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# ANNUAL REPORT 2009/10

Bang & Olufsen Group

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# Annual Report 2009/10

Bang & Olufsen Group

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## DEAR BANG & OLUFSEN SHAREHOLDER,

The 2009/10 financial year was the year when the company turned a loss in the first half year into a profit in the second half year.

The successful share issue of May 2009 significantly strengthened Bang & Olufsen's balance sheet and made it possible to maintain the previously initiated restructuring programme.

The share price increased by 26 per cent during the financial year.

In January 2010, the Management Board was expanded to include Executive Vice President Operations John Bennett-Therkildsen and Executive Vice President Sales & Marketing Christian Winther. Henning Bejer Beck was appointed Chief Financial Officer with effect from 1 October 2010. In addition to the previously mentioned individuals, the Management Board consists of Kalle Hvidt Nielsen as President & CEO.

The year's sales trends, which were unchanged on the year, reflect a negative trend in the first half year and a positive trend in the second half.

The positive sales trend in the second half year is a direct result of the increased number of product launches, with 35 per cent of Bang & Olufsen's sales within the audio and video segment arising from new products, i.e. products sold in the first 12 months following the launch. In the previous year, the figure was just 11 per cent.

Towards the end of the first half year the first member of the BeoVision 10 TV family was

launched, which is characterised by the combination of an extremely slim design and superb sound quality through integrated stereo speakers and a digital surround sound module. As a result of BeoVision 10-40's positive reception, BeoVision 10-46 was launched later in the year. Moreover, the BeoVision 7 family was extended with the addition of a 55 inch version. The new member offers sublime picture and sound quality as well as an integrated Blu-ray player as an option.

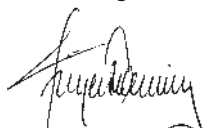
Other launches included the cordless telephone BeoCom 5, the unique BeoTime, which combines an alarm clock and a remote control and the sub-woofer, BeoLab 11, which combines excellent bass, fascinating design and unusual placement options.

Within the Automotive area, Bang & Olufsen has recorded highly satisfactory sales growth for the year of 54 per cent as well as an expansion of this business area. In partnership with Audi, Aston Martin and Mercedes-AMG, Bang & Olufsen launched a range of exclusive sound systems for new models. In the fourth quarter alone, sales increased by more than 100 per cent compared to the previous year.

As a result of a significantly reduced cost base, the company succeeded in improving its annual results by more than DKK 350 million based on the same level of sales and gross margin.

The initiatives of recent years have positively contributed to the development with the clear goal of ensuring Bang & Olufsen's profitability.

Kind regards,



Jørgen Worning  
Chairman



## CORPORATE INFORMATION ETC.

**Bang & Olufsen a/s, Peter Bangs Vej 15, 7600 Struer, Denmark**

**Tel.: +45 96 84 11 22, fax: +45 97 85 18 88, website: [www.bang-olufsen.com](http://www.bang-olufsen.com)**

**CVR no.:** 41257911

**Place of domicile:** Struer

**Financial year:** 1 June - 31 May

**Adoption of the annual report:** The annual report is expected to be adopted at the Annual General Meeting, which is held on 27 September 2010.

**Annual General Meeting:** The Annual General Meeting will be held on Monday, 27 September 2010 at 16.30 at Struer Gymnasium.

### Environmental reviews

The product-related environmental review "Down to the smallest detail" – a story about environmental awareness told through the development, production, use and disposal of a specific product.

Voluntary environmental review, including consumption of raw materials.

These reviews are available at [www.bang-olufsen.com](http://www.bang-olufsen.com) or from Bang & Olufsen's Safety, Health & Environment department on +45 96 84 10 18.

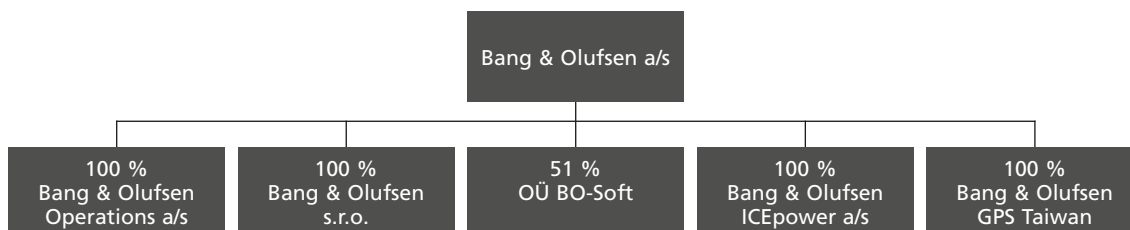
Statutory green accounts for the anodisation plant. A Danish version can be requested at Bang & Olufsen's Safety, Health & Environment department on +45 96 84 10 18.

### Financial calendar

2010: Tuesday, 24 August: Financial Statement 2009/10  
Monday, 27 September: Annual General Meeting  
Friday, 8 October: Interim Report (1st quarter 2010/11)

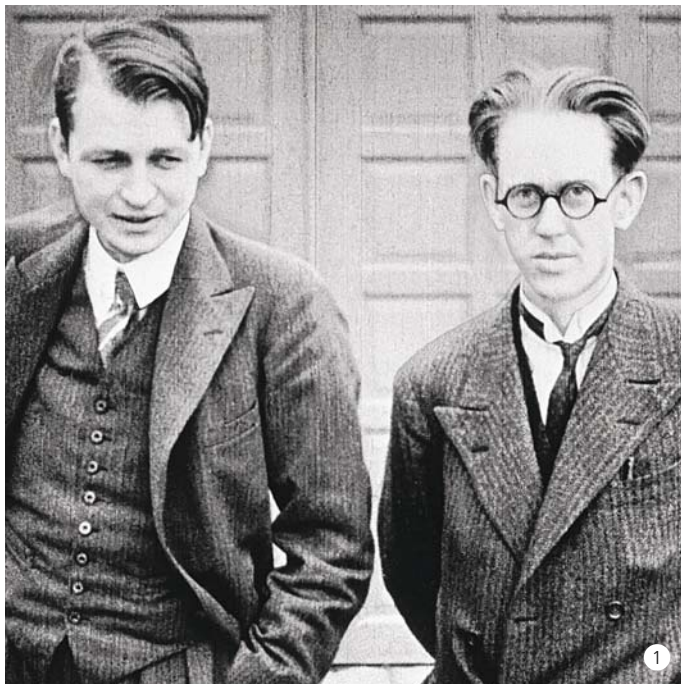
2011: Wednesday, 19 January: Interim report (2nd quarter 2010/11)  
Wednesday, 13 April: Interim Report (3rd quarter 2010/11)  
Wednesday, 17 August: Financial Statement 2010/11  
Friday, 23 September: Annual General Meeting  
(deadline for subjects and proposals to the agenda is 12 August at 16.00 CET)  
Wednesday, 12 October: Interim Report (1st quarter 2011/12)

### The Group's overall corporate structure





## BANG & OLUFSEN - A BRIEF HISTORY



Bang & Olufsen develops, manufactures and sells a wide range of luxury audio/video products, including television sets, music systems, loudspeakers, telephones and multimedia products that combine new technology with stylish design, quality and user-friendliness.

Bang & Olufsen also supplies sound systems to some of the world's leading car manufacturers and its sound systems are now available in cars from Audi, Aston Martin and Mercedes-AMG. Moreover, several of the world's leading hotels are equipped with Bang & Olufsen audio/video products. The majority of all development and product development is centred at the company's head office in Struer, Denmark.

At the end of the financial year, Bang & Olufsen employed approx. 2,000 people while the company's products are currently sold in more than 70 countries across the world.

### History

Bang & Olufsen was founded in 1925 by two young Danish engineers, Peter Bang and Svend Olufsen, who met as students and shared an enthusiasm for the new phenomenon of the age: The radio.

The first pioneering product, however, was not the mains radio, which the two engineers dreamed about, but the "Eliminator" – a mains receiver that eliminated the need for batteries. The timing was perfect – the Eliminator arrived in the market as electricity became commonplace in Danish households. Consequently, Bang & Olufsen built the Company's first production facility in 1927.

During the 1950s and 60s Bang & Olufsen established a recognised name for itself in the Danish market as "The Danish Quality Brand". When, at the end of the 1960s, competition from Asian manufacturers forced scores of Danish and European radio and TV factories to close, Bang



1. Svend Olufsen and Peter Bang, 1933
2. Grand Prix 44 RG, 1944
3. The "Eliminator" 1926-30
4. Advertisement, 1939
5. Advertisement, 1961
6. Television Grand Prix 512, 1957

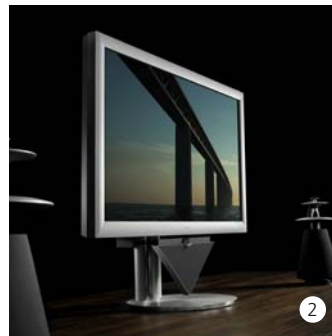
& Olufsen allied itself with a group of architects and designers and set about focusing on the ideas behind the products as well as on their design and quality.

In the late 1980s and the early 1990s, Bang & Olufsen experienced earnings difficulties, and a new distribution strategy was launched: no longer should Bang & Olufsen's products be sold through multi-brand radio/TV stores, but through dedicated outlets which only dealt in Bang & Olufsen products. Since then, Bang & Olufsen shops (B1 Shops) have accounted for an increasing share of overall sales.

In the new millenium, Bang & Olufsen continued to establish shops worldwide, including a number of shops in new growth regions such as India, China and Russia. The company also began developing, producing and selling exclusive sound systems for cars and increasingly supplying audio and video products to luxury hotels and property development projects.

In the autumn of 2008, on the backdrop of the economic downturn – and during a period of less successful and fewer product launches – the company introduced a new overall strategy plan entitled Pole Position Strategy 2008. The main elements included focus on fewer product categories and faster product development as well as the establishment of one common digital technology platform. Moreover, further emphasis was given to supporting and developing Bang & Olufsen's dealer network by establishing one common global sales organisation, and an adjustment to the cost level.

Since then, the strategy plan has been followed and the effect was clearly evident in the 2009/10 financial year when the company's results improved significantly.



## Bang & Olufsen's platform

### Branded business

Bang & Olufsen's luxury audio/video products are world renowned for their combination of superior audio/video quality, user-friendliness and design. With regard to video, Bang & Olufsen recently launched BeoVision 10 in 40 and 46 inch versions. BeoVision 10, Bang & Olufsen's slimmest TV to date, is based on the latest technology with an LED based LCD-screen and a picture frame rate of 200/240 Hz. On the audio side, Bang & Olufsen has excelled with its Adaptive Sound Technology. This is a patented technology that optimises sound throughout the home regardless of the position of the loudspeakers.

For many years, system integration has been pivotal to Bang & Olufsen's product strategy. An example of system integration is products containing more than one source of entertainment in a single unit, such as TV sets with an integrated dvd-player or an audio system with a built-in radio, cd and dvd-player. The BeoLink system is another example of system integration, enabling users to connect and combine

all types of Bang & Olufsen products in their home. The BeoLink system allows the user to distribute audio and video from the main Bang & Olufsen system to other rooms in the house.

With the Beo5, the user needs only one remote for all rooms of the house. The Beo5 is a portable central command device which offers a range of new functions in addition to those already known from Beo4. For example, it can be configured specifically to the individual user's requirements. The Beo5, therefore, amounts to a unique, personal remote control which contains precisely those functions required for each individual user's home. In addition, the new BeoLink application for the iPhone or iPod Touch allows the user to operate Bang & Olufsen products as well as the curtains, lighting, air-conditioning etc. included in the home automation system.

In recent years, the branded business has been expanded to include the development, production and sale of exclusive sound systems for high-end cars. This currently constitutes an important part



1. BeoLab 11 and BeoVision 10-46
2. BeoVision 4-103 and BeoLab 5
3. B1 shop layout anno 2009
4. Beo5 remote control
5. BeoSound 5
6. BeoVision 7-40 with BeoLab 7-4 and BeoLab 5

of Bang & Olufsen's core business. In this respect, Bang & Olufsen has entered into partnership with German Audi, the UK sports car manufacturer Aston Martin and German Mercedes-AMG, which makes specially styled and tuned versions of Mercedes. A contract has also been signed with a potential new partner in the high-end segment concerning the initial development stages for sound systems for this partner.

The in-car sound systems have achieved strong recognition. The BeoSound DBS system, for instance, won a comparative test between sound systems for luxury cars organised by the magazine AutoFocus. In addition, Bang & Olufsen's position as the market leading supplier of sound systems was once again confirmed in March 2010 in the annual reader survey conducted by the magazine "auto motor und sport".

Moreover, Bang & Olufsen sells audio and video products for luxury hotels and major property projects. The company's products are currently represented in more than 200 five-star hotels

throughout the world. In addition, Bang & Olufsen has supplied audio and video products to exclusive real estate projects, primarily in the Middle East and Asia.

### Shops

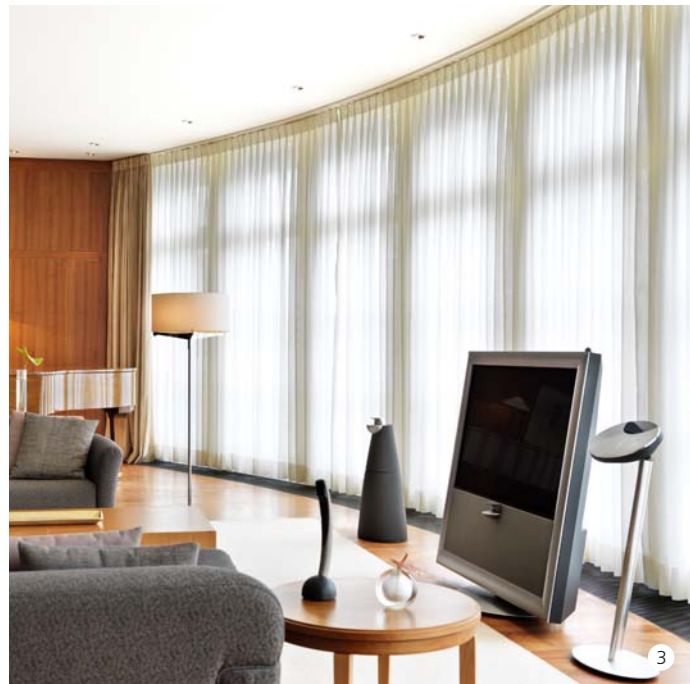
Sales take place through two types of dedicated Bang & Olufsen shops:

- B1 Shops, which mainly sell Bang & Olufsen products
- Shop-in-Shops in which a substantial area of the shop is designed for, and exclusively dedicated to, Bang & Olufsen's products.

Irrespective of where customers purchase Bang & Olufsen products, they will encounter well-trained personnel especially as Bang & Olufsen invests substantial sums in training shop staff.

Bang & Olufsen's products are currently available from 703 B1 shops and 300 Shop-in-Shops. The B1 shops account for 82 per cent of turnover, with the Shop-in-Shop outlets accounting for 18 per cent.





Bang & Olufsen's strategy is to continue to focus on these two types of shops with the B1 shops as the most important, and the Shop-in-Shop outlets as a significant distribution channel in areas where the demographics do not justify a B1 shop. Bang & Olufsen owns 42 B1 shops directly, mainly in Australia, the US and in the UK.

#### Markets

Bang & Olufsen's products are available around the world and 89 per cent of the company's turnover derives from exports. In a number of markets, operations are handled by Bang & Olufsen's own subsidiaries, c.f. overview Note 46, while sales and distribution development in certain overseas markets is organised by highly qualified business partners.

#### Production

Bang & Olufsen has outsourced all production of electronics components for the company's audio/video products. Instead, it sources a large number of product-related sub-components and semi-finished products from various suppliers. Bang & Olufsen concentrates on producing components where,

over a period of many years, the company has developed special expertise, primarily in relation to colour dyeing (anodisation), processing and surface treatment of aluminium.

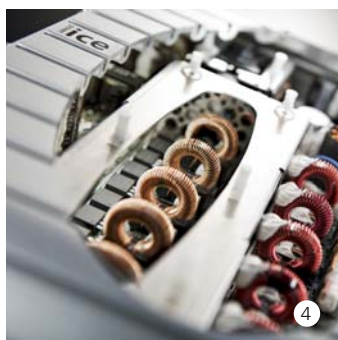
The individual products are assembled and mounted at Bang & Olufsen's own production facilities in Struer, Denmark and Koprivnice, Czech Republic.

In addition to the physical components, Bang & Olufsen's proprietary software and technology form part of the products. These features enable to differentiate the products in terms of user-friendliness and other factors, such as sound and picture processing.

Most of Bang & Olufsen's products are manufactured in a large number of varieties, depending on the customer's specific requirements.

#### Product development

In general, product development of audio and video products and CarFi products takes place in Struer, Denmark. The company also has a small



1. BeoLab 9
2. Aston Martin DBS
3. Park Hyatt, Hamburg
4. BeoSound AMG
5. Speaker in Audi A8
6. BeoVision 8-40 and BeoLab 3

software innovation and development unit in Aarhus, Denmark. There are also development departments at the Koprivnice factory and at the Estonian company OÜ BO-Soft in which Bang & Olufsen has a 51 per cent stake.

Bang & Olufsen has a well-established innovation culture, which has evolved over a number of years. In keeping with the Pole Position Strategy plan, the culture of innovation has been further developed to handle the ever increasing technological content of the company's products. This ensures the maximum reapplication of technology in individual products without affecting Bang & Olufsen's renowned differentiation.

Compared with other manufacturers of consumer electronics, Bang & Olufsen takes an unconventional approach to product development and design-driven innovation. One important area where Bang & Olufsen's approach stands out is the early concept development stage, during which the company devotes considerable resources in creating innovative and long-lasting concepts and designs.

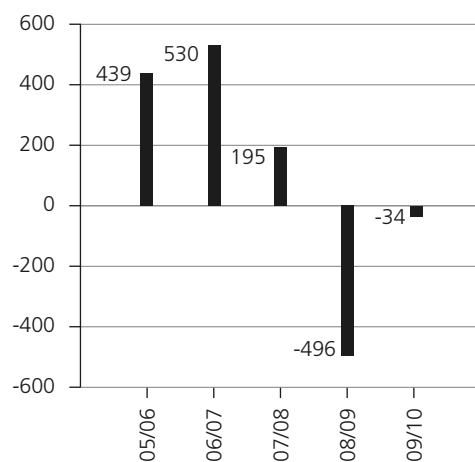
### Non-branded business

Alongside the branded business, Bang & Olufsen is engaged in non-branded activities with regard to the development, production and sales of compact, digital amplifier units. The subsidiary, Bang & Olufsen ICEpower a/s, is responsible for the patented ICEpower technology – a technology that enables small digital amplifiers to provide extremely high performance with particularly low heat output and thus with reduced energy consumption.

As a result of the compact design, reliability, energy savings and sound quality, Bang & Olufsen ICEpower's digital amplifier modules are in demand for use in, for instance, high end audio/video products and mobile phones. This technology can be found in a wide range of models from Samsung. The ICEpower technology is also a key feature of Bang & Olufsen's active speakers and sound systems for cars.

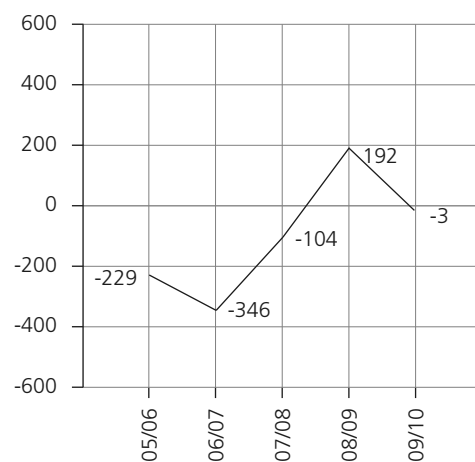
DKK million

### Operating profit



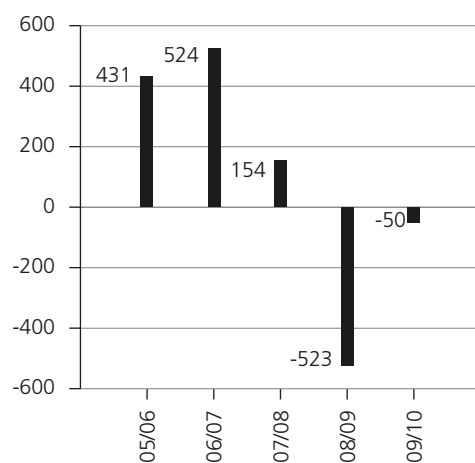
DKK million

### Cash flow



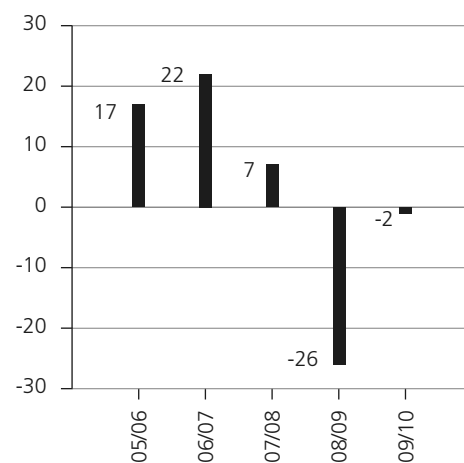
DKK million

### Result before tax



%

### Return on equity



## FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES

<b>Bang &amp; Olufsen a/s, Group (DKK million)</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
<b>Profit and loss account</b>					
Net turnover	2,762	2,790	4,092	4,376	4,225
Of which from foreign markets, %	89	91	88	85	82
Operating profit/loss	(34)	(496)	195	530	439
Financial items, net	(9)	(30)	(30)	(16)	(7)
Result before tax	(50)	(523)	154	524	431
Result for the year	(33)	(383)	112	373	296
Result for the year, shareholders of the parent company	(34)	(385)	105	367	294
<b>Balance sheet</b>					
Total assets, end of year	2,647	2,661	2,814	2,959	2,912
Share capital	362	362	121	121	125
Equity, end of year	1,496	1,517	1,481	1,679	1,739
Equity attributable to shareholders of the parent company, end of year	1,495	1,514	1,469	1,673	1,735
Minority interests	2	2	12	6	4
<b>Cash flows for the year</b>	(3)	192	(104)	(346)	(229)
Of which cash flows from:					
Operating activities	257	113	332	521	395
Investment activities	(216)	(339)	(254)	(378)	(379)
- of which investment in tangible non-current assets	(83)	(111)	(190)	(158)	(185)
- of which investment in intangible non-current assets	(212)	(212)	(125)	(210)	(171)
- of which investment in equity interests	-	(27)	-	-	-
Financing activities	(44)	418	(181)	(488)	(246)
<b>Employment</b>					
Number of employees, end of year	2,046	2,051	2,579	2,520	2,422

*Parantheses denote negative figures.*



## FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES (CONTINUED)

<b>Bang &amp; Olufsen a/s, Group (DKK million)</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
<b>Key figures</b>					
EBITDA	212	(210)	494	790	671
EBITDA-margin, %	8	(8)	12	18	16
Profit ratio, %	(1)	(18)	5	12	10
Return on assets, %	(2)	(20)	7	23	20
Return on invested capital, excl. goodwill, %	6	(22)	20	41	40
Return on equity, %	(2)	(26)	7	22	17
Current ratio	1.7	1.9	1.9	1.9	2.4
Equity ratio, %	56	57	52	57	60
Financial gearing	0.1	0.1	0.2	0.0	(0.1)
Net interest-bearing debt	84	120	335	80	(219)
Net turnover/Invested capital excl. goodwill	2.0	1.7	2.4	2.8	3.1
Earnings per share (nom. DKK 10), DKK *	(1)	(16)	4	15	12
Diluted earnings per share (nom. DKK 10), DKK *	(1)	(16)	4	15	12
Intrinsic value per share (nom. DKK 10), DKK *	41	42	59	67	67
Quotation as at 31 May *	56	45	128	337	330
Price/earnings *	(59)	(3)	29	22	28
Price/earnings, diluted *	(59)	(3)	29	22	28
Quotation/intrinsic value per share *	1.4	1.1	2.2	5.0	4.9
Dividend paid/proposed per share (nom. DKK 10), DKK	0.00	0.00	3.00	20.00	16.00
Number of shares, end of year	36,244,014	36,244,014	12,081,338	12,081,338	12,450,925
Number of own shares, end of year	90,372	110,076	767,787	619,923	669,587
Average number of shares in circulation *	36,147,002	24,581,720	23,585,489	24,221,216	24,613,475
Average dilutive effect of outstanding share options *	-	-	-	25,942	86,401
Average number of shares in circulation - diluted *	36,147,002	24,581,720	23,585,489	24,247,158	24,699,876

Main and key figures are prepared in accordance with IFRS and "Recommendations and Key Figures 2010" from The Danish Association of Financial Analysts, except from those that are not defined in there. Comparison figures are adjusted.

\* The amounts for 2005/06 - 2007/08 are adjusted due to the dilution resulting from the bonus element related to the rights issue in the spring of 2009 in accordance with IAS 33.

The key figures for 2005/06 - 2008/09 are adjusted due to the change in accounting principles applied.

*Parantheses denote negative figures.*

**The key figures are defined as follows:**

**EBITDA:**

Result before interests, tax, depreciation, amortisation, impairment losses and result of investments in associates after tax

**EBITDA-margin:**

$$\frac{\text{EBITDA} \times 100}{\text{Net turnover}}$$

**Profit ratio:**

$$\frac{\text{Operating profit/loss} \times 100}{\text{Net turnover}}$$

**Return on assets:**

$$\frac{\text{Operating profit/loss} \times 100}{\text{Average operational assets}}$$

**EBITA:**

Result before interests, tax, amortisation, impairment losses on intangible assets and result of investments in associates after tax

**Return on invested capital, excl. goodwill:**

$$\frac{\text{EBITA} \times 100}{\text{Average invested capital, excl. goodwill}}$$

**Return on equity:**

$$\frac{\text{Result for the year, excl. minority interests} \times 100}{\text{Average equity, excl. minority interests}}$$

**Current ratio:**

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

**Equity ratio:**

$$\frac{\text{Equity, end of year, excl. minority interests} \times 100}{\text{Total equity and liabilities, end of year}}$$

**Financial gearing:**

$$\frac{\text{Interest bearing debt (net) end of year}}{\text{Equity, end of year}}$$

**Net turnover/invested capital, excl. goodwill:**

$$\frac{\text{Net turnover}}{\text{Average invested capital, excl. goodwill}}$$

**Earnings per share (nom. DKK 10), DKK:**

$$\frac{\text{Result for the year, excl. minority interests}}{\text{Average number of shares in circulation}}$$

**Diluted earnings per share (nom. DKK 10), DKK:**

$$\frac{\text{Result for the year, excl. minority interests}}{\text{Average number of shares in circulation - diluted}}$$

**Intrinsic value per share (nom. DKK 10), DKK:**

$$\frac{\text{Equity, end of year, excl. minority interests}}{\text{Number of shares, end of year}}$$

**Price/earnings:**

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

**Price/earnings, diluted**

$$\frac{\text{Quotation}}{\text{Diluted earnings per share (nom. DKK 10)}}$$

In the calculation of the above key figures for 2005/06 - 2007/08 the number of shares and the quotation are adjusted for the dilution resulting from the bonus element related to the rights issue in the spring of 2009 in accordance with IAS 33:

**Adjusted number of shares:**

$$\frac{\text{Original number of shares before the rights issue}}{\text{Adjustment factor for the dilution related to the rights issue}}$$

**Adjusted quotation:**

Quotation before the rights issue x adjustment factor for the dilution related to the rights issue

**Adjustment factor for the dilution related to the rights issue:**

$$\frac{\text{Theoretical quotation after the rights issue}}{\text{Quotation immediately before the rights issue}}$$



## DIRECTORS' REPORT, BANG & OLUFSEN A/S GROUP

The Group's turnover for the 2009/10 financial year totalled DKK 2,762 million against DKK 2,790 million last year. Turnover for the fourth quarter was DKK 779 million against DKK 617 million for the same period last year. This corresponds to an increase of 26 per cent.

The result before tax for the 2009/10 financial year was negative at DKK 50 million against a negative result of DKK 523 million last year. The result before tax for the fourth quarter was positive at DKK 22 million against a negative result of DKK 108 million for the fourth quarter of 2008/09.

The Group has reduced its capacity costs by DKK 465 million from DKK 1,602 million last year to DKK 1,137 million. The Group has, however, maintained a high activity level in the development department in order to secure growth going forward.

The Group's gross margin for the 2009/10 financial year was 39.5 per cent, which is on a par with last year's gross margin.

Sales growth in the second half year was primarily driven by a number of important product launches. 35 per cent of the Group's sales within the audio and video business therefore derived from new products, with "new" defined as sales in the first 12 months after the launch.

The majority of the Group's markets showed progress in the fourth quarter and the Group's two largest markets, Germany and Denmark, reported turnover growth of DKK 34 million, equating to 27 per cent.

Automotive showed continued growth in the 2009/10 financial year, i.e. a turnover of DKK 268 million against DKK 174 million last year. In the fourth quarter, Automotive achieved a turnover of DKK 101 million against DKK 41 million for the same period last year.

Based on a continuing high activity level within product development and an increased marketing effort, Bang & Olufsen expects that the 2010/11 financial year as a whole will result in a positive development in the turnover and a positive result before tax based on a gross margin not deviating significantly from the level achieved in the 2009/10 financial year.

### Comments on developments

The Group's total turnover for the 2009/10 financial year was DKK 2,762 million against DKK 2,790 million last year, which is in line with the previously announced.

#### *Net turnover according to business area*

(DKK million)	2009/10	2008/09
Branded business	2,695	2,713
Non-branded business	80	85
Intra-Group turnover	(13)	(8)
Net turnover in total	<u>2,762</u>	<u>2,790</u>

While the first half year continued to be characterised by a general downturn in sales, the second half year was characterised by an increase in turnover. A key reason for the positive development in sales in the second half year was that launch of new products met sales expectations and sales requirements for new products. As a result, 35 per cent of Bang & Olufsen's sales within the audio and video business derived from new products defined as sales in the 12 months after the launch. Automotive also continued to develop positively.

#### *Branded business – turnover according to product categories*

(DKK million)	2009/10	2008/09
Video	1,297	1,198
Loudspeakers	427	498
Audio	389	484
Telephones	95	130
Spareparts, accessories etc.	219	229
Automotive	268	174
Total turnover	<u>2,695</u>	<u>2,713</u>

For the 2009/10 financial year, the Group's gross margin was 39.5 per cent, which is on a par with 2008/09.

The result before tax was negative at DKK 50 million against a negative result of DKK 523 million. The result is in line with the previously announced.

The Group has reduced its capacity costs by DKK 465 million from DKK 1,602 million for the same period last year to DKK 1,137 million.

Distribution and marketing costs were reduced by DKK 220 million during the financial year from DKK 929 million to DKK 709 million. Losses and changes in provision for bad debts and dealer loans during the 2009/10 financial year were expensed at DKK 61 million against DKK 60 million last year. Administration expenses etc. declined by DKK 20 million, from DKK 105 million to DKK 85 million during the 2009/10 financial year.

The Group incurred development costs of DKK 438 million against DKK 537 million in 2008/09.

The net effect of capitalisation in 2009/10 was positive at DKK 95 million of which DKK 25 million was subsequently refunded by Automotive customers. In 2008/09, the net effect of capitalisation was positive at DKK 60 million.

The Group's cash flows from operating activities were DKK 257 million against DKK 113 million last year. The improvement is in part owing to the improved result and in part to the continued improvement in working capital, which improved by DKK 82 million compared to last year. Interest-bearing debt (net) was reduced from DKK 120 million to DKK 84 million for the same period.

the 2008/09 financial year to DKK 184 million in the 2009/10 financial year as a result of the restructuring and the focusing of the sales and marketing organisation. Finally, administration costs increased from DKK 16 million to DKK 18 million.

The result before tax for the fourth quarter was positive at DKK 22 million against a negative result of DKK 108 million for the same period last year. After tax, the result for the quarter was positive at DKK 25 million against a negative result of DKK 65 million last year.

#### **Comments to developments in the fourth quarter of the 2009/10 financial year (unaudited)**

For the fourth quarter of 2009/10, turnover for the Bang & Olufsen a/s group as a whole was DKK 779 million against DKK 617 million last year, i.e. an increase of DKK 162 million or 26 per cent. The increase in turnover can be largely attributed to the new products, which have, in general, met the sales expectations.

The majority of the Group's markets showed advances in the fourth quarter and the Group's two largest markets, Germany and Denmark, recorded turnover growth of DKK 34 million corresponding to 27 per cent.

In the fourth quarter, turnover for the branded business increased by DKK 160 million from DKK 598 million last year to DKK 758 million this year, corresponding to 27 per cent.

Gross profit increased by DKK 91 million from DKK 228 million to DKK 319 million.

The Group's gross margin for the quarter was 40.9 per cent against 36.9 per cent for the same quarter last year, which is largely due to the increased turnover.

The Group's development costs for the quarter were DKK 89 million against DKK 110 million in 2008/09. Distribution and marketing costs declined during the quarter by DKK 24 million from DKK 208 million in

## BRANDED BUSINESS

### Developments in the markets

While the Group saw a decline in turnover in most markets during the first half of the 2009/10 financial year, the second half of the financial year showed a significant improvement in most markets, which can largely be attributed to the successful product launches.

Denmark, Switzerland, Italy and the Asian markets showed advances on last year while one of the Group's main markets, UK, experienced a decline in sales of 9 per cent measured in local currency.

### Product launches

Bang & Olufsen has focused on product development with the objective of launching several new products. The results of this effort materialised in the 2009/10 financial year where a number of important new products were launched:

#### BeoVision 10-40

In October 2009, Bang & Olufsen launched the first member of a new TV family which is characterised by a new, unique design expression. BeoVision 10-40 is a Full HD LCD TV with LED backlight, based on a slim 200 Hz panel. Despite its slim design, the new TV offers excellent sound quality through integrated stereo speakers and a digital surround sound module. As the wall bracket for the BeoVision 10-40 is an integral part of the product, it only adds 4 mm extra depth to the TV when wall mounted. The TV also offers a unique turning option enabling the screen to be viewed in the preferred viewing position.

#### BeoVision 10-46

BeoVision 10-46 is based on the same chassis as the 40" version, but differentiates itself visually by having a 32 per cent larger screen and a white rear cover which gives the TV an even lighter expression and supports the concept of a TV that blends into the wall. BeoVision 10-46 has an LED-based LCD screen with Full HD and a frame rate updating speed of 200/240 Hz. The concept has integrated surround sound and DVB-HD modules, electronic curtains and an extended connection panel allowing the user to add a total surround sound set-up with up to five extra loudspeakers as well as a wide range of external units.

#### BeoVision 7-55

Bang & Olufsen has also launched a new model for the BeoVision 7 family in the form of a 55 inch Full HD LCD TV with direct type LED backlight with local dimming, which breaks new ground in terms of increased contrast level for LCD TV technology. The new TV offers sublime sound quality via BeoLab 7-4, a dedicated mono speaker for surround sound or via BeoLab 7-6, which is a dedicated stereo loudspeaker. In addition, the TV offers an integrated digital surround sound module and an integrated Blu-ray player as an option.

#### BeoCom 5

In November, Bang & Olufsen launched a cordless telephone with an integrated speaker for hands-free telephony and conference calls. The combination of hands-free telephony and the integrated speaker offers new conversation options in the home. BeoCom 5 also provides for two separate telephone lines so users can combine a conventional fixed network line and IP-telephony or use one line for private calls and the other line for business calls if the user works from home. BeoCom 5 is characterised by superlative sound quality with the integrated speaker based on the same acoustic competencies that Bang & Olufsen uses in traditional loudspeakers, which gives a natural and clear sound performance.

#### BeoTime

Bang & Olufsen has launched the unique BeoTime, which combines an alarm clock with a remote control. BeoTime allows the user to choose to wake up to the sound of a gentle alarm clock and the sound of a TV programme, a radio station or music from the Bang & Olufsen system. In addition, BeoTime has a built-in sleep timer, which enables the user to fall asleep to the user's preferred music or TV programme in that BeoTime shuts down the system at a pre-set time. Since November, BeoTime has offered increased system functionality in that home automation sources such as light, curtains etc. can now be activated in combination with MasterLink Gateway.

#### Adaptive Sound Technology (AST)

Adaptive Sound Technology (AST) is a new patented technology which enables the listener to optimise the sound from different locations in the home irrespective of the position of the loudspeakers. In a normal stereo or surround sound set up, for

example, the loudspeakers need to be placed symmetrically. In many homes, this presents inconvenient restrictions in relation to the design of the room. AST technology provides the user with the freedom to position the loudspeakers in harmony with the rest of the design and the technology will make the necessary compensation to achieve optimum sound performance. The AST technology, therefore, supports Bang & Olufsen's intention to create user-friendly experiences.

#### **BeoLab 11**

BeoLab 11 is a new subwoofer, which combines excellent bass, design and unusual placement options. BeoLab 11 comprises two identical loudspeaker cabinets whose baffles face each other. The acoustic design offers minimum vibration, which means the sub-woofer can be mounted on the wall as an alternative to the traditional floor placement.

#### **BeoLink for iPhone and iPod Touch**

BeoLink for iPhone and iPod Touch is a new software application that provides complete control of the home's audio-video equipment and home automation system. The application, which can be downloaded from Apple's App Store, allows the user to operate the home's Bang & Olufsen equipment and home automation system through the use of either the iPhone or iPod Touch.

#### **Distribution development**

The share of turnover from B1 Shops totals 82 per cent. Organic growth for the financial year for the currently active Bang & Olufsen shops with more than 24 months of operations was 7 per cent for both B1 Shops and for Shop-in-Shops. Seen in isolation, fourth quarter growth for the same shops was 36 per cent for B1 Shops and 29 per cent for Shop-in-Shops.

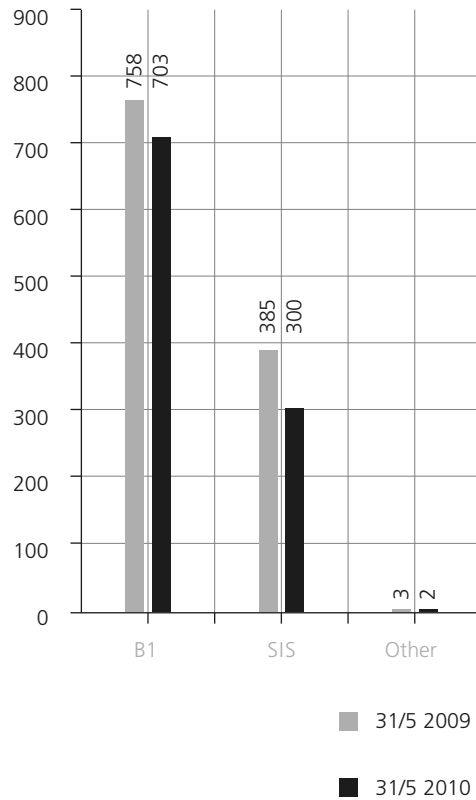
The 2009/10 financial year saw a net decline in the number of B1 Shops of 55. 33 B1 Shops were opened or upgraded while 88 shops were closed or converted to Shop-in-Shops. The number of Shop-in-Shops is 300 against 385 at the end of the previous financial year.

At the end of May 2010, there were a total of 703 B1 Shops across the world against 758 shops at the end of the 2008/09 financial year.



### Number of shops per segment

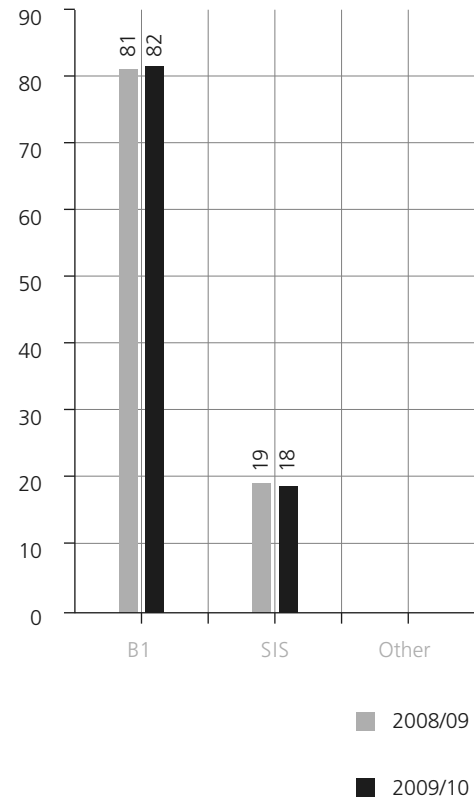
Number  
of shops



### Turnover share per segment

(active shops at the end of each year)

%



### Definitions of shop segments

B1: Shops, which mainly sell Bang & Olufsen products.

SIS: Shop-in-Shop with a sales area dedicated for Bang & Olufsen products.

## BUSINESS-TO-BUSINESS AREAS

### **Bang & Olufsen Enterprise**

Bang & Olufsen Enterprise is well established as the most exclusive brand among some of the world's leading property developers, interior designers and hotels. The business area, which comprises the Group's sales to luxury hotels across the world as well as to construction projects in, amongst others, the Middle East and Asia, posted a turnover of DKK 46 million in the fourth quarter of the 2009/10 financial year against DKK 50 million last year. As a result, turnover for the 2009/10 financial year was DKK 91 million against DKK 115 million last year.

The market continues to be characterised by delays to projects and postponed decisions relating to new audio-video equipment for the segments in which Enterprise is active. The business area has been particularly hit by postponements of already confirmed orders for construction projects in the Middle East.

### **Bang & Olufsen Automotive**

For the 2009/10 financial year, Bang & Olufsen Automotive achieved a turnover of DKK 268 million against DKK 174 million last year. In the fourth quarter, turnover totalled DKK 101 million against DKK 41 million for the 2008/09 financial year. The satisfactory growth is partly owing to a general increase in sales of cars and partly to the launch of new sound systems over the period.

During the 2009/10 financial year, the partnership with Audi was extended through the launch of Bang & Olufsen Advanced Sound System for the new Audi A8 and Audi A8 Long as well as in the recently launched Audi A7. The co-operation with Aston Martin has also developed positively in that all Aston Martin models on the market are now available with Bang & Olufsen sound systems and Aston Martin has even chosen to install Bang & Olufsen as the standard system in both Aston Martin DBS and Aston Martin Rapide in order to provide their customers with the ultimate sound experience.

Bang & Olufsen's partnership with Mercedes-AMG reached an important milestone during the 2009/10 financial year when, in the autumn, the first, concrete result of the co-operation became evident: a Bang & Olufsen sound system customised for Mercedes-Benz SLS AMG. Both car and sound

system have been well received by the market. At the same time, the partnership with Mercedes-AMG has resulted in a high level of activity following the development of no fewer than five further sound systems. The first of these, BeoSound AMG for Mercedes-Benz S-Class, has just been introduced to the world's media and will be available as an option in almost all Mercedes-Benz S-Class versions, including AMG versions.

With the continued expansion of the portfolio in partnership with a number of high profile partners, Automotive is expected to continue the growth over the coming years.

### **Bang & Olufsen ICEpower a/s**

Turnover for Bang & Olufsen ICEpower a/s totalled DKK 80 million for the 2009/10 financial year against DKK 85 million last year.

Bang & Olufsen ICEpower a/s supplies patented amplifier technology which combines high efficiency with low energy consumption and superb sound quality. As the ICEpower amplifier has very high energy efficiency, it allows for more compact constructions which, in turn, offer greater design freedom. In addition, the reduced heat generation means that the life-cycle of the electronic components is increased.

A significant part of the turnover continues to derive from sales of standard amplifier modules and customised solutions for quality manufacturers in the global audio market. In addition, Bang & Olufsen ICEpower a/s receives royalties from the sale of amplifier technology and acoustic solutions for major OEM partners.

## EXPECTATIONS FOR THE 2010/11 FINANCIAL YEAR

### Product portfolio

The Group's objective for the 2010/11 financial year is to support the growth ambitions within the branded business through a continued high activity level within product development. The Group therefore expects that approximately 25 per cent of the Group's turnover from the audio and video business will be derived from new products, with "new" defined as sales in the first 12 months after the launch.

### Distribution development

Based on the recent positive turnover development in the mature shops, the Group plans to intensify the efforts to recruit new outlets. The Group expects that the total number of B1-Shops will not be significantly different at the end of the 2010/11 financial year compared to the end of the 2009/10 financial year.

### Expectations for the Group result for 2010/11

Based on a continuing high activity level within product development and an increased marketing effort, Bang & Olufsen expects that the 2010/11 financial year as a whole will result in a positive development in the turnover and a positive result before tax based on a gross margin not deviating significantly from the level achieved in the 2009/10 financial year.

The group expects that the turnover in the first quarter of the 2010/11 financial year will be at the same level as the previous year.

### Risk factors

The report contains statements relating to expectations for future developments, including future turnover and operating results as well as expected business-related events. Such statements are uncertain and carry an element of risk since many factors, of which some are beyond Bang & Olufsen's control, can mean that actual developments will deviate significantly from the expectations expressed in the report. Without being exhaustive, such factors include among others general economic and commercial factors, including market and competitive matters, supplier issues and financial issues in the form of foreign exchange, interest rates, credit and liquidity risks.

## KNOWLEDGE RESOURCES

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

### Product development

Since the company's foundation in 1925, Bang & Olufsen's product development has been centred at Struer in Denmark. In recent years, however, the company has focused on product development in a global context in order to exploit the technical competence and cost benefits that are available in other countries.

As part of this, a development department has been established at Bang & Olufsen's factory in Koprivnice in the Czech Republic with the necessary skills to undertake a full construction process. As a result, the Czech development department is responsible for the implementation of the acoustic, audio and stand projects once the specifications have been determined by the development department in Denmark.

Bang & Olufsen also draws on the employees in the Estonian company OÜ BO-Soft, which is 51 per cent owned by the company. In addition there is also a small software innovation and development unit in Aarhus, Denmark, which works closely together with Aarhus University.

### Product and technology strategy

Product development at Bang & Olufsen is managed by a continually developing product and technology strategy based on general market developments, input from markets and customers and implemented technology projects as well as the company's so-called technology radar. This consists of information about, and an overview of, expected future technologies.

Bang & Olufsen's product and technology strategy aims at ensuring the availability of the necessary technological expertise and skills. The strategy also targets a high level of effectiveness in product

development through a systematic reapplication of relevant technologies across Bang & Olufsen's product portfolio. The strategy is based on the company's core competencies coupled with a number of strategic partnerships so as to maximise Bang & Olufsen's own strengths within those technology areas where Bang & Olufsen's products differentiate themselves. Other technology areas are largely covered by subcontractors.

Product integration is a natural element in the product and technology strategy and is an area where the company has accumulated considerable expertise. Bang & Olufsen considers many different aspects of integration. First, it means integrating more than one source of entertainment in a single product. Then there is the concept of linking different products to each other, even if they are situated in different rooms, via the BeoLink system. Finally, Bang & Olufsen also integrates new products into existing ones, and Bang & Olufsen products can also, to some extent, be integrated into products of other brands, so that the entire installation can be handled through Bang & Olufsen's simple operating concept.

### Technology platforms

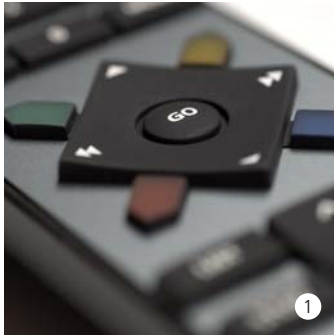
In keeping with the Pole Position strategy plan, Bang & Olufsen's well established innovation culture has been further developed to handle the increased technological content of the company's products in a better way. This ensures the maximum reapplication of technology in individual products without affecting Bang & Olufsen's renowned differentiation.

When developed, two digital technology platforms – one for audio products and one for video products – will form the basis of future products. As a consequence, valuable time can be saved on the development, maintenance and updating of technologies and, in the final analysis, results in faster and more efficient product development.

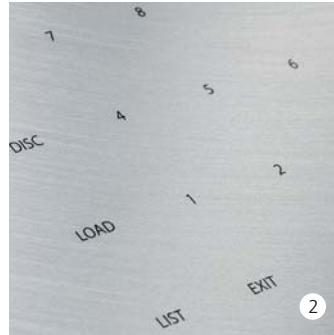
### Concept development

Bang & Olufsen invests considerable effort into creating innovative and enduring concepts and designs in order to distinguish itself from other manufacturers of consumer electronics. Early concept development is, therefore, crucial.

Responsibility for the early stages of concept development, where the concept is born, lies with the Product Innovation Department, known as the IdeaFactory. This is where the company's concept



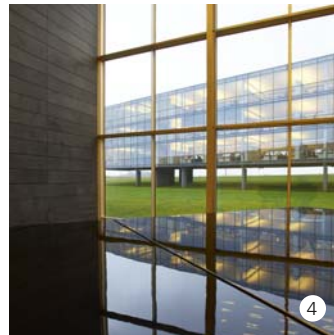
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5



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8



9

1. Beo4 Cinema, 2006
2. Aluminium surface for BeoCenter 2
3. Assembly, Factory 4 in Struer
4. The Farm, headquarters in Struer
5. Mechanics, Factory 5 in Struer
6. Anodisation
7. The factory in Koprivnice, The Czech Republic
8. Robot, Factory 5 in Struer
9. BeoCom 1401 production, Koprivnice

developers are based. With a range of different skills in concept and strategy development, operation and prototyping, the developers work with selected external designers. In general, the Idea Factory's employees present the designers with technology and market input. The designers subsequently come up with a design proposal in a process where they have considerable independence and influence. This helps to ensure optimum interaction between aesthetics, user-friendliness and technology.

Concept work is concluded with a concept report which marks the formal transition to the product development phase.

### **The product development phase**

The concept's overall specifications are determined during the product development phase. The integrated product development process between the Idea Factory, the development department, production and relevant key suppliers is intensified and employees from the Idea Factory and the development department interact with the production team. This is an important factor in ensuring that the finished products have the intended properties and meet the stipulated quality requirements. As a result, the product specifications are further refined and defined in detail in the final design basis.

The fully integrated process then continues with the involvement of external and internal suppliers until the product reaches its final form. In a number of areas where the company does not have the necessary knowledge and skills, Bang & Olufsen works closely with leading suppliers selected in keeping with the technology strategy plan. These partners not only supply components for Bang & Olufsen's production, they also deliver the knowledge and skills for developing the products. This applies, for instance, to the LCD panels, speaker units, optical drives such as Blu-ray, digital video broadcasting (DVB), wireless ethernet and a number of software components as used in different applications.

From here, the project enters into a more structured process aimed at finalising the product's design and production base. An estimate for the product's expected production start and launch date is also determined.

## **Core competencies**

Bang & Olufsen recognises the importance of identifying, cultivating and utilising its own expertise and has, over the years, built up a number of areas of expertise through experience, practice, development and co-operation with knowledge centres, including universities in Europe and North America. Of these areas, some have been identified as the company's core areas of expertise, including picture, sound, operation, mechanics and design.

### **Picture**

Bang & Olufsen's picture competencies are based on a combination of basic knowledge about the way in which we perceive picture quality, video signal processing, use of the TV screen and optimisation of the entire optical system. For evaluating picture quality, the company uses a trained viewing panel.

To ensure optimum picture quality, only the highest-quality LCD and plasma screens are used for Bang & Olufsen's TVs. Bang & Olufsen's long-standing development work within the field of picture quality – and with it a wide range of technologies, many of which are patent protected – is gathered under the VisionClear concept, which enhances picture quality for all the company's video products.

### **Sound**

Sound is a core competence for Bang and Olufsen. These competencies combine several knowledge areas, including basic acoustics, electro-acoustics, signal processing, highly effective amplifiers and psycho-acoustics. The development department has high-quality measuring facilities at its disposal, which include a large measuring room for acoustic free field measurements, several sound studios, and special facilities for the development of in-car sound. A trained and competent listening panel critically assesses the sound quality of all Bang & Olufsen's products.

The most recent, major technological development is the automatic adjustment of lower frequencies from the loudspeaker to the room and the patented acoustic lens system created in partnership with Sausalito Audio Works. The acoustic lens system is used in several loudspeakers and in CarFi. Moreover, during the year under review, Bang & Olufsen launched another patented technology, Adaptive

Sound Technology, which optimises the sound experience irrespective of where in the home the loudspeakers are placed.

### **Operation**

Operation competencies combine behavioural psychology, tactility, mechanics, graphics and software, which are crucial for the development of user-friendly operations of the products.

Since the mid-1980s, all controls have been integrated into one remote control. The classic Beo4 offers simple controls for the whole product portfolio. Pressing one button switches on the TV, DVD or Blu-ray and loudspeakers.

The latest remote control, Beo5, can be configured specifically for the individual user's requirements. The user thus gets a unique, personal remote control containing the precise functions required for the various products in the user's own home – including lighting, curtains, windows, air-conditioning and alarms. Bang & Olufsen's newly developed BeoLink application for the iPhone or iPod Touch offers similar options.

### **Mechanics**

Bang & Olufsen has accumulated competencies with regard to anodisation, processing and surface treatment of aluminium. To take an example, the aluminium surface of a BeoCenter 2 is treated so the aluminium contains minute pores, allowing signs and figures to be printed on to the surface. The toughness of an anodised surface is always greater than that of normal plastic surfaces or painted surfaces. Bang & Olufsen's anodisation plant can colour aluminium surfaces in a variety of colours.

The development department possesses special skills in terms of producing robust constructions of critical mechanical details and integrating high quality movable mechanics in the products.

### **Design**

Design is a craft that is at the core of everything the company does. Bang & Olufsen uses design to tell a story about ideas, products and the company itself. Even though design is such an obvious competence area at Bang & Olufsen, the company prefers to work with freelance designers, who maintain a broad creative horizon.

### **Production**

In recent years, Bang & Olufsen has been continually and systematically involved with product and distribution development as well as implementing rationalisation measures in all areas, including the reduction of production and capacity costs. The guiding principles behind this work have been innovation, simplification and focus.

An important factor in this context is Bang & Olufsen's factory in Koprivnice in the Czech Republic which undertakes a range of work-intensive tasks. As the factory, for instance, handles certain pre-assembly tasks as well as the completion of audio products, stands and loudspeakers, production in Struer has had even stronger focus on the completion of new products, including TVs. This, in turn, has led to a greater demand for new skills from the employees in the Danish production. As a result, several hundred employees have, in recent years, attended a range of intensive courses. The same is the case with the production employees in the Czech Republic who have received intensive training to ensure that the extremely high quality levels apply equally to the Danish and Czech production processes.

Bang & Olufsen's production and development departments hold ISO 9001 certification. The company's Automotive production is certified according to ISO/TS 16949, a quality standard used in the car industry.

### **Distribution**

In addition to its in-house training programmes, Bang & Olufsen also provides training programmes for dealers, shop staff and technicians with a view to strengthening sales and giving the customers a good experience of Bang & Olufsen. The company offers a training programme directed at new shop owners, new shop managers and new shop staff. A training plan is set up for each group and implemented through Bang & Olufsen's sales training programme.

Bang & Olufsen also runs a "Retail Business School" programme for the company's Retail Development Managers. The aim of the training programme is to train dedicated business consultants who can engage in a qualified and intelligent dialogue with the dealers based on "best practice."

Another important element is the e-learning portal, BEOCADeMY, which through internet-based courses and follow-up on class teaching keeps sellers and technicians updated on product knowledge and sales. As well as making courses available for the company's own employees, Bang & Olufsen each year trains a substantial number of salespersons, technicians and installation staff through BEOCADeMY.

In addition, Bang & Olufsen has sought to secure more effective support for, and development of, the dealer network by setting up one overall global sales organisation. This has resulted in the establishment of a Shared Service Centre which ensures the professional and efficient servicing of the dealers. At the same time, Shared Service Centre provides Bang & Olufsen with valuable feedback from the markets so that potential problems can be quickly addressed.



## CORPORATE SOCIAL RESPONSIBILITY

The Bang & Olufsen logo is a guarantee of quality – and has been since its creation in 1925. This not only applies to Bang & Olufsen's quality products, but also to its strong and enduring relationships with customers and suppliers. Similarly, it is important for Bang & Olufsen to have committed employees, and to demonstrate respect for the environment, both for the company's immediate surroundings near the factories and a product's footprint during its lifecycle. It has, therefore, always been important for Bang & Olufsen to take responsibility for sustainability across the entire business.

Bang & Olufsen develops long lasting high quality products. Since the design is timeless, 20-30-year-old Bang & Olufsen products, which still work impeccably, are found in many homes. A Bang & Olufsen product has an average lifespan of 10-15 years without any deterioration in the picture or sound quality. To ensure such high quality throughout the lifetime of a product, it is tested before being launched in the market. This ensures that the product can withstand cold, heat, bumps, sunlight, dust etc. The high quality and long life have a positive effect on the environment.

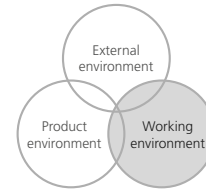
### **Environmental policy**

Bang & Olufsen takes a holistic approach to the environmental impact of its production and products on employees, customers and surroundings. This means that as far as Bang & Olufsen is concerned, the "environment" covers the working environment, product environment and external environment.

As an environmentally responsible company, Bang & Olufsen wishes to create sustainable products. As a result, concern for product performance, design and lifetime must be in mutual balance with the company's impact on the surrounding world.

### **In particular, this means that Bang & Olufsen will:**

- Develop and produce products under conditions that meet the requirements of ISO 14001 and OHSAS 18001 standards.
- Continually prevent or improve:
  - The working environment for the benefit of its employees' health and safety.
  - Industrial accidents and work-related illnesses.
  - Environmental impact on its surroundings caused by activities or products.
- Communicate openly about environmental issues pertaining to the company.
- Maintain a high level of information for employees so that the working environment becomes a transparent and natural part of daily work.
- Ensure that individuals who work for, and on behalf of, Bang & Olufsen have the necessary knowledge about the environment to enable them to perform their work in a responsible manner.



## Working environment

Bang & Olufsen places great emphasis on the employees' working environment. The aim is to create a safe and healthy working environment with focus on both the physical and psychological working environment. Bang & Olufsen organises work stations to accommodate employees – not the other way round. The working environment, therefore, forms an integral part of the product right from the design and development phases because the choices made by product developers often have a major impact on the working environment during the production phase – e.g. choice of materials, joining methods and choice of surface treatment.

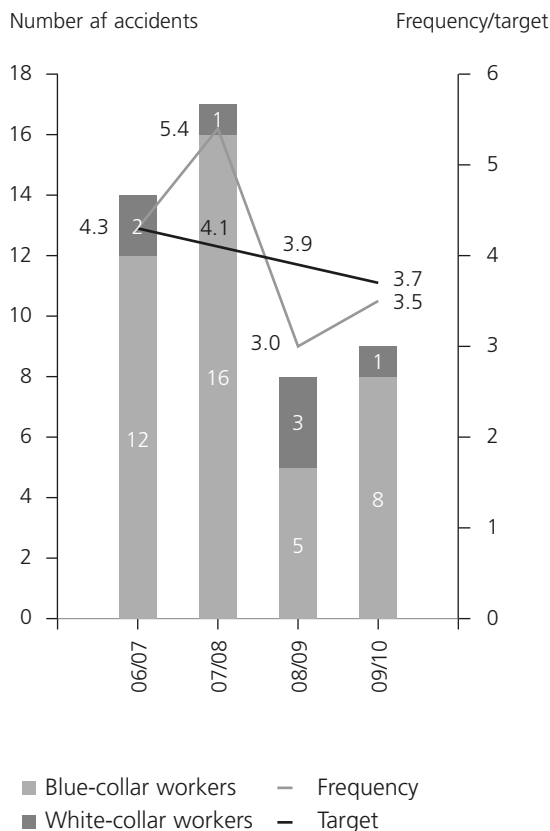
## Employee relations

During the 2009/10 financial year, both managers and employees at Bang & Olufsen experienced significant changes. As cost and structural adjustments were implemented to gear the company for the future, regrettably a number of employees had to be made redundant.

In order to ensure high quality procedures throughout the difficult redundancy interviews, Bang & Olufsen offered all managers the opportunity to participate in a manager training programme, which included training in how to deal with the remaining employees. The company also supported employees who had been made redundant by, for instance, providing information on training programmes and on job search programmes. Other assistance was also provided with regard to career advice and human relations.

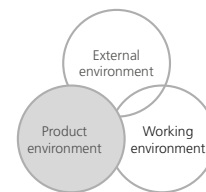
## Results

With regard to the working environment, Bang & Olufsen is committed to ongoing improvements and to reducing the number of industrial accidents by 5 per cent per year starting from 2006/07. Action plans are, therefore, in place to ensure that all new employees and colleagues who have changed jobs within the organisation are informed about safety and the environment. In addition, the safety and environmental group is involved in the acquisition of new machinery and in any important changes. A risk assessment is also carried out. Finally, recording "near-misses" helps to prevent industrial accidents.



As shown in fig. 1, one more industrial accident occurred during the 2009/10 financial year than in the previous year. However, the accident frequency still lies below the target of a 5 per cent annual reduction in the number of industrial accidents from 2006/07. Bang & Olufsen will continue to focus on this area and continually develops new tools and initiatives in support of the company's objectives.

**Fig. 1:**  
The chart shows the trend in the number of accidents, i.e. frequency. The reduction target is 5 per cent measured according to frequency, i.e. the number of accidents per 1 million working hours. This is independent of the number of employees.



## Product environment

Bang & Olufsen considers the environment as early as possible in the product lifecycle. Consequently, the company has set out comprehensive environmental requirements for its products during the product development phase. Known as compulsory features, these environmental requirements include, apart from the purely legislative requirements, internal demands that extend beyond the legal requirements.

The use of compulsory features complies with EU directives and other international legislation. In this way, Bang & Olufsen can be confident that its products are in accordance with local legislation in every market where Bang & Olufsen is active. The compulsory features also comply with RoHS, WEEE, the packaging directive and various labelling schemes.

Other compulsory features extend beyond legislative requirements. This is the case, for instance, with a ban on a number of chemical compounds such as brominated flame retardants and requirements for the marking of plastic parts.

## Bang & Olufsen ICEpower

Bang & Olufsen products primarily use energy efficient amplifiers from Bang & Olufsen ICE power. In conventional amplifiers, only around 1 per cent of the input power is converted to output power. The remaining approx. 99 per cent is converted to heat. As a result, amplifiers are normally equipped with large cooling plates to conduct the heat away from the amplifier. Under normal conditions, Bang & Olufsen ICEpower provides tenfold greater efficiency which means that power consumption is reduced by 90 per cent. In addition to the fact that Bang & Olufsen ICE power amplifiers reduce power consumption when the appliance is switched on, resource consumption is also lower because no materials are needed for large cooling plates.

## Standby consumption

Lifecycle analysis of Bang & Olufsen products show that the greatest environmental impact derives from energy consumption in the customer's home. It was, therefore, natural for Bang & Olufsen to focus its environmental efforts on reducing standby consumption.

Under new EU regulations, it is no longer permitted to import or produce electronic devices with standby consumption exceeding one watt. Bang & Olufsen, of course, complies with the new EU regulations and will continue to focus on reducing its products' standby consumption.

## Results

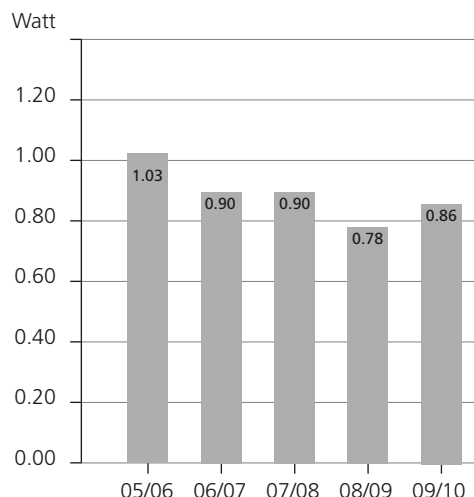
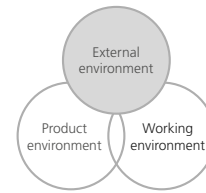


Fig 2:

*The average standby consumption for all Bang & Olufsen TVs, speakers and audio products sold in individual financial years. The calculation is sales weighted and thus expresses Bang & Olufsen's environmental impact on the market.*

The average standby consumption increased slightly compared to 2008/09 owing to a changed sales mix, i.e. Bang & Olufsen has sold more products at the heavy end of the product portfolio in terms of standby consumption.

During the year under review, the company continued to monitor international environmental legislation that could affect the company's products and sales. Similarly, the company keeps updated on any new requirements that may impact on its products and will also continue to focus on reducing energy consumption over the lifecycle of its products – including, to an increasing extent, work on reducing the products' consumption when switched on.



## External environment

It is important to Bang & Olufsen that the pollution from the company's activities is limited as much as possible and that the production does not cause annoyance to local residents. There is, therefore, ongoing focus on new projects and follow-up on already existing buildings and activities. The company is in ongoing dialogue with the regulatory bodies with a view to identifying the best solutions and thereby limiting pollution, i.e. by using cleaner technology (BAT<sup>1</sup>).

Bang & Olufsen's Mechanic Factory is environmentally approved in accordance with the Environmental Protection Act's Section 5. As environmental approval was revised in 2010, it will not be revised again until 2020. In the event of changes to processes and production layout, the basic aim is to prevent pollution or limit any pollution to the greatest possible extent.

The pollution potential from the company's other factories is so slight that the local environmental authorities have decided that the activities do not require environmental approval. Bang & Olufsen, however, imposes the same requirements on these factories as apply to the Mechanic Factory.

## Waste

If electronic scrap is processed correctly, it is a valuable source of recovery of raw materials. In large parts of the world, discarded electrical and electronic products must be collected and processed by approved waste receivers. The product is separated into different material fractions – metal, circuit boards, plastic, glass and screen – which are then recycled for the manufacture of new materials. Materials that cannot be recycled are sent, if possible, for incineration. This, in turn, generates energy.

Bang & Olufsen also considers disposal in the design of new products. All plastic parts are labelled so that waste receivers can identify the type of plastic. A disassembly test demonstrates how the product will be separated when disposed of, its material fractions and how much of the product can be recycled. In addition, there are proposals for design improvements that can benefit future products. The disassembly tests show that between 75 and 86 per cent of the material parts of a Bang & Olufsen television can be recycled. The EU directive concerning the disposal of electrical and electronic waste (WEEE) requires that a minimum

of 65 per cent of all collected electronics used for entertainment must be recycled.

## BEOenergy

During the financial year, so-called BEOenergy groups were set up at the individual factories to work actively to reduce energy consumption. Knowledge sharing across Bang & Olufsen is ensured through a general technical team. This has resulted in changes to light controls, the installation of motion sensors, switches on ceiling lights and ball valves on the main air for machinery. Moreover, good closure/shut off habits have been introduced throughout the factories.

Bang & Olufsen's aim is to reduce energy consumption by five per cent per year starting from 2008/09. Work is underway to establish the appropriate key figures for energy consumption in order to take account of factors that affect energy consumption, e.g. production levels, number of shifts, degree days etc. Until these are established, the factual figures will be used.

## Results

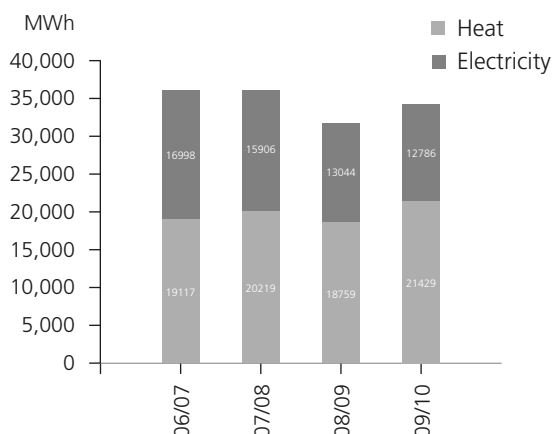


Fig. 3:

The chart shows the total energy consumption according to energy used for heating and electricity.

As can be seen from the chart, energy consumption in 2009/10 increased on the year. This is largely due to increased production levels and the unusually cold winter, which impacted negatively on the reduction target. By contrast, many energy saving projects were implemented. As these are independent of the above-mentioned factors, this, coupled with BEOenergy – and the change in attitudes and habits

<sup>1</sup> BAT is an environmental term "Best Available Technology".



that followed from BEOenergy – means that Bang & Olufsen expects energy consumption to decline going forward. Bang & Olufsen will, therefore, continue to work on the BEOenergy project in order to achieve its reduction target.

## Action across the board

### Environmental certification

In 2009/10, Bang & Olufsen's Danish activities were the subject of a voluntary double certification of the environment and working environment. The external certification agency, Det Norske Veritas, carried out an audit of the environment, working and product environments. No discrepancies were found during the certification visits, only observations, improvement proposals and commendable initiatives. As a result, Bang & Olufsen is now ISO 14001 and OHSAS 18001 certified.

### Responsible supply chain management

Bang & Olufsen is committed to ensuring that no supplier uses child labour, forced labour or causes any avoidable damage to the environment in connection with the production of Bang & Olufsen's materials. Known as responsible supply chain management, Bang & Olufsen began to work with this systematically five years ago.

As part of its commitment to responsible supply chain management, Bang & Olufsen has drawn up a Code of Conduct which, in key areas such as the environment and climate, human rights, employee rights and anticorruption sets out its values so that they are clearly communicated to suppliers and other stakeholders. Bang & Olufsen's Code of Conduct is, in part, based upon the ten principles in the UN Global Compact and in part on an interpretation of the UN's conventions on human rights.

All Bang & Olufsen's direct suppliers must sign up to the Code of Conduct and the requirements to be met

by individual suppliers. With their signature, direct suppliers pledge to ensure that their sub-contractors comply with such guidelines and requirements. Once a year, a risk analysis is carried out on Bang & Olufsen's suppliers after which special focus is directed at suppliers with a high risk of breaching the Code of Conduct. Such suppliers can then expect an audit aimed at rectifying any shortcomings. This risk analysis has not given rise to such audits during the financial year.

Bang & Olufsen acknowledges that work on responsible supply chain management is a continuous process. The aim, therefore, is not to use the Code of Conduct for severing relations with suppliers should an audit reveal critical deviations. Rather, such action serves to improve the supplier's environmental and social standards in a collaborative effort between the supplier and Bang & Olufsen. The conclusion from earlier implemented re-audits shows improvements among suppliers within the areas covered by Bang & Olufsen's Code of Conduct.

### Reporting

Bang & Olufsen prepares statutory annual green accounts for the anodising plant. Anodising is the electrochemical treatment of aluminum, which creates a very durable surface structure. This surface structure means that the aluminum retains its original beautiful appearance for decades when in ordinary use.

In addition to the green accounts, the company prepares an annual voluntary environmental review which outlines the environmental aspects of production at Bang & Olufsen's factories and the company's working environment conditions.

Similarly, an environmental report: "Down to the smallest detail" - a story about environmental awareness told through the development, production, use and disposal of a specific product, has been prepared for a number of products and business areas.

## CORPORATE GOVERNANCE

Under the guidelines for corporate governance issued by NASDAQ OMX Copenhagen A/S, the company must consider these on the basis of the “comply or explain” principle.

In general, the Bang & Olufsen Group follows the NASDAQ OMX Copenhagen A/S’ recommendations for corporate governance, subject to a few exceptions:

### **1. Shareholders’ role and interaction with corporate management**

#### *The Annual General Meeting*

In accordance with the company’s Articles of Association, notice of the Annual General Meeting must be given no less than three weeks and no more than 5 weeks prior to the meeting. The notice must contain a complete agenda and an explanation of the items on the agenda where such explanation is relevant. Proposals for agenda items must be submitted to the Board of Directors in writing no later than 6 weeks before the meeting.

#### *Investor meetings*

Investor meetings and telephone conferences are held following the publication of each quarterly statement to provide participants with the opportunity to put questions to the Management Board. Telephone conferences are subsequently available at [www.bang-olufsen.com](http://www.bang-olufsen.com). It is also possible to contact the company’s Investor Relations function which is charged with maintaining an ongoing dialogue with current and potential shareholders.

### **2. The role of stakeholders and their importance to the company**

For many years, the Board of Directors has been attentive to the company’s relationship with its stakeholders, a fact that is reflected in the company’s annual environmental statement which has been prepared since 1995/96. Equally, social issues both inside the company and beyond play an important role in the life of Bang & Olufsen in general. In view of the work already under way, the company does not find it necessary to set out a formal policy for this area as the Board of Directors regularly monitors the Management Board’s approach to these issues.

### **3. Openness and transparency**

The company complies with the statutory regulations concerning the publication of material information relevant to shareholders’ and the financial markets’ evaluation of the company, its activities, business objectives, strategies and results. The Board of Directors has approved guidelines aimed to ensure that such information complies with statutory regulations. All announcements are issued via Company News Service, NASDAQ OMX Copenhagen A/S’ distribution company, and can subsequently be accessed from the company’s website [www.bang-olufsen.com](http://www.bang-olufsen.com). All announcements are issued in both Danish and English.

The company publishes quarterly, half year and annual reports.

### **4. Board of Directors’ tasks and responsibilities**

The Board of Directors has overall management responsibility for the company. In keeping with general practice in Denmark, the Board of Directors and the Management Board act independently of each other and have different responsibilities. The Management Board handles the day-to-day management of the company while the Board of Directors supervises the work of the Management Board and is responsible for general strategic management.

### **5. The composition of the Board of Directors**

With regard to Bang & Olufsen a/s, all board members elected at the Annual General Meeting stand for election each year. In general, six to eight board meetings are held annually together with ad hoc meetings as required. Board members elected by the AGM comprise a group of experienced international business people. The age limit for members of the Board of Directors is 70.

As the Board of Directors deems it irrelevant, no information is provided on the recruitment criteria determined by the board, including the requirements regarding professional qualifications, international experience, educational background and the like.

The Board of Directors does not employ formalised self-assessment. The Chairmanship evaluates the work of the Board of Directors on an ongoing basis. In contrast to the recommendations, Bang & Olufsen a/s does not operate guidelines for the number of directorships board members may have. The deciding factors are the individual member's capacity, competence and contribution. The Board of Directors' rules of procedure lay down regulations concerning the tasks and responsibilities between the members of the Management Board and the Board of Directors.

#### **6. The Board of Management's and the Board of Directors' remuneration**

The Board of Directors has set up a compensation committee which carries out negotiations concerning the Board of Management's remuneration. The members of this committee appear on page 59.

Incentive programmes are published comprehensively in the Annual Report in accordance with relevant rules and regulations. Members of the Board of Directors do not benefit from incentive programmes.

Bang & Olufsen's Annual Report does not contain information concerning the amount of remuneration paid to individual members of the Board of Directors and Management Board.

The Board of Directors believes the important factors are the total amount of remuneration and related trends.

#### **7. Risk management**

Please refer to page 45 of this report.

#### **8. Audit**

The company's auditors are elected by the Annual General Meeting after recommendation from the Board of Directors. The audit fee is approved by the Board of Directors.

## SHAREHOLDER INFORMATION

### IR Policy

Bang & Olufsen aims to provide:

- NASDAQ OMX Copenhagen A/S
- Current and potential investors
- Share analysts and stockbrokers

with all relevant information about the Group rapidly and concisely.

This information is intended to:

- Increase investor awareness of Bang & Olufsen in Denmark and abroad
- Provide investors with structured, current and planned information that will satisfy the requirements for decisions relating to investments in Bang & Olufsen shares.

The information, and the provision of such information, must always comply with current regulations as issued by NASDAQ OMX Copenhagen A/S and in accordance with current legislation.

### Internal rules regarding insider information and trade in the company's shares

Pursuant to the Danish Securities Trading Act, the company maintains an insider register of persons who, owing to their position, are deemed to have access to insider information about the company. The company has established internal rules for such individuals.

The individuals, who are listed in the insider register and subject to the internal rules, are members of the Board of Directors and the Management Board of Bang & Olufsen a/s, other directors and senior managers who report directly to the Board of Directors or the Management Board of Bang & Olufsen a/s, the elected auditors and other employees of Bang & Olufsen a/s who may have access to insider information.

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

All board members, members of the Management Board and other insider-registered employees in the Bang & Olufsen a/s group may only buy or sell shares in Bang & Olufsen a/s for a period of 4 weeks after publication of the company's Interim Reports or Annual Reports.

### The Bang & Olufsen share

As at 31 May 2010, Bang & Olufsen's share capital has a nominal value of DKK 362,440,140.

Bang & Olufsen's shares are listed on NASDAQ OMX Copenhagen A/S. The company's identification code is DK 001021842-9.

Each share with a nominal value of DKK 10.00 represents 1 vote.

At 31 May 2009, the closing price of Bang & Olufsen's shares was 44.5. With 36,244,014 shares, this equates to a market value of approx. DKK 1,613 million. The closing price as at 31 May 2010 was 56. This equates to a market value of approx. DKK 2,030 million.

### Shares in circulation

Issued shares	36,244,014
- own shares	(90,372)
	<u>36,153,642</u>

### Own shares

As at 31 May 2010, Bang & Olufsen a/s had a portfolio of own shares of DKK 903,720 nominal value equating to 0.25 per cent of the share capital.

### Shares held by members of the Management Board

As at 31 May 2010, members of Bang & Olufsen a/s' Management Board held DKK 294,400 nominal value.

### Shares held by the Board of Directors

As at 31 May 2010, members of Bang & Olufsen a/s' Board of Directors held DKK 590,350 shares nominal value.

### Share option programme

Bang & Olufsen's share option programme comprises the Board of Management as well as a number of the Group's employees. As at 31 May 2010, the total pool of options amounted to 663,169. These can be exercised during the period 2010 - 2015. For further details please refer to note 5.



### Information about shareholders

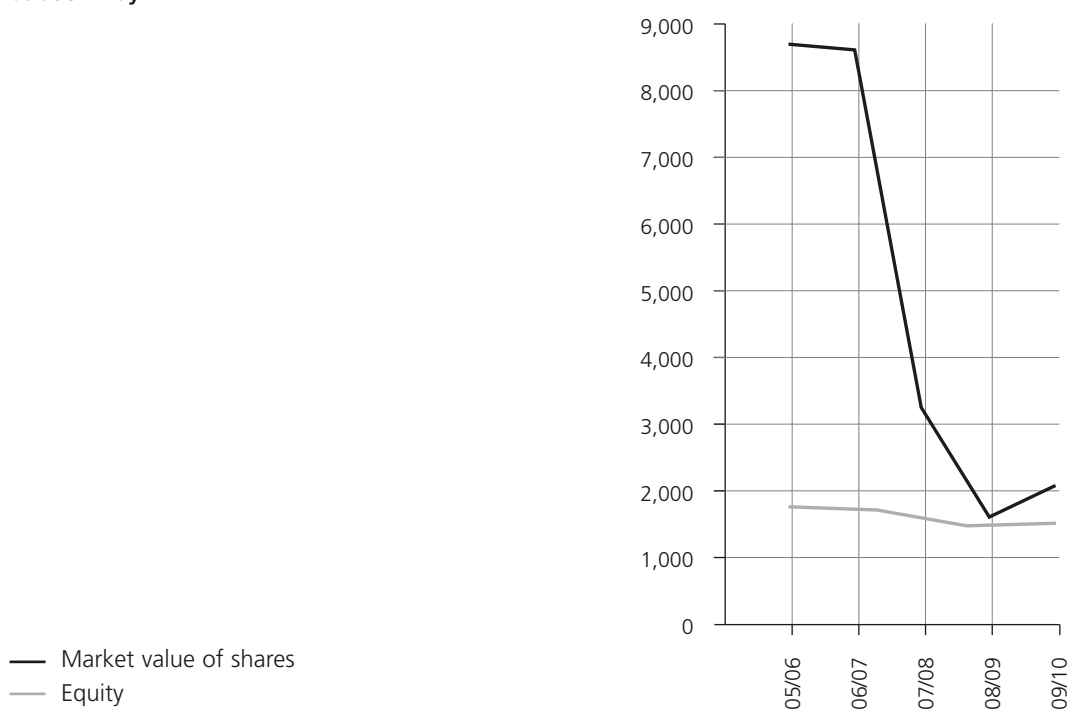
As at 31 May 2010, Bang & Olufsen a/s had approx. 38,000 registered shareholders corresponding to an ownership interest of approx. 76 per cent of the share capital. Approx. 37,000 of these shareholders were resident in Denmark. Of the listed capital, approx. 80 per cent was placed in Denmark.

As at 31 May 2010, the following individuals or legal entities hold 5 per cent or more of the company's capital or share capital's voting rights:

	Nominal amount DKK 1,000	Capital/Votes %
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød	43,736	12.07
Aviva plc. St. Helen's 1 Undershaft, London, EC3P 3DQ United Kingdom	39,130	10.80
Færchfonden, Lille Østergade 8A, 7500 Holstebro	18,480	5.10

### Market value of shares compared to equity as at 31 May

DKK million



### **Rules concerning the appointment and replacement of members of the Company's Board of Directors and changes to the Company's Articles of Association**

The Company's Articles of Association specify the following rules concerning the appointment and replacement of members of the Company's Board of Directors and changes to the Company's Articles of Association:

The Company is headed by a Board of Directors which – besides any representatives elected by the Company's employees pursuant to the statutory provisions – consists of between 4 and 8 members elected by the General Meeting. Board members elected at the General Meeting stand down at Ordinary General Meeting and may be re-elected.

Board members elected by the General Meeting comprise a group of experienced international business executives. The age limit for members of the Board of Directors is 70.

The Board of Directors does not apply formalised self-evaluation. The Chairmanship evaluates the work of the Board of Directors on an ongoing basis. In contrast to the recommendations, Bang & Olufsen a/s does not operate guidelines for the number of directorships board members may have. The deciding factors are the individual member's capacity, competence and contribution.

All matters considered at the General Meeting shall be settled by simple majority vote.

Resolutions concerning amendments to the Articles of Association or the winding up of the company require two-thirds of the share capital to be represented at the General Meeting, and that the resolution is passed by two-thirds of the votes cast as well as of the voting share capital represented at the General Meeting. If two-thirds of the share capital is not represented at the General Meeting, but the proposed resolution is passed by two-thirds of the votes cast as well as of the voting share capital represented at the General Meeting, a new General Meeting will be convened as soon as possible at which the resolution proposed may be passed by two-thirds of the votes cast, regardless of the proportion of the share capital represented.

Proxies for the first General Meeting are also valid for the second meeting unless explicitly revoked. Where a proposal to amend the Articles of Association has been submitted or adopted by the Board of Directors, the proposal may be finally adopted at one General Meeting by a majority of two-thirds of the votes cast as well as of the voting share capital represented at the General Meeting, regardless of the proportion of the share capital represented.

### **Other information in accordance with the Financial Statements Act § 107 a**

The contracts signed by Bang & Olufsen concerning the supply of sound systems to the automotive industry contain "change of control" clauses. As a consequence of these clauses, should a change of control of Bang & Olufsen take place, the automotive producer, with whom the contract is entered into, is entitled to terminate the contract between the parties.

The original loan of DKK 74.5 million from Danske Bank to Bang & Olufsen s.r.o with a carrying amount of DKK 44.6 million as at 31 May 2010 includes a clause to the effect that the loan can be called if a shareholder obtains controlling influence of Bang & Olufsen a/s.

The original loan of DKK 52.0 million from Danske Bank to Bang & Olufsen a/s with a carrying amount of DKK 26.0 million as at 31 May 2010 includes a clause to the effect that the loan can be called if a shareholder obtains controlling influence of Bang & Olufsen a/s.

The Company's Articles of Association state the following:

Until 31 May 2012, the Board of Directors is authorised, in one or more stages, to increase the company's share capital by up to DKK 2,500,000 through the issue of shares offered to employees of the Bang & Olufsen Group at a price corresponding to the current market price or lower, and on terms to be decided by the company's Board of Directors.

The increase will take place in the form of cash payment without any pre-emption rights for the shareholders. The new shares issued in accordance with this authorisation will be negotiable instruments

issued to bearer. No restrictions will apply to the transferability of the shares, and no shareholder will be entitled to have his/her shares redeemed in whole or in part. In all respects, the new shares will carry the same rights as the former shares.

The new shares are eligible for dividends and other rights in the company from a date to be determined by the Board of Directors, however not later than one year after the date of registration.

The Board of Directors can carry out the necessary changes to the Articles of Association in connection with the changes in the capital increase in accordance with the above-mentioned provision.

The Company's CEO can terminate his employment by giving 6 months' notice and the Company can terminate the employment by giving 24 months' notice. In the event that the Company is taken over and delisted from Nasdaq OMX Copenhagen a/s, the CEO is entitled to consider his employment to be terminated. The Management Board is subject to a non-competition clause.

### **Dividend policy**

The Group's dividend policy aims at paying between one third and one half of the annual profits after tax as dividend. Based on the company's result, the Board of Directors proposes to the General Meeting that no dividend be paid out for the 2009/10 financial year.

### **The following share analysts covered Bang & Olufsen at the end of the financial year**

ABG Sundal Collier  
Alm. Brand Markets  
Bankinvest-group  
Carnegie Bank A/S  
Cheuvreux  
Danske Markets Equities  
SEB Enskilda Equities  
Handelsbanken Equity Research  
Jyske Bank  
Nordea Markets Division  
Proactive Independent Ideas Ltd.  
Sal. Oppenheim  
Sydbank  
Standard & Poor's Equity Research

### **Website**

Bang & Olufsen invites investors and other stakeholders to visit the company's website: [www.bang-olufsen.com](http://www.bang-olufsen.com), where a wide range of information of interest to the investors is available, i.e. announcements, annual reports, interim reports, the financial calendar and, not least, the company's history and a presentation of its products.

### **Investor contact**

[Investors@bang-olufsen.dk](mailto:Investors@bang-olufsen.dk)

## STATEMENTS SENT TO NASDAQ OMX COPENHAGEN A/S DURING THE PERIOD JUNE 2009 - MAY 2010

### Financial statements:

11 August, 2009	Annual Report for the financial year 2008/09
8 October, 2009	Interim Report for the 1st quarter 2009/10
25 January, 2010	Half year report 2009/10
14 April, 2010	Interim Report for the 3rd quarter 2009/10

### Other statements:

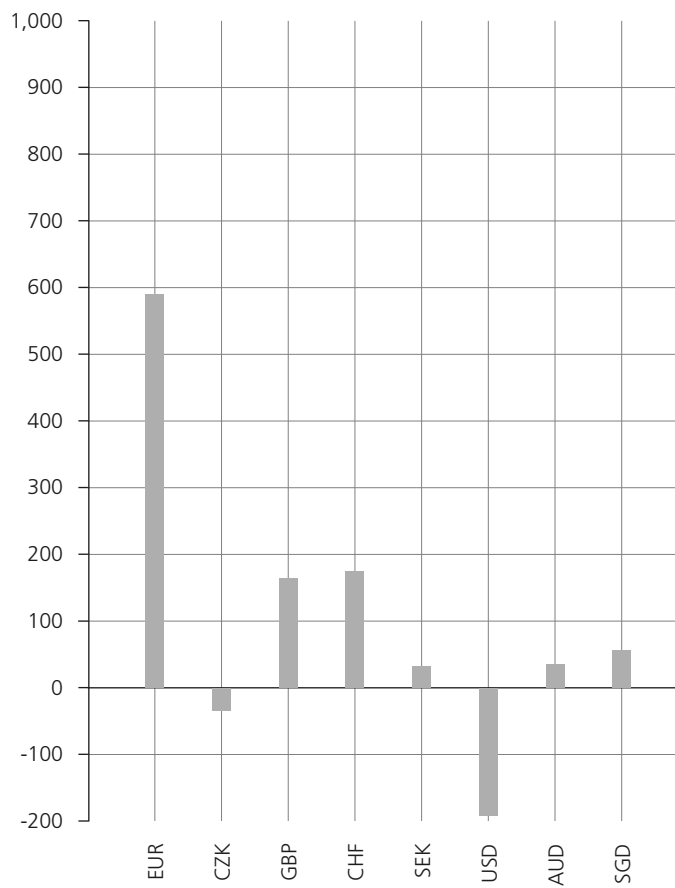
15 June, 2009	Stabilisation
13 August, 2009	The new Aston Martin Rapide to include Bang & Olufsen in its list of equipment
25 August, 2009	Revised financial calendar for Bang & Olufsen a/s
26 August, 2009	Notice of Annual General Meeting of Bang & Olufsen a/s
10 September, 2009	Bang & Olufsen sound system in Mercedes-Benz SLS AMG
15 September, 2009	Bang & Olufsen Sound System in new Audi R8 Spyder
18 September, 2009	Annual General Meeting of Bang & Olufsen a/s
7 October, 2009	Major shareholder announcement
30 October, 2009	Revised financial calendar for Bang & Olufsen a/s
11 November, 2009	Bang & Olufsen a/s launches BeoVision 7-55
1 December, 2009	Bang & Olufsen a/s launches second generation Bang & Olufsen Advanced Sound System in new Audi A8
22 February, 2010	Major shareholder announcement
18 March, 2010	Revised financial calendar for Bang & Olufsen a/s
29 March, 2010	Bang & Olufsen launches BeoVision 10-46
12 April, 2010	Bang & Olufsen a/s launches BeoLab 11
25 May, 2010	Bang & Olufsen strengthens the Board of Directors

### Statements regarding insider trading:

21 August, 2009

### The year's net flow in key currencies

DKK million



## COMMERCIAL RISKS

### Markets and competition

Although the Group's products are marketed globally, most of the turnover derives from Europe. The company is a niche player in an industry dominated by major international electronics businesses.

The company differentiates itself in terms of design, quality and innovation. Over a number of years, the company has established a selective distribution system with dedicated Bang & Olufsen dealers. The combination of innovative products and a dedicated distribution has positioned the company as a supplier of luxury goods rather than exclusively AV products.

The company can be affected by economic trends in the countries where the Group's products are sold, as well as by new technological initiatives by the industry's main players.

Sales trends are seasonal with the main emphasis on the period from October to January. In order to comply with the commercial challenges, substantial investments are made in product development and flexible production.

### Suppliers

The Group is dependent on a large number of suppliers, primarily from Europe and Asia, and strives to maintain long-term supplier relations with regard to the purchase of development services and production goods. Bang & Olufsen endeavours to ensure that supplies of critical raw materials are assured through contracts and agreements and, when possible, through co-operation with several suppliers.

### Employees

Bang & Olufsen wishes to retain its position as an exciting and attractive workplace to attract and retain highly qualified employees at all times. Consequently, focus is on individual personal and career development which is secured through maintaining and creating interesting and challenging jobs throughout the Group. Each year, the Group, therefore, actively contributes to, and invests in, a range of training programmes for its employees.

### Insurance

Bang & Olufsen's insurance policy stipulates that insurance policies must cover any damage arising to Bang & Olufsen's assets and any claims that Bang & Olufsen may incur so that such damage or claims

do not impact on the company's financial position and future operations to any significant extent. Consistent with this, the Group can be self-insured in respect of minor risks, while major risks are fully insured. When deemed financially beneficial, insurances contain an excess.

In respect of the above, a global insurance programme has been established to include all-risk, operational losses, business and product responsibility.

Bang & Olufsen has a written contingency plan and works continually with risk management in order to protect against damage to own and contractors' facilities.

### The Group's management of financial risks

As a result of the Bang & Olufsen Group's extensive international activities, the profit & loss account, balance sheet and equity are exposed to a number of financial risks at any given time.

These risks comprise:

- Foreign exchange rate risk
- Interest rate risk
- Credit risk
- Liquidity risk

Bang & Olufsen continually assesses these risks at Group level. As it is the Group's policy not to speculate in financial instruments, its financial management is solely directed towards the management of financial risks in relation to operations and financing.

### Foreign exchange risk

In 2009/10, 89 per cent (2008/09: 91 per cent) of the Group's turnover is in foreign currency. Since the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent, the figure does not express the Group's foreign exchange rate risk.

The Group has significant in-flows in EUR, GBP and CHF, and the most significant exposure are at moment related to these currencies. The most significant exposure on the out-flows are related to USD.

The Group's foreign exchange rate risks are managed centrally by the parent company's finance department based on a foreign exchange rate

policy approved by the Board of Directors. Forward contracts are used to continually cover net positions. These forward contracts are classified as hedging and fulfil the accounting requirements for hedging future cash flow. Forward contracts are used for commercial transactions only.

The Group's net monetary items in foreign currencies appear in note 44.

The Group has hedged a significant part of the expected net-inflows in foreign currencies in 2010/11. The below tables indicates the effect on the operating profit for the year and the equity for the Group from a change in the exchange rate of 5 per cent in selected currencies.

#### Operating profit/loss

(DKK million)	2009/10	2008/09
USD	(9.6)	(3.9)
GBP	8.5	8.5
CHF	9.1	7.9
NOK	0.9	0.5
SEK	1.6	1.6
SGD	3.4	2.3
AUD	1.9	1.8

#### Equity

(DKK million)	31 May 2010	31 May 2009
USD	(7.2)	(2.9)
GBP	6.4	6.4
CHF	6.8	5.9
NOK	0.7	0.4
SEK	1.2	1.2
SGD	2.5	1.7
AUD	1.4	1.3

The foreign exchange risk is calculated by adding the operating profits for the Group's entities in local currencies.

In addition to the foreign exchange rate risk relating to current transactions, the Bang & Olufsen Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to DKK.

#### Interest rate risk

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

The Group's interest-bearing assets consist mainly of liquid funds, which at the end of the financial year totalled DKK 254 million (2008/09: DKK 258 million). Liquid funds yield interest on the short-term money market. The interest rate risk is deemed to be insignificant in that a change in the interest rate level of 0.5 per cent for 2009/10 would have impacted on the Group's result before tax by approx. DKK 0.5 million (2008/09: DKK 0.5 million).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 338 million (2008/09: DKK 378 million) corresponding to 12.8 per cent of the balance sheet total (2008/09: 14.2 per cent).

Of the interest-bearing debt, DKK 212.2 million falls due after five years. Further information is provided in notes 33 and 34.

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

#### Credit risk

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

At the end of the financial year, the Group was selling its products through 1,005 dealers worldwide. The Group is, therefore, exposed to a risk of losses on receivables.

The individual dealers, including their geographical location, are subject to ongoing evaluation. When deemed necessary, the Group employs bank guarantees or debtor insurance against outstanding debts, and in some instances other kinds of collateral are obtained, e.g. charge over stocks or other assets.

For the 2009/10 financial year, DKK 61 million was expensed for losses and changes to provisions for losses on receivables (2008/09: DKK 60.4 million). Liquid funds are placed with financial institutions with high credit ratings. Derivatives, including

foreign exchange forward contracts, are entered into with such institutions only. It is deemed, therefore, that the credit risk relating to liquid funds is of no significance to Bang & Olufsen's annual report.

#### **Liquidity risk**

The financial reserve is continually assessed and managed by the parent company's finance department. It is ensured that, at any given time, there is sufficient, flexible and unused assurance credit available provided by major, reputable financial institutions. On the basis of its financial reserve arrangements, and the expectations to the groups future cash-flows, no liquidity difficulties are expected.

#### **The Financial Reporting Process and Internal Controls**

The Board of Directors and the Management has the primary responsibility for Bang & Olufsen's risk management and internal control systems, including compliance with applicable legislation and other financial reporting regulations. Bang & Olufsen's risk management and internal control systems related to financial reporting, including IT and tax, are designed to effectively limit the risk of errors and omissions in the financial reporting.

#### **Control Environment**

Internal control at Bang & Olufsen is based on organisational structure, decisionmaking procedures, powers and responsibilities which are documented and communicated in governing documents, such as internal policies, codes, and the like. Internal control is also based on procedures described in manuals and memos. The Management has established central compliance and controlling functions for the purpose of monitoring compliance with relevant legislation and other financial reporting requirements and controlling financial reporting from subsidiaries and associated companies. In 2009, Bang & Olufsen established an Audit Committee consisting of the members of the Board of Directors. The Audit Committee's duties involve evaluation and discussion of significant issues within the areas of accounting and financial reporting.

#### **Risk Assessment**

At least once a year, the Audit Committee and the Management make a group-wide assessment of risks related to the financial reporting process.

The purpose of this risk assessment is to identify processes related to the financial reporting process, in which the likelihood of a material misstatement is most significant. On the basis of such risk assessment, Bang & Olufsen focuses on implementing measures to manage and reduce risk in these processes. The most significant risks related to the financial reporting are described in Management's Report.

#### **Control Activities**

Firstly, the control structures consist of an organisation with clearly defined roles that support an effective, and from an internal control perspective, appropriate division of responsibility, and secondly, specific control activities that are intended to identify or prevent the risk of errors in the financial reporting. Control activities are based on risk and materiality assessment. The objective of Bang & Olufsen's control activities is to ensure compliance with the objectives, policies, manuals, procedures, and other guidelines communicated by management and the timely prevention, detection and correction of any errors, discrepancies or omissions. Control activities comprise manual and physical controls, general IT controls and automatic application controls in, among other things, IT systems.

Management has established a formal group reporting process, which comprises reporting of budget figures and monthly reporting, including reporting on budget variances and ongoing adjustment of full-year estimates. In addition to the income statement, the balance sheet and the cash flow statement, the reporting comprises notes and other disclosures.

#### **Information and Communication**

The principles for the company's presentation of its financial statements are described in a financial reporting manual that applies to all subsidiaries. The manual is available on the intranet. Financial reporting is done in a corporate reporting system that provides full transparency for the parent company into each individual reporting unit. The financial reporting is supported by monthly management reporting from the units.

#### **Monitoring**

The process for assessing risks and the execution of control activities are monitored on an ongoing basis. Monitoring involves both formal and informal



procedures applied by management and owners of processes, risks, and controls, including reviews of results in comparison with budgets and plans, analytical procedures, and key performance indicators. On an ongoing basis, Management monitors compliance with relevant legislation and other financial reporting requirements and reports to the Board of Directors and the Audit Committee.

At least once a year, the Board of Directors reviews the adequacy of the internal control systems. At the board meeting where the annual report is reviewed, the board members discuss the internal control systems with the auditors elected by the shareholders in the General Meeting. Based on the auditors' reporting in the long-form audit report, the Board of Directors and the independent auditors discuss the audit results, the material accounting policies applied, critical accounting estimates and the appropriateness of the accounting policies applied.

The Board of Directors and the Audit Committee monitor Management's response to any control weakness and/or omission and ensure that agreed measures in relation to enhancing risk management and internal controls related to the financial reporting process are implemented as planned. Management is responsible for the follow-up on weaknesses in the internal control noted in subsidiaries and issues described in Management Letters in relation to internal control.

COURAGE TO CONSTANTLY QUESTION THE ORDINARY  
IN SEARCH OF SURPRISING, LONG-LASTING EXPERIENCES.





## FINANCIAL REPORT AND NOTES

### **FINANCIAL REPORT**

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## STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

We have today presented the annual report of Bang & Olufsen a/s for the financial year 1 June 2009 - 31 May 2010.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

In our opinion the consolidated financial statements and parent financial statements provide a true and fair view of the Group's and the Parent's financial position at 31 May 2010 and of their financial performance and their cash flows for the financial year 1 June 2009 - 31 May 2010.

We also consider the Directors' report to provide a true and fair account of the developments in the Group's and the Parent's activities and finances, results for the year and of the Group's and the Parent's financial position in general as well as a fair description of the most significant risks and uncertainties to which the Group and the Parent are exposed.

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

Lyngby, 24 August 2010

The Board of Management of Bang & Olufsen a/s

Karl Kristian Hvidt Nielsen (President & CEO)

Christian Winther

John Christian Bennett-Therkildsen

The Board of Directors of Bang & Olufsen a/s

Jørgen Worning (formand)

Rolf Eriksen (næstformand)

Peter Skak Olufsen

Niels Bjørn Christiansen

Ole Andersen

Jesper Olesen

Tue Manton

Anette Revsgaard Sejbjerg

Knud Olesen

## INDEPENDENT AUDITOR'S REPORT

### **To the shareholders of Bang & Olufsen a/s Report on the consolidated financial statements and parent financial statements**

We have audited the consolidated financial statements and parent financial statements of Bang & Olufsen a/s for the financial year 1 June 2009 - 31 May 2010, which comprise the income statement, comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting principles, for the Group as well as the Parent. The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

### **Management's responsibility for the consolidated financial statements and parent financial statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility and basis of opinion**

Our responsibility is to express an opinion on these consolidated financial statements and parent financial statements based on our audit. We have conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 May 2010, and of their financial performance and their cash flows for the financial year 1 June 2009 - 31 May 2010 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies.

### Statement on the management's review

Management is responsible for preparing a management's review that contains a fair review in accordance with the Danish Financial Statements Act.

Our audit did not include the management's review, but we have read it pursuant to the Danish Financial Statements Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in the management's review are consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 24 August 2010

**Deloitte**

State Authorised Public Accounting Company



Kirsten Aaskov Mikkelsen

State Authorised Public Accountant



Lars Siggaard Hansen

State Authorised Public Accountant



## STRUCTURE, MANAGEMENT AND DIRECTORSHIPS

### Company

Bang & Olufsen a/s  
Struer  
CVR no. 41257911

*Brand building and Group staff functions as well as the development of Bang & Olufsen's audio/video products.*

### Board of Directors



**Jørgen Worning**  
(1940)  
Chairman

Year of first appointment,  
1991

M.Sc. (Engineering)

#### Directorships

Chairman of the board of directors of FLSmidth & Co. A/S and ALK-Abelló A/S

Number of shares in  
Bang & Olufsen a/s:  
7,200



**Rolf Eriksen**  
(1944)  
Deputy Chairman

Year of first appointment,  
2008

Display Artist

#### Directorships

Member of the board of directors of Hennes & Mauritz A/S, Nobia AB, Royal Copenhagen A/S, Bianco Footwear A/S and Ugly Duck Aps.

Number of shares in  
Bang & Olufsen a/s:  
1,140



**Peter Skak Olufsen**  
(1942)

Year of first appointment,  
1972

Agronomist

#### Directorships

Peter Skak Olufsen runs the manor Quistrup. In addition, he is chairman of Aktieselskabet Fiil-Sø, Hunsballe Frø A/S, Fiil-Sø Svineavl A/S and Fonden Nr. Vosborg. Deputy Chairman of Idagaardfonden. Member of the board of directors of JP/Politikens Hus A/S, EuroGrass BV, Kongenshus Mindepark for Hedens Opdyrkere and Sven Torben og Margrethe Westenholz Slægtsfond.

Number of shares in  
Bang & Olufsen a/s:  
49,000



**Niels Bjørn Christiansen**  
(1966)

Year of first appointment,  
2007

M.Sc. (Engineering), MBA

#### Directorships

President & CEO of Danfoss A/S. Deputy Chairman of Sauer-Danfoss Inc. Chairman of the board of directors of Axcel and member of the board of directors of William Demant Holding A/S.

Number of shares in  
Bang & Olufsen a/s:  
300



**Tue Mantoni**  
(1975)

Year of first appointment,  
2009

M.Sc. (Business Administration and Management Science)

#### Directorships

CEO of Triumph Motorcycles Ltd.

Number of shares in  
Bang & Olufsen a/s:  
0



**Ole Andersen**  
(1956)

Year of first appointment,  
2009

M.Sc. (Economics and Business Administration), state-authorized public accountant

#### Directorships

Chairman of the board of directors of ISS A/S, Privathospitalet Hamlet A/S and Chr. Hansen Holding A/S. Member of the board of directors of Georg Jensen A/S and Danske Bank A/S.

Number of shares in  
Bang & Olufsen a/s:  
0

## Board of Management



**Anette Revsgaard  
Sejbjerg  
(1966)**

**Jesper Olesen  
(1978)**

**Knud Olesen  
(1952)**

**Karl Kristian Hvidt  
Nielsen  
(1964)**

**John Christian  
Bennett-Therkildsen  
(1952)**

**Christian Winther  
(1970)**

Year of first appointment,  
2007 (Employee-elected)

Year of first appointment,  
2007 (Employee-elected)

Year of first appointment,  
2003 (Employee-elected)

President & CEO of  
Bang & Olufsen a/s.  
Employed since 1 August  
2008

Executive Vice President,  
Operations. Employed  
since 1 September 1981

Executive Vice President,  
Sales & Marketing.  
Employed since 1 January  
2009

Measure Time Technician

Engineering Worker

Technical Project  
Manager

M.Sc. (Engineering),  
B.Com in Marketing

Electronics engineer

B.Com in Marketing

### Directorships \*

Member of the board of  
directors of EskoArtwork,  
Panmi Invest 1 ApS and  
Phase One A/S. Member  
of the management  
board of Hvidt Nielsen  
ApS.

### Directorships \*

Member of the board  
of directors of Egholm  
Maskiner A/S, Grundfos  
A/S and Center for  
Industriell Produktion at  
Aalborg Universitet.

### Directorships \*

Member of the board of  
directors of Lundberg  
Data A/S.

Number of shares in  
Bang & Olufsen a/s:  
346

Number of shares in  
Bang & Olufsen a/s:  
196

Number of shares in  
Bang & Olufsen a/s:  
853

Number of shares in  
Bang & Olufsen a/s:  
8,399

Number of shares in  
Bang & Olufsen a/s:  
7,341

Number of shares in  
Bang & Olufsen a/s:  
13,700

\* With the exception of 100 per cent owned Bang & Olufsen subsidiaries.

## STRUCTURE AND MANAGEMENT (CONTINUED)

Company	Board of Directors	Board of Management
<b>Bang &amp; Olufsen Operations a/s</b> <b>Struer</b> (100 % owned) CVR no. 26035406  <i>Purchasing, production and logistics for the Bang &amp; Olufsen Group as well as sales of Bang &amp; Olufsen's audio/video-products.</i>	Jørgen Worning (Chairman) Rolf Eriksen (Deputy Chairman) Peter Skak Olufsen Niels Bjørn Christiansen Tue Manton Ole Andersen Anette Revsgaard Sejbjerg * Jesper Olesen * Knud Olesen *	Karl Kristian Hvidt Nielsen (CEO) John Christian Bennett-Therkildsen Christian Winther
<b>Bang &amp; Olufsen s.r.o</b> <b>Koprivnice</b> (100 % owned)  <i>Handles production and development of some of the Group's audio-products.</i>		Lars Jørgensen (CEO)
<b>OÜ BO-Soft</b> <b>Tallinn</b> (51 % owned)  <i>Software development.</i>		Jaan Lievand (CEO)

\* Employee-elected

Company	Board of Directors	Board of Management
<b>Bang &amp; Olufsen ICEpower a/s</b> <b>Lyngby-Tårnbæk</b> (100 % owned) CVR no. 25053591  <i>Develops, produces and markets products based on highly efficient amplifier technologies.</i>	Karl Kristian Hvidt Nielsen (Chairman) Jens Peter Zinck Kim Hyl Dahl Hansen Peter Petersen	Peter A.V. Sommer (CEO)
<b>Bang &amp; Olufsen GPS</b> <b>Taipei City, Taiwan</b> (100 % owned)  <i>Sourcing company.</i>	Kim Hyl Dahl Hansen (Chairman) John Christian Bennett-Therkildsen	Peter Seidelin Hune

**Bang & Olufsen a/s, The Board of Directors Compensations Committee**

Jørgen Worning  
Rolf Eriksen  
Niels Bjørn Christiansen

**Bang & Olufsen a/s, The Board of Directors Audit Committee**

The joint Board of Directors undertakes the tasks of an audit committee.

**Main banker for all companies**

Danske Bank A/S

**Auditors for all companies**

Deloitte

Dormant companies are not included.

## PROFIT AND LOSS ACCOUNT

Bang & Olufsen a/s		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
4 ...	<b>Net turnover</b>	<b>2,761.5</b>	<b>2,789.5</b>	<b>441.6</b>	<b>426.3</b>
5 ...	Production costs	<u>(1,672.0)</u>	<u>(1,683.8)</u>	<u>(246.3)</u>	<u>(422.7)</u>
	<b>Gross profit</b>	<b>1,089.5</b>	<b>1,105.7</b>	<b>195.3</b>	<b>3.6</b>
5 ...	Development costs	(342.8)	(462.7)	(385.2)	(490.8)
5 ...	Distribution and marketing costs	(708.5)	(928.9)	-	-
5 ...	Administration costs etc.	(85.3)	(104.5)	(20.0)	(34.3)
5 ...	Restructuring costs	-	(105.5)	-	(20.8)
6 ...	Other operating income	<u>13.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Operating loss</b>	<b>(33.8)</b>	<b>(495.9)</b>	<b>(209.9)</b>	<b>(542.3)</b>
	Result of investments in associates after tax	(6.7)	2.3		
7 ...	Dividend			32.4	231.0
8 ...	Financial income	15.4	11.4	61.2	64.7
9 ...	Financial costs	<u>(24.5)</u>	<u>(41.2)</u>	<u>(29.0)</u>	<u>(53.6)</u>
	Financial items, net	<u>(9.1)</u>	<u>(29.8)</u>	<u>32.2</u>	<u>11.1</u>
	<b>Result before tax</b>	<b>(49.6)</b>	<b>(523.4)</b>	<b>(145.3)</b>	<b>(300.2)</b>
10 ...	Tax on result for the year	<u>16.7</u>	<u>140.3</u>	<u>43.2</u>	<u>138.4</u>
	<b>Result for the year</b>	<b><u>(32.9)</u></b>	<b><u>(383.1)</u></b>	<b><u>(102.1)</u></b>	<b><u>(161.8)</u></b>
	Attributable to:				
	Shareholders of the parent company	(34.4)	(385.4)		
11 ...	Minority interests	<u>1.5</u>	<u>2.3</u>		
		<b><u>(32.9)</u></b>	<b><u>(383.1)</u></b>		
12 ...	<b>Earnings per share</b>				
	Earnings per share and earnings				
	per share from continuing operations, DKK	<u>(1.0)</u>	<u>(15.7)</u>		
	Diluted earnings per share and diluted				
	earnings per share from continuing operations, DKK	<u>(1.0)</u>	<u>(15.7)</u>		

Parantheses denote negative figures or figures to be deducted. Notes: See pages 69 - 128

# STATEMENT OF COMPREHENSIVE INCOME

## Bang & Olufsen a/s

(DKK million)

	Group		Parent company	
	1/6 - 31/5 2009/10	1/6 - 31/5 2008/09	1/6 - 31/5 2009/10	1/6 - 31/5 2008/09
Notes ...				
<b>Result for the year</b>	<b>(32.9)</b>	<b>(383.1)</b>	<b>(102.1)</b>	<b>(161.8)</b>
Exchange rate adjustment of foreign subsidiaries	12.8	(12.3)		
Change in fair value of derivative financial instruments used as cash flow hedges	(4.6)	(1.0)	(4.6)	(1.0)
Transfer to the profit and loss account of fair value adjustments of derivative financial instruments used as cash flow hedges	0.6	-	0.6	-
Gain on intra-group business combination			-	9.1
10 ... Tax on other comprehensive income	1.3	-	1.3	-
<b>Other comprehensive income, net of tax</b>	<b>10.1</b>	<b>(13.3)</b>	<b>(2.7)</b>	<b>8.1</b>
<b>Comprehensive income for the year</b>	<b>(22.8)</b>	<b>(396.4)</b>	<b>(104.8)</b>	<b>(153.7)</b>
Attributable to:				
Shareholders of the parent company	(24.3)	(398.7)		
Minority interests	1.5	2.3		
	<b>(22.8)</b>	<b>(396.4)</b>		

Parantheses denote negative figures or figures to be deducted. Notes: See pages 69 - 128

## BALANCE SHEET ASSETS

Bang & Olufsen a/s		Group			Parent company		
(DKK million)		31/5 - 10	31/5 - 09	1/6 - 08	31/5 - 10	31/5 - 09	1/6 - 08
Notes ...							
	<b>Intangible assets</b>						
	Goodwill	44.7	44.8	44.8	3.2	3.2	3.2
	Acquired rights	46.0	50.8	41.1	43.2	47.4	35.9
	Completed development projects	249.1	200.6	218.8	236.5	191.2	204.5
	Development projects in progress	206.7	185.0	112.5	197.6	173.8	97.0
13, 16 ...	Total intangible assets	546.5	481.2	417.2	480.5	415.6	340.6
	<b>Tangible assets</b>						
	Land and buildings	240.9	269.9	274.4	76.8	82.0	83.7
	Plant and machinery	209.4	229.5	221.8	7.2	8.8	8.8
	Other equipment	34.9	48.4	50.0	18.7	29.0	30.9
	Leasehold improvements	23.2	32.2	28.7	-	-	0.1
	Tangible assets in progress and prepayment for tangible assets	52.1	33.2	80.8	0.1	-	6.7
14, 16 ...	Total tangible assets	560.5	613.2	655.7	102.8	119.8	130.2
15 ...	<b>Investment property</b>	45.4	49.1	52.8	115.0	125.0	73.2
	<b>Financial assets</b>						
17 ...	Investments in subsidiaries				719.5	719.5	722.8
18 ...	Investments in associates	5.3	9.5	6.3	5.6	5.6	2.0
19 ...	Other financial receivables	41.4	60.4	52.0	3.0	3.0	3.0
	Total financial assets	46.7	69.9	58.3	728.1	728.1	727.8
20 ...	<b>Deferred tax assets</b>	140.4	104.9	23.7	92.6	53.0	-
	<b>Total non-current assets</b>	<b>1,339.5</b>	<b>1,318.3</b>	<b>1,207.7</b>	<b>1,519.0</b>	<b>1,441.5</b>	<b>1,271.8</b>
21 ...	<b>Inventories</b>	563.6	593.3	797.3	0.2	1.2	1.4
	<b>Receivables</b>						
22 ...	Trade receivables	417.9	407.9	593.0	-	-	-
23 ...	Receivables from subsidiaries				658.4	796.4	954.2
24 ...	Receivables from associates	1.5	1.4	-	0.5	-	-
25 ...	Income tax receivables	21.2	21.7	39.7	-	0.2	9.2
26 ...	Other receivables	27.6	31.6	38.9	3.5	2.3	12.6
	Prepayments	22.4	28.4	30.5	6.0	11.4	7.0
	Total receivables	490.6	491.0	702.1	668.4	810.3	983.0
	<b>Cash</b>	253.6	258.1	107.1	168.5	217.7	5.3
	<b>Total current assets</b>	<b>1,307.8</b>	<b>1,342.4</b>	<b>1,606.5</b>	<b>837.1</b>	<b>1,029.2</b>	<b>989.7</b>
	<b>Total assets</b>	<b>2,647.3</b>	<b>2,660.7</b>	<b>2,814.2</b>	<b>2,356.1</b>	<b>2,470.7</b>	<b>2,261.5</b>

Notes: See pages 69 - 128

## BALANCE SHEET EQUITY AND LIABILITIES

Bang & Olufsen a/s		Group			Parent company		
(DKK million)		31/5 - 10	31/5 - 09	1/6 - 08	31/5 - 10	31/5 - 09	1/6 - 08
Notes ...							
	<b>Equity</b>						
27 ...	Share capital	362.4	362.4	120.8	362.4	362.4	120.8
	Share premium	232.1	232.1	14.6	232.1	232.1	14.6
	Translation reserve	13.1	(39.6)	(42.9)			
	Reserve for cash flow hedges	(5.0)	(1.0)	-	(5.0)	(1.0)	-
28 ...	Retained earnings	<u>892.1</u>	<u>960.5</u>	<u>1,376.1</u>	<u>1,275.4</u>	<u>1,371.6</u>	<u>1,522.8</u>
	Equity attributable to shareholders of the parent company	1,494.7	1,514.4	1,468.6	1,864.9	1,965.1	1,658.2
29 ...	Minority interests	<u>1.5</u>	<u>2.3</u>	<u>12.1</u>			
	<b>Total equity</b>	<b><u>1,496.2</u></b>	<b><u>1,516.7</u></b>	<b><u>1,480.7</u></b>	<b><u>1,864.9</u></b>	<b><u>1,965.1</u></b>	<b><u>1,658.2</u></b>
	<b>Non-current liabilities</b>						
30 ...	Pensions	7.8	7.0	9.5	-	-	-
31 ...	Deferred tax	6.2	4.8	64.2	-	-	72.7
32 ...	Provisions	78.2	78.1	77.3	2.8	2.8	3.1
33 ...	Mortgage loans	225.8	230.3	235.7	225.8	230.3	198.5
34 ...	Loans from banks etc.	52.8	95.7	101.1	15.6	51.0	48.9
35 ...	Other non-current liabilities	<u>6.9</u>	<u>6.7</u>	<u>6.6</u>	<u>6.5</u>	<u>6.5</u>	<u>3.4</u>
	Total non-current liabilities	<u>377.7</u>	<u>422.6</u>	<u>494.4</u>	<u>250.7</u>	<u>290.6</u>	<u>326.6</u>
	<b>Current liabilities</b>						
33 ...	Mortgage loans	4.6	6.5	8.5	4.6	6.5	6.9
34 ...	Loans from banks etc.	42.8	32.6	42.9	35.4	10.4	35.4
	Overdraft facilities	11.9	13.0	53.7	11.9	12.9	53.6
32 ...	Provisions	52.7	65.7	46.0	0.3	0.4	0.3
	Trade payables	259.4	188.3	216.0	38.9	41.7	49.7
36 ...	Payables to subsidiaries				40.0	36.8	32.8
	Payables to associates	-	-	1.8	-	-	0.1
37 ...	Income tax	20.0	21.2	66.3	0.1	0.1	-
38 ...	Other payables	323.3	324.6	320.0	109.3	106.2	97.9
	Deferred income	<u>58.7</u>	<u>69.5</u>	<u>83.9</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total current liabilities	<u>773.4</u>	<u>721.4</u>	<u>839.1</u>	<u>240.5</u>	<u>215.0</u>	<u>276.7</u>
	<b>Total liabilities</b>	<b><u>1,151.1</u></b>	<b><u>1,144.0</u></b>	<b><u>1,333.5</u></b>	<b><u>491.2</u></b>	<b><u>505.6</u></b>	<b><u>603.3</u></b>
	<b>Total equity and liabilities</b>	<b><u>2,647.3</u></b>	<b><u>2,660.7</u></b>	<b><u>2,814.2</u></b>	<b><u>2,356.1</u></b>	<b><u>2,470.7</u></b>	<b><u>2,261.5</u></b>

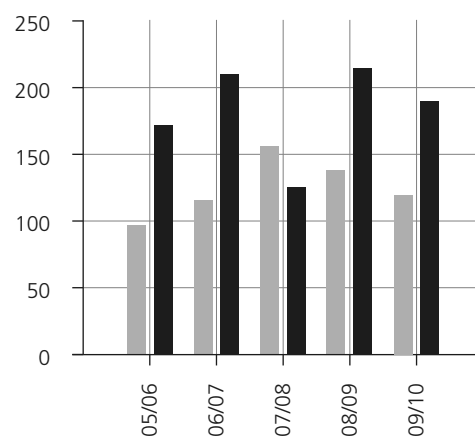
Parantheses denote negative figures or figures to be deducted. Notes: See pages 69 - 128



### Purchase of intangible assets and amortisation

- Amortisation
- Purchase of intangible assets

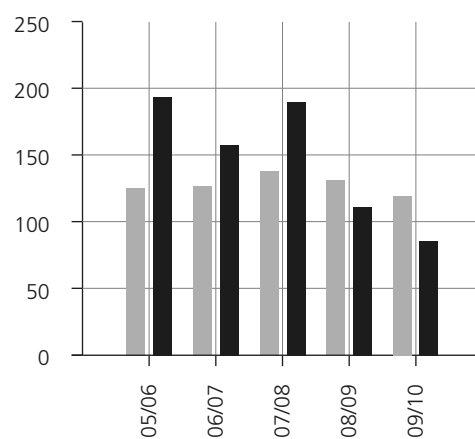
DKK million



### Purchase of tangible assets and depreciation

- Depreciation
- Purchase of tangible assets

DKK million



## CASH FLOW STATEMENT

Bang & Olufsen a/s		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
	Result for the year	(32.9)	(383.1)	(102.1)	(161.8)
	Depreciation, amortisation and impairment losses	245.4	285.7	145.6	176.1
39 ...	Adjustments	(14.1)	(92.7)	(68.1)	(140.0)
40 ...	Change in working capital	<u>82.1</u>	<u>358.2</u>	<u>147.2</u>	<u>216.3</u>
	Cash flows from operating loss	280.5	168.1	122.6	90.6
	Interest received etc.	15.4	11.4	61.2	64.7
	Interest paid etc.	(24.5)	(41.2)	(29.0)	(53.6)
	Income tax paid	<u>(14.7)</u>	<u>(25.1)</u>	<u>0.2</u>	<u>(13.3)</u>
	<b>Cash flows from operating activities</b>	<b><u>256.7</u></b>	<b><u>113.2</u></b>	<b><u>155.0</u></b>	<b><u>88.4</u></b>
	Purchase of intangible non-current assets	(211.6)	(211.5)	(206.6)	(204.4)
	Purchase of tangible non-current assets	(82.7)	(111.4)	(1.6)	(14.4)
	Purchase of investment property	-	-	-	(5.2)
	Sale of intangible non-current assets	-	10.8	-	-
	Sale of tangible non-current assets	34.7	7.9	-	0.4
	Received reimbursements, intangible non-current assets	24.7	-	24.7	-
	Capital increase, Bang & Olufsen Medicom a/s	-	(3.6)	-	(3.6)
	Capital increase, Bang & Olufsen GPS Taiwan	-	-	-	(0.7)
	Purchase of 10 % equity interest in				
	Bang & Olufsen ICEpower a/s	-	(23.0)	-	(23.0)
	Change in financial receivables	<u>19.0</u>	<u>(8.4)</u>	<u>-</u>	<u>-</u>
	<b>Cash flows from investment activities</b>	<b><u>(215.9)</u></b>	<b><u>(339.2)</u></b>	<b><u>(183.5)</u></b>	<b><u>(250.9)</u></b>
	Capital increase	-	459.1	-	459.1
	Costs related to capital increase	(2.8)	(25.8)	(2.8)	(25.8)
	Proceeds from loans	-	14.8	-	-
	Repayment of long-term loans	(39.1)	(37.9)	(16.9)	(30.4)
	Dividend paid, minority interests	(2.3)	(5.2)	-	-
	Dividend paid	-	(36.2)	-	(36.2)
	Dividend, own shares	-	1.9	-	1.9
	Dividend from associates	-	1.0	-	1.0
	Sale of own shares	-	42.2	-	42.2
	Sale of subscription rights	<u>-</u>	<u>3.8</u>	<u>-</u>	<u>3.8</u>
	<b>Cash flows from financing activities</b>	<b><u>(44.2)</u></b>	<b><u>417.7</u></b>	<b><u>(19.7)</u></b>	<b><u>415.6</u></b>
	<b>Changes in cash and cash equivalents</b>	<b><u>(3.4)</u></b>	<b><u>191.7</u></b>	<b><u>(48.2)</u></b>	<b><u>253.1</u></b>
	Cash and cash equivalents 1 June	<u>245.1</u>	<u>53.4</u>	<u>204.8</u>	<u>(48.3)</u>
41 ...	<b>Cash and cash equivalents 31 May</b>	<b><u>241.7</u></b>	<b><u>245.1</u></b>	<b><u>156.6</u></b>	<b><u>204.8</u></b>

Parentheses denote capital expenditure. Notes: See pages 69 - 128

## STATEMENT OF CHANGES IN EQUITY

### Bang & Olufsen a/s, Group

(DKK million)

	Equity attributable to shareholders of the parent company					Minority interests	Total
	Share capital	Share premium	Translation reserve	Reserve for cash flow hedges	Retained earnings		Equity Group
<b>Equity 1 June 2008</b>	<b>120.8</b>	<b>14.6</b>	<b>(42.9)</b>	<b>-</b>	<b>1,379.2</b>	<b>12.1</b>	<b>1,483.8</b>
Accumulated effect at the beginning of the year from changes to accounting principles	-	-	-	-	(3.1)	-	(3.1)
Adjusted equity 1 June 2008	120.8	14.6	(42.9)	-	1,376.1	12.1	1,480.7
Comprehensive income for the year	-	-	3.3	(1.0)	(401.0)	2.3	(396.4)
Capital increase	241.6	217.5	-	-	-	-	459.1
Costs related to capital increase	-	-	-	-	(25.8)	-	(25.8)
Tax on costs related to capital increase	-	-	-	-	1.0	-	1.0
Purchase of 10 % equity interest in Bang & Olufsen ICEpower a/s	-	-	-	-	(16.1)	(6.9)	(23.0)
Employee shares	-	-	-	-	4.7	-	4.7
Grant of share options	-	-	-	-	6.1	-	6.1
Sale of own shares	-	-	-	-	46.0	-	46.0
Sale of subscription rights	-	-	-	-	3.8	-	3.8
Dividend paid regarding 2007/08	-	-	-	-	(36.2)	(5.2)	(41.4)
Dividend, own shares	-	-	-	-	1.9	-	1.9
<b>Equity 31 May 2009</b>	<b>362.4</b>	<b>232.1</b>	<b>(39.6)</b>	<b>(1.0)</b>	<b>960.5</b>	<b>2.3</b>	<b>1,516.7</b>
<b>Equity 1 June 2009</b>	<b>362.4</b>	<b>232.1</b>	<b>(39.6)</b>	<b>(1.0)</b>	<b>960.5</b>	<b>2.3</b>	<b>1,516.7</b>
Comprehensive income for the year	-	-	12.8	(4.0)	(33.1)	1.5	(22.8)
Costs related to capital increase	-	-	-	-	(2.8)	-	(2.8)
Employee shares	-	-	-	-	1.2	-	1.2
Grant of share options	-	-	-	-	6.2	-	6.2
Dividend paid regarding 2008/09	-	-	-	-	-	(2.3)	(2.3)
Reclassification related to currency translation of foreign subsidiaries	-	-	39.9	-	(39.9)	-	-
<b>Equity 31 May 2010</b>	<b>362.4</b>	<b>232.1</b>	<b>13.1</b>	<b>(5.0)</b>	<b>892.1</b>	<b>1.5</b>	<b>1,496.2</b>

Parantheses denote negative figures or figures to be deducted.

**Bang & Olufsen a/s, parent company**

(DKK million)

	Share capital	Share premium	Reserve for cash flow hedges	Retained earnings	Equity parent company
<b>Equity 1 June 2008</b>	<b>120.8</b>	<b>14.6</b>	<b>-</b>	<b>1,522.8</b>	<b>1,658.2</b>
Comprehensive income for the year	-	-	(1.0)	(152.7)	(153.7)
Capital increase	241.6	217.5	-	-	459.1
Costs related to capital increase	-	-	-	(25.8)	(25.8)
Tax on costs related to capital increase	-	-	-	1.0	1.0
Employee shares	-	-	-	4.7	4.7
Grant of share options	-	-	-	6.1	6.1
Sale of own shares	-	-	-	46.0	46.0
Sale of subscription rights	-	-	-	3.8	3.8
Dividend paid regarding 2007/08	-	-	-	(36.2)	(36.2)
Dividend, own shares	-	-	-	1.9	1.9
<b>Equity 31 May 2009</b>	<b>362.4</b>	<b>232.1</b>	<b>(1.0)</b>	<b>1,371.6</b>	<b>1,965.1</b>
<b>Equity 1 June 2009</b>	<b>362.4</b>	<b>232.1</b>	<b>(1.0)</b>	<b>1,371.6</b>	<b>1,965.1</b>
Comprehensive income for the year	-	-	(4.0)	(100.8)	(104.8)
Costs related to capital increase	-	-	-	(2.8)	(2.8)
Employee shares	-	-	-	1.2	1.2
Grant of share options	-	-	-	6.2	6.2
<b>Equity 31 May 2010</b>	<b>362.4</b>	<b>232.1</b>	<b>(5.0)</b>	<b>1,275.4</b>	<b>1,864.9</b>

**Specification of movements in share capital:**

	2009/10	2008/09	2007/08	2006/07	2005/06
Share capital 1 June	362.4	120.8	120.8	124.5	124.1
Capital increase	-	241.6	-	-	0.4
Capital reduction	-	-	-	(3.7)	-
<b>Share capital 31 May</b>	<b>362.4</b>	<b>362.4</b>	<b>120.8</b>	<b>120.8</b>	<b>124.5</b>

No dividend is proposed for the 2009/10 financial year (DKK 0.00 per share in 2008/09).

*Parantheses denote negative figures or figures to be deducted.*



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## ACCOUNTING PRINCIPLES APPLIED

Noter ...

### 1 ... Accounting principles applied

#### Basic principles

The consolidated financial statements and the separate financial statements for 2009/10 for the Group and Bang & Olufsen a/s, respectively, have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and further Danish disclosure requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

The consolidated financial statements and the separate financial statements also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements and the separate financial statements are presented in DKK, which is the presentation currency for the Group's activities and the functional currency for the parent company.

#### Changes to accounting principles applied and the effect of new and amended Standards and Interpretations

All new and amended Standards and Interpretations, which are relevant for the Bang & Olufsen Group, and which have become effective as for financial years beginning on 1 June 2009, have been implemented in the preparation of the annual report for 2009/10. These Standards and Interpretations are:

- Amendment to IAS 38, Intangible Assets due to IASB's yearly improvements. The amendment to the standard means that marketing materials are now being expensed in connection with the acquisition compared to previously in connection with the external use hereof. The amendment is implemented retrospectively. As at 31 May 2008, the effect from this for the Bang & Olufsen Group is a reduction in inventories of DKK 4.1 million and an increase in deferred tax assets of DKK 1.0 million. Thus, the net effect on equity is a reduction of DKK 3.1 million. The effect on distribution and marketing costs for the 2009/10 financial year is a decrease of DKK 2.8 million (an increase of DKK 0.4 million in 2008/09), while tax on result for the year has decreased by DKK 0.7 million (an increase of DKK 0.1 million in 2008/09). As at 31 May 2010 the effect is a reduction in inventories of DKK 1.7 million, an increase in deferred tax assets of DKK 0.4 million and a net effect on equity of DKK -1.3 million. Earnings per share and diluted earnings per share are unchanged.
- Revised IAS 1, Presentation of Financial Statements. The revised standard requires changes in the format and contents of the financial statements and in the terminology for the financial statements. Furthermore, the revised standard requires presentation of a balance sheet as at the beginning of the earliest comparative period in years, where changes to accounting principles applied have been implemented retrospectively.
- Amendment to IFRS 7, Financial instruments: Disclosures: Improving Disclosures about Financial Instruments. The amendment to the standard requires enhanced disclosures about fair value measurements and liquidity risk.
- IFRS 8, Operating Segments. The standard changes the requirements for the contents of disclosure of segment information. Furthermore, the segment information must be reported on the same basis as the internal management accounting. The segment information is changed accordingly.
- Revised IAS 23, Borrowing Costs. The revised standard requires that borrowing costs are recognised as part of the cost price of qualifying assets, which in the Bang & Olufsen Group primarily are certain development projects. Until now the Bang & Olufsen Group has not recognised borrowing costs in the cost price of non-current assets. In accordance with the transitional provisions in the revised standard borrowing costs are only recognised in the cost price of qualifying assets for which the construction commences as at 1 June 2009 or later. The revised standard has not affected result for the year, non-current assets or equity in 2009/10.

The application of the new and amended Standards and Interpretations has not resulted in any changes to amounts in the annual report for 2009/10 or previous years with the exceptions described above, and the Group's accounting principles are with the exceptions described above and a few reclassifications in the comparative figures unchanged compared to 2008/09.

At the time of the announcement of this annual report, a number of new or amended Standards or Interpretations are still not effective, and they have not been applied in the preparation of the annual report. For the Bang & Olufsen Group the most significant of these new or amended Standards or Interpretations are the following:

- IFRS 9, Financial instruments. The standard changes the recognition and measurement of financial assets. The standard is effective for annual periods beginning on or after 1 January 2013. The standard is not yet endorsed by the European Union.
- Minor amendments resulting from the IASB's annual improvements project. The majority of the amendments is effective for annual periods beginning on or after 1 January 2010. The amendments are not yet endorsed by the European Union.

The management assesses that the new or amended Standards and Interpretations will not have any material impact on the annual report for the future financial years.

#### **General information about recognition and measurement**

Assets are recognised in the balance sheet, when it is probable that future economic benefits resulting from a past event will flow to the Group, and the value of the asset can be measured reliably.

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

Intra-group acquisitions are recognised in the acquirer's balance sheet at the transferring company's carrying amounts as at the acquisition date.

On initial recognition, assets and liabilities are measured at cost price, while financial instruments are measured at fair value. Subsequently assets and liabilities are measured as described below for each financial statement item.

### **Consolidation**

#### **The consolidated financial statements**

The consolidated financial statements comprise the parent company, Bang & Olufsen a/s, and the companies (subsidiaries), which are controlled by the parent company. The parent company is presumed to have control, when it directly or indirectly holds more than 50 % of the voting rights or in other ways can exercise or is exercising controlling influence. Companies, in which the Group directly or indirectly holds between 20 % and 50 % of the voting rights and has a significant influence but not control, are regarded as associates.

#### **Consolidation principles**

The consolidated financial statements have been prepared on the basis of the financial statements of the parent company and its subsidiaries. The consolidated financial statements have been prepared by adding uniform items. The financial statements that are used for the consolidation are prepared in accordance with the Group's accounting principles. In the process of consolidation, intra-group income and expenses, intra-group accounts receivable and payable and dividend and profits and losses from transactions between the consolidated companies have been eliminated. In the consolidated financial statements the subsidiaries' items are recognised 100 %.

#### **Minority interests**

On initial recognition, minority interests are measured at either fair value or their proportional share of the fair value of the identifiable assets, the liabilities and the contingent liabilities in the acquired company. Choice of method is made for each individual transaction. The minority interests are subsequently adjusted for their proportional share of changes to the subsidiary's equity. The comprehensive income is attributed to the minority interests, even if this results in the minority interests having a deficit balance. Acquisition of minority interests in a subsidiary or sale of minority interests in a subsidiary that do not result in a loss of control, are accounted for as equity transactions in the consolidated financial statements, and any difference between the consideration paid and the carrying amount is attributed to equity attributable to shareholders of the parent company.

#### **Business combinations**

Newly acquired or newly established companies are recognised in the consolidated financial statements as from the date of acquisition or the date of establishment, respectively. The acquisition date is the date, where control of the company is actually obtained. Companies sold or liquidated are included in the profit and loss account until the date of sale or liquidation. The date of sale is the date, where control of the company is actually transferred to a third-party. When acquiring new companies, where the Group obtains a controlling influence in the acquired company, the acquisition method is applied, by which the newly acquired companies' identifiable assets, the liabilities and the contingent liabilities are measured at fair value at the acquisition date.



The consideration paid for a company is the fair value of the consideration paid for the acquired company. Acquisition-related costs are recognised in profit or loss in the periods in which the costs are incurred.

Positive differences (goodwill) between, on the one hand, the consideration paid for the acquired company, the value of minority interests in the acquired company and the acquisition-date fair value of previously held equity interests, and, on the other hand, the fair value of the acquired assets, liabilities and contingent liabilities are recognised as an asset under intangible assets, and are tested for impairment at least once a year. If the carrying amount of the asset exceeds the recoverable amount, the carrying amount of the asset is reduced to the lower recoverable amount.

Business combinations from before 1 June 2004 have not been adjusted to the above accounting principles in connection with the transition to financial reporting according to IFRS.

### **Translation of foreign currency**

On initial recognition, transactions in a currency other than the company's functional currency are translated at the exchange rate prevailing at the transaction date. Receivables, payables and other monetary items in foreign currency, which have not been settled at the balance sheet date, are translated at the exchange rates prevailing at this date. Currency gains and losses arising between the transaction date and the date of payment or the balance sheet date, respectively, are recognised in the profit and loss account as financial income or financial costs. Tangible and intangible non-current assets, inventories and other non-monetary assets, which have been purchased in a foreign currency, and which are measured at historical cost prices, are translated at the exchange rate prevailing at the transaction date.

When recognising companies that present their financial statements in another functional currency than Danish kroner (DKK) in the consolidated financial statements, profit and loss accounts are translated using average exchange rates for the year. The balance sheet items are translated using the exchange rates prevailing on the balance sheet date. Goodwill is regarded as belonging to the acquired company and is translated using the exchange rates prevailing on the balance sheet date.

Translation differences arising from the translation of the foreign subsidiaries' balance sheet items at the beginning of the year to the exchange rates prevailing at the balance sheet date, and from the translation of the profit and loss accounts from average exchange rates to the balance sheet date exchange rates, are recognised in other comprehensive income. Similarly, translation differences that arise on changes made directly to the foreign company's equity are recognised in other comprehensive income.

### **Derivative financial instruments**

On initial recognition, derivative financial instruments are recognised in the balance sheet at fair value at the settlement date and subsequently at the balance sheet date's fair value. Positive and negative fair values of derivative financial instruments are recognised in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments, which are classified as and meet the conditions for hedging of the fair value of a recognised asset or a recognised liability, are recognised in profit or loss together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments, which are classified as and meet the conditions for hedging of future cash flows, are recognised in other comprehensive income. The ineffective part is recognised immediately in profit or loss. When the hedged transactions are carried out, the accumulated changes are recognised as part of the cost price for the transactions concerned.

Derivative financial instruments, which do not qualify as hedging instruments, are classified as available for sale and are measured at fair value with continuous recognition of fair value adjustments in profit or loss as part of financial income or financial costs.

## Share-based incentive programmes

Share-based incentive programmes, in which the Board of Management and certain other employees can choose to buy shares in the parent company (equity-settled programmes), are measured at the fair value of the equity instruments at grant date and are recognised in profit or loss as part of employee costs during the period, where the employees become entitled to buy the shares. The counter item to this is recognised directly in equity.

The fair value of the equity instruments is calculated on the basis of the Black-Scholes option pricing formula with the parameters, which are listed in note 5.

### *Employee shares*

The employee shares have been granted to the employees in the Danish companies of the Bang & Olufsen Group at no cost for the employees. The discount element of the employee shares is recognised at the grant date as an expense in the profit and loss account. The counter item to this is recognised directly in equity. The discount element equals the fair value of the Bang & Olufsen share at the grant date. The tax consequence of the employee share arrangement is recognised.

## Tax

Tax for the year, which includes the current tax and changes in deferred tax for the year, is recognised in profit or loss with the share that is attributable to the result for the year and in other comprehensive income or directly in equity with the share, which can be attributed to entries made in other comprehensive income or directly in equity, respectively.

Current income tax payable and current income tax receivable is recognised in the balance sheet as the tax calculated on the year's taxable income adjusted for prepaid tax.

When calculating current tax for the year the tax rates and regulations prevailing at the balance sheet date in the different countries are used.

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the tax base and the carrying amount of assets and liabilities, except for deferred tax on temporary differences that arise either on initial recognition of goodwill or on initial recognition of a transaction that is not a business combination, and where the temporary difference on initial recognition affects neither accounting profit or loss nor the taxable income.

Deferred tax on temporary differences relating to investments in subsidiaries and associates is recognised, unless the parent company is able to control when the deferred tax is realised, and it is probable that the deferred tax will not be realised as current tax within the foreseeable future.

The deferred tax is calculated based on the planned use of each asset and settlement of each liability, respectively.

The deferred tax is measured using the tax rates and regulations in the different countries, which – based on the laws that have been enacted or substantively enacted at the balance sheet date – are expected to prevail, when the deferred tax is expected to be realised as current tax. The change in deferred tax due to changes in tax rates or regulations is recognised in profit or loss, unless the deferred tax is attributable to transactions, which have previously been recognised directly in equity or in other comprehensive income. In the latter case the change is also recognised directly in equity or in other comprehensive income, respectively.

Deferred tax assets, including the tax value of any tax loss carry-forwards, are recognised in the balance sheet at the value, the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be set-off against future positive taxable income. At each balance sheet date it is assessed, if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised.

The parent company is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is distributed between the jointly taxed companies in proportion to their taxable income.

## **The profit and loss account**

### **Net turnover**

Net turnover is recognised in profit or loss, when delivery and transfer of the risks of ownership to the customer has taken place, if the revenue can be measured reliably, and payment is expected to be received. Turnover is recognised net of value added tax and discounts related to the sale.

### *Sales of goods*

Turnover regarding sales of goods is recognised in the profit and loss account, if the transfer of the risks of ownership to the customer has taken place before the end of the financial year.

### *Rendering of services*

Turnover associated with the rendering of services, which among others includes sales of hours, is recognised as the services are rendered.

### *Royalty*

Royalty is recognised on a straight-line basis during the period covered by the royalty agreement.

### *Rental income*

Rental income is recognised in the period, where the letting out of the property takes place.

### **Production costs**

Production costs comprise wages, consumption of stock and indirect costs, including salaries, depreciation/amortisation and impairment losses, which are incurred with 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 amortisation and impairment losses on capitalised development projects.

### **Distribution and marketing costs**

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

### **Administration costs etc.**

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

### **Other operating income**

Other operating income and operating costs include income and costs of a secondary character compared to the Groups primary activities, among these gains and losses on sale of certain tangible and intangible non-current assets.

### **Dividend**

Dividend from investments in subsidiaries and associates is recognised, when final right to receive the dividend is established. This is typically at the time of the Annual General Meeting's approval of the distribution of dividend from the company in question. In the consolidated financial statements this does not apply for investments in associates, which are measured according to the equity method, cf. below.

### **Financial items**

Financial items include interest income and cost, realised and unrealised capital gains and losses on securities, liabilities, and transactions in foreign currency as well as supplements and refunds under the on-account tax scheme.

## **The balance sheet**

### **Intangible non-current assets**

#### *Goodwill*

Goodwill is initially recognised and measured as the difference between on the one hand, the cost price of the acquired company, the value of minority interests in the acquired company and the acquisition-date fair value of previously held equity interests, and, on the other hand, the fair value of the acquired assets, liabilities and contingent liabilities, cf. the description in the paragraph about the consolidated financial statements.

When recognising goodwill, the goodwill amount is allocated to those of the Group's activities that generate independent cash flows (cash-generating units). The definition of cash-generating units is in accordance with the managerial structure and the internal management accounting and reporting in the Group.

Goodwill is not amortised but is tested for impairment at least once a year, cf. below.

#### *Development projects*

Development projects, that are clearly defined and identifiable, are recognised as intangible non-current assets if it is probable that they can be marketed as new products in a potential market.

Other development costs are recognised as expenses in profit or loss when incurred.

At initial recognition, development projects are measured at cost price. The cost price of development projects comprises costs, including salaries and depreciation/amortisation that relate directly to the development projects, and which are necessary to complete the project from the time when the development project initially meets the criteria for recognition as an asset. Reimbursements and grants concerning development projects are deducted from the cost price.

Interest expenses related to financing of the construction of qualifying development projects are recognised as part of the cost price of the development projects, if they relate to the period of construction.

Completed development projects are amortised on a straight-line basis over the expected useful life. The amortisation period is normally 3-6 years. For development projects that are protected by intellectual property rights the maximum amortisation period equals the remaining term for the rights in question.

The carrying amount of developments projects is reduced to a potential lower recoverable amount, cf. the paragraph about impairment losses below. Development projects in progress are tested for impairment at least once a year.

#### *Acquired rights*

Acquired rights comprise software, key money and patents and are measured at cost price less accumulated amortisation and impairment losses.

Acquired rights are amortised on a straight-line basis over the shorter of the estimated useful life and the term of the contract. The carrying amount of acquired rights is reduced to a potential lower recoverable amount, cf. the paragraph about impairment losses below.

### **Tangible non-current assets**

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

The cost price comprises the acquisition price and costs directly related to the acquisition until the time, when the asset is ready for use. For self-constructed non-current assets, the cost price comprises direct costs for wages, materials, components and sub-suppliers. Reimbursements and grants concerning tangible non-current assets are deducted from the cost price.

Interest expenses related to financing of the construction of qualifying tangible non-current assets are recognised in the cost price of the assets, if they relate to the period of construction.

The cost price of a tangible non-current asset is divided into individual components, which are depreciated separately, if the expected useful life differs for the individual components.

For tangible non-current assets held under finance leases, the cost price equals the lower of fair value of the assets and the present value of the future minimum lease payments. The interest rate implicit in the lease or the incremental borrowing rate is used as discount rate, when calculating the present value

#### *Depreciation*

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

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

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

Depreciation methods, useful lives and residual values are reviewed annually.

The carrying amount of tangible non-current assets is reduced to recoverable amount, if the recoverable amount is lower than the carrying amount, cf. the paragraph about impairment losses below.

#### **Investment property**

Investment property is property held to earn rental income or for capital appreciation.

Investment property is measured at cost price with deduction of accumulated depreciation and impairment losses. Investment property is depreciated on a straight-line basis over 40 years.

Reimbursements and grants concerning investment property are deducted from the cost price.

#### **Impairment losses on tangible and intangible non-current assets and investments in subsidiaries and associates**

The carrying amount of tangible non-current assets and intangible non-current assets with definite useful lives and investments in subsidiaries and associates is reviewed at the balance sheet date to determine if there are indications of decreases in value. If this is the case, the recoverable amount of the asset is determined to assess the need for recognition of any impairment loss and the amount hereof.

For development projects in progress and goodwill the recoverable amount is determined at least once a year whether or not there are indications of impairment.

If the asset does not generate cash flows independently of other assets, the recoverable amount is determined for the smallest cash-generating unit that includes the asset.

The recoverable amount is determined as the highest value of the asset's or the cash-generating unit's fair value less costs to sell and the value in use. When the value in use is determined, the estimated future cash flows are discounted at their present value using a discount rate that reflects both the present market assessment of the time value of money and the specific risks that are connected with the asset and the cash-generating unit, respectively, for which no adjustment has been made in the estimated future cash flows.

If the asset's or the cash-generating unit's recoverable amount is less than the carrying amount, the carrying amount is reduced to the

recoverable amount. For cash-generating units the impairment loss is allocated to reduce first any goodwill amounts and then a remaining impairment loss is allocated to the other assets of the unit, in a way so that no asset is reduced to a value below its fair value less costs to sell.

Impairment losses are recognised in profit or loss. On any subsequent reversals of impairment losses recognised in prior periods due to changes in the estimates used to determine the recoverable amount the asset's or the cash-generating unit's carrying amount is increased to the adjusted recoverable amount, however not exceeding the carrying amount the asset or the cash-generating unit would have had, if it had not been impaired. Impairment of goodwill is not reversed.

#### **Investments in subsidiaries and associates in the separate financial statements of the parent company**

Investments in subsidiaries and associates in the separate financial statement of the parent company are measured at cost price. If the cost price exceeds the investment's recoverable amount, the carrying amount is reduced to this lower amount, cf. the paragraph about impairment losses above.

When selling investments in subsidiaries and associates gain or loss is calculated as the difference between the carrying amount of the sold investments and the fair value of the proceeds from the sale.

#### **Investments in associates in the consolidated financial statements**

Investments in associates are recognised and measured according to the equity method in the consolidated financial statements. This means that the investments are measured at the proportional share of the accounting net asset value of the companies, computed in accordance with the Group's accounting principles with the deduction or addition of proportional intra-group gains and losses and with the addition of a carrying amount of goodwill.

In profit or loss the proportional share of the companies result after tax and the elimination of unrealised proportional intra-group gains and losses and with the reduction of any impairment losses on goodwill is recognised. In the Group's other comprehensive income the proportional share of all transactions and events, which are recognised in other comprehensive income in the associate, is recognised.

Investments in associates with a negative accounting net asset value are measured at DKK 0. Receivables and other non-current financial assets, which are regarded as being part of the total investment in the associate, are written-down with a remaining negative net asset value. Trade receivables and other receivables are written-down to the extent, they are assessed to be irrecoverable.

A provision to cover the remaining negative net asset value is recognised only to the extent that the Group has a legal or constructive obligation to cover the obligations of the company in question.

When purchasing investments in associates the acquisition method is used, cf. the paragraph about the consolidated financial statements above.

#### **Inventories**

Inventories are measured at the lower of cost price according to the FIFO principle and net realisable value.

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

Indirect production costs include indirect materials and wages, maintenance and depreciation on plant and machinery, factory buildings and other equipment used in the production process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the expected selling price less costs of completion and costs necessary to make the sale.

#### **Receivables**

Receivables comprise trade receivables, other financial receivables primarily loans to external parties and other receivables. The receivables are categorised as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

On initial recognition, the receivables are measured at fair value and subsequently at amortised cost price, which normally correspond to face value less provisions for expected losses. Provisions for losses are based on an individual assessment of each outstanding account.

**Prepayments**

Prepayments comprise incurred costs related to the following financial years. The prepayments are measured at cost price.

**Equity****Dividend**

Dividend is recognised as a liability at the time of approval by the Annual General Meeting.

**Own shares**

Acquisition and sales prices for own shares and dividend received on these shares are recognised directly in equity under retained earnings.

**Share premium**

The reserve consists of paid-in premium in connection with the subscription of shares.

The reserve is a distributable reserve, and therefore it can be used for declaration of dividend or to cover deficits.

**Translation reserve**

The translation reserve for exchange rate differences in the consolidated financial statements comprises exchange rate differences that occur when translating the foreign subsidiaries' financial statements from their functional currency into Bang & Olufsen a/s' presentation currency.

On disposal of net investments the exchange rate differences on the individual investment are recognised in the profit and loss account.

The reserve is a distributable reserve.

The translation reserve has been reset to zero as at 1 June 2004 in accordance with IFRS 1.

**Reserve for cash flow hedges**

Reserve for cash flow hedges comprises accumulated changes in fair value of derivative financial instruments, which meets the conditions for hedging of future cash flows, where the hedged position has not yet been realised. The changes in fair value are transferred to the profit and loss account, when the hedged positions are realised.

**Liabilities****Pensions**

The Bang & Olufsen Group operates pension plans for certain groups of employees in Denmark and abroad. Typically, these plans are defined contribution plans.

Under defined contribution plans regular, fixed contributions are paid to independent insurance companies etc. The contributions are recognised in the profit and loss account in the period, where the employees have performed the work that entitles them to the contribution under the pension. Contributions due are recognised in the balance sheet as a liability.

Under defined benefit plans the Group is obliged to pay a certain benefit when the covered employees have retired, e.g. a fixed amount or a fixed percentage of the salary at retirement.

For defined benefit plans annual actuarial calculations are made of the present value of the future benefits, the employees are entitled to due to their previous employment in the Group, and which are to be paid under the plan. The present value is calculated based on conditions about the future development in among others salary levels, interest rates, inflation and mortality. The present value of the defined benefit obligation with deduction of the fair value of any plan assets is recognised in the balance sheet as pension assets or pension liabilities, respectively, dependent on whether or not the net amount is an asset or a liability, cf. below.

Changes in specified conditions about discount rate, inflation, mortality and disablement or differences between the expected and the realised

return on plan assets cause actuarial gains and losses. The actuarial gains and losses are recognised only, if the accumulated gains or losses exceed the highest numerical value of 10 % of the defined benefit obligation or 10 % of the fair value of the plan assets as at the beginning of the financial year ("The Corridor Method"). If so, amounts that fall outside the corridor are recognised in profit or loss over the expected, remaining average number of working years for the employees covered by the plan.

If the defined benefit plan is a net asset, the asset is recognised only if it corresponds to or is lower than the sum of unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Changes to the benefits, which relate to the employees' previous employment in the Group, cause a change in the actuarially calculated present value, which is regarded as past service costs. If the covered employees are entitled to the changed benefit right away, the change is recognised in profit or loss at once. Otherwise the change is recognised in profit or loss during the period, where the employees become entitled to the changed benefit.

#### **Provisions**

Provisions comprise provisions for warranty, provisions for fairness and other provisions. Provisions for warranty comprise obligations to repair products within the warranty period. Provisions for fairness comprise obligations to repair products after the warranty period.

The provisions are recognised, when the Group has a legal or constructive obligation as a result of events in the financial year or previous years, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured on the basis of the experience with warranty repairs and other obligations. Provisions that are expected to fall due more than one year after the balance sheet date are measured at present value.

#### **Financial liabilities**

Fixed interest loans, such as mortgage loans or bank loans, 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. This means, that the difference between the proceeds from the raising of the loan and the amount, that must be repaid, is recognised in the profit and loss account during the term of the loan as a financial cost using the effective interest method.

Other financial liabilities comprise overdraft facilities, trade payables and other payables to public authorities etc. and are measured at amortised cost price, which is practically the same as the nominal value.

#### **Deferred income**

Deferred income comprises received payments related to income in the following financial years. Deferred income is measured at cost price.

#### **Cash flow statement**

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

The cash flow statement shows the cash flows for the year, the year's change in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

#### **Cash flows from operating activities**

Cash flows from operating activities are stated as the result for the year adjusted for non-liquid profit and loss account items and changes to the working capital. The working capital comprises current assets less current liabilities, excluding items, which are recognised as cash and cash equivalents.

#### **Cash flows from investment activities**

Cash flows from investment activities comprise the acquisition and sale of intangible, tangible and financial non-current assets and investment property.



### Cash flows from financing activities

Cash flows from financing activities comprise borrowings and instalments on non-current liabilities, dividend paid and proceeds from increases in the share capital as well as sales and repurchase of own shares.

### Cash and cash equivalents

Cash and cash equivalents comprise cash less overdraft facilities, which forms part of the Group's ongoing cash flow management. Cash flows in foreign currency, including cash flows in foreign subsidiaries, are translated at average monthly exchange rates, which do not deviate materially from the exchange rates prevailing on the date of payment.

## Segment information

The segment information has, in all material aspects, been prepared in accordance with the Group's accounting principles applied, and is in accordance with the Group's management structure and the internal management accounting, which is used by the chief operational management in assessing result and the allocation of resources.

The Group's reportable segments are:

- Branded business
- Non-branded business – comprising the ICEpower Group and share of result after tax in the associate Bang & Olufsen Medicom a/s

The segments are split based on differences in the segments' products. The branded business' turnover derive from sale of products under the Bang & Olufsen brand, whereas the ICEpower Group's turnover primarily derive from sale of sub-components to the electronics industry including the rest of the Bang & Olufsen Group independent of the Bang & Olufsen brand. Similarly, the activities in Bang & Olufsen Medicom a/s are independent of the Bang & Olufsen brand.

The segments' measure of profit or loss is result before tax. Segment income and expenses comprise those items, which can be directly allocated to the individual segment.

The measure of the segments' assets is a total comprising completed development projects, development projects in progress and trade receivables. The internal management accounting does not comprise segment liabilities.

Trade between the Group's reportable segments takes place on market terms.

The Group's geographical areas are:

- Denmark (registered office)
- Foreign areas comprising
  - Rest of Scandinavia – comprising Sweden, Norway and Finland
  - Central Europe – comprising Germany, Switzerland and Austria
  - Rest of Europe
  - North America
  - Asia
  - Rest of the world

The geographical areas are broken down according to the location of customers and assets.

## SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

Notes ...

### 2 ... **Significant accounting estimates, assumptions and uncertainties**

When applying the Group's accounting principles, as described in note 1, it is necessary that management makes a number of accounting assessments and estimates as well as make assumptions about the carrying amount of certain assets and liabilities and the recognised revenue and costs, which cannot be deduced directly from other sources. Significant judgements are among others made when assessing provisions, contingent liabilities, development projects, trade receivables, inventories and deferred tax assets.

Management bases the estimates and assumptions on historical experience and other relevant factors that are believed to be reasonable under the given circumstances. The actual outcome can differ from these estimates.

The estimates made and the underlying assumptions are reviewed continually. Changes to the accounting estimates made are recognised in the financial period, where the change takes place and future financial periods, if the change affects both the period, where the change takes place, and the following financial periods.

The following accounting estimates are assessed to be material for the consolidated financial statements and the separate financial statements for the parent company:

#### *Provisions for warranty and fairness*

The Bang & Olufsen Group repairs or replaces products that do not function satisfactorily both within the warranty period and in certain situations after the warranty period. Consequently provisions are made for future repairs and returns. The provisions are made based on historical statistics of repairs and returns and based on management's judgements.

The future repairs and returns can differ from the historical pattern, but management assesses that the estimate of the provisions is reasonable and appropriate.

#### *Contingent liabilities*

Contingent liabilities, including the outcome of pending lawsuits, are naturally uncertain. Management has estimated these based on legal assessments in the individual cases. Management assesses that the estimates are reasonable.

#### *Development projects*

In connection with the capitalisation of development costs, the expected useful life of the product is to be determined. Management has assessed that the amortisation period is usually 3-6 years.

#### *Trade receivables*

Specific estimates of trade receivables are made on an assessment of the dealer's historical ability to pay and the current situation.

#### *Inventories*

A specific assessment of the need for write-downs for obsolescence of inventories is made based on an assessment of the future sales potential. During the assessment the expected technological developments and the expected service periods are taken into account.

#### *Deferred tax assets*

Deferred tax assets are recognised in the balance sheet at the value, the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be set-off against future positive taxable income. At each balance sheet date it is assessed, if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised.

## SEGMENT INFORMATION

(DKK million)

Notes ...

### 3 ... Segment information

	Branded business		Non-branded business		Total segments	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Net turnover	2,679.5	2,725.7	79.9	85.0	2,759.4	2,810.7
Internal turnover	-	-	(13.4)	(7.5)	(13.4)	(7.5)
External turnover	<u>2,679.5</u>	<u>2,725.7</u>	<u>66.5</u>	<u>77.5</u>	<u>2,746.0</u>	<u>2,803.2</u>
Depreciation, amortisation and impairment losses	(240.5)	(281.6)	(4.9)	(4.1)	(245.4)	(285.7)
Result of investments in associates	(1.1)	1.1	(5.6)	1.2	(6.7)	2.3
Financial income	10.7	11.4	5.5	1.5	16.2	12.9
Financial costs	(25.1)	(40.1)	(0.2)	(2.6)	(25.3)	(42.7)
Result before tax	(60.9)	(534.9)	11.3	11.5	(49.6)	(523.4)
Completed development projects	236.5	191.3	12.6	9.3	249.1	200.6
Development projects in progress	197.6	173.8	9.1	11.2	206.7	185.0
Trade receivables	<u>411.3</u>	<u>398.7</u>	<u>6.6</u>	<u>9.2</u>	<u>417.9</u>	<u>407.9</u>
Total segment assets	<u>845.4</u>	<u>763.8</u>	<u>28.3</u>	<u>29.7</u>	<u>873.7</u>	<u>793.5</u>
Average number of employees:						
Denmark	1,353	1,545	27	30	1,380	1,575
Abroad	<u>586</u>	<u>725</u>	<u>3</u>	<u>3</u>	<u>589</u>	<u>728</u>
	<u>1,939</u>	<u>2,270</u>	<u>30</u>	<u>33</u>	<u>1,969</u>	<u>2,303</u>

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

### 3 ... Segment information (continued)

	2009/10	2008/09
<b>Reconciliation of segment information</b>		
Net turnover, total segments	2,759.4	2,810.7
Effect of differences in exchange rates used in the internal management accounting	15.5	(13.7)
Elimination of internal turnover	(13.4)	(7.5)
Net turnover, Group	<u>2,761.5</u>	<u>2,789.5</u>
Result before tax, total segments	(49.6)	(523.4)
Result before tax, Group	<u>(49.6)</u>	<u>(523.4)</u>
Total segment assets	873.7	793.5
Unallocated assets	1,773.6	1,867.2
Total assets, Group	<u>2,647.3</u>	<u>2,660.7</u>

	Total non-current assets		Total net turnover	
<b>Geographical information</b>	2009/10	2008/09	2009/10	2008/09
Denmark	968.6	928.5	313.0	237.3
Rest of Scandinavia	-	-	89.5	104.2
Central Europe	2.6	22.6	746.4	707.6
Rest of Europe	168.3	180.8	1,063.0	1,171.5
North America	11.1	12.3	146.1	168.0
Asia	6.7	8.3	291.6	290.4
Rest of the world	0.4	0.5	111.9	110.5
Total	<u>1,157.7</u>	<u>1,153.0</u>	<u>2,761.5</u>	<u>2,789.5</u>
Export share			<u>89 %</u>	<u>91 %</u>

Non-current assets do not include deferred tax assets, post-employment benefit assets and non-current financial instruments.

The Bang & Olufsen Group has no transactions with individual customers, which account for more than 10 % of the Groups net turnover.

*Parantheses denote negative figures or figures to be deducted.*

## NOTES TO THE PROFIT AND LOSS ACCOUNT

Bang & Olufsen a/s		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
4 ...	<b>Net turnover</b>				
<b>Geographical breakdown</b>					
	Denmark	313.0	237.3	441.6	424.9
	Norway	29.1	33.1	-	-
	Sweden	51.4	59.0	-	-
	Finland	9.0	12.1	-	-
	<b>Scandinavia</b>	<u>402.5</u>	<u>341.5</u>	<u>441.6</u>	<u>424.9</u>
	Germany	483.4	476.9	-	-
	Switzerland	210.7	188.0	-	-
	Austria	52.3	42.7	-	-
	<b>Central Europe</b>	<u>746.4</u>	<u>707.6</u>	<u>-</u>	<u>-</u>
	The UK	274.8	321.4	-	-
	France	133.3	148.7	-	-
	Spain/Portugal	133.7	131.8	-	-
	Italy	117.3	114.7	-	-
	Belgium	71.8	74.6	-	-
	Holland	178.6	193.2	-	-
	Rest of Europe	153.5	187.1	-	1.4
	<b>Rest of Europe</b>	<u>1,063.0</u>	<u>1,171.5</u>	<u>-</u>	<u>1.4</u>
	<b>North America</b>	<u>146.1</u>	<u>168.0</u>	<u>-</u>	<u>-</u>
	Japan	25.3	40.7	-	-
	Singapore	81.8	67.0	-	-
	Rest of Asia	184.5	182.7	-	-
	<b>Asia</b>	<u>291.6</u>	<u>290.4</u>	<u>-</u>	<u>-</u>
	Middle East	78.1	84.3	-	-
	Rest of the world	33.8	26.2	-	-
	<b>Rest of the world</b>	<u>111.9</u>	<u>110.5</u>	<u>-</u>	<u>-</u>
	<b>Total</b>	<u><b>2,761.5</b></u>	<u><b>2,789.5</b></u>	<u><b>441.6</b></u>	<u><b>426.3</b></u>
<b>Breakdown by categories</b>					
	Sales of goods	2,736.2	2,757.1	-	-
	Rendering of services	11.4	3.9	86.6	220.5
	Royalty	8.6	23.3	275.0	123.9
	Rental income from property	5.3	5.2	80.0	81.9
	<b>Total</b>	<u><b>2,761.5</b></u>	<u><b>2,789.5</b></u>	<u><b>441.6</b></u>	<u><b>426.3</b></u>

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
5 ...	<b>Expenses, further information</b>				
Production costs, development costs, distribution and marketing costs, administration costs etc. and restructuring costs include, among others, the amounts stated below, about which the following information is provided:					
<b>Development costs</b>					
Development costs incurred before capitalisation		437.7	537.0	479.0	561.7
Amount hereof capitalised		(206.4)	(201.3)	(201.4)	(194.9)
Total amortisation and impairment losses on development projects		111.5	141.4	107.6	138.4
Development costs recognised in restructuring costs		-	(14.4)	-	(14.4)
Development costs recognised in the profit and loss account		<u>342.8</u>	<u>462.7</u>	<u>385.2</u>	<u>490.8</u>
<b>Classification based on the nature of expense</b>					
<b>Restructuring costs</b>					
Restructuring costs divided by functions:					
Production cost		-	11.0	-	5.9
Development costs		-	14.4	-	14.4
Distribution and marketing costs		-	74.3	-	-
Administration costs etc.		-	5.8	-	0.5
Restructuring costs		<u>-</u>	<u>105.5</u>	<u>-</u>	<u>20.8</u>
Functions including restructuring costs:					
Production costs		1,672.0	1,694.8	246.3	428.6
Development costs		342.8	477.1	385.2	505.2
Distribution and marketing costs		708.5	1,003.2	-	-
Administration costs etc.		<u>85.3</u>	<u>110.3</u>	<u>20.0</u>	<u>34.8</u>
Total		<u>2,808.6</u>	<u>3,285.4</u>	<u>651.5</u>	<u>968.6</u>
<b>Intangible non-current assets</b>					
Amortisation of intangible non-current assets is recognised in the following items in the profit and loss account:					
Production costs		3.5	1.4	5.5	2.4
Development costs		115.6	134.7	111.1	132.0
Distribution and marketing costs		-	-	-	-
Administration costs etc.		2.4	1.7	0.4	0.2
Restructuring costs		<u>-</u>	<u>0.5</u>	<u>-</u>	<u>-</u>
		<u>121.5</u>	<u>138.3</u>	<u>117.0</u>	<u>134.6</u>
Impairment losses on intangible non-current assets are recognised in the following items in the profit and loss account:					
Development costs		-	7.3	-	7.3
Distribution and marketing costs		-	0.5	-	-
Restructuring costs		<u>-</u>	<u>4.1</u>	<u>-</u>	<u>4.1</u>
		<u>-</u>	<u>11.9</u>	<u>-</u>	<u>11.4</u>
No impairment losses on intangible non-current assets have been reversed.					

Parantheses denote negative figures or figures to be deducted.

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
5 ...	<b>Expenses, further information (continued)</b>				
<i><b>Tangible non-current assets</b></i>					
Depreciation of tangible non-current assets is recognised in the following items in the profit and loss account:					
Production costs		90.0	104.8	10.0	9.5
Development costs		15.8	11.8	7.8	9.0
Distribution and marketing costs		13.9	13.4	-	-
Administration costs etc.		0.5	1.3	0.8	0.8
		<u>120.2</u>	<u>131.3</u>	<u>18.6</u>	<u>19.3</u>
Impairment losses on tangible non-current assets are recognised in the following item in the profit and loss account:					
Restructuring costs		-	0.5	-	-
		<u>-</u>	<u>0.5</u>	<u>-</u>	<u>-</u>
No impairment losses on tangible non-current assets have been reversed.					
<i><b>Investment property</b></i>					
Depreciation of investment property is recognised in the following items in the profit and loss account:					
Production costs		3.7	3.7	8.0	8.7
Development costs		-	-	1.3	1.4
Administration costs etc.		-	-	0.7	0.7
		<u>3.7</u>	<u>3.7</u>	<u>10.0</u>	<u>10.8</u>
No impairment losses on investment property have been recognised.					
No impairment losses on investment property have been reversed.					
<b>Employees</b>					
Remuneration of the Board of Directors		3.4	3.7	3.4	3.7
Remuneration of the Board of Management		6.1	6.0	5.9	6.0
Share-based payment		7.4	10.8	3.3	5.0
Wages, salaries and fees		703.7	824.0	269.3	326.2
Pensions		40.9	33.3	20.1	12.0
Other social security costs		30.9	43.3	3.4	4.3
		<u>792.4</u>	<u>921.1</u>	<u>305.4</u>	<u>357.2</u>
Average number of full-time employees:					
Denmark		1,380	1,575	654	710
Abroad		589	728	-	-
		<u>1,969</u>	<u>2,303</u>	<u>654</u>	<u>710</u>
Employee costs are recognised in the following items in the profit and loss account:					
Production costs		269.5	260.5	92.6	110.1
Development costs		234.2	252.9	205.3	222.2
Distribution and marketing costs		234.1	255.2	-	-
Administration costs etc.		54.6	87.3	7.5	8.9
Restructuring costs		-	65.2	-	16.0
		<u>792.4</u>	<u>921.1</u>	<u>305.4</u>	<u>357.2</u>

(DKK million)

Notes ...

5 ... **Expenses, further information (continued)**

Remuneration of the Board of Directors, the Board of Management and other key management personnel:

**Group**

	2009/10			2008/09		
	Board of Directors, parent company	Board of Management, parent company	Other key management personnel	Board of Directors, parent company	Board of Management, parent company	Other key management personnel
Wages, salaries and fees	3.4	6.1	8.6	3.7	6.0	6.8
Severance pay	-	-	0.9	-	-	0.4
Bonus	-	-	0.2	-	-	2.7
Pensions	-	-	0.5	-	-	1.0
Total	3.4	6.1	10.2	3.7	6.0	10.9
Share-based payment	-	0.6	0.7	-	0.6	3.1
Total remuneration	3.4	6.7	10.9	3.7	6.6	14.0

**Parent company**

	2009/10			2008/09		
	Board of Directors, parent company	Board of Management, parent company	Other key management personnel	Board of Directors, parent company	Board of Management, parent company	Other key management personnel
Wages, salaries and fees	3.4	5.9	2.4	3.7	6.0	3.9
Severance pay	-	-	-	-	-	0.4
Bonus	-	-	0.2	-	-	1.4
Pensions	-	-	0.3	-	-	0.6
Total	3.4	5.9	2.9	3.7	6.0	6.3
Share-based payment	-	0.6	0.3	-	0.6	1.6
Total remuneration	3.4	6.5	3.2	3.7	6.6	7.9



(DKK million)

Notes ...

5 ... **Expenses, further information (continued)**

**Share-based payment**

*Share option programme, Group*

The Bang & Olufsen Group's share option programme comprises the Board of Management and a number of other employees in the Group. As at 31 May 2010, the total pool of options totals 663,169 options, which can be exercised in the period 2010-2015. Vesting of the share options is dependent on the recipient of the option being employed during the vesting period. There are no further vesting conditions for the options.

The share options can only be settled with shares. To a limited extent, Bang & Olufsen a/s has purchased own shares to cover the obligation regarding the outstanding options. The shares are recognised directly in the equity. The holding of own shares totals 90,372 shares as at 31 May 2010 (110,076 shares as at 31 May 2009).

The exercise prices, which are linked to the grant in the financial years 2005/06 and 2006/07, are based on exercise prices of 241 and 290, which are adjusted by 5 % on the date of the company's financial statement announcement to NASDAQ OMX Copenhagen A/S, initially at the announcement in August 2006 and August 2007 respectively. The annual addition no longer applies or is limited to the extent that dividend is paid out on the latest Annual General Meeting before the announcement in question. The exercise price, which is linked to the grant in the financial year 2007/08, is fixed at 302. The exercise price, which is linked to the grant in the financial year 2008/09, is fixed at 103. The exercise price, which is linked to the grant in the financial year 2009/10, is fixed at 57.75.

Share options, Bang & Olufsen Group	Board of Management	Other employees	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2008	290,216	252,694	542,910	287	August 2008 - August 2013
Granted 2008/09	26,949	166,459	193,408	103	August 2011 - August 2014
Forfeited 2008/09	(72,554)	-	(72,554)	*257	August 2007 - August 2010
Forfeited 2008/09	(72,554)	-	(72,554)	*301	August 2008 - August 2011
Forfeited 2008/09	-	(18,035)	(18,035)	302	August 2010 - August 2013
Forfeited 2008/09	-	(6,478)	(6,478)	103	August 2011 - August 2014
Outstanding 31 May 2009	<u>172,057</u>	<u>394,640</u>	<u>566,697</u>	232	June 2009 - August 2014

As at 31 May 2009, the share options are divided as follows:

Granting period:

Financial year 2005/06	72,554	37,313	109,867	*266	August 2007 - August 2010
Financial year 2006/07	72,554	67,371	139,925	*312	August 2008 - August 2011
Financial year 2007/08	-	129,975	129,975	302	August 2010 - August 2013
Financial year 2008/09	<u>26,949</u>	<u>159,981</u>	<u>186,930</u>	103	August 2011 - August 2014
Outstanding 31 May 2009	<u>172,057</u>	<u>394,640</u>	<u>566,697</u>	232	June 2009 - August 2014

\* The exercise price is adjusted cf. above.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

5 ... **Expenses, further information (continued)**

Share options, Bang & Olufsen Group	Board of Management	Other employees	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2009	172,057	394,640	566,697	232	June 2009 - August 2014
Granted 2009/10	31,995	94,968	126,963	58	August 2012 - August 2015
Forfeited 2009/10	-	(7,255)	(7,255)	*266	August 2007 - August 2010
Forfeited 2009/10	-	(10,365)	(10,365)	*312	August 2008 - August 2011
Forfeited 2009/10	-	(806)	(806)	302	August 2010 - August 2013
Forfeited 2009/10	-	(5,521)	(5,521)	103	August 2011 - August 2014
Forfeited 2009/10	-	(6,544)	(6,544)	58	August 2012 - August 2015
Outstanding 31 May 2010	<u>204,052</u>	<u>459,117</u>	<u>663,169</u>	205	June 2010 - August 2015

As at 31 May 2010, the share options are divided as follows:

Granting period:

Financial year 2005/06	72,554	30,058	102,612	*279	August 2007 - August 2010
Financial year 2006/07	72,554	57,006	129,560	*328	August 2008 - August 2011
Financial year 2007/08	-	129,169	129,169	302	August 2010 - August 2013
Financial year 2008/09	26,949	154,460	181,409	103	August 2011 - August 2014
Financial year 2009/10	<u>31,995</u>	<u>88,424</u>	<u>120,419</u>	58	August 2012 - August 2015
Outstanding 31 May 2010	<u>204,052</u>	<u>459,117</u>	<u>663,169</u>	205	June 2010 - August 2015

\* The exercise price is adjusted cf. above.

The following amounts regarding the share option programme have been recognised as part of the employee costs in the Group

	2009/10	2008/09
	<u>6.2</u>	<u>6.1</u>
	Options granted in <u>2009/10</u>	Options granted in <u>2008/09</u>
Weighted average fair value (DKK per option)	34	48
The recognition according to the Black-Scholes option pricing formula is based on the following conditions:		
Weighted average share price (DKK per share)	64	109
Expected volatility	77.3 %	52.1 %
3 year / 5 year risk-free interest rate	3.08 %	4.27 %

In 2009/10 and 2008/09 an average dividend addition for the Bang & Olufsen a/s share of 0.00 % and 1.40 % respectively has been used in the calculation. The expected maturity is fixed to be the end of the vesting period.

Like last year the volatility is based on the historical volatility. The volatility is calculated based on one year's historical data.

Calculated on the basis of the closing price for the Bang & Olufsen a/s share of DKK 56.0 as at 31 May 2010 the net asset value totals DKK 0.0 million. The closing price for the Bang & Olufsen a/s share as at 31 May 2009 was DKK 44.5 corresponding to a calculated net asset value of DKK 0.0 million.

(DKK million)

Notes ...

5 ... **Expenses, further information (continued)**

*Share option programme, parent company*

The board of Management and a number of other employees in Bang & Olufsen a/s are comprised by the Group's share option programme. As at 31 May 2010, the pool of options totals 399,520 options, which can be exercised in the period 2010-2015.

Share options, Bang & Olufsen a/s	Board of Management	Other employees	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2008	290,216	112,769	402,985	283	August 2008 - August 2013
Granted 2008/09	26,949	69,237	96,186	103	August 2011 - August 2014
Forfeited 2008/09	(72,554)	-	(72,554)	*257	August 2007 - August 2010
Forfeited 2008/09	(72,554)	-	(72,554)	*301	August 2008 - August 2011
Forfeited 2008/09	-	(7,255)	(7,255)	302	August 2010 - August 2013
Forfeited 2008/09	-	(6,478)	(6,478)	103	August 2011 - August 2014
Outstanding 31 May 2009	<u>172,057</u>	<u>168,273</u>	<u>340,330</u>	243	June 2009 - August 2014

As at 31 May 2009, the share options are divided as follows:

Granting period:

Financial year 2005/06	72,554	18,657	91,211	*266	August 2007 - August 2010
Financial year 2006/07	72,554	37,313	109,867	*312	August 2008 - August 2011
Financial year 2007/08	-	49,544	49,544	302	August 2010 - August 2013
Financial year 2008/09	<u>26,949</u>	<u>62,759</u>	<u>89,708</u>	103	August 2011 - August 2014
Outstanding 31 May 2009	<u>172,057</u>	<u>168,273</u>	<u>340,330</u>	243	June 2009 - August 2014
Outstanding 1 June 2009	172,057	168,273	340,330	243	June 2009 - August 2014
Granted 2009/10	<u>25,450</u>	<u>33,740</u>	<u>59,190</u>	58	August 2012 - August 2015
Outstanding 31 May 2010	<u>197,507</u>	<u>202,013</u>	<u>399,520</u>	223	June 2010 - August 2015

As at 31 May 2010, the share options are divided as follows:

Granting period:

Financial year 2005/06	72,554	18,657	91,211	*279	August 2007 - August 2010
Financial year 2006/07	72,554	37,313	109,867	*328	August 2008 - August 2011
Financial year 2007/08	-	49,544	49,544	302	August 2010 - August 2013
Financial year 2008/09	26,949	62,759	89,708	103	August 2011 - August 2014
Financial year 2009/10	<u>25,450</u>	<u>33,740</u>	<u>59,190</u>	58	August 2012 - August 2015
Outstanding 31 May 2010	<u>197,507</u>	<u>202,013</u>	<u>399,520</u>	223	June 2010 - August 2015

\* The exercise price is adjusted cf. above.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

5 ... **Expenses, further information (continued)**

The following amounts regarding the share option programme have been recognised as part of the employee costs in the parent company

2009/10	2008/09
<u>2.8</u>	<u>3.0</u>

Options granted in 2009/10	Options granted in 2008/09
----------------------------------	----------------------------------

Weighted average fair value (DKK per option)

34	48
----	----

The recognition according to the Black-Scholes option pricing formula is based on the following conditions:

Weighted average share price (DKK per share)

64	109
----	-----

Expected volatility

77.3 %	52.1 %
--------	--------

3 year / 5 year risk-free interest rate

3.08 %	4.27 %
--------	--------

In 2009/10 and 2008/09 an average dividend addition for the Bang & Olufsen a/s share of 0.00 % and 1.40 % respectively has been used in the calculation. The expected maturity is fixed to be the end of the vesting period.

Like last year the volatility is based on the historical volatility. The volatility is calculated based on one year's historical data.

Calculated on the basis of the closing price for the Bang & Olufsen a/s share of DKK 56.0 as at 31 May 2010 the net asset value totals DKK 0.0 million. The closing price for the Bang & Olufsen a/s share as at 31 May 2009 was DKK 44.5 corresponding to a calculated net asset value of DKK 0.0 million.

*Employee shares, Group*

The period 1 June 2009 to 31 May 2010:

In the autumn of 2009 the employees in the Danish companies in the Bang & Olufsen Group were granted employee shares.

The grant depended on the seniority of the employee. The employee shares were granted at no cost for the employees.

In accordance with Danish law, the employee shares are held in restricted accounts until the end of the seventh calendar year after the grant. Thus, the employee shares cannot be sold or in other ways be at the employee's disposal during the 7 years. The employee shares carry, like the rest of the shares, the right to any payments of dividends during the 7 years.

The employee shares were granted by use of Bang & Olufsen a/s' holding of own shares.

The employees in the Group were granted 19,704 employee shares corresponding to 0.05 % of the share capital in Bang & Olufsen a/s at the date of the grant. The granted employee shares had a fair value of DKK 59.50 per share. The fair value is calculated as at 2 October 2009, which was the date of the grant. The fair value corresponds to the market value of the shares on the grant date.

The discount element per employee share was DKK 59.50, which is recognised in the profit and loss account.

In the Bang & Olufsen Group the following amount has been recognised as part of the employee costs regarding the employee shares

2009/10
<u>1.2</u>

(DKK million)

Notes ...

5 ... **Expenses, further information (continued)**

The period 1 June 2008 to 31 May 2009:

In the autumn of 2008 the employees in the Danish companies in the Bang & Olufsen Group were granted employee shares.

The grant depended on the seniority of the employee. The employee shares were granted at no cost for the employees.

In accordance with Danish law, the employee shares are held in restricted accounts until the end of the seventh calendar year after the grant. Thus, the employee shares cannot be sold or in other ways be at the employee's disposal during the 7 years. The employee shares carry, like the rest of the shares, the right to any payments of dividends during the 7 years.

The employee shares were granted by use of Bang & Olufsen a/s' holding of own shares.

The employees in the Group were granted 21,911 employee shares corresponding to 0.18 % of the share capital in Bang & Olufsen a/s at the date of the grant. The granted employee shares had a fair value of DKK 216.50 per share. The fair value is calculated as at 22 August 2008, which was the date of the grant. The fair value corresponds to the market value of the shares on the grant date.

The discount element per employee share was DKK 216.50, which is recognised in the profit and loss account.

In the Bang & Olufsen Group the following amount has been recognised as part of the employee costs regarding the employee shares

2008/09

4.7

*Employee shares, parent company*

The period 1 June 2009 to 31 May 2010:

The employees in Bang & Olufsen a/s were granted 8,843 employee shares corresponding to 0.02 % of the share capital in Bang & Olufsen a/s at the date of the grant. The granted employee shares had a fair value of DKK 59.50 per share. The fair value is calculated as at 2 October 2009, which was the date of the grant. The fair value corresponds to the market value of the shares on the grant date.

In Bang & Olufsen a/s the following amount has been recognised as part of the employee costs regarding the employee shares

2009/10

0.5

The period 1 June 2008 to 31 May 2009:

The employees in Bang & Olufsen a/s were granted 9,153 employee shares corresponding to 0.08 % of the share capital in Bang & Olufsen a/s at the date of the grant. The granted employee shares had a fair value of DKK 216.50 per share. The fair value is calculated as at 22 August 2008, which was the date of the grant. The fair value corresponds to the market value of the shares on the grant date.

In Bang & Olufsen a/s the following amount has been recognised as part of the employee costs regarding the employee shares

2008/09

2.0

	Group		Parent company	
6 ...	2009/10	2008/ 09	2009/10	2008/09
<b>Other operating income</b>				
Profit on sale of property, Switzerland	<u>13.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other operating income	<u>13.3</u>	<u>-</u>	<u>-</u>	<u>-</u>

		Group		Parent company	
(DKK million)		2009/10	2008/ 09	2009/10	2008/09
Notes ...					
7 ...	<b>Dividend</b>				
	Dividend received from subsidiaries			32.4	230.0
	Dividend received from associates			-	1.0
	Dividend received			<u>32.4</u>	<u>231.0</u>
8 ...	<b>Financial income</b>				
	Interest income from banks etc.	1.0	2.2	0.8	0.5
	Interest income from subsidiaries.			26.0	64.2
	Exchange rate gains, net	7.8	-	34.4	-
	Other financial income	<u>6.6</u>	<u>9.2</u>	<u>-</u>	<u>-</u>
	Financial income	<u>15.4</u>	<u>11.4</u>	<u>61.2</u>	<u>64.7</u>
	All financial income is related to financial assets, which are not measured at fair value through the profit and loss account.				
9 ...	<b>Financial costs</b>				
	Interest costs on bank loans etc.	6.8	16.0	4.6	13.5
	Interest costs on mortgage loans	14.3	14.6	14.1	14.5
	Interest costs to subsidiaries			8.0	14.9
	Exchange rate losses, net	-	7.2	-	8.1
	Other financial costs	<u>3.4</u>	<u>3.4</u>	<u>2.3</u>	<u>2.6</u>
	Financial costs	<u>24.5</u>	<u>41.2</u>	<u>29.0</u>	<u>53.6</u>
	All financial costs are related to financial liabilities, which are not measured at fair value through the profit and loss account.				
10 ...	<b>Tax for the year</b>				
	Parent company:				
	Change in deferred tax	(44.8)	(132.8)	(44.8)	(132.8)
	Adjustment to previous years, current tax	-	(9.1)	-	(9.1)
	Adjustment to previous years, deferred tax	<u>0.3</u>	<u>2.5</u>	<u>0.3</u>	<u>2.5</u>
	Total, parent company	<u>(44.5)</u>	<u>(139.4)</u>	<u>(44.5)</u>	<u>(139.4)</u>
	Subsidiaries:				
	Current tax	15.7	16.5		
	Change in deferred tax	11.2	(18.6)		
	Adjustment to previous years, current tax	(1.3)	(6.9)		
	Adjustment to previous years, deferred tax	<u>0.9</u>	<u>7.1</u>		
	Total, subsidiaries	<u>26.5</u>	<u>(1.9)</u>		
	Total tax for the year	<u>(18.0)</u>	<u>(141.3)</u>	<u>(44.5)</u>	<u>(139.4)</u>

Parantheses denote negative figures or figures to be deducted.

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
10 ...	<b>Tax for the year (continued)</b>				
Tax for the year is recognised as follows:					
	Tax recognised in the profit and loss account	(16.7)	(140.3)	(43.2)	(138.4)
	Tax recognised in other comprehensive income	(1.3)	-	(1.3)	-
	Tax recognised directly in equity, deferred tax asset	-	(1.0)	-	(1.0)
Tax on result for the year is specified as follows:					
	Calculated tax of result before tax	(12.4)	(130.9)	(36.3)	(72.8)
Tax effect of:					
	Non-deductible costs and non-taxable income	1.8	2.3	0.9	1.3
	Deviating tax rate in foreign subsidiaries	(1.5)	(6.2)		
	Adjustment of tax relating to previous years	(0.1)	(6.4)	0.3	(6.6)
	Non-capitalised tax losses	-	1.7	-	-
	Partial capitalisation of previously non-capitalised tax losses	(6.1)	-	-	-
	Foreign withholding tax	0.1	0.2	-	-
	Non-taxable dividend from investments in subsidiaries			(8.1)	(60.0)
	Other	1.5	(1.0)	-	(0.3)
	Tax on result for the year	(16.7)	(140.3)	(43.2)	(138.4)
	Danish income tax rate	25.0 %	25.0 %	25.0 %	25.0 %
Tax effect of:					
	Non-deductible costs and non-taxable income	(3.6 %)	(0.4 %)	(0.6 %)	(0.4 %)
	Deviating tax rate in foreign subsidiaries	3.0 %	1.1 %		
	Adjustment of tax relating to previous years	0.2 %	1.2 %	(0.3 %)	2.3 %
	Non-capitalised tax losses	-	(0.3 %)	-	-
	Partial capitalisation of previously non-capitalised tax losses	12.3 %	-	-	-
	Foreign withholding tax	(0.2 %)	-	-	-
	Non-taxable dividend from investments in subsidiaries			5.6 %	20.6 %
	Other	(3.0 %)	0.2 %	-	0.1 %
	Average effective tax rate for the year	33.7 %	26.8 %	29.7 %	47.6 %

Income tax paid including tax paid on account for the jointly-taxed Danish companies amounts to DKK -0.2 million in 2009/10 (DKK 13.3 million in 2008/09). The parent company pays current tax for jointly taxed Danish companies.

Tax on other comprehensive income relates to change in fair value of derivative financial instruments used as cash flow hedges.

#### 11 ... **Minority interests' share of result for the year**

	Group	
	2009/10	2008/09
OÜ BO-Soft	1.5	2.3
Minority interests' share of result for the year	1.5	2.3

*Parantheses denote negative figures or figures to be deducted.*

		<b>Group</b>	
	(DKK million)	2009/10	2008/09
Notes ...			
12 ...	<b>Earnings per share</b>		
	Result for the year	(32.9)	(383.1)
	Minority interests' share of result for the year	(1.5)	(2.3)
	Shareholders of the parent company's share of result for the year	<u>(34.4)</u>	<u>(385.4)</u>
	Average number of shares	36,244,014	25,660,229
	Average number of own shares	<u>(97,012)</u>	<u>(1,078,509)</u>
	Average number of shares in circulation	36,147,002	24,581,720
	Average dilutive effect of outstanding share options	-	-
	Average number of shares in circulation - diluted	<u>36,147,002</u>	<u>24,581,720</u>
	Earnings per share, DKK	<u>(1.0)</u>	<u>(15.7)</u>
	Deluted earnings per share, DKK	<u>(1.0)</u>	<u>(15.7)</u>
	Earnings per share from continuing operations, DKK	<u>(1.0)</u>	<u>(15.7)</u>
	Diluted earnings per share from continuing operations, DKK	<u>(1.0)</u>	<u>(15.7)</u>

The outstanding share options, cf. note 5, are potentially dilutive in future periods. In the periods presented they are antidilutive.

The calculation of earnings per share from continuing operations is made on the same basis as the calculation of earnings per share, since no discontinued operations exist in 2009/10 or 2008/09.

In the period until 1 August 2010 the number of circulating shares is unchanged.

*Parantheses denote negative figures or figures to be deducted.*



## NOTES TO THE BALANCE SHEET

(DKK million)

Notes ...

### 13 ... Intangible assets

Group	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2008	47.2	148.5	787.6	112.5	1,095.8
Amortisation and impairment losses 1 June 2008	(2.4)	(107.4)	(568.8)	-	(678.6)
Carrying amount 1 June 2008	44.8	41.1	218.8	112.5	417.2
Cost price 1 June 2008	47.2	148.5	787.6	112.5	1,095.8
Exchange rate adjustment to year-end rate	(0.3)	-	-	-	(0.3)
Additions during the year	0.5	19.1	40.8	154.9	215.3
Disposals during the year	-	(6.3)	(95.4)	-	(101.7)
Completed development projects	-	-	82.4	(82.4)	-
Cost price 31 May 2009	47.4	161.3	815.4	185.0	1,209.1
Amortisation and impairment losses 1 June 2008	(2.4)	(107.4)	(568.8)	-	(678.6)
Exchange rate adjustment to year-end rate	0.3	-	-	-	0.3
Amortisation during the year	-	(8.3)	(130.0)	-	(138.3)
Reversed amortisation on disposals during the year	-	5.2	95.4	-	100.6
Impairment losses during the year	(0.5)	-	(11.4)	-	(11.9)
Amortisation and impairment losses 31 May 2009	(2.6)	(110.5)	(614.8)	-	(727.9)
Carrying amount 31 May 2009	44.8	50.8	200.6	185.0	481.2
Cost price 31 May 2009	47.4	161.3	815.4	185.0	1,209.1
Amortisation and impairment losses 31 May 2009	(2.6)	(110.5)	(614.8)	-	(727.9)
Carrying amount 31 May 2009	44.8	50.8	200.6	185.0	481.2
Cost price 1 June 2009	47.4	161.3	815.4	185.0	1,209.1
Additions during the year	-	5.2	77.8	128.6	211.6
Received reimbursements	-	-	(24.7)	-	(24.7)
Disposals during the year	-	(1.9)	(95.4)	-	(97.3)
Completed development projects	-	-	106.9	(106.9)	-
Cost price 31 May 2010	47.4	164.6	880.0	206.7	1,298.7
Amortisation and impairment losses 1 June 2009	(2.6)	(110.5)	(614.8)	-	(727.9)
Exchange rate adjustment to year-end rate	(0.1)	-	-	-	(0.1)
Amortisation during the year	-	(10.0)	(111.5)	-	(121.5)
Reversed amortisation on disposals during the year	-	1.9	95.4	-	97.3
Amortisation and impairment losses 31 May 2010	(2.7)	(118.6)	(630.9)	-	(752.2)
Carrying amount 31 May 2010	44.7	46.0	249.1	206.7	546.5
Cost price 31 May 2010	47.4	164.6	880.0	206.7	1,298.7
Amortisation and impairment losses 31 May 2010	(2.7)	(118.6)	(630.9)	-	(752.2)
Carrying amount 31 May 2010	44.7	46.0	249.1	206.7	546.5

No contractual obligations regarding purchase of intangible assets exist.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

13 ... **Intangible assets (continued)**

Parent company	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2008	3.2	130.1	660.2	97.0	890.5
Amortisation and impairment losses 1 June 2008	-	(94.2)	(455.7)	-	(549.9)
Carrying amount 1 June 2008	3.2	35.9	204.5	97.0	340.6
Cost price 1 June 2008	3.2	130.1	660.2	97.0	890.5
Additions during the year, intra-group business combination	-	-	91.5	3.5	95.0
Additions during the year	-	19.1	40.1	149.0	208.2
Disposals during the year	-	(5.0)	(95.4)	-	(100.4)
Completed development projects	-	-	75.7	(75.7)	-
Cost price 31 May 2009	3.2	144.2	772.1	173.8	1,093.3
Amortisation and impairment losses 1 June 2008	-	(94.2)	(455.7)	-	(549.9)
Additions during the year, intra-group business combination	-	-	(82.2)	-	(82.2)
Amortisation during the year	-	(7.6)	(127.0)	-	(134.6)
Reversed amortisation on disposals during the year	-	5.0	95.4	-	100.4
Impairment losses during the year	-	-	(11.4)	-	(11.4)
Amortisation and impairment losses 31 May 2009	-	(96.8)	(580.9)	-	(677.7)
Carrying amount 31 May 2009	3.2	47.4	191.2	173.8	415.6
Cost price 31 May 2009	3.2	144.2	772.1	173.8	1,093.3
Amortisation and impairment losses 31 May 2009	-	(96.8)	(580.9)	-	(677.7)
Carrying amount 31 May 2009	3.2	47.4	191.2	173.8	415.6
Cost price 1 June 2009	3.2	144.2	772.1	173.8	1,093.3
Additions during the year	-	5.2	77.7	123.7	206.6
Received reimbursements	-	-	(24.7)	-	(24.7)
Disposals during the year	-	-	(95.4)	-	(95.4)
Completed development projects	-	-	99.9	(99.9)	-
Cost price 31 May 2010	3.2	149.4	829.6	197.6	1,179.8
Amortisation and impairment losses 1 June 2009	-	(96.8)	(580.9)	-	(677.7)
Amortisation during the year	-	(9.4)	(107.6)	-	(117.0)
Reversed amortisation on disposals during the year	-	-	95.4	-	95.4
Amortisation and impairment losses 31 May 2010	-	(106.2)	(593.1)	-	(699.3)
Carrying amount 31 May 2010	3.2	43.2	236.5	197.6	480.5
Cost price 31 May 2010	3.2	149.4	829.6	197.6	1,179.8
Amortisation and impairment losses 31 May 2010	-	(106.2)	(593.1)	-	(699.3)
Carrying amount 31 May 2010	3.2	43.2	236.5	197.6	480.5

No contractual obligations regarding purchase of intangible assets exist.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

14 ... **Tangible assets**

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improve- ments	Tangible assets in progress	Total
Cost price 1 June 2008	524.5	1,148.9	220.4	68.9	80.8	2,043.5
Depreciation and impairment losses 1 June 2008	(250.1)	(927.1)	(170.4)	(40.2)	-	(1,387.8)
Carrying amount 1 June 2008	<u>274.4</u>	<u>221.8</u>	<u>50.0</u>	<u>28.7</u>	<u>80.8</u>	<u>655.7</u>
Cost price 1 June 2008	524.5	1,148.9	220.4	68.9	80.8	2,043.5
Exchange rate adjustment to year-end rate	(5.5)	(3.7)	(1.0)	0.2	(0.5)	(10.5)
Additions during the year	9.8	50.3	18.8	12.2	20.3	111.4
Completed assets	9.7	48.5	0.9	1.2	(60.3)	-
Disposals during the year	(1.6)	(37.7)	(10.2)	(9.3)	(7.1)	(65.9)
Cost price 31 May 2009	<u>536.9</u>	<u>1,206.3</u>	<u>228.9</u>	<u>73.2</u>	<u>33.2</u>	<u>2,078.5</u>
Depreciation and impairment losses 1 June 2008	(250.1)	(927.1)	(170.4)	(40.2)	-	(1,387.8)
Exchange rate adjustment to year-end rate	(0.2)	1.1	0.6	-	-	1.5
Depreciation during the year	(18.3)	(86.0)	(18.3)	(8.7)	-	(131.3)
Reversed depreciation on disposals during the year	1.6	35.2	7.6	8.4	-	52.8
Impairment losses during the year	-	-	-	(0.5)	-	(0.5)
Depreciation and impairment losses 31 May 2009	<u>(267.0)</u>	<u>(976.8)</u>	<u>(180.5)</u>	<u>(41.0)</u>	<u>-</u>	<u>(1,465.3)</u>
Carrying amount 31 May 2009	<u>269.9</u>	<u>229.5</u>	<u>48.4</u>	<u>32.2</u>	<u>33.2</u>	<u>613.2</u>
Cost price 31 May 2009	536.9	1,206.3	228.9	73.2	33.2	2,078.5
Depreciation and impairment losses 31 May 2009	(267.0)	(976.8)	(180.5)	(41.0)	-	(1,465.3)
Carrying amount 31 May 2009	<u>269.9</u>	<u>229.5</u>	<u>48.4</u>	<u>32.2</u>	<u>33.2</u>	<u>613.2</u>
Cost price 1 June 2009	536.9	1,206.3	228.9	73.2	33.2	2,078.5
Exchange rate adjustment to year-end rate	7.3	2.7	2.9	5.3	0.1	18.3
Additions during the year	0.7	36.0	2.5	0.7	42.8	82.7
Completed assets	-	22.2	1.5	-	(23.7)	-
Disposals during the year	(32.4)	(39.4)	(32.0)	(13.5)	(0.3)	(117.6)
Cost price 31 May 2010	<u>512.5</u>	<u>1,227.8</u>	<u>203.8</u>	<u>65.7</u>	<u>52.1</u>	<u>2,061.9</u>
Depreciation and impairment losses 1 June 2009	(267.0)	(976.8)	(180.5)	(41.0)	-	(1,465.3)
Exchange rate adjustment to year-end rate	(1.5)	(1.3)	(1.9)	(2.9)	-	(7.6)
Depreciation during the year	(17.3)	(77.8)	(17.4)	(8.5)	-	(121.0)
Reversed depreciation on disposals during the year	14.2	37.5	30.9	9.9	-	92.5
Depreciation and impairment losses 31 May 2010	<u>(271.6)</u>	<u>(1,018.4)</u>	<u>(168.9)</u>	<u>(42.5)</u>	<u>-</u>	<u>(1,501.4)</u>
Carrying amount 31 May 2010	<u>240.9</u>	<u>209.4</u>	<u>34.9</u>	<u>23.2</u>	<u>52.1</u>	<u>560.5</u>
Cost price 31 May 2010	512.5	1,227.8	203.8	65.7	52.1	2,061.9
Depreciation and impairment losses 31 May 2010	(271.6)	(1,018.4)	(168.9)	(42.5)	-	(1,501.4)
Carrying amount 31 May 2010	<u>240.9</u>	<u>209.4</u>	<u>34.9</u>	<u>23.2</u>	<u>52.1</u>	<u>560.5</u>
Of which assets held under finance leases	-	-	0.2	-	-	0.2

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

14 ... **Tangible assets (continued)**

*Tangible assets in general*

Neither in 2009/10 nor 2008/09 government grants regarding acquisitions of tangible assets have been received, and there are no unfulfilled conditions regarding government grants that have been received in the past. No contractual obligations regarding purchase of tangible assets exist.

*Property*

The cash value of property in Denmark according to the most recent valuation is DKK 331.8 million (DKK 331.8 million in 2008/09). The cash value of property contains land and buildings as well as investment property. The cost price of foreign property is DKK 113.5 million (DKK 138.6 million in 2008/09)

Parent company	Land and buildings	Plant and machinery	Other equipment	Leasehold improve- ments	Tangible assets in progress	Total
Cost price 1 June 2008	203.7	23.3	147.6	1.3	6.7	382.6
Depreciation and impairment losses 1 June 2008	(120.0)	(14.5)	(116.7)	(1.2)	-	(252.4)
Carrying amount 1 June 2008	<u>83.7</u>	<u>8.8</u>	<u>30.9</u>	<u>0.1</u>	<u>6.7</u>	<u>130.2</u>
Cost price 1 June 2008	203.7	23.3	147.6	1.3	6.7	382.6
Additions during the year	4.1	1.5	8.8	-	-	14.4
Completed assets	-	0.5	0.9	-	(6.5)	(5.1)
Disposals during the year	(0.5)	(1.0)	(2.4)	(0.3)	(0.2)	(4.4)
Cost price 31 May 2009	<u>207.3</u>	<u>24.3</u>	<u>154.9</u>	<u>1.0</u>	<u>-</u>	<u>387.5</u>
Depreciation and impairment losses 1 June 2008	(120.0)	(14.5)	(116.7)	(1.2)	-	(252.4)
Depreciation during the year	(5.8)	(1.9)	(11.6)	-	-	(19.3)
Reversed depreciation on disposals during the year	0.5	0.9	2.4	0.2	-	4.0
Depreciation and impairment losses 31 May 2009	<u>(125.3)</u>	<u>(15.5)</u>	<u>(125.9)</u>	<u>(1.0)</u>	<u>-</u>	<u>(267.7)</u>
Carrying amount 31 May 2009	<u>82.0</u>	<u>8.8</u>	<u>29.0</u>	<u>-</u>	<u>-</u>	<u>119.8</u>
Cost price 31 May 2009	207.3	24.3	154.9	1.0	-	387.5
Depreciation and impairment losses 31 May 2009	<u>(125.3)</u>	<u>(15.5)</u>	<u>(125.9)</u>	<u>(1.0)</u>	<u>-</u>	<u>(267.7)</u>
Carrying amount 31 May 2009	<u>82.0</u>	<u>8.8</u>	<u>29.0</u>	<u>-</u>	<u>-</u>	<u>119.8</u>
Cost price 1 June 2009	207.3	24.3	154.9	1.0	-	387.5
Additions during the year	0.5	0.2	0.8	-	0.1	1.6
Disposals during the year	-	(0.2)	(17.8)	-	-	(18.0)
Cost price 31 May 2010	<u>207.8</u>	<u>24.3</u>	<u>137.9</u>	<u>1.0</u>	<u>0.1</u>	<u>371.1</u>
Depreciation and impairment losses 1 June 2009	(125.3)	(15.5)	(125.9)	(1.0)	-	(267.7)
Depreciation during the year	(5.7)	(1.8)	(11.1)	-	-	(18.6)
Reversed depreciation on disposals during the year	-	0.2	17.8	-	-	18.0
Depreciation and impairment losses 31 May 2010	<u>(131.0)</u>	<u>(17.1)</u>	<u>(119.2)</u>	<u>(1.0)</u>	<u>-</u>	<u>(268.3)</u>
Carrying amount 31 May 2010	<u>76.8</u>	<u>7.2</u>	<u>18.7</u>	<u>-</u>	<u>0.1</u>	<u>102.8</u>
Cost price 31 May 2010	207.8	24.3	137.9	1.0	0.1	371.1
Depreciation and impairment losses 31 May 2010	<u>(131.0)</u>	<u>(17.1)</u>	<u>(119.2)</u>	<u>(1.0)</u>	<u>-</u>	<u>(268.3)</u>
Carrying amount 31 May 2010	<u>76.8</u>	<u>7.2</u>	<u>18.7</u>	<u>-</u>	<u>0.1</u>	<u>102.8</u>

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

14 ... **Tangible assets (continued)**

*Tangible assets in general*

Neither in 2009/10 nor 2008/09 government grants regarding acquisitions of tangible assets have been received, and there are no unfulfilled conditions regarding government grants that have been received in the past. No contractual obligations regarding purchase of tangible assets exist.

*Property*

The cash value of property in Denmark according to the most recent valuation is DKK 331.8 million (DKK 331.8 million in 2008/09). The cash value of property contains land and buildings as well as investment property.

	<b>Group</b>		<b>Parent company</b>	
15 ... <b>Investment property</b>	2009/10	2008/09	2009/10	2008/09
Cost price 1 June	80.3	80.3	271.4	183.2
Depreciation and impairment losses 1 June	(31.2)	(27.5)	(146.4)	(110.0)
Carrying amount 1 June	<u>49.1</u>	<u>52.8</u>	<u>125.0</u>	<u>73.2</u>
Cost price 1 June	80.3	80.3	271.4	183.2
Additions during the year, intra-group business combination	-	-	-	79.0
Additions during the year	-	-	-	5.2
Completed assets	-	-	-	5.1
Disposals during the year	-	-	-	(1.1)
Cost price 31 May	<u>80.3</u>	<u>80.3</u>	<u>271.4</u>	<u>271.4</u>
Depreciation and impairment losses 1 June	(31.2)	(27.5)	(146.4)	(110.0)
Additions during the year, intra-group business combination	-	-	-	(26.7)
Depreciation during the year	(3.7)	(3.7)	(10.0)	(10.8)
Reversed depreciation on disposals during the year	-	-	-	1.1
Depreciation and impairment losses 31 May	<u>(34.9)</u>	<u>(31.2)</u>	<u>(156.4)</u>	<u>(146.4)</u>
Carrying amount 31 May	<u>45.4</u>	<u>49.1</u>	<u>115.0</u>	<u>125.0</u>
Cost price 31 May	80.3	80.3	271.4	271.4
Depreciation and impairment losses 31 May	<u>(34.9)</u>	<u>(31.2)</u>	<u>(156.4)</u>	<u>(146.4)</u>
Carrying amount 31 May	<u>45.4</u>	<u>49.1</u>	<u>115.0</u>	<u>125.0</u>

The Group's and the parent company's investment property is a house that is used only for rental purposes, and the property that is partly used by the associate Bang & Olufsen Medicom a/s. Besides these, some other property are investment property in the parent company, since these are owned solely for rental to the other companies in the Group.

All investment property is located in Struer and is used for production, warehousing and offices. Due to the location of the investment property it is not possible to estimate the fair value of the property, since the fair value is completely dependent on the companies in the Group's continued use of the property. Furthermore it is not possible to establish a range of estimates within which the fair value of the investment property is most likely to be. Independent valuers have not been used.

No contractual obligations to purchase, construct or develop investment property exist. Furthermore no contractual obligations regarding repairs, maintenance or enhancements of the investment property exist.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

15 ... **Investment property (continued)**

*Property, which is Investment property in both the Group and the parent company*

Rental income from the investment property of DKK 5.3 million has been received in 2009/10 (DKK 5.2 million in 2008/09).

In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 3.1 million (DKK 3.1 million in 2008/09).

The properties are leased on operating leases with a remaining duration of 12 months. According to the existing operating leases a rental income of DKK 5.2 million will be received in 2010/11.

*Property, which is investment property in the parent company*

Rental income from the investment property of DKK 39.3 million has been received in 2009/10 (DKK 37.8 million in 2008/09).

In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 15.9 million (DKK 15.7 million in 2008/09).

The parent company's investment property is rented to the subsidiaries on operating leases with a lease term of 3 months. According to the existing operating leases the parent company will receive a rental income of DKK 10.0 million in the 3 months, which are included in the lease term of the operating leases.

16 ... **Impairment of non-current assets**

*Intangible assets excl. goodwill – impairment losses during the year*

No impairment losses on intangible assets excl. goodwill are recognised in 2009/10 in the Group or the parent company. In 2008/09 no other impairment losses on intangible assets excl. goodwill than the below mentioned were recognised in the Group or the parent company.

In 2008/09 an impairment loss of DKK 11.4 million was recognised on completed development projects in the Group and the parent company. DKK 7.3 million was related to an impairment loss on the development project regarding Advanced Sound System to Audi Q7. The impairment loss was recognised due to sales below expectations for the model concerned. The remaining part of the impairment loss was related to 3 smaller development projects, which were written down due to the fact that the products were being phased out of the product programme (in connection with the Group's strategy "Pole Position").

The assessment of the recoverable amount of the intangible assets excl. goodwill is based on calculations of value in use of the assets. The value in use is calculated based on expected future cash flows from the assets according to the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 10 %.

*Goodwill*

The majority of the Group's goodwill (DKK 41.6 million) is related to the acquisition of the Dutch distribution in 2004/05, and this goodwill is allocated to the cash-generating unit, which includes the activities in Holland.

No impairment losses on cash-generating units, which include goodwill, are recognised in 2009/10 in the Group or the parent company. In 2008/09 no other impairment losses on cash-generating units, which include goodwill, than the below mentioned were recognised in the Group or the parent company.

In the Group an impairment loss on goodwill of DKK 0.5 million was recognised in 2008/09. The impairment loss was recognised in the English subsidiary in connection with the purchase of shops.

The assessment of the recoverable amount of the cash-generating units, which include goodwill, is based on calculations of value in use, which is calculated based on expected future cash flows according to the budgets approved by management and forecasts for the coming 5 financial year. The terminal value is determined on the assumption of a growth of 2.5 %. The growth rate is not expected to exceed the long-term growth rate. A discount rate before tax of 10 % is used. Management has based the key assumptions on past experience.

Notes ...	(DKK million)	Group		Parent company	
		2009/10	2008/09	2009/10	2008/09
16 ...	<b>Impairment of non-current assets (continued)</b>				

*Tangible assets – impairment losses during the year*

No impairment losses on tangible assets are recognised in 2009/10 in the Group or the parent company. In 2008/09 no other impairment losses on tangible assets than the below mentioned were recognised in the Group or parent company.

In 2008/09 an impairment loss of DKK 0.5 million on leasehold improvements was recognised in the English subsidiary due to the discontinued use of certain leased premises in connection with the establishment of the single, global sales organisation.

The assessment of the recoverable amount of the tangible assets is based on calculations of value in use of the assets. The value in use is calculated based on expected future cash flows from the assets according to the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 10 %.

*Financial assets – impairment losses during the year*

No impairment losses on non-current financial assets are recognised in the Group or the parent company in 2009/10 or 2008/09, except from what appears from note 19.

**17 ... Investments in subsidiaries**

Cost price 1 June			719.5	722.8
Additions during the year			-	23.7
Disposals during the year			-	(27.0)
Cost price 31 May			<u>719.5</u>	<u>719.5</u>

For a list of subsidiaries please refer to note 46.

**18 ... Investments in associates**

Cost price 1 June	22.6	19.0	5.6	2.0
Additions during the year	<u>-</u>	<u>3.6</u>	<u>-</u>	<u>3.6</u>
Cost price 31 May	<u>22.6</u>	<u>22.6</u>	<u>5.6</u>	<u>5.6</u>
Revaluations and impairment losses 1 June	(13.1)	(12.7)		
Share of result for the year after tax	(6.7)	2.3		
Negative investment offset against receivable	2.5	(1.7)		
Distributed dividend	<u>-</u>	<u>(1.0)</u>		
Revaluations and impairment losses 31 May	<u>(17.3)</u>	<u>(13.1)</u>		
Carrying amount 31 May	<u>5.3</u>	<u>9.5</u>	<u>5.6</u>	<u>5.6</u>

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

18 ... **Investments in associates (continued)**

Name and registered office	Owner's share	Total assets	Total liabilities	Share capital	Equity	Turnover for the year	Result for the year	Bang & Olufsen's share		
								Equity	Turnover for the year	Result for the year
Bang & Olufsen										
Medicom a/s, Struer	35 %	17.1	24.3	9.4	(7.2)	85.9	(16.0)	(2.5)	30.2	(5.6)
John Bjerrum Nielsen A/S, Bramming	33 %	32.8	16.9	10.0	15.9	-	(3.4)	5.3	-	(1.1)

Bang & Olufsen Medicom a/s' financial year is the calendar year. The amounts above are based on the periode 1 June - 31 December according to the financial report, which have been audited, and the period 1 January - 31 May according to the company's interim reports. John Bjerrum Nielsen A/S' financial year covers the period 1 May - 30 April, and the amounts above are based on the company's financial report, which have been audited. John Bjerrum Nielsen A/S' turnover is not disclosed above, since the turnover is not disclosed in the company's financial report.

19 ... **Other financial receivables**

	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
Other financial receivables (gross) 1 June	78.4	69.7	3.0	3.0
Exchange rate adjustment to year-end rate	1.8	(2.1)	-	-
Movements during the year (net)	(20.9)	10.8	-	-
Other financial receivables (gross) 31 May	59.3	78.4	3.0	3.0
Write-down for expected losses 1 June	(18.0)	(17.7)	-	-
Exchange rate adjustment to year-end rate	(0.6)	0.7	-	-
Change in write-down during the year	(2.2)	(4.6)	-	-
Actual losses during the year	2.9	3.6	-	-
Write-down for expected losses 31 May	(17.9)	(18.0)	-	-
Other financial receivables (net) 31 May	41.4	60.4	3.0	3.0

Financial income of DKK 0.1 million (DKK 0.2 million in 2008/09) has been recognised in the Group on other financial receivables, which are impaired.

The write-down of other financial receivables is recognised in the profit and loss account as part of distribution and marketing costs. The write-down is based on an individual assessment of the ability to pay of each individual debtor. The Group and the parent company have no overdue other financial receivables, for which no write-down is recognised.

The fair value of other financial receivables in the Group amounts to DKK 40.9 million (DKK 59.4 million in 2008/09). The fair value in the parent company amounts to DKK 2.5 million (DKK 2.2 million in 2008/09). The fair value is calculated as the present value of the future expected cash flows from the receivables.

*Parantheses denote negative figures or figures to be deducted.*



(DKK million)

Notes ...

20 ... **Deferred tax assets**

Group	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 2008	3.6	0.7	6.1	12.1	-	0.2	22.7
Accumulated effect from changes to accounting principles	-	-	-	-	1.0	-	1.0
Adjusted deferred tax assets 1 June 2008	3.6	0.7	6.1	12.1	1.0	0.2	23.7
Transferred from deferred tax	(73.2)	-	-	0.5	-	-	(72.7)
Exchange rate adjustment to year-end rate	(0.2)	-	(0.2)	(0.3)	-	-	(0.7)
Recognised in the profit and loss account	(5.3)	(9.7)	(1.4)	8.9	158.9	2.2	153.6
Recognised in equity	-	-	-	-	1.0	-	1.0
Deferred tax assets 31 May 2009	(75.1)	(9.0)	4.5	21.2	160.9	2.4	104.9
Exchange rate adjustment to year-end rate	0.3	0.6	0.4	0.6	-	-	1.9
Recognised in the profit and loss account	(22.6)	3.5	5.4	(4.4)	48.9	1.5	32.3
Recognised in other comprehensive income	-	-	-	-	-	1.3	1.3
Deferred tax assets 31 May 2010	(97.4)	(4.9)	10.3	17.4	209.8	5.2	140.4

**Parent company**

Deferred tax assets 1 June 2008	-	-	-	-	-	-	-
Transferred from deferred tax	(73.2)	-	-	0.5	-	-	(72.7)
Additions during the year, intra-group business combination	(4.6)	-	-	-	-	-	(4.6)
Recognised in the profit and loss account	(15.8)	-	(1.5)	-	146.6	-	129.3
Recognised in equity	-	-	-	-	1.0	-	1.0
Deferred tax assets 31 May 2009	(93.6)	-	(1.5)	0.5	147.6	-	53.0
Intra-group transfers due to joint taxation	-	-	-	-	(4.9)	-	(4.9)
Recognised in the profit and loss account	(14.0)	-	0.1	(0.7)	57.8	-	43.2
Recognised in other comprehensive income	-	-	-	-	-	1.3	1.3
Deferred tax assets 31 May 2010	(107.6)	-	(1.4)	(0.2)	200.5	1.3	92.6

Deferred tax assets relate to the subsidiaries in Denmark, Norway, Sweden, Germany, Switzerland, the UK, Belgium, France, Italy, Spain, the US, Australia and Singapore. Deferred tax assets have been calculated based on local tax rates. In 2009/10 in the jointly-taxed Danish companies a deferred tax asset, gross of DKK 205.3 million has been recognised based on tax loss carry-forwards, which can be carried forward indefinitely (DKK 200.5 million in the parent company in 2009/10, in 2008/09 DKK 160.9 million in the Group and DKK 147.6 million in the parent company). This deferred tax asset has been recognised due to the management's expectations of the Group's long-term earnings for up to 5 years.

In 2009/10 a partial recognition regarding deferred tax assets of DKK 3.5 million relating to the subsidiary in the US has been made. The recognition is based on the expectations to the future earnings in the subsidiary in the US. In 2008/09 deferred tax assets relating to the subsidiary in the US were not recognised. The unrecognised deferred tax assets amount to DKK 77.4 million (DKK 83.5 million in 2008/09). The basis for the unrecognised deferred tax assets includes tax losses of DKK 148.7 million (DKK 163.2 million in 2008/09). The tax losses can be carried forward for a period of 1 - 20 years.

		Group			Parent company		
(DKK million)							
Notes ...							
21 ...	<b>Inventories</b>	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08
	Raw materials	180.1	121.4	124.1	-	-	-
	Work in progress	28.6	34.4	40.0	-	-	-
	Spare parts	132.1	150.6	166.4	-	-	-
	Finished goods	<u>222.8</u>	<u>286.9</u>	<u>466.8</u>	<u>0.2</u>	<u>1.2</u>	<u>1.4</u>
	Inventories 31 May	<u>563.6</u>	<u>593.3</u>	<u>797.3</u>	<u>0.2</u>	<u>1.2</u>	<u>1.4</u>
The following amounts of the carrying amount are expected to be realised after more than 12 months:							
	Spare parts	<u>78.1</u>	<u>108.0</u>	<u>96.4</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Inventories 31 May	<u>78.1</u>	<u>108.0</u>	<u>96.4</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group pursues a policy of being able to supply spare parts for product repairs for a number of years after the products are sold. Consequently, a large proportion of the spare parts is not expected to be sold until after 12 months.

Carrying amount of inventories recognised at net realisable value	<u>3.5</u>	<u>0.9</u>	<u>0.7</u>	<u>-</u>	<u>-</u>	<u>-</u>
Inventory consumption recognised as part of production costs during the year	<u>1,343.6</u>	<u>1,289.0</u>	<u>1,754.3</u>	<u>1.0</u>	<u>0.2</u>	<u>0.1</u>
Write-down of inventories recognised as part of production costs during the year	<u>52.7</u>	<u>37.7</u>	<u>23.1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reversal of write-down of inventories recognised as part of production costs during the year	<u>6.6</u>	<u>20.7</u>	<u>17.5</u>	<u>-</u>	<u>-</u>	<u>-</u>

The reversal of write-down of inventories during the year was made due to the fact that sales of the inventories, which were written-down, have been exceeding the expected. The reversal of write-down of inventories last year was made due to the same circumstances.

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...	<b>Trade receivables</b>				
22 ...					
	Trade receivables (gross) 31 May	<u>558.4</u>	<u>500.3</u>	<u>-</u>	<u>-</u>
	Write-down for expected losses 1 June	(92.4)	(69.5)	-	-
	Exchange rate adjustment to year-end rate	(4.0)	(0.3)	-	-
	Change in write-down during the year	(58.8)	(55.8)	-	-
	Actual losses during the year	<u>14.7</u>	<u>33.2</u>	<u>-</u>	<u>-</u>
	Write-down for expected losses 31 May	<u>(140.5)</u>	<u>(92.4)</u>	<u>-</u>	<u>-</u>
	Trade receivables (net) 31 May	<u>417.9</u>	<u>407.9</u>	<u>-</u>	<u>-</u>

All trade receivables fall due within 1 year.

Financial income of DKK 1.5 million (DKK 1.4 million in 2008/09) has been recognised in the Group on trade receivables, which are impaired.

The write-down of trade receivables is recognised in the profit and loss account as part of distribution and marketing costs. The write-down is based on an individual assessment of the ability to pay of each individual debtor. The Group and parent company have no overdue trade receivables, for which no write-down is recognised, with the exception of receivables where sufficient collateral have been attained.

The fair value of trade receivables in the Group amounts to DKK 417.9 million (DKK 407.9 million in 2008/09), while the fair value in the parent company amounts to DKK 0.0 million (DKK 0.0 million in 2008/09). The carrying amount of receivables, which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

#### 23 ... Receivables from subsidiaries

Receivables from subsidiaries 31 May	<u>658.4</u>	<u>796.4</u>
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All receivables from subsidiaries fall due within 1 year.

There has been no need for write-down of receivables from subsidiaries.

The fair value of receivables from subsidiaries amounts to DKK 658.4 million (DKK 796.4 million in 2008/09). The carrying amount of receivables, which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

#### 24 ... Receivables from associates

Receivables from associates (net) 31 May	<u>4.0</u>	<u>1.4</u>	<u>0.5</u>	<u>-</u>
Negative investment offset against receivable	(2.5)	-	-	-
Receivables from associates (net) 31 May	<u>1.5</u>	<u>1.4</u>	<u>0.5</u>	<u>-</u>

All receivables from associates fall due within 1 year.

There has been no need for write-down of receivables from associates.

The fair value of receivables from associates in the Group amounts to DKK 1.5 million (DKK 1.4 million in 2008/09). The fair value of receivables from associates in the parent company amounts to DKK 0.5 million (DKK 0.0 million in 2008/09). The carrying amount of receivables, which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

*Parantheses denote negative figures or figures to be deducted.*

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
25 ...	<b>Income tax receivable</b>				
	Income tax receivable 1 June	21.7	39.7	0.2	9.2
	Exchange rate adjustment to year-end rate	0.6	(1.4)	-	-
	Additions during the year, intra-group business combination	-	-	-	12.8
	Adjustment previous years	(3.5)	(9.1)	-	9.1
	The year's current tax	2.0	2.8	-	-
	Income tax paid	10.9	11.0	-	13.3
	Income tax refunded	(6.4)	(9.1)	(0.2)	-
	Intra-group transfers due to joint taxation			-	(44.2)
	Transferred to income tax payable	(4.1)	(12.2)	-	-
	Income tax receivable 31 May	<u>21.2</u>	<u>21.7</u>	<u>-</u>	<u>0.2</u>

DKK 0.0 million of the income tax receivable in the Group is expected to be received after 1 year (DKK 0.0 million in 2008/09).

#### 26 ... Other receivables

Value added tax receivable	6.8	8.4	-	-
Deposits	8.2	9.4	1.3	1.3
Other receivables	<u>12.6</u>	<u>13.8</u>	<u>2.2</u>	<u>1.0</u>
Other receivables 31 May	<u>27.6</u>	<u>31.6</u>	<u>3.5</u>	<u>2.3</u>

All other receivables fall due within 1 year.

There has been no need for write-down of other receivables.

The fair value of other receivables in the Group amounts to DKK 27.6 million (DKK 31.6 million in 2008/09), while the fair value in the parent company amounts to DKK 3.5 million (DKK 2.3 million in 2008/09). The carrying amount of receivables, which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

#### 27 ... Share capital

As at 31 May, the share capital comprises:

36,244,014 shares of DKK 10.00	<u>362.4</u>	<u>362.4</u>	<u>362.4</u>	<u>362.4</u>
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During the spring of 2009, Bang & Olufsen a/s completed a capital increase in the form of a rights issue. At the same time the share classes were merged into one share class.

Each share of DKK 10.00 gives 1 vote after the merger of the share classes. Previously each ordinary share (multiple voting share) of DKK 10.00 gave 10 votes, while each ordinary share of DKK 10.00 gave 1 vote.

*Parantheses denote negative figures or figures to be deducted.*

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
27 ...	<b>Share capital (continued)</b>				
	Number of shares 1 June	36,244,014	-	36,244,014	-
	Merger of share classes, former ordinary shares (multiple voting shares)	-	1,085,543	-	1,085,543
	Merger of share classes, former ordinary shares	-	10,995,795	-	10,995,795
	Capital increase	-	24,162,676	-	24,162,676
	Number of shares 31 May	<u>36,244,014</u>	<u>36,244,014</u>	<u>36,244,014</u>	<u>36,244,014</u>
	Number of ordinary shares (multiple voting shares) 1 June	-	1,085,543	-	1,085,543
	Merger of share classes	-	(1,085,543)	-	(1,085,543)
	Number of ordinary shares (multiple voting shares) 31 May	-	-	-	-
	Number of ordinary shares 1 June	-	10,995,795	-	10,995,795
	Merger of share classes	-	(10,995,795)	-	(10,995,795)
	Number of ordinary shares 31 May	-	-	-	-
	Own shares:				
	Number of own shares	<u>90,372</u>	<u>110,076</u>	<u>90,372</u>	<u>110,076</u>
	Nominal value, DKK million	<u>0.9</u>	<u>1.1</u>	<u>0.9</u>	<u>1.1</u>
	% of share capital, year-end	<u>0.2</u>	<u>0.3</u>	<u>0.2</u>	<u>0.3</u>

The Group's own shares are reserved for the partial coverage of the share option programme, cf. note 5.

Acquisitions during the year:

Number of shares	-	200	-	200
Nominal value, DKK million	-	-	-	-
% of share capital, year-end	-	-	-	-
Total acquisition price, DKK million	-	-	-	-

The acquisitions were undertaken in accordance with the authority from the Annual General Meeting to purchase own shares with the purpose of subsequent capital reductions and the coverage of the share option programme.

Disposals during the year:

Number of shares	19,704	657,911	19,704	657,911
Nominal value, DKK million	0.2	6.6	0.2	6.6
% of share capital, year-end	0.1	1.8	0.1	1.8
Total sales price, DKK million	-	46.0	-	46.0

In 2009/10 19,704 own shares were granted as employee shares (21,911 own shares were granted as employee shares in 2008/09).

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
Notes ...				
28 ...	<b>Retained earnings</b>			

In the 2009/10 financial year no dividend has been paid (DKK 36.2 million corresponding to DKK 3.00 per share in 2008/09). At the Annual General Meeting 27 September 2010 no dividend for the financial year 2009/10 will be proposed.

## 29 ... **Minority interests**

Balance 1 June	2.3	12.1	
Minority interests' share of result for the year	1.5	2.3	
Dividend paid	<u>(2.3)</u>	<u>(12.1)</u>	
Balance 31 May	<u>1.5</u>	<u>2.3</u>	

## 30 ... **Pensions**

### Defined contribution plans:

In defined contribution plans, Bang & Olufsen recognises the premium payments (e.g. a fixed amount or a fixed percentage of the salary) for independent insurance companies, which are responsible for the pension obligations, in the profit and loss account as they are paid. Once the pension contributions for defined contribution plans have been paid, Bang & Olufsen has no further pension obligations to current or former employees. The pension plans in the Danish and the majority of the foreign companies are all defined contribution plans.

In the Group DKK 39.1 million (DKK 33.7 million in 2008/09) have been recognised in the profit and loss account as costs related to defined contribution plans. In the parent company DKK 20.1 million (DKK 12.0 million in 2008/09) have been recognised as costs related to defined contribution plans.

### Defined benefit plans:

In defined benefit plans, Bang & Olufsen is obliged to pay a certain benefit (e.g. retirement benefit as a fixed sum of the salary at retirement). In defined benefit plans Bang & Olufsen carries the risk, since changes to the calculation basis result in changes in the actuarially calculated capital value.

The major defined benefit plans in the Group include employees in Germany and Norway. In the consolidated financial statements, a net obligation of DKK 6.8 million (DKK 6.2 million in 2008/09) has been recognised relating to the Group's obligations to current or former employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. The parent company has no defined benefit plans.

In the Group an expense of DKK 1.8 million (an income of DKK 0.4 million in 2008/09) has been recognised in the profit and loss account regarding defined benefit plans.

Present value of defined benefit obligation	22.3	26.5	
Fair value of plan assets	(14.7)	(20.1)	
Unrecognised actuarial gains and losses	<u>(0.8)</u>	<u>(0.2)</u>	
Defined benefit plans 31 May, net	<u>6.8</u>	<u>6.2</u>	
Of which included as part of the liabilities	7.8	7.0	
Of which included as part of the assets	(1.0)	(0.8)	

*Parantheses denote negative figures or figures to be deducted.*

		Group		Parent company	
(DKK million)		2009/10	2008/09	2009/10	2008/09
Notes ...					
30 ...	<b>Pensions (continued)</b>				
Development in the present value of the defined benefit obligation:					
Present value of the defined benefit obligation 1 June		26.5	29.0		
Adjustment, beginning of the year		(1.5)	-		
Exchange rate adjustment to year-end rate		0.6	(0.8)		
Current service cost		0.2	0.5		
Interest costs		1.0	0.9		
Recognised actuarial gains and losses		1.0	(3.0)		
Settlement of defined benefit plan		(4.1)	-		
Benefits paid		(1.4)	(0.1)		
Present value of the defined benefit obligation 31 May		<u>22.3</u>	<u>26.5</u>		
Defined benefit obligation from plans that are wholly unfunded		<u>2.7</u>	<u>5.6</u>		
Defined benefit obligation from plans that are wholly or partly funded		<u>19.6</u>	<u>20.9</u>		
Development in the fair value of plan assets regarding defined benefit plans:					
Fair value of plan assets 1 June		20.1	20.3		
Adjustment, beginning of the year		(1.9)	-		
Exchange rate adjustment to year-end rate		0.7	(0.9)		
Expected return on plan assets		0.4	0.7		
Recognised actuarial gains and losses		(0.6)	(0.5)		
Disposal of assets in connection with settlement		(4.1)	-		
Administration costs		(0.1)	(0.1)		
Benefits paid		(0.2)	(0.1)		
Contributions by the employer		<u>0.4</u>	<u>0.7</u>		
Fair value of plan assets 31 May		<u>14.7</u>	<u>20.1</u>		
Amounts recognised in the profit and loss account:					
Current service cost		0.2	0.5		
Interest costs on the obligation		1.0	0.9		
Expected return on plan assets		(0.4)	(0.7)		
Recognised actuarial gains and losses		0.9	(1.2)		
Gain on settlement of defined benefit plans		-	-		
Administration costs		<u>0.1</u>	<u>0.1</u>		
Total amount recognised for defined benefit plans		1.8	(0.4)		
Total amount recognised for defined contribution plans		39.1	33.7	20.1	12.0
Total amount recognised in the profit and loss account, cf. note 5		<u>40.9</u>	<u>33.3</u>	<u>20.1</u>	<u>12.0</u>
In the coming financial year the contributions to the defined benefit plans are expected to amount to		<u>0.4</u>	<u>0.7</u>		
Actual return on plan assets regarding the defined benefit plans		<u>0.2</u>	<u>1.4</u>		

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

30 ... **Pensions (continued)**

The defined benefit plan in Germany is partly funded by means of an independent pension fund. As at 31 May 2010, the actuarially calculated net obligation is recognised in the Group's balance sheet at DKK 5.1 million (DKK 3.9 million in 2008/09). The net obligation is calculated as the present value of the future payments of DKK 13.4 million (DKK 11.7 million in 2008/09) less the fair value of the pension fund's assets of DKK 8.3 million (DKK 7.8 million in 2008/09). The actuarial calculation is based on a calculation rate of 5.75 % p.a., an expected rate of salary increase of 1.5 % p.a. and an expected rate of return of 4.0 % p.a. In the Group's profit and loss account the plan is recognised as an expense of DKK 3.1 million (an income of DKK 0.8 million in 2008/09).

The defined benefit plan in Norway is also partly funded by means of an independent pension fund. As at 31 May 2010 the actuarially calculated net receivable is recognised in the Group's balance sheet at DKK 1.0 million (DKK 0.9 million in 2008/09). The net receivable is calculated as the fair value of the plan assets of DKK 6.4 million (DKK 6.2 million in 2008/09) less the present value of the future payments of DKK 6.2 million (DKK 5.5 million in 2008/09) and added unrecognised actuarial losses of DKK 0.8 million (DKK 0.2 million in 2008/09). The actuarial calculation is based on a calculation rate of 4.5 % p.a., an expected rate of salary increase of 4.5 % p.a. and an expected rate of return of 5.7 % p.a. In the Group's profit and loss account the plan is recognised as an expense of DKK 0.2 million (DKK 0.4 million in 2008/09).

	2009/10	2008/09	2007/08	2006/07	2005/06
Present value of defined benefit obligation	22.3	26.5	29.0	28.1	56.8
Fair value of plan assets	(14.7)	(20.1)	(20.3)	(18.1)	(39.7)
Deficit, defined benefit plans	<u>7.6</u>	<u>6.4</u>	<u>8.7</u>	<u>10.0</u>	<u>17.1</u>
Experience adjustments on defined benefit obligation	<u>1.0</u>	<u>(3.0)</u>	<u>(1.6)</u>	<u>(0.2)</u>	<u>1.4</u>
Experience adjustments on plan assets	<u>(0.6)</u>	<u>(0.5)</u>	<u>0.5</u>	<u>(0.8)</u>	<u>(4.9)</u>

*Parantheses denote negative figures or figures to be deducted.*



(DKK million)

Notes ...

31 ... **Deferred tax**

Group	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax 1 June 2008	62.4	7.8	6.2	(12.9)	-	0.7	64.2
Exchange rate adjustment to year-end rate	0.1	-	-	-	-	-	0.1
Transferred to deferred tax assets	(73.2)	-	-	0.5	-	-	(72.7)
Recognised in the profit and loss account	17.6	(7.7)	(5.5)	11.8	-	(3.0)	13.2
Deferred tax 31 May 2009	6.9	0.1	0.7	(0.6)	-	(2.3)	4.8
Exchange rate adjustment to year-end rate	0.2	-	-	-	-	-	0.2
Recognised in the profit and loss account	0.3	(0.1)	(0.7)	0.1	(0.5)	2.1	1.2
Deferred tax 31 May 2010	7.4	-	-	(0.5)	(0.5)	(0.2)	6.2

**Parent company**

Deferred tax 1 June 2008	73.2	-	-	(0.5)	-	-	72.7
Transferred to deferred tax assets	(73.2)	-	-	0.5	-	-	(72.7)
Deferred tax 31 May 2009	-	-	-	-	-	-	-
Deferred tax 31 May 2010	-	-	-	-	-	-	-

Deferred tax has been calculated based on local tax rates.

Deferred tax on temporary differences relating to investments in subsidiaries and associates has not been recognised, since the parent company is able to control when the deferred tax is realised, and it is assessed to be probable that the deferred tax will not be realised as current tax within the foreseeable future.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ... **Provisions**

32 ...

Group	Warranty	Fairness	Jubilee benefits	Restructuring	Other obligations	Total
Provisions 1 June 2008	77.2	27.3	9.9	-	8.9	123.3
Exchange rate adjustment to year-end rate	(0.6)	(0.2)	-	-	0.3	(0.5)
Provisions during the year	25.4	9.2	1.5	35.5	1.2	72.8
Provisions used during the year	(35.5)	(8.4)	(1.2)	-	(0.7)	(45.8)
Provisions reversed during the year	(4.2)	(1.8)	(1.8)	-	(0.8)	(8.6)
Change in calculation of present value during the year	<u>0.7</u>	<u>1.3</u>	<u>0.6</u>	<u>-</u>	<u>-</u>	<u>2.6</u>
Provisions 31 May 2009	63.0	27.4	9.0	35.5	8.9	143.8
Exchange rate adjustment to year-end rate	1.5	0.8	0.1	0.3	1.4	4.1
Provisions during the year	48.4	6.9	1.3	-	4.7	61.3
Provisions used during the year	(31.9)	(9.6)	(1.2)	(21.1)	(1.6)	(65.4)
Provisions reversed during the year	(6.6)	(3.1)	(0.7)	(3.9)	(0.1)	(14.4)
Change in calculation of present value during the year	<u>0.2</u>	<u>0.8</u>	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>1.5</u>
Provisions 31 May 2010	<u>74.6</u>	<u>23.2</u>	<u>9.0</u>	<u>10.8</u>	<u>13.3</u>	<u>130.9</u>

The expected due dates of the provisions as at 31 May 2009 are as follows:

Falls due 1 - 5 years	33.0	17.3	2.8	8.6	8.2	69.9
Falls due after 5 years	<u>0.1</u>	<u>-</u>	<u>5.4</u>	<u>2.2</u>	<u>0.5</u>	<u>8.2</u>
Non-current provisions	33.1	17.3	8.2	10.8	8.7	78.1
Falls due within 1 year	<u>29.9</u>	<u>10.1</u>	<u>0.8</u>	<u>24.7</u>	<u>0.2</u>	<u>65.7</u>
Provisions 31 May 2009	<u>63.0</u>	<u>27.4</u>	<u>9.0</u>	<u>35.5</u>	<u>8.9</u>	<u>143.8</u>

The expected due dates of the provisions as at 31 May 2010 are as follows:

Falls due 1 - 5 years	40.3	13.4	2.8	6.6	7.9	71.0
Falls due after 5 years	<u>-</u>	<u>-</u>	<u>5.5</u>	<u>1.6</u>	<u>0.1</u>	<u>7.2</u>
Non-current provisions	40.3	13.4	8.3	8.2	8.0	78.2
Falls due within 1 year	<u>34.3</u>	<u>9.8</u>	<u>0.7</u>	<u>2.6</u>	<u>5.3</u>	<u>52.7</u>
Provisions 31 May 2010	<u>74.6</u>	<u>23.2</u>	<u>9.0</u>	<u>10.8</u>	<u>13.3</u>	<u>130.9</u>

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

32 ... **Provisions (continued)**

Parent company	Jubilee benefits	Total
Provisions 1 June 2008	3.4	3.4
Provisions during the year	0.6	0.6
Provisions used during the year	(0.4)	(0.4)
Provisions reversed during the year	(0.6)	(0.6)
Change in calculation of present value during the year	<u>0.2</u>	<u>0.2</u>
Provisions 31 May 2009	3.2	3.2
Provisions during the year	0.5	0.5
Provisions used during the year	(0.6)	(0.6)
Provisions reversed during the year	(0.3)	(0.3)
Change in calculation of present value during the year	<u>0.3</u>	<u>0.3</u>
Provisions 31 May 2010	<u>3.1</u>	<u>3.1</u>

The expected due dates of the provisions as at 31 May 2009 are as follows:

Falls due 1 - 5 years	1.0	1.0
Falls due after 5 years	<u>1.8</u>	<u>1.8</u>
Non-current provisions	2.8	2.8
Falls due within 1 year	<u>0.4</u>	<u>0.4</u>
Provisions 31 May 2009	<u>3.2</u>	<u>3.2</u>

The expected due dates of the provisions as at 31 May 2010 are as follows:

Falls due 1 - 5 years	1.0	1.0
Falls due after 5 years	<u>1.8</u>	<u>1.8</u>
Non-current provisions	2.8	2.8
Falls due within 1 year	<u>0.3</u>	<u>0.3</u>
Provisions 31 May 2010	<u>3.1</u>	<u>3.1</u>

The Group provides 2 - 5 years warranty on certain products and thereby undertakes the liability to repair or replace products, which do not function satisfactorily. Some products are repaired after the end of the warranty period, and a provision regarding this fairness is recognised.

Provisions of DKK 97.8 million (DKK 90.4 million in 2008/09) regarding expected warranty and fairness claims have been recognised. The provisions are based on previous experience regarding the level of repairs and returned goods.

The specification of the expected due dates is based on previous experience regarding the timing of repairs and returns, if any.

No third-party reimbursements will be received regarding the provisions.

*Parantheses denote negative figures or figures to be deducted.*

(DKK million)

Notes ...

33 ... **Current and non-current financial liabilities, mortgage loans**

Group	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate level 5.8 - 6.4 %	2.9	13.3	177.5	190.8
Fixed rate loans, interest rate level 4.0 - 5.0 %	1.7	7.7	27.3	35.0
Carrying amount 31 May 2010	4.6	21.0	204.8	225.8
Fixed rate loans, interest rate level 5.8 - 6.4 %	4.8	12.5	181.1	193.6
Fixed rate loans, interest rate level 4.0 - 5.0 %	1.7	7.4	29.3	36.7
Carrying amount 31 May 2009	6.5	19.9	210.4	230.3
<b>Parent company</b>				
Fixed rate loans, interest rate level 5.8 - 6.4 %	2.9	13.3	177.5	190.8
Fixed rate loans, interest rate level 4.0 - 5.0 %	1.7	7.7	27.3	35.0
Carrying amount 31 May 2010	4.6	21.0	204.8	225.8
Fixed rate loans, interest rate level 5.8 - 6.4 %	4.8	12.5	181.1	193.6
Fixed rate loans, interest rate level 4.0 - 5.0 %	1.7	7.4	29.3	36.7
Carrying amount 31 May 2009	6.5	19.9	210.4	230.3

The fair value of the current and non-current financial liabilities, mortgage loans in the Group amounts to DKK 230.6 million (DKK 235.4 million in 2008/09), while the fair value in the parent company amounts to DKK 230.6 million (DKK 235.4 million in 2008/09). All loans are taken out in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

34 ... **Current and non-current financial liabilities, loans from banks etc.**

Group	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate level 5.0 - 6.0 %	10.4	15.6	-	15.6
Fixed rate loans, interest rate level 4.0 - 5.0 %	32.4	29.8	7.4	37.2
Carrying amount 31 May 2010	42.8	45.4	7.4	52.8
Fixed rate loans, interest rate level 5.8 - 6.4 %	-	25.0	-	25.0
Fixed rate loans, interest rate level 4.0 - 5.0 %	17.8	55.8	14.9	70.7
Fixed rate loans, interest rate level 2.0 - 3.0 %	14.8	-	-	-
Carrying amount 31 May 2009	32.6	80.8	14.9	95.7

(DKK million)

Notes ...

34 ... **Current and non-current financial liabilities, loans from banks etc. (continued)**

Parent company	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate level 5.0 - 6.0 %	10.4	15.6	-	15.6
Fixed rate loans, interest rate level 4.0 - 5.0 %	25.0	-	-	-
Carrying amount 31 May 2010	35.4	15.6	-	15.6
Fixed rate loans, interest rate level 5.8 - 6.4 %	-	25.0	-	25.0
Fixed rate loans, interest rate level 4.0 - 5.0 %	10.4	26.0	-	26.0
Carrying amount 31 May 2009	10.4	51.0	-	51.0

The fair value of the current and non-current financial liabilities, loans from banks etc. in the Group amounts to DKK 95.6 million (DKK 128.3 million in 2008/09), while the fair value in the parent company amounts to DKK 51.0 million (DKK 61.4 million in 2008/09). All current and non-current financial liabilities, loans from banks etc. in the Group are taken out in DKK or EUR. In the parent company they are taken out in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

35 ... **Other non-current liabilities**

Group	Falls due 1 - 5 years
Accrued deposit	3.1
Other non-current liabilities	3.8
Carrying amount 31 May 2010	6.9
Accrued deposit	3.1
Other non-current liabilities	3.6
Carrying amount 31 May 2009	6.7
Parent company	
Accrued deposit	3.1
Other non-current liabilities	3.4
Carrying amount 31 May 2010	6.5
Accrued deposit	3.1
Other non-current liabilities	3.4
Carrying amount 31 May 2009	6.5

The fair value of other non-current liabilities in the Group amounts to DKK 6.8 million (DKK 6.5 million in 2008/09), while the fair value in the parent company amounts to DKK 6.4 million (DKK 6.3 million in 2008/09). The fair value is calculated as the present value of the expected future instalments and interest payments.

(DKK million)	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
Notes ...				
36 ... <b>Payables to subsidiaries</b>				
Payables to subsidiaries (net) 31 May			<u>40.0</u>	<u>36.8</u>

All payables to subsidiaries fall due within 1 year.

The fair value of payables to subsidiaries amounts to DKK 40.0 million (DKK 36.8 million in 2008/09). The carrying amount of payables, which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

### 37 ... **Income tax**

Accrued income tax 1 June	21.2	66.3	0.1	-
Exchange rate adjustment to year-end rate	0.9	(1.5)	-	-
Adjustment previous years	(4.8)	(27.0)	-	-
The year's current tax	17.0	18.8	-	-
Income tax paid during the year	(10.2)	(23.2)	-	-
Other	-	-	-	0.1
Transferred to income tax receivable	<u>(4.1)</u>	<u>(12.2)</u>	<u>-</u>	<u>-</u>
Accrued income tax 31 May	<u>20.0</u>	<u>21.2</u>	<u>0.1</u>	<u>0.1</u>

DKK 0.0 million of the accrued income tax in the Group is expected to be paid after 1 year (DKK 0.0 million in 2008/09).

DKK 0.0 million of the accrued income tax in the parent company is expected to be paid after 1 year (DKK 0.0 million in 2008/09).

### 38 ... **Other payables**

Payroll-related items	154.9	130.0	67.2	56.8
Taxes and duties	36.4	64.4	12.0	17.7
Restructuring	-	9.1	-	2.6
Other payables	<u>132.0</u>	<u>121.1</u>	<u>30.1</u>	<u>29.1</u>
Other payables, total	<u>323.3</u>	<u>324.6</u>	<u>109.3</u>	<u>106.2</u>

All other payables fall due within 1 year.

The fair value of other payables in the Group amounts to DKK 323.3 million (DKK 324.6 million in 2008/09), while the fair value in the parent company amounts to DKK 109.3 million (DKK 106.2 million in 2008/09). The carrying amount of payables, which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

*Parantheses denote negative figures or figures to be deducted.*

## NOTES TO THE CASH FLOW STATEMENT

(DKK million)		Group		Parent company	
Notes ...		2009/10	2008/09	2009/10	2008/09
39 ...	<b>Adjustments</b>				
	Change in other liabilities	(11.9)	18.1	(0.1)	(0.2)
	Financial income etc.	(15.4)	(11.4)	(61.2)	(64.7)
	Financial costs etc.	24.5	41.2	29.0	53.6
	Result of investments in associates after tax	6.7	(2.3)		
	Dividend from associates			-	(1.0)
	Gain/loss on sale of non-current assets	(9.0)	1.4	-	-
	Tax on result for the year	(16.7)	(140.3)	(43.2)	(138.4)
	Various adjustments	7.7	0.6	7.4	10.7
	Total adjustments	<u>(14.1)</u>	<u>(92.7)</u>	<u>(68.1)</u>	<u>(140.0)</u>
40 ...	<b>Change in working capital</b>				
	Change in receivables	-	194.5	146.6	221.8
	Change in inventories	29.7	204.0	1.0	0.2
	Change in accounts payables etc.	52.4	(40.3)	(0.4)	(5.7)
	Total change in working capital	<u>82.1</u>	<u>358.2</u>	<u>147.2</u>	<u>216.3</u>
41 ...	<b>Cash and cash equivalents</b>				
	Cash and cash equivalents consists of:				
	Cash	253.6	258.1	168.5	217.7
	Overdraft facilities	(11.9)	(13.0)	(11.9)	(12.9)
	Cash and cash equivalents	<u>241.7</u>	<u>245.1</u>	<u>156.6</u>	<u>204.8</u>
There are no restrictions in the Group's or the parent company's use of cash and cash equivalents.					
42 ...	<b>Fees to auditors elected at the Annual General Meeting</b>				
	Statutory audit:				
	Deloitte	<u>4.6</u>	<u>4.6</u>	<u>0.6</u>	<u>0.6</u>
	Statutory audit, total	<u>4.6</u>	<u>4.6</u>	<u>0.6</u>	<u>0.6</u>
	Tax consulting services:				
	Deloitte	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Tax consulting services, total	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Other services:				
	Deloitte	<u>0.2</u>	<u>2.0</u>	<u>0.1</u>	<u>1.9</u>
	Other services, total	<u>0.2</u>	<u>2.0</u>	<u>0.1</u>	<u>1.9</u>
	Fees to auditors elected at the Annual General Meeting, total	<u>5.1</u>	<u>6.6</u>	<u>0.7</u>	<u>2.5</u>

Parantheses denote negative figures or figures to be deducted.

## NOTES – WITHOUT CROSS REFERENCE

(DKK million)	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
Notes ...				
43 ...	<b>Contingent liabilities and other financial commitments</b>			

### Rental and leasing commitments regarding operating leases etc.

The Group and the parent company have entered into a number of operating leases and rental agreements regarding plant and machinery, shops and other property. There is a big diversity in the length of the agreements. The longest agreement has a term of 10 years. All agreements contain conditions regarding renewal. The Group and the parent company are entitled to determine, whether or not the agreements are renewed. None of the agreements impose restrictions in the Group's or the parent company's rights of disposal.

Leasing commitments relating to plant and machinery etc.	17.8	30.3	10.3	18.2
Leasing commitments relating to establishment of shops	207.9	258.6	-	-
Leasing commitments relating to office and factory property	105.1	96.8	64.5	65.3
Total	330.8	385.7	74.8	83.5
Which can be specified as follows:				
Falls due within 1 year	87.5	93.0	17.3	17.9
Falls due 1 - 5 years	166.0	199.5	28.2	36.3
Falls due after 5 years	77.3	93.2	29.3	29.3
Total	330.8	385.7	74.8	83.5
Rental and lease payments, net for the year	67.5	77.5	23.8	27.5
Of which minimum rental and lease payments	67.5	77.5	23.8	27.5
Expected future income from non-cancellable sublease agreements, total	-	-	-	-

Neither in the Group nor in the parent company contingent rental or lease payments have been recognised in the profit and loss account in 2009/10 or 2008/09.

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

At the balance sheet date neither the Group nor the parent company has entered into any non-cancellable lease agreements regarding assets held under operating leases, from which sublease payments are received.

### Guarantees

Total guarantees as at 31 May	18.9	19.3	6.9	7.3
Of which regarding subsidiaries	-	0.3	-	-
Of which regarding associates	5.2	5.2	5.2	5.2

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



Notes ...

43 ... **Contingent liabilities and other financial commitments (continued)**

**Letters of intent**

Bang & Olufsen Operations a/s has issued letters of intent to the subsidiaries in the US, Japan and the UK.

**VAT and other taxes**

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

**Mortgages and securities**

Land and buildings and investment property have been mortgaged in the amount of DKK 385.8 million (DKK 385.8 million as at 31 May 2009) as security for DKK 293.3 million of the Group's mortgage and bank debt (DKK 311.1 million as at 31 May 2009). Land and buildings and investment property have been mortgaged in the amount of DKK 385.8 million (DKK 385.8 million as at 31 May 2009) as security for the parent company's mortgage and bank debt of DKK 293.3 million (DKK 311.1 million as at 31 May 2009). Other tangible non-current assets related to the land and buildings and investment property are included in the security. The carrying amount of the Group's mortgaged land and buildings and investment property is DKK 184.9 million (DKK 199.8 million as at 31 May 2009), while the carrying amount in the parent company is DKK 184.9 million (DKK 199.8 million as at 31 May 2009). No intangible assets, financial assets or inventories are pledged as security for liabilities.

As security of all receivables and payables with Danske Bank a statement has been made to the effect that no shares in the subsidiaries of Bang & Olufsen a/s can be sold or pledged as security without the consent of the bank.

The loan of initially DKK 74.5 million from Danske Bank to Bang & Olufsen s.r.o, with a remaining debt of DKK 44.6 million as at 31 May 2010 (DKK 52.1 million as at 31 May 2009) includes a clause stating, that the loan can be called, if a shareholder obtains controlling influence of Bang & Olufsen a/s.

The loan of initially DKK 52.0 million from Danske Bank to Bang & Olufsen a/s, with a remaining debt of DKK 26.0 million as at 31 May 2010 (DKK 36.4 million as at 31 May 2009) includes a clause stating, that the loan can be called, if a shareholder obtains controlling influence of Bang & Olufsen a/s.

**Lawsuits**

The companies in the Group are parties to a few pending lawsuits. The management assesses that the outcome of the lawsuits will not materially influence the Group's financial position. No further information is given regarding the lawsuits, as further information might harm the Group.

44 ... **Financial instruments**

The extent and nature of the Group's and parent company's financial instruments appear from the profit and loss account, balance sheet and notes in accordance with the accounting principles applied. Information regarding conditions that can affect amount, dates of payment or reliability of future payments, where such information is not directly evident from the consolidated or the parent company's financial statements, or follows from common practice, is given below.

(DKK million)

Notes ...

44 ... **Financial instruments (continued)**

Monetary items\* in the balance sheet of the Group as at 31 May translated to DKK:

Currency	Payment/maturity	2009/10			2008/09		
		Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	360.8	150.2	210.6	316.4	151.9	164.5
	> 12 months	8.0	37.6	(29.6)	29.4	44.9	(15.5)
GBP	0-12 months	61.9	27.2	34.7	90.8	22.9	67.9
	> 12 months	8.9	-	8.9	17.7	-	17.7
SEK	0-12 months	14.6	2.0	12.6	17.4	5.4	12.0
	> 12 months	-	-	-	1.3	-	1.3
JPY	0-12 months	5.5	1.2	4.3	6.5	2.4	4.1
CHF	0-12 months	41.1	6.5	34.6	26.7	22.9	3.8
USD	0-12 months	72.1	74.5	(2.4)	41.1	56.0	(14.9)
	> 12 months	0.1	-	0.1	2.8	1.8	1.0
CZK	0-12 months	2.9	3.5	(0.6)	1.5	6.0	(4.5)
SGD	0-12 months	15.2	1.7	13.5	10.4	1.2	9.2
	> 12 months	-	-	-	0.2	0.1	0.1
AUD	0-12 months	9.9	5.7	4.2	13.2	10.3	2.9
	> 12 months	-	1.1	(1.1)	3.5	2.0	1.5
Other	0-12 months	16.2	-	16.2	11.4	0.3	11.1
	> 12 months	1.1	-	1.1	4.3	3.8	0.5

Monetary items\* in the balance sheet of the parent company as at 31 May translated to DKK:

Currency	Payment/maturity	2009/10			2008/09		
		Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	103.1	24.0	79.1	25.4	9.9	15.5
GBP	0-12 months	-	11.9	(11.9)	5.9	0.3	5.6
SEK	0-12 months	0.8	0.2	0.6	2.8	-	2.8
JPY	0-12 months	1.0	-	1.0	0.7	-	0.7
CHF	0-12 months	11.1	-	11.1	1.6	-	1.6
USD	0-12 months	26.3	7.2	19.1	-	16.0	(16.0)
CZK	0-12 months	1.8	-	1.8	1.5	-	1.5
SGD	0-12 months	3.3	-	3.3	0.4	-	0.4
AUD	0-12 months	0.8	-	0.8	2.7	-	2.7
Other	0-12 months	0.4	-	0.4	0.1	0.1	-

\* Monetary items are cash and cash equivalents etc., receivables and payables, which are settled in cash.

Parantheses denote negative figures or figures to be deducted.

Notes ... 44 ...	(DKK million)	Group		Parent company	
		2009/10	2008/09	2009/10	2008/09
	<b>Financial instruments (continued)</b>				
	<b>Categories of financial instruments</b>				
	Other financial receivables	41.4	60.4	3.0	3.0
	Trade receivables	417.9	407.9	-	-
	Receivables from subsidiaries			658.4	796.4
	Receivables from associates	1.5	1.4	0.5	-
	Other receivables	27.6	31.6	3.5	2.3
	Cash	253.6	258.1	168.5	217.7
	Loans and receivables	742.0	759.4	833.9	1,019.4
	Other non-current liabilities	6.9	6.7	6.5	6.5
	Mortgage loans, total	230.4	236.8	230.4	236.8
	Loans from banks etc., total	95.6	128.3	51.0	61.4
	Overdraft facilities	11.9	13.0	11.9	12.9
	Trade payables	259.4	188.3	38.9	41.7
	Payables to subsidiaries			40.0	36.8
	Other payables excl. foreign exchange forward contracts	318.3	323.6	104.3	105.2
	Financial liabilities measured at amortised cost	922.5	896.7	483.0	501.3

Foreign exchange forward contracts are measured at fair value in the balance sheet, cf. note 1 and below.  
The fair value is based on observable market data and is part of level 2 in the fair value hierarchy.

#### Maturity analysis for receivables

Amounts not due	399.6	409.7
Up to 30 days overdue	31.8	17.3
Between 30 and 60 days overdue	10.4	25.5
Between 60 and 90 days overdue	9.3	13.5
Between 90 and 120 days overdue	14.0	17.6
More than 120 days overdue	23.3	17.7
Total	488.4	501.3

All receivables in the parent company as at 31 May 2010 and as at 31 May 2009 are not due.

#### Fair value per category of financial instruments

Other financial receivables	40.9	59.4	2.5	2.2
Trade receivables	417.9	407.9	-	-
Receivables from subsidiaries			658.4	796.4
Receivables from associates	1.5	1.4	0.5	-
Other receivables	27.6	31.6	3.5	2.3
Cash	253.6	258.1	168.5	217.7
Loans and receivables	741.5	758.4	833.4	1,018.6
Other non-current liabilities	6.8	6.5	6.4	6.3
Mortgage loans, total	230.6	235.4	230.6	235.4
Loans from banks etc., total	95.6	128.3	51.0	61.4
Overdraft facilities	11.9	13.0	11.9	12.9
Trade payables	259.4	188.3	38.9	41.7
Payables to subsidiaries			40.0	36.8
Other payables excl. foreign exchange forward contracts	318.3	323.6	104.3	105.2
Financial liabilities measured at amortised cost	922.6	895.1	483.1	499.7

(DKK million)

Notes ...

44 ... **Financial instruments (continued)**

**The Group's management of financial risks**

As a result of the Bang & Olufsen Group's extensive international activities, the Group's profit & loss account, balance sheet and equity are exposed to a number of financial risks at any given time.

These risks comprise:

- Foreign exchange rate risk
- Interest rate risk
- Credit risk
- Liquidity risk

Bang & Olufsen continually assesses these risks at Group level. As it is the Group's policy not to speculate in financial instruments, its financial management is solely directed towards the management of financial risks in relation to operations and financing.

**Foreign exchange rate risk**

In 2009/10, 89 % of the Group's turnover is in foreign currency (91 % in 2008/09). Since part of the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent, the figure does not express the Group's foreign exchange rate risk.

The Group has net inflows in EUR, GBP and CHF, and the most significant exposure is presently attached to these. The most significant exposure on the outflow side is USD.

The Group's foreign exchange rate risks are managed centrally by the parent company's finance department based on a foreign exchange rate policy approved by the Board of Directors, under which up to 75 % of the expected net cash flows in selected currencies are covered. Forward contracts are used continually for this hedging. The forward contracts are classified as hedging and fulfil the accounting requirements for hedging future cash flow. Forward contracts are used for commercial transactions only, and hedging of a horizon of up to 18 months is made.

As at 31 May 2010 the Group has entered into foreign exchange forward contracts at a repurchase value of DKK 186.3 million (DKK 334.1 million as at 31 May 2009), with a fair value of DKK -5.0 million (DKK -1.0 million as at 31 May 2009).

	31 May 2010		31 May 2009	
Foreign exchange forward contract, net sale (purchase)	Contract amount	Fair value	Contract amount	Fair value
USD	(70.8)	9.1	-	-
GBP	107.6	(7.2)	188.1	(0.6)
CHF	114.6	(5.3)	146.0	(0.4)
SEK	24.2	(1.1)	-	-
NOK	10.7	(0.5)	-	-
Total 31 May	<u>186.3</u>	<u>(5.0)</u>	<u>334.1</u>	<u>(1.0)</u>

The table below shows the effect on operating profit/loss for the year and the Group's equity of a change in selected currencies of 5 % compared to the average foreign exchange rates for the year estimated on unhedged basis.

(DKK million)

Notes ...

44 ... **Financial instruments (continued)**

	Operating profit/loss		Equity	
	2009/10	2008/09	31 May 2010	31 May 2009
USD	(9.6)	(3.9)	(7.2)	(2.9)
GBP	8.5	8.5	6.4	6.4
CHF	9.1	7.9	6.8	5.9
NOK	0.9	0.5	0.7	0.4
SEK	1.6	1.6	1.2	1.2
SGD	3.4	2.3	2.5	1.7
AUD	1.9	1.8	1.4	1.3

Besides the foreign exchange rate risk relating to current transactions, the Bang & Olufsen Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to DKK.

#### Interest rate risk

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

The Group's interest-bearing assets consist mainly of liquid funds, which at the end of the financial year totalled DKK 253.6 million (DKK 258.1 million in 2008/09). Liquid funds yield interest on the short-term money market. The interest rate risk is deemed to be insignificant in that a change in the interest rate level of 0.5 % would have impacted on the Group's result before tax by approx. DKK 0.5 million in 2009/10 (DKK 0.5 million in 2008/09).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 337.9 million (DKK 378.1 million in 2008/09) corresponding to 12.8 % of the balance sheet total (14.2 % in 2008/09).

Of the interest-bearing debt, DKK 212.2 million fall due after five years (DKK 225.3 million in 2008/09). Further information is provided in notes 33 and 34.

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

#### Credit risk

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

At the end of the financial year, the Group sells its products through 1,005 dealers worldwide. The Group is, therefore, exposed to a risk of losses on receivables.

The individual dealers, including their geographical location, are subject to ongoing evaluation. When deemed necessary, the Group employs bank guarantees or debtor insurance against outstanding debts, and in some situations other forms of securities are attained, e.g. in the form of security in inventories or other assets.

For the 2009/10 financial year, DKK 61.0 million was expensed for losses and changes to provisions for losses on receivables (DKK 60.4 million in 2008/09).

Liquid funds are placed with financial institutions with high credit ratings. Derivatives, including foreign exchange forward contracts, are entered into with such institutions only. It is deemed, therefore, that the credit risk relating to liquid funds is of no significance to Bang & Olufsen's annual report.

(DKK million)	Group		Parent company	
	2009/10	2008/09	2009/10	2008/09
Notes ...				
44 ...	<b>Financial instruments (continued)</b>			

#### Liquidity risk

The financial reserve is continually assessed and managed by the parent company's finance department. It is ensured that, at any given time, there is sufficient, flexible and unused assurance credit available provided by major, reputable financial institutions. On the basis of the Group's financial reserve arrangements and the expectations to the Group's future cash flows, no liquidity issues are expected.

#### 45 ... Related parties

No related parties have a controlling influence in the Bang & Olufsen Group or Bang & Olufsen a/s.

The related parties that have significant influence in the Bang & Olufsen Group, are the Board of Directors, the Board of Management and certain other key management personnel in Bang & Olufsen a/s and certain members of the Board of Management and other key management personnel in other companies in the Group and the close family members of these persons. Related parties also include companies in which these persons have significant interests.

The related parties that have significant influence in Bang & Olufsen a/s, are the Board of Directors, the Board of Management and certain other key management personnel and the close family members of these persons. Related parties also include companies in which these persons have significant interests.

The related parties in Bang & Olufsen a/s also comprise the subsidiaries in which the company have a controlling interest, cf. note 46.

The related parties in Bang & Olufsen a/s and the Bang & Olufsen Group also comprise the associates Bang & Olufsen Medicom a/s and John Bjerrum Nielsen A/S, in which Bang & Olufsen a/s has significant influence, cf. note 18.

Bang & Olufsen's share in the subsidiaries and associates is shown in note 46.

#### *Board of Directors, Board of Management and other key management personnel*

Except from what follows from the employment and shareholdings, if any, there have been no transactions with the Board of Directors, the Board of Management and other key management personnel. Remuneration and share option programmes are shown in note 5.

The Board of Directors' terms of notice is in accordance with normal market conditions (up to 24 months).

#### *Subsidiaries and associates*

The transactions with the subsidiaries (and sub-subsidiaries) and the associates have included the following:

Purchase of raw materials from associates	15.8	22.2	-	-
Purchase of services from associates	0.3	0.1	0.3	-
Rental income from associates	5.0	4.9	5.0	4.9
Purchase of services from subsidiaries			100.8	86.2
Rendering of services to subsidiaries			86.6	220.5
Royalty income from subsidiaries			275.0	123.9
Rental income from subsidiaries			75.0	77.0

(DKK million)

Notes ...

45 ... **Related parties (continued)**

The transactions with the subsidiaries (and sub-subsidiaries) have been eliminated in the consolidated financial statements in accordance with the accounting principles applied.

*Outstanding balances with subsidiaries and associates*

Bang & Olufsen a/s' and the Bang & Olufsen Group's outstanding balances with the subsidiaries and the associates appear from the balance sheet. The outstanding balances carry interest. The interest charged on the outstanding balances is shown in notes 8 and 9. The terms of payment on the outstanding balances regarding purchase of goods are current month + 30 days. There are no securities regarding the outstanding balances, and there have been no need for write-downs of the outstanding balances. Furthermore, there have been no actual losses regarding the outstanding balances in 2009/10 or 2008/09.

*Other transactions*

Bang & Olufsen a/s has received DKK 32.4 million as dividend from the subsidiaries (DKK 230.0 million in 2008/09). No dividend has been received from the associates in 2009/10 (DKK 1.0 million in 2008/09).

Bang & Olufsen a/s has issued guarantees for the related parties, cf. note 43. None of the guarantees are expected to result in any losses.

During 2008/09 Bang & Olufsen a/s contributed DKK 3.6 million to the associate Bang & Olufsen Medicom a/s in connection with a capital increase in the company.

No other transactions with the related parties have taken place.

(DKK million)

Notes ...

46 ... **Companies in the Bang & Olufsen Group**

Company name	Registered office	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
<b>Branded business</b>					
Bang & Olufsen a/s	Struer, DK	DKK	362,440,140	100 %	
Bang & Olufsen Operations a/s	Struer, DK	DKK	156,000,000	100 %	
<b>Scandinavia</b>					
Bang & Olufsen Danmark a/s	Lyngby-Tårnbæk, DK	DKK	3,000,000	100 %	
Bang & Olufsen AS	Oslo, N	NOK	3,000,000	100 %	
Bang & Olufsen Svenska AB	Stockholm, S	SEK	4,150,000	100 %	
<b>Central Europe</b>					
Bang & Olufsen Deutschland G.m.b.H.	München, D	EUR	1,022,584	100 %	2
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulln, A	EUR	1,744,148	100 %	
<b>United Kingdom/Benelux</b>					
Bang & Olufsen United Kingdom Ltd.	Berkshire, GB	GBP	2,600,000	100 %	2
S.A. Bang & Olufsen Belgium N.V.	Dilbeek, B	EUR	942,000	100 %	
Bang & Olufsen b.v.	Naarden, NL	EUR	18,000	100 %	
<b>Rest of Europe</b>					
Bang & Olufsen France S.A.	Levallois-Perret, F	EUR	3,585,000	100 %	1
Bang & Olufsen España S.A.	Madrid, E	EUR	1,803,036	100 %	2
Bang & Olufsen Italia S.p.A.	Milano, I	EUR	774,000	100 %	
<b>North America</b>					
Bang & Olufsen America Inc.	Arlington Heights, USA	USD	34,000,000	100 %	3
<b>Asia</b>					
Bang & Olufsen Japan K. K.	Tokyo, JP	JPY	100,000,000	100 %	
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100 %	
Bang & Olufsen Wholesale Pty Ltd.	Armadale, AUS	AUD	6,000,001	100 %	3
<b>Middle East</b>					
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
<b>Other</b>					
Bang & Olufsen Expansion a/s	Struer, DK	DKK	7,000,000	100 %	
Bang & Olufsen s.r.o	Koprivnice, CZ	CZK	187,800,000	100 %	
OÜ BO-Soft	Tallinn, EE	EEK	40,000	51 %	
Bang & Olufsen GPS Taiwan	Taipei, TW	TWD	5,000,000	100 %	
<b>Non-branded business</b>					
Bang & Olufsen ICEpower a/s*	Lyngby-Tårnbæk, DK	DKK	1,939,750	100 %	2
<b>Associates</b>					
John Bjerrum Nielsen A/S	Bramming, DK	DKK	10,000,000	33 %	
Bang & Olufsen Medicom a/s	Struer, DK	DKK	9,372,000	35 %	

Dormant companies are not included.

\* As at 1 June 2008 Bang & Olufsen a/s acquired the remaining 10 % of the shares in Bang & Olufsen ICEpower a/s.



(DKK million)

Notes ...

47 ... **Information about shareholders**

As at 31 May 2010, Bang & Olufsen a/s has approx. 38,000 registered shareholders corresponding to an ownership interest of approx. 76 % of the share capital. Approx. 37,000 of these shareholders are resident in Denmark. Of the listed capital, approx. 80 % is placed in Denmark.

As at 31 May 2010, the following individuals or legal entities hold 5 % or more of the company's capital or share capital's voting rights:

	Nominal amount DKK 1,000	Capital/ Votes %
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød	43,736	12.1
Aviva plc. St. Helen's 1 Undershaft, London, EC3P 3DQ United Kingdom	39,130	10.8
Færchfonden, Lille Østergade 8A, 7500 Holstebro	18,480	5.1

48 ... **Events after the balance sheet date**

After the balance sheet date no events with material effect for the annual report have occurred.

49 ... **Capital structure**

Bang & Olufsen operates in a sector with very frequent and significant changes in technology. Therefore, the Group will occasionally be faced with small or medium-sized investments within new business areas and new fields of technology. Distribution development largely takes place through retailer-owned shops, but in certain markets it might from time to time be necessary for the Group to acquire established retail networks. The draw on liquidity in individual financial years is characterized by considerable seasonal variations.

Based on this, Bang & Olufsen has a need for sufficient capital reserves and the Group will therefore, as a long-term average, aim at an equity ratio of 40-50 % and a net interest-bearing debt in a range between 0.25 and 2.00 times earnings before interest, tax, depreciations, amortisations and impairment losses (EBITDA). As at 31 May 2010 the equity ratio equals 56 %. (31 May 2009: 57 %)

As at the balance sheet date the financial gearing and the ratio between the net interest-bearing debt and EBITDA can be calculated as below:

	2009/10	2008/09
Mortgage loans	230.4	236.8
Loans from banks etc.	95.6	128.3
Overdraft facilities	11.9	13.0
Cash	(253.6)	(258.1)
Net interest-bearing debt	84.3	120.0
Equity	1,496.2	1,520.1
Financial gearing	0.06	0.08
EBITDA	211.6	(210.2)
Net interest-bearing debt/EBITDA	0.40	(0.57)

