKK 891 million in the fourth quarter last year. This equates to an advance of DKK 63 million or 7%. Owing partly to the launch of a number of new strong products, almost all markets recorded increases in turnover in the fourth quarter.
- On the basis of a healthy cash flow and a satisfactory financial situation, the Board of Directors proposes that the Annual General Meeting, in accordance with the Group's dividend policy, distributes DKK 7 per nominal DKK 10 share in dividend, i.e. DKK 87 million. In addition, the Group intends to use its current authorisation to purchase own shares at a value of approx. DKK 100 million.
- During the financial year, the Group maintained its emphasis on the development of new products. Consequently, the year saw the planned launches of BeoVision 6, BeoCenter 2, BeoLab 3, BeoCom 1, BeoCom2 US, Earset 1 Mobile, BeoVision 4 and the product updates BeoVision MX 4200 and BeoVision 3, 28''.
- The current focus on profitability is maintained and, based on expectations for a moderate growth in turnover, the Group expects pre-tax profits for the 2004/05 financial year to be in the region of DKK 360-390 million.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

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

(DKK million)	2003/04	2002/03	2001/02	2000/01	1999/00
Profit and loss account					
Net turnover	3,613	3,974	4,212	3,810	3,722
Turnover in foreign markets, in %	83	81	81	80	79
Operating profit	334	296	260	283	357
Financial items, net	5	(9)	(35)	(50)	(23)
Profit from ordinary operations before tax	341	290	228	236	337
Extraordinary items	-	-	-	-	20
Group profit	266	193	138	156	257
Profit for the year, Bang & Olufsen a/s' share	264	190	149	162	257
Balance sheet					
Total assets, end of the year	2,741	2,572	2,504	2,466	2,296
Share capital	124	134	134	134	134
Equity, end of the year	1,652	1,551	1,406	1,308	1,245
Minority interests	2	1	-	1	-
Cash flow for the year					
	28	296	184	(157)	19
Of which cash flow from:					
Operating activity	447	643	433	222	329
Investment activity	(195)	(245)	(224)	(327)	(350)
- of which investment in tangible fixed assets	(138)	(132)	(150)	(269)	(308)
- of which investment in intangible fixed assets	(147)	(146)	(85)	(91)	(85)
Financing activity	(224)	(102)	(25)	(52)	40
Employment					
Number of employees by the end of the year	2,339	2,636	2,871	2,776	2,797
Key figures					
Profit ratio, %	9	7	6	7	10
Rate of return, %	15	13	11	13	18
Return on equity, %	17	13	10	12	20
Current ratio	2.6	2.6	2.1	1.9	1.9
Equity ratio, %	60	60	56	53	54
Earnings per share (nom. DKK 10), DKK	21	15	11	13	19
Intrinsic value (nom. DKK 10), DKK	133	115	112	105	100
Quotation as at May 31 (closing price)	355	159	235	268	283
Price/earnings	17	10	21	21	15
Quotation/intrinsic value	2.6	1.4	2.1	2.6	2.8
Dividend paid/proposed per share (nom. DKK 10), DKK	7.00	7.00	3.50	3.50	6.00

Average number of circulating shares : 11,850,685

Parentheses denote negative figures.

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

Comments on development

Bang & Olufsen a/s

The Group's pre-tax result showed an improvement of DKK 51 million, or 17%, on the year. The year was characterised by stagnating or declining turnover in a number of markets.

Turnover for the 2003/04 financial year for the Bang & Olufsen a/s Group was DKK 3,613 million against DKK 3,974 million last year. This equates to a decline of DKK 361 million or 9%.

The following key factors impacted on the year's turnover:

- UK, USA, Sweden, Norway and the Asian markets all saw increases in turnover. Turnover was maintained in the Danish market.
- Germany, Switzerland, Holland and Italy accounted for an overall decrease in turnover of DKK 220 million of which the re-organisation of the distribution in the German market accounted for DKK 60 million.
- Weaker exchange rates, mainly for USD, GBP and CHF, accounted for a decrease in turnover of DKK 100 million compared to last year.
- Bang & Olufsen Medicom a/s' turnover declined by DKK 84 million on the year.

Despite the lack of turnover growth, earnings from primary operations were satisfactory as a result of improved gross margins as well as rationalisation and efficiency measures throughout the Group. At the same time, the Group maintained its focus on product development and marketing.

Operating profit was DKK 334 million against DKK 296 million last year, i.e. a growth of DKK 38 million or 13%.

Pre-tax ordinary profit was DKK 341 million against DKK 290 million last year, equating to an increase of DKK 51 million or 17%. This is satisfactory and slightly above the expectations for profits in the region of DKK 300-330 million. Consequently, the Group achieved its financial objectives from April 2002 for earnings growth of 10-15% per annum.

Turnover for the fourth quarter totalled DKK 954 million against DKK 891 million for the same period last year. This is an improvement of DKK 63 million or 7%. Pre-tax ordinary profit rose by DKK 31 million – at DKK 70 million against DKK 39 million for the fourth quarter last year.

The gross margin for the year was 3.2 percentage points above last year due to the successful implementation of a range of efficiency measures in the production, lower purchasing prices and a changed product mix in which the Group's audio and acoustic products weighted higher.

Overall, these factors all contributed to the Group's profitable performance during a period characterised by considerable uncertainty.

Development costs totalled DKK 328 million against DKK 321 million last year. Development costs thus account for 9% of the year's turnover against 8% last year.

Distribution and marketing costs fell by DKK 84 million DKK, i.e. 9%, primarily owing to structural rationalisation in the US and in Central Europe. Again this year, the Group incurred losses from operating own shops. To reverse this trend, Bang & Olufsen has maintained its focus on making its own shops profitable and disposing of them, alternatively closing them down.

During the year under review, administration costs were unchanged at DKK 136 million against DKK 133 million last year.

Due to the Group's positive liquidity situation, financial items developed favourably.

The year's overall tax rate was 22%, corresponding to expensed tax of DKK 75 million. The low tax rate is owing to the capitalisation of previous years' tax losses in ICEpower and to debt conversions of outstanding accounts with the US subsidiary.

Profit after tax for the year was DKK 266 million against DKK 193 million the previous year.

The balance sheet increased by DKK 169 million, from DKK 2,572 million to DKK 2,741 million. The increase is partly attributable to trade receivables due to increased sales in the fourth quarter.

As at 31 May, 2004 capitalised development projects totalled DKK 236 million against DKK 200 million last year.

Investments (net) totalled DKK 201 million against DKK 230 million last year. Of this, investments in development projects account for DKK 129 million against DKK 116 million last year. Capital investments (net) totalled DKK 58 million which is DKK 26 million below the previous year, partly due to the disposal of the electronics factory in Skive. Tangible fixed assets fell by DKK 137 million net – from DKK 795 million to DKK 658 million.

Stock was reduced by DKK 39 million during the year while trade receivables increased by DKK 81 million due to the increase in turnover in the fourth quarter.

Like last year, no debts were raised during the financial year. Re-payments on long-term debt totalled DKK 56 million against DKK 59 million last year. During the year, dividends of DKK 94 million were paid.

Cash flow for the year was positive at DKK 28 million against DKK 296 million the year before. Shareholder-directed initiatives such as dividend and repurchase of own shares totalled DKK 192 million for the year against DKK 47 million last year. The Group's cash flow from operating activities totalled DKK 447 million against DKK 643 million last year.

Bang & Olufsen's dividend policy stipulates that one third of the year's profit after tax will be paid as dividend to the Group's shareholders. For this year, this corresponds to DKK 7 per nominal DKK 10 share. Last year an extraordinarily large dividend was paid, i.e. approx. half of the year's profits (corresponding to DKK 7.00 per nominal DKK 10 share).

In addition, the Group intends to make use of the current authorisation to purchase own shares up to a value of approx. DKK 100 million.

As part of a 3-year programme, the Board of Directors has decided to allocate 70,000 share options to the Board of Management and 35,000 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 annum adjusted for any dividend payment. The maturity of the options is five years from the date of allocation. The options cannot be exercised before August 2006 and will run until August 2009. Calculated in accordance with the Black-Scholes model, the value of the pool is approx. DKK 12 million.

As in previous years, the Board of Directors has decided to issue employee shares. The subscription price will be set at 120 for a maximum issue of 47,000 employee shares.

Equity was DKK 1,652 million against DKK 1,551 million last year.

Branded business

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

Pre-tax ordinary profit for the Group's branded business was DKK 344 million against DKK 308 million last year. This is a satisfactory improvement of DKK 36 million or 12%. The improvement derives from the increased gross margins and the structural rationalisation in the US and Central Europe.

Overall turnover in the Group's branded business amounted to DKK 3,472 million against DKK 3,761 million last year. This represents a decline in turnover of DKK 289 million or 8%.

Developments in the markets

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

UK/Benelux

During the financial year, a new region, the UK/Benelux Region was formed comprising the UK, Belgium and Holland. The new region is headed by Derek Mottershead, Market Director for the UK market.

The region was established in connection with Bang & Olufsen's takeover of the Dutch activities from the former distributor. Subsequently, the Group has set up a new, wholly-owned subsidiary with responsibility for distribution in the Dutch market. The takeover was implemented in agreement with the former distributor. However, the parties have not yet reached agreement with regard to the value of any goodwill. If agreement cannot be reached, the issue will be settled by arbitration.

The UK recorded a turnover of DKK 584 million against DKK 582 million last year, i.e. an advance of DKK 2 million. Turnover was affected by the negative development in the GBP exchange rate. In local currency, the UK saw an increase in turnover of 6%. The increase for the fourth quarter was 11%.

Developments in the Dutch and Belgian markets were disappointing with turnover declining by 15% and 16% respectively.

Scandinavia

The Danish market recorded a turnover of DKK 483 million against DKK 494 million last year, i.e. a decline of DKK 11 million or 2%. Turnover in Norway and Sweden grew by 3% and 6% respectively (in local currency).

Central Europe

The German market experienced a decrease in turnover of DKK 102 million, or 21%, to DKK 384 million against DKK 486 million last year. In the fourth quarter, turnover in the German market fell by DKK 9 million or 9%, from DKK 103 million to DKK 94 million.

As planned, extensive restructuring of the distribution was implemented so that 150 "other" multi-brand shops ceased selling Bang & Olufsen products. This resulted in a decrease in turnover of DKK 60 million. B&O's products are now available in 240 German shops.

Recording a turnover of DKK 216 million against DKK 264 million last year, i.e. a decline of DKK 48 million or 14%, the Swiss market proved disappointing. The Group will focus on continuous qualitative improvements in its Swiss distribution.

The Austrian market recorded a turnover for the year of DKK 52 million against DKK 60 million last year, i.e. a decline of DKK 8 million or 13%.

Spain/Portugal, France and Italy

The changeover from CRT technology to flat-screen technology has occurred quite rapidly, not least in Southern European markets. Despite the new launches, the Group's flat-screen programme did not compensate for the slackening sales of CRT products.

The Spanish/Portuguese market achieved a turnover of DKK 197 million against DKK 211 million last year, a decrease of DKK 14 million or 7%.

The French market recorded a turnover of DKK 180 million against DKK 193 million last year i.e. DKK 13 million or 7% lower.

In the year under review, the Italian market recorded a turnover of DKK 196 million against DKK 231 million the previous year, corresponding to a decrease of DKK 35 million or 15%.

USA

Turnover in the American market increased 3% in local currency. The turnover was DKK 279 million against DKK 314 million the previous year, corresponding to a decrease of DKK 35 million.

The Group's overall loss in the US market totalled DKK 17 million of which DKK 5 million derives from non-recurring costs relating to shop closures while operating losses constitute DKK 12 million. During the last financial year, the Group's total losses in the US were DKK 73 million of which DKK 31 million was non-recurring costs while DKK 42 million was operating losses. The operating result in the US market therefore showed an improvement of DKK 30 million, whereas non-recurring costs were DKK 26 million lower.

In the fourth quarter, the US market recorded a positive operating result of DKK 3 million before non-recurring costs.

During the financial year, the US organisation was trimmed and renewed focus was directed at retail level where increased marketing efforts and action plans for the individual shops proved successful.

Asia

The Far Eastern markets are gathered in the "Asia" region, which comprises Singapore, Hong Kong, Malaysia, Korea, Taiwan, Thailand, Indonesia, Australia and Japan. The head office is in Singapore.

The Asian markets recorded a turnover of DKK 231 million against DKK 194 million last year – an advance of DKK 37 million.

The Asian retail sector developed positively in 2004 after having been affected by the repercussions of the SARS outbreak in 2003. A major order for the Grand Hyatt hotel in Singapore and sales of BeoLab 5 and BeoSound 3200 made a positive contribution to the increased turnover.

Seen in isolation, the Japanese market recorded a turnover of DKK 62 million against DKK 51 million the previous year. This equates to a growth in turnover of DKK 11 million or 29%.

The Japanese market – where the Group only sells audio and acoustic products – benefited from the launches of the loudspeakers, BeoLab 3 and BeoLab 5, which have both been well received. BeoSound 3200 also made a positive contribution to turnover in the Japanese market.

Expansion Markets

Expansion Markets comprise the Middle East, South America, Africa, Greece, Russia and other Eastern European markets. Expansion Markets achieved a turnover of DKK 122 million, which was unchanged from last year's DKK 121 million.

Distribution development

At the beginning of the financial year, the Group intended to continue its focus on improving the quality of its distribution and only open new shops at a moderate pace. Equally, the Group expected a reduction in the overall number of retail outlets during the year.

There are currently 642 B1 shops worldwide, 7 more than at the beginning of the financial year. 51 new B1 shops were opened, while 44 were closed down. The closures are owing to a combination of specific financial circumstances and the Group's wish to carry out ongoing qualitative improvements to its distribution. Turnover levels in B1 shops, which have been operating for more than two years, were unchanged on the year.

In addition, Bang & Olufsen products are available at 670 shop in shop outlets and at 215 "other" multibrand shops. The latter segment has been reduced by 253 outlets of which some have been upgraded to shop in shops while 208 have ceased selling B&O products. These 208 shops represented a turnover of DKK 87 million in the previous financial year.

In total, as at 31 May, 2004, Bang & Olufsen products are sold in 1,527 shops worldwide.

Production

During the financial year, a number of initiatives were taken aimed at enhancing productivity and profitability in the production. A targeted effort with regard to the purchasing of raw materials and parts has also had a positive effect.

In the fourth quarter, Bang & Olufsen sold its electronics factory in Skive to Flextronics International Ltd. The sale took place in order to focus on the Group's core business areas, to ensure competitive purchase prices and to gain access to a broader range of technologies. The move also means that the factory in Skive will now be part of a stronger organisation within its field.

The Group has decided to site a Bang & Olufsen owned production in the town of Koprivnice in the eastern part of the Czech Republic in order to improve profitability through a reduction in wage costs within the field of pre-assembly and light final assembly. Production in leased premises will start in September 2004. Purchase of land and construction of own production facilities will take place in 2004/05.

The disposal of the electronics production and the start-up in the Czech Republic is expected to make a positive contribution to profitability over the coming years.

During the financial year, the Group's inventories remained at last year's level due to substantial activity in connection with the launch of new products, especially within the fields of LCD and plasma screens. Due to the disposal of the electronics production in Skive to Flextronics (as of May 31, 2004) stocks have been reduced.

Product launches during the financial year

Towards the end of the first quarter of the financial year, the first deliveries of the highly advanced loudspeaker, BeoLab 5, took place.

At the end of the second quarter, the Group launched, as planned, BeoVision 6, which is Bang & Olufsen's most recent flat-screen TV based on 22" LCD technology.

BeoCenter 2, a new, and in terms of design and mechanics, sensational AV Center product, was launched in the third quarter. BeoCenter 2 integrates the playing of DVD, CD, radio and digital music files.

The third quarter also saw the launch of BeoLab 3, a compact loudspeaker based also on both ICEpower technology and acoustic lens technology.

All new launches have been well received by both dealers and customers and by the trade and lifestyle press in the Group's markets.

In addition, the Group launched a series of product updates during the financial year:

BeoVision MX 4200, a technological update within the classic MX family, was launched in the first quarter.

BeoVision 3 – 28", a 28 inch version of the table top TV, BeoVision 3, was launched in the second quarter.



BeoCom 1, a two-line telephone for the US market, was launched towards the end of November and BeoCom 2 US was launched at the end of the year.

In the fourth quarter, the Group launched, as planned, BeoVision 4, a 42 inch module-based flat-screen TV based on the same plasma technologies and the same high quality as BeoVision 5.

The fourth quarter also saw the launch of the Earset 1 Mobile which, in terms of technology and design, is based on Earset 1 Home, but is aimed at selected mobile telephones.

Non-branded business

The Group's non-branded business comprises activities 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 industry, while Bang & Olufsen ICEpower a/s develops and manufactures effective, compact and intelligent amplifier modules, for Bang & Olufsen as well as for external partners.

Bang & Olufsen Medicom a/s

Turnover for Bang & Olufsen Medicom totalled DKK 135,4 million for the year under review against DKK 219,7 million the previous year. This represents a decline of DKK 84 million.

The ordinary loss before tax was DKK 9 million against a loss of DKK 8 million last year.

This development is owing to a substantial decrease in order and production levels, due to stock adjustments and changed purchasing requirements at Bang & Olufsen Medicom's largest customer.

During the second half year, the company performed slightly above expectations, partly due to a more rapid realisation of the individual projects' milestones and to continued cost adjustments.

The supply of services within the development and preparation of new products increased during the financial year and Bang & Olufsen Medicom continues to develop new products within the medico-technical sector.

Bang & Olufsen ICEpower a/s

Turnover for Bang & Olufsen ICEpower a/s was DKK 43 million against DKK 31 million last year, equating to an advance of DKK 12 million. The turnover is based on sales of ICEpower standard modules and sales of development services as well as revenue realised in connection with licence agreements.

The ordinary profit before tax was DKK 6 million against a loss of DKK 10 million last year, i.e. an improvement of DKK 16 million. The company continues to invest significantly in technology development and the acquisition of new customers remains a focus area. In addition to Sanyo and Sony, ICEpower has entered into a new partnership with Samsung.

Expectations for the 2004/05 financial year

Product launches

The 2004/05 financial year will see the launch of a number of important products.

- During the 2nd quarter, the TV portfolio will be expanded by a further flat-screen TV. Based on LCD technology in a 26" widescreen format with unique picture and sound performance, this exciting new product will take its place as the ultimate TV for the main room.
- The second quarter will also see the launch of a new digital video recorder, based on hard disc technology. Besides extremely high quality in recording and playing, this product will offer the option for simultaneous recording and playback so that, for instance, TV viewing can be interrupted and resumed at random.
- In the third quarter, the Group will launch another new, important TV concept based on the most advanced 32" LCD technology. The concept will set new standards in its expression and finish. The product is an integrated video system with built-in DVD player with a sound and picture performance of the highest quality. With B&O's simple operation, a flexible stand programme and superb sound reproduction, this new video system is poised to become the natural centre of the home cinema.
- In addition, during the third quarter, the Group intends to launch two new plasma based TVs in the BeoVision 4 family: a 37" version which can be flexibly positioned on a wall or table and a 65" large screen TV for wall placement, which will provide an impressive cinema experience in particularly large rooms.
- Finally, the Group plans to launch the BeoLink Media with integrated PC technology in the second quarter. This is an extension of BeoLink, which will further enhance web use in the B&O system. The new product will allow for easy and convenient use of Internet music and electronic photo albums.

Market development

In recent years, the Group has faced substantial uncertainty and unpredictability in individual markets. However, in several markets, expectations are for a positive sales development, including the UK, Southern Europe, Scandinavia and the Group's markets in Asia.

Expectations for Central European markets and for Holland and Belgium are modest. In Switzerland the restructuring of the distribution is expected to lead to a decline in turnover.

In the US, an important long-term growth market, positive sales development is expected, especially for larger home theatre installations.

In all markets, Bang & Olufsen continues to streamline its marketing activities in individual shops, e.g. by strengthening the dialogue with customers/prospects and increasing marketing activities in the shop.

The Group will continue to improve its global distribution and expects to open new shops at a higher rate than last year while maintaining focus on quality. The aim is for a net increase of 30-40 new B1 shops. The Group is also expected to upgrade a number of multibrand shops to shop in shops or, alternatively, cease partnership with them. Overall, the total number of retail outlets is expected to see a modest decline.

During the year, the Group established itself in the Chinese market. Contracts have been signed for the opening of two new B1 shops in China, one in the Guangdong province and one in Shanghai at the end of August 2004. During the 2004/05 financial year, a further B1 shop will be opened in Beijing. The Group's sales activities in the Chinese market are of a long-term nature to be based on partnerships and managed from the Asian headquarters in Singapore.

New business developments

The Group intends to strengthen its global efforts within the field of sales of audio/video equipment to the hotel sector. During the financial year, a global contract was signed with the Hyatt International hotel group under which Bang & Olufsen is named the preferred supplier of AV equipment. Furthermore, contracts have been signed for the delivery of complete solutions for leading hotels in France, Spain, the UK, USA, and the Middle East.

The Group has maintained its focus on CarFi in the form of advanced prototypes for a Bang & Olufsen in-car sound system for a few selected car makes. It is expected that an agreement for the delivery of a sound system for a manufacturer of a European top class car will be signed during the year. Work relating to product and sales development within CarFi continues, and the segment is expected to make a positive contribution to the Group's growth and market position in the course of some years.

Bang & Olufsen Medicom a/s and Bang & Olufsen ICEpower a/s

For the coming financial year, Bang & Olufsen Medicom expects to achieve a modest, yet positive result due to new contracts and new development projects.

Bang & Olufsen ICEpower expects to see the continuation of the positive development in both turnover and result, although the market for audio-video components remains weak.

Overall turnover and resource allocation

Besides the market-specific conditions mentioned above, the uncertainty regarding sales also relates to the ongoing transition from CRT TV to flat-screen products. In the longer term, new flat-screen TVs offer good potential for growth for the Group although, in the current year, the many new launches will primarily compensate for the expected slowdown in sales of traditional CRT TVs. Overall, the outlook is for a modest growth in turnover.

The Group will focus on maintaining satisfactory gross margins and its flexibility with regard to capacity costs. Consequently, the activities within re-engineering, platform solutions, competitive purchasing and structural improvements will be maintained. In addition, there are new activities such as the relocation of certain labour-intensive production processes to the Czech Republic and the disposal of electronics production to Flextronics. The two latter activities, however, will have no overall positive effect during the 2004/05 financial year.

The 2003/04 financial year was characterised by the favourable sales mix with a relatively large share of new audio and loudspeaker products offering high con-

tribution margins. As mentioned, the 2004/05 financial year will see the launch of a range of new TV products for which contribution margins are at the low end. Accordingly, the Group's gross margin is therefore expected to show a small decline during the year.

Development costs are set to increase due to the development of new, important design solutions within the TV portfolio and through the continued efforts relating to the switch from analogue to digital technology. In addition, there will be extraordinary development costs over the next two years when the entire product portfolio will be adjusted in keeping with the new RoHS directive¹ coming into force from January 2006.

Distribution and marketing costs will continue to be subject to structural adjustments and rationalisation measures. Other costs are expected to increase modestly. Financial items are expected to show a slight fall.

Investments are expected to remain at 2003/04 levels although with a possible increase towards the end of the financial year owing to the construction of the factory in the Czech Republic.

If market conditions and earnings allow, the Group will further strengthen its activities within new growth areas.

Expectations for the Group's result

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.

¹ RoHS is an abbreviation of the directive's English title Restriction of Hazardous Substances 2002/95/EF. With regard to the electronics industry, this primarily relates to the switch to unleaded soldering.

Presentation of accounts in accordance with IFRS

From the 2005/06 financial year, Bang & Olufsen's consolidated accounts must be presented in accordance with the International Financial Reporting Standards (IFRS). B&O has initiated the preparations for the changeover to IFRS and, at the present time, does not expect this to have any significant effect on the Group's accounting figures.

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

The Board of Directors recommends to the Annual General Meeting:

1. 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.
2. That a dividend of DKK 7.00 be paid per nominal share of DKK 10, bringing the total dividend for the year to approx. DKK 87 million. Last year, the dividend was DKK 7.00 per nominal share of DKK 10, corresponding to approx. DKK 94 million.

The printed accounts will be issued no later than 20 September 2004.

The Annual General Meeting will be held on Wednesday, 29 September 2004 at 4.30 pm at Struer Gymnasium.

Appendix 1

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

	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	3,472.2	135.4	43.1	(38.0)	3,612.7
Internal turnover	(20.4)	-	(17.6)	38.0	
External turnover	3,451.8	135.4	25.5	-	3,612.7
Operating profit/loss	333.8	(6.4)	6.1	-	333.5
Profit/loss on ordinary operations before tax	343.5	(8.8)	5.8	-	340.5

Annual report for the financial year 1/6 2002 to 31/5 2003

	Branded business	Non-brand business			
(DKK million)	Bang & Olufsen	B&O Medicom a/s	B&O ICEpower a/s	Other/ eliminations	B&O a/s Group
Net turnover	3,761.0	219.7	30.9	(37.4)	3,974.2
Internal turnover	(27.7)	(2.1)	(7.6)	37.4	-
External turnover	3,733.3	217.6	23.3	-	3,974.2
Operating profit/loss	310.7	(4.7)	9.6	-	296.4
Profit/loss on ordinary operations before tax	308.4	(8.2)	(10.1)	-	290.1

Parentheses denote negative figures or amounts to be deducted.

Appendix 2

Profit and loss account

Bang & Olufsen a/s

	Group		Parent company	
(DKK million)	2003/04	2002/03	2003/04	2002/03
Net turnover	3,612.7	3,974.2	263.6	272.0
Production costs	(1,973.4)	(2,297.3)	(270.9)	(257.0)
Gross profit	1,639.3	1,676.9	(7.3)	15.0
Development costs	(327.6)	(320.7)	-	-
Distribution- and marketing costs	(842.5)	(926.7)	-	-
Administration costs, etc.	(135.7)	(133.1)	(22.0)	(20.8)
Operating profit	333.5	296.4	(29.3)	(5.8)
Result from investment in subsidiaries before tax	-	-	354.8	244.3
Result from investment in associated company before tax	1.7	3.0	1.7	3.0
Financial income	33.5	25.2	34.5	73.5
Financial costs	(28.2)	(34.5)	(21.7)	(27.8)
Financial items, net	5.3	(9.3)	12.8	45.7
Profit from ordinary operations before tax	340.5	290.1	340.0	287.2
Tax on ordinary profit	(74.7)	(97.4)	(75.9)	(97.4)
Group profit	265.8	192.7		
Of which minority share	(1.7)	(2.9)		
Profit for the year, Bang & Olufsen a/s' share	264.1	189.8	264.1	189.8

Proposed profit distribution:

Reserve for net revaluation according to the equity method	20.6	148.4
Retained earnings	156.8	(52.6)
Proposed dividend for the year	86.7	94.0
	<u>264.1</u>	<u>189.8</u>

The proposed dividend corresponds to a dividend of DKK 7 (2002/03 DKK 7) per share.

Parentheses denote negative figures or amounts to be deducted.

Assets

Bang & Olufsen a/s

(DKK million)

Intangible fixed assets

	Group		Parent company	
	31/05 - 04	31/05 - 03	31/05 - 04	31/05 - 03
Completed development projects	154.0	117.0	-	-
Acquired rights	22.2	32.9	13.7	22.9
Goodwill	11.1	6.6	-	-
Development projects in progress	82.1	83.2	-	-
Total intangible fixed assets	269.4	239.7	13.7	22.9

Tangible fixed assets

Land and buildings	288.0	315.8	197.0	219.7
Plant and machinery	216.3	277.5	1.9	1.4
Other equipment	52.7	90.0	16.0	35.6
Leasehold improvements	36.6	46.1	0.8	0.7
Tangible fixed assets under construction and prepayments for tangible fixed assets	64.6	65.3	12.5	5.0
Total tangible fixed assets	658.2	794.7	228.2	262.4

Financial fixed assets

Investment in subsidiaries	-	-	1,030.0	951.4
Investment in associated company	8.6	9.5	8.6	9.5
Other financial receivables	32.2	36.2	0.2	-
Total financial fixed assets	40.8	45.7	1,038.8	960.9

Total fixed assets

968.4	1,080.1	1,280.7	1,246.2
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Inventories

Raw materials	158.1	191.6	-	-
Work in progress	26.0	40.4	-	-
Spare parts	112.7	110.4	-	-
Finished goods	193.6	187.2	0.4	0.4
Total inventories	490.4	529.6	0.4	0.4

Receivables

Trade receivables	519.6	438.3	-	-
Receivables from subsidiaries	-	-	199.6	301.7
Other receivables	243.9	56.1	97.8	15.7
Deferred tax assets	23.0	9.2	0.5	-
Accruals	22.3	14.0	4.0	1.6
Total receivables	808.8	517.6	301.9	319.0

Liquid funds

473.0	445.0	403.1	387.8
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Total current assets

1,772.2	1,492.2	705.4	707.2
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Total assets

2,740.6	2,572.3	1,986.1	1,953.4
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Liabilities

Bang & Olufsen a/s

(DKK million)

	Group		Parent company	
	31/05 - 04	31/05 - 03	31/05 - 04	31/05 - 03
Equity				
Share capital	123.8	134.3	123.8	134.3
Premium on share issue	5.7	3.5	5.7	3.5
Reserve for net revaluation according to the equity method	-	-	208.6	188.0
Retained earnings	1,435.7	1,319.3	1,227.1	1,131.3
Proposed dividend for the year	86.7	94.0	86.7	94.0
Total equity	1,651.9	1,551.1	1,651.9	1,551.1
Minority interests	2.3	0.6	-	-
Provisions				
Pensions	1.2	0.3	-	-
Deferred tax	65.8	78.5	-	10.6
Other provisions	67.5	44.3	-	15.0
Total provisions	134.5	123.1	-	25.6
Long-term liabilities				
Mortgage loans	134.9	135.7	91.7	82.7
Loans from banks, etc.	139.1	193.9	112.5	162.5
Total long-term liabilities	274.0	329.6	204.2	245.2
Short-term liabilities				
Repayment of long-term borrowing in the coming year	42.9	42.9	37.4	38.7
Trade payables	183.8	157.4	12.5	13.8
Prepayments from customers	19.4	17.7	0.1	0.1
Corporation tax	9.6	8.6	-	-
Other payables	422.2	341.3	80.0	78.9
Total short-term liabilities	677.9	567.9	130.0	131.5
Total liabilities	951.9	897.5	334.2	376.7
Total equity and liabilities	2,740.6	2,572.3	1,986.1	1,953.4

Cash flow statement

Bang & Olufsen a/s

	Group	
(DKK million)	2003/04	2002/03
Profit for the year	264.1	189.8
Depreciation and write-offs	284.2	262.2
Adjustments	134.5	120.4
Change in working capital	(30.5)	209.1
Cash flow from operating activities	652.3	781.5
Interest received, etc.	33.5	25.2
Interest paid, etc.	(28.2)	(34.5)
Cash flow from ordinary operations	657.6	772.2
Paid corporation tax	(210.6)	(129.7)
Cash flow from operational activities	447.0	642.5
Purchase of intangible fixed assets	(146.5)	(146.3)
Purchase of tangible fixed assets	(138.2)	(131.9)
Sale of intangible fixed assets	3.6	-
Sale of tangible fixed assets	80.1	47.7
Dividend received from associated company	2.0	-
Change in financial receivables	4.0	(14.1)
Cash flow from financing activities	(195.0)	(244.6)
Repayment of long-term loans	(55.6)	(59.3)
Dividend paid	(94.0)	(46.9)
Repurchase of own shares	(98.1)	-
Increase of share capital for employee shares	2.6	0.9
Tax on increase of share capital for employee shares	1.0	0.6
Dividend, own shares	9.3	3.1
Sale of own shares	10.8	-
Cash flow from financing activities	(224.0)	(101.6)
Change in liquid funds - cash flow for the year	28.0	296.3
Liquid funds, June 1	445.0	148.7
Liquid funds, May 31	473.0	445.0
Liquid funds are calculated as follows:		
Liquid funds	473.0	445.0
	473.0	445.0

Parentheses denote negative figures or amounts to be deducted.

Equity statement

Bang & Olufsen a/s (Group)

(DKK million)

	Share capital	Premium on share issue	Retained earnings	Proposed dividend	Total
Equity, June 1, 2003	134.3	3.5	1,319.3	94.0	1,551.1
Increase of share capital for employees share	0.4	2.2	-	-	2.6
Tax on employees shares	-	-	1.0	-	1.0
Capital decrease	(10.9)	-	10.9	-	-
Purchase of own shares	-	-	(98.1)	-	(98.1)
Sale of own shares	-	-	10.8	-	10.8
Exchange rate adjustments in subsidiaries	-	-	4.7	-	4.7
Unrealised exchange rate gain on derivative financial instrument	-	-	0.4	-	0.4
Dividend paid	-	-	-	(94.0)	(94.0)
Dividend, own shares	-	-	9.3	-	9.3
Proposed dividend	-	-	-	86.7	86.7
Retained earnings	-	-	177.4	-	177.4
Equity, May 31, 2004	123.8	5.7	1,435.7	86.7	1,651.9
Equity, June 1, 2002	134.1	2.8	1,107.2	-	1,244.1
Acc. effect at the beginning of the year from changes to accounting principles applied	-	-	115.0	46.9	161.9
Adjusted equity, June 1, 2002	134.1	2.8	1,222.2	46.9	1,406.0
Increase of share capital for employees shares	0.2	0.7	-	-	0.9
Tax on employees shares	-	-	0.6	-	0.6
Exchange rate adjustments in subsidiaries	-	-	(1.0)	-	(1.0)
Equity adjustments in subsidiaries	-	-	(0.8)	-	(0.8)
Unrealised exchange rate loss on derivative financial instrument	-	-	(0.6)	-	(0.6)
Dividend paid	-	-	-	(46.9)	(46.9)
Dividend, own shares	-	-	3.1	-	3.1
Proposed dividend	-	-	-	94.0	94.0
Retained earnings	-	-	95.8	-	95.8
Equity, May 31, 2003	134.3	3.5	1,319.3	94.0	1,551.1

Parentheses denote negative figures or amounts to be deducted.

Bang & Olufsen a/s, the Group

2002/03

Interest income from banks	7.7	7.3
Exchange rate gains, net	7.9	-
Cash discounts received	6.3	8.3
Other financial income	<u>11.6</u>	<u>9.6</u>
	33.5	25.2

Interest on bank loans	10.1	14.2
Interest on mortgage loans	10.3	10.3
Exchange rate losses, net	-	0.6
Cash discounts paid	3.0	4.7
Other financial costs	4.8	4.7
	<u>28.2</u>	<u>34.5</u>

Bang & Olufsen a/s

2002/03

Change in receivables	(178.7)	67.4
Change in inventories	39.2	122.8
Change in trade payables, etc.	<u>109.0</u>	<u>18.9</u>
	(30.5)	209.1

20/23

Appendix 3

Turnover and distribution, Branded Business

(DKK million)	Turnover 2003/04	Turnover 2002/03	Growth in local currency
United Kingdom	584	582	6%
Denmark	483	494	(2%)
Germany	384	486	(21%)
USA	279	314	3%
Switzerland	216	264	(14%)
Holland	194	229	(15%)
Spain/Portugal	197	211	(7%)
France	180	193	(7%)
Italy	196	231	(15%)
Asian markets, excl. Japan	169	143	15%
Expansion Markets	122	121	1%
Sweden	110	103	6%
Belgium	82	98	(16%)
Norway	65	71	3%
Japan	62	51	29%
Austria	52	60	(13%)
Teledistribution	37	48	-
Other	40	34	-
Turnover for non-branded business	<u>20</u>	<u>28</u>	-
Total branded business	<u>3,472</u>	<u>3,761</u>	-

Parentheses denote negative figures.

Development in number of shops

Shop segment	Number of shops as of 31/5-04	Change in the period 1/6-03 – 31/5-04	Share of turnover per segment 2003/04	Share of turnover per segment 2002/03
B1	642	7	70%	66%
Shop in shop	670	3	24%	24%
Other	<u>215</u>	<u>(253)</u>	<u>6%</u>	<u>10%</u>
Total	<u>1,527</u>	<u>(243)</u>	<u>100%</u>	<u>100%</u>

Parentheses denote negative figures.

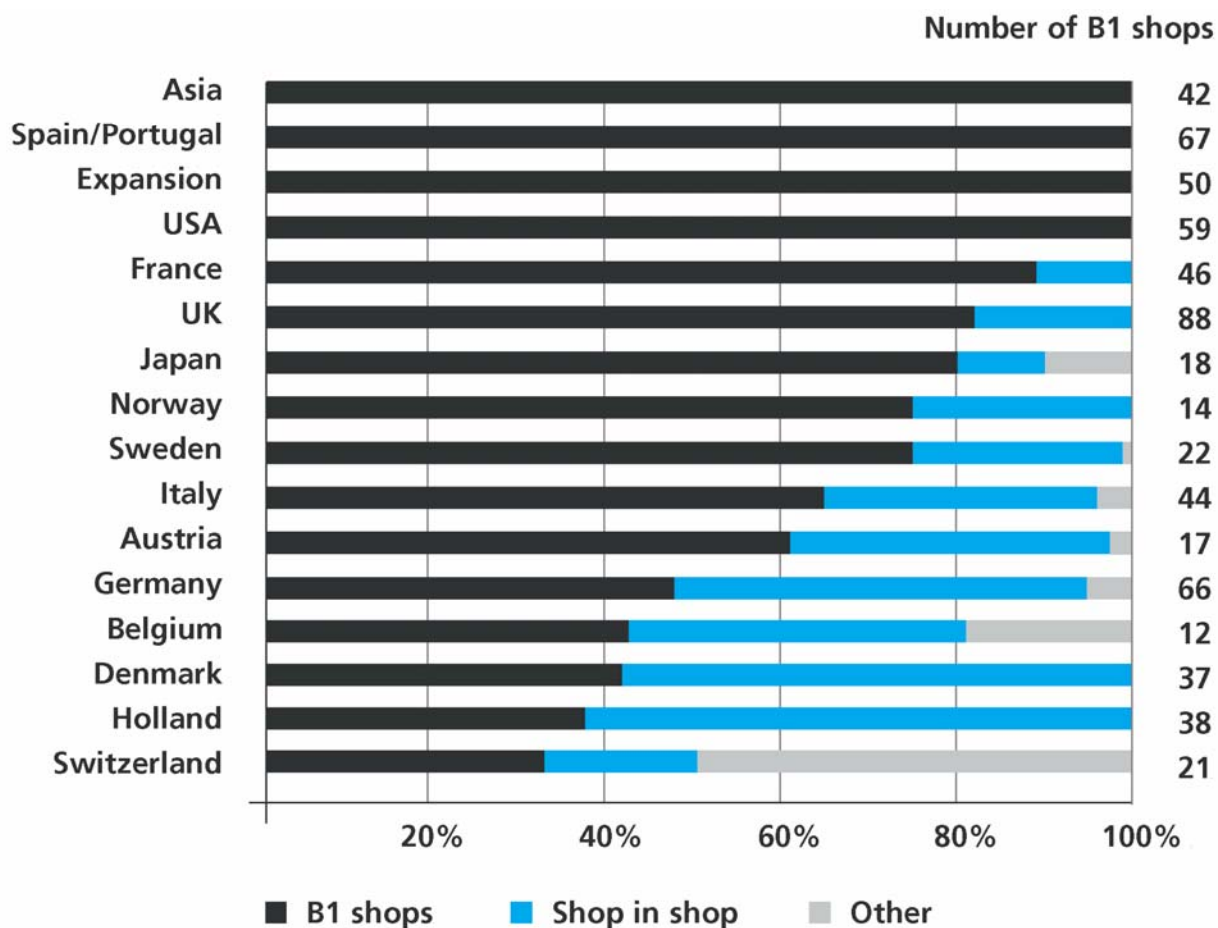
Definitions of shop segments:

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.

Appendix 4

Bang & Olufsen AudioVisual a/s

Share of turnover per shop segment in 2003/04



Appendix 5

Definitions of key figures

The key figures have been calculated in accordance with the recommendations in the guidelines laid down by the Danish Society of Financial Analysts.

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 June 1, 2002 is capitalised and amortised, c.f. accounting policies applied.

The key figures are defined as follows:

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