Bang & Olufsen a/s
Stock Exchange Announcement for 2002/03 Announcement No 03.03

Copenhagen Stock Exchange
Nikolaj Plads 6
1067 Copenhagen K

Struer, August 15, 2003

Announcement to the Stock Exchange for 2002/03 for Bang & Olufsen a/s

The Group financial statement has been prepared in accordance with the new Annual Accounts Act. Consequently, the results for the year, the opening balance and the comparative figures have been adjusted accordingly, cf. appendix 1.

- The ordinary profit before tax was DKK 290 million against DKK 228 million last year, which is in line with expectations. The improvement is DKK 62 million or 27%.

- Turnover for the year was DKK 3,974 million against DKK 4,212 million last year. This corresponds to a decrease of DKK 238 million or 6%.

- The Group's cash flow was positive at DKK 296 million.

- In view of the strong cash flow, the Board of Directors recommends the payment of an extraordinarily large dividend of DKK 7.00 per share nominal DKK 10, in total DKK 94 million. In addition, the Group intends to utilize in full the current authorisation to repurchase own shares in order to, pending the approval of the Annual General Meeting, to cancel part of the Group's own shares.

- The UK, now the Group's largest market, achieved an advance in turnover of 10% during the year. There were also advances in Italy, Spain/Portugal, Denmark, Belgium and Expansion Markets. Sales in Germany, US, Switzerland and Holland were, however, still disappointing.

- During the financial year, the Group launched BeoSound 3200, BeoVision 5 – USA and BeoCom 4. BeoLab 5, a loudspeaker that comprises several innovative and patented technologies, was introduced to the press in May. Distribution of BeoLab 5 will begin in August.

- For 2003/04, the Group expects an ordinary profit before tax of between DKK 300 and 330 million.

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President, CEO

Main and key figures for Bang & Olufsen - the Group

(DKK million)	1998/99	1999/00	2000/01	2001/02	**2002/03**
Profit and Loss account					
Net turnover	3,380	3,722	3,810	4,212	**3,974**
Operating profit	346	357	283	260	**296**
Financial items, net	8	(23)	(50)	(35)	**(9)**
Result from ordinary operations before tax	361	337	236	228	**290**
Group result	199	257	156	138	**193**
Result for the year, Bang & Olufsen a/s' share	199	257	162	149	**190**
Balance sheet					
Total assets, end of the year	2,026	2,296	2,466	2,504	**2,572**
Share capital	134	134	134	134	**134**
Equity, end of the year	1,140	1,245	1,308	1,406	**1,551**
Cash flow for the year	(356)	19	(157)	184	**296**
Of which cash flow from:					
Operating activity	368	329	222	433	**641**
Investment activity	(301)	(350)	(327)	(224)	**(243)**
- of which investment in tangible fixed assets	(233)	(308)	(269)	(150)	**(132)**
- of which investment in intangible fixed assets	(64)	(85)	(91)	(85)	**(146)**
Financing activity	(423)	40	(52)	(25)	**(102)**
Employment					
Number of employees by the end of the year	2,668	2,797	2,776	2,871	**2,636**
Key figures					
Profit ratio, %	10	10	7	6	**7**
Rate of return, %	19	18	13	11	**13**
Return on equity, %	21	20	12	10	**13**
Current ratio	1.7	1.9	1.9	2.1	**2.6**
Equity ratio, %	56	54	53	56	**60**
Earnings per share (nom. DKK 10), DKK	21	19	13	11	**15**
Intrinsic value (nom. DKK 10), DKK	90	100	105	112	**115**
Quotation as at May 31	462	283	268	235	**159**
Price/earnings	23	15	21	21	**10**
Quotation/intrinsic value	5.1	2.8	2.6	2.1	**1.4**
Dividend paid/proposed per share (nom. DKK 10), DKK	5.0	6.0	3.5	3.5	**7.0**

Average number of circulating shares: 12,537,33.

Parentheses denote negative figures.

The key figures are defined as follows:

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

For the calculation of the key figures, the guidelines laid down by the Danish Society of Financial Analysts have been followed.

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.

Comments on development

Increased earnings for Bang & Olufsen a/s

The financial year was characterised by turbulence and material fluctuations in the Group's individual markets. Throughout the year, there has been focus on securing absolute as well as relative progress in the Group's profitability and a strong cash flow despite difficult market conditions. This has been achieved and the Group, therefore, meets the April 2002 financial objectives for 10-15% earnings growth. The result is a consequence of growth in a number of important markets, price increases and a targeted effort aimed at reducing current production costs. Focus on the Group's profitability will be maintained in the current financial year.

Turnover for the Bang & Olufsen a/s Group for 2002/03 was DKK 3,974 million against DKK 4,212 million the previous year. This represents a decline of DKK 238 million or 6%.

Operating profit was DKK 296 million against DKK 260 million the previous year, i.e. an improvement of DKK 36 million or 14%.

Ordinary profit before tax was DKK 290 million against DKK 228 million last year, i.e. an increase of DKK 62 million or 27%. This is satisfactory and in line with the expectations of a profit in the region of DKK 280 to 295 million.

Fourth quarter turnover was DKK 891 million against DKK 1,023 million last year. This represents a decline of DKK 132 million, or 13%. However, ordinary profit before tax showed an improvement of DKK 14 million in that the result for the fourth quarter was DKK 39 million against DKK 25 million the previous year.

The development in turnover is due to the following main factors:

- Advances in turnover in Italy, Spain/Portugal, Denmark, Belgium, Expansion Markets and in the UK. In the case of the latter, this is despite an unfavourable exchange rate development of DKK 33 million.

- Continuing difficult market conditions in Germany, Switzerland and Holland and a tough fourth quarter in France led to a decline in turnover of DKK 197 million. In the US market, turnover fell by DKK 66 million. DKK 50 million, however, was due to the decreasing USD rate.

- Bang & Olufsen Medicom a/s suffered a decline in turnover of DKK 77 million.

Despite the lack of growth in turnover, operating profit is at a satisfactory level through improved gross profits and tight cost control across the Group. Gross profits are 3.6 percentage points higher than last year due to successful efficiency measures in the production, lower purchasing prices and sales price increases for a number of products.

Overall, these initiatives aim at preparing the Group for a period of substantial uncertainty and lay the foundation for profitable growth once market conditions improve.

Development costs totalled DKK 321 million against DKK 316 million the previous year. Thus, product development costs continue to amount to 8% of the year's turnover.

Distribution and marketing costs increased by 1% or DKK 13 million, from DKK 914 million to DKK 927 million. During the financial year, the Group incurred considerable costs in relation to the operation of its own shops, and in response the Group has initiated a gradual disposal of same.

Administration costs were reduced by DKK 3 million, from DKK 136 million to DKK 133 million.

Financial items developed positively due to the Group's improved cash flow. In addition, the year saw an improvement with regard to foreign exchange adjustments of DKK 9 million.

The tax percentage for the year amounted to 34%, corresponding to a tax expense of DKK 97 million. The Group continues not to capitalise deferred tax relating to the US.

Strong cash flow and a solid balance sheet
The balance sheet increased by DKK 68 million, from DKK 2,504 million to DKK 2,572 million. The growth primarily relates to liquid assets, which increased by DKK 281 million.

As at 31 May 2003, capitalised development projects amounted to DKK 200 million against DKK 165 million as at 31 May 2002.

Investments totalled DKK 230 million net against DKK 225 million the previous year. Of this amount, investments in development projects accounted for DKK 116 million against DKK 81 million last year. The need for investment in capacity expansion was limited and, consequently, tangible fixed assets declined by DKK 113 million net – from DKK 908 million to DKK 795 million.

During the year under review, the Group's inventories were reduced by DKK 123 million and trade receivables fell by DKK 57 million.

The Group did not raise new debt during the financial year. In the previous financial year, the Group raised long-term debt totalling DKK 45 million. Repayment of long-term borrowings totalled DKK 59 million against DKK 27 million the previous year. During the year, dividend totalling DKK 47 million was paid out.

Total cash flow for the year was positive at DKK 296 million against DKK 184 million the year before. The Group's cash flow from operations was DKK 641 million against DKK 433 million the year before.

The satisfactory cash flow is due to improved earnings, which, in turn, arise from the successful rationalisation measures and cost reductions in production combined with tight control of operating capital and cost levels across the Group.

Bang & Olufsen's dividend policy states that one third of the year's profit after tax will be paid as dividend to shareholders. As a consequence of the strong cash flow, the Board of Directors will recommend to the Annual General Meeting that an extraordinarily large dividend of DKK 7.00 per nominal DKK 10 share be paid. Last year's dividend was DKK 3.50 per nominal DKK 10 share.

In addition, the Group intends to utilize in full the current authorisation and, pending the approval of the Annual General Meeting, to cancel part of the Group's own shares.

Equity totalled DKK 1,551 million against DKK 1,406 million last year.

Strong result in the branded business

The Group's branded business comprise those activities that are marketed under the Bang & Olufsen brand, i.e. Bang & Olufsen AudioVisual a/s, Bang & Olufsen Telecom a/s, Bang & Olufsen New Business a/s and Bang & Olufsen Operations a/s.

The ordinary profit before tax for the Group's branded business was DKK 308 million against DKK 231 million the year before. This represents a satisfactory improvement of DKK 77 million, or 33%, due to the increased gross profit and targeted cost restraints.

Turnover was DKK 3,761 million against DKK 3,936 million last year. This corresponds to a decrease in turnover of DKK 175 million, or 4%. The branded business, therefore, failed to meet the expectations for modest growth foreseen at the start of the year.

Developments in individual markets

Percentage changes are calculated in local currencies.

Very satisfactory growth in the UK

During the financial year, the UK market achieved a turnover of DKK 582 million against 559 million the previous year. Despite the negative foreign exchange trends for GBP, this equates to an advance in turnover of DKK 23 million. In local currency the UK market advanced by 10%.

This meant that, during the financial year, the UK became the Group's largest market, a position achieved through several years of targeted effort aimed at creating a solid distribution and a positive spending trend within consumer durables in recent years.

UK turnover for the fourth quarter totalled DKK 129 million, which is the same as last year. However, in local currency turnover increased by 12%.

At the end of the financial year there were 82 B1 shops and 38 shop in shops in the UK market.

Denmark pulls Scandinavia forward

Denmark

Developments in the Danish market were satisfactory in that turnover increased by DKK 16 million, or 3%, from DKK 478 million to DKK 494 million. Denmark is now the Group's second largest market.

The advance in turnover was achieved at the same time as a reduction in the number of shops by 29 took place. This structural adjustment will continue over the coming year.

Following the reduction in the number of shops, the Danish distribution now comprises 262 shops, of which 35 are B1 shops and 227 are shop in shops and other retail outlets.

Sweden

The Swedish market achieved a turnover of DKK 103 million against DKK 105 million the previous year, i.e. a decrease of DKK 2 million, or 5%.

The coming year will see increased focus on strengthening the current distribution and on expanding shop coverage, especially in the number of shop in shops.

At the end of the financial year Sweden had 21 B1 shops and 36 shop in shops and other retail outlets.

Norway

Turnover in the Norwegian market totalled DKK 71 million against DKK 66 million the previous year, i.e. an increase of DKK 5 million or 1%.

At the end of the financial year there were 16 B1 shops and 28 shop in shops and other retail outlets in Norway.

Structural changes and difficult times in Central Europe

Germany

During the financial year, the German market experienced a disappointing decline in turnover of DKK 93 million, or 16%. Turnover totalled DKK 486 million against DKK 579 million the previous year. The fourth quarter saw a decline in turnover of DKK 14 million or 12% compared with fourth quarter last year.

The decline in the German market primarily relates to the category ”other” multibrand shops, where the average turnover in total fell by 25%. The decline in average turnover for the B1 shops was limited to 8%. 15 of the 49 German B1 shops, which are more than 2 years old, increased their turnover during the financial year.

As a consequence, the Group has decided to accelerate the qualitative improvements to the German distribution by offering multibrand shops the option of upgrading to "shop in shops" – or, alternatively, cease selling Bang & Olufsen's products.

At the close of the financial year there were 207 "other" shops in the German market of which approximately 60 have decided to upgrade while the remainder have had their contracts terminated with effect from the first half of the new financial year. Enhancing distribution quality will continue for some years and the results of this necessary step will only become apparent in the longer-term.

At the end of the financial year the German market had 65 B1 shops and 130 shop in shops. B1 shops account for 39% of the turnover, while 36% is generated by shop in shops and 25% by other multibrand shops.

Switzerland
The Swiss market also showed disappointing results. Turnover in the Swiss market totalled DKK 264 million against DKK 283 million the previous year. This corresponds to a decline of DKK 19 million, or 7%.

During the year, the Swiss market was characterised by economic slowdown and lack of demand. There are no immediate signs of improvement.

At the end of the financial year there were 22 B1 shops and 155 shop in shops and other shops in Switzerland.

Holland
Developments in the Dutch market were disappointing with turnover declining by DKK 62 million, or 21%, from DKK 291 million to DKK 229 million.

The distribution in the Dutch market functions well. However, since market penetration in Holland is significantly higher than in Germany, the slowdown has a stronger effect in Holland. Dutch consumer demand and confidence in the economy fell to the lowest level for many years according to official sources and there are no signs of improvement in the current financial year.

At the end of the financial year the Dutch market had 41 B1 shops, 95 shop in shops and 1 other shop.

Austria
The Austrian market saw slight growth in turnover of DKK 2 million or 3%. Overall, turnover totalled DKK 60 million against DKK 58 million last year.

At the end of the financial year, there were 15 B1 shops and 32 shop in shops and other shops in Austria.

Satisfactory advance in Italy
The Italian market achieved turnover of DKK 231 million against DKK 206 million the previous year, i.e. an increase of DKK 25 million, or 12%.

This development is primarily due to the continuing improvement of the quality of the distribution through upgrading from multibrand to shop in shops.

At the end of the financial year there were 41 B1 shops, 59 shop in shops and 22 other shops.

Increasing turnover in Spain/Portugal

In the Spanish/Portuguese market turnover totalled DKK 211 million against DKK 190 million the previous year, i.e. a growth of DKK 21 million or 11%. Again, this is a result of ongoing improvements to the distribution.

At the end of the financial year, Spain/Portugal had 70 B1 shops and one other shop.

Changes in France

The French market did not develop satisfactorily during the year with a decline in turnover of DKK 23 million, or 10%. Turnover was DKK 193 million against DKK 216 million last year.

The decline occurred in the fourth quarter, partly as a consequence of changes to trading terms aimed at increasing profitability and partly due to a lower level of demand in the market.

At the close of the year the French market had 51 B1 shops and 17 shop in shops.

Advances in Belgium

The Belgian market achieved a turnover of DKK 98 million against DKK 92 million last year, i.e. a satisfactory growth of DKK 6 million or 6%.

The effort to improve the quality of the distribution in Belgium continued. At the end of the financial year, there were 12 B1 shops and 19 shop in shops in the Belgian market. The number of other shops has now been reduced to 27.

Restructuring of the US operation

Turnover in the US market was DKK 314 million against DKK 380 million last year, i.e. a decline of DKK 66 million. Measured in local currency, however, the decline was limited to 4%, as DKK 50 million of the DKK 66 million was due to the weaker USD.

The Group’s overall loss in the US market was DKK 73 million. The figure comprises operating losses on continuing activities of DKK 42 million (against DKK 60 million last year) and non-recurring costs of DKK 31 million (against DKK 13 million last year).

The development in the US market was disappointing and the market was more difficult than envisaged at the start of the financial year. During the year, 8 loss-making B1 shops were closed, 5 of which were owned by Bang & Olufsen.

A new management team is currently restructuring the US market organisation and increasing the marketing effort with focus on individual shops.

At the end of the financial year there were 58 B1 shops and 5 shop in shops and other shops.

Asian markets stable despite SARS
The Asian markets comprise Singapore, Hong Kong, Malaysia, Korea, Taiwan, Thailand, Indonesia, Australia and Japan with a head office in Singapore.

Not including Japan, the Asian markets achieved a turnover of DKK 143 million against DKK 141 million last year. This corresponds to a growth in turnover of DKK 2 million, or 1%.

The positive development occurred despite the fact that the fourth quarter was strongly affected by the SARS outbreak, which resulted in less traffic in shops.

In the fourth quarter, turnover in the Asian markets totalled DKK 31 million against DKK 39 million in the fourth quarter of last year. This represents a decrease of DKK 8 million.

At the end of the financial year there were 39 B1 shops in the Asian markets.

Narrow product portfolio in Japan
Japan saw unsatisfactory development with a turnover decrease of DKK 25 million or 26%. Turnover totalled DKK 51 million against DKK 76 million last year.

Developments in the Japanese market are increasingly influenced by the absence of a video portfolio.

At the end of the financial year there were 16 B1 shops and 18 shop in shops and other shops.

Expansion Markets show satisfactory growth
Expansion Markets, which comprise Russia, the Middle East, South America, Africa and the East European markets, achieved a turnover of DKK 121 million against DKK 99 million last year, i.e. a satisfactory growth of DKK 22 million or 22%.

Russia remains the most important market although other markets are gaining increasing importance, in particular Eastern Europe, spearheaded by the Czech Republic and Hungary.

At the close of the financial year Expansion Markets had 49 B1-shops and 7 shop in shops and other shops.

Focus on quality and consolidation in the distribution

At the beginning of the financial year, the intention was to open approximately 50 new B1 shops during the financial year and to focus on consolidation and creation of organic growth within the existing shops.

During the financial year a total of 52 B1 shops were opened. A further 19 shops were upgraded to B1 shops.

At the same time, 43 B1 shops were closed and 11 B1 shops were downgraded, as they had been unable to live up to expectations. The net increase in B1 shops thus totalled 17 during the year under review.

The relatively large number of closures and downgradings has primarily occurred in the US market, in Central Europe and in the Spanish/Portuguese market. The closures are mainly due to the Group's focus on creating quality and resilience in the distribution.

Bang & Olufsen products are currently sold through 635 B1 shops worldwide with 473 in Europe, 58 in North America, 55 in Asia and 49 in Expansion Markets. B1 shops with a minimum of 2 years operations increased their turnover by an average of 1%.

At the beginning of the year, Bang & Olufsen products were available in 660 shop in shops. As of May 31, 2003 this was increased by another 7 shops, net to a total of 667.

In addition, Bang & Olufsen's products are available in a further 468 other shops, 173 fewer than last year. Of these 68 have been upgraded to shop in shops and 120 have ceased selling Bang & Olufsen's products. In the financial year 2001/02, these 120 shops accounted for a turnover of DKK 55 million.

In total, Bang & Olufsen's products are sold in 1,770 shops across the world.

Streamlined production

During the year, Bang & Olufsen successfully implemented efficiency measures within production and carried out substantial reductions in both production related and purchasing-related costs. These have had a positive effect on the Group's gross profits.

Inventory reduction has also had high priority, resulting in a strongly improved cash flow.

During the year, the Group's product portfolio for corded telephones was outsourced as planned.

A range of technology activities, primarily relating to aluminium, were initiated. The results include a patented product concept, which makes it possible to transilluminate aluminium with visible light.

Faster responses in the planning process and cuts in suppliers' lead times have contributed to a substantial improvement in supply reliability to dealers. Response times and supply accuracy will remain important focus areas in the coming year.

In line with last year, investment levels have been modest and aimed at processes for new products and productivity initiatives.

The financial year's product launches

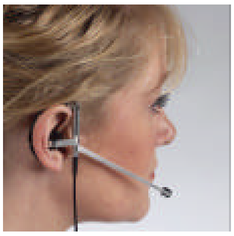
Bang & Olufsen launched the following products during the financial year:

BeoVision 5 was launched in an NTSC version for the American market in December 2002. Between them, the unique design, the integrated stereo loudspeakers and high picture quality offer an experience that far exceeds anything available in the market. BeoVision 5 has lived up to expectations.

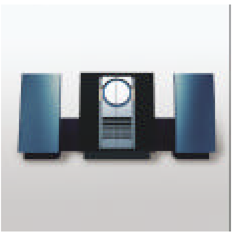
BeoCom 4, which was launched in February 2003, is a stand-alone, cordless phone, which, because of its simplicity, matches a variety of different users. Moreover, a new headset, EarSet 1 Home, designed for use with BeoCom 4, was launched in April. These new teleproducts contributed to the growth of the Group's telephone portfolio.

Launched in March 2003, BeoSound 3200 is based on Bang & Olufsen's successful classic, BeoSound 3000, and through harddisc technology offers easy storage and playback of up to 400 hours' music. The music can be arranged in accordance with the user's own wishes and operations are simple. BeoSound 3200 has been warmly received in the market.

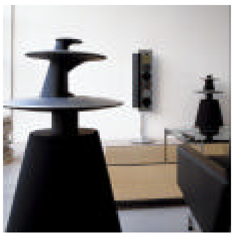
Technological World News



In May, Bang & Olufsen introduced BeoLab 5 to both the Danish and the international press, an event that raised considerable attention. To be distributed globally to Bang & Olufsen's shops from August 2003, BeoLab 5 is a new loudspeaker comprising several patented technologies. In terms of both design and innovative technology, BeoLab 5 is the result of many years' research and development – and places Bang & Olufsen among the global leaders with regard to acoustic research at the highest level. BeoLab 5 is an active and intelligent loudspeaker which, through ICEpower technology, offers such amplifying power and such highly developed digital signal processors that optimum sound is assured at all times.



Both the Danish and the international press as well as trade and lifestyle magazines have warmly welcomed BeoLab 5 describing it as one of the world's most advanced loudspeakers for domestic use. Several of the technological innovations, Acoustic Lens Technology[1], Adaptive Bass Control and Moving Microphone System have generated considerable attention in acoustic circles across the world.



Patented by Bang and Olufsen, Adaptive Bass Control and Moving Microphone System enable the loudspeaker to gauge the room's acoustic properties and its own position within the room by the press of a button. This allows the integrated computer system to adapt the loudspeaker's bass units to the surrounding environment and to the loudspeaker's position. Consequently, users can position BeoLab 5 wherever they wish while retaining optimum sound reproduction.

[1]Acoustic Lens Technology is patented by Sausalito Audio Works and licensed by Bang & Olufsen with global rights to the technology.

Acoustic Lens Technology directs the sound from treble and mid-range at a 180-degree angle in the horizontal plane at the same time minimising reflections from floor and ceiling. This means that the listener does not need to sit in front of the loudspeakers in order to benefit from the complete sound experience, but can place him or herself anywhere in the room and still enjoy the full sound picture.

Design award for David Lewis
David Lewis, Bang & Olufsen's Chief Designer for more than 20 years, was awarded the Danish Design Council's Annual Award during the financial year.

The Danish Design Council gave the following reason for choosing David Lewis:

"According to the articles of association, the annual award must be given to a person who has achieved results of a practical or theoretical interest within one or several design areas. David Lewis, Chief Designer at Bang & Olufsen since 1980 and responsible for numerous Bang & Olufsen successes over the past 35 years is, in every single respect, a worthy recipient of the Annual Award 2003."

Non-branded business

The Group's non-branded business comprises those activities that are marketed independently of the Bang & Olufsen brand. The companies in this segment are Bang & Olufsen Medicom a/s and Bang & Olufsen ICEpower a/s.

Bang & Olufsen Medicom develops and manufactures products for the medico-technical industry while Bang & Olufsen ICEpower develops and manufactures efficient, compact and intelligent amplifier modules, which are sold to Bang & Olufsen and external partners.

Difficult year for Bang & Olufsen Medicom
With a turnover of DKK 220 million against DKK 297 the previous year – corresponding to a decline of DKK 77 million or 26% - Bang & Olufsen Medicom a/s showed unsatisfactory development.

The ordinary profit before tax was a loss of DKK 8 million against a positive result of DKK 16 million last year.

This development follows a material decrease in order and production levels due to stock adjustments and changed sales patterns at Bang & Olufsen Medicom's largest customer. During the financial year, Bang & Olufsen Medicom a/s carried out substantial adjustments of its organisation to reflect the change in activity levels.

Supplies of services within development and preparation of new products increased during the year and Bang & Olufsen Medicom a/s continues to develop new products within the medico-technical sector.

Bang & Olufsen ICEpower in line with expectations
Turnover in Bang & Olufsen ICEpower a/s was DKK 31 million against DKK 17 million last year, i.e. an increase of DKK 14 million.

The ordinary profit before tax was negative at DKK 10 million against a loss of DKK 19 million last year, i.e. an improvement of DKK 9 million.

Turnover derives from sales of ICEpower standard products, development services and earnings realised in connection with current licence agreements.

During the year, Bang & Olufsen ICEpower a/s developed amplifier modules and power supplies for Bang & Olufsen a/s' new loudspeaker, BeoLab 5. The partnership with Sanyo is proceeding as scheduled and Bang & Olufsen ICEpower a/s is working on new partnerships with important partners as well as towards ensuring satisfactory orders. Nevertheless, the market for audiovisual components continues to be slow.

Expectations for 2003/04

A strong launch programme but uncertain market conditions

Product launches
The year's first launch is BeoLab 5, which will arrive in global markets in late August.

The first six months of the financial year will see the launch of BeoCenter 2, a pioneering A/V center product offering new ways of integrating sound and picture into the home.

BeoVision 6, a new 22" LCD-TV, will also be launched in the first half of the financial year. The product is primarily designed for link-rooms, i.e. as an extra set for, e.g. the kitchen or bedroom.

In the second half year, a new powerful and compact loudspeaker will be launched, which, besides ICEpower, also boasts Acoustic Lens Technology, one of BeoLab 5's new technologies.

Moreover, the Group expects to launch technological and design updates for four products:

- MX 4200, 21", an update of Bang & Olufsen's successful MX family, will be launched during the first 6 months of the financial year. The set provides even greater sound and picture quality.

- BeoVision 3, 28", will be launched in the autumn of 2003 as a smaller version of the tabletop BeoVision 3 TV. Its compact size allows for great flexibility in respect of positioning.

- BeoCom 1, a two-line telephone for the US market, follows the classic BeoCom 6000 design and will be launched in the first half of the financial year.

- Furthermore EarSet 1 Mobile will be launched. This product is in both technology and design terms built on EarSet 1 Home and is aimed at selected mobile phones.

The launch programme described above is expected to contribute to a higher turnover for the year. Some new sales will, of course, be offset by a certain decline in the current product portfolio. There are some uncertainties regarding the Southern European and American markets in relation to the effect on the year's turnover arising from the shift in demand from CRT-televisions towards flat screen televisions.

Market conditions
We expect to see positive sales developments in the UK, Southern Europe, Scandinavia, Asia and Expansion Markets. However, the prospects for a general improvement in the global economy remains distant and the Group expects continued uncertainty and slow growth in most of those markets that proved disappointing over the past year.

Developments in the fourth quarter and in the first two months of the current year give no grounds for expecting marked improvements in these markets.

Expectations for Central European markets, therefore, are modest and the continued efforts to restructure the German distribution mean that the Group expects a decline in turnover in the German market. Likewise growth is not envisaged for the Dutch and Swiss markets.

In the US, too, the market remains difficult. During the financial year, investments in marketing will be increased in order to generate more traffic and turnover in the existing Bang & Olufsen shops. The outlook, again, is for losses in the US market. Nevertheless, the American market is still regarded as an important long-term growth market and product launches in the current as well as in the coming years are expected to strengthen the portfolio in the US.

With regard to the general distribution development, the Group will continue to focus on improving quality in the distribution and new shops will open only at a moderate rate. The Group also expects to close or downgrade a number of shops. This will mean that the total number of retail outlets will be further reduced over the next 12 months.

Bang & Olufsen Medicom and ICEpower

Bang and Olufsen Medicom a/s expects disappointing earnings for the coming year, partly due to continuing low orders and partly because new development projects will not have a positive economic effect until subsequent financial years.

Bang & Olufsen ICEpower a/s expects to continue the positive development in both turnover and result although the market for A/V components remains weak.

Earnings and resources

During the financial year, the Group will continue to focus on maintaining high gross profits. Moreover the Group will continue its tight control of costs and investments. Overall, however, expenditure for development and new product launches will increase in order to implement the above-mentioned launch programme and to meet the increasing demand for flat screen TVs and complete home cinema solutions. The marketing effort will continue with undiminished strength and with continued focus on rational exploitation of resources. Other expenditure is expected to see a slight increase only, while financing income is expected to fall.

Expectations for the Group's result
In terms of turnover, the new financial year's first quarter will be below the same quarter last year. The Group will maintain its profitability-orientated focus and expects, on the basis of a very moderate increase in turnover, earnings for the full year of between DKK 300 and 330 million before tax. This interval holds the Group's three-year objective as stated in the Stock Exchange announcement of April 17, 2002 for an annual growth in earnings of between 10% and 15%.

New board member nominee
Director Thorleif Krarup will be nominated to the Board of Directors by Bang & Olufsen's Board of Directors at the Annual General Meeting on October 10, 2003.

Appendix 1

Changed accounting principles

As a consequence of the new Annual Accounts Act, which came into force on June 7, 2001 and the changes and updates made to a number of Danish accounting guidelines, certain changes to the accounting principles applied were introduced from June 1, 2002.

All comparative figures have been adjusted to the changes in the accounting policies applied.

The changes in policies have affected the result before tax by DKK 35.1 million. The corresponding change for the previous year is DKK 2.1 million.

Due to the changes, equity has increased by DKK 162 million as at 1 June 2002 and DKK 161 million as at 1 June 2001.

The result for the year can be specified as follows:

	2002/03	2001/02
Operating profit:		
Operating profit before changes to accounting principles	261.3	257.9
Development costs capitalised	116.5	81.1
Amortization, development costs	(81.4)	(79.0)
Total change	**35.1**	**2.1**
Operating profit after changes to accounting principles	**296.4**	**260.0**
Result from ordinary operations:		
Result from ordinary operations before tax and before changes to accounting principles	255.0	225.6
Change as a result of the new accounting principles, c.f. above	35.1	2.1
Result from ordinary operations before tax after changes to accounting principles	**290.1**	**227.7**
Tax on ordinary profit	(97.4)	(89.5)
Group result	**192.7**	**138.2**

Parentheses denote negative figures or amounts to be deducted.

Equity is specified as follows:	1/6 02	1/6 01
Opening equity	1,244.1	1,146.9
Changes to opening equity:		
Capitalised development costs	165.2	163.1
Adjustment, deferred tax	(49.7)	(49.1)
Changed accounting principles, associated company	(0.5)	(0.5)
Adjustment re. dividend	46.9	46.9
Adjusted opening equity	**1,406.0**	**1,307.3**

Parentheses denote negative figures or amounts to be deducted.

The following areas are subject to changes in the accounting principles applied:

Group goodwill

New practice
Group goodwill is determined at the time of acquisition as the difference between the cost price and the market value of assets and liabilities. Group goodwill and goodwill acquired from and including June 1, 2002 is recognised in the balance sheet and amortised on a straight line basis over the expected economic lifetime, which is determined on the basis of the Management Board's experience of the individual business areas, although a maximum of 20 years applies.

Past practice
According to past practice, Group goodwill was calculated at the time of the acquisition as the difference between the original price and the acquired company's intrinsic value calculated in accordance with the Group's accounting policies. Group goodwill is amortised directly over the equity.

Development projects

New practice
Development projects that are clearly defined and identifiable and are expected to be marketed as new products within potential future markets are recognised as intangible fixed assets.

Development costs are recognised at cost price and are amortized over the expected useful life when the criteria for this have been met.

Development costs that do not meet the criteria for recognition in the balance sheet are recognised as cost in the Profit & Loss account as incurred.

Development projects comprise salaries and wages, materials, services and depreciation of fixtures & fittings and plant and machinery that directly or indirectly relate to the Group's development activities.

Capitalised development projects are measured at carrying amount or receivable amount, whichever is lower.

Following the completion of the development work, development projects are amortised on a straight line basis over the estimated economic useful life. The amortisation period is normally 3-6 years.

Past practice
Up to now, development costs have been recognised in the Profit and Loss account in the year in which they were incurred.

Dividend

New practice
Dividend is recognised as a liability in the accounts when approved by the Annual General Meeting. Proposed dividend is recognised as a separate item under equity.

Dividend receivable is recognised in the balance sheet from the date of approval by the Annual General Meeting.

Past practice
Previously, proposals for dividend were recognised as a liability while dividend receivable was recognised as an asset when proposed.

Financial liabilities

New practice
Financial liabilities (mortgage debt etc) are recognised at the time of borrowing at the proceeds received after deduction of the transaction costs incurred and are subsequently measured at the amortised cost price.

Past practice
Previously, financial liabilities were measured at nominal value and any losses recognised in the profit and loss account.

Derivative financial instruments and hedging

New practice
Derivative financial instruments are initially recognised in the balance sheet at cost price and subsequently measured at market value. Derivative financial instruments are recognised in other receivables and other debt.

Changes to the market value of derivative financial instruments, which meet the criteria for hedging the market value of a recognised asset or a recognised liability are recognised in the Profit & Loss Account together with any changes in the market value of the hedged assets or the hedged liabilities.

Changes to the market value of derivative financial instruments, which meet the criteria for hedging future assets or liabilities, are recognised in the equity under retained earnings. Earnings and costs relating to hedge transactions are transferred from equity when the hedged position is realised.

For derivative financial instruments, which do not qualify as hedging instruments, changes are recognised on a continuing basis at market value in the Profit and Loss Account.

Past practice
Previously, derivative financial instruments were disclosed and hedged assets and liabilities were recognised at the hedge value.

Leasing

The Group mainly has operating leasing contracts.

Rental and leasing costs are recognised in the profit and loss account in the year in which they are incurred.

Appendix 2

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

	Brand-supported core 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
Turnover	3,761.0	219.7	30.9	(37.4)	3,974.2
Operating profit/loss	292.4	(4.7)	(9.6)	18.3	296.4
Profit/loss on ordinary operations before tax	308.4	(8.2)	(10.1)		290.1

Annual report for the financial year 1/6 2001 to 31/5 2002

	Brand-supported core 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
Turnover	3,936.2	297.4	16.8	(38.4)	4,212.0
Operating profit/loss	238.5	20.2	(18.5)	19.8	260.0
Profit/loss on ordinary operations before tax	230.7	16.1	(19.1)		227.7

Parentheses denote negative figures or amounts to be deducted.

Appendix 3

Profit and loss account

Bang & Olufsen a/s

	Group	
(DKK million)	2002/03	2001/02
Net turnover	**3,974.2**	**4,212.0**
Production costs	(2,297.3)	(2,585.5)
Gross profit	**1,676.9**	**1,626.5**
Development costs	(320.7)	(316.1)
Distribution and marketing costs	(926.7)	(914.2)
Administration costs, etc.	(133.1)	(136.2)
Operating profit	**296.4**	**260.0**
Result from ordinary operations in associated companies	3.0	2.8
Financial income	25.2	17.9
Financial costs	(34.5)	(53.0)
Financial items net	(9.3)	(35.1)
Result from ordinary operations before tax	**290.1**	**227.7**
Tax on ordinary result	(97.4)	(89.5)
Group result	**192.7**	**138.2**
Of which minority share	(2.9)	10.3
Rsult for the year, Bang & Olufsen a/s' share	**189.8**	**148.5**

Parentheses denote negative figures or amounts to be deducted

Assets

Bang & Olufsen a/s

(DKK million)	Group 31/5-03	Group 31/5-02
Intangible fixed assets		
Completed development projects	117.0	97.6
Acquired rights	32.9	13.2
Goodwill	6.6	-
Development projects in progress	83.2	67.6
Total intangible fixed assets	239.7	178.4
Tangible fixed assets		
Land and buildings	315.8	332.7
Plant and machinery	277.5	327.1
Other equipment	90.0	129.9
Leasehold improvements	46.1	67.5
Prepayments for fixed assets and tangible fixed assets in progress	65.3	50.6
Total tangible fixed assets	794.7	907.8
Financial fixed assets		
Investment in associated companies	9.5	7.5
Other financial receivables	36.2	22.1
Total financial fixed assets	45.7	29.6
Total fixed assets	**1,080.1**	**1,115.8**
Inventories		
Raw materials	191.6	239.8
Work in progress	40.4	52.4
Spare parts	110.4	113.0
Finished goods	187.2	247.2
Total inventories	529.6	652.4
Debtors		
Trade receivables	438.3	495.1
Dividend receivable	-	2.0
Other receivables	56.1	64.3
Deferred tax assets	9.2	7.0
Accruals	14.0	3.2
Total debtors	517.6	571.6
Liquid funds	445.0	164.4
Total current assets	**1,492.2**	**1,388.4**
Total assets	**2,572.3**	**2,504.2**

Liabilities

Bang & Olufsen a/s

	Group	
(DKK million)	31/5-03	31/5-02
Equity		
Share capital	134.3	134.1
Premium on share issue	3.5	2.8
Retained earnings	1,319.3	1,222.2
Proposed dividend for the financial year	94.0	46.9
Total equity	**1,551.1**	**1,406.0**
Minority interests	**0.6**	**-**
Provisions		
Pensions	0.3	0.2
Deferred tax	78.5	38.6
Other provisions	44.3	46.0
Total provisions	**123.1**	**84.8**
Long-term liabilities		
Mortgage loans	135.7	181.3
Loans from banks, etc.	193.9	202.4
Total long-tem liabilities	329.6	383.7
Short-term liabilities		
Repayment of long-term borrowing in the coming year	42.9	48.0
Loans from banks, etc.	-	15.7
Trade payables	157.4	183.8
Prepayment from customers	17.7	-
Payable to associated company	-	6.9
Corporation tax	8.6	68.4
Other payables	341.3	306.9
Total short-term liabilities	567.9	629.7
Total liabilities	**897.5**	**1,013.4**
Total liabilities	**2,572.3**	**2,504.2**

Cash Flow Statement

Bang & Olufsen a/s

	Group	
(DKK million)	2002/03	2001/02
Result for the year	189.8	148.5
Depreciation and write-offs	262.2	263.5
Adjustments	120.4	129.4
Change in working capital	207.1	8.1
Cash flow from operating activities	779.5	549.5
Interest received, etc.	25.2	17.9
Interest paid, etc.	(34.5)	(53.0)
Cash flow from ordinary operations	770.2	514.4
Corporation tax paid	(129.7)	(81.4)
Cash flow from operational activities	**640.5**	**433.0**
Purchase of intangible fixed assets	(146.3)	(84.8)
Purchase of tangible fixed assets	(131.9)	(150.0)
Sale of intangible fixed assets	-	2.2
Sale of tangible fixed assets	47.7	7.9
Dividend received from associated company	2.0	-
Change in financial receivables	(14.1)	0.4
Cash flow from financing activities	**(242.6)**	**(224.3)**
Proceeds from long-term loan raising	-	44.9
Repayment of long-term loans	(59.3)	(27.0)
Dividend paid	(46.9)	(46.9)
Increase of share capital for employee shares	0.9	0.9
Tax relating to employee shares	0.6	0.4
Dividend, own shares	3.1	3.2
Cash flow from financing activities	**(101.6)**	**(24.5)**
Change in liquid funds - cash flow for the year	**296.3**	**184.2**
Liquid funds, June 1	148.7	(35.5)
Liquid funds, May 31	**445.0**	**148.7**
Liquid funds are calculated as follows:		
Liquid funds	445.0	164.4
Short-term liabilities for banks, etc.	-	(15.7)
	445.0	148.7

Parentheses denote negative figures or amounts to be deducted.

Equity

Bang & Olufsen a/s (Group)

(DKK million)	Share capital	Premium on share issue	Retained earnings	Proposed dividend	Total
Equity, June 1, 2002	**134.1**	**2.8**	**1,107.2**	**-**	**1,244.1**
Accumulated effect at the beginning of the year from changes to accounting principles applied	-	-	115.0	46.9	161.9
Adjusted equity as of June 1, 2002	134.1	2.8	1,222.2	46.9	1,406.0
Capital increase used for employee shares	0.2	0.7	-	-	0.9
Tax on employee shares	-	-	0.6	-	0.6
Exchange rate adjustment 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**

(DKK million)	Share capital	Premium on share issue	Retained earnings	Proposed dividend	Total
Equity, June 1, 2003	**133.9**	**2.1**	**1,010.9**	**-**	**1,146.9**
Accumulated effect at the beginning of the year from changes to accounting principles applied	-	-	113.5	46.9	160.4
Adjusted equity as of June 1, 2001	133.9	2.1	1,124.4	46.9	1,307.3
Capital increase used for employee shares	0.2	0.7	-	-	0.9
Tax on employee shares	-	-	0.4	-	0.4
Exchange rate adjustment in subsidiaries	-	-	(3.4)	-	(3.4)
Depreciation of Group goodwill	-	-	(2.4)	-	(2.4)
Equity adjustments in subsidiaries	-	-	(1.6)	-	(1.6)
Dividend paid	-	-	-	(46.9)	(46.9)
Dividend, own shares	-	-	3.2	-	3.2
Proposed dividend	-	-	-	46.9	46.9
Retained earnings	-	-	101.6	-	101.6
Equity, May 31, 2002	**134.1**	**2.8**	**1,222.2**	**46.9**	**1,406.0**

Parentheses denote negative figures or amounts to be deducted.

Financing

Bang & Olufsen a/s

(DKK million)	Group 2002/03	2001/02
Financial income		
Interest income from banks, etc.	7.3	2.8
Cash discounts received	8.3	8.5
Other financial income	9.6	6.6
	25.2	17.9
Financial costs		
Interest on bank loans	14.2	21.3
Interest on mortgage loans	10.3	11.3
Exchange rate losses, net	0.6	9.7
Cash discounts paid	4.7	5.1
Other financial costs	4.7	5.6
	34.5	53.0

Change in operating capital

Bang & Olufsen a/s

(DKK million)	2002/03	2001/02
Change in operating capital		
Change in receivables	65.4	(55.6)
Change in inventories	122.8	33.0
Change in trade payables, etc.	18.9	30.7
	207.1	8.1

Parentheses denote negative figures or amounts to be deducted.

Appendix 4

Bang & Olufsen AudioVisual a/s

Turnover and distribution

(DKK million)	Group Turnover 2002/03	Growth in local currency
United Kingdom	582	10%
Denmark	494	3%
Germany	486	(16%)
USA	314	(4%)
Switzerland	264	(7%)
Italy	231	12%
Holland	229	(21%)
Spain/Portugal	211	11%
France	193	(10%)
Asian markets, excl. Japan	143	1%
Expansion Markets	121	22%
Sweden	103	(5%)
Belgium	98	6%
Norway	71	1%
Austria	60	3%
Japan	51	(26%)
Other	36	
	3,687	

Parentheses denote negative figures.

Development in the number of shops

Shop segment	Number of shops per 31/5-03	Change during the period 1/6-02 – 31/5-03	Share of turnover per segment
B1	635	17	66%
Shop in shop	667	7	24%
Other	468	(173)	10%
Total	1,770	(149)	100%

Parentheses denote negative figures.

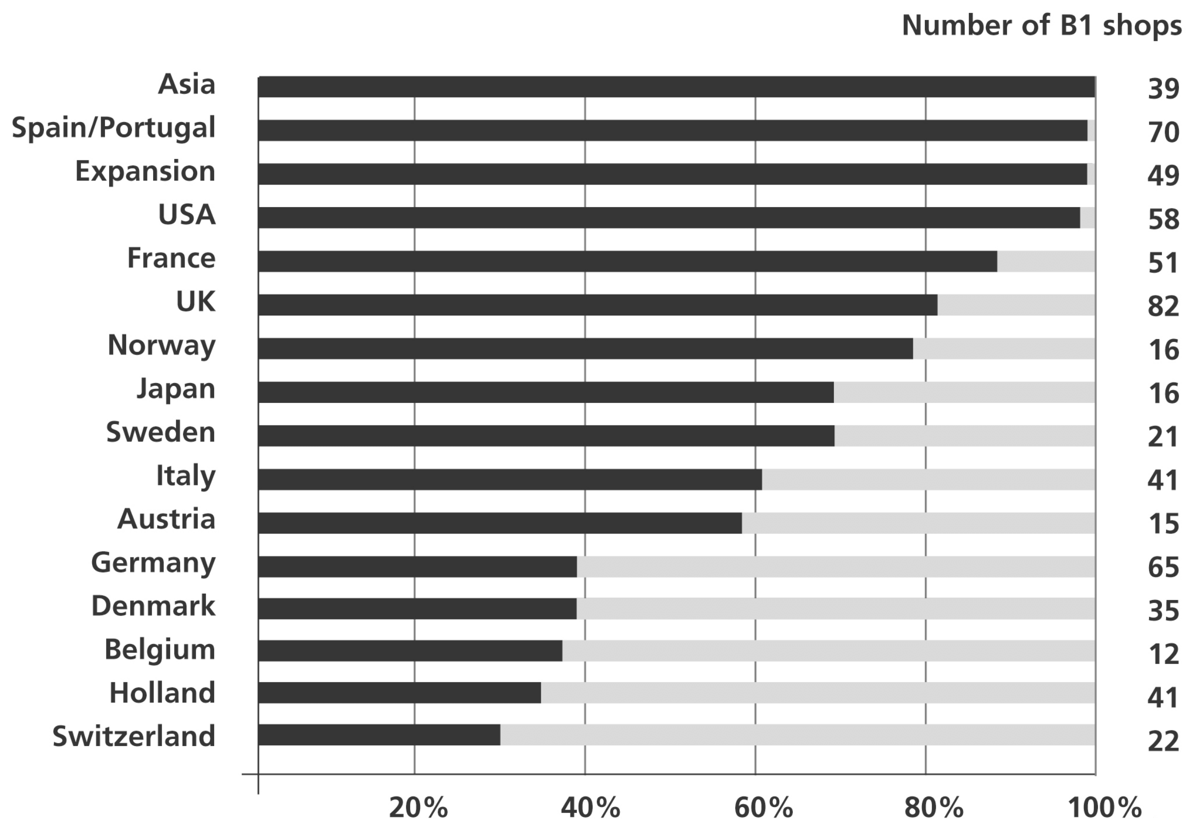
Definitions of shop segments:

B1	Shops, which are dedicated retailers of Bang & Olufsen products.
Shop in shop	Shops with a dedicated sales area for Bang & Olufsen products.

Appendix 5

Bang & Olufsen AudioVisual a/s

The B1 shops' share of turnover 2002/03



Appendix 6

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

The Board of Directors recommends to the Annual General Meeting:

1. That through the cancellation of shares owned by the company, the company's share capital (A shares (multiple voting shares) and B shares (ordinary shares)) be reduced by an amount, the size of which will be announced to the Stock Exchange.

   Within this context, it should be noted that the company currently owns approximately 7% of the total share capital. The company expects to acquire further ordinary shares in the period up to the calling of the Annual General Meeting. The company can, however, acquire no more than 10% of the company's shares (ordinary shares (multiple voting shares) and ordinary shares). The extent of the proposed reduction will be determined at the time of the notice of the Annual General Meeting and will be announced to the Stock Exchange. On determining the proposed reduction, account will be taken of the extent of the company's ordinary share holding at the time and of the fact that the company's outstanding staff schemes prevent the entire holding of the company's ordinary shares from being reduced.

2. That the Board is authorised – within 18 months from the date of the Annual General Meeting – to acquire up to 10% of the company's share capital against a fee which must not be more than 10% above or below the most recent price quoted for the ordinary shares on the Copenhagen Stock Exchange. Pursuant to the above authorisation, however, the company can at no time acquire shares representing more than 10% of the share capital's voting rights.

3. That the authorisation to the Board of Directors in the Articles of Association article 4 regarding the issue of staff shares which were in force until 31 May 2003, will continue unchanged until 31 May 2007 so that "2003" in section 4 is changed to "2007". Likewise, the number of ordinary shares, which can be issued pursuant to the authorisation, will be increased to nominally DKK 2,500,000. With the proposed changes, the relevant section of the article 4 will read as follows:

   > "Until May 31, 2007, the Board of Directors is authorized, in one or more stages, to increase the company's share capital by up to DKK 2,500,000 through the issue of shares offered to staff of the Bang & Olufsen Group at a price corresponding to the current market price or lower, although not below the price of 10.5 and on terms to be decided by the company's Board of Directors".

   (the other part of the provisions remain unchanged).

4. That in article 7, second-last paragraph, the words "unless another agreement is made" be inserted so that the text will read:

   > "No later than 8 days prior to the general meeting, the agenda for the general meeting and intended proposals in their entirety, as well as, in respect of ordinary general meetings, the annual accounts, the Board of Directors' report and the consolidated accounts shall be available at the offices of the Company for inspection by the shareholders, and the aforesaid material shall at the same time be sent to each registered shareholder, unless another agreement is made".

5. Proposal for amendments in consequence of the changes to the Act on Commercial Undertakings' annual accounts etc. and the Companies' Act as relates to articles 7 and 11.

Article 7

It is proposed that article 7, agenda items 3 and 4, be changed from:

"3: Presentation of profit and loss account and balance sheet for adoption"
"4: Resolution on application of profit or cover of loss in accordance with the adopted accounts"

to read as follows:

"3: Presentation and adoption of the audited annual report"
"4: Decision concerning the allocation of profits or treatment of loss in accordance with the adopted annual report"

<u>Article 7, second-last part</u>

The following words:

"as well as the annual accounts, the Board of Directors' report and the consolidated accounts"

to be replaced with:

"as well as the annual report and the Board of Directors' report"

Article 11

is proposed to be changed from:

"*The Company's accounting year shall be from June 1 to May 31.* The Company's accounts shall be prepared in accordance with recognized auditing principles and the provisions laid down at any time in the Danish Presentation of Accounts Act."

To read:

"The Company's financial year runs from June 1 to May 31. The Annual Report for Bang & Olufsen a/s is prepared in accordance with the provisions applying to Class D companies under the Danish Annual Accounts Act, Danish Accounting Standards and the requirements of the Copenhagen Stock Exchange with respect to financial reporting of listed companies"

6. That the Board of Directors, when constituting itself, elects the Chairman only, so that the words "and Vice-Chairman" are omitted from article 9, sub-section 3.

7. 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 94 million. Last year, the dividend was DKK 3.50 per nominal share of DKK 10, corresponding to approx. DKK 47 million.

8. Pursuant to article 9, Lars Brorsen and Peter Skak Olufsen are up for election. The Board proposes that both be re-elected.

   The Board proposes the election of director Thorleif Krarup to the Board.

The printed accounts for 2002/03 will be issued no later than September 25, 2003.

The Annual General Meeting will be held on Friday, October 10, 2003 at 4.30 pm at Struer Gymnasium.