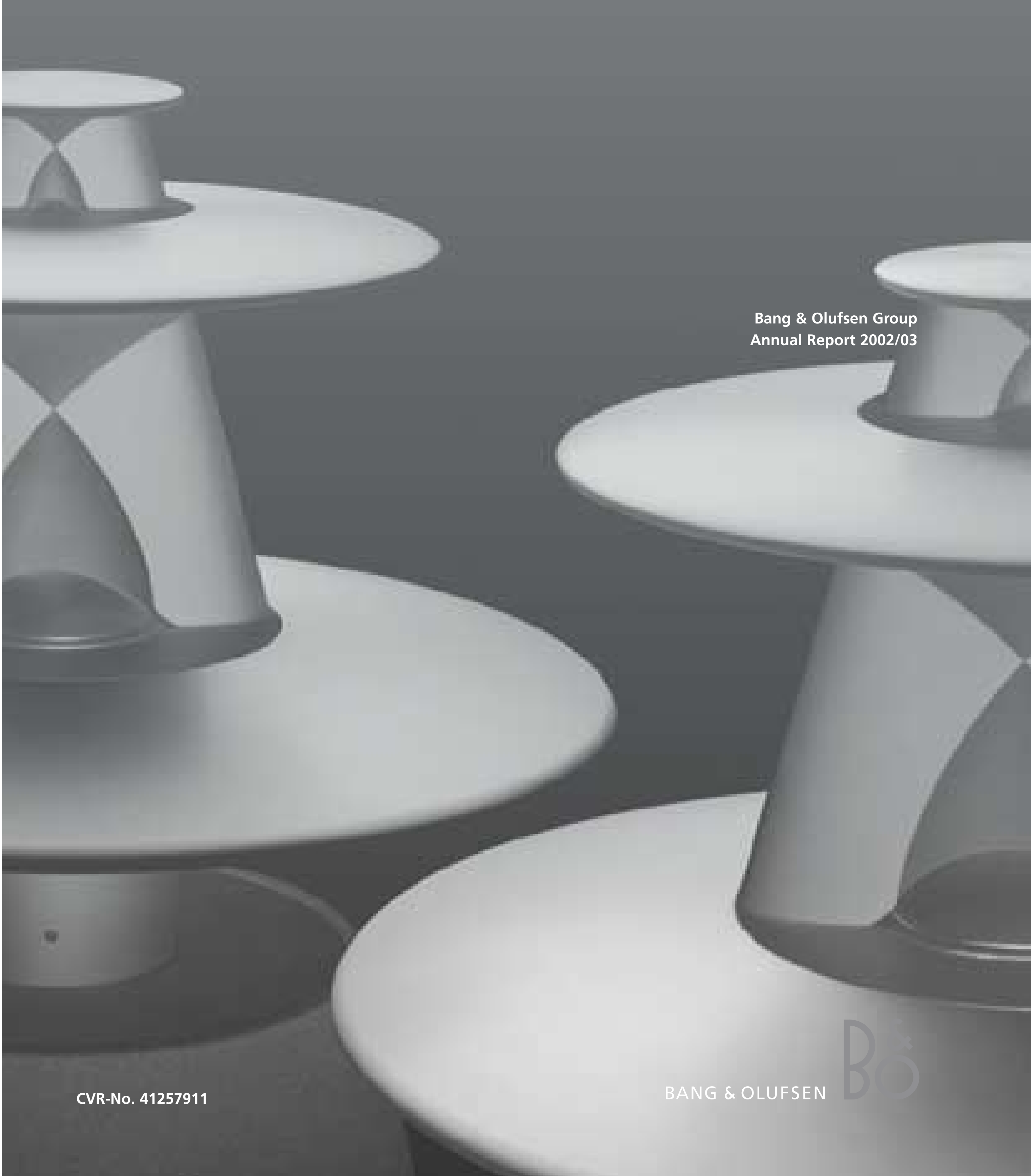


Bang & Olufsen Group
Annual Report 2002/03

CVR-No. 41257911

A modern fairytale

The story of how Bang & Olufsen's latest loudspeaker, BeoLab 5, came into being goes back many years. In fact, it resembles a modern fairy tale:

A research project, which in acoustic circles has given Bang & Olufsen an international reputation for research into human perception of sound. A young engineer specialising in the control of bass tones who is taken on by Bang & Olufsen. A meeting in a hotel room in Los Angeles.

In front of the finished product, it's easy to forget all the dead-ends, the fruitless attempts and huge frustration which are part of life – in fairytales as well as in real life – for people who devote their talents to researching specific fields for many years.

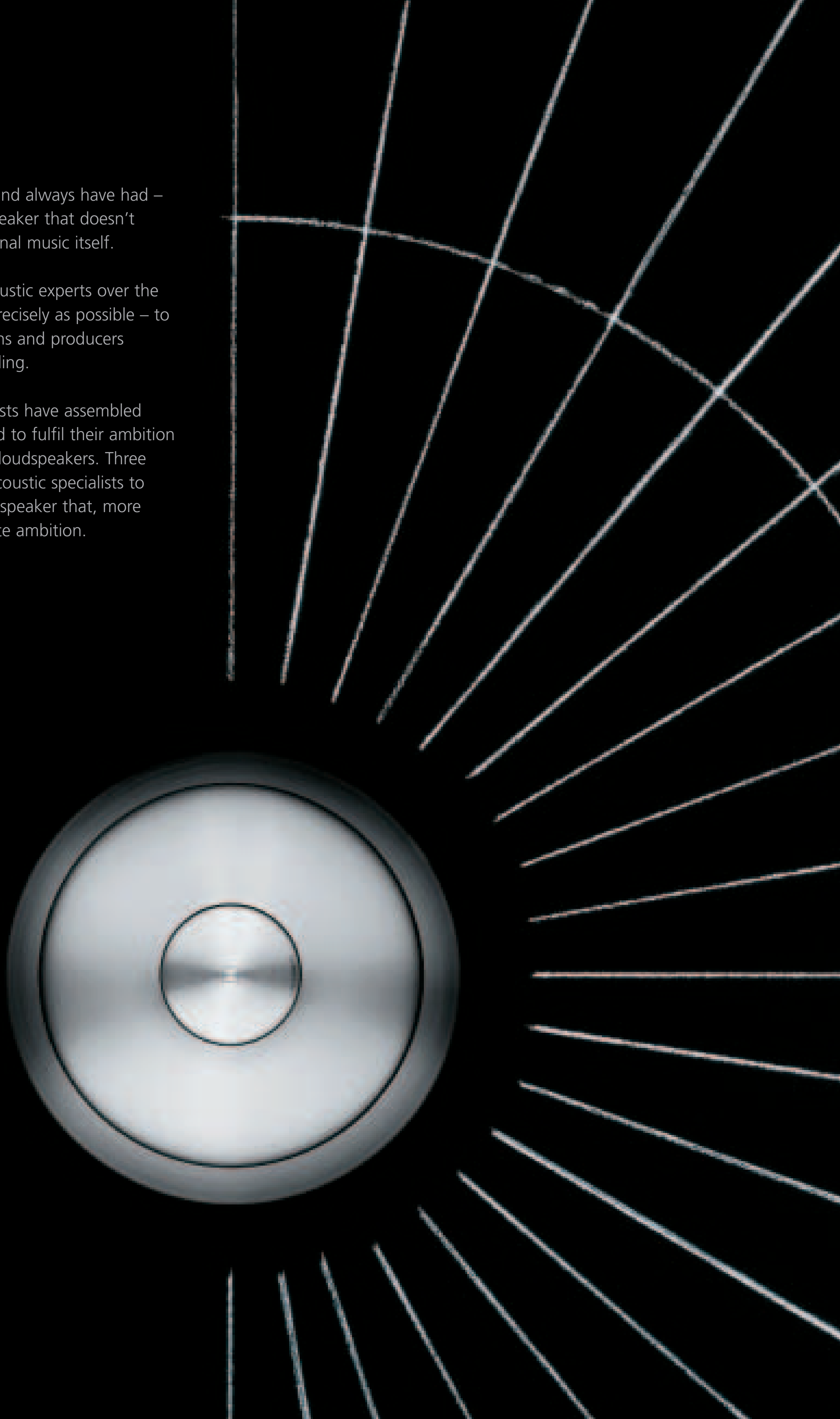
To remain dedicated, stubborn and relentless when confronted with blind alleys are qualities which we value – qualities that characterise everything Bang & Olufsen does.

The ultimate ambition

Bang & Olufsen's acoustic experts have – and always have had – the ultimate ambition of building a loudspeaker that doesn't sound like a loudspeaker, but like the original music itself.

All the loudspeakers developed by our acoustic experts over the years have aimed at replicating music as precisely as possible – to accurately communicate what the musicians and producers wished to convey at the time of the recording.

Over the years, those highly skilled specialists have assembled more and more of the components needed to fulfil their ambition and integrated them into Bang & Olufsen loudspeakers. Three crucial factors allowed Bang & Olufsen's acoustic specialists to claim themselves ready to construct a loudspeaker that, more than ever before, would meet their ultimate ambition.



The human ear

Bang & Olufsen's engineers have always worked intensively with acoustic research. In the early 1980s, they embarked on the Archimedes project, a partnership between Denmark's Technical University, the British loudspeaker manufacturer KEF Electronics and Bang & Olufsen. The project focused on "perception" i.e. how people perceive and experience impressions from their surroundings.

The Archimedes project provided an important answer to how people perceive sound in a room. Since then, Bang & Olufsen has continued the research into this area so that today "perception" is the pivotal point for Bang & Olufsen's research and development – in respect of sound and picture as well as in the operation of our products.

One of the results of the Archimedes project proved that sound reflections from floors and ceilings interfere with the human perception of sound, while reflections from walls are seen as a natural part of listening within the confines of four walls.

This discovery would later prove to be a decisive factor in our acoustic experts' further work.

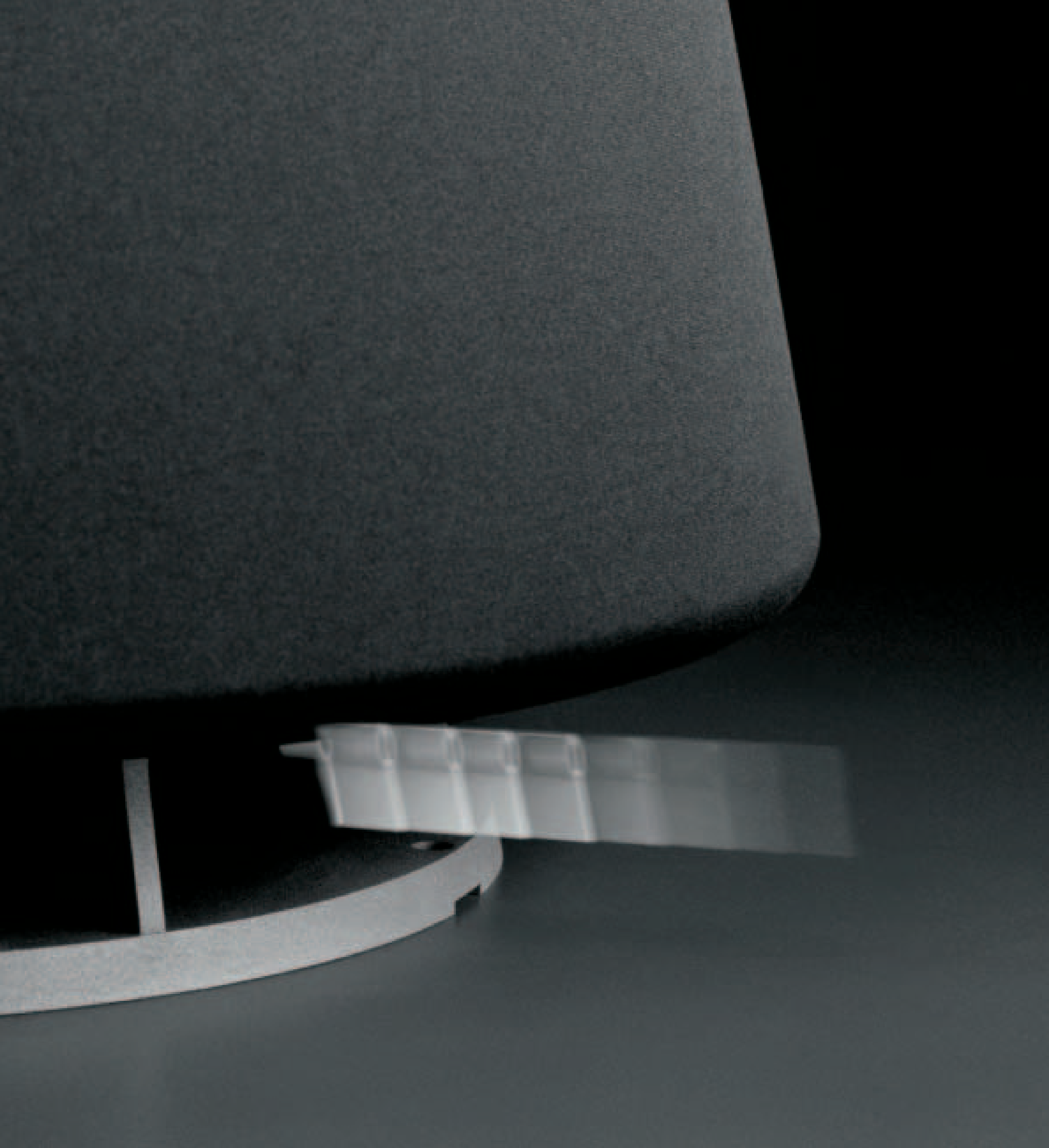
Controlling the bass

Meanwhile, a young Danish engineering student was diligently studying how to control bass tones in a room. Bass tones have the unfortunate characteristic of being significantly affected by the room in which the loudspeaker is placed – and where in the room it's positioned.

If, for instance, the loudspeaker is placed in a corner, the bass will be intensified and the reflections from the walls will cause the sound to boom out. If the loudspeaker is in the middle of the room, the bass will typically sound thin. As this is a problem that can be perceived by everyone, not only by the experts, acoustic specialists across the world have attempted to solve it as long as loudspeakers have existed.

Having completed his studies, the young engineering student was taken on by Bang & Olufsen where he continued his research into controlling bass tones. The result of his research led to two Bang & Olufsen patented technologies: Adaptive Bass Control and Moving Microphone System.

These technologies enable the user to make a small microphone emerge at the touch of a button while, at the same time, the loudspeaker emits a range of sound signals. Through these sound signals, and with the help of advanced computer technology, the loudspeaker can read the room's acoustic properties and its own position in it and adjusts the bass rendition accordingly in just two minutes.



A hotel room in Los Angeles

In 1996, Bang & Olufsen's senior technology manager received an invitation from two American music producers together with a photo depicting a loudspeaker with a curious device on the top. The two Americans had heard about Bang & Olufsen's research and thought that their invention might appeal to Bang & Olufsen.

The technology manager, who was used to this type of approach, arrived at the Americans' hotel room in Los Angeles with considerable scepticism. After just five minutes of listening, however, he believed he had found the final building block, which Bang & Olufsen needed to construct a loudspeaker that would meet the acoustic experts' ambition.

The curious device at the top of the American loudspeaker was an acoustic lens, which made it possible to control the loudspeaker's treble and mid-range. In conventional loudspeakers, the treble and mid-range are directed towards a narrow area, which means that the listener must be right in front of the loudspeakers to benefit from the optimum sonic experience.

Acoustic Lens Technology* enables the loudspeaker to transmit treble and mid-range at a horizontal angle of 180 degrees providing the listener with a consistent sonic experience regardless of his/her position in the room. At the same time, Acoustic Lens Technology minimises reflections from floors and ceilings, but not from the walls – precisely as prescribed in the Archimedes project.

Although the acoustic lens clearly worked, the Americans were unable to describe precisely how and why scientifically. To explore this further, Bang & Olufsen embarked on a research partnership with Sausalito Audio Works aimed at analysing and maturing the technology. However, it would take several years of calibrations and simulations before Bang & Olufsen's engineers were satisfied.

Acoustic Lens Technology is patented by Sausalito Audio Works, the two Americans' company, and is licensed by Bang & Olufsen as sole licencee.

* Acoustic Lens Technology is licensed from Sausalito Audio Works

The washing machine and the synthesis

Back in Struer, Bang & Olufsen's acoustic experts built a set of loudspeakers containing both Acoustic Lens Technology, Adaptive Bass Control and Moving Microphone System in addition to the technologies already available to Bang & Olufsen. In acoustic terms, the loudspeakers achieved the ultimate ambition – not to sound like loudspeakers but like music. In terms of design, however, the loudspeakers looked like washing machines on wheels!

The acoustic experts concealed the loudspeakers behind a curtain and let Chief Designer David Lewis listen to them. David Lewis immediately fell for the sound which he described as "loudspeakers that make no noise". Even if you listen to loud music for extended periods, your ears never tire.

David Lewis undertook the task of transforming the washing machine into Bang & Olufsen loudspeakers – precisely replicating the sound he had experienced from behind the curtain.

It would take several attempts to achieve the final design. During the process, David Lewis challenged the acoustic experts to improve the sound further – which proved to be possible.

In its final form, BeoLab 5 is, even more than the white technology models behind the curtain, a loudspeaker that lives up to our acoustic experts' ultimate ambition. As so BeoLab 5 is a classic example of the synthesis, which Bang & Olufsen constantly strives to achieve – where design and technology go hand in hand, complementing and enhancing each other.

A compact interior

With its solid base frame of welded steel and its compact interior, BeoLab 5's weight totals 61 kg. BeoLab 5 contains four loudspeaker units; treble, mid-range, upper and lower bass. Treble and mid-range are both equipped with Acoustic Lens Technology, while the bass is controlled by Adaptive Bass Control and Moving Microphone System. All units, which are made to Bang & Olufsen's specifications, are active and each is equipped with its own ICEpower amplifier.

ICEpower, yet another of Bang & Olufsen's patented technologies, is digital amplifier technology which produces a very strong effect from very small units with minimal heat development. One single BeoLab 5 unit has a total of 2,500 watt ICEpower amplifier power.

Its amplifier power means that BeoLab 5 can drive the 15 inch large sub-woofer unit which constitutes the lower bass even when the music is at its loudest. Without the use of compact ICEpower technology, the loudspeaker would have been as big as a wardrobe.

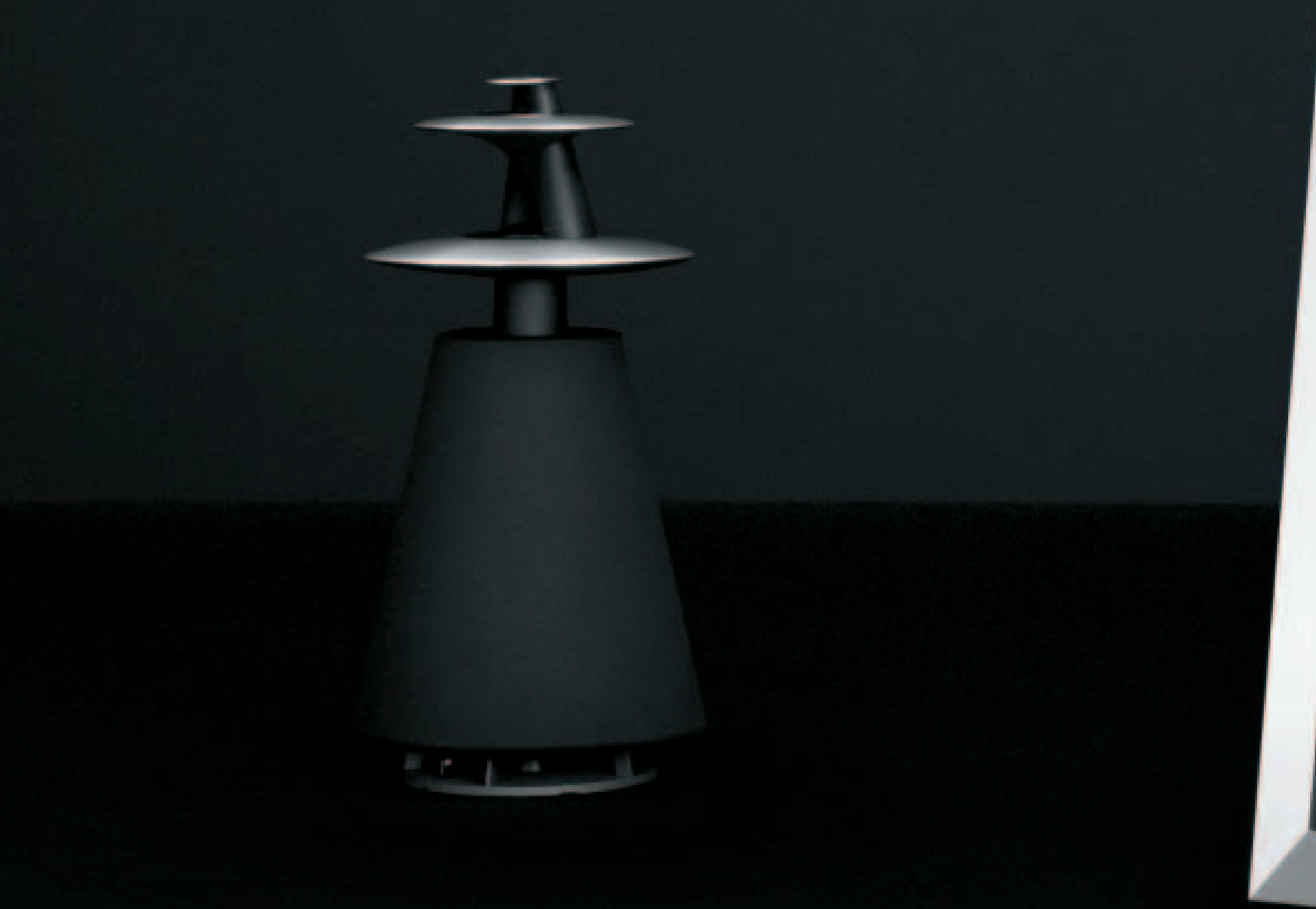
A digital signal processor with more processing power than most ordinary PCs controls the many advanced calculations which are constantly at work within the loudspeakers. Besides Adaptive Bass Control, the digital signal processor calculates and compensates for the effect that the temperature of the loudspeaker units has on the music dispersal, and ensures that the amplifiers don't blow any fuses when they are switched on.

Digital accuracy

To produce BeoLab 5 is a complex process requiring extreme precision from our production staff. All components are manually assembled and tested throughout. The loudspeaker is then put into a pressure and temperature regulated chamber where all components are measured and calibrated to ensure that each loudspeaker has precisely the same qualities as Bang & Olufsen's prototype in Struer.

The calibration, for instance, compensates for the fact that no two loudspeaker units are entirely alike. Software is, therefore, installed in the digital signal processor allowing the individual parts to compensate for any deviations. All data for each loudspeaker is stored.

The result is that if one part of the loudspeaker (against all expectations) has to be replaced, our production staff can calibrate that part and adjust the software so that the component matches the loudspeaker before it leaves the factory. At the service workshop in Japan, for instance, it will be simple to replace the part and instal the new software. The customer's BeoLab 5 will then sound like Bang & Olufsen's prototype once again.



Worldwide attention

BeoLab 5 has been enthusiastically received by acoustic experts and the press across the world. Many see it as further evidence of Bang & Olufsen's pre-eminence in the field of acoustic competency – now as in the past.

The Danish HI-FI magazine "High Fidelity" was one of the first to review BeoLab 5. High Fidelity wrote:

"Bang & Olufsen has enormous expertise in many important fields relating to the development of high level loudspeakers, including, of course, acoustics and electronics. But Bang & Olufsen also have experts at their disposal in the crucial relationship between technical achievement and human perception."

High Fidelity concluded:

"We have often said that Bang & Olufsen's products cost a bit more just because this is expected. Here, however, we would claim that the price of this accomplished sonic solution is – all things considered – particularly attractive.

"We will not hesitate to recommend BeoLab 5 to those who wish to obtain an extremely precise and realistic reproduction of any type of music and who will not compromise on quality or finish. BeoLab 5 is an awe-inspiring loudspeaker that is bound to create a sensation across the world."

Annual Report 2002/03

This document is an translation of the Danish original.
In the event of any inconsistencies the Danish version shall apply.

Contents

Dear Shareholder,

Two years ago, in our accounts for 2000/01, we stated that, after several years of marked expansion of our distribution, we would now focus on consolidation and profitability and growth in our existing shops rather than opening new ones. At the same time, we were determined to place new emphasis on new product development – products to be launched over the following year as well as further into the future. In addition, we again placed the product and the quality experience at the heart of our communication and branding.

In April 2002, in connection with our 3rd quarter report for the Copenhagen Stock Exchange, we set out our three-year objective for achieving an annual growth in earnings of 10-15%.

In the annual accounts for 2001/02, we reiterated our intention of focusing on organic growth across our distribution network. At the same time, we decided – owing to the uncertainties prevailing in several important markets – to show prudence and adjust our cost levels in accordance with expectations for a moderate growth in turnover. In addition, we implemented a number of activities and projects which aimed at increasing our gross margin – and thus our earnings.

The 2002/03 financial year was characterised by the general economic slowdown and our strategy for consolidation, caution and efforts to increase our gross margin has proved sound. Although the market situation, coupled with consolidation and focus on activities, resulted in a fall in turnover of 6%, we succeeded in increasing our earnings by no less than 27% and securing a very strong cash flow.

For this, we must thank our 2,700 committed employees who have all put in a substantial effort on behalf of the Group as well as our shareholders whom we wish to reward for their loyalty by paying an extraordinarily large dividend. Last, but not least, we would like to express our gratitude to our retailers and loyal customers worldwide.

In the next financial year, we will continue to focus on creating organic growth in our distribution which is divided into three types of shop;

B1 shops, which exclusively deal in our products; shop in shop outlets which also sell products from other manufacturers, but which have assigned a considerable area of their shop to our products; and a number of other multibrand shops.

Our strategy is to increase the number of B1 and shop in shop outlets, while the multibrand shops are gradually upgraded to B1 shops or shop in shop outlets. Moreover, we shall strive to support our retail partners through a strong shop concept, a strong product portfolio and a sound marketing and training programme.

In the coming year, we shall continue to keep a tight grip on our costs and be prepared for further economic uncertainties. However, we shall also focus on developing new and exciting products and will sustain our support for retailers and an undiminished level of marketing.

The US continues to be a major challenge, but our efforts to revive the market will continue.

On the basis of these initiatives, we are confident that we are well-prepared to face some years of economic stagnation – not least because our company and our retail partners stand prepared to exploit the opportunities for creating both growth in turnover and earnings when market conditions improve.

Torben Ballegaard Sørensen
President & CEO

On October 10, 2002, in its report for the 1st quarter, Bang & Olufsen a/s informed the Copenhagen Stock Exchange that turnover for the first quarter totalled DKK 887 million against DKK 795 million for the same quarter the previous year. The ordinary result before tax was DKK –9 million, an improvement of DKK 10 million on the year. During the period, the European markets saw positive development, while the US market continued to disappoint.

On the basis of the realised result for the first quarter and the development in September, the Group announced that its expectations for a full-year result of between DKK 280 and 295 million before tax were unchanged.

On October 10, 2002, Bang & Olufsen a/s informed the Copenhagen Stock Exchange that the Annual General Meeting had approved the payment of a dividend of DKK 3.50 per nominal share and had renewed the authorisation given to the company's management to purchase up to 10% of the company's share capital within 18 months from the date of the AGM. Board members Jørgen Worning and Torsten Rasmussen, who were up for re-election, were both re-elected.

In his report, the Chairman, Jørgen Worning, reiterated the expectations which the company had previously expressed for the current financial year, i.e. that on the basis of the realised result for the first quarter, and the development during September, the Group saw no reason to change the expectations for profits of between 280 and DKK 295 million before tax.

On December 4, 2002 Bang & Olufsen a/s announced to the Copenhagen Stock Exchange that the authorisation given by the AGM on September 18, 1998 for the Board of Directors to issue staff shares in one or several increments up to DKK 2 million through increasing the company's ordinary share capital had once again been exercised.

More than 80% of the employees decided to buy shares and, in 2002, Bang & Olufsen's employees had subscribed to shares at a nominal value of DKK 197,490.

On January 15, 2003, Bang & Olufsen a/s, in its Interim Report, announced to the Copenhagen Stock Exchange that turnover for the first half year had increased by DKK 61 million to DKK 2,058 million, corresponding to growth of 3% on the year.

The ordinary result before tax was DKK 136 million against DKK 99 million for the first six months last year. This corresponded to an improvement of DKK 37 million, or 37%.

However, turnover for the second quarter fell by DKK 31 million compared to the same period the year before. A number of important European markets developed positively over the period. Germany and Holland, however, posted unsatisfactory declines. The US market remained problematic.

It was also announced that the product launches were proceeding according to plan and that the beginning of the third quarter had not given the Group any grounds for reviewing its expectations for the financial year of a moderate growth in turnover and a pre-tax result of between DKK 280 and 295 million.

On April 10, 2003, Bang & Olufsen a/s informed the Copenhagen Stock Exchange, in its report for the 3rd quarter, that the ordinary result before tax for the period totalled DKK 251 million against DKK 202 million for the same period the previous year. This corresponded to an improvement of DKK 49 million or 24%.

Turnover for the period was DKK 3,083 million, corresponding to a fall of DKK 106 million or 3% down on the same period the previous year. The Group's cash flow for the first three quarters was positive at DKK 272 million against a positive cash flow of DKK 140 million the previous year. A number of important markets, the UK, Spain/Portugal, Italy, Belgium, Asia, Expansion Markets, Austria, Denmark and France showed satisfactory development while Germany, Holland and the US continued to disappoint.

The gross margin improved by 2.3 percentage points during the period and the Group maintained its tight cost controls. Commitment in relation to product development was unchanged.

The announcement stated that the expectations for pre-tax profits of between 280 million and DKK 295 million for the financial year 2002/03 were maintained. However, the underlying uncertainties for the result had increased substantially.

On May 5, 2003, Chairman Jørgen Worning informed the Copenhagen Stock Exchange that Jan Gesmar-Larsen had, for personal reasons, decided to resign from the Board of Directors of Bang & Olufsen a/s.

On June 2, 2003, Chairman Jørgen Worning informed the Copenhagen Stock Exchange that, following the resignation of Jan Gesmar-Larsen, Torsten Rasmussen had been elected Deputy Chairman.

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

The Environmental Statement/Product Life-Cycle description
can be obtained from Bang & Olufsen Miljø and BST (tel: + 45 96 84 10 72).

Address etc.
Bang & Olufsen a/s, Peter Bangs Vej 15, DK 7600 Struer
tel: + 45 96 84 11 22, fax: + 45 97 85 18 88, website: www.bang-olufsen.com

Financial calendar
2003:
Friday, August 15, Annual Report (2002/03)
Friday, October 10, Annual General Meeting
Friday, October 10, Report for 1st Quarter 2003/04

2004
Wednesday, January 14, Interim Report for 2003/04
Tuesday, April 20, Report for 3rd Quarter 2003/04
Monday, August 16, Annual Report for 2003/04
Friday, October 8, Annual General Meeting

Branded business

Non-branded business

Bang & Olufsen a/s
Brand building, Group staff functions.

Bang & Olufsen AudioVisual a/s*
100% owned
Development and sales of Bang & Olufsen's audio/video products with focus on global distribution development.

Bang & Olufsen Operations a/s
100% owned
Purchasing, production and logistics for the Bang & Olufsen Group.

Bang & Olufsen Telecom a/s
100% owned
Develops and markets new telephony concepts as part of electronic communication in the home.

Bang & Olufsen New Business a/s
100% owned
Develops new business areas based on Bang & Olufsen's competencies and market position.

Bang & Olufsen ICEpower a/s
90% owned
Develops, produces and markets products based on highly effective amplifier technologies.

Bang & Olufsen Medicom a/s
100% owned
Exploits Bang & Olufsen's competencies within the medico area in co-operation with current as well as new partners.

* All companies in Bang & Olufsen AudioVisual a/s are 100% owned.

Dormant companies have not been included.

Scandinavia
Director: Lars Kirstein Andersen

Denmark
Bang & Olufsen Danmark a/s
Kalvebod Brygge 43,
1560 Copenhagen V.
Director: Lars Kirstein Andersen

Norway
Bang & Olufsen AS
Drammensveien 123, Postboks 645
Skøyen, 0214 Oslo
Director: Hans Olav Hole

Sweden
Bang & Olufsen Svenska AB
Drottninggatan 57, 111 21 Stockholm
Director: Tommie Lindberg

Central Europe
Director: Peter Dalm

Germany
Bang & Olufsen Deutschland G.m.b.H.
Rudolf-Diesel-Strasse 8, 82205 Gilching, Munich
Director: Peter Dalm

Switzerland
Bang & Olufsen AG
Grindelstrasse 15, 8303 Bassersdorf
Director: Heinz Müller

Austria
Bang & Olufsen Ges.m.b.H.
Hauptplatz 7, 3430 Tulln
Director: Peter Dalm

Rest of Europe

United Kingdom
Bang & Olufsen United Kingdom Ltd.
UNIT 630, Wharfdale Road,
Winnersh Triangle, Berkshire RG41 5TP
Director: Derek Mottershead

France
Bang & Olufsen France S.A.
141 rue Jules Guesde,
92300 Levallois-Perret
Director: Alberto de Lucio

Spain
Bang & Olufsen Espana S.A.
Avenida Europa 2,
Parque Empresarial La Moraleja,
28108 Alcobendas, Madrid
Director: Alberto de Lucio

Italy
Bang & Olufsen Italia S.p.A.
Via Meravigli 2, 20123 Milan
Director: Francesco Canale

Belgium
S.A. Bang & Olufsen Belgium N.V.
Heide 9, 1780 Wemmel
Director: Peter Sommer

North America

USA
Bang & Olufsen America Inc.
780 West Dundee Road, Arlington Heights, IL-60004
Director: Michael Aagaard Andersen

Asia
Director: Lars Myrup

Japan
Bang & Olufsen Japan K. K.
Shiba Boat Building 9th floor, 3-1-15,
Shiba, Minato-Ku, Tokyo 105-0014
Director: Lars Myrup

Singapore
Bang & Olufsen Asia Pte Ltd.
23, Ubi Road 4, 5th floor,
Olympia Industrial Building,
Singapore 408620
Director: Lars Myrup

Company	Board of Directors	Board of Management
Bang & Olufsen a/s Struer. CVR no. 41257911	Jørgen Worning (Chairman) Torsten Erik Rasmussen (Deputy Chairman) Lars Brorsen John Svejgaard Christoffersen* Joe Dortmarie Davies* Peter Leschly Peter Skak Olufsen Garry Merrild Vestergaard*	Torben Ballegaard Sørensen (President & CEO) Peter Thostrup
Bang & Olufsen AudioVisual a/s Struer. (100% owned) CVR no. 26035384	Jørgen Worning (Chairman) Torsten Erik Rasmussen Peter Leschly Torben Ballegaard Sørensen Peter Thostrup	Torben Ballegaard Sørensen (CEO) Peter Thostrup Peter Eckhardt
Bang & Olufsen Telecom a/s Struer. (100% owned) CVR no. 24062112	Torben Ballegaard Sørensen (Chairman) Peter Thostrup John Christian Bennett-Therkildsen	Peter Thostrup (CEO)
Bang & Olufsen New Business a/s Struer. (100% owned) CVR no. 25051637	Peter Thostrup (Chairman) Torben Ballegaard Sørensen Flemming Møller Pedersen	Jens Peter Zinck (CEO)
Bang & Olufsen Operations a/s Struer. (100% owned) CVR no. 26035406	Peter Thostrup (Chairman) Torben Ballegaard Sørensen John Christian Bennett-Therkildsen	John Christian Bennett-Therkildsen (CEO)
Bang & Olufsen Medicom a/s Struer. (100% owned) CVR no. 24053415	Peter Thostrup (Chairman) Torben Ballegaard Sørensen Henrik Kagenow	Henrik Kagenow (CEO)
Bang & Olufsen ICEpower a/s Lyngby-Tårbæk. (90% owned) CVR no. 25053591	Torben Ballegaard Sørensen (Chairman) Henrik Kagenow Karsten Nielsen Jens Peter Zinck	Poul Søjberg (CEO)

* Elected by the employees

Main banker for all companies
Danske Bank A/S

Auditors for all companies
PricewaterhouseCoopers
DELOITTE & TOUCHE, State-Authorised Public Accounting Company

Directorships in other companies with the exception of wholly-owned subsidiaries

Jørgen Worning
FLS Industries A/S (CM)
Chr. Hansen Holding A/S (DCM)
Dansk Toksikologi Center (CM)

Torsten E. Rasmussen
Coloplast A/S
JAI A/S (DCM)
Vola Holding A/S
Best Buy Group A/S (CM)
Uni-Chains A/S (CM)
Bekaert Handling Group A/S (CM)
Vestas Wind Systems A/S
A/S Det Østasiatiske Kompagni (DCM)
TK Development A/S (DCM)
Amadeus Invest A/S (CM)
Louis Poulsen Holding A/S
Bison A/S
ECCO SKO A/S
Scandinavian International Management Institute Fonden, København
Schur International A/S

Lars Brorsen
Vorsitzender der Geschäftsführung von Jorst-World GmbH

Peter Leschly
Cimbria A/S (DCM)
Energiens Hus ApS
Jernstøberiet Dania A/S
Sahva A/S (CM)
Tinglev Elementfabrik A/S (CM)
Trip Trap Danmark A/S (CM)
Trelleborg Hadsten A/S (CM)
KPC BYG A/S (CM)
SDC DanDisc a/s (DCM)
Agramkow A/S (CM)
ALO Danmark A/S (CM)
Dansk Formpladeindustri A/S
Omada A/S (CM)
JKE Design A/S
Licentia Group A/S (CM)
LitaDan A/S (CM)

Peter Skak Olufsen
A/S Fiil-Sø (CM)
Fiilsø Svineavl A/S (CM)
Hunsballe Frø A/S (CM)
A/S Jydsk Landvinding
Hedeselskabet A/S (CM)
JP/Politikens Hus A/S
Zelder BV

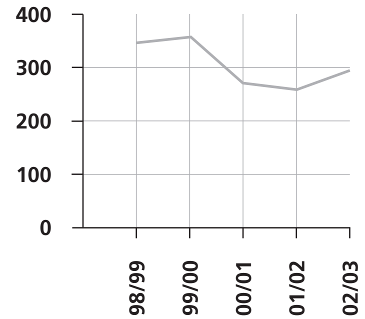
Torben Ballegaard Sørensen
Radiometer A/S (DCM)
SimCorp A/S

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

(CM) = Chairman
(DCM) = Deputy Chairman

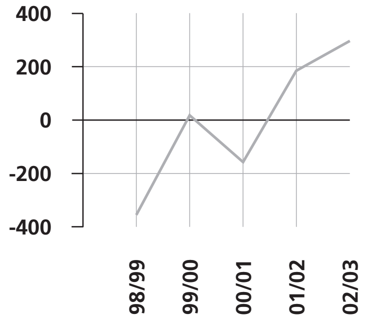
Operating profit

DKK million



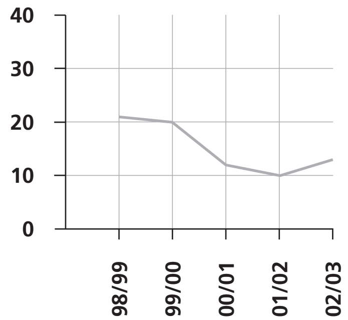
Cash flow

DKK million



Return on equity

%



The key figures are as follows:

Profit ratio:

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

Rate of return:

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

Return on equity:

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

Current ratio:

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

Equity ratio:

$\frac{\text{Equity at year end x100}}{\text{Liabilities at year end}}$

Earnings per share (nominal DKK 10):

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

Intrinsic value (nominal DKK 10):

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

Price/earnings:

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

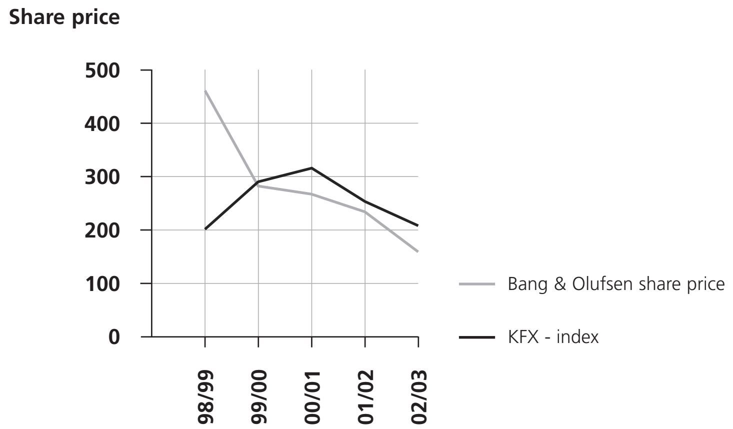
Five-year summary, main and key figures

Group (DKK million)	1998/99	1999/00	2000/01	2001/02	**2002/03**
Profit and loss account					
Net turnover	3,380	3,722	3,810	4,212	**3,974**
Turnover in foreign markets as percentage of above	76	79	80	81	**81**
Operating profit	346	357	283	260	**296**
Financial items, net	8	(23)	(50)	(35)	**(9)**
Result from ordinary operations before tax	361	337	236	228	**290**
Extraordinary items	(63)	20	-	-	**-**
Group result	199	257	156	138	**193**
Result for the year, Bang & Olufsen a/s' share	199	257	162	149	**190**
Balance sheet					
Total assets, end of year	2,026	2,296	2,466	2,504	**2,572**
Share capital	134	134	134	134	**134**
Equity, end of year	1,140	1,245	1,308	1,406	**1,551**
Minority interests	-	-	1	-	**1**
Cash flow for the year	(356)	19	(157)	184	**296**
Of which cash flow from:					
Operating activity	368	329	222	433	**641**
Investment activity	(301)	(350)	(327)	(224)	**(243)**
- of which investment in tangible fixed assets	(233)	(308)	(269)	(150)	**(132)**
- of which investment in intangible fixed assets	(64)	(85)	(91)	(85)	**(146)**
Financing activity	(423)	40	(52)	(25)	**(102)**
Employment					
Number of employees at year-end	2,668	2,797	2,776	2,871	**2,636**
Key figures					
Profit ratio, %	10	10	7	6	**7**
Rate of return, %	19	18	13	11	**13**
Return on equity, %	21	20	12	10	**13**
Current ratio	1.7	1.9	1.9	2.1	**2.6**
Equity ratio, %	56	54	53	56	**60**
Earnings per share (nom. DKK 10), DKK	21	19	13	11	**15**
Intrinsic value (nom. DKK 10), DKK	90	100	105	112	**115**
Quotation as at May 31	462	283	268	235	**159**
Price/earnings	23	15	21	21	**10**
Quotation/intrinsic value	5.1	2.8	2.6	2.1	**1.4**
Dividend paid/proposed per share (nom. DKK 10), DKK	5.00	6.00	3.50	3.50	**7.00**

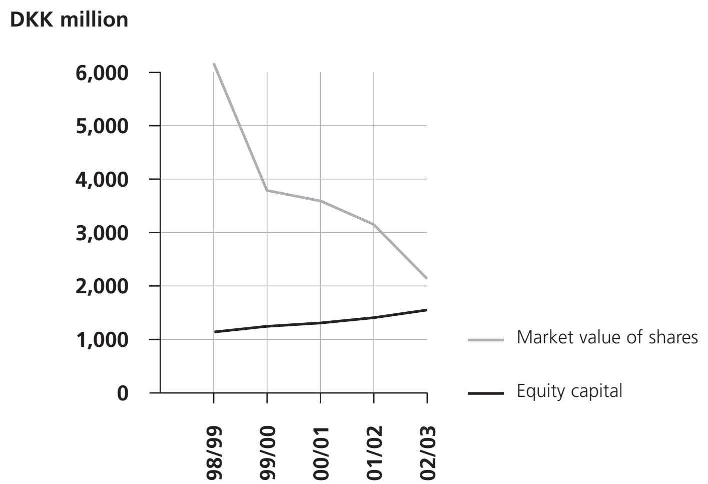
Parentheses denote negative figures.

For the calculation of the key figures, the guidelines laid down by the Danish Society of Financial Analysts have been followed. The calculation of the ordinary profit after tax has been adjusted for minority interests. In respect of Group goodwill, the accounting practice differs from the guidelines' recommendations for key figures until and including 2001/02 where Group goodwill has been amortised directly over the equity in the acquisition year. Group goodwill acquired after June 1, 2002 is capitalised and amortised, cf. 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 in relation to equity capital 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.

The shareholders

The Bang & Olufsen share
During the financial year, the price of Bang & Olufsen a/s' ordinary shares fell from 235 to 159, i.e. approx. 32%. Over the same period, the Copenhagen Stock Exchange's KFX-index declined by approx. 18%. Thus reducing the market value of Bang & Olufsen a/s' ordinary shares from DKK 2,882 million to DKK 1,953 million.

Dividend policy
The Group's dividend policy aims at paying one third of the profits after tax as dividend. Due to the strong cash flow, the Group wishes to pay an extraordinarily large dividend for the financial year 2002/03 of DKK 7.00 per nom. DKK 10 share, i.e. DKK 94 million. This will be proposed to the Annual General Meeting.

Own shares
As at 31 May, 2003, Bang & Olufsen a/s holds own shares of nom. DKK 8,949,510 corresponding to approx. 6.7% of the share capital.

Options
Bang & Olufsen's established share option programme comprises a number of directors and managers in the Group. The total options pool amounts to 121,257 options, which can be exercised during the period 2003-2008. For further information, please refer to note 2.

Shares held by members of the Board of Management
As at May 31, 2003, the members of the Board of Management of Bang & Olufsen a/s hold nominally DKK 2,000 ordinary shares (multiple voting shares) and nominally DKK 8,340 ordinary shares.

Annual General Meeting and payment of dividend
The Annual General Meeting will be held on Friday, October 10, 2003 at 4.30 pm at Struer Gymnasium. Dividend is expected to be paid on Thursday, October 16, 2003.

Register of shareholders in accordance with the Annual Accounts Act, Section 104.
As at May 31, 2003, Bang & Olufsen a/s has approx. 14,500 registered shareholders accounting for an ownership share of approx. 78% of the share capital. Of these, the following shareholders are registered in the company's register in accordance with the Annual Accounts Act, Section 104, as at May 31, 2003.

Shareholders	Nominal amount DKK (1,000)	Capital %	Votes %
Lønmodtagernes Dyrtidsfond, Vendersgade 28, 1, 1363 Copenhagen K	13,394	9.97	15.61
Nordea Companies Danmark A/S, Torvegade 2, 1786 Copenhagen V	6,983	5.20	12.68
ATP, Kongens Vænge 8, 3400 Hillerød	9,753	7.26	4.10
Boston Safe Deposit and Trust Co. Global Custody Division, 135 Santilli Hachway, Room 0026-0025, Everett, Ma. 02149-1950, USA	6,979	5.20	2.94

The share capital consists of

Ordinary shares (multiple voting shares):	1,147,500 of DKK 10	DKK 11,475,000
Ordinary shares:	12,284,533 of DKK 10	DKK 122,845,330
Total		DKK 134,320,330

Circulating shares

Issued shares	13,432,033
- Own shares	(894,951)
Total	12,537,082
Average no. circulating shares	12,537,082

Key figures

Key figures	1998/99	1999/00	2000/01	2001/02	2002/03
Share capital DKK million	134	134	134	134	134
Earnings per share (nom. DKK 10)	21	19	13	11	15
Intrinsic value (nom. DKK 10)	90	100	105	112	115
Quoted share price at 31 May	462	283	268	235	159
Dividend paid/proposed per share (nom. DKK 10) DKK	5.00	6.00	3.50	3.50	7.00

The financial year was characterised by turbulence and material fluctuations in the Group's individual markets. Throughout the year, there has been focus on securing absolute as well as relative progress in the Group's profitability and a strong cash flow despite difficult market conditions. This has been achieved and the Group, therefore, meets the April 2002 financial objectives for 10-15% earnings growth.

The result is a consequence of growth in a number of important markets, price increases and a targeted effort aimed at reducing current production costs. Focus on the Group's profitability will be maintained in the current financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Strong cash flow and a solid balance sheet

The balance sheet increased by DKK 68 million, from DKK 2,504 million to DKK 2,572 million. The growth primarily relates to liquid assets, which increased by DKK 281 million.

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

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

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

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

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

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

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

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

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

Branded business

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

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

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

Developments in individual markets

Percentage changes are calculated in local currencies.

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

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

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

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

Denmark pulls Scandinavia forward

Denmark

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

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

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

Sweden

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

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

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

Norway

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

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

Structural changes and difficult times in Central Europe

Germany

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

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

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

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

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

Switzerland

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

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

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

Holland

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

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

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

Austria

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

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

Satisfactory advance in Italy

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

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

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

Increasing turnover in Spain/Portugal

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

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

Changes in France

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

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

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

Advances in Belgium

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

The effort to improve the quality of the distribution in Belgium continued.

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

Restructuring of the US operation

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

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

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

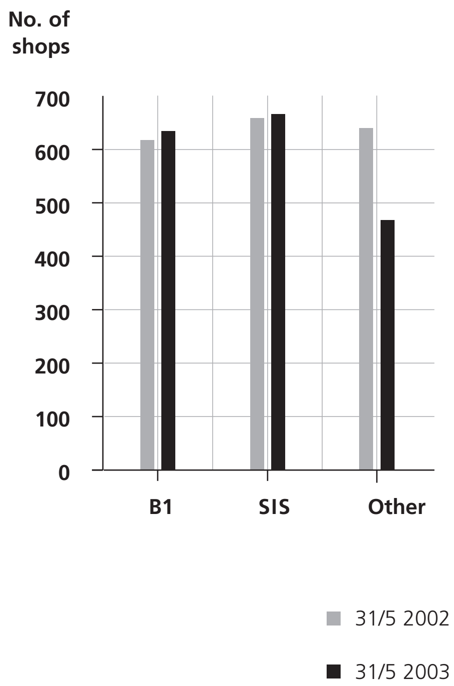
A new management team is currently restructuring the US market organisation and increasing the marketing effort with focus on individual shops.

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

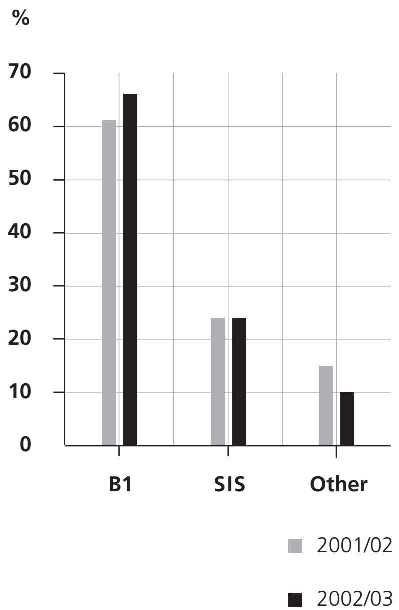
Asian markets stable despite SARS

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

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 dedicated sales area for Bang & Olufsen products

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

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

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

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

Narrow product portfolio in Japan

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

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

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

Expansion Markets show satisfactory growth

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

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

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

Focus on quality and consolidation in the distribution

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

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

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

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

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

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

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

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

Streamlined production

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

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

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

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

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

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

The financial year's product launches

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

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

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

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

Technological World News

In May, Bang & Olufsen introduced BeoLab 5 to both the Danish and the international press, an event that raised considerable attention. To be distributed globally to Bang & Olufsen's shops from August 2003, BeoLab 5 is a new loudspeaker comprising several patented technologies.

In terms of both design and innovative technology, BeoLab 5 is the result of many years' research and development – and places Bang & Olufsen among the global leaders with regard to acoustic research at the highest level. BeoLab 5 is an active and intelligent loudspeaker which, through ICEpower technology, offers such amplifying power and such highly developed digital signal processors that optimum sound is assured at all times.

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

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

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

Design award for David Lewis

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

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

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

Non-branded business

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

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

Difficult year for Bang & Olufsen Medicom

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

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

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

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

Bang & Olufsen ICEpower in line with expectations

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

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

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

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

Expectations for 2003/04

A strong launch programme but uncertain market conditions

Product launches

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

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

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

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

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

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

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

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

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

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

Market conditions

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

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

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

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

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

Bang & Olufsen Medicom and ICEpower

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

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

Earnings and resources

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

Expectations for the Group's result

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

In March 2001, the Danish Ministry of Trade and Industry set up a committee tasked with assessing the need for recommendations for good corporate governance in Denmark and to suggest concrete proposals for the formulation of such recommendations.

The Committee's work resulted in "The Nørby Committee's report on Corporate Governance in Denmark – Recommendations for Good Corporate Governance in Denmark."

On the basis of the Nørby Committee's report, the Board of Directors of Bang & Olufsen a/s considered the general level of Corporate Governance implementation in the company.

The general principles behind the report's specific recommendations have, for several years, been part of the Board's work.

In its report, the Nørby Committee recommends that the Board of Directors assess the expediency of any articles of association concerning voting rights differentiation and, in the annual report, consider whether a revocation of this differentiation is desirable and possible.

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 appropriate for securing the company's stable development. The Board of Directors will continually assess the expediency of the aforementioned division.

In its report, the Nørby Committee recommends that information relating to individual directors and members of the Management Board's share-based incentive schemes should be published in the company's annual report.

Members of the Bang & Olufsen Board of Directors do not benefit from incentive schemes. In view of the size of the incentive-based remuneration of the Board of Management's members, the Board of Directors regards it as sufficient to publish the options pool at Group level.

The Nørby Committee's report contains recommendations concerning members of the Management Board's directorships and management positions in other companies.

The Board of Bang & Olufsen a/s previously decided that members of the Management Board are permitted to have up to two directorships of other companies.

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

Environmental statement

All human activity has an impact on the surrounding environment. This is also the case with regard to the production and use of Bang & Olufsen's products. Bang & Olufsen, therefore, continually strives to reduce environmental impact and to establish a balance between such impact and regard for our products' useful qualities, economy, lifetime and aesthetics in order to be a leader in our field.

We communicate openly about environmental issues and, since 1995, have published a voluntary environmental statement each year setting out the environmental impact from our own factories as well as consumption of raw materials, energy, water and waste volumes and working environment issues.

We wish to contribute to global sustainable development and assess our activities from a life-cycle perspective. Focus has, to a significant extent, changed from the factories' environmental impact to that of the products. Consequently, Bang & Olufsen publishes a life cycle description "To the last detail…." in addition to the environmental statement. The ambition is to prepare a life-cycle description for one of the company's new products every year.

In 1997, we signed a voluntary agreement concerning the reduction of standby-consumption for TV and video products which stipulates that European manufacturers and importers must report the average sales-weighted effect consumption each year. Bang & Olufsen adheres to the agreement in respect of both TV and video products and, as set out in our environmental policies, ranks among the best within the sector.

Bang & Olufsen has also signed a voluntary agreement with the EU Commission concerning the reduction of standby consumption for audio products. Our own requirements are more stringent than the agreement's target levels for 2007.

The environmental statement and "To the last detail…" can both be obtained from Bang & Olufsen Miljø and BST, tel: + 45 96 84 10 72.

Bang & Olufsen's current and future business is based on the development, production and sales of advanced audio, video and telephony products in global markets. The company's vision is to constantly question the ordinary in search of surprising, long-lasting experiences.

The capacity to develop pioneering concepts and products – in terms of technology as well as design – to match customers' requirements and preferences is crucial for Bang & Olufsen's future profitability. Our products must be carefully considered solutions that embrace aesthetics and quality as well as functionality, operation and integration.

This requires continual focus on the maintenance and development of the competencies, the experience, and, indeed, the spirit at the root of our innovative skills and that we constantly explore the limits of the possible. We do this through internal and external training programmes as well as through exchange of knowledge and other forms of partnerships with a range of organisations and institutes of learning. Moreover, we have designed our internal organisation to provide total solutions to customers' overall needs by exploiting the full range of professional skills available across our organisation - and by staying in close contact with our customers.

The development of new, innovative products is further supported by Bang & Olufsen's comprehensive insight into – and knowledge of – how people perceive sound and images. Our research within this specialised field contributes significantly to the development of products that meet our customers' wishes and needs.

Our products' outstanding quality and advanced features, of course, require the use of production machinery and technologies that operate with a high level of precision and, therefore, place considerable demands on the skill and experience of our employees. We have special competencies within the production and design of high-standard, reliable electronic components as well as surface treatment of aluminium and the development of durable mechanical parts.

Supported by the products' qualities and features, the Bang & Olufsen brand is a crucial competitive parameter. The brand is further enhanced by the Group's centrally co-ordinated retail concept and a brand strategy aimed at providing a consistent view of our company and its products - in each shop and for each customer.

The Group's management of financial risks

The Bang & Olufsen Group's extensive international operations mean that its profit and loss account, balance sheet and equity are constantly exposed to financial risks.

These risks are:
· Foreign exchange risks
· Interest rate risks
· Credit risks
· Liquidity risks

Bang & Olufsen assesses these risks at Group level.

Foreign exchange risks

81% of the Group's turnover derives from international sales. However, the figure does not express the Group's foreign exchange risk exposure in that the Group's purchasing policies aim at matching purchasing and sales currencies to the greatest possible extent.

The Group has net inflows in Euro, GBP, CHF, SEK while the most significant exposure on the outflow side is in USD.

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

The Group's net monetary items in foreign currencies are given in note 28.

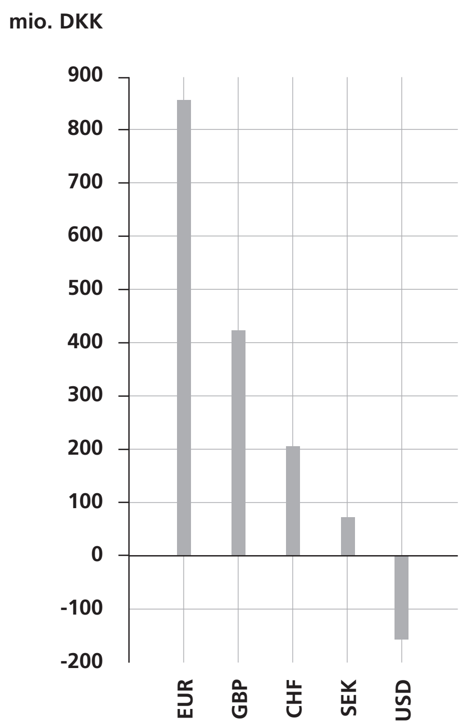
Interest rate risks

As the interest-bearing assets are insignificant, the Group's interest rate risks relate mainly to its interest-bearing debt.

At year-end, the Group's interest-bearing debt totalled DKK 373 million (corresponding to 14% of the balance sheet). The interest-bearing debt is primarily medium-term (more details are given in note 21). Due to the low debt levels and the fact that borrowing is almost 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's liquidity was positive. This is expected to continue in the coming financial years.

The year's net flow in key currencies



Credit risks

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

The Group sells its product range through 1,770 dealers worldwide. In view of the number of dealers and the significant geographical spread of the dealer network, the Group believes that the credit risks in relation to receivables are limited.

The individual dealers as well as their geographical locations are subject to continuous review. When deemed necessary, the Group employs bank guarantees or debtor insurance against outstanding debts.

Losses on receivables have remained at a reasonable level over the past three years and the Group sees no significant credit risks relating therefrom.

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

Liquidity risks

The financial stand-by is continually assessed and managed by the parent company's finance function. This ensures that, at any given time, there is flexible and unused stand-by credit available of a sufficient size and provided by major, recognized financial institutions. On the basis of its financial stand-by arrangements, the Group believes that there are no grounds to anticipate liquidity problems.

Profit and Loss Account

Fall in turnover of DKK 238 million

The Group's turnover for 2002/03 fell by DKK 238 million to DKK 3,974 million which equates to a fall of 6%.

The decline in turnover occurred in the branded business and in Bang & Olufsen Medicom a/s. Bang & Olufsen ICEpower a/s saw an advance in turnover of DKK 14 million during the year under review.

In the branded business turnover fell by DKK 175 million, i.e. 4%. The markets show a varying picture. During the year, the UK achieved an increase in turnover of DKK 23 million to DKK 582 million, i.e. 10%. The Spanish/Portuguese, and Italian as well as Expansion Markets maintained their growth with advances in turnover of DKK 21 million, DKK 25 million and DKK 23 million respectively. The Central European market, including Holland, suffered a decline in turnover of DKK 172 million. Turnover in the US fell by DKK 66 million.

Distributed on product groups, Group turnover fell by 10% within the audio and acoustic segments while sales of video products fell by 4%. On a Group basis, telephony turnover rose by DKK 18 million or 6%. Development in turnover means that audio and acoustics now account for 37% of the turnover against 38% last year. Video products' share of turnover is unchanged at 42%. Other products' share of the turnover increased from 20% to 21%.

Gross margin rose by 3.6 percentage points

Bang & Olufsen a/s' gross margin rose by 3.6 percentage points, from 38.6% to 42.2%. The increase was driven by efficiency measures in production and price increases for a range of products.

Costs in relation to turnover

Costs pertaining to development, distribution, marketing and administration increased by DKK 14 million, i.e. 1%, in 2002/03. Proportionate to the turnover, these costs account for 34.7% of the turnover against 32.4% in 2001/02.

Distribution and marketing costs rose by DKK 13 million, mainly due to the costs in the US market which incurred non-recurring costs relating to the closure of own shops and write-down on receivables.

Development costs rose by DKK 5 million to DKK 321 million. These costs include the development of BeoSound 3200, BeoVision 5 for the US market and BeoCom 4. In addition, costs relating to BeoLab 5, BeoCenter 2 and BeoVision 6 have been capitalised.

Result of ordinary operations in associated company

Bang & Olufsen a/s owns 33% of John Bjerrum Nielsen A/S. The impact on the result is DKK 3.0 million before tax against DKK 2.8 million in the previous financial year.

Financing

Financial items improved by DKK 26 million to DKK -9 million against DKK -35 million the previous financial year. Foreign exchange losses full to DKK 1 million against DKK 10 million in 2001/02. In addition, interest-related items saw an improvement due to the Group's positive cash flow.

Tax rate

The overall tax rate for the year fell to 34% against 39% last year. Again, the Group has decided not to capitalise deferred tax relating to the US.

Of the expensed tax of DKK 97 million, DKK 99 million relates to the branded business. A refund for corporation tax to Bang & Olufsen Medicom has taken place.

Minority shares

The item pertains to a minority share of 10% in Bang & Olufsen ICEpower a/s and a minority share of 45% in a joint venture in the US.

Balance sheet

Fixed assets

Fixed assets fell by DKK 36 million to DKK 1,080 million against DKK 1,116 million the previous year. The net decline covers opposite trends for intangible and tangible fixed assets.

Intangible fixed assets

Intangible fixed assets increased by DKK 61 million to DKK 240 million. Of this, DKK 35 million relates to development projects and should be seen within the context of the Group's planned product launches during the 2003/04 financial year. In addition, there was an increase in acquired rights of DKK 20 million. This includes the Group's investments in software.

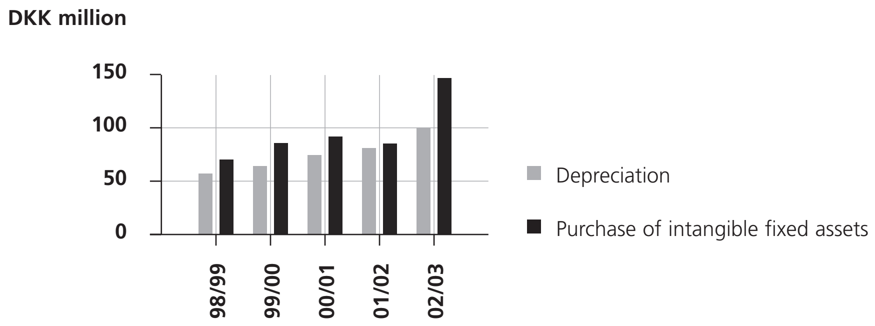
Tangible fixed assets

Tangible fixed assets fell by DKK 113 million. The Group's investments in fixed assets were DKK 132 million against last year's level of DKK 150 million. This is in line with the Group's stated intention of readjusting activity levels. Depreciation on tangible fixed assets totalled DKK 163 million, while DKK 48 million worth of assets were sold.

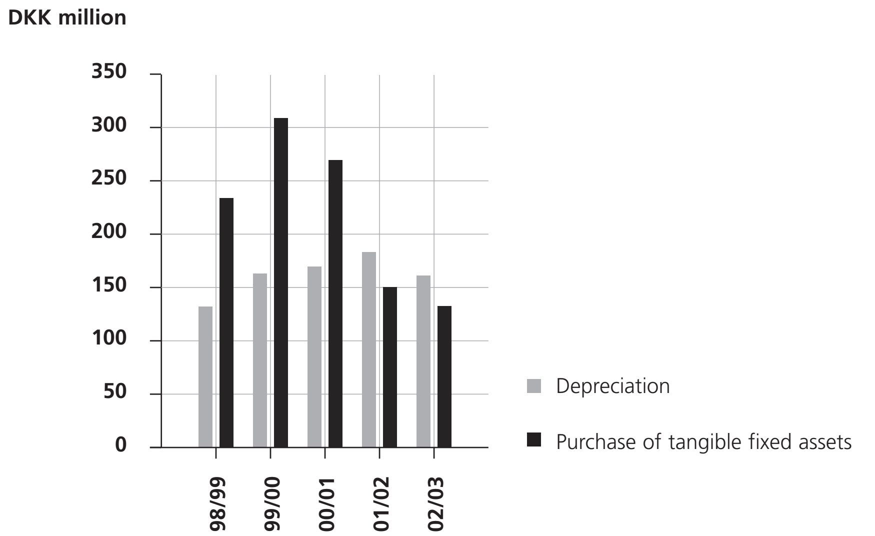
Current assets

Current assets increased by DKK 104 million, from DKK 1,388 million to DKK 1,492 million.

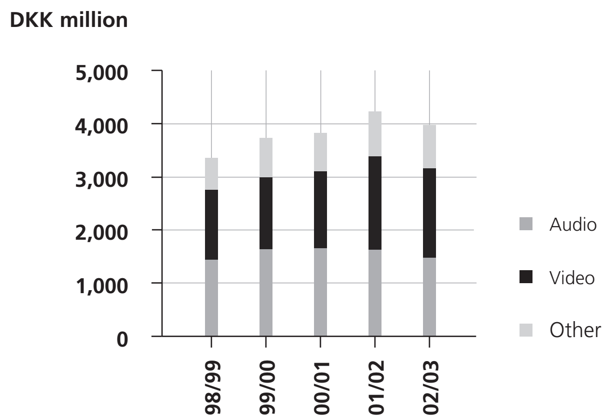
Purchase of intangible fixed assets and depreciation



Purchase of tangible fixed assets and depreciation



Turnover broken down into product groups



The rise is primarily owing to an increase in liquid funds of DKK 281 million. Stock was reduced by DKK 123 million to DKK 530 million. Trade debtors fell by DKK 57 million to DKK 438 million.

Equity

Equity totals DKK 1,551 million against DKK 1,406 million last year. The proposed dividend is DKK 94 million against DKK 47 million last year.

Cash Flow Statement

Cash flow for the year was positive at DKK 296 million against DKK 184 million in 2001/02. The Group's cash flow from operating activities was DKK 641 million against last year's DKK 433 million. The difference can be attributed to the positive development in the Group's operating capital.

Liquidity requirements for investments amounted to DKK 243 million against DKK 224 million last year. The change again reflects two opposite trends – a fall in investments in fixed assets and a rise in investments in intangible fixed assets. During the financial year, DKK 59 million was repaid on the Group's long-term debt against DKK 27 million the year before. No loans were raised during the financial year. In the 2001/02 financial year loans totalling DKK 45 million were raised.

During the year dividends totalling DKK 47 million were paid to shareholders.

The Management have today considered and adopted the 2002/03 annual report of 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 otherwise 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 the Parent's assets, equity and liabilities, financial position, and results.

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

Struer, 15 August 2003

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 Christoffersen

Joe D. Davies

Peter Leschly

Peter Skak Olufsen

Garry Merrild Vestergaard

Auditors’ report

To the shareholders of Bang & Olufsen a/s

We have audited the annual report of Bang & Olufsen a/s for 2002/03.

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 financial position at 31 May 2003 and of the results of their operations as well as the consolidated cash flows for the financial year 1 June 2002 - 31 May 2003 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 2003

PricewaterhouseCoopers

Carsten Gerner
State Authorised Public Accountant

Jesper Lund
State Authorised Public Accountant

DELOITTE & TOUCHE
State Authorised Public Accounting Company

Erik Holst Jørgensen
State Authorised Public Accountant

Henrik Z. Hansen
State Authorised Public Accountant

Accounting principles applied

Basic principles

The corporate annual report for Bang & Olufsen a/s has been prepared in accordance with the requirements in the Danish Annual Accounts Act for class D companies, Danish accounting standards and guidelines for listed companies issued by the Copenhagen Stock Exchange.

Changes in accounting principles applied

As a consequence of the new Danish Annual Accounts Act and the updated accounting standards, the following changes to accounting principles applied have taken place.

Group goodwill

New practice

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

Past practice

According to past practice group goodwill was determined 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. Group goodwill was depreciated directly over the equity.

Development projects

New practice

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

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

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

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.

Capitalised development projects are measured at carrying amount or 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.

Past practice

Up to now development costs have been recognised in the profit and loss account in the year in which they were incurred.

Dividend

New practice

Dividend is recognised as a liability in the accounts from the date of approval by the Annual General Meeting. Proposed dividend is recognised as a separate item under equity.

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

Past practice

Proposal for dividend was previously included as a liability in the accounts while dividend receivable was recognised as an asset when proposed.

Financial liabilities

New practice

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

Past practice

Previously financial liabilities were measured at nominal value and loss due to depreciation recognised in the Profit & Loss account.

Derivative financial instruments and hedging

New practice

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

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

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

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

Past practice

According to past practice derivative financial instruments were disclosed and the hedged assets and liabilities were recognised at the hedged value.

Leasing

The Group mainly has operating leasing contracts. Rental and leasing costs are expensed in the year in which they are incurred.

Consequences of changes to accounting principles

The changes in principles have positively affected the result from ordinary operations before tax by DKK 35.1 million. The corresponding change for the previous year is DKK 2.1 million. Tax on the changes in principle is DKK 10.5 million, after which DKK 24.6 million affects the result from ordinary operations.

Total assets as at May 31, 2003 are increased by DKK 200.2 million, while equity, as a consequence of the changes in principles, is increased by DKK 161.9 million as at June 1, 2002 and by DKK 160.4 million as at June 1, 2001.

Details of the consequences of the changes in accounting principles applied are specified subsequently:

Operating profit:

	2002/03	2001/02
Operating profit before changes to accounting principles	261.3	257.9
Development costs capitalised during the year	116.5	81.1
Amortisation, development projects	(81.4)	(79.0)
Total change	35.1	2.1
Operating profit after changes to accounting principles	296.4	260.0

Result from ordinary operations:

	2002/03	2001/02
Result from ordinary operations before tax and before changes to accounting principles	255.0	225.6
Change as a result of new accounting principles, cf. above	35.1	2.1
Result from ordinary operations before tax and after changes to accounting principles	290.1	227.7
Tax on ordinary result	(97.4)	(89.5)
Result for the year after tax	192.7	138.2

Equity:

	1/6 02	1/6 01
Opening equity	1,244.1	1,146.9
Changes to opening equity:		
Capitalised development costs	165.2	163.1
Adjustment, deferred tax	(49.7)	(49.1)
Changes in accounting principles applied, associated company	(0.5)	(0.5)
Adjustment re dividend	46.9	46.9
Adjusted opening equity	1,406.0	1,307.3

The change in accounting principle for group goodwill is, in accordance with the transitional provisions in the Annual Accounts Act and accounting standard 18 on merging businesses, only made effective for business mergers carried out from June 1, 2002. The comparative figures have not been adjusted.

The change in accounting principle for financial liabilities together with derivative financial instruments and hedging has no material consequences for the Group.

For other changes in accounting principles applied comparative figures and main and key figures have been adjusted accordingly.

As a consequence of the changes in accounting principles applied, the definition of operating and investment activities in the cash flow statement has been changed. Cash flow relating to development projects is now stated as cash flow from investment activities. For the financial year 2002/03 the cash flow from investment activities has been increased by DKK 116.5 million, while the cash flow from operating activities has been reduced correspondingly. Comparative figures in the cash flow statement have been adjusted.

Except for the above described changes the corporate financial statements have been prepared in accordance with the accounting principles applied last year.

Besides the change in accounting principles applied, the new Annual Accounts Act has resulted in a few reclassifications between captions and in the disclosures. These reclassifications have no effect on 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 company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that the company 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 are done at cost price. Subsequently assets and liabilities are measured as described subsequently for each item.

Certain financial assets and liabilities are measured at amortised cost price, by which means a constant true interest over the duration is recognised. 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 nominal value. Consequently the profit due to appreciation/loss due to depreciation is allocated over the duration of the asset/liability.

When recognizing and measuring, due consideration is taken to predictable losses and risks that arise before the financial statements are finalized and which confirm or deny conditions, which exist on the balance sheet date.

Income is recognised in the Profit & Loss account when it is earned. Furthermore all costs incurred to achieve the year's earnings, hereunder depreciation, write downs and provisions are recognised in the Profit & Loss account as well as reversal of amounts, which have previously been recognised in the Profit & Loss account, due to change in accounting judgments and estimates.

Consolidation

Consolidation practice

The consolidated financial statements comprise 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 financial statements have 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 accounting principles applied in the foreign subsidiaries have been adjusted to the Group's accounting principles unless these only differ insignificantly from them.

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

Recently 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 assets and liabilities. Group goodwill acquired from and including June 1, 2002 is recognised in the balance sheet and amortised on a straight-line basis over the expected economic lifetime, which is determined on the basis of the Management Board's experience of the individual business areas, although a maximum of 20 years applies.

For acquisitions before June 1, 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. Group goodwill was depreciated 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 investment in associated company" 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 given separately. Minority interests' share of the equity is given in a separate item between "Equity" and "Provisions".

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

Foreign exchange

Profit and Loss

Transactions in foreign currency during the year are booked at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the transaction date's exchange rate and the exchange rate prevailing at the balance sheet date are recognised in the Profit and Loss account as financial income/expense.

Receivables and payables

Receivables, payables and other monetary items in foreign currency have been booked at the exchange rates prevailing on the balance sheet date. Unrealised and realised currency gains and losses are included in the Profit & Loss account under financial income and costs.

Translation of accounts of foreign subsidiaries

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

The profit and loss accounts are converted to average foreign exchange rates while balance sheet items are converted at the exchange rates prevailing on the balance sheet date. Differences deriving from conversion of the foreign companies' initial equity to the exchange rates prevailing on the balance sheet date and the differences owing to the conversion of the foreign companies' Profit & Loss accounts into average exchange rates are adjusted in the equity.

Hedging of investments in foreign subsidiaries is also adjusted in the equity.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised in the balance sheet at cost price and 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 criteria 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. Earnings and costs relating to hedge-transactions are transferred from equity when the hedged position is realised.

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

Profit and Loss

Net turnover

Revenue from sales of goods is recognised in the Profit and Loss account when delivery and transfer of ownership have taken place. Revenue is recognised net of value added tax and rebates related to the sale.

Production costs

Production costs comprise wage and stock consumption and indirect costs, including salaries and depreciation, 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 and Loss account as development costs along with depreciation 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. Costs in subsidiaries, which are exclusively responsible 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. incl. depreciation.

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

In the Group's and parent company's Profit & Loss account, share of profits before tax in associated company after proportional elimination of intra-group profits and losses and deducted depreciations on Group goodwill acquired after June 1, 2002 is included in the item "Result from investment in associated company", while the share of the associated company's tax liability is included under "Tax on ordinary result."

Leasing/Rental
Rent and leasing payments relate to operational leasing of operating equipment, vehicles and administrative equipment. Rent and leasing payments are recognised in the year in which they incur. Leasing liabilities are disclosed.

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

Tax
Tax for the year, which includes the year's anticipated tax liability on taxable earnings and changes in deferred tax, is recognised in the Profit and Loss account with the share that is directly 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 some of its 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 supplementary payments, deduction or refunds related to tax are included in financial items.

Balance Sheet

Intangible fixed assets

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

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

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

Development projects with an expected 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 related to financing the production of intangible fixed assets is recognised in the Profit & Loss account.

Capitalised development projects are measured at carrying amount or recoverable amount if this is lower.

Following the completion of the development work, development costs 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 recognised at cost price and are measured at cost price less accumulated depreciation.

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

Acquired rights are depreciated 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 the deduction of accumulated depreciation and impairment write-downs.

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

Cost price comprises acquisition price and costs directly related to the acquisition to 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-suppliers.

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

Tangible fixed assets with a cost price less than DKK 25,000 are recognised in the Profit and Loss account in the year of acquisition. Subsidies concerning tangible fixed assets have been deducted in the cost price.

Depreciation

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

Land and buildings	
Land	None
Buildings	40 years
Interior refurbishment/ special installation	10 years
Plant and machinery	
Single purpose production tools	4-6 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, not exceeding 10 years.

Write down of 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 depreciations. If this is the case the asset is written down to the asset's lower recoverable value. 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 fix a recoverable value for one asset, the assets should be assessed for the smallest group of assets for which a reliable recoverable value can be fixed.

Financial fixed assets

Investments in subsidiaries are recognised 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 depreciated Group goodwill relating to mergers after June 1, 2002. Group goodwill relating to mergers before June 1, 2002 has been written off directly over the equity.

Investment in associated company is measured in the balance sheet of the Group and the parent company following the equity method in accordance with the latest published annual financial statements adapted to the Group's accounting principles applied or periodic financial statements, after proportional elimination of intra-group profits and losses and added not depreciated Group goodwill acquired after June 1, 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 value to the extent the receivable is assessed non-receivable. 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 subsidiaries' obligations.

The proportion of the results from subsidiaries and associated company, which has not been paid out as dividend, has been transferred to the reserves for net write-up in accordance with the equity method.

Other financial receivables

Other financial receivables comprise primarily loans to external parties and are recognised and measured at amortised cost price corresponding to face value less write down for expected losses. Write down for expected losses are based on assessment of each account outstanding.

Inventories

Inventories are recognised at purchase/ cost price using the FIFO principle, or at the net realization value, if this is lower.

Cost price for raw materials, other materials 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 additional indirect production costs. Costs of financing are not included in the cost price.

Receivables

Receivables are recognised 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 assessment of each account outstanding and for receivables from sales also with a general write down based on the company's experience.

Equity

Dividend

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

Own shares

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

Incentive programmes

The Group's obligation according to the share option programme and other share based programmes is not recognised as a provision in the balance sheet since the obligation is effectively secured by the Group's supply of own shares, which have been recognised directly to equity. Payments related to these programmes are recognised at equity and do not affect the Profit & Loss account.

Liabilities

Pension liabilities

Pension liabilities are recognised when these are not secured, at the current value of the expected future payments deducted any associated assets.

Provision for warranty

Provision for warranty comprises obligations to 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 debt 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 fiscal value of possible losses and provisions etc. is entered if it is likely to be included in future fiscal results.

If the deferred tax constitutes a positive amount, this is entered in the balance sheet as a deferred tax asset.

Corporation tax is the tax expected to be liable on the year's taxable earnings calculated in accordance with the tax law, less tax on account.

Financial long-term 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 capitalized 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 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 year.

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

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, paid financial items and corporation taxes and changes to 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 as well as yield and earnings from increases in the share capital.

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 form 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.

Notes	Bang & Olufsen a/s	Group		Parent Company	
	(DKK million)	2002/03	2001/02	2002/03	2001/02
1 ...	**Net turnover**	**3,974.2**	**4,212.0**	**272.0**	**283.4**
2 ...	Production costs	(2,297.3)	(2,585.5)	(257.0)	(277.6)
	Gross profit	**1,676.9**	**1,626.5**	**15.0**	**5.8**
2 ...	Development costs	(320.7)	(316.1)	-	-
2 ...	Distribution and marketing costs	(926.7)	(914.2)	-	-
2 ...	Administration costs etc.	(133.1)	(136.2)	(20.8)	(22.5)
	Operating profit	**296.4**	**260.0**	**(5.8)**	**(16.7)**
3 ...	Result from investment in subsidiaries before tax	-	-	244.3	259.7
	Result from investment in associated company before tax	3.0	2.8	3.0	2.8
4 ...	Financial income	25.2	17.9	73.5	38.0
5 ...	Financial costs	(34.5)	(53.0)	(27.8)	(45.8)
	Financial items, net	(9.3)	(35.1)	45.7	(7.8)
	Result from ordinary operations before tax	**290.1**	**227.7**	**287.2**	**238.0**
6 ...	Tax on ordinary result	(97.4)	(89.5)	(97.4)	(89.5)
	Group result	**192.7**	**138.2**		
7 ...	Of which minority share	(2.9)	10.3		
	Result for the year, Bang & Olufsen a/s' share	**189.8**	**148.5**	**189.8**	**148.5**

Proposed profit distribution:

Reserve for net revaluation according to the equity method			148.4	39.6
Retained earnings			(52.6)	62.0
Proposed dividend for the financial year			94.0	46.9
			189.8	148.5

Parentheses denote negative figures or amounts to be deducted.
Notes: see pages 73 - 91

Notes	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 03	31/5 02	31/5 03	31/5 02
	Intangible fixed assets				
	Completed development projects	117.0	97.6	-	-
	Acquired rights	32.9	13.2	22.9	-
	Goodwill	6.6	-	-	-
	Development projects in progress	83.2	67.6	-	-
8 ...	Total intangible fixed assets	239.7	178.4	22.9	-
	Tangible fixed assets				
	Land and buildings	315.8	332.7	219.7	232.0
	Plant and machinery	277.5	327.1	1.4	1.3
	Other equipment	90.0	129.9	35.6	57.1
	Leasehold improvements	46.1	67.5	0.7	1.0
	Tangible fixed assets in progress and pre-payments for fixed assets	65.3	50.6	5.0	4.4
9 ...	Total tangible fixed assets	794.7	907.8	262.4	295.8
	Financial fixed assets				
10 ...	Investment in subsidiaries	-	-	951.4	803.0
11 ...	Investment in associated company	9.5	7.5	9.5	7.5
12 ...	Other financial receivables	36.2	22.1	-	-
	Total financial fixed assets	45.7	29.6	960.9	810.5
	Total fixed assets	**1,080.1**	**1,115.8**	**1,246.2**	**1,106.3**
	Inventories				
	Raw materials	191.6	239.8	-	-
	Work in progress	40.4	52.4	-	-
	Spare parts	110.4	113.0	-	-
	Finished goods	187.2	247.2	0.4	-
	Total inventories	529.6	652.4	0.4	-
	Debtors				
	Trade receivables	438.3	495.1	-	-
	Receivables from subsidiaries	-	-	301.7	655.0
	Dividend receivable	-	2.0	-	2.0
13 ...	Other receivables	56.1	64.3	15.7	7.9
14 ...	Deferred tax assets	9.2	7.0	-	1.8
15 ...	Accruals	14.0	3.2	1.6	1.8
	Total debtors	517.6	571.6	319.0	668.5
	Liquid funds	445.0	164.4	387.8	97.7
	Total current assets	**1,492.2**	**1,388.4**	**707.2**	**766.2**
	Total assets	**2,572.3**	**2,504.2**	**1,953.4**	**1,872.5**

Notes	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 03	31/5 02	31/5 03	31/5 02
	Equity				
16 ...	Share capital	134.3	134.1	134.3	134.1
	Premium on share issue	3.5	2.8	3.5	2.8
	Reserve for net revaluation according to the equity method	-	-	188.0	39.6
	Retained earnings	1,319.3	1,222.2	1,131.3	1,182.6
	Proposed dividend for the financial year	94.0	46.9	94.0	46.9
	Total equity	**1,551.1**	**1,406.0**	**1,551.1**	**1,406.0**
17 ...	**Minority interests**	**0.6**	**-**	**-**	**-**
	Provisions				
18 ...	Pensions	0.3	0.2	-	-
19 ...	Deferred tax	78.5	38.6	10.6	-
20 ...	Other provisions	44.3	46.0	15.0	-
	Total provisions	**123.1**	**84.8**	**25.6**	**-**
21 ...	**Long-term liabilities**				
	Mortgage loans	135.7	181.3	82.7	124.1
	Loans from banks, etc.	193.9	202.4	162.5	162.5
	Total long-term liabilities	329.6	383.7	245.2	286.6
	Short-term liabilities				
21 ...	Repayment of long-term borrowing in the coming year	42.9	48.0	38.7	38.8
21 ...	Loans from banks, etc.	-	15.7	-	15.7
	Trade payables	157.4	183.8	13.8	8.8
	Pre-payments from customers	17.7	-	0.1	-
	Payable to associated company	-	6.9	-	6.9
22 ...	Corporation tax	8.6	68.4	-	27.0
23 ...	Other payables	341.3	306.9	78.9	82.7
	Total short-term liabilities	567.9	629.7	131.5	179.9
	Total liabilities	**897.5**	**1,013.4**	**376.7**	**466.5**
	Total equity and liabilities	**2,572.3**	**2,504.2**	**1,953.4**	**1,872.5**

Notes: see pages 73 - 91

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

Outgoings given in parentheses.
Notes: see pages 73 - 91

Bang & Olufsen a/s, Group

(DKK million)	Share capital	Premium on share issue	Retained earnings	Proposed dividend	Total
Equity 1 June 2002	**134.1**	**2.8**	**1,107.2**	**-**	**1,244.1**
Accumulated effect at the beginning of the year from changes to accounting principles	-	-	115.0	46.9	161.9
Adjusted equity as at 1 June 2002	134.1	2.8	1,222.2	46.9	1,406.0
Capital increase used for employee shares	0.2	0.7	-	-	0.9
Tax on employee shares	-	-	0.6	-	0.6
Exchange rate adjustment in subsidiaries	-	-	(1.0)	-	(1.0)
Equity adjustments in subsidiaries	-	-	(0.8)	-	(0.8)
Unrealised exchange loss on derivative financial instrument	-	-	(0.6)	-	(0.6)
Dividend paid	-	-	-	(46.9)	(46.9)
Dividend, own shares	-	-	3.1	-	3.1
Proposed dividend for financial year	-	-	-	94.0	94.0
Retained earnings	-	-	95.8	-	95.8
Equity 31 May 2003	**134.3**	**3.5**	**1,319.3**	**94.0**	**1,551.1**

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

Parentheses denote negative figures or amounts to be deducted.

Bang & Olufsen a/s, parent company

(DKK million)	Share capital	Premium on share issue	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend	Total
Equity 1 June 2002	**134.1**	**2.8**	**39.6**	**1,067.6**	**-**	**1,244.1**
Accumulated effect at the beginning of the year from changes to accounting principles	-	-	-	115.0	46.9	161.9
Adjusted equity as at 1 June 2002	134.1	2.8	39.6	1,182.6	46.9	1,406.0
Capital increase used for employee shares	0.2	0.7	-	-	-	0.9
Tax on employee shares	-	-	-	0.6	-	0.6
Exchange rate adjustment in subsidiaries	-	-	-	(1.0)	-	(1.0)
Equity adjustments in subsidiaries	-	-	-	(0.8)	-	(0.8)
Unrealised exchange loss on derivative financial instrument	-	-	-	(0.6)	-	(0.6)
Dividend paid	-	-	-	-	(46.9)	(46.9)
Dividend, own shares	-	-	-	3.1	-	3.1
Proposed dividend for the financial year	-	-	-	-	94.0	94.0
Retained earnings	-	-	148.4	(52.6)	-	95.8
Equity 31 May 2003	**134.3**	**3.5**	**188.0**	**1,131.3**	**94.0**	**1,551.1**
Equity 1 June 2001	**133.9**	**2.1**	**-**	**1,010.9**	**-**	**1,146.9**
Accumulated effect at the beginning of the year from changes to accounting principles	-	-	-	113.5	46.9	160.4
Adjusted equity as at 1 June 2001	133.9	2.1	-	1,124.4	46.9	1,307.3
Capital increase used for employee shares	0.2	0.7	-	-	-	0.9
Tax on employee shares	-	-	-	0.4	-	0.4
Exchange rate adjustment in subsidiaries	-	-	-	(3.4)	-	(3.4)
Depreciation of Group goodwill	-	-	-	(2.4)	-	(2.4)
Equity adjustments in subsidiaries	-	-	-	(1.6)	-	(1.6)
Dividend paid	-	-	-	-	(46.9)	(46.9)
Dividend, own shares	-	-	-	3.2	-	3.2
Proposed dividend for the financial year	-	-	-	-	46.9	46.9
Retained earnings	-	-	39.6	62.0	-	101.6
Equity 31 May 2002	**134.1**	**2.8**	**39.6**	**1,182.6**	**46.9**	**1,406.0**

Specification of movements in share capital:	2002/03	2001/02	2000/01	1999/00	1998/99
Share capital at the beginning of the year	134.1	133.9	133.9	133.6	133.4
Capital increase	0.2	0.2	-	0.3	0.2
Share capital at the end of the year	134.3	134.1	133.9	133.9	133.6

(DKK million)	Branded business Bang & Olufsen		Non-branded business Bang & Olufsen Medicom a/s	
Primary segment - activities	2002/03	2001/02	2002/03	2001/02
Net turnover	3,761.0	3,936.2	219.7	297.4
Internal turnover	(27.7)	(31.6)	(2.1)	-
External turnover	3,733.3	3,904.6	217.6	297.4
Gross profit	1,608.1	1,542.1	34.4	60.0
Operating profit	292.4	238.5	(4.7)	20.2
Result from ordinary operations before tax	308.4	230.7	(8.2)	16.1
Group result	209.1	146.3	(5.8)	11.0
Fixed assets	1,062.0	1,061.7	99.5	125.4
Current assets	1,424.4	1,337.6	55.1	102.9
Total assets	2,486.4	2,399.3	154.6	228.3
Equity	1,551.1	1,406.0	75.8	81.6
Minority interests	0.6	-	-	-
Subordinate loan capital	-	-	-	-
Provisions	120.2	81.2	2.8	3.5
Liabilities	814.5	912.1	76.0	143.2
Total liabilities	2,486.4	2,399.3	154.6	228.3
Average number of employees in Denmark	2,053	2,175	234	285
Abroad	493	462	-	-
	2,546	2,637	234	285

Parentheses denote negative figures or amounts to be deducted.

Non-branded business Bang & Olufsen ICEpower a/s		Other/eliminations		Bang & Olufsen a/s, Group	
2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
30.9	16.8	(37.4)	(38.4)	3,974.2	4,212.0
(7.6)	(6.8)	37.4	38.4	-	-
23.3	10.0	0.0	0.0	3,974.2	4,212.0
11.9	5.8	22.5	18.6	1,676.9	1,626.5
(9.6)	(18.5)	18.3	19.8	296.4	260.0
(10.1)	(19.1)	-	-	290.1	227.7
(10.6)	(19.1)	-	-	192.7	138.2
5.9	2.2	(87.3)	(73.5)	1,080.1	1,115.8
37.6	4.0	(24.9)	(56.1)	1,492.2	1,388.4
43.5	6.2	(112.2)	(129.6)	2,572.3	2,504.2
5.9	(13.5)	(81.7)	(68.1)	1,551.1	1,406.0
-	-	-	-	0.6	-
5.6	5.4	(5.6)	(5.4)	-	-
0.1	0.1	-	-	123.1	84.8
31.9	14.2	(24.9)	(56.1)	897.5	1,013.4
43.5	6.2	(112.2)	(129.6)	2,572.3	2,504.2
23	23	-	-	2,310	2,446
-	-	-	-	493	462
23	23	-	-	2,803	2,908

Secondary segment - geography

	Total fixed assets		Total liabilities		Net turnover	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
Scandinavia	2,178.4	2,034.4	1,502.5	1,884.2	931.4	982.4
Central Europe	34.4	41.2	141.4	133.1	830.4	923.0
Rest of Europe	33.9	43.0	113.3	141.7	1,598.8	1,665.9
North America	57.8	68.2	179.9	240.3	321.9	389.0
Asia	4.2	5.0	41.9	48.0	202.0	184.4
Rest of the world	-	-	-	-	89.7	67.3
Eliminations	(1,228.6)	(1,076.0)	(957.8)	(1,349.1)	-	-
Total	1,080.1	1,115.8	1,021.2	1,098.2	3,974.2	4,212.0
Export share					81%	81%

Notes ...

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
1 ... **Net turnover**				
Scandinavia	931.4	982.4	272.0	283.4
Central Europe	830.4	923.0	-	-
Rest of Europe	1,598.8	1,665.9	-	-
North America	321.9	389.0	-	-
Asia	202.0	184.4	-	-
Rest of world	89.7	67.3	-	-
Total	3,974.2	4,212.0	272.0	283.4
Export share	81%	81%	-	-

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
2 ... **Employees**				
Remuneration to Board of Directors of parent company	2.2	1.6	2.2	1.6
Remuneration to Board of Management of parent company	5.8	7.2	5.8	7.2
Wages, salaries, fees	828.6	852.5	81.2	89.0
Pensions	38.1	32.0	4.5	3.6
Other statutory contributions	43.7	46.9	1.6	2.0
	918.4	940.2	95.3	103.4
Average no. of full-time employees:				
Denmark	2,310	2,446	267	268
Abroad	493	462	-	-
	2,803	2,908	267	268

The Bang & Olufsen Group's share option programme comprises a number of directors and senior managers. The allocation of options is dependent on employment during the qualifying periods. The options pool totals 121,257 shares which can be exercised between 2003-2008.

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.

To secure 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 2001	-	60,625	51,375	112,000		
Allocated 2001/02	-	3,125	307	3,432	270	August 2002 - August 2006
Allocated 2001/02	-	3,125	307	3,432	305	August 2003 - August 2007
Allocated 2001/02	-	3,125	306	3,431	177	August 2004 - August 2008
Outstanding 31 May 2002	-	70,000	52,295	122,295		
Terminated 2002/03	-	-	(1,880)	(1,880)	270	
Terminated 2002/03	-	-	(1,880)	(1,880)	305	
Terminated 2002/03	-	-	(1,880)	(1,880)	177	
Allocated 2002/03	-	500	1,801	2,301	305	August 2003 - August 2007
Allocated 2002/03	-	500	1,801	2,301	177	August 2004 - August 2008
Allocated 2002/03	-	1,000	(2,038)	(1,038)		
Outstanding 31 May 2003	-	71,000	50,257	121,257		

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

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

As at 31 May, 2003, 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	-	40,000	-	40,000	200	August 2002 - August 2006
Financial year 2000/01	-	-	20,000	20,000	270	August 2002 - August 2005
Financial year 2001/02	-	10,000	8,885	18,885	270	August 2002 - August 2006
Financial year 2002/03	-	10,500	10,686	21,186	305	August 2003 - August 2007
Financial year 2003/04	-	10,500	10,686	21,186	177	August 2004 - August 2008
Outstanding 31 May 2003	-	71,000	50,257	121,257		

Share options in Bang & Olufsen a/s	Board of Directors	Board of Management	Other directors and managers	Total
Market value 31 May 2003	-	2,463	1,335	3,798
Market value 31 May 2002	-	6,396	4,004	10,400

The market value has been calculated on the basis of Black-Scholes' model for determining the value of options. For the 2001/02 and 2002/03 calculation, the average dividend for the Bang & Olufsen a/s share for the period 1998-2002 has been used, a volatility of 38.90% and 42.72%, the risk-free interest rate (swap interest, mid-price) has been calculated for the 2nd year at 2.46%, 3rd year 2.73%, 4th year 3.02%, 5th year 3.26% and the expected term is determined for the expiry of the maturity period.

Calculated on the basis of the stock exchange price of 159 as at 31 May, 2003, the intrinsic value totals DKK 0.0 million.

None of the above options was exercised as at 31 May, 2003.

The company's management does not benefit from any other incentive schemes.

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
3 ... **Result from investment in subsidiaries before tax**				
Share of profit in subsidiaries	-	-	261.6	297.7
Share of loss in subsidiaries	-	-	(23.9)	(41.1)
Change in unrealised consolidated gross profit	-	-	6.6	3.1
	-	-	244.3	259.7
4 ... **Financial income**				
Interest income from banks, etc.	7.3	2.8	6.4	1.6
Interest income from subsidiaries	-	-	27.9	34.7
Exchange rate gains, net	-	-	33.6	-
Cash discounts	8.3	8.5	-	-
Other financial income	9.6	6.6	5.6	1.7
	25.2	17.9	73.5	38.0
5 ... **Financial costs**				
Interest on amounts owed to banks etc	14.2	21.3	11.7	18.5
Interest on amounts owed to mortgage credit institutes	10.3	11.3	6.8	8.1
Interest costs for subsidiaries	-	-	7.9	7.8
Exchange rate loss, net	0.6	9.7	-	9.3
Cash discounts	4.7	5.1	-	-
Other financial costs	4.7	5.6	1.4	2.1
	34.5	53.0	27.8	45.8

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
6 ... **Tax on ordinary result**				
Parent company:				
Current tax	10.5	19.6	10.5	19.6
Change in deferred tax	1.4	(25.7)	1.4	(25.7)
Adjustment previous year, current and deferred tax	(21.8)	(0.6)	(21.8)	(0.6)
Parent company, total	(9.9)	(6.7)	(9.9)	(6.7)
Subsidiaries and associated company:				
Current tax	106.3	142.7	106.3	142.7
Change in deferred tax	(3.7)	(39.1)	(3.7)	(39.1)
Adjustment previous year, current and deferred tax	4.7	(7.4)	4.7	(7.4)
Subsidiaries and associated company, total	107.3	96.2	107.3	96.2
Tax on ordinary result	97.4	89.5	97.4	89.5

Tax on year’s result can be explained as follows:

	Group 2002/03	Group 2001/02
Danish corporation tax	30.0%	30.0%
Tax effect of:		
Non-deductible costs and non-taxable income	0.4%	0.2%
Differing tax rate in foreign subsidiaries	1.4%	1.5%
Adjustment of tax relating to previous year	(5.9%)	(3.5%)
Non-capitalised tax loss	7.3%	11.2%
Other	0.4%	-
Year’s effective tax rate	33.6%	39.4%

Corporation tax paid in the parent company including tax paid on an instalment basis amounts to DKK 73.8 million.

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

7 ... **Minority interests’ share of the year’s result**	Group 2002/03	Group 2001/02
Bang & Olufsen ICEpower a/s	5.5	1.3
Retail East LLC	(8.4)	9.0
Minority interests’ share of the year’s result, total	(2.9)	10.3

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	-	22.9	-	-	22.9
Accumulated effect of the changes to the accounting principles at the beginning of the year	511.0	-	-	67.6	578.6
Adjusted cost price, 1 June	511.0	22.9	-	67.6	601.5
Exchange adjustment to year-end rate	-	(0.7)	-	-	(0.7)
Reclassification	-	63.5	-	-	63.5
Additions during the year	33.3	22.9	6.9	83.2	146.3
Disposals during the year	-	(15.1)	-	-	(15.1)
Completed development projects	67.6	-	-	(67.6)	-
Cost price, 31 May	611.9	93.5	6.9	83.2	795.5
Depreciation, 1 June	-	9.7	-	-	9.7
Accumulated effect of the changes to the accounting principles at the beginning of the year	413.5	-	-	-	413.5
Adjusted depreciation, 1 June	413.5	9.7	-	-	423.2
Exchange adjustment to year-end rate	-	(0.2)	-	-	(0.2)
Reclassification	-	40.9	-	-	40.9
Year's depreciation	81.4	17.6	0.3	-	99.3
Adjustment for depreciation on assets sold	-	(7.4)	-	-	(7.4)
Depreciation 31 May	494.9	60.6	0.3	-	555.8
Book value 31 May	117.0	32.9	6.6	83.2	239.7

Depreciation on intangible fixed assets is expensed under the following items:	
Production costs	1.9
Development costs	83.6
Distribution and marketing costs	7.5
Administration costs	6.3
	99.3

In 1997/98, the Group acquired a capital share in the then Bang & Olufsen a/s. In accordance with the Group's accounting principles at the time, Group goodwill was determined at DKK 296.3 million which was immediately depreciated over the equity capital.

Parentheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

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

Parent company	Completed development projects	Acquired rights	Goodwill	Development projects in progress	Total
Cost price 1 June	-	-	-	-	-
Reclassification	-	44.6	-	-	44.6
Additions during the year	-	18.5	-	-	18.5
Cost 31 May	-	63.1	-	-	63.1
Depreciation 1 June	-	-	-	-	-
Reclassification	-	28.0	-	-	28.0
Depreciation for the year	-	12.2	-	-	12.2
Depreciation 31 May	-	40.2	-	-	40.2
Book value 31 May	-	22.9	-	-	22.9

Depreciation on intangible fixed assets is expensed under the following items:	
Production costs	1.3
Development costs	1.8
Distribution and marketing costs	2.8
Administration costs	6.3
	12.2

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	529.5	1,252.1	380.0	113.3	50.6	2,325.5
Exchange adjustment to year-end rate	(2.0)	-	(6.9)	(14.4)	-	(23.3)
Reclassification	0.4	-	(55.0)	(9.0)	-	(63.6)
Additions during the year	10.3	38.7	19.4	14.6	48.8	131.8
Commissioned assets	-	11.9	0.2	-	(12.1)	-
Disposals during the year	(6.5)	(45.5)	(34.2)	(17.2)	(22.0)	(125.4)
Cost 31 May	531.7	1,257.2	303.5	87.3	65.3	2,245.0
Depreciation 1 June	196.8	925.0	250.1	45.8	-	1,417.7
Exchange adjustment to year-end rate	(0.6)	-	(3.2)	(4.5)	-	(8.3)
Reclassification	-	-	(31.6)	(9.3)	-	(40.9)
Year's depreciation	20.7	97.2	27.8	17.2	-	162.9
Adjustment for depreciation on assets sold	(1.0)	(42.5)	(29.6)	(8.0)	-	(81.1)
Depreciation 31 May	215.9	979.7	213.5	41.2	-	1,450.3
Book value 31 May	315.8	277.5	90.0	46.1	65.3	794.7

Value of property in Denmark (cash value) according to most recent valuation is DKK 294.8 million.
The cost price for property abroad is DKK 40.9 million.

Depreciation of tangible fixed assets is expensed under the following items:	
Production costs	112.9
Development costs	12.5
Distribution and marketing costs	31.8
Administration costs	5.7
	162.9

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	408.1	5.0	134.2	1.2	4.4	552.9
Exchange adjustment to year-end rate	-	-	-	-	-	-
Reclassification	-	-	(44.7)	-	-	(44.7)
Additions during the year	9.4	0.4	5.5	-	0.6	15.9
Disposals during the year	(6.5)	-	(5.2)	-	-	(11.7)
Cost price 31 May	411.0	5.4	89.8	1.2	5.0	512.4
Depreciation 1 June	176.1	3.7	77.1	0.2	-	257.1
Reclassification	-	-	(28.0)	-	-	(28.0)
Depreciation for the year	16.2	0.3	9.5	0.3	-	26.3
Adjustment for depreciation on assets sold	(1.0)	-	(4.4)	-	-	(5.4)
Depreciation 31 May	191.3	4.0	54.2	0.5	-	250.0
Book value 31 May	219.7	1.4	35.6	0.7	5.0	262.4

Value of property in Denmark (cash value) according to most recent valuation is DKK 294.8 million.

Depreciation of tangible fixed assets is expensed under the following items:	
Production costs	10.2
Development costs	8.1
Distribution and marketing costs	2.8
Administration costs	5.2
	26.3

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
10 ... **Investment in subsidiaries**				
Cost price 1 June			763.4	762.9
Additions during the year			-	0.5
Cost price 31 May			763.4	763.4
Value adjustment 1 June			(75.9)	(300.2)
Accumulated effect of the changes to the accounting principles at the beginning of the year			115.5	114.0
Adjusted value adjustment 1 June			39.6	(186.2)
Exchange adjustment, opening			(1.0)	(3.4)
Equity adjustments			(0.7)	(1.6)
Unrealised loss on derivative financial instrument			(0.6)	-
Depreciation of group goodwill			-	(2.4)
Capital increases in subsidiaries			-	42.0
Change in unrealised consolidated gross profit			6.6	3.1
Net result for the year after tax			131.3	161.1
Offset in receivables affiliated companies			(2.2)	27.0
Negative equity included under provisions			15.0	-
Value adjustment 31 May			188.0	39.6
Book value 31 May			951.4	803.0
11 ... **Investment in associated company**				
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	(9.0)	(11.1)	(9.0)	(11.1)
Accumulated effect of the changes to the accounting principles at the beginning of the year	(0.5)	(0.5)	(0.5)	(0.5)
Adjusted value adjustments	(9.5)	(11.6)	(9.5)	(11.6)
Adjustment, opening	(0.1)	-	(0.1)	-
Net result for the year after tax	2.1	2.1	2.1	2.1
Value adjustment 31 May	(7.5)	(9.5)	(7.5)	(9.5)
Book value 31 May	9.5	7.5	9.5	7.5

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	28.5	6.4	9.5	3.0	2.1

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
12 ... **Other financial receivables**				
Balance 1 June	22.1	28.0	-	-
Exchange adjustment to year-end rate	2.7	(0.9)	-	-
Year's movements	11.4	(5.0)	-	-
Balance 31 May	36.2	22.1	-	-
13 ... **Other receivables**				
Corporation tax receivable	22.5	11.3	6.5	0.6
Other receivables	33.6	43.0	9.2	7.3
Receivables relating to minority interest in US	-	10.0	-	-
Book value 31 May	56.1	64.3	15.7	7.9
Of other receivables, the following amounts fall due for payment after 1 year	4.6	2.1	-	-
14 ... **Deferred tax assets**				
Deferred tax assets 1 June	7.0	-	1.8	-
Exchange adjustment to year-end rate	(0.1)	-	-	-
Year's change	2.3	7.0	(1.8)	1.8
Deferred tax assets 31 May	9.2	7.0	-	1.8
Intangible fixed assets	-	-	-	0.4
Tangible fixed assets	0.6	-	-	3.2
Financial fixed assets	0.2	-	-	0.1
Inventories	0.3	0.3	-	-
Receivables	3.1	3.4	-	-
Provisions	3.4	3.3	-	(2.0)
Retaxation balance	0.6	-	-	0.1
Other	1.0	-	-	-
	9.2	7.0	-	1.8

Deferred tax assets relate to the subsidiaries in Norway, Italy, France, UK and Singapore.
Deferred tax assets have been set aside at prevailing local tax rates.

Tax assets relating to the subsidiaries in the US and Japan have not been entered.

15 ... **Accruals**

Accruals are made up of prepaid costs relating to rent, deposits, insurance premiums, subscriptions and interest etc.

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
16 ... **Share capital**				
The share capital consists of:				
1,147,500 A shares of DKK 10				
(Ordinary shares (multiple voting shares))	11.5	11.5	11.5	11.5
12,284,533 B shares of DKK 10 (Ordinary shares)	122.8	122.6	122.8	122.6
	134.3	134.1	134.3	134.1
Number of own shares,				
A shares (Ordinary shares (multiple voting shares))	27,590	27,590	27,590	27,590
B shares (Ordinary shares)	867,361	867,61	867,361	867,361
	894,951	894,51	894,951	894,951
Nominal value in DKK million	8.9	8.9	8.9	8.9
% of capital	6.7	6.7	6.7	6.7

	Group 2002/03	Group 2001/02
17 ... **Minority interests**		
Balance 1 June	-	1.3
Capital increase	6.2	-
Minority interests' share of year's result	(11.8)	(10.3)
Reversed provisions on negative receivables	(3.2)	-
Transferred to other receivables	9.4	9.0
Balance 31 May	0.6	-

	Group 2002/03	Group 2001/02
18 ... **Pensions**		
Pensions 1 June, liability	(5.7)	(5.4)
Exchange adjustment to year-end rate	(0.3)	-
Movement for the year	(0.5)	(0.3)
Pensions 31 May, liability	(6.5)	(5.7)
Pensions 1 June, asset	5.5	5.2
Exchange adjustment to year-end rate	0.3	0.3
Movements for the year	0.4	-
Pensions 31 May, asset	6.2	5.5
Pensions 31 May, net	(0.3)	(0.2)

Contribution-based schemes

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

Benefit-based schemes

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

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02

Notes ...

19 ... **Deferred tax**

	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Deferred tax, 1 June	38.6	54.7	-	-
Exchange adjustment to end of year rate	(0.1)	0.1	-	-
Year's change	40.0	(16.2)	10.6	-
Deferred tax 31 May	78.5	38.6	10.6	-
Intangible fixed assets	58.8	46.3	(0.5)	-
Tangible fixed assets	21.0	8.0	9.7	-
Financial fixed assets	(6.3)	(6.8)	(0.1)	-
Inventories	7.1	(5.3)	1.8	-
Receivables	(1.1)	(0.7)	-	-
Provisions	(6.2)	(9.1)	(0.3)	-
Retaxation balance	5.2	6.2	-	-
	78.5	38.6	10.6	-

Deferred tax has been set aside at prevailing local tax rates.

20 ... **Other provisions**

	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Other provisions 1 June	46.0	39.0	-	-
Exchange adjustment to year end rate	(1.9)	(0.6)	-	-
Provision for negative investment	-	-	15.0	-
Year's change in other provisions	0.2	7.6	-	-
Other provisions 31 May	44.3	46.0	15.0	-

The company gives 2-5 year guarantees on certain products and thereby undertakes to repair or replace products which do not function satisfactorily.

21 ... **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	117.5	44.0	161.5
Fixed rate loan, interest rate level 2.6 - 5.2%	13.3	79.2	85.6	164.9
Floating rate loan, interest rate level 5.3%	0.2	0.8	2.5	3.2
Book value 31 May 2003	42.9	197.5	132.1	329.6
Book value 31 May 2002	48.0	209.1	174.6	383.7

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	117.5	44.0	161.5
Fixed rate loan, interest rate level 5.0 - 5.2%	9.3	35.7	48.0	83.7
Book value 31 May 2003	38.7	153.2	92.0	245.2
Book value 31 May 2002	38.8	155.0	131.6	286.6

Notes ...

21 ... **Short and long-term liabilities (cont.)**

The Group has entered into interest swaps for the purpose of achieving the desired duration and reducing the interest rate risk.

Unrealised loss on derivative financial instrument in interest swap agreement amount to DKK 0.6 million as at 31 May, 2003. (31 May, 2002 DKK 0.0 million), which is recognised under the equity.

	Group		Parent company	
(DKK million)	2002/03	2001/02	2002/03	2001/02
22 ... **Corporation tax**				
Accrued corporation tax 1 June	68.4	25.5	27.0	-
Exchange adjustment to end of year rate	(0.8)	0.2	-	-
Adjustment previous year	(58.0)	-	(34.5)	-
Year's current tax incl. jointly taxed subsidiaries	114.8	89.0	74.8	27.0
Paid corporation tax during the year	(115.8)	(46.3)	(73.8)	-
Transferred to other receivables	-	-	6.5	-
Accrued corporation tax 31 May	8.6	68.4	-	27.0
23 ... **Other payables**				
Pay-related items	119.9	115.3	11.1	11.5
Taxes and levies	67.3	69.2	44.0	47.2
Other	154.1	122.4	23.8	24.0
Total other payables	341.3	306.9	78.9	82.7
24 ... **Adjustments**				
Change in other provisions	(1.6)	7.2		
Financial income etc.	(25.2)	(17.9)		
Financial costs etc.	34.5	53.0		
Share in associated company's result before tax	(3.0)	(2.8)		
Loss on sale of fixed assets	4.5	2.6		
Tax on year's result	97.4	89.5		
Minority interests	0.6	(1.3)		
Various adjustments	13.2	(0.9)		
	120.4	129.4		
25 ... **Change in operating capital**				
Change in receivables	65.4	(55.6)		
Change in inventories	122.8	33.0		
Change in accounts payable etc.	18.9	30.7		
	207.1	8.1		

Parentheses denote negative figures or amounts to be deducted.

(DKK million)	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
Notes ...				
26 ... **Fees to the auditors elected at the Annual General Meeting**				
Statutory audit				
PricewaterhouseCoopers	2.8	2.9	0.1	0.1
Deloitte & Touche	1.1	1.2	0.1	0.1
	3.9	4.1	0.2	0.2
Other services				
PricewaterhouseCoopers	2.4	2.6	0.4	0.4
Deloitte & Touche	1.0	0.7	0.1	0.3
	3.4	3.3	0.5	0.7
Fees to the auditors elected at the Annual General Meeting, total	7.3	7.4	0.7	0.9
27 ... **Contingent liabilities and other financial commitments**				
a ... **Rental and leasing obligations etc.**				
Leasing obligations relating to operating plant etc.	20.5	33.8	13.0	30.8
Leasing obligations relating to establishment of shops	282.5	356.4	-	-
Leasing obligations relating to office and factory property	74.0	79.3	12.4	15.2
Total	377.0	469.5	25.4	46.0
which can be specified as follows:				
for payment within 1 year	76.3	86.3	18.9	23.1
for payment between 1 and 5 years	177.1	228.0	6.5	22.9
for payment after more than 5 years	123.6	155.2	-	-
	377.0	469.5	25.4	46.0
Year's rental and leasing costs	86.3	85.7	23.1	-

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

	Group 2002/03	Group 2001/02	Parent company 2002/03	Parent company 2001/02
b ... **Guarantees**				
As at 31 May, guarantees total	62.8	53.1	4.2	4.5

No guarantees are expected to incur any loss. Guarantees have been issued on behalf of the US subsidiary for a total of USD 5 million.

	Group 2002/03	Group 2001/02
c ... **Letters of intent**		
Bang & Olufsen AudioVisual a/s has issued Letters of Intent to the foreign subsidiaries' bank connections for:	88.4	91.8
Bank debts as at 31 May	0.0	0.0

(DKK million)

Notes ...

27 ... **Contingent liabilities and other financial commitments (cont.)**

d ... **Joint taxation**

The Danish companies in the Group 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 share liability for the above.

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

Security of DKK 313.0 million has been given in land and buildings for a mortgage debt of DKK 178.6 million.
Other tangible assets attached hereto are included in the security. The book value of land and buildings is DKK 307.2 million.

28 ... **Financial instruments**

The extent and type of the Group's and parent company's financial instruments are given in the profit and loss account, balance sheet and notes in accordance with the accounting principles applied. Information regarding the 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 2003

Group

Currency	Payment/Maturity	Assets	Debt	Net
EUR	0-12 months	292.9	97.7	195.2
	> 12 months	0.4	4.2	(3.8)
GBP	0-12 months	121.3	42.7	78.6
	> 12 months	0.2	-	0.2
SEK	0-12 months	16.6	3.8	12.8
	> 12 months	0.4	-	0.4
JPY	0-12 months	10.8	4.2	6.6
CHF	0-12 months	18.8	11.1	7.7
USD	0-12 months	33.4	51.1	(17.7)
Other	0-12 months	18.8	7.6	11.2

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

(DKK million)

Notes ...

28 ... **Financial instruments**

Parent company

Currency	Payment/Maturity	Assets	Debt	Net
EUR	0-12 months	23.9	0.3	23.6
GBP	0-12 months	35.8	-	35.8
SEK	0-12 months	3.8	-	3.8
JPY	0-12 months	0.6	-	0.6
CHF	0-12 months	10.2	-	10.2
USD	0-12 months	3.1	-	3.1
Other	0-12 months	4.3	-	4.3

Hedging

Group
There are no forward contracts as at 31 May 2003.

Parent company
There are no forward contracts as at 31 May 2003.

29 ... **Related parties**
The company's related parties with a decisive influence comprise the Board of Directors and the Board of Management of Bang & Olufsen a/s, cf. the Annual Report, page 26.

The Board of Directors has received remuneration, cf. note 2, Employees. The Board of Management has received remuneration and share options cf. note 2, Employees.

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