Bang & Olufsen Group

ANNUAL REPORT 2004/05

If you wish to skip directly to a specific page, click on the page number from Contents on page 2. You will then go directly to that page.

CVR-No. 41257911

BANG & OLUFSEN

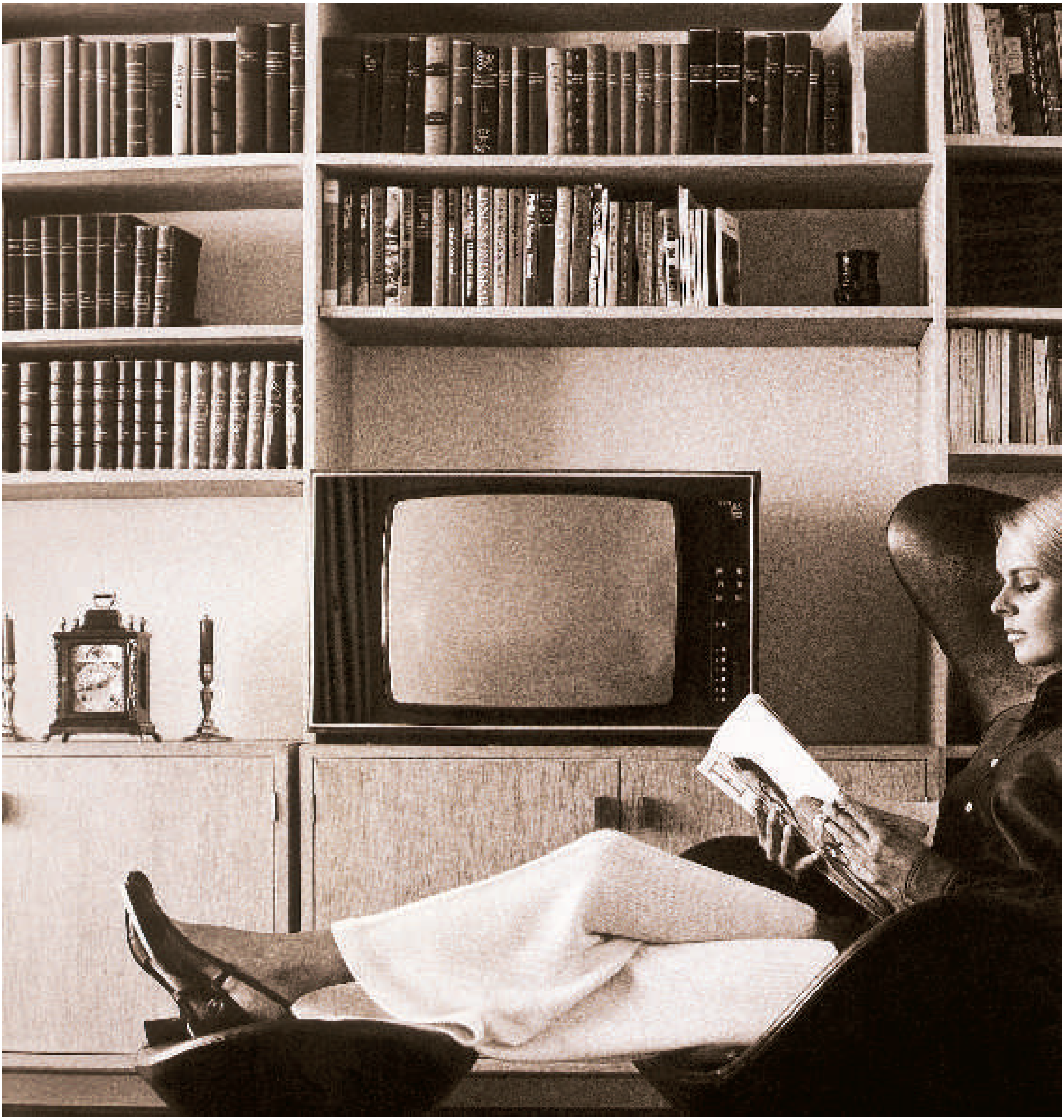
CONTENTS

Courage to constantly question the ordinary
in search of surprising, long-lasting experiences.

The best of two worlds

Bang & Olufsen's LCD flat screen TV, BeoVision 7, combines the better of two worlds in one unique solution. With this product a symbiosis of superb picture quality and the ultimate in TV sound is achieved. Concept developers have also succeeded in creating a TV that combines the design advantages of a flat screen TV with sound quality that outclasses other stereo systems. During the development of BeoVision 7 great attention was paid to every single detail, resulting in a design expression that is nothing less than perfect – regardless of the angle from which the TV is viewed. The special anti-reflection coated contrast screen reduces the effect of incoming light and provides an impressive

dark surface when the TV is switched off. Further underlining Bang & Olufsen's expertise within the field of precision mechanics, the DVD player is integrated into a special soundproof cabinet that prevents undesirable vibration or sound from spreading to the rest of the TV. Due to the powerful loudspeaker and integrated DVD, BeoVision 7 is also the perfect master unit for a home cinema. So far BeoVision 7 thus expresses the culmination of the advanced functions and technologies developed by Bang & Olufsen in recent decades.



At the cutting edge

One of Bang & Olufsen's core skills has always been its capacity for innovation and going new ways. Bang & Olufsen has systematised innovation. When Bang & Olufsen launched its first TV in 1952, this was a black and white TV in a solid walnut cabinet. In 1958, the first remote control, which could adjust light and sound, followed. In 1967, Bang & Olufsen's first colour TV, BeoVision 3000, arrived in the market and a few years later, in 1974, Bang & Olufsen began to develop the Vision Clear concept, which in conjunction with a range of other factors, ensures the ultimate picture quality. Having been continually refined, enhanced and expanded since 1974, the concept is today part of all Bang & Olufsen's TVs including BeoVision 7.

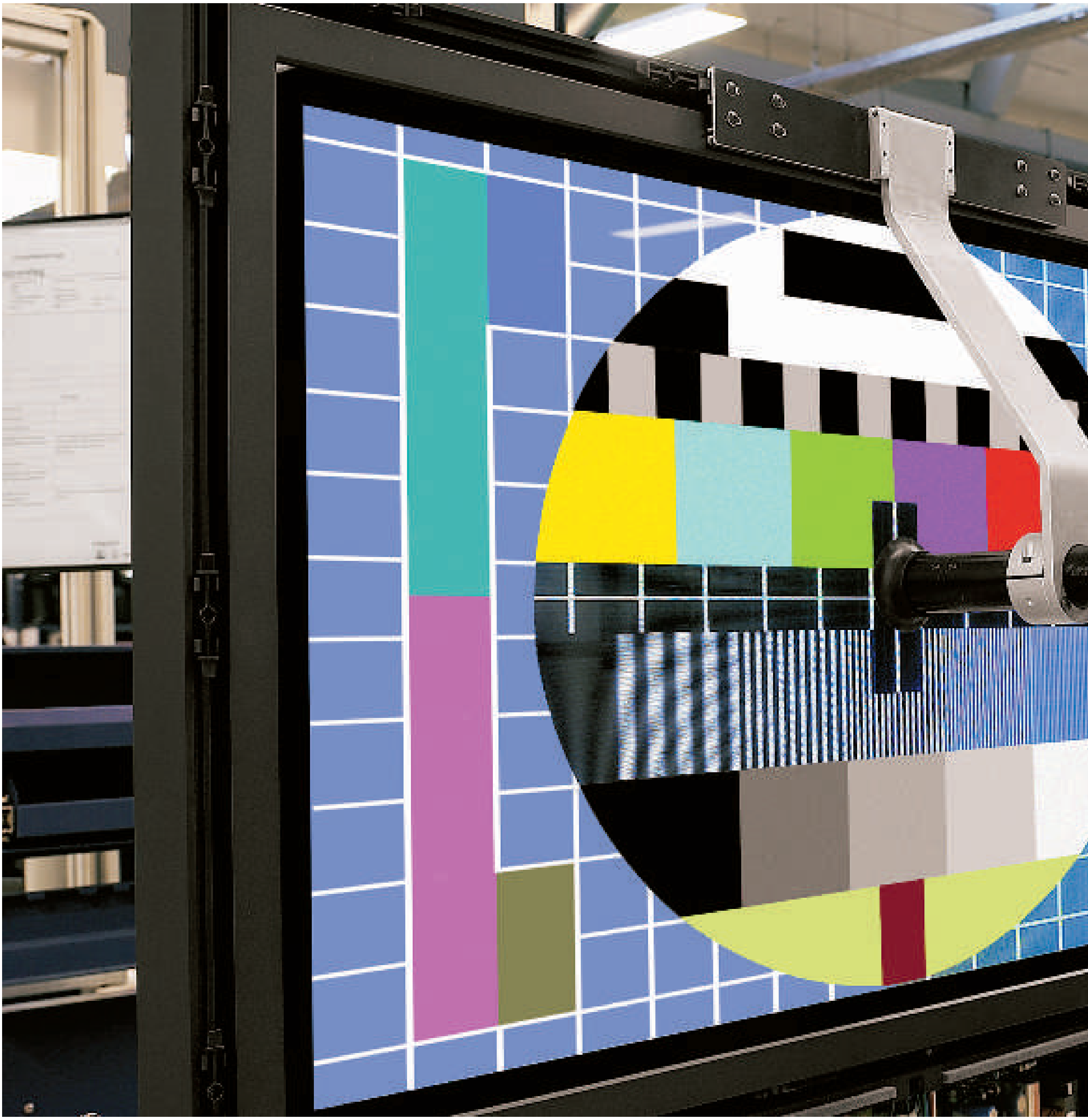
Bang & Olufsen is also at the cutting edge when it comes to flat screen TVs. Bang & Olufsen allies only with the very best suppliers. Moreover, a thorough selection process ensures that only the latest flat screen generations offering the very highest picture quality are built into Bang & Olufsen's TVs.

A new era begins

The first TVs were launched back in the 1950s. Back then the small, curved tubes could produce black and white pictures only. However, the basic technology to picture projection through tubes was born. Over the following fifty years this basic technology was continually developed, paving the way for colour and ever clearer pictures. Yet the principle of the traditional tube remains the same. Now, however, real change is underway as plasma and LCD technologies are rapidly gaining ground. The first Bang & Olufsen plasma TV, BeoVision 5, was launched in the spring of 2002 to be followed by a range of LCD and plasma TVs. Overall, Bang & Olufsen's portfolio now comprises eight flat screen TVs, i.e. 3 LCDs and 5 plasmas, ranging from a 22" LCD version to a 65" plasma TV, BeoVision 4 – 65.

The transition from tube to flat screen TVs continues unabated and in the financial year 2004/05 sales of flat screen TVs exceeded sales of traditional tube TVs for the first time.

Bang & Olufsen's focus on design and new technology has accelerated the transition from tube to flat screen TV. The flat screen products allow for revolutionary design and alternative ways of placing the product in the home and LCD and plasma technology offers even higher picture quality.



The world's best picture

Bang & Olufsen has always placed enormous emphasis on picture quality. The same is the case with production processes and the detailed testing of each set before it is shipped to the dealers. Despite the advanced level of automation, 8-10 employees are involved in the production of each BeoVision 7, investing their competencies and unique skills in assembling the TV from the many individual components such as printed circuit boards, the cabinet, the screen and the advanced DVD player. Throughout the whole process, all system components are thoroughly tested before BeoVision 7 is subjected to the two thorough final system tests. A crucial element in these system tests is that the signal processing is adjusted and optimised to provide a perfect match for the screen. As a result, the picture quality is second to none.

This is precisely what customers experience when they switch on the TV and the electronic curtain glides aside. Then BeoVision 7 automatically adjusts the picture in relation to the room's light conditions. Reflections on the screen are minimised by the anti-reflection coated contrast screen while Bang & Olufsen's Vision Clear concept ensures optimum picture quality regardless of light conditions.

A crystal clear picture, however, is not an end in itself. Sound is just as important.

The silent film era is over

Once upon a time actors needed exaggerated gestures to elucidate the plot of the movie. Fortunately the time of the silent movie is long gone. Today, excellent sound is as important as picture quality. BeoVision 7 more than meets both requirements. The BeoVision 7 loudspeaker produces a sound that sets a new standard in the world of television – a fact to which a range of respected trade magazines, including the German HomeVision and the UK's The Gramophone have testified. The magazines note that the BeoVision 7 sound is unique regardless of whether the viewer listens to a Beethoven concert or powerful explosions in an action film. The voices of famous actors retain the right timbre and water flowing through a river sounds totally real.

Combining a top-class loudspeaker and TV is a considerable challenge both in terms of design and technology, not least because the loudspeaker is so powerful that it has been necessary to decouple it from the TV to prevent vibration. BeoVision 7's flat cabinet also limits the loudspeaker's dimensions. Nonetheless, it has been possible to integrate six loudspeaker units, including two woofers, each of which is controlled by an ICEpower amplifier. The loudspeaker sounds unique regardless of whether it reproduces stereo sound from a TV transmission or assumes the role as the central loudspeaker when watching a DVD film with Dolby Digital or DTS sound. The BeoVision 7 automatically adjusts to the sound signal it receives.

Unique cinema experience

Today Bang & Olufsen offers a broad range of televisions and loudspeakers which can all be combined in many different ways to produce a unique sound and picture experience. Films take on a whole new dimension when played in a Bang & Olufsen surround set up and the products' design and performance allow for so many combinations that customers can always find the perfect solution for their home. Even when switched off, the TV and loudspeakers give the home an extra dimension.

Bang & Olufsen's BeoLiving concept is simply the finishing touch.

Living with Bang & Olufsen – BeoLiving

Some of our best dealers around the world have been doing it for years: combining Bang & Olufsen's products with other products, light control, curtains, security systems or any other requirements that customers may have. These experiences constituted the platform for the integrated solution of vision, sound, light control and curtains which Bang & Olufsen calls BeoLiving. The new BeoLiving concept can today be experienced in more than 20 Bang & Olufsen shops across the world and we are working at full stretch to spread the concept to several hundred retail outlets.

Although BeoLiving comprises a number of different components, including light control, curtains, vision and sound, the remote control is incredibly simple. By pressing the remote control, Beo4, the light dims, the curtains are drawn and the family is ready to watch a film that has been placed in the DVD-drive.

With BeoLiving the customer enjoys a total experience where Bang & Olufsen's core skills, sound, vision, control, movable mechanics and quality come together with lighting, projectors, curtains and screens. BeoLiving elevates the Bang & Olufsen experience to levels, which has previously not been heard, seen or experienced.

CONTENTS

DEAR BANG & OLUFSEN SHAREHOLDER,

Torben Ballegaard Sørensen

Peter Thostrup

These annual accounts are the result of considerable effort on the part of all our dealers, employees and partners. Together they ensured that Bang & Olufsen emerged successfully from a year characterised by one of the most fundamental transformations the electronics industry has seen in recent times – namely the transfer from traditional tube TVs to flat screen TVs. The change has had a huge impact on the industry and has affected the results of several large and medium-sized manufacturers.

It is gratifying to note that Bang & Olufsen managed the change successfully. The result for the year would not have been as good as it is without the launch of the new characteristic flat screen TVs, which have been exceptionally well received by customers and dealers alike. Sales of BeoVision 4, BeoVision 6 and BeoVision 7 have, in particular, exceeded expectations and more than offset the declining sales of traditional TVs. All products were launched as planned – BeoVision 7 even one month ahead of schedule.

We have not quite seen the last of the changes. A certain part of the turnover continues to derive from tube TVs, and we still have a number of exciting flat screen TVs that will be launched over the next few years. These new concepts will be just as unique and differentiated as our TVs have always been, not only in terms of design, but also with regard to picture, sound and operation, which will continue to rank among the best in the world.

A further crucial factor for the positive development is that Bang & Olufsen does not rely on one product line only. As a supplier of fully integrated solutions for audio, video, acoustics and telecommunication, we always operate on the basis of several platforms.

No less important to Bang & Olufsen's success is the excellent distribution network, which has been developed over several years. Our dealers offer expert advice and thorough product knowledge. Complete installations and extensive services make a characteristic differentiation in a market that is increasingly dominated by mass production with short product lifes and discount outlets. For customers who value durability, absolute quality, complete integration and problem-free enjoyment, Bang & Olufsen dealers offer an unrivalled place, where such a service is provided.

Overall, the B1 dealers have increased by 6 per cent, which we regard as particularly satisfactory in a market where retailers continue to feel the pressure. Many dealers have greatly improved their performance – up to 30-40 per cent. Unfortunately, however, there are several who have yet to face up to today's realities and to create the necessary visibillity and activities around the store. We will continue to develop our marketing tools to support the shops and the dialogue with the more than 1.5 million customers in our global customer database.

Behind our partners' well-functioning businesses lies a smooth-running logistics and service organisation characterised by both flexibility and reliability. In addition, the organisation has shown itself capable of improving efficiency and searching for new ways to maximise the resources available for product development and marketing in Denmark and abroad.

With the 2004/05 financial report, we have realised the last three years' objective of an annual 10-15 per cent improvement in the result. For the next five years, the ambition is for our established core business to grow by 6-8 per cent per year and for the overall business, including new business areas, to reach a turnover of DKK 6 billion. Over the same period, profitability has to be sufficient, expressed as profits before tax being at least 10 per cent of the turnover.

Each new financial year, the Group and its dealers start all over again, i.e. with a blank sheet. As there is no automatic recurring or "fixed" revenue – each year the challenge to our dealers and to Bang & Olufsen is to surpass ourselves and achieve the desired growth. Although the shops and our own outlets are highly sensitive to fluctuations in consumer trends and to the macro economy in individual markets, we believe that our objectives are achievable - based on the combination of a clearly defined target group, a strong distribution, a strong brand and a strong product portfolio.

The confidence that we shall achieve our ambitions as well as the achieved good results is primarily based on the great effort from our 2,300 employees who are all focused on ensuring Bang & Olufsen's healthy development. We would like to thank them all for their contribution. Likewise, we would like to express our gratitude to our dealers, our loyal customers worldwide and to our loyal shareholders.

Torben Ballegaard Sørensen
President & CEO

Peter Thostrup
Executive Vice President

BANG & OLUFSEN - A BRIEF HISTORY

Although in global terms Bang & Olufsen's size is modest, the company has achieved world renown for its spectacular, idea-based products of high quality. The company develops and manufactures a broad range of different TVs, audio systems, loudspeakers and telephones. Bang & Olufsen has recently moved into the CarFi sector and the hotel industry and has started to equip luxury yachts with Bang & Olufsen high-end equipment.

Bang & Olufsen also develops high performance, highly compact digital amplifier units as well as insulin pens, inhalators, stethoscopes etc. for the medical technology industry. Largely speaking, all development and product maturation is centred at the Group's head office in Struer in Western Jutland.

Bang & Olufsen's vision is expressed in the sentence "Courage to constantly question the ordinary in search of surprising, long lasting experiences" – a sentence with which Bang & Olufsen's 2,300 employees across the world identify with pride.

History
Bang & Olufsen was founded in 1925 by two young Danish engineers, Peter Bang and Svend Olufsen. They met each other during their studies, and shared an enthusiasm for the new phenomenon of the age: The radio.

The early beginnings were modest indeed. In the first few years, Peter Bang and Svend Olufsen worked out of the attic at the Olufsen family's manor house, Quistrup, just outside Struer. Here the two young men undertook the majority of the tasks themselves, aided by the estate's workers when required. Svend's mother, Anna Olufsen, supported them financially by selling eggs to the local community.

The first pioneering product, however, was not the radio, which the two engineers dreamed about, but the "Eliminator" – a mains receiver that did away with the need for batteries. The timing was perfect – the Eliminator entered the market as electricity began to become the norm in Danish households. It, therefore, provided Bang & Olufsen with the needed start-up capital, which allowed the business to move into its own factory in the village of Gimsing, which, at that time, was outside Struer, but which today is part of the town.

In the final months of the Second World War, the factory was destroyed by Danish Nazi sympathisers as revenge for Bang & Olufsen's refusal to work for the German occupying forces and because many of its employees were involved in the Danish Resistance.

In subsequent years, Bang & Olufsen not only fought to survive in the marketplace, but also fought to rebuild the factory. During the 1950s and 60s, Bang & Olufsen successfully established a recognised name in the Danish market as "The Danish Quality Brand". When, at the end of the 1960s, competition from Asian manufacturers forced scores of Danish and European radio and TV factories to close, Bang & Olufsen allied itself with a group of architects and designers and set about focusing on the ideas and the design behind the products as well as on quality. The strategy proved hugely successful and the company had now found the niche that enabled it to survive. Around the same time, Bang & Olufsen started the exports that today account for more than 80 % of its revenue.

In the late 1980s and early 90s, dark clouds once again gathered over Bang & Olufsen. Earnings did not match the turnover, and the Group had insufficient funds to weather the storm. A largescale disposal of its non-core activities was executed and a new distribution strategy launched: No longer should Bang & Olufsen's products be sold through radio/TV stores, which sold a variety of brands, but through dedicated outlets which only dealt in Bang & Olufsen products, which helped to ensure that shop employees were well trained and loyal to the brand.

Bang & Olufsen shops, mostly owned by independent dealers, have, over time, taken an increasing share of Bang & Olufsen's total sales, but a substantial proportion of the products are still sold through the more traditional radio/TV shops via so-called shop in shop concepts. Indeed, Bang & Olufsen has succeeded in developing a shop in shop concept, where the individual radio dealer can sell Bang & Olufsen's products if a separate section of the shop is designed according to Bang & Olufsen's demands and specifications.

The renewed focus on the core business and a fresh distribution strategy proved so successful that towards the end of the 90s, Bang & Olufsen once again enjoyed growth in both turnover and revenue – on the strength of a healthy financial base.

BACK to contents

Since the millennium, the company has maintained its growth strategy and continued to establish shops across the world. Consequently the company has succeeded in establishing shops in growth regions (e.g. India and China), which previously had no Bang & Olufsen shops.

During the same period, Bang & Olufsen has launched a number of pioneering products, which fully meet the company's high quality requirements and design, and which at the same time set new standards in the world of audio. In fact, BeoLab 5 has been named one of the world's best loudspeakers, and BeoVision 7 has been acknowledged as the television with the world's best sound by several trade magazines.

Distribution

Tight focus on core skills and the commitment to the dedicated Bang & Olufsen distribution continues to this day, where sales take place through two types of dedicated Bang & Olufsen shops:

- B1 shops, which only sell Bang & Olufsen products
- Shop in shop outlets (SIS) where a significant area of the shop is designed for, and exclusively allocated to, Bang & Olufsen's products.

Bang & Olufsen's products are currently available from 672 B1 shops and 637 shop in shops. The B1 shops account for 71 % of the total turnover while the shop in shop outlets account for 27 %. Bang & Olufsen will continue to focus on these two types of shops with the B1 shops as the most important and the shop in shop outlets as an important distribution channel in areas where the demographics do not yet justify a B1 shop.

Markets

Bang & Olufsen's products are today available around the world and 82 % of the Group's turnover derives from exports. In a number of markets, operations are handled by Bang & Olufsen's own subsidiaries, c.f. the review on page 100 while sales and distribution development in certain overseas markets is organised by highly qualified business partners.

Production

Most of Bang & Olufsen's production is centred in Struer, where the factories are located alongside the Development Department, Administration and the Group's Head Office. During the 2004/05 financial year, some production, including some of the assembly work, was transferred to Koprivnice in the Czech Republic, where a new factory is under construction with commissioning scheduled for the early spring of 2006. In all, approximately 200 jobs will move from Struer to the Czech Republic. The quality requirements for the products manufactured in the Czech Republic are as high as in Struer and are maintained through comprehensive training of the Czech employees and thorough testing of all ready produced components - just as in Struer.

Many components and a few finished products are manufactured by suppliers across the world. A carefully considered in- and outsourcing process continually aims at optimising efficiency as well as quality. Thus in 2004, Bang & Olufsen sold its electronics factory in Skive to the international electronics group, Flextronics International Ltd.

Bang & Olufsen is an order-producing company, which means that production of individual products only begins once the customer has submitted his/her order. This negates the need for large quantities of stock in Struer and at the dealers, thus minimising the risk of overstocking. In addition, the system offers greater flexibility and significantly increases opportunities for adapting the product to the individual customer's requirements. Most of Bang & Olufsen's products are manufactured in a very large number of varieties, depending on the customer's specific wishes.

Product development

"Ideland" is Bang & Olufsen's incubator for new concepts and products. Just below the roof in the old, renovated Factory 1, the concept developers work in close collaboration with both external designers and with engineers and technicians in the Development Department to realise the ideas. "Synthesis" is the key word – as technology and design not only go hand in hand, but add a new dimension to each other.

The objective is for Bang & Olufsen to launch between three and five new ground-breaking products each year. The factories in Struer play a major role with regard to quality assurance in the assembly and finishing of the products, and they are an important element in the development of new products. For the 500 engineers and technicians involved in the development of Bang & Olufsen products, the opportunities for direct interaction with the production departments are of the utmost importance in order to ensure that the finished products contain the desired features and quality.

Branded business

For many years, Bang & Olufsen has offered unique quality products for the home. The branded business has expanded into new areas. Bang & Olufsen has developed a high-end sound system for Audi's flagship, the A8. The new "Advanced Sound System" was launched at the automotive show in Geneva at the 1. of March 2005, and it is expected to arrive in European markets around the turn of the year and in other markets during the spring of 2006.

Bang & Olufsen has also made an effort of selling products to hotels and hotel chains. This part of the Bang & Olufsen activities, which goes under the name "Enterprise", also projects the first positive results. The MGM Hotel in Las Vegas, a number of the Hyatt chain's best hotels and Hotel Arts in Barcelona have all been equipped with Bang & Olufsen's audio/video products.

The most recent development is a more targetted approach towards the luxury yacht segment. Bang & Olufsen dealers have already equipped a few yachts with Bang & Olufsen products, but now the company is establishing direct contact with luxury yacht builders in order for the yachts to be equipped with Bang & Olufsen products from the outset.

Non-branded business

Besides the branded business, Bang & Olufsen is engaged (within its non-branded business) in both the development, production and sales of compact, digital amplifier units and the development and production of products for the medical technology industry.

Bang & Olufsen ICEpower a/s is a subsidiary responsible for development, production and sales of digital amplifier modules based on the Bang & Olufsen patented ICEpower technology – a technology that enables very small digital amplifiers to provide extremely high performance with particularly low heat output.

Bang & Olufsen Medicom a/s is a subsidiary responsible for the development and production of products for the medical technology industry. These products require a superior degree of production precision - "intelligent products" - such as tablet dispensers that register and indicate whether the patient has remembered to take his/her medicine. Since its launch, "The Helping Hand" product has won several awards, including the internationally recognised IF design award.

BACK to contents

CORPORATE INFORMATION ETC.

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Fax: + 45 97 85 18 88
Website: www.bang-olufsen.com

CVR no.
41257911

Place of domicile
Struer

Financial year
1 June – 31 May

Annual General Meeting
to be held on Wednesday, 28 September, 2005 at 16.30 at Struer Hallerne.

Environmental reviews
The product related environmental review, "To the last detail..." is a history of environmental awareness seen through the development, production, use and disposal of one specific product.

The reviews are available at: www.bang-olufsen.com or from Bang & Olufsen's Environment Department, tel: + 45 96 84 10 18.

Financial calendar
2005
Monday 15 August, Annual Report (2004/05)
Wednesday 28 September, Annual General Meeting
Monday 3 October, Announcement regarding financial reporting in accordance with IFRS
Friday 7 October, Report for the first quarter (2005/06)

2006
Wednesday 11 January, Interim Report (2005/06)
Wednesday 19 April, Report for the third quarter (2005/06)
Monday 18 August, Annual Report (2005/06)
Friday 28 September, Annual General Meeting
Friday 6 October, Report for the first quarter (2006/07)

BACK to contents

ANNOUNCEMENTS SENT TO THE COPENHAGEN STOCK EXCHANGE BETWEEN JUNE 2004 - MAY 2005

3 June, 2004	Financial calendar for Bang & Olufsen a/s
10 June, 2004	Reduction of capital in Bang & Olufsen a/s
16 August, 2004	Annual Report for the financial year 2003/04
9 September, 2004	Notice of Annual General Meeting
29 September, 2004	Resolutions taken at the Annual General Meeting
8 October, 2004	Report for the first quarter (2004/05)
10 December, 2004	Employee shares
12 January, 2005	Interim report (2004/05)
13 April, 2005	Report for the third quarter (2004/05)

The announcements can be read in full at www.bang-olufsen.com under Investors.

GROUP STRUCTURE

Bang & Olufsen a/s

Branded business

Bang & Olufsen AudioVisual a/s *

Bang & Olufsen Operations a/s

Bang & Olufsen s.r.o.

National sales companies:

Scandinavia

Denmark	Bang & Olufsen Danmark a/s
Norway	Bang & Olufsen AS
Sweden	Bang & Olufsen Svenska AB

Central Europe

Germany	Bang & Olufsen Deutschland G.m.b.H.
Switzerland	Bang & Olufsen AG
Austria	Bang & Olufsen Ges.m.b.H.

Rest of Europe

United Kingdom	Bang & Olufsen United Kingdom Ltd.
Belgium	S.A. Bang & Olufsen Belgium N.V.
Holland	Bang & Olufsen b.v.
France	Bang & Olufsen France S.A.
Spain	Bang & Olufsen Espana S.A.
Italy	Bang & Olufsen Italia S.p.A.

North America

The US	Bang & Olufsen America Inc.

Asia

Japan	Bang & Olufsen Japan K. K.
Singapore	Bang & Olufsen Asia Pte Ltd.

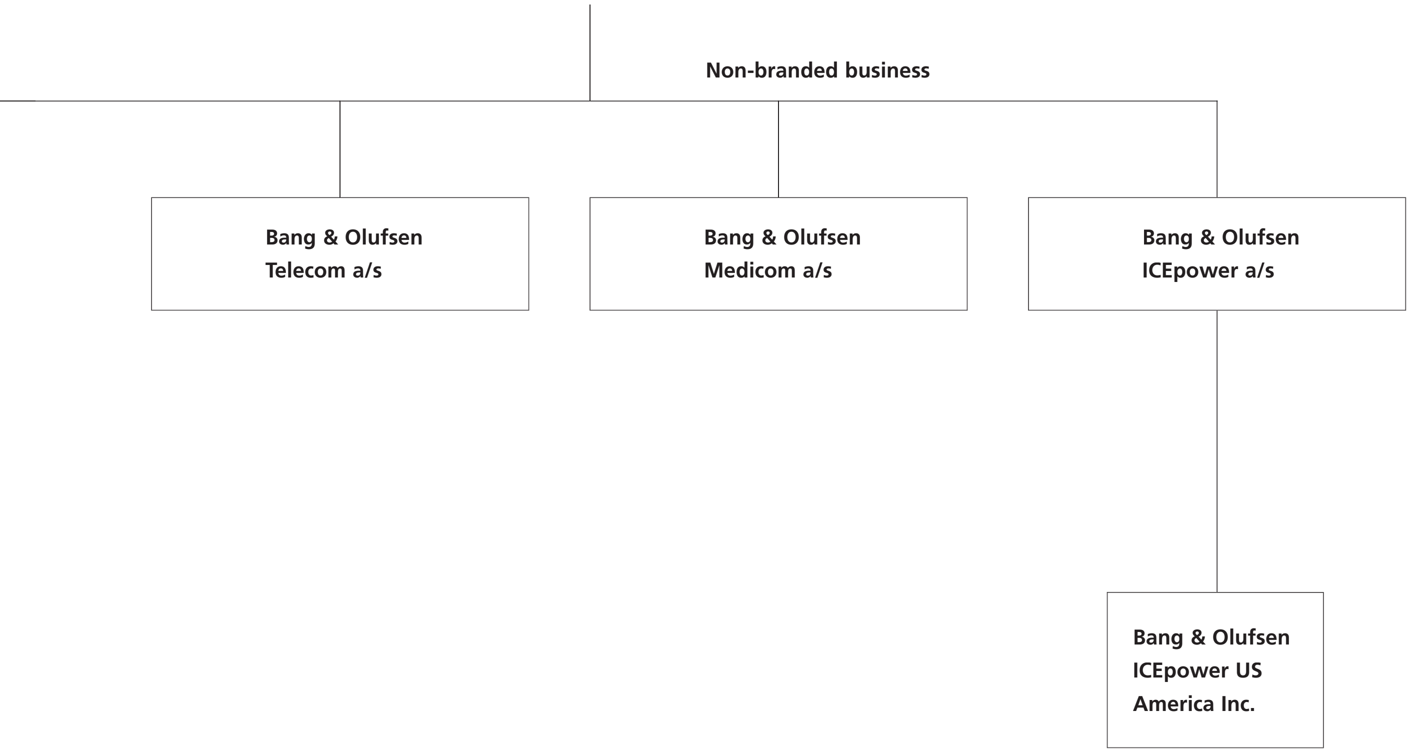
Middle East

Middle East	Bang & Olufsen Middle East FZ-LLC

Bang & Olufsen Expansion a/s

Bang & Olufsen Automotive G.m.b.H

BACK to contents



* As of 1 June 2005 the activities are carried out by other Group companies. The company will subsequently be dissolved.
Dormant companies have not been included.

BACK to contents

STRUCTURE AND MANAGEMENT

Company	Board of Directors	Board of Management
Bang & Olufsen a/s **Struer** CVR no. 41257911 *Brand building and* *Group staff functions.*	Jørgen Worning (Chairman) Torsten Erik Rasmussen (Deputy Chairman) Lars Brorsen John Svejgaard Christoffersen * Thorleif Krarup Preben Damgaard Nielsen Knud Olesen * Ole Kristian Olesen * Peter Skak Olufsen	Torben Ballegaard Sørensen (President & CEO) Peter Thostrup
Bang & Olufsen Operations a/s **Struer** (100 % owned) CVR no. 26035406 *Purchasing, production and logistics* *for the Bang & Olufsen Group.*	Peter Thostrup (Chairman) Torben Ballegaard Sørensen John Christian Bennett-Therkildsen	John Christian Bennett-Therkildsen (CEO)
Bang & Olufsen s.r.o **Koprivnice** (100 % owned) *Assembly*		Michael Langager Jensen (CEO)
Bang & Olufsen AudioVisual a/s ** **Struer** (100 % owned) CVR no. 26035384 *Development and sales of Bang &* *Olufsen's audio/video products with* *focus on global distribution development.*	Torben Ballegaard Sørensen (Chairman) John Christian Bennett-Therkildsen Kim Bo Hansen Randi Toftlund Pedersen Peter Thostrup	Peter Thostrup (CEO) Peter Eckhardt
Bang & Olufsen Medicom a/s **Struer** (100 % owned) CVR no. 24053415 *Exploits Bang & Olufsen's competencies* *within the medico area in co-operation* *with current as well as new partners.*	Peter Thostrup (Chairman) Henrik Kagenow Torben Ballegaard Sørensen	Henrik Kagenow (CEO) Jens Peter Zinck
Bang & Olufsen ICEpower a/s **Lyngby-Tårbæk** (90 % owned) CVR no. 25053591 *Develops, produces and markets* *products based on highly effective* *amplifier technologies.*	Torben Ballegaard Sørensen (Chairman) Henrik Mouritsen Karsten Nielsen Jens Peter Zinck	Poul Henrik Søjberg (CEO) ***
Bang & Olufsen Telecom a/s **Struer** (100 % owned) CVR no. 24062112 *Develops and markets new telephony* *concepts as dynamic part of the electronic* *communication in the home.*	Torben Ballegaard Sørensen (Chairman) Peter Thostrup John Christian Bennett-Therkildsen	Peter Thostrup (CEO)
Main banker for all companies	Danske Bank A/S	
Auditors for all companies	PricewaterhouseCoopers, Statsautoriseret Revisionsinteressentskab Deloitte, State-Authorised Public Accounting Company	

*   Elected by the employees.
** As of 1 June 2005 the activities are carried out by other Group companies. The company will subsequently be dissolved.
*** From 1 September 2005, Peter Sommer.
Dormant companies have not been included.

DIRECTORSHIPS IN OTHER DANISH AND FOREIGN COMPANIES WITH THE EXCEPTION OF WHOLLY-OWNED SUBSIDIARIES

Jørgen Worning
FLSmidth & CO A/S (CM)
Chr. Hansen Holding A/S (CM)
Dansk Toksikologi Center (CM)

Torsten Erik Rasmussen
Coloplast A/S
JAI A/S (DCM)
JAI Group Holding ApS
Vola Holding A/S
Best Buy Group A/S (CM)
uni-chains A/S (CM)
uni-chains Holding A/S
Bekaert Handling Group A/S (CM)
Vestas Wind Systems A/S
A/S Det Østasiatiske Kompagni (DCM)
TK Development A/S (DCM)
TKD Nordeuropa A/S
Amadeus Invest A/S (CM)
Louis Poulsen Holding A/S
Bison A/S
ECCO SKO A/S
Schur International A/S
Acadia Pharmaceuticals Inc.
NatImmune A/S
Outdoor Holding A/S
Arvid Nilsson A/S

Lars Brorsen
Vorsitzender der Geschäftsführung
von Jorst-World GmbH

Thorleif Krarup
TDC A/S (CM)
Group4 Securicor plc.
H. Lundbeck A/S (DCM)
Scion DTU A/S
Lundbeckfonden
LFI A/S (DCM)
Chr. Hansen Holding A/S (DCM)

Preben Damgaard Nielsen
ROCKWOOL International
TDC A/S
IT University in Copenhagen
Giritech A/S
ERP International A/S
Damgaard Company A/S
NOIR.ILLUMINATI II Holding A/S
Proactive A/S (CM)
Gladsaxe Theater (CM)
Dannebrog (CM)
DTU-Innovation
Heart Made (CM)

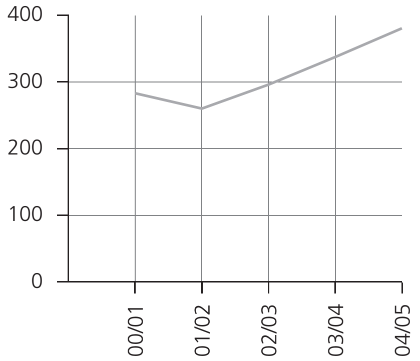
Peter Skak Olufsen
A/S Fiil-Sø (CM)
Fiilsø Svineavl A/S (CM)
Hunsballe Frø A/S (CM)
Hedeselskabet A/S (CM)
JP/Politikens Hus A/S
EuroGrass BV
Maabjerg BioEnergy A/S

Torben Ballegaard Sørensen
SimCorp A/S
LEGO Holding A/S

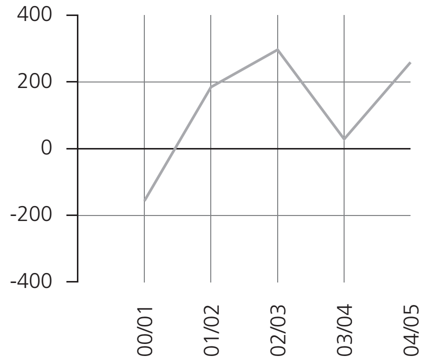
Peter Thostrup
Nordic Bioscience A/S (CM)
CCBR A/S

CM = Chairman
DCM = Deputy Chairman

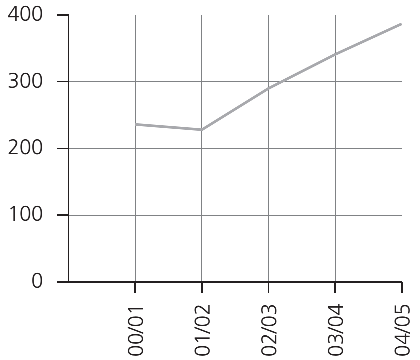
DKK million **Operating profit**



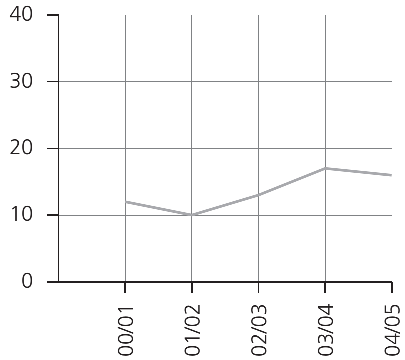
DKK million **Cash flow**



DKK million **Result from ordinary operations**



% **Return on equity**



The key figures are defined as follows:

Profit ratio:

$$\frac{\text{Operating profit x 100}}{\text{Net turnover}}$$

Rate of return:

$$\frac{\text{Operating profit x 100}}{\text{Average operational assets}}$$

Return on equity:

$$\frac{\text{Ordinary result after tax x 100}}{\text{Average equity}}$$

Current ratio:

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Equity ratio:

$$\frac{\text{Equity at year-end x 100}}{\text{Liabilities at year-end}}$$

Earnings per share (nominal DKK 10):

$$\frac{\text{Ordinary result after tax}}{\text{Average number of circulating shares}}$$

Intrinsic value (nominal DKK 10):

$$\frac{\text{Equity at year-end}}{\text{No. of shares at year-end}}$$

Price/earnings:

$$\frac{\text{Quoted share price}}{\text{Earnings per share (nom. DKK 10)}}$$

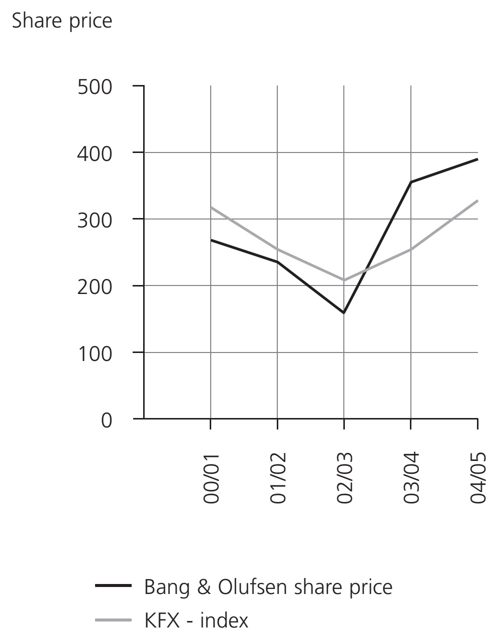
FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES

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

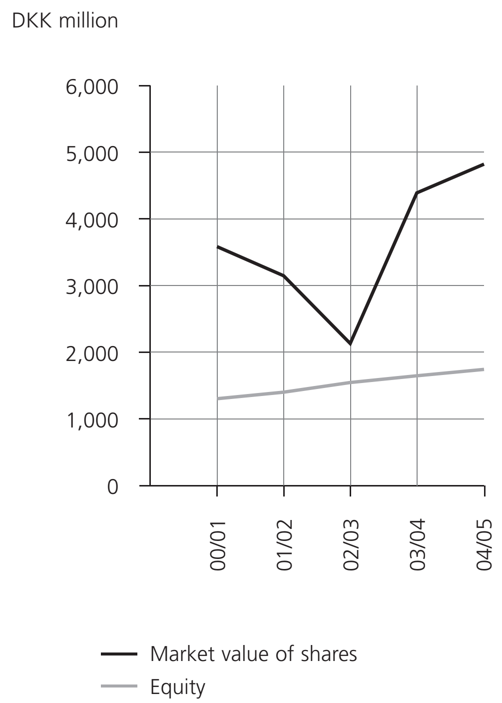
Parentheses denote negative figures.

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

Development in quoted share price for Bang & Olufsen's ordinary shares compared to the KFX index as at 31 May



Market value of shares compared to equity as at 31 May



Ordinary shares (multiple voting shares) not listed on the Copenhagen Stock Exchange are included at the same price as the ordinary shares.

IR policy
Bang & Olufsen aims to provide
- The Copenhagen Stock Exchange
- Current and potential investors
- Share analysts and stockbrokers

with all relevant information about the Group rapidly and concisely.

The objective of the information is to:
- Increase investor awareness of Bang & Olufsen in Denmark and abroad
- Provide investors with structured, current and planned information, which will satisfy information requirements relating to investments in the Bang & Olufsen ordinary share.

The information, and the provision of such information, must always be in keeping with current regulations as issued by the Copenhagen Stock Exchange or other relevant bodies.

Internal rules regarding insider knowledge and trade in the company's shares
In keeping with the Danish Securities Trading Act, the company maintains an insider register of persons, who owing to their position, are deemed to possess insider knowledge about the company. The company has set up internal rules for such individuals as well as for their close relatives.

The individuals concerned are Board members and members of the Management Board of Bang & Olufsen a/s, other directors and senior managers who report directly to the Board of Directors or the Management Board of Bang & Olufsen a/s, elected auditors and other employees of Bang & Olufsen a/s who may have access to insider knowledge.

Also included are Board members and members of the Management Board, other directors and senior managers in Bang & Olufsen a/s' subsidiaries, including the Groups foreign companies if their positions are deemed to provide access to insider knowledge.

All Board members, members of the Management Board and other insider-registered employees in the Bang & Olufsen a/s group may only buy or sell shares in Bang & Olufsen a/s for a period of 4 weeks after publication of the company's annual, interim or quarterly reports or other publications of a financial nature.

The Bang & Olufsen share
Bang & Olufsen's ordinary shares are listed on the Copenhagen Stock Exchange.

The company's identification code is DK 001021842-9.

The quotation on Bang & Olufsen a/s´ ordinary shares has increased from 355 as of 31 May 2004 to 389 as of 31 May 2005, which equals 34 points or an increase of approx. 10 %.

Between 1 June 2004 and 31 May 2005, the Copenhagen Stock Exchange's KFX index increased by approx. 29 %.

During the same period the market value of Bang & Olufsen a/s´ ordinary shares increased from DKK 3,997 million to DKK 4,393 million.

The share capital consists of:

Ordinary shares (multiple voting shares)		
1,119,910 of DKK 10	DKK	11,199,100
Ordinary shares		
11,294,330 of DKK 10	DKK	112,943,300
	DKK	124,142,400
Circulating shares		
Issued shares		12,414,240
- Own shares		(435,479)
		11,978,761
Average no. circulating shares		12,097,376

Own shares
As at 31 May 2005 Bang & Olufsen a/s' portfolio of own shares was valued at DKK 4,354,790 equal to approx. 3.5 % of the share capital.

Shares held by members of the Management Board
As at 31 May 2005, members of Bang & Olufsen a/s' Management Board held nominally DKK 2,000 ordinary shares (multiple voting shares) and nominally DKK 5,560 ordinary shares.

Share option programme
Bang & Olufsen's established share option programme comprises a number of the Group's directors and senior managers. As at 31 May 2005, the total pool of options consisted of 122.688, which can be exercised during the period 2005 - 2009. For further information, please see note 2.

List of shareholders in accordance with the Financial Statements Act, section 104
(Individuals or corporations owning 5 % or more of the company's nominal capital or the share capital's voting rights).

As at 31 May 2005, Bang & Olufsen a/s had approx. 13,300 registered shareholders corresponding to an ownership interest of approx. 80 % of the share capital. As at 31 May 2005, the following shareholders were entered in the company's register in accordance with the Danish Limited Companies Act, section 28B.

	Nominal amount t. DKK	Capital %	Votes %
Lønmodtagernes Dyrtidsfond, Vendersgade 28, 1, 1363 Copenhagen K	10,414	8.33	15.16
Nordea Companies Danmark A/S, Torvegade 2, 1786 Copenhagen V	7,632	6.15	11.40
ATP, Kongens Vænge 8, 3400 Hillerød	16,216	13.06	7.21
PKA, Tuborg Boulevard 3, 2900 Hellerup	5,670	4.57	5.83

Dividend policy
The Group's dividend policy aims at paying one third of the profits after tax as dividend. Due to the strong financial position, the Group wishes to pay a larger dividend for the financial year 2004/05 of DKK 12.00 per nom. DKK 10 share, i.e. DKK 149 million. This will be proposed to the Annual General Meeting.

Dividend payment
Dividend is expected to be paid on Tuesday 4 October, 2005.

The following share analysts covered Bang & Olufsen at the end of the financial year
Alfred Berg ABN AMRO (Klaus Madsen)
Alm. Brand Børs (Andreas Bunhoft)
Carnegie Bank A/S (Lars Topholm)
Danske Equities (Fasial Kalim)
Enskilda Securities (Niels Leth)
GP Børsmæglerselskab (Dan Wejse)
Handelsbanken (Kenneth Leiling)
HSH Gudme (Peter Moltke)
Jyske Bank (Rune Møller)
Oppenheim Research (Anne Gronski)
Spar Nord Bank A/S (Mikkel Duus Hansen)
Standard & Poor's (Alessandra Coppola)
Sydbank (Jacob Pedersen)

Annual General Meeting
The Annual General Meeting will be held on Wednesday 28 September, 2005 at 16.30 in Struer Hallerne.

Financial calendar
2005
Monday 15 August, Annual Report 2004/05
Wednesday 28 September, Annual General Meeting
Monday 3 October, Announcement regarding financial reporting in accordance with IFRS
Friday 7 October, Report for the first quater (2005/06)

2006
Wednesday 11 January, Interim Report (2005/06)
Wednesday 19 April, Report for the third quater (2005/06)
Friday 18 August, Annual Report (2005/06)
Thursday, 28 September, Annual General Meeting
Friday 6 October, Report for the first quater (2006/07)

Website
Bang & Olufsen recomments investors and other interested parties to visit the company's website: www.bang-olufsen.com. The site contains information of interest to investors, including stock exchange announcements, annual reports, interim/ quarterly reports, financial calendar as well as Bang & Olufsen's history and products.

Investor liaison
Investors@bang-olufsen.dk

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

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

Operating profit for the 2004/05 financial year totalled DKK 380 million against DKK 337 million last year, i.e. an advance of DKK 43 million.

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

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

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

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

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

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

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

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

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

The investment in the new factory in the Czech Republic commences in the financial year 2005/06. Tangible fixed assets declined by DKK 40 million net – from DKK 658 million to DKK 618 million.

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

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

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

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

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

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

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

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

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

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

Development in the markets

Percentage changes are calculated in local currency.

The UK and Benelux

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

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

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

Scandinavia

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

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

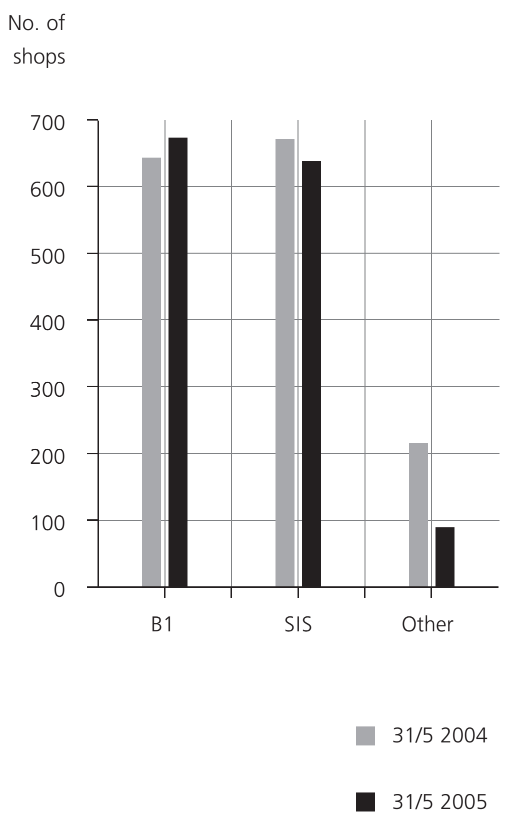
Central Europe

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

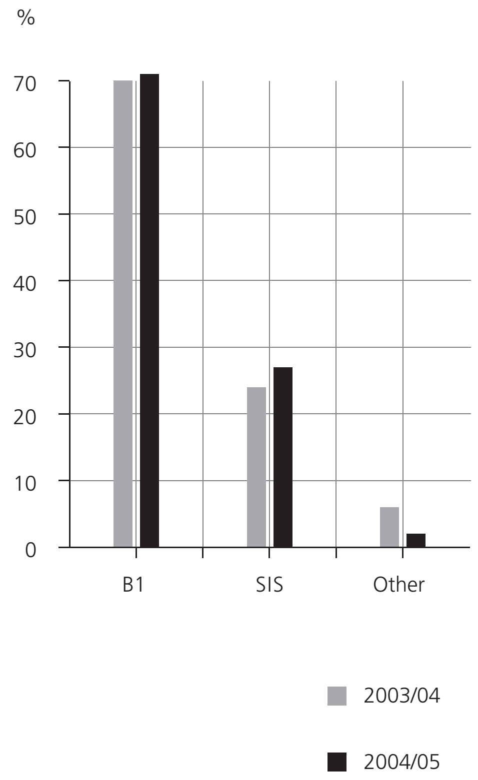
The current market conditions are not regarded as especially favourable by the Group, and work aimed at enhancing the distribution continues. The overall picture will, therefore, continue to be characterised by a certain variation.

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

No. of shops per segment



Turnover share per segment
(active shops at the end of each year).



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

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

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

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

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

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

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

Asia and overseas markets

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

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

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

Distribution development

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

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

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

New business development

Sales to the hotel sector

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

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

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

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

Advanced sound systems for cars (CarFi)

On March 1, 2005, during the automotive show in Geneva, Bang & Olufsen announced its partnership with the car manufacturer Audi concerning the development of a unique "Bang & Olufsen Advanced Sound System" for the Audi A8.

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

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

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

Production and purchasing

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

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

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

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

The year's product launches

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

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

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

BACK to contents

NON-BRANDED BUSINESS

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

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

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

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

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

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

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

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

AMBITIONS FOR THE NEXT 5 YEARS

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

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

Turnover

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash flow
The Group is expected to have an ongoing positive cash flow from operations. The next year will, however, be affected by larger investments, e.g. as mentioned concerning the production facilities in the Czech Republic where construction of the new plant has just started. Overall, the investment will be in the region of DKK 100 million, which exceeds the Group's normal investment level and will be recognised in the financial year 2005/06. Moreover, a possible goodwill compensation following our take over of the Dutch distribution and the investment in Australia will increase liquidity requirements over the coming financial year.

EXPECTATIONS FOR THE FINANCIAL YEAR 2005/06

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

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

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

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

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

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

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

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

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

Expectations for the Group’s 2005/06 result
Based on the IFRS accounting standards, the Group expects profits to be in the region of DKK 400-430 million. The changeover to International Financial Reporting Standards (IFRS) will mean that, inter alia, the costs relating to option programmes and employee shares in the region of DKK 20 million must be expensed over operations. The actual improvement on 2004/05 is, therefore, expected to be between DKK 30-60 million.

BACK to contents

Presentation of financial statements in accordance with IFRS

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

Information on the Group's share buy-back

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

The aim of the share buy-back at the next Annual General Meeting following the expiry of the periods mentioned below is to present a proposal for reducing the share capital. The acquisition of the shares will be executed in accordance with the Safe Habour principle employing Carnegie as Lead Manager on behalf of Bang & Olufsen a/s. Carnegie will organise the share buy-back of up to 375,000 shares directly in the market to a maximum value of DKK 150 million over the three periods mentioned below. The share buy-back will be carried out up to four weeks following the issue of the following announcements to the Copenhagen Stock Exchange:

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

CORPORATE GOVERNANCE

In March 2001, the Danish Ministry of Economic and Business Affairs established a committee to review the need for recommendations for good corporate governance in Denmark and present proposals for the formulation of such recommendations. To contribute to the continued development of Corporate Governance in Denmark the Copenhagen Stock Exchange subsequently established a committee for good corporate governance.

This work has resulted in reports on Corporate Governance in Denmark and a number of recommendations for good corporate governance.

On the basis of the Nørby Committee's report, the Board of Directors of Bang & Olufsen a/s considered the general implementation level with regard to corporate governance in the Board's work.

The general principles behind the report's specific recommendations have, for several years, been applied by the Board.

In the reports it is recommended that the Board of Directors assesses the expediency of any articles of association concerning voting rights' differentiation and, in its annual report, consider whether it is possible and desirable to eliminate this differentiation.

Bang & Olufsen a/s' share capital is divided into A shares and B shares (multiple voting shares and ordinary shares respectively). The Board is of the opinion that the current division into two share classes is currently appropriate for securing the company's continued and stable development. The Board will continually assess the expediency of the aforementioned division.

The reports recommend that information relating to individual directors' and members of the Management Board's share-based incentive schemes be published in the company's annual report.

Members of Bang & Olufsen's Board of Directors do not benefit from incentive schemes. Incentive-based remuneration of the Board of Management are published in accordance with the regulations pertaining at any given time.

With regard to other specific recommendations in the reports, the Board of Directors will continually assess these as part of its considerations on good corporate governance in order to safeguard the company's and stakeholders' interests in the best possible way.

BACK to contents

ENVIRONMENTAL STATEMENT

Environmental Policy
All human activity impacts on the surrounding environment. This also applies to the production and use of Bang & Olufsen's products.

Bang & Olufsen continually strives to minimise environmental impact and to establish a balance between such impact and our products' qualities, economic viability, lifetime and aesthetics. Our objective is to be an industry leader in this respect.

We communicate openly about environmental issues and every year we publish an annual environmental statement as well as a life cycle description for one of our products.

We wish to contribute to a globally sustainable development and assess our activities from a life cycle perspective.

Development: (concept, design and construction)
In this creative process, the product's environmental properties are determined. The aim is to reduce environmental impact during the subsequent life cycle phases.

Raw materials:
Our choice of materials aims at avoiding components that can give rise to environmental issues.

Production:
In our choice of production methods and production equipment, cleaner technologies have high priority.

We prioritise the near environment and the creation of a safe and healthy working environment for our employees. Our objective is to improve the physical as well as the psychological working environment.

When selecting suppliers we ensure that they accept responsibility for the environment. We wish to maintain a continued dialogue with each individual supplier to create the right environmental conditions for the part of the product's life cycle for which the supplier is responsible.

Transport:
We make environmental demands on our transport operators in terms of a high degree of utilisation and optimum application of technology for the transport units.

Application:
Our aim is for our products to be enjoyed problem-free in the customer's home environment, that the products have an extended life, and that they have a low energy consumption.

Disposal:
Our aim is to provide product parts that are suitable for recycling, and that major parts can be identified when dismantled in order to ensure appropriate disposal and recycling.

Environmental issues
The Bang & Olufsen logo is a guarantee of quality. We want our customers to buy Bang & Olufsen products in the knowledge that we have made intelligent decisions on their behalf – also in respect of environmental issues.

In keeping with Bang & Olufsen's environmental policy we look at the environment from a life cycle perspective and are, therefore, able to determine the product's environmental impact right from development via production and application to disposal after end use with the customer. This life cycle perspective enables us to predict the environmental impact of a new product even at the drawing board stage and take the necessary steps to counter such impact.

The biggest environmental impact from Bang & Olufsen products is energy consumption during use. Consequently, it has been natural for us to focus our environmental efforts on reducing energy consumption during stand-by. This has resulted in a cut in the products' sales weighted stand-by consumption of 60 per cent for TV sets and 27 per cent for audio products between 2000 and 2004.

Over the coming years, the challenge will be to comply with the EU WEEE* and RoHS** directives. With effect from August 2005, WEEE introduces manufacturer responsibility for electrical and electronic waste within the EU, i.e. manufacturers must ensure the collection and reprocessing of their own products from the end user. We will meet this responsibility by joining collective, national collection schemes. Although the practical consequences of the schemes are as yet unknown, the schemes are not expected to have any financial consequences for the Group.

The RoHS directive prohibits the use of four heavy metals from July 2006, including lead in soldering as well as two brominated flame retardants. We have found alternatives to traditional lead soldering and are working with our suppliers to ensure that their components comply with the requirements of RoHS. The two brominated flame retardants were phased out of our products at the beginning of the 90s.

No external environmental issues have, or could have a significant impact on Bang & Olufsen's financial position. Bang & Olufsen's Mechanics Factory has been approved in accordance with the Danish Environmental Protection Act's section 5. In connection with changes to processes or production layouts the objective is to eliminate or limit pollution whenever possible. We maintain a regular dialogue with the authorities to find the best solutions and minimise pollution, e.g. by using cleaner technologies (BAT***).

Bang & Olufsen prepares an annual environmental review, which details environmental aspects in relation to production at our factories, including consumption of raw materials, electricity, water and heat as well as waste volumes. We also prepare a product related environment statement "To the last detail ..." which sets out environmental aspects of development, production, use and disposal of a specific product. "To the last detail ..." has been produced for BeoCenter 1, BeoSound 3200, BeoLab 1 and BeoCenter 2.

Both "To the last detail ..." and the environmental review can be obtained by contacting the Environment Department on +45 96 84 10 18.

* WEEE is an abbreviation of Waste Electrical and Electronic Equipment 202/96EU, which determines manufacturer responsibility for the collection and reprocessing of end of life electronic products.

** RoHS is an abbreviation of Restriction of Hazardous Substances 2002/95/EF. In the electronics industry, this primarily relates to the switch to unleaded soldering.

*** BAT is an environmental term "Best Available Technology" (easiest accessible or cleaner technology).

Bang & Olufsen's vision is to constantly question the ordinary in search of surprising, long lasting experiences – a vision that demands a very high level of innovation in product development as well as in day-to-day operations, i.e. production, distribution, organisation and management. Bang & Olufsen, therefore, focuses strongly on maintaining and developing the skills that form the core of the company's innovative abilities. In practice this means that, within these areas, Bang & Olufsen constantly tests the limits of the possible.

In this year's annual report focus will be on the product development and the knowledge resources and core skills that are behind material innovations and new functions in Bang & Olufsen's products.

Innovative environment:
For many years Bang & Olufsen has placed considerable emphasis on innovation and systematising innovation so that, today, an innovative spirit pervades the entire organisation. Taking its starting point in the company's vision, innovation is embedded into Bang & Olufsen's culture and values: excellence, originality, synthesis and passion. This is deeply rooted in a corporate culture where employees have a natural passion for innovation and where excellence and originality is strived for. Every difference or disagreement is used as a basis for finding better solutions – a synthesis.

As part of this culture and the innovative environment, Bang & Olufsen has divided its product development activities into separate stages.

Responsibility for the early stages, when the concept is born, is divided between Ideland and IdeLab which, between them, employ 30 highly qualified professionals from different backgrounds, who continually develop new concepts. Each individual maintains an ongoing dialogue with, and seeks inspiration from, external sources, including customers. The employees have, for example, access to Bang & Olufsen's customer database where customer feedback is collated and analysed.

Product development also takes place in close collaboration with external designers, employees from other parts of the organisation, in particular the development department, and with external partners who supply valuable input to the process. When mature and approved, the concepts are transferred to the development department, which is responsible for the construction and realisation of unique concepts. There are, of course, close links between Ideland and the development process to ensure an efficient transition.

Mechanical competency:
The unique design of Bang & Olufsen's products largely derives from the freedom given to designers. This freedom is based on the huge mechanical construction skills available within the development department and the advanced material processes in the production. The basic high material quality, particularly with regard to aluminium, is a strong Bang & Olufsen characteristic. The characteristic originates from the long-term partnerships with a range of key suppliers and the strong focus on aluminium and plastic in Bang & Olufsen's own production, where unique skills have been built.

Thus Bang & Olufsen has accumulated very substantial knowledge resources with regard to anodisation, treatment and surface treatment of aluminium. To take an example, the aluminium surface of a BeoCenter 2 is anodised so the aluminium contains a number of minute pores allowing for signs and figures to be printed. As a result of the subsequent hardening process, the surface is extremely tough so that signs and figures are indelible. In Bang & Olufsen's high tech anodisation system aluminium surfaces can be coloured in a variety of colours.

The production processes are ISO 9000 accredited, and the development departments hold ISO 9001 certification.

The development department possesses special skills in terms of producing robust construction of critical mechanical details and integrating high quality movements in the products. One example is the DVD loader in the flat screen TV, BeoVision 7 which offers a complex silent and surprising movement pattern. Three employees worked on refining the DVD loader for more than 18 months.

Acoustic competency:
Sound is one of Bang and Olufsen's core skills and combines several knowledge areas including basic acoustics, electro-acoustics, signal processing, highly effective amplifiers and psycho-acoustics. Bang & Olufsen's development department in Struer employs around 30 acoustic specialists with a broad background – however primarily PhDs, Diploma and Civil Engineers. Four are exclusively dedicated to acoustic research.

Bang & Olufsen also has unique measuring facilities, which comprise a large measuring room for acoustic free field measurements and several sound studios, and draws on trained and competent listening panels comprising 10 employees who assess the sound quality of all Bang & Olufsen's products. Over the years a platform of compact loudspeakers has been created with built-in amplifiers that offer extremely high acoustic performance. This platform now applies to the entire product portfolio.

The most recent advances are the automatic adjustment of lower frequencies from the loudspeaker to the room and the acoustic lens created in partnership with Sausalito Audio Works. Offering these features, the BeoLab 5 loudspeaker has achieved fame among audio enthusiasts around the world and several international magazines have named BeoLab 5 one of the world's best loudspeakers. The most recent spin off from Bang & Olufsen's acoustic skills is a unique sound system for cars. So far this system has resulted in a contract with Audi.

Picture competency:
Bang & Olufsen's picture competency is founded upon a combination of basic knowledge about the way in which we perceive picture quality, video signal processing, use of the TV screen and optimisation of the entire optical system from the screen to the eye. To exploit this knowledge, Bang & Olufsen has set up a number of special facilities, including a viewing room where the viewing panel, who receive training on an ongoing basis, make critical evaluations of Bang & Olufsen's own and its competitors TVs. The viewing panel comprises some eight employees who have been through a thorough testing procedure before joining the panel.

We are currently experiencing a rapid transition from tube to flat LCD and plasma screens. This has impacted significantly on Bang & Olufsen's product portfolio where the close partnership with suppliers of the very best displays ensures the ultimate picture quality. Only the very best and most recent generation LCD and plasma screens are built in to Bang & Olufsen's flat screen products.

Moreover, we are seeing a switch from analogue to digital signal processing in the products. Bang & Olufsen has been preparing for this for quite some time and has developed competencies within the field of digital picture processing, which are now used in the products.

The picture experience is also affected by the components in front of the LCD/plasma screen and Bang & Olufsen has accumulated considerable expertise within this area. Consequently, all Bang & Olufsen TVs come with high tech front glass, which among other things enhances contrast and reduces screen reflections.

Bang & Olufsen's long-standing development work within the field of picture quality is expressed in the Vision Clear platform, which enhances picture quality across all types of video products.

Operation:
Operation competency combines behavioural psychology, tactability, mechanics, graphics and software, which are crucial to the development of user-friendly operations for the products. A special room has been designed for testing by psychologists, who together with users test the operation. All details are recorded and subsequently analysed in order to enhance the controls. Around ten employees are continually employed in developing the products' operation, including two who work exclusively on user-friendliness.

Since the mid-1980s all controls have been integrated into one remote control, currently Beo 4, a unique product which offers simple operations for the whole product portfolio. One press of the DVD button, for instance, switches on the TV, DVD and loudspeakers. With this one touch of the remote control, customers who have installed the BeoLiving concept can regulate lighting, activate a projector, unroll the film screen and slide back the curtains.

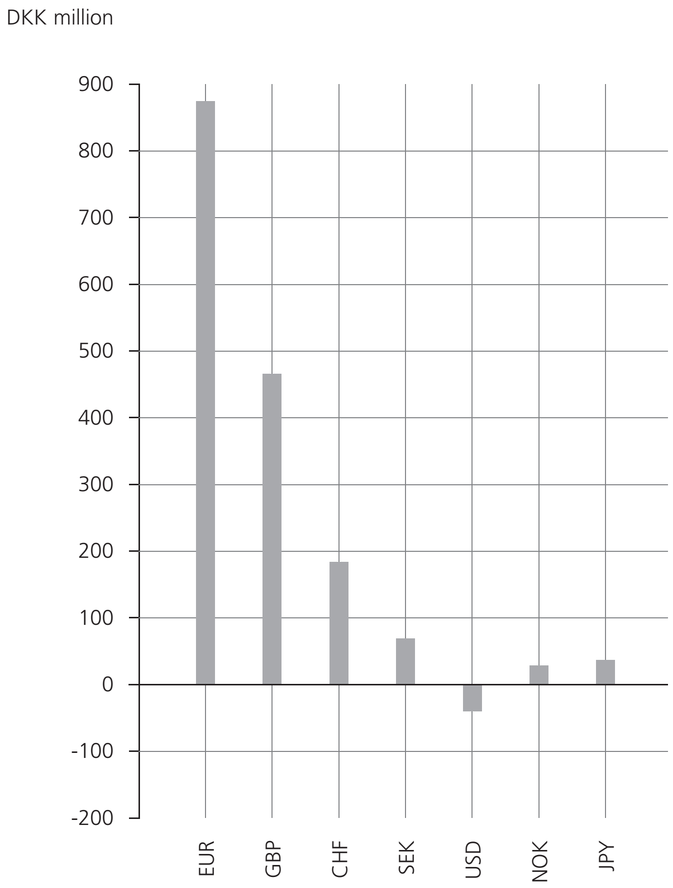
The same operating principles apply across all products.

Partnership with universities:
Partnerships with knowledge centres, including universities, are a natural part of life at Bang & Olufsen and an important factor in the ongoing development of its core competencies. Bang & Olufsen has a long tradition for such partnerships and works with universities in Europe and North America. In this process importance is attached to both research and the practical application of the research. Bang & Olufsen's development engineers are also part of professional networks and conferences.

Partnerships with suppliers:
Bang & Olufsen enjoys close partnerships with some of the world's foremost suppliers in areas where Bang & Olufsen does not itself possess the requisite knowledge and skills. These partners do not only supply components for Bang & Olufsen's production but also knowledge and skills for the development of the products.

This is, for instance, the case with regard to flat screens, loudspeakers, DVD, Digital Video Broadcasting (DVB) and software development.

The year's net flow in key currencies



BACK to contents

THE GROUP'S MANAGEMENT OF FINANCIAL RISKS

The Bang & Olufsen Group's extensive international activities mean that its Profit & Loss account, balance sheet and equity are continually exposed to some degree of financial risk.

These risks comprise:
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

Bang & Olufsen continually assesses these risks at Group level.

Foreign exchange risk
82 % of the Group's turnover derives from abroad. Since the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent, the figure does not express the Group's foreign exchange risk.

The Group has net inflows in EUR, GBP and CHF, while USD accounts for the most significant exposure on the outflow side.

Foreign exchange risks are managed centrally, and forward contracts are used to cover positions whenever necessary. Forward contracts are used for commercial transactions only.

The Group's net monetary items in foreign currencies are given in note 27.

Interest rate risk
The Group's interest rate risk relates to both the interest-bearing debt and the interest-bearing assets.

The Group's interest-bearing assets consist mainly of liquid funds, which at the year end totalled DKK 733 million. The liquid funds yield interest on the short-term money market. The interest rate risks are rated to be minimal and are not expected to impact significantly on the Group's result.

At year end, the Group's interest-bearing debt totalled DKK 247 million corresponding to 9 % of the balance sheet total.

The interest-bearing debt is of a medium-term nature and further information is given in note 20.

Due to the low debt level and the fact that borrowings are exclusively in fixed interest loans, the Group's interest rate risks are minimal and are not expected to impact significantly on the Group's result.

During the past financial year the Group had positive liquidity. This is expected to continue over the coming financial years.

Credit risk
The Group's most important primary financial instruments comprise trade receivables and bank deposits. The amounts, at which these balance sheet items are recognised, are identical to the maximum credit risk.

At the close of the financial year, the Group sells its products via 1,527 dealers worldwide. In view of the large number of dealers and the significant geographical spread of the dealer network, the Group regards the credit risk in relation to receivables as limited.

The individual dealers, including their geographical location, are subject to continual review. When deemed necessary, the Group employs bank guarantees or debtor insurance against outstanding receivables.

Losses on receivables have been at a reasonable level over the past three years and the Group sees no significant credit risk relating to these.

Liquid funds are placed with financial institutions with high credit ratings. Derivatives, including foreign exchange forward contracts, are entered into only with such institutions.

Liquidity risk
The financial stand-by is continually assessed and managed by the parent company's finance department. This ensures that, at any given time, there is sufficient, flexible and unused stand-by credit available provided by major, reputable financial institutions. On the basis of its financial stand-by arrangements, the Group believes that there are no grounds for expecting liquidity problems.

FINANCIAL REPORT

The Profit and Loss account

DKK 132 million growth in turnover

The Group's turnover for 2004/05 increased by DKK 132 million to DKK 3,742 million, or 4 %.

The branded business recorded an increase in turnover of DKK 78 million. Within the non-branded business, Bang & Olufsen Medicom a/s posted a rise in turnover of DKK 49 million, while Bang & Olufsen ICEpower a/s saw growth in turnover totalling DKK 7 million.

The DKK 78 million increase in turnover in the branded business equates to 2 %. The markets, however, show significant variation. In the financial year the Group's largest market, the UK, saw a decline in turnover of 9 % in local currency and the turnover totalled DKK 536 million against DKK 584 million the previous year. The Danish, German and American markets recorded growth in turnover. The Danish market saw a 6 % growth in turnover, i.e. DKK 28 million, to DKK 511 million. In the German market, turnover for the year totalled DKK 399 million, which equates to a 4 % advance in local currency. The US also posted a 4 % increase in turnover, to a total turnover of DKK 270 million. The Latin-European markets Spain/Portugal, Italy and France saw a decline in turnover of DKK 21 million.

In terms of product groups, the Group's turnover within audio and acoustic products remained unchanged on the year, while sales of video products rose by DKK 100 million. On Group level, telephone turnover declined, while other products' share of the turnover increased marginally.

Gross margin increased by 1 percentage point

Bang & Olufsen's gross margin increased by 1 percentage point from 45.5 % to 46.5 % driven by efficiency measures in production and falling purchase prices of, in particular, electronic raw materials and components.

Costs

Due to increased activity, development costs for 2004/05 totalled DKK 390 million against DKK 328 million the previous year, i.e. an increase of DKK 62 million. Development costs thus account for 10 % of the turnover against 9 % last year.

Despite the rise in turnover, distribution and marketing costs remained at 2003/04 levels, accounting for DKK 837 million against DKK 842 million previously.

Administration costs for 2004/05 totalled DKK 133 million, which is on a par with the previous year.

Result of ordinary operations in associated company

Bang & Olufsen a/s holds a 33 % stake in John Bjerrum Nielsen A/S. The impact on the result from this was DKK 0.4 million before tax against DKK 1.7 million last year.

Financing

Financial items (net) improved by DKK 5 million which can largely be ascribed to increased exchange gains.

Tax

The overall tax rate for the year was 31 % against 22 % last year. The extraordinarily low tax rate for the 2003/04 financial year was partly due to the capitalisation of the previous year's tax losses in Bang & Olufsen ICEpower a/s and partly to the debt conversion of outstanding accounts with the US subsidiary. Again, the Group decided not to capitalise deferred tax relating to the US.

Of the expensed tax of DKK 118 million, DKK 107 million relates to the branded business. Bang & Olufsen Medicom a/s accounts for DKK 7 million and Bang & Olufsen ICEpower a/s for DKK 4 million.

Minority interest

The item pertains to the 10 % minority interest in Bang & Olufsen ICEpower a/s.

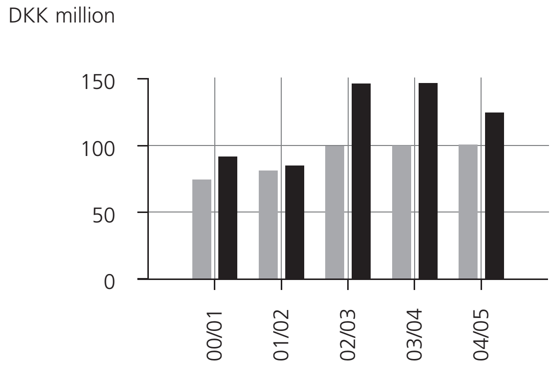
Balance sheet

Fixed assets

Fixed assets decreased to DKK 942 million against DKK 953 million last year. The fall stems from opposing trends for intangible and tangible fixed assets.

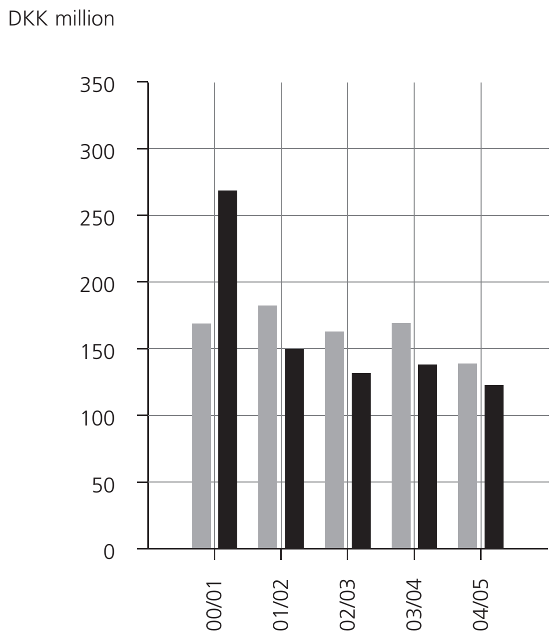
Purchase of intangible fixed assets and amortisation

Amortisation
Purchase of intangible fixed assets



Purchase of tangible fixed assets and depreciation

Depreciation
Purchase of tangible fixed assets



Intangible fixed assets

Intangible fixed assets increased by DKK 19 million to DKK 288 million. Of the increase DKK 22 million relates to development projects and should be seen within the context of the Group's product launches during the 2004/05 financial year, including the sustained focus on development work. Due to amortisations exceeding new investments, acquired rights declined by DKK 8 million. Acquired rights include, inter alia, the Group's investments in software.

Tangible fixed assets

Tangible fixed assets decreased by DKK 40 million. The Group's investments in fixed assets were DKK 123 million against last year's DKK 138 million. This is in line with the Group's stated expectations that investments in 2004/05 would remain largely unchanged from the previous year. In the financial year depreciation on tangible fixed assets totalled DKK 139 million.

Current assets

Current assets increased by DKK 51 million, from DKK 1,769 million to DKK 1,820 million.

The rise is primarily owing to an increase in liquid funds during the period as a result of the positive cash flow. Liquid funds thus increased from DKK 473 million to DKK 732 million, corresponding to an increase of DKK 259 million. By and large, the binding of liquidity in trade receivables was the same as last year. Other receivables were reduced by DKK 176 million owing to repayment of tax receivable and the receipt of payment relating to the sale of the electronics factory. Inventories were reduced by approx. DKK 61 million to DKK 430 million. Of the reduction of DKK 61 million, approx. DKK 30 million relates to manufactured products and goods for resale.

Equity

Equity totalled DKK 1,751 million against DKK 1,652 million last year. The proposed dividend is DKK 149 million against DKK 87 million last year.

Cash flow statement

The cash flow for the year was positive at DKK 259 million against DKK 28 million in 2003/04. The Group's cash flow from operating activities was DKK 741 million against DKK 448 million last year. The difference can be attributed to the changes in the Group's working capital which impacted positively on the cash flow by DKK 70 million. The previous year the impact was negative at DKK 31 million as a result of the declining liquidity binding in inventories and receivables. In addition, corporation tax totalling DKK 73 million was repaid in 2004/05 while DKK 30 million was paid during the year. In 2003/04, corporation tax totalling DKK 211 million was paid.

Liquidity requirements for investments totalled DKK 223 million net against DKK 201 million last year. The investments in intangible fixed assets were DKK 123 million net against DKK 143 million in 2003/04 while investments in tangible fixed assets were DKK 125 million against DKK 147 million last year. As a result of the disposal of the electronics factory in Skive, the sale of tangible fixed assets totalled DKK 80 million in 2003/04 while the sale of tangible fixed assets amounted to DKK 22 million in 2004/05.

During the financial year, DKK 70 million was repaid on the Group's long-term liabilities against DKK 56 million the year before. Like last year, no loans were raised during the financial year.

During the year dividends totalling DKK 87 million were paid to shareholders. As repurchase of own shares for DKK 106 million was undertaken, shareholder-related initiatives totalled DKK 193 million, i.e. the same level as in 2003/04.

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The Management has today considered and adopted the annual report for 2004/05 for Bang & Olufsen a/s.

The annual report has been presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards as well as the requirements imposed by the Copenhagen Stock Exchange on the presentation of financial statements for listed companies.

We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and Parent Company's assets, equity and liabilities, financial position and result as well as the Group's cash flow.

We recommend the annual report for adoption at the Annual General Meeting.

Struer, 15 August, 2005

Board of Management

Torben Ballegaard Sørensen (President and CEO)

Peter Thostrup

Board of Directors

Jørgen Worning (Chairman)

Torsten Erik Rasmussen (Deputy Chairman)

Lars Brorsen

John Svejgaard Christoffersen

Thorleif Krarup

Preben Damgaard Nielsen

Knud Olesen

Ole Kristian Olesen

Peter Skak Olufsen

AUDITORS' REPORT

To the shareholders of Bang & Olufsen a/s
We have audited the annual report of Bang & Olufsen a/s for 1 June, 2004 - 31 May, 2005, which has been presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards as well as the requirements imposed by the Copenhagen Stock Exchange on the presentation of financial statements for listed companies.

The annual report is the responsibility of the Company's Management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion
We conducted our audit in accordance with Danish and International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's assets, equity and liabilities and financial position at 31 May, 2005 and of the results of their operations as well as the consolidated cash flows for the financial year 1 June, 2004 - 31 May, 2005 in accordance with the Danish Financial Statements Act, Danish Accounting Standards as well as the requirements imposed by the Copenhagen Stock Exchange on the presentation of financial statements for listed companies.

Struer, 15 August, 2005

PricewaterhouseCoopers
Statsautoriseret Revisionsinteressentskab

Carsten Gerner
State Authorised Public Accountant

Jesper Lund
State Authorised Public Accountant

Deloitte
State Authorised Public Accounting Company

Erik Holst Jørgensen
State Authorised Public Accountant

Henrik Z. Hansen
State Authorised Public Accountant

ACCOUNTING PRINCIPLES APPLIED

ACCOUNTING PRINCIPLES APPLIED

Basic principles
The annual report for Bang & Olufsen a/s has been prepared in accordance with the requirements of the Danish Financial Statements Act for class D companies, Danish Accounting Standards and the requirements imposed by the Copenhagen Stock Exchange on the presentation of financial statements for listed companies.

The accounting principles applied are unchanged from the previous year. A few reclassifications between the items in the notes have been made. These reclassifications do not effect the result for the year or the equity.

General information about recognition and measuring
Assets are recognised in the balance sheet, when it is probable that future economic benefits will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet, when it is probable that the Group will give up future economic benefits as a consequence of a legal or actual obligation resulting from an event occurring before, or on, the balance sheet date, and the value of the liability can be measured reliably.

Initial recognition of assets and liabilities is done at cost price. Subsequently assets and liabilities are measured as described below for each item. Certain financial assets and liabilities are measured at amortised cost price, by which a constant true rate of interest is recognised over the duration. Amortised cost price is calculated as initial cost price less instalments and addition/deduction of the accumulated depreciation of the difference between the cost price and the nominal value. Consequently the profit due to appreciation/loss due to depreciation is allocated over the duration of the asset/liability.

When recognising and measuring, due consideration is made for losses and risks that arise before the financial statements are finalised and which confirm or negate conditions, which existed on the balance sheet date.

Income is recognised in the Profit & Loss account, when it is earned. Furthermore all costs incurred to achieve the earnings of the year, including depreciation, impairment losses and provisions are recognised in the Profit & Loss account as well as reversal of amounts due to change in accounting judgments and estimates, if these amounts have previously been recognised in the Profit & Loss account.

Consolidation

Consolidation practice
The consolidated annual report comprises the parent company, Bang & Olufsen a/s, and the subsidiaries in which the Group holds more than 50 per cent of the voting rights or, in other ways, has a deciding influence.

The consolidated annual report has been prepared on the basis of the audited financial statements of the parent company and its subsidiaries as an aggregation of similar items from the financial statements of the individual companies. In the process of consolidation, intra-group income and expenses, shareholdings, dividends, outstanding accounts and unrealised intra-group profits and losses have been eliminated.

The parent company's shares in the consolidated subsidiaries are netted against the parent company's share of the subsidiaries' intrinsic value.

Newly acquired subsidiaries are included in the consolidated financial statements as from the date of acquisition. Companies sold are included until the date of sale.

Comparative figures are not adjusted for newly acquired or sold companies.

Group goodwill is calculated at the time of the acquisition as the difference between the cost price and the market value of the assets and the liabilities acquired. Group goodwill acquired as from 1 June, 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's experience of the individual business areas, although a maximum of 20 years applies.

For acquisitions before 1 June, 2002 Group goodwill was calculated at the time of the acquisition as the difference between the cost price and the acquired company's intrinsic value calculated in accordance with the Group's accounting principles applied. Group goodwill was amortised directly over the equity.

Companies, which are not subsidiaries, but in which the Bang & Olufsen Group holds 20 per cent or more of the voting right or in other ways has a significant influence on the operational or financial management, are regarded as associated companies. Associated companies are consolidated in the lines "Result from investments in associated companies before tax" and "Tax on ordinary result".

Minority interests

Minority interests include third party shareholders' share of the intrinsic value and the result for the year in subsidiaries, which are not 100 per cent owned.

In the consolidated result, the share of the subsidiaries' result, which can be ascribed to minority interests, is disclosed separately. Minority interests' share of the equity is disclosed in a separate item between "Equity" and "Provisions".

When minority interests constitute an asset, this is recognised under other receivables. Write-downs for expected losses are based on an individual assessment.

Foreign exchange

The Profit & Loss account
Transactions in foreign currency are during the year translated at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the exchange rate on the transaction date and the exchange rate prevailing at the date of payment are recognised in the Profit & Loss account as financial items.

Receivables and payables
Receivables, payables and other monetary items in foreign currency, which exist at the balance sheet date, have been booked at the exchange rates prevailing at this date. Currency gains and losses arising from the differences between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the transaction date are recognised in the Profit & Loss account as financial items.

Translation of foreign subsidiaries
The foreign subsidiaries of the company are treated according to the net investment method, since the subsidiaries are sales organizations with limited tangible fixed assets.

The Profit & Loss accounts are translated using average foreign exchange rates, while balance sheet items are translated using the exchange rates prevailing on the balance sheet date. Differences deriving from translation of the foreign subsidiaries' initial equity to the exchange rates prevailing on the balance sheet date, and the differences owing to the translation of the Profit & Loss accounts of the foreign subsidiaries into average exchange rates are adjusted in the equity.

Derivative financial instruments

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

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

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

For derivative financial instruments, which do not qualify as hedging instruments, changes to the market value are included in the Profit & Loss account.

The Profit & Loss account

Net turnover
Revenue is recognised in the Profit & Loss account, when delivery and transfer of ownership to the customer have taken place. Revenue is recognised net of value added tax and rebates related to the sale.

Production costs
Production costs comprise wages, stock consumption and indirect costs, including salaries and depreciation/amortisation, which are incurred for the purpose of achieving the net turnover for the year.

Development costs
Development costs, which do not meet the criteria for capitalisation, are recognised in the Profit & Loss account as development costs along with amortisation and impairment losses on capitalised development projects.

Distribution and marketing costs
Distribution and marketing costs comprise costs relating to sales and distribution of the Group's products, including salaries for sales personnel, advertising and exhibition costs and depreciation/amortisation. Costs in subsidiaries, which are responsible exclusively for sales of the Group's products, are attributed to distribution and marketing costs.

Administration costs
Administration costs comprise costs for administrative personnel, management and office costs etc. including depreciation/amortisation.

Result in subsidiaries and associated companies
The parent company's share of the subsidiaries' pre-tax results after full elimination of intra-group profits and losses and deducted amortisation of Group goodwill acquired after 1 June, 2002 is recognised in the Profit & Loss account of the parent company under the item "Result from investments in subsidiaries before tax", while the parent company's share of the subsidiaries' tax is recognised as "Tax on ordinary result".

In the Profit & Loss account of the Group and parent company the share of profits before tax in associated companies after proportional elimination of intra-group profits and losses and deducted amortisation of Group goodwill acquired after 1 June, 2002 is recognised as "Result from investments in associated companies before tax", while the share of the associated companies' tax is recognised as "Tax on ordinary result."

Financial items
Financial items include interest, amortising additions and deductions, market value adjustments and realised and unrealised foreign exchange gains and losses.

Tax
Tax for the year, which includes the anticipated tax liability on taxable earnings and changes in deferred tax for the year, is recognised in the Profit & Loss account with the share that is attributable to the result for the year and directly on equity with the share, which can be attributed to entries made directly to the equity.

The parent company is jointly taxed with certain wholly owned subsidiaries. The calculated tax due in Denmark is divided between the jointly taxed companies in proportion to their taxable income (full distribution with reimbursement for tax deficits).

The Group pays tax according to the instalment principle. Any allowances, deductions or refunds related to tax are included in financial items.

The balance sheet

Intangible fixed assets

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

Development projects are recognised at cost price and are amortised over the expected useful life when the criteria for capitalisation have been met.

Development costs that do not meet the criteria for capitalisation in the balance sheet are included as costs in the Profit & Loss account when incurred.

Development projects with a cost price below DKK 1 million are recognised in the Profit & Loss account.

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

Interest expenses related to financing development projects are recognised in the Profit & Loss account.

Capitalised development projects are measured at cost price less accumulated amortisation and impairment losses or at recoverable amount if this 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.

Acquired rights
Acquired rights include software, key money and patents. These are measured at cost price less accumulated amortisation.

Software with a cost price below DKK 100,000 is recognised directly in the Profit & Loss account in the year of acquisition.

Acquired rights are amortised on a straight-line basis over the expected lifetime or the contractual duration if this is shorter, though not exceeding 10 years.

Tangible fixed assets
Tangible fixed assets are measured at cost price with deduction of accumulated depreciation and impairment losses.

Leasehold improvements comprise refurbishment of offices, warehouses and shops and are measured at cost price less accumulated depreciation.

The cost price comprises acquisition price and costs directly related to the acquisition until the time, when the asset is ready for use. For fixed assets produced by the company the cost price comprises direct and indirect costs for wage consumption, materials, components and sub-contractors.

Subsidies concerning tangible fixed assets are deducted in the cost price.

Interest expenses related to financing the production of tangible fixed assets are recognised in the Profit & Loss account.

Tangible fixed assets with a cost price less than DKK 25,000 are recognised directly in the Profit & Loss account in the year of acquisition.

Depreciation
Depreciation is carried out on a straight-line basis over the expected useful life of the assets. The following depreciation periods are used:

Land and buildings:	
Land	None
Buildings	40 years
Interior refurbishment/special installations	10 years
Plant and machinery:	
Single purpose production tools	3 - 6 years
Other plant and machinery	8 - 10 years
Other equipment, fixture and furniture	3 - 10 years

Leasehold improvements are depreciated on a straight-line basis over the term of the lease, though not exceeding 10 years.

Impairment losses on fixed assets
The value of intangible and tangible fixed assets is reviewed each quarter to determine if there are indications of decreases in value not reflected by ordinary depreciation/amortisation. If this is the case the recoverable value of the asset is determined and if this value is lower than book value, an impairment loss is recognised. The recoverable value for an asset is the highest value of the net sales price and the capital value. If it is not possible to set a recoverable value for one asset, the asset is assessed within the smallest group of assets for which a reliable recoverable value can be set.

Financial fixed assets
Investments in subsidiaries are measured in the balance sheet of the parent company at the intrinsic value according to the Group's accounting principles applied, with additions or deductions of intra-group profits or losses and not amortised Group goodwill relating to business combinations after 1 June, 2002. Group goodwill relating to business combinations before 1 June, 2002 has been amortised directly over the equity.

BACK to contents

Investments in associated companies are measured in the balance sheet of the Group and the parent company at the intrinsic value according to the latest published annual financial statements or periodic financial statements adapted to the Group's accounting principles applied, after proportional elimination of intra-group profits and losses and with the addition of not amortised Group goodwill acquired after 1 June, 2002.

Subsidiaries with negative intrinsic value are measured at DKK 0. A possible receivable in these companies is written down with the parent company's share of the negative intrinsic value to the extent the receivable is assessed irrecoverable. If the intrinsic value exceeds the receivable the remaining amount is recognised as a provision to the extent the parent company has a legal or actual obligation to cover the obligations of the subsidiaries.

The proportion of the results from subsidiaries and associated companies, which has not been paid out as dividend, is transferred to the reserve for net revaluation according to the equity method.

Other financial receivables

Other financial receivables comprise primarily loans to external parties and are measured at amortised cost price corresponding to face value less write-down for expected losses.

Write-down for expected losses is based on an individual assessment of each account outstanding.

Inventories

Inventories are measured at cost price using the FIFO principle, or at the net realisable value, if this is lower.

Cost price for raw materials, consumables and purchased goods comprises the invoice price with added delivery costs. The cost price of finished goods and work in progress comprises the purchase price of materials and direct labour costs, plus indirect production costs.

Indirect production costs include indirect materials and wages, maintenance and depreciation on plant and equipment used for production, factory buildings and other equipment as well as costs for factory administration and management.

Costs of financing are not included in the cost price.

Receivables

Receivables are measured in the balance sheet at amortised cost price corresponding to face value less write-downs for expected losses.

Write-downs for expected losses are based on an individual assessment of each account outstanding and for trade receivables also with a general write-down based on the company's experience.

Equity

Dividend

Dividend is recognised as a liability at the time of approval by the Annual General Meeting. Proposed dividend is shown as a separate item in the equity.

Own shares

Acquisition fees, fees received in connection with the disposal of own shares and dividends received on own shares are recognised under retained earnings in the equity.

Incentive programmes

The Group's obligation according to share option programmes and other share based programmes is not recognised as a provision in the balance sheet since the obligation is effectively covered by the Group's treasury shares, which have been recognised directly in the equity.

Payments related to these programmes are recognised directly over the equity and do not affect the Profit & Loss account.

Liabilities

Pensions

When the pension liability is not covered, it is recognised at the current value of the expected future payments less any associated plan assets.

Provision for warranty

Provision for warranty comprises obligations for repairing products within the warranty period. Provision for warranty is recognised and measured on the basis of the company's experience with warranty repairs.

Deferred tax and corporation tax

Provision for deferred tax is calculated according to the liability method on the basis of all temporary differences between the tax and accounting values of assets and liabilities.

The tax value of assets is determined considering the planned use of the asset.

In the calculation of deferred tax, the tax value of any losses and provisions etc. is entered if it is likely that these can be included in future tax results. If the deferred tax constitutes a positive amount, this is recognised in the balance sheet as a deferred tax asset.

Corporation tax is recognised as the tax expected to be liable on the year's taxable income less tax on account.

Financial liabilities

Fixed interest loans, such as mortgage debt or bank debt, are recognised at the date of the loan at the received proceeds less transaction costs. In subsequent periods, the loans are measured at amortised cost price corresponding to the capitalised value using the true rate of interest, so that the difference between the proceeds and the nominal value is recognised in the Profit and Loss account over the term of the loan.

Other financial liabilities are measured at amortised cost price, which is practically the same as the nominal value.

Prepayments and deferred income

Prepayments comprise incurred costs related to the following financial years.

Deferred income comprises received payments related to income in the following financial years.

Cash flow statement

The presentation of the consolidated cash flow statement follows the indirect method, based on the result for the year.

The cash flow statement shows the Group's cash flow for the year, the year's change in liquid assets and the Group's liquid assets at the beginning and end of the year.

Cash flow statement for the parent company has not been prepared as this is included in the cash flow statement for the Group.

Cash flow from operating activities

Cash flow from operating activities is stated as the result for the year adjusted for non-liquid result items, received and paid financial items, paid corporation taxes and changes to the working capital. The working capital comprises current assets less short-term liabilities, excluding such items, which are recognised as liquid assets.

Cash flow from investment activities

Cash flow from investment activities comprises the acquisition and sale of intangible, tangible and financial fixed assets.

Cash flow from financing activities

Cash flow from financing activities comprises borrowings and instalments of mortgage debt and other long-term debt, dividend paid and proceeds from increases in the share capital as well as sale and repurchase of own shares.

Liquid assets

Liquid assets comprise liquid funds less short-term bank debt, which form part of the Group's ongoing cash flow management. Cash flow in foreign currency, including cash flow in foreign subsidiaries, is translated at average monthly exchange rates, which do not deviate materially from the exchange rate prevailing on the date of payment.

The consolidated cash flow statement cannot be established solely on the basis of the published accounts.

Segment information

The Group's main activities and primary segments are:
- Branded business
- Non-branded business – Medicom
- Non-branded business – ICEpower

The Group's geographical areas and secondary segments are:
- Scandinavia
- Central Europe
- Rest of Europe
- North America
- Asia
- Rest of the world

Scandinavia comprises Denmark, Sweden, Norway and Finland.

Central Europe comprises Germany, Switzerland and Austria.

The secondary segments are broken down according to the location of customers and activities.

The division into segments is, in all material respects, in accordance with the Group's management structure and the internal financial management.

The segment figures have been prepared using the same accounting principles applied as for the Group financial statements.

Segment income and costs and segment assets and liabilities comprise those items, which can be directly allocated to the segment. Intra-group trade takes place on market terms.

Fixed assets in the segment comprise those fixed assets, which are used directly in the operations of the segment, including intangible fixed assets and investments in subsidiaries.

Current assets in the segment comprise those current assets, which are used directly in the operations of the segment, including inventories, trade receivables, other receivables, prepayments and liquid assets.

Segment liabilities comprise liabilities derived from the operations of the segment, including trade payables and other payables.

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT

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

Proposed profit distribution:

	2004/05	2003/04
Reserve for net revaluation according to the equity method	124.8	20.6
Retained earnings	(4.8)	156.8
Proposed dividend for the financial year	148.9	86.7
	268.9	**264.1**

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

Parentheses denote negative figures or amounts to be deducted.

Notes: See pages 81 - 100

BALANCE SHEET
ASSETS

Notes ...	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 05	31/5 04	31/5 05	31/5 04
	Intangible fixed assets				
	Completed development projects	176.3	154.0	-	-
	Acquired rights	14.3	22.2	10.4	13.7
	Goodwill	15.6	11.1	1.6	-
	Development projects in progress	81.9	82.1	-	-
8 ...	Total intangible fixed assets	288.1	269.4	12.0	13.7
	Tangible fixed assets				
	Land and buildings	283.3	288.0	191.6	197.0
	Plant and machinery	201.5	216.3	7.0	1.9
	Other equipment	49.7	52.7	12.6	16.0
	Leasehold improvements	29.9	36.6	0.5	0.8
	Tangible fixed assets in progress and pre-payments for tangible fixed assets	53.4	64.6	0.5	12.5
9 ...	Total tangible fixed assets	617.8	658.2	212.2	228.2
	Financial fixed assets				
10 ...	Investments in subsidiaries	-	-	1,199.2	1,030.0
11 ...	Investments in associated companies	7.0	8.6	7.0	8.6
12 ...	Other financial receivables	28.7	16.7	-	-
	Total financial fixed assets	35.7	25.3	1,206.2	1,038.6
	Total fixed assets	**941.6**	**952.9**	**1,430.4**	**1,280.5**
	Inventories				
	Raw materials	142.4	158.1	-	-
	Work in progress	32.0	26.0	-	-
	Spare parts	90.5	112.7	-	-
	Finished goods	164.9	193.6	0.2	0.4
	Total inventories	429.8	490.4	0.2	0.4
	Receivables				
	Trade receivables	548.8	515.7	-	-
	Receivables from subsidiaries	-	-	85.9	199.6
13 ...	Other receivables	68.5	244.1	2.3	98.0
14 ...	Deferred tax assets	25.7	23.0	2.7	0.5
	Accruals	15.2	22.3	3.3	4.0
	Total receivables	658.2	805.1	94.2	302.1
	Liquid funds	731.9	473.0	537.4	403.1
	Total current assets	**1,819.9**	**1,768.5**	**631.8**	**705.6**
	Total assets	**2,761.5**	**2,721.4**	**2,062.2**	**1,986.1**

Notes: See pages 81 - 100

BALANCE SHEET
EQUITY AND LIABILITIES

Notes ...	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 05	31/5 04	31/5 05	31/5 04
	Equity				
15 ...	Share capital	124.1	123.8	124.1	123.8
	Paid in premium	9.4	5.7	9.4	5.7
	Reserve for net revaluation according to the equity method	-	-	333.4	208.6
	Retained earnings	1,468.1	1,435.7	1,134.7	1,227.1
	Proposed divided for the financial year	148.9	86.7	148.9	86.7
	Total equity	**1,750.5**	**1,651.9**	**1,750.5**	**1,651.9**
16 ...	**Minority interests**	**2.1**	**2.3**	**-**	**-**
	Provisions				
17 ...	Pensions	0.8	1.2	-	-
18 ...	Deferred tax	64.4	65.8	-	-
19 ...	Other provisions	60.0	67.5	-	-
	Total provisions	**125.2**	**134.5**	**-**	**-**
20 ...	**Long-term liabilities**				
	Mortgage loans	120.7	134.9	79.3	91.7
	Loans from banks, etc.	87.5	139.1	87.5	112.5
	Total long-term liabilities	208.2	274.0	166.8	204.2
	Short-term liabilities				
20 ...	Repayment on long-term borrowing in the coming year	39.2	42.9	37.4	37.4
	Trade payables	208.0	183.8	16.5	12.5
	Pre-payments from customers	41.5	19.4	0.1	0.1
21 ...	Corporation tax	72.0	9.6	30.7	-
22 ...	Other payables	314.8	403.0	60.2	80.0
	Total short-term liabilities	675.5	658.7	144.9	130.0
	Total liabilities	**883.7**	**932.7**	**311.7**	**334.2**
	Total equity and liabilities	**2,761.5**	**2,721.4**	**2,062.2**	**1,986.1**

Notes: See pages 81 - 100

CASH FLOW STATEMENT

CASH FLOW STATEMENT

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

Parentheses denote capital expenditure.

Notes: See pages 81 - 100

STATEMENT OF CHANGES IN EQUITY

Bang & Olufsen a/s, Group

(DKK million)	Share capital	Paid in premium	Retained earnings	Proposed dividend	Total
Equity 1 June 2004	**123.8**	**5.7**	**1,435.7**	**86.7**	**1,651.9**
Capital increase used for employee shares	0.3	3.7	-	-	4.0
Tax relating to employee shares and share option programme	-	-	2.6	-	2.6
Purchase of own shares	-	-	(105.5)	-	(105.5)
Sale of own shares	-	-	6.5	-	6.5
Exchange rate adjustment, subsidiaries	-	-	2.5	-	2.5
Equity adjustments, subsidiaries	-	-	2.9	-	2.9
Unrealised exchange gain on derivative financial instrument	-	-	0.2	-	0.2
Dividend paid	-	-	-	(86.7)	(86.7)
Dividend, own shares	-	-	3.2	-	3.2
Retained earnings	-	-	120.0	148.9	268.9
Equity 31 May 2005	**124.1**	**9.4**	**1,468.1**	**148.9**	**1,750.5**
Equity 1 June 2003	**134.3**	**3.5**	**1,319.3**	**94.0**	**1,551.1**
Capital increase used for employee shares	0.4	2.2	-	-	2.6
Tax on employee shares	-	-	1.0	-	1.0
Capital reduction	(10.9)	-	10.9	-	-
Purchase of own shares	-	-	(98.1)	-	(98.1)
Sale of own shares	-	-	10.8	-	10.8
Exchange rate adjustment, subsidiaries	-	-	4.7	-	4.7
Unrealised exchange gain on derivative financial instrument	-	-	0.4	-	0.4
Dividend paid	-	-	-	(94.0)	(94.0)
Dividend, own shares	-	-	9.3	-	9.3
Retained earnings	-	-	177.4	86.7	264.1
Equity 31 May 2004	**123.8**	**5.7**	**1,435.7**	**86.7**	**1,651.9**

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

Parentheses denote negative figures or amounts to be deducted.

STATEMENT OF CHANGES IN EQUITY

Bang & Olufsen a/s, parent company

(DKK million)	Share capital	Paid in premium	Reserve for net revalution according to the equity method	Retained earnings	Proposed dividend	Total
Equity 1 June 2004	**123.8**	**5.7**	**208.6**	**1,227.1**	**86.7**	**1,651.9**
Capital increase used for employee shares	0.3	3.7	-	-	-	4.0
Tax relating to employee shares and share option programme	-	-	-	2.6	-	2.6
Purchase of own shares	-	-	-	(105.5)	-	(105.5)
Sale of own shares	-	-	-	6.5	-	6.5
Exchange rate adjustment, subsidiaries	-	-	-	2.5	-	2.5
Equity adjustments, subsidiaries	-	-	-	2.9	-	2.9
Unrealised exchange gain on derivative financial instrument	-	-	-	0.2	-	0.2
Dividend paid	-	-	-	-	(86.7)	(86.7)
Dividend, own shares	-	-	-	3.2	-	3.2
Retained earnings	-	-	124.8	(4.8)	148.9	268.9
Equity 31 May 2005	**124.1**	**9.4**	**333.4**	**1,134.7**	**148.9**	**1,750.5**
Equity 1 June 2003	**134.3**	**3.5**	**188.0**	**1,131.3**	**94.0**	**1,551.1**
Capital increase used for employee shares	0.4	2.2	-	-	-	2.6
Tax on employee shares	-	-	-	1.0	-	1.0
Capital reduction	(10.9)	-	-	10.9	-	-
Purchase of own shares	-	-	-	(98.1)	-	(98.1)
Sale of own shares	-	-	-	10.8	-	10.8
Exchange rate adjustment, subsidiaries	-	-	-	4.7	-	4.7
Unrealised exchange gain on derivative financial instrument	-	-	-	0.4	-	0.4
Dividend paid	-	-	-	-	(94.0)	(94.0)
Dividend, own shares	-	-	-	9.3	-	9.3
Retained earnings	-	-	20.6	156.8	86.7	264.1
Equity 31 May 2004	**123.8**	**5.7**	**208.6**	**1,227.1**	**86.7**	**1,651.9**

The capital reduction was approved before 31 May 2004, but registered subsequently.
Paid in premium is according to the Danish Limited Companies Act a free reserve.
Costs in connection with the capital increase amount to DKK 0.

Specification of movements in share capital:	2004/05	2003/04	2002/03	2001/02	2000/01
Share capital at the beginning of the year	123.8	134.3	134.1	133.9	133.9
Capital increase	0.3	0.4	0.2	0.2	-
Capital reduction	-	(10.9)	-	-	-
Share capital at the end of the year	**124.1**	**123.8**	**134.3**	**134.1**	**133.9**

Parentheses denote negative figures or amounts to be deducted.

SEGMENT INFORMATION

(DKK million)	Branded business Bang & Olufsen 2004/05	Branded business Bang & Olufsen 2003/04	Non-branded business Bang & Olufsen Medicom a/s 2004/05	Non-branded business Bang & Olufsen Medicom a/s 2003/04
Primary segment - activities				
Net turnover	3,547.3	3,469.2	183.8	135.4
Internal turnover	(24.3)	(20.4)	-	-
External turnover	3,523.0	3,448.8	183.8	135.4
Gross profit	1,676.5	1,609.1	49.3	26.0
Operating profit (EBIT)	351.6	336.9	25.6	(6.2)
Result from ordinary operations before tax	362.4	343.5	23.0	(8.8)
Result after tax	254.7	254.8	16.4	(6.2)
Fixed assets	964.7	958.5	71.2	81.9
Current assets	1,779.7	1,721.2	73.6	62.2
Total assets	2,744.4	2,679.7	144.8	144.1
Equity	1,750.5	1,651.9	85.8	69.6
Minority interests	2.1	2.3	-	-
Subordinate loan capital	-	-	-	-
Provisions	123.8	137.3	1.1	0.1
Liabilities	868.0	888.2	57.9	74.4
Total equity and liabilities	2,744.4	2,679.7	144.8	144.1
Average number of employees				
in Denmark	1,688	2,051	127	129
abroad	469	513	-	-
	2,157	2,564	127	129

Parentheses denote negative figures or amounts to be deducted.

BACK to contents

Non-branded business Bang & Olufsen ICEpower a/s		Other/eliminations		Bang & Olufsen a/s Group	
2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
50.2	43.1	(39.1)	(38.0)	3,742.2	3,609.7
(14.8)	(17.6)	39.1	38.0	-	-
35.4	25.5	-	-	3,742.2	3,609.7
26.3	22.4	(12.3)	(14.9)	1,739.8	1,642.6
2.3	6.1	-	-	379.5	336.8
1.7	5.8	-	-	387.1	340.5
(2.4)	17.2	-	-	268.7	265.8
12.2	11.1	(106.5)	(98.6)	941.6	952.9
31.5	29.6	(64.9)	(44.5)	1,819.9	1,768.5
43.7	40.7	(171.4)	(143.1)	2,761.5	2,721.4
20.7	23.1	(106.5)	(92.7)	1,750.5	1,651.9
-	-	-	-	2.1	2.3
-	5.9	-	(5.9)	-	-
0.3	0.2	-	(3.1)	125.2	134.5
22.7	11.5	(64.9)	(41.4)	883.7	932.7
43.7	40.7	(171.4)	(143.1)	2,761.5	2,721.4
27	24	-	-	1,842	2,204
-	-	-	-	469	513
27	24	-	-	2,311	2,717

Secondary segment - geography

	Total fixed assets		Total liabilities		Net turnover	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Scandinavia	2,366.2	2,174.1	1,038.4	1,444.4	840.4	819.0
Central Europe	24.5	26.0	108.1	113.6	733.8	659.4
Rest of Europe	67.4	38.8	281.5	210.7	1,502.8	1,526.1
North America	17.8	29.1	69.2	75.5	296.6	293.4
Asia	2.2	2.1	77.9	56.4	253.5	238.5
Rest of the world	-	-	-	-	115.1	73.3
Eliminations	(1,536.5)	(1,317.2)	(566.2)	(833.4)	-	-
Total	941.6	952.9	1,008.9	1,067.2	3,742.2	3,609.7
Export share					82 %	83 %

NOTES

NOTES

NOTES CONTINUED

Notes ...	(DKK million)	Group 2004/05	Group 2003/04	Parent company 2004/05	Parent company 2003/04
1 ...	**Net turnover**				
	Denmark	664.5	630.9	265.1	263.6
	Norway	60.0	64.9	-	-
	Sweden	103.8	112.1	-	-
	Finland	12.1	11.1	-	-
	Scandinavia	840.4	819.0	265.1	263.6
	Germany	437.4	391.2		
	Switzerland	237.5	216.6		
	Austria	58.9	51.6		
	Central Europe	733.8	659.4		
	The UK	570.7	617.8		
	France	173.0	183.7		
	Spain / Portugal	198.6	204.2		
	Italy	192.4	196.2		
	Belgium	79.8	82.4		
	Holland	239.3	197.6		
	Rest of Europe	49.0	44.2		
	Rest of Europe	1,502.8	1,526.1		
	USA	296.6	293.4		
	North America	296.6	293.4		
	Japan	61.4	61.8		
	Singapore	41.8	35.7		
	Rest of Asia	150.3	141.0		
	Asia	253.5	238.5		
	Middle East	26.5	12.1		
	Rest of world	88.6	61.2		
	Rest of world	115.1	73.3		
	Total	3,742.2	3,609.7	265.1	263.6

(DKK million)	Group 2004/05	Group 2003/04	Parent company 2004/05	Parent company 2003/04
Notes ...				
2 ... **Employees**				
Remuneration to the Board of Directors of the parent company	2.3	2.7	2.3	2.7
Remuneration to the Board of Management of the parent company	6.7	6.5	6.7	6.5
Wages, salaries, fees	733.5	820.7	85.3	87.0
Pensions	43.5	42.8	5.1	4.9
Other statutory contributions	36.8	40.1	1.3	1.1
	822.8	912.8	100.7	102.2
Average number of full-time employees:				
Denmark	1,842	2,204	258	270
Abroad	469	513	-	-
	2,311	2,717	258	270

Share options

The Bang & Olufsen Group's share option programme comprises a number of directors and senior managers in the Group.
The grant of options is dependent on employment during the qualifying periods.
As at 31 May, 2005, the pool of unexercised options totals 122,688 options, which can be exercised between 2005-2009.

The exercise prices, which are linked to earnings in the financial years 2001/02, 2002/03 and 2003/04, are determined as the average price for the 10 days subsequent to the publication of the annual accounts in August 1999, 2000 and 2001.

The exercise price, which is linked to earnings in the financial year 2004/05, is based on an exercise price of 341, which is adjusted with 5 % on the date of the company's financial statement announcement to the Copenhagen Stock Exchange, first time at the time of the announcement in august 2005. The yearly addition no longer apply or is limited to the extent that dividend is paid out on the atest Annual General Meeting before the announcement in question.

To cover the options programme, Bang & Olufsen a/s has purchased own shares, which cover the full commitment.
The shares are recognised directly in the equity.

Share options in Bang & Olufsen a/s	Board of Directors	Board of Management	Other directors and managers	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June, 2003	-	71,000	50,257	121,257		
Terminated 2003/04	-	-	(628)	(628)	270	
Terminated 2003/04	-	-	(688)	(688)	305	
Terminated 2003/04	-	-	(688)	(688)	177	
Exercised 2003/04	-	-	(20,000)	(20,000)	270	
Exercised 2003/04	-	(10,000)	-	(10,000)	201	
Exercised 2003/04	-	(12,500)	-	(12,500)	270	
Allocated 2003/04	-	2,500	732	3,232	270	August 2002 - August 2006
Allocated 2003/04	-	2,000	-	2,000	305	August 2003 - August 2007
Allocated 2003/04	-	2,000	326	2,326	177	August 2004 - August 2008
Outstanding 31 May, 2004	-	55,000	29,311	84,311		

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

2 ... **Employees (cont.)**

Share options in Bang & Olufsen a/s	Board of Directors	Board of Management	Other directors and managers	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June, 2004	-	55,000	29,311	84,311		
Exercised 2004/05	-	(20,000)	-	(20,000)	201	
Exercised 2004/05	-	-	(3,913)	(3,913)	270	
Exercised 2004/05	-	-	(4,505)	(4,505)	305	
Exercised 2004/05	-	(13,000)	(6,705)	(19,705)	177	
Allocated 2004/05	-	500	-	500	305	August 2003 - August 2007
Allocated 2004/05	-	500	-	500	177	August 2004 - August 2008
Allocated 2004/05	-	70,000	15,500	85,500	351*	August 2006 - August 2009
Outstanding 31 May, 2005	-	93,000	29,688	122,688		

As at 31 May, 2005, the share options are broken down as follows:

	Board of Directors	Board of Management	Other directors and managers	Total number of shares	Exercise price per option	Exercise period
Qualification period:						
Financial year 2000/01	-	10,000	-	10,000	201	August 2002 - August 2006
Financial year 2001/02	-	-	5,076	5,076	270	August 2002 - August 2006
Financial year 2002/03	-	13,000	5,493	18,493	305	August 2003 - August 2007
Financial year 2003/04	-	-	3,619	3,619	177	August 2004 - August 2008
Financial year 2004/05	-	70,000	15,500	85,500	351*	August 2006 - August 2009
Outstanding 31 May, 2005	-	93,000	29,688	122,688		

* The exercise price is adjusted in the period c.f. page 84.

Share options in Bang & Olufsen a/s	Board of Directors	Board of Management	Other directors and managers	Total
Market value 31 May, 2005	-	6.7	2.7	9.4
Market value 31 May, 2004	-	9.6	4.8	14.4

The market value has been calculated on the basis of the Black-Scholes model for determining the value of options.

For 2001/02, 2002/03 and 2003/04 calculations, the average dividend for the Bang & Olufsen a/s share for the previous five years and a volatility of 42.7 %, 53.2 % and 21.8 % has been used. The risk-free interest rate (swap interest, mid-price) has for 2004/05 been calculated for the 1st year at 2.22 %, 2nd year 2.34 %, 3rd year 2.51 % and 4th year 2.68 %, and the expected term is fixed for the expiry of the maturity period.

For 2004/05 an average addition of 2.5 %, and a volality of 42.7 %, 53.2 % and 21.8 % has been used in the calculation.
The risk-free interest rate (swap interest, mid-price) has for 2004/05 been calculated at 1st year 2.22 %, 2nd year 2.34 %, 3rd year 2.51 % and 4th year 2.68 %, and the expected term is fixed for the expiry of the maturity period.

Calculated on the basis of the closing rate of 389 as at 31 May, 2005, the intrinsic value totals DKK 8.9 million.

Parentheses denote negative figures or amounts to be deducted.

	Group		Parent company	
(DKK million)	2004/05	2003/04	2004/05	2003/04
Notes ...				
3 ... **Result from investments in subsidiaries before tax**				
Share of profits in subsidiaries			360.4	365.0
Share of losses in subsidiaries			-	(12.4)
Change in unrealised consolidated gross profit			3.4	2.2
			363.8	354.8
4 ... **Financial income**				
Interest income from banks etc.	8.6	7.7	7.5	7.2
Interest income from subsidiaries	-	-	10.7	12.1
Exchange rate gains, net	12.7	7.9	30.4	8.8
Other financial income	9.4	11.6	1.8	6.4
	30.7	27.2	50.4	34.5
5 ... **Financial costs**				
Interest on bank loans etc.	10.4	10.1	9.3	9.9
Interest on mortgage loans	7.8	10.3	5.2	6.0
Interest costs to subsidiaries	-	-	5.6	3.4
Other financial costs	5.3	4.8	1.8	2.4
	23.5	25.2	21.9	21.7

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2004/05	Group 2003/04	Parent company 2004/05	Parent company 2003/04
Notes ...				
6 ... **Tax on ordinary result**				
Parent company:				
Current tax	8.9	6.5	8.9	6.5
Reduction of the corporation tax rate from 30 to 28	0.1	-	0.1	-
Change in deferred tax	(1.7)	(11.4)	(1.7)	(11.4)
Adjustment previous years, current and deferred tax	0.4	0.8	0.4	0.8
Parent company, total	7.7	(4.1)	7.7	(4.1)
Subsidiaries and associated companies:				
Current tax	111.4	109.0	111.0	110.2
Reduction of the corporation tax rate from 30 to 28	(3.4)	-	(3.4)	-
Change in deferred tax	(1.9)	(13.8)	(1.9)	(13.8)
Adjustment previous years, current and deferred tax	4.6	(16.4)	4.6	(16.4)
Subsidiaries and associated companies, total	110.7	78.8	110.3	80.0
Tax on ordinary result, total	118.4	74.7	118.0	75.9
Tax on the year's result can be explained as follows:				
Danish corporation tax	28.0 %	30.0 %		
Tax effect of:				
Non-deductible costs and non-taxable income	0.3 %	-		
Differing tax rate in foreign subsidiaries	1.1 %	2.3 %		
Reduction of the corporation tax rate from 30 to 28	(0.9 %)	-		
Adjustment of tax relating to previous years, other items	1.4 %	(1.3 %)		
Non-capitalised tax losses	-	1.4 %		
Tax losses not previously capitalised	-	(3.7 %)		
Deduction of loss on conversion of debt in subsidiaries	-	(6.8 %)		
Other	0.7 %	-		
The year's effective tax rate	30.6 %	21.9 %		

Corporation tax paid in the parent company including tax paid on account amounts to DKK 21.0 million.

The parent company pays current tax for jointly taxed Danish companies.

	Group 2004/05	Group 2003/04
7 ... **Minority interests' share of the year's result**		
Bang & Olufsen ICEpower a/s	0.2	(1.7)
Minority interests' share of the year's result, total	0.2	(1.7)

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

8 ... **Intangible fixed assets**

Group	Completed development projects	Acquired rights	Goodwill	Development projects in progress	Total
Cost price 1 June	741.5	99.1	15.1	82.1	937.8
Correction to beginning balance	-	-	6.1	-	6.1
Additions during the year	35.4	9.3	3.9	76.1	124.7
Disposals during the year	(89.2)	(9.9)	-	-	(99.1)
Completed development projects	76.3	-	-	(76.3)	-
Cost price 31 May	764.0	98.5	25.1	81.9	969.5
Amortisation and impairment losses 1 June	587.5	76.9	4.0	-	668.4
Correction to beginning balance	-	-	0.1	-	0.1
The year's amortisation	79.5	15.2	5.8	-	100.5
Reversed amortisation on disposals	(89.2)	(7.9)	(0.4)	-	(97.5)
The year's impairment losses	9.9	-	-	-	9.9
Amortisation and impairment losses 31 May	587.7	84.2	9.5	-	681.4
Book value 31 May	176.3	14.3	15.6	81.9	288.1

Amortisation and impairment losses on intangible fixed assets are expensed under the following items:

Production costs	1.2
Development costs	91.9
Distribution and marketing costs	7.9
Administration costs etc.	9.4
	110.4

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

8 ... **Intangible fixed assets (cont.)**

Parent company	Acquired rights	Goodwill	Total
Cost price 1 June	67.4	-	67.4
Additions during the year	8.1	3.2	11.3
Disposals during the year	(5.0)	-	(5.0)
Cost price 31 May	70.5	3.2	73.7
Amortisation 1 June	53.7	-	53.7
The year's amortisation	11.4	1.6	13.0
Reversed amortisation on disposals	(5.0)	-	(5.0)
Amortisation 31 May	60.1	1.6	61.7
Book value 31 May	10.4	1.6	12.0

Amortisation on intangible fixed assets is expensed under the following items:

Production costs	0.8
Development costs	1.4
Distribution and marketing costs	1.4
Administration costs etc	9.4
	13.0

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

9 ... **Tangible fixed assets**

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improvements	Tangible fixed assets in progress	Total
Cost price 1 June	489.2	1,057.3	242.3	70.7	64.6	1,924.1
Correction to beginning balance	-	24.2	-	-	-	24.2
Exchange rate adjustment to year-end rate	(0.2)	-	(0.1)	(0.2)	-	(0.5)
Additions during the year	11.3	26.8	17.8	8.8	58.2	122.9
Completed assets	5.6	54.6	0.4	-	(60.6)	-
Disposals during the year	(8.3)	(93.9)	(59.6)	(18.7)	(8.8)	(189.3)
Cost price 31 May	497.6	1,069.0	200.8	60.6	53.4	1,881.4
Depreciation 1 June	201.2	841.0	189.6	34.1	-	1,265.9
Correction to beginning balance	-	24.2	-	-	-	24.2
Exchange rate adjustment to year-end rate	(0.1)	-	(0.1)	(0.1)	-	(0.3)
The year's depreciation	20.9	93.0	18.1	6.9	-	138.9
Reversed depreciation on disposals	(7.7)	(90.7)	(56.5)	(10.2)	-	(165.1)
Depreciation 31 May	214.3	867.5	151.1	30.7	-	1,263.6
Book value 31 May	283.3	201.5	49.7	29.9	53.4	617.8

The cash value of property in Denmark according to the most recent valuation is DKK 295.7 million.
The cost price for property abroad is DKK 39.1 million.

Depreciation on tangible fixed assets is expensed under the following items:

Production costs	95.2
Development costs	23.3
Distribution and marketing costs	17.0
Administration costs etc.	3.4
	138.9

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

9 ... **Tangible fixed assets (cont.)**

Parent company	Land and buildings	Plant and machinery	Other equipment	Leasehold improvements	Tangible fixed assets in progress	Total
Cost price 1 June	370.1	5.6	87.0	1.4	12.5	476.6
Additions during the year	6.1	1.7	3.7	-	0.5	12.0
Completed assets	5.6	5.2	-	-	(10.8)	-
Disposals during the year	(2.9)	(1.1)	(19.8)	-	(1.7)	(25.5)
Cost price 31 May	378.9	11.4	70.9	1.4	0.5	463.1
Depreciation 1 June	173.1	3.7	71.0	0.6	-	248.4
The year's depreciation	16.5	0.8	6.3	0.3	-	23.9
Reversed depreciation on disposals	(2.3)	(0.1)	(19.0)	-	-	(21.4)
Depreciation 31 May	187.3	4.4	58.3	0.9	-	250.9
Book value 31 May	191.6	7.0	12.6	0.5	0.5	212.2

The cash value of property in Denmark according to the most recent valuation is DKK 295.7 million.

Depreciation of tangible fixed assets is expensed under the following items:

Production costs	7.1
Development costs	10.7
Distribution and marketing costs	3.5
Administration costs etc.	2.6
	23.9

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2004/05	Group 2003/04	Parent company 2004/05	Parent company 2003/04
Notes ...				
10 ... **Investments in subsidiaries**				
Cost price 1 June			821.4	763.4
Additions during the year			44.4	58.0
Cost price 31 May			865.8	821.4
Value adjustment 1 June			208.6	188.0
Exchange rate adjustment			2.5	4.7
Equity adjustments			3.0	-
Disposals in connection with merger, net			(3.1)	-
Unrealised exchange gain on derivative financial instrument			0.2	0.4
Change in unrealised consolidated gross profit			3.4	2.2
Net result for the year after tax			248.8	273.1
Dividend paid			(130.0)	(220.0)
Reversal of negative equity offset in receivables from subsidiaries			-	(24.8)
Reversal of negative equity included under provisions			-	(15.0)
Value adjustment 31 May			333.4	208.6
Book value 31 May			1,199.2	1,030.0
11 ... **Investments in associated companies**				
Cost price 1 June	17.0	17.0	17.0	17.0
Cost price 31 May	17.0	17.0	17.0	17.0
Value adjustment 1 June	(8.4)	(7.5)	(8.4)	(7.5)
Net result for the year after tax	0.4	1.1	0.4	1.1
Dividend paid	(2.0)	(2.0)	(2.0)	(2.0)
Value adjustment 31 May	(10.0)	(8.4)	(10.0)	(8.4)
Book value 31 May	7.0	8.6	7.0	8.6

Name and registered office	Ownership interest	Share capital	Equity	Result for the year	Bang & Olufsen's share Equity	Bang & Olufsen's share Ordinary result before tax	Bang & Olufsen's share Result for the year
John Bjerrum Nielsen A/S Bramming	33 %	10.0	20.9	1.1	7.0	0.4	0.4

Parentheses denote negative figures or amounts to be deducted.

	Group		Parent company	
(DKK million)	2004/05	2003/04	2004/05	2003/04
Notes ...				
12 ... **Other financial receivables**				
Balance 1 June	16.7	36.2		
Exchange rate adjustment to year-end rate	-	(0.7)		
The year's movements	12.0	(18.8)		
Balance 31 May	28.7	16.7		
Long-term loans	27.8	16.7		
Pension scheme asset	0.9	-		
Total	28.7	16.7		
13 ... **Other receivables**				
Corporation tax receivable	22.6	121.2	-	96.3
Other receivables	45.9	122.9	2.3	1.7
Book value 31 May	68.5	244.1	2.3	98.0
Of other receivables, the following amounts fall due for payment after 1 year	6.0	4.0	-	-
14 ... **Deferred tax assets**				
Deferred tax assets 1 June	23.0	9.2	0.5	-
The year's change	2.7	13.8	2.2	-
Transferred from deferred tax	-	-	-	0.5
Deferred tax assets 31 May	25.7	23.0	2.7	0.5
Intangible fixed assets	2.7	4.4	(1.6)	(3.5)
Tangible fixed assets	9.0	1.9	6.6	4.6
Financial fixed assets	2.6	0.1	-	-
Inventories	(2.7)	0.7	(3.3)	(2.6)
Receivables	3.8	3.4	-	2.0
Provisions	4.1	3.7	1.0	-
Unused tax losses	6.2	8.5	-	-
Other	-	0.3	-	-
	25.7	23.0	2.7	0.5

Deferred tax assets relate to the subsidiaries in Denmark, Holland, Norway, Spain, Austria, the UK, France, Italy and Singapore.
Deferred tax assets have been accrued at prevailing local tax rates.
Tax assets relating to the subsidiaries in the US and Japan have not been recognised.
The not recognised tax asset in the US amounts to aprox. DKK 90 million.

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2004/05	Group 2003/04	Parent company 2004/05	Parent company 2003/04
Notes ...				
15 ... **Share capital**				
As at 31 May, 2005, the share capital consists of:				
1,119,910 shares of DKK 10 (Ordinary shares (multiple voting shares))	11.2	11.2	11.2	11.2
11,294,330 shares of DKK 10 (Ordinary shares)	112.9	112.6	112.9	112.6
	124.1	123.8	124.1	123.8
Number of own shares				
Shares (Ordinary shares (multiple voting shares))	30,475	6,840	30,475	6,840
Shares (Ordinary shares)	405,004	157,500	405,004	157,500
	435,479	164,340	435,479	164,340
Nominal value in DKK million	4.4	1.6	4.4	1.6
% of capital	3.5	1.3	3.5	1.3
The year's acquisitions:				
Number	302,957	407,120	302,957	407,120
Nominal value	3.0	4.1	3.0	4.1
% of share capital, year-end	2.4	3.3	2.4	3.3
Total acquisition sum	105.5	98.1	105.5	98.1
The acquisition was undertaken in accordance with the authority from the Annual General Meeting to purchase own shares with the purpose of subsequent capital reduction.				
The year's sale:				
Number	31,818	42,500	31,818	42,500
Nominal value	0.3	0.4	0.2	0.4
% of share capital, year-end	0.2	0.3	0.2	0.3
Total sales sum	6.5	10.8	6.5	10.8
The sale was undertaken in connection with the use of the options programme.				
16 ... **Minority interests**				
Balance 1 June	2.3	0.6		
Minority interests' share of the year's result	5.3	(3.9)		
Transferred from/to other receivables	(5.5)	5.6		
Balance 31 May	2.1	2.3		

Parentheses denote negative figures or amounts to be deducted.

	Group		Parent company	
(DKK million)	2004/05	2003/04	2004/05	2003/04
Notes ...				
17 ... **Pensions**				
Pensions 1 June, liability	7.4	6.5		
The year's movement	(0.1)	0.9		
Pensions 31 May, liability	7.3	7.4		
Pensions 1 June, asset	6.2	6.2		
The year's movement	0.3	-		
Pensions 31 May, asset	6.5	6.2		
Pensions 31 May, net	0.8	1.2		

Defined contribution plans:
Bang & Olufsen operates pension plans for certain groups of employees in Denmark and abroad. In general, these are defined contribution plans. Bang & Olufsen expenses the premium payments (e.g. a fixed amount or a fixed percentage of the salary) to independent insurance companies, which are responsible for the pension commitments. Once the pension contributions for defined contribution plans have been paid, Bang & Olufsen has no further pension obligations to current or past employees.

Defined benefit plans:
In defined benefit plans, Bang & Olufsen is committed to pay a certain benefit (e.g. retirement benefit as a fixed sum of the final salary). In defined benefit plans, Bang & Olufsen carries the risks relating to future interest-rate developments, inflation, mortality etc. since changes to the calculation basis results in changes in the actuarially calculated capital value.

	Group		Parent company	
18 ... **Deferred tax**				
Deferred tax 1 June	65.8	78.5	-	10.6
The year's change	(1.4)	(12.7)	-	(11.1)
Transferred to deferred tax assets	-	-	-	0.5
Deferred tax 31 May	64.4	65.8	-	-
Intangible fixed assets	72.0	73.5	-	-
Tangible fixed assets	(9.5)	(15.4)	-	-
Inventories	(0.5)	19.9	-	-
Receivables	(0.1)	(2.3)	-	-
Provisions	1.1	(10.9)	-	-
Retaxation balance	0.9	1.0	-	-
Other	0.5	-	-	-
	64.4	65.8	-	-

Deferred tax has been accrued at prevailing local tax rates.

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2004/05	Group 2003/04	Parent company 2004/05	Parent company 2003/04
Notes ...				
19 ... **Other provisions**				
Other provisions 1 June	67.5	44.3	-	15.0
Exchange rate adjustment to year-end rate	-	0.2	-	-
The year's change in other provisions	(7.5)	23.0	-	(15.0)
Other provisions 31 May	60.0	67.5	-	-

The company gives 2-5 years warranty on certain products and thereby undertakes the liability to repair or replace products, which do not function satisfactorily.

Other provisions of DKK 60.0 million are included (2003/04 DKK 67.5 million) for expected warranty claims based on previous experience relating to the level of repair and returned goods.

20 ... **Short and long-term liabilities**

Group	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Long-term liabilities:				
Fixed rate loan, interest rate level 5.9 - 6.4 %	29.4	102.8	-	102.8
Fixed rate loan, interest rate level 5.0 %	9.8	40.2	65.2	105.4
Book value 31 May, 2005	39.2	143.0	65.2	208.2
Book value 31 May, 2004	42.9	183.9	90.1	274.0

Parent company	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Long-term liabilities:				
Fixed rate loan, interest rate level 5.9 - 6.4 %	29.4	102.8	-	102.8
Fixed rate loan, interest rate level 5.0 %	8.0	32.0	32.0	64.0
Book value 31 May, 2005	37.4	134.8	32.0	166.8
Book value 31 May, 2004	37.4	149.5	54.7	204.2

Parentheses denote negative figures or amounts to be deducted.

		Group		Parent company	
	(DKK million)	2004/05	2003/04	2004/05	2003/04
Notes ...					
21 ...	**Corporation tax**				
	Accrued corporation tax 1 June	9.6	8.6	-	-
	Exchange rate adjustment to year-end rate	-	0.4	-	-
	Adjustment previous year	3.6	(17.1)	3.6	-
	The year's current tax incl. jointly taxed subsidiaries	111.0	121.3	71.6	-
	Corporation tax paid during the year	(28.7)	(210.6)	(21.0)	-
	Received corporation tax receivable	72.8	-	72.8	-
	Transferred to corporation tax receivable	-	10.7	-	-
	Transferred from/to other receivables	(96.3)	96.3	(96.3)	-
	Accrued corporation tax 31 May	72.0	9.6	30.7	-
22 ...	**Other payables**				
	Payroll-related items	108.8	113.2	12.5	12.7
	Taxes and levies	67.0	94.1	31.6	47.8
	Other	139.0	195.7	16.1	19.5
	Total other payables	314.8	403.0	60.2	80.0
23 ...	**Adjustments**				
	Change in other provisions	(7.9)	24.1		
	Financial income etc.	(30.7)	(27.2)		
	Financial costs etc.	23.5	25.2		
	Share of associated company's result before tax	(0.4)	(1.7)		
	Loss on sale of fixed assets	1.6	23.6		
	Tax on the year's result	118.4	74.7		
	Minority interests	(0.6)	0.5		
	Various adjustments	(0.6)	19.6		
		103.3	138.8		
24 ...	**Change in working capital**				
	Change in receivables	51.0	(178.7)		
	Change in inventories	60.6	39.2		
	Change in accounts payable etc.	(41.9)	109.0		
		69.7	(30.5)		
25 ...	**Fees to the auditors elected at the Annual General Meeting**				
	Statutory audit				
	PricewaterhouseCoopers	3.3	3.0	0.1	0.1
	Deloitte	1.4	1.1	0.1	0.1
		4.7	4.1	0.2	0.2
	Other services				
	PricewaterhouseCoopers	2.5	1.7	0.5	0.4
	Deloitte	0.3	0.9	0.3	0.3
		2.8	2.6	0.8	0.7
	Fees to the auditors elected at the Annual General Meeting, total	7.5	6.7	1.0	0.9

	Group		Parent company	
(DKK million)	2004/05	2003/04	2004/05	2003/04
Notes ...				
26 ... **Contingent liabilities and other financial commitments**				
a ... **Rental and leasing commitments etc.**				
Leasing commitments relating to plant and machinery etc.	29.6	31.1	18.4	19.9
Leasing commitments relating to establishment of shops	205.3	236.6	-	-
Leasing commitments relating to office and factory property	54.9	72.3	4.7	8.9
Total	289.8	340.0	23.1	28.8
Which can be specified as follows:				
for payment within 1 year	70.7	76.0	12.0	11.9
for payment between 1 and 5 years	170.2	173.6	11.1	16.9
for payment after more than 5 years	48.9	90.4	-	-
	289.8	340.0	23.1	28.8
Rental and leasing costs for the year	44.2	72.5	15.6	16.6

In connection with the establishment of shops in previous financial years, the Group has entered into a number of long-term rental agreements. The agreements include conditions concerning the right to sublet.

	Group		Parent company	
b ... **Guarantees**				
As at 31 May, guarantees total	12.5	55.4	2.9	2.9

None of the guarantees are expected to result in any losses.

	Group 2004/05	Group 2003/04
c ... **Letters of intent**		
Bang & Olufsen a/s has issued letters of intent to the foreign subsidiaries' bank connections for:	69.3	69.3
Bank debts as at 31 May	0.0	0.0

d ... **Joint taxation**

The Danish companies in the Group, except for Bang & Olufsen ICEpower a/s, share common registration and are jointly and severally liable for tax on total taxable income.

e ... **VAT and other taxes**

The Danish companies in the Group share common registration and are jointly and severally liable for VAT and other taxes.

f ... **Security for mortgage debt**

Security of DKK 275,5 million (DKK 282,4 million as at 31 May, 2004) has been given in land and buildings for a mortgage debt of DKK 91,7 million (DKK 148,9 million as at 31 May, 2004). Other tangible assets related to the land and buildings are included in the security. The book value of land and buildings is DKK 255.4 million (DKK 257,4 million as at 31 May, 2004).

g ... **Lawsuits**

The Group is a party to specific ongoing lawsuits. The outcome of the lawsuits is not expected to have a material influence on the assessment of the Group's financial position

Parentheses denote negative figures or amounts to be deducted.

BACK to notes

(DKK million)

Notes ...

27 ... **Financial instruments**

The extent and type of the Group and parent company's financial instruments are given in the Profit & Loss account, balance sheet and notes in accordance with the accounting principles applied. Information regarding conditions that can affect amounts, dates of payment or reliability of future payments where such information is not directly evident from the consolidated or parent company's accounts or follows from common practice is given below.

Monetary items* in foreign currency in the balance sheet as at 31 May, 2005.

		Group			Parent company		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	403.2	(105.7)	297.5	19.7	-	19.7
	> 12 months	3.0	(1.5)	1.5	-	-	-
GBP	0-12 months	139.6	(46.9)	92.7	3.4	-	3.4
SEK	0-12 months	33.7	(9.4)	24.3	-	(0.2)	(0.2)
JPY	0-12 months	19.9	-	19.9	7.6	-	7.6
	> 12 months	1.2	-	1.2	-	-	-
CHF	0-12 months	40.2	(15.8)	24.4	-	(0.9)	(0.9)
USD	0-12 months	57.8	(16.9)	40.9	17.1	-	17.1
	> 12 months	0.3	-	0.3	-	-	-
CZK	0-12 months	75.9	-	75.9	72.2	-	72.2
	> 12 months	-	-	-	-	-	-
Other	0-12 months	-	(13.3)	(13.3)	-	(0.5)	(0.5)
	> 12 months	1.1	-	1.1	-	-	-

* Monetary items are liquid funds etc., receivables and payables, which are settled in cash.

Hedging

Group

There are no forward contracts as at 31 May, 2005.

Parent company

There are no forward contracts as at 31 May, 2005.

Market value of financial assets and liabilities

Mortgage loans are recognised at the amortised cost price in the annual report. The market value of mortgage loans totals DKK 136.4 million (2003/04 DKK 182,8 million). For other financial assets and liabilities the market value corresponds to the book value.

28 ... **Related parties**

No parties have a decisive influence on the Bang & Olufsen Group. The Board of Directors and Management Board have received remuneration, c.f. note 2, Employees.

In 2004/05, the Group purchased goods from the associated company, John Bjerrum Nielsen A/S, for a value of DKK 42.8 million (2003/04 DKK 66 million). Trading took place at market conditions.

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

29 ... **Subsidiaries and associated companies**

Company name	Place of registration	Currency	Share capital local currency	Bang & Olufsen's share	Number of not disclosed subsidiaries
Branded business					
Bang & Olufsen a/s	Struer, DK	DKK	124,142,400	100 %	
Bang & Olufsen Operations a/s	Struer, DK	DKK	150,500,000	100 %	
Bang & Olufsen s.r.o	Koprivnice, CZ	CZK	187,800,000	100 %	
Bang & Olufsen AudioVisual a/s *	Struer, DK	DKK	205,050,000	100 %	
Scandinavia					
Bang & Olufsen Danmark a/s	Copenhagen, DK	DKK	3,000,000	100 %	
Bang & Olufsen AS	Oslo, N	NOK	3,000,000	100 %	
Bang & Olufsen Svenska AB	Stockholm, S	SEK	4,150,000	100 %	
Central Europe					
Bang & Olufsen Deutschland G.m.b.H.	München, D	EUR	1,022,584	100 %	3
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulin, A	EUR	1,744,148	100 %	
United Kingdom/Benelux					
Bang & Olufsen United Kingdom Ltd.	Berkshire, GB	GBP	2,600,000	100 %	3
S.A. Bang & Olufsen Belgium N.V.	Wemmel, B	EUR	942,000	100 %	
Bang & Olufsen b.v.	Hilversum, N	EUR	18,000	100 %	
Rest of Europe					
Bang & Olufsen France S.A.	Levallois-Perret, F	EUR	3,585,000	100 %	1
Bang & Olufsen Espana S.A.	Madrid, E	EUR	1,803,036	100 %	3
Bang & Olufsen Italia S.p.A.	Milano, I	EUR	774,000	100 %	
North America					
Bang & Olufsen America Inc.	Arlington Heights, USA	USD	39,050,000	100 %	5
Asia					
Bang & Olufsen Japan K. K.	Tokyo, JP	JPY	100,000,000	100 %	
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100 %	
Middle East					
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
Other					
Bang & Olufsen Expansion a/s	Struer, DK	DKK	500,000	100 %	
Bang & Olufsen Automotive GmbH	Niederwinkling, D	EUR	25,000	100 %	
Bang & Olufsen Telecom a/s	Struer, DK	DKK	23.900,000	100 %	
Non-branded business					
Bang & Olufsen Medicom a/s	Struer, DK	DKK	8,000,000	100 %	
Bang & Olufsen ICEpower a/s	Lyngby-Tårbæk, DK	DKK	1,939,750	90 %	
Associated company					
John Bjerrum Nielsen A/S	Bramming, DK	DKK	10,000,000	33 %	

* As of 1 June 2005 the activities are carried out by other Group companies. The company will subsequently be dissolved.
Dormant companies have not been included.

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