

## **Annual General Meeting in Bang & Olufsen a/s**

Bang & Olufsen a/s' Annual General Meeting will be held on Thursday 19 September 2013 at 2:30 pm at Struer Statsgymnasium, Jyllandsgade 2, DK-7600 Struer, Denmark.

### **Agenda**

1. The Board of Directors' report on the company's activities over the past year.
2. Presentation and adoption of the company's audited annual report for the financial year 2012/13, including resolution concerning discharge to the Management Board and the Board of Directors.
3. Resolution as to the distribution of profit or the covering of loss in accordance with the approved annual report.
  - 3.1 The Board of Directors proposes that no dividend shall be paid.
4. Proposals from the Board of Directors.

The Board of Directors proposes the following:

- 4.1 That the proposed remuneration to the Board of Directors for the current financial year is approved. The proposed remuneration, which remains unchanged since the last financial year, is as follows:
  - (i) The annual base salary paid to the members of the Board of Directors remains unchanged at DKK 275,000 for each member with respect to board members elected by the shareholders and the employees, respectively, with 3 times the base salary and 2 times the base salary paid to the Chairman and Deputy Chairman, respectively.

(ii) The remuneration paid to the members of the Board of Directors serving on the company's Audit Committee is DKK 50,000 for each member, with 2 times the fee paid to the Chairman of the Audit Committee.

(iii) The remuneration paid to the members of the Board of Directors serving on the company's Remuneration Committee or Nomination Committee is DKK 50,000 for each member.

Reference is made to page 67 of the company's annual report (note 2.2).

4.2 That the Board of Directors is authorised – in the period until 30 September 2014 – to let the company acquire own shares up to a nominal value corresponding to 10 per cent of the company's share capital, provided that the share price does not deviate by more than 10 per cent from the most recently quoted market price for the shares on NASDAQ OMX Copenhagen A/S at the time of the purchase.

4.3 That the company's existing "General guidelines concerning incentive-based remuneration" are amended to the effect that that the company's CEO may at the discretion of the Board of Directors be granted a special share option scheme exercisable in 2016, as well as a special bonus scheme, in accordance with the principles described in the guidelines.

The full text of the revised "General guidelines concerning incentive-based remuneration" is attached hereto as **Appendix 1**.

4.4 That the objects of the company set out in section 3.1 of the Articles of Association are amended as follows:

"The Company's objects are to conduct business, either itself or through subsidiaries, within the field of development, manufacturing, distribution, sale, export and import, lease and maintenance of electronic and electrical machines and appliances, other related equipments and their components, including TV, video, audio and car-audio, amplifiers, telecommunication and mobile products and devices, audio-visual software, computer systems and software programs, as well as any other business and investments incidental or related thereto, including by granting license rights to third parties to any kind of intellectual property rights held by the company or its subsidiaries."

The reason for the proposed amendments to the provision regarding the company's objects is that the Board of Directors has assessed that the current provision is no longer in keeping with the times due to the fact that today, the company also operates under a number of other trademarks than Bang & Olufsen. On this basis, the Board of Directors proposes a general revision of the provision on the company's objects be made in order for it to contain a more specific description of the company's current and planned activities.

- 4.5 That the provision in section 4.4 of the Articles of Association is deleted as the authorization has expired and is thus no longer relevant.
- 4.6 That the existing authorization to the Board of Directors to increase the company's share capital set out in section 4.5 of the Articles of Association is adjusted as follows:

"The Board of Directors is in the period until 31 May 2018 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new

shares at market price or at a discount to market price by way of cash contribution or otherwise. The capital increase shall be with preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration."

- 4.7 That the existing authorization to the Board of Directors to increase the company's share capital set out in section 4.6 of the Articles of Association is adjusted as follows:

"The Board of Directors is in the period until 31 May 2018 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price by way of cash contribution or otherwise. The capital increase shall be without preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration."

- 4.8 That the provision set out in section 4.7 of the Articles of Association is adjusted as follows:

"Pursuant to Article 4, sections 4 and 5 above, the Board of Directors may not decide to increase the

company's share capital by more than a total nominal value of DKK 39,270,435."

If the proposals above under agenda items no. 4.5, 4.6, 4.7 and 4.8 are adopted, article 4 of the Articles of Association will be updated as follows:

"Article 4:

Section 1. (unchanged) The share capital of the company amounts to DKK 392,704,350.-. The share capital is fully paid up.

Section 2. (unchanged) The share capital is not divided into different classes of shares.

Section 3. (unchanged) The nominal value of each share is DKK 10 or multiples thereof.

Section 4. (amended) The Board of Directors is in the period until 31 May 2018 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price or at a discount to market price by way of cash contribution or otherwise. The capital increase shall be with preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

Section 5. (amended) The Board of Directors is in the period until 31 May 2018 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price by way of cash contribution or otherwise. The capital increase shall be without preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for

dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

Section 6. (amended) Pursuant to Article 4, sections 4 and 5 above, the Board of Directors may not decide to increase the company's share capital by more than a total nominal value of DKK 39,270,435.

Section 7. (unchanged) The Board of Directors may implement the necessary amendments to the Articles of Association in connection with changes to the capital structure in accordance with the above resolution."

4.9 That the deadline for submitting postal votes set out in section 7.5 of the Articles of Association is amended to no later than the day before the general meeting. As a consequence hereof, this provision will have the following wording:

"Voting rights may be exercised by proxy which, upon request, shall be produced in written and dated form. The proxy holder must have obtained an admission card in accordance with Article 7, section 4. Voting rights may also be exercised by postal vote, which shall be received by the company no later than 4:00 pm on the day before the general meeting."

5. Election of members to the Board of Directors.

Pursuant to section 8.2 of the Articles of Association, all members of the Board of Directors appointed by the General Meeting stand for election at the Annual General Meeting.

The current board member Alberto Torres has informed the Board of Directors that he will not stand for re-election.

The Board of Directors proposes the re-election of Ole Andersen, Rolf Eriksen, Jesper Jarlbæk, Jim Hagemann Snabe and André Loesekrug-Pietri.

The composition of the Board of Directors reflects the skills and experience required to supervise and manage a public listed company. The company aims at composing the Board of Directors of persons who possess the professional skills and international experience required to serve as a board member.

With respect to the existing board members' qualifications, including management positions in other business enterprises, reference is made to the annual report, pages 37-38. All existing board members are considered as independent.

Further, the Board of Directors proposes election of Majken Schultz as a new board member.

Majken Schultz is cand.scient.pol. and ph.d. and has been employed as a professor of management at Copenhagen Business School since 1996. She is also currently International Research Fellow at the Centre of Corporate Reputation at Oxford University, Said Business School, and Affiliated Academic Partner at Reputation Institute

Majken Schultz is a member of the board of directors of Danish Crown A/S, Danske Spil A/S and Realdania, and she is also a member of the board of representatives of Realdania. Furthermore, she is a director of VCI Holding ApS.

Majken Schultz is considered an independent board candidate.

6. Appointment of auditors.

The Board of Directors proposes re-election of Ernst & Young P/S as auditors of the company.

7. Any other business.

The agenda together with the complete proposals, as well as the annual report and the Directors report, are available for the shareholders' inspection at the company's offices at Peter Bangs Vej 15, DK-7600 Struer, Denmark, from 28 August 2013. The mentioned documents as well as the notice convening the general meeting, information about the total number of shares and voting rights on the date of distribution of the notice convening the meeting and the

forms to be used in relation to voting by proxy and postal voting are also available at the company's website [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor).

Items no. 4.4, 4.5, 4.6, 4.7, 4.8 and 4.9 of the agenda must be adopted by 2/3 of the votes cast as well as of the share capital represented at the general meeting, whereas adoption of the other proposals requires a simple majority of votes.

At the date of distribution of this notice convening the Annual General Meeting, the company's nominal share capital totals DKK 392,704,350, divided into shares of a nominal value of DKK 10 each or multiples thereof. Each share with a nominal value of DKK 10 carries one vote.

The notice convening the Annual General Meeting will be published and distributed in accordance with article 6 of the Articles of Association. The general meeting will be convened by notification in the newspapers "Dagbladet Holstebro-Struer" and "Jyllands-Posten", via the company's website and by written notice by post to all shareholders registered by name in the shareholders' register, who have so requested. Additionally, the notice will be published via NASDAQ OMX Copenhagen A/S. If you wish for the notice and/or the complete proposals to be sent to you by post, please contact VP Investor Services A/S at tel. +45 43 58 88 91.

Any shareholder is entitled to attend the Annual General Meeting if he/she against presentation of relevant identification has requested an admission card no later than at 11:59 pm on Friday 13 September 2013.

The registration date is Thursday 12 September 2013. A shareholder's right to vote at the Annual General Meeting is determined on the basis of the shares registered in the shareholders name in the register of shareholders at the time of expiry of the registration date, or for which the shareholder at that time has notified and documented his/her acquisition to the company.

Admission cards to the Annual General Meeting may be obtained at the company's website [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor) where you will find a registration form. You may also request admission cards electronically at the company's website by using CPR/CVR number and postal code or VP reference number. Further, admission cards may be obtained by contacting VP Investor Services A/S at tel. +45 43 58 88 91. Admission cards and voting ballots will be sent to the address to which your custody account is registered.



To receive your admission card, you must return a registration form duly completed to be received by VP Investor Services A/S no later than on Friday 13 September 2013 at 11:59 pm either by post to VP Investor Services A/S, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark, by fax to +45 43 58 88 67 or by email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk).

If you are unable to attend the Annual General Meeting, you may issue an instrument of proxy or submit a postal vote.

You may issue a proxy or submit a postal vote, but you cannot do both. The proxy and postal voting form can be found at [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor) or may be obtained by contacting VP Investor Services A/S by phone on +45 43 58 88 91.

If you want to appoint a proxy, the proxy voting form must reach VP Investor Services A/S no later than on Friday 13 September 2013 at 11:59 pm by post to VP Investor Services A/S to Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark, by fax to +45 43 58 88 67 or by email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk).

If you want to submit a postal vote, the postal voting form must reach VP Investor Services A/S no later than Friday 13 September 2013 at 11:59 pm by post to VP Investor Services A/S to Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark, by fax to +45 43 58 88 67 or by email to [vpinvestor@vp.dk](mailto:vpinvestor@vp.dk).

You may also appoint a proxy or submit a postal vote at VP Investor Services A/S' website [www.uk.vp.dk/agm](http://www.uk.vp.dk/agm) or at the company's website [www.bang-olufsen.com/investor](http://www.bang-olufsen.com/investor).

At the Annual General Meeting, the Board of Directors and the Management Board will answer questions from the shareholders on matters of relevance to the assessment of the annual report, the company's position and any other questions to be addressed at the Annual General Meeting. Questions can be submitted until the date of the Annual General Meeting by post to Bang & Olufsen A/S, Peter Bangs Vej 15, DK-7600 Struer, Denmark, addressed to the Legal Department for the attention of Director, Global Counsel Kim Hyldahl Hansen, or by email to [kbh@bang-olufsen.dk](mailto:kbh@bang-olufsen.dk).

Prior to the Annual General Meeting, we would like to offer shareholders who are not employees a demonstration of Bang & Olufsen's products. The event

begins at 11:30 am in Bang & Olufsen's main building "Gården". Please announce your participation by calling tel. +45 96 84 11 22 if you wish to attend.

Yours sincerely  
Bang & Olufsen a/s

Ole Andersen  
Chairman

**APPENDIX 1****General guidelines concerning  
incentive-based remuneration**

These guidelines apply to incentive schemes for the Board of Directors and the Management Board in Bang & Olufsen a/s. The incentive-based remuneration will be dependent on individual or company performance.

**1. The Board of Directors**

The Board of Directors receives a fixed cash fee which is approved annually by the general meeting. The Board of Directors does not receive performance-related remuneration.

**2. The Management Board**

It is the view of the Board of Directors that a combination of fixed and performance-related remuneration for the Management Board contributes to the company's ability to attract and retain competent key employees while, at the same time, the Management Board has an incentive to create added value for the benefit of shareholders through partial performance-related remuneration.

The Management Board is defined as the managers registered with the Danish Business Authority.

The Management Board's terms of employment and payment are agreed between the individual manager and the Board of Directors, and payment will normally consist of a combination of the elements stated in this section 2.

The Board of Directors has set up a remuneration committee, which assesses the Management Board's salary conditions on an ongoing basis.

The Management Board may be entitled to participate in the following incentive schemes:

- Cash bonus
- Long-term incentive share option scheme
- Special Share Option Scheme

**2.1. Cash bonus**

Individual members of the Management Board may receive an annual bonus which cannot exceed 35% of that member's gross salary for the relevant year. However, the CEO may receive an annual bonus which cannot exceed 100% of the CEO's gross salary for the relevant year.

This cash bonus is intended to ensure compliance with the company's short-term objectives. The payment of the bonus and the size thereof will therefore depend on the achievement of the objectives agreed from year to year. These objectives will primarily relate to the achievement of the company's budgeted results or the achievement of the financial ratios or other measurable personal results of a financial or non-financial nature.

The annual bonus which may be granted to the CEO shall be divided so that 75% of the bonus may be paid if certain ordinary bonus objectives decided at the discretion of the Board of Directors in accordance with the criteria described above have been fulfilled, whereas the remaining 25% of the bonus may be paid if certain extraordinary bonus objectives decided at the discretion of the Board of Directors in accordance with the criteria described above have been fulfilled.

## **2.2. Long-term incentive share option scheme**

Members of the Management Board may be granted share options. Such grants are intended to ensure value creation and the achievement of the company's long-term objectives. The option scheme is share based. The grant may take place on an annual basis. For any single financial year, options with a current value at the time of the grant of up to 25% of the individual's gross salary at the date of the grant may be granted. The current value at the grant is calculated in accordance with the Black & Scholes method.

The stock options will be granted at the discretion of the Board of Directors.

Each stock option entitles the holder to buy one share in Bang & Olufsen a/s with a nominal value of DKK 10. The exercise price of the stock options may not be less than the market value of the company's shares at the date of grant. However, the exercise price and/or the number of granted options shall be adjusted for any dividend paid by Bang & Olufsen a/s and in case of other corporate actions that dilute the value of the options.

The stock options will not vest and become exercisable until at least three years after the date of grant and will expire if not exercised within a period of two consecutive weeks starting 6 trading days after the announcement of the

company's annual report for the relevant financial year. Vesting of the stock options may at the discretion of the Board of Directors be conditioned on achievement of the company's budgeted results or financial key figures.

The total outstanding stock options may not exceed 5% of the total share capital of Bang & Olufsen a/s at the date of grant (however, not including the Special Share Option Scheme which may be granted to the company's CEO, please see section 2.3. below).

### **2.3. Special Share Option Scheme for the company's CEO**

The CEO may be granted a Special Share Option Scheme. The stock options will be granted at the discretion of the Board of Directors and may be granted for one or more successive periods. The purpose of the Special Share Option Scheme is to retain the company's CEO and to ensure that the CEO is focused on value creation and the achievement of the company's long-term objectives.

With effect from 11 March 2011, the company has granted to the CEO a Special Share Option Scheme exercisable in the period 2013-2015, as further described in company announcement no. 10.16 of 11 March 2011 (as corrected by a company announcement of 14 March 2011). For this Special Share Option Scheme, the following guidelines apply:

#### *Special Share Option Scheme exercisable in the period 2013-2015*

The stock options granted in 2011 may be exercised in three portions of equal size in 2013, 2014 and 2015, respectively. The stock options may only vest and become exercisable if certain agreed targets with respect to the company's EBITDA and share price are met. The exercise prices of the stock options are fixed at 69, 77 and 86 for the options exercisable in 2013, 2014 and 2015, respectively. However, the number of shares and/or the exercise price for the stock options shall be adjusted for any dividend paid by Bang & Olufsen a/s and in case of other corporate actions that dilute the value of the options.

The total number of stock options granted under the Special Share Option Scheme exercisable in the period 2013-2015 is maximized to 1,250,000 stock options with a right each to buy one share in Bang & Olufsen a/s with a nominal value of DKK 10, equal to 3.45% of the total share capital of the company at the date of grant of the stock options. Based on a Black & Scholes calculation, the estimated current market value of the stock options equals approximately 10 MDKK. The gain that may be realized under the Special Share Option Scheme at exercise is capped at 20 MDKK per year (2013-2015), i.e. the total gain is capped at 60 MDKK (before tax).

At the discretion of the Board of Directors, the CEO may further be granted a Special Share Option Scheme exercisable in 2016 subject to the following guidelines:

*Special Share Option Scheme exercisable in 2016*

The stock options may be exercised in 2016. The stock options may only vest and become exercisable if certain agreed targets with respect to the company's EBIT and share price are met. The exercise price of the stock options is fixed at 60. However, the number of shares and/or the exercise price for the stock options shall be adjusted for any dividend paid by Bang & Olufsen a/s and in case of other corporate actions that dilute the value of the options.

The total number of stock options granted under the Special Share Option Scheme exercisable in 2016 is maximized to 665,000 stock options with a right each to buy one share in Bang & Olufsen a/s with a nominal value of DKK 10, equal to 1.7% of the total share capital of the company. Based on a Black & Scholes calculation, the estimated current market value of the stock options equals approximately 3.7 MDKK. The gain that may be realized under the Special Share Option Scheme at exercise is capped at 20 MDKK (before tax).

**2.4. Grant of options**

At the discretion of the Board of Directors, the company intends, to the extent possible, to cover on an ongoing basis the options that are expected to be exercised through the purchase of own shares. Consequently, it is the expectation that no capital increase needs to be undertaken in order to provide the shares covered by the options granted.

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This is an English translation. In case of discrepancy between the Danish version and the English translation of these guidelines, the Danish version will prevail.