ANNUAL REPORT 2010/11

Bang & Olufsen a/s Group

CVR no. 41257911

BANG & OLUFSEN

CONTENTS

DEAR BANG & OLUFSEN SHAREHOLDER

2010/11 was an eventful and challenging year for Bang & Olufsen.

The company succeeded to improve both turnover and net result compared to last year. However, in general the result was not satisfactory despite bright spots.

Changes in the Board of Directors and Board of Management

During the year, significant changes in both the Board of Directors and Board of Management were completed. In December 2010 the Board of Directors elected Ole Andersen as Chairman following the resignation of the recent Chairman Brian Petersen. At the Group's extraordinary General Meeting on 10 March 2010, Alberto Torres and Jesper Jarlbæk were elected new members of the Board of Directors. Henning Bejer Beck joined as new CFO on 1 October 2010 and Tue Mantoni joined as CEO on 1 March 2011.

New strategy

Following an extensive strategy review, Bang & Olufsen announced the Group's new strategy 'Leaner, Faster, Stronger' in August 2011. The strategy, which includes significant strategic changes, is aimed at unlocking the full potential of Bang & Olufsen.

Bang & Olufsen's overall strategy is to develop integrated audio-video solutions and market these globally to the luxury segment through a network of dedicated retailers. The most important elements in the five-year strategy are:

- Increased focus on sound and acoustics. Bang & Olufsen will increase the focus on sound and acoustics development and thereby leverage and further strengthen the company's world-class skills and market position within this area, e.g. through a deeper vertical integration of the ICEpower engineering teams and a stronger knowledge sharing with the Automotive acoustics teams.

- Strengthening the focus on Automotive even further. In the coming years, Bang & Olufsen will have a continued focus on creating outstanding value to existing partners through the development of innovative sound systems, which will support the partners' brand image and maximise their car-fi businesses.

- Launching a new product category and expanding the distribution through complementary channels with the aim of attracting new customers to the brand. The product category will consist of stand-alone products, which build on Bang & Olufsen's competencies within design, sound, connectivity and user friendliness – based on Bang & Olufsen's approach to quality.

- Restructuring the retail network. Bang & Olufsen will initiate a restructuring of the retail network for increased customer focus and profitability. The goal is to create a dynamic and engaging customer experience where customers can try products, seek advice on integrated solutions and where everyone feels welcome also to simply check out what's new from Bang & Olufsen.

- Expanding the business in BRIC markets. The activities in the growth markets will be expanded, which includes an aggressive growth strategy in the Chinese market. As a consequence of this, the company will establish a national sales office in Shanghai and take over sales of Bang & Olufsen's products in Hong Kong and Southern China.

- Leveraging partners for audio-video development and sourcing. External competencies will be used to a significantly larger extent than is the case today to ensure more effectiveness in product development and to be able to launch more successful products in the future.

- Creating a lean and more agile organization with a global outlook. The ambition is to build up a leaner and flatter organisation to make the company more agile and responsive to changes in the market and to be able to reallocate resources to focus on areas that offer the highest growth opportunities and are aligned with the 'Leaner, Faster, Stronger' strategy.

The development within divisions

This year's improvement in turnover and results should primarily be seen against a significant development in Automotive, which increased sales by DKK 184 million, or 69 per cent, compared to the year before. The growth was partly owing to a general increase in the sales of cars from Bang & Olufsen's partners Audi, Aston Martin and Mercedes AMG and partly owing to the launch of the first models from BMW with Bang & Olufsen sound systems.

During the year, Bang & Olufsen launched a range of new audio and video products – e.g. the acclaimed speaker dock BeoSound 8, the company's first 3D television BeoVision 4-85 followed by BeoVision 4-103 and a new in-wall or in-ceiling integrated speaker, BeoVox 2. Despite these launches, Bang & Olufsen saw a fall in audio-video sales. The turnover declined by DKK 92 million or 4 per cent. This is, of course, unsatisfactory. The decline in the audio-video sales is primarily owing to a decline in Bang & Olufsen's sales of video products and to a generally challenging market situation in Denmark and United Kingdom.

Dividend

Following the unsatisfactory development in results and the strategic challenges, which the Group faces, the Board of Directors recommends that no dividend be paid for the 2010/11 financial year.

Looking ahead

The launched strategy 'Leaner, Faster, Stronger' will be the primary tool for the management of Bang & Olufsen in the years to come. The speed of implementation will be impacted by, in a favourable or adverse way, the development in the company's financial resources. The implementation of the strategy will be monitored continuously by the Board of Directors and a continuous alignment with the Group's cash position and financial resources will be carried out.

During the first two financial years (2011/12 and 2012/13) the attention will be on regaining a leading position within Bang & Olufsen's key areas of strengths and building a more effective, globalised and customer-focused organisation.

The expectations for the 2011/12 financial year are that the turnover will exceed DKK 3,000 million and that the result before tax will be improved to be in the level of DKK 100 million.

Kind regards,

Ole Andersen	Tue Mantoni
Chairman	CEO

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

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 23 September, 2011.

Annual General Meeting: The Annual General Meeting will be held on Friday, 23 September, 2011 at 16.00 at Struer Gymnasium.

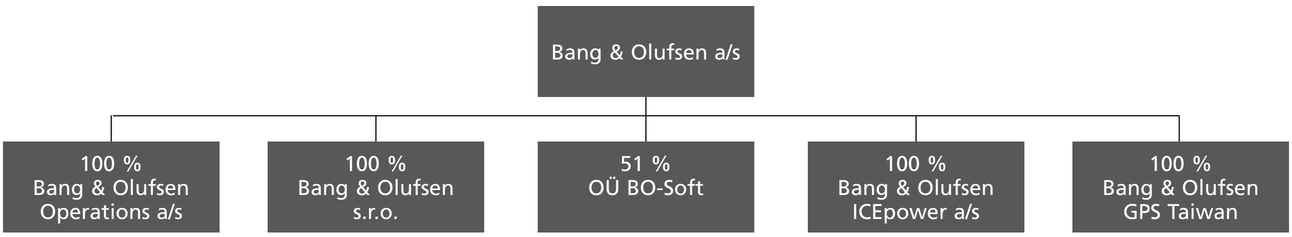
Environmental reviews
The productrelated environmental review "Down to the smallest detail" – a story about environmental awareness as told through the development, production, use and disposal of a specific product. The review is available at www.bang-olufsen.com or from Bang & Olufsen's Safety, Health & 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

2011:	Wednesday, 17 August: Annual Report (2010/11)
	Friday, 23 September: Annual General Meeting
	Wednesday, 12 October: Interim Report (1st quarter 2011/12)
2012:	Wednesday, 18 January: Half-year report (2011/12)
	Wednesday, 18 April: Interim Report (3rd quarter 2011/12)
	Wednesday, 15 August: Annual Report (2011/12)
	Friday, 21 September: Annual General Meeting
	Wednesday, 10 October: Interim Report (1st quarter 2012/13)

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, Mercedes-AMG and BMW. 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 an 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 & 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 multibrand 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 millennium, 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 decided to focus on fewer product categories and faster product development. The effect was clearly evident during the last two financial years 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 the BeoVision 4-85 plasma TV which is the latest member of Bang & Olufsen's home cinema family and the first Full HD screen with 3D. On the audio side, Bang & Olufsen has excelled with BeoSound 8 which is a speaker dock for the iPad, iPhone and iPod. BeoSound 8 delivers breathtaking sound performance and offers elegant design and a simple user interface, and with more than 25,000 units sold in the first six months since its launch the speaker dock is the best selling audio product in the company's history.

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 homes. The BeoLink system allows the user to distribute audio/video from the main Bang & Olufsen system to other rooms in the house.

With the Beo6, the user needs only one remote for all rooms of the house. The Beo6 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 Beo6, therefore, amounts to a unique, personal remote control which contains precisely those functions required for each individual user's home. In addition, the 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. includeded 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 of Bang & Olufsen's core business. In this

respect, Bang & Olufsen has entered into partnership with Audi, Aston Martin, Mercedes-AMG and BMW.

The in-car sound systems have achieved strong recognition, and Bang & Olufsen's position as the market leading supplier of sound systems was once again confirmed in March 2011 in the annual reader survey conducted by the magazine "auto motor und sport". Almost 100,000 readers participated in the survey, and they voted Bang & Olufsen first place ahead of 26 other car audio brands. It is the third time that Bang & Olufsen is nominated the Best Brand in the Car-HiFi category.

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 690 B1 shops and 265 Shop-in-Shops. The B1 shops account for 83 per cent of turnover, with the Shop-in-Shop outlets accounting for 17 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 the UK.

Markets

Bang & Olufsen's products are available around the world and 91 per cent of the company's turnover derives from outside Denmark. In a number of markets, operations are handled by Bang & Olufsen's own subsidiaries, c.f. overview note 48, while sales and distribution development in certain overseas markets is organised by highly qualified business partners.

Production

Bang & Olufsen's products comprise both sourced and self-produced components. Bang & Olufsen procures a wide range of product-related components and semi-finished products from different suppliers for its audio and video products. Electronic components/print boards are outsourced and produced by suppliers in accordance with Bang & Olufsen's detailed specifications. Bang & Olufsen focuses, therefore, on its own production of those components where the company has attained specific expertise over many years, primarily within the areas of anodising, mechanical machining and surface treatment of aluminium. These competencies are, to a significant extent, also employed in Bang & Olufsen's automotive activities.

Assembly takes place at the company's own production facilities at Struer and in Koprivnice in the Czech Republic. Here the products are assembled, tested and quality controlled before being despatched to customers.

In addition to the physical components, Bang & Olufsen's own software and technology are an integral part of the products. These are distinguished by their excellent best-in-class user-friendliness as well as by sound and picture quality.

Product development

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

Bang & Olufsen has a well-established innovation culture, which has evolved over a number of years. In recent years, 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. The ICEpower technology is also a key feature of Bang & Olufsen's active speakers and sound systems for cars.

FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES

Bang & Olufsen a/s, Group (DKK million)	2010/11[1)]	2009/10[1)]	2008/09[1)]	2007/08	2006/07
Profit and loss account					
Net turnover	2,867	2,762	2,790	4,092	4,376
Of which from foreign markets, %	*91*	*89*	*91*	*88*	*85*
Operating profit/loss	60	(34)	(496)	195	530
Financial items, net	(20)	(9)	(30)	(30)	(16)
Result before tax	40	(50)	(523)	154	524
Result for the year	28	(33)	(383)	112	373
Result for the year, shareholders of the parent company	27	(34)	(385)	105	367
Balance sheet					
Total assets, end of year	2,508	2,562	2,613	2,814	2,959
Share capital	362	362	362	121	121
Equity, end of year	1,538	1,496	1,517	1,481	1,679
Equity attributable to shareholders of the parent company, end of year	1,538	1,495	1,514	1,469	1,673
Minority interests	1	2	2	12	6
Cash flows for the year	(98)	(4)	192	(104)	(346)
Of which cash flows from:					
Operating activities	320	218	113	332	521
Investment activities	(318)	(178)	(339)	(254)	(378)
- of which investment in tangible non-current assets	(96)	(83)	(111)	(190)	(158)
- of which investment in intangible non-current assets	(253)	(212)	(212)	(125)	(210)
- of which investment in equity interests	(1)	-	(27)	-	-
Financing activities	(100)	(44)	418	(181)	(488)
Employment					
Number of employees, end of year	2,008	2,046	2,051	2,579	2,520

1) The key figures for 2008/09 - 2010/11 are adjusted due to change in accounting principles applied.

Parentheses denote negative figures.

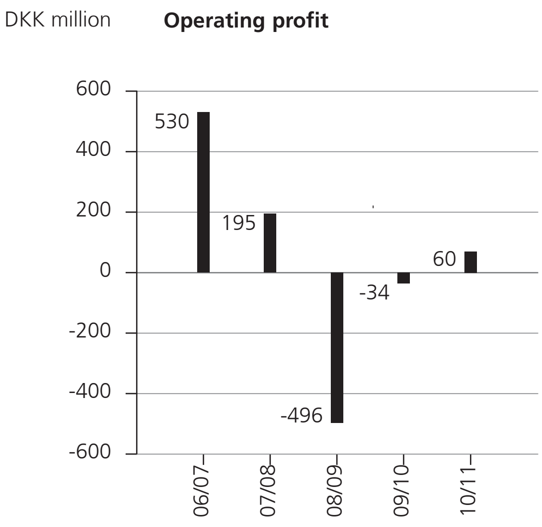
FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES (CONTINUED)

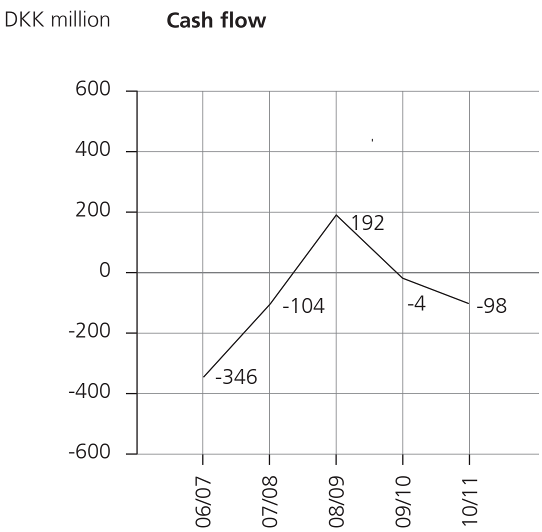
Bang & Olufsen a/s (DKK million)	2010/11[1)]	2009/10[1)]	2008/09[1)]	2007/08	2006/07
Key figures					
EBITDA	299	212	(210)	494	790
EBITDA-margin, %	*10.4*	*7.7*	*(7.5)*	*12.1*	*18.1*
Profit ratio, %	*2.1*	*(1.2)*	*(17.8)*	*4.8*	*12.1*
Return on assets, %	*2.8*	*(1.6)*	*(20.6)*	*7.4*	*23.0*
Return on invested capital, excl. goodwill, %	*13.3*	*6.3*	*(21.6)*	*20.3*	*40.7*
Return on equity, %	*1.8*	*(2.3)*	*(25.8)*	*6.7*	*21.6*
Current ratio	1.8	1.9	2.0	1.9	1.9
Equity ratio, %	*61.3*	*58,3*	*57.9*	*52.2*	*56.5*
Financial gearing	0.1	0.1	0.1	0.2	0.0
Net interest-bearing debt	85	84	120	335	80
Net turnover/Invested capital excl. goodwill	2.1	2.0	1.7	2.4	2.8
Earnings per share (nom. DKK 10), DKK *	1	(1)	(16)	4	15
Diluted earnings per share (nom. DKK 10), DKK *	1	(1)	(16)	4	15
Intrinsic value per share (nom. DKK 10), DKK *	42	41	42	59	67
Quotation as at 31 May *	72	56	45	128	337
Price/earnings *	96	(59)	(3)	29	22
Price/earnings, diluted *	96	(59)	(3)	29	22
Quotation/Intrinsic value per share *	1.7	1.4	1.1	2.2	5.0
Dividend paid/proposed per share (nom. DKK 10), DKK	0.00	0.00	0.00	3.00	20.00
Number of shares, end of the year	36,244,014	36,244,014	36,244,014	12,081,338	12,081,338
Number of own shares, end of the year	42,650	90,372	110,076	767,787	619,923
Average number of shares in circulation *	36,170,114	36,147,002	24,581,720	23,585,489	24,221,216
Average dilutive effect of outstanding share options *	26,450	-	-	-	25,942
Average number of shares in circulation - diluted *	36,196,564	36,147,002	24,581,720	23,585,489	24,247,158

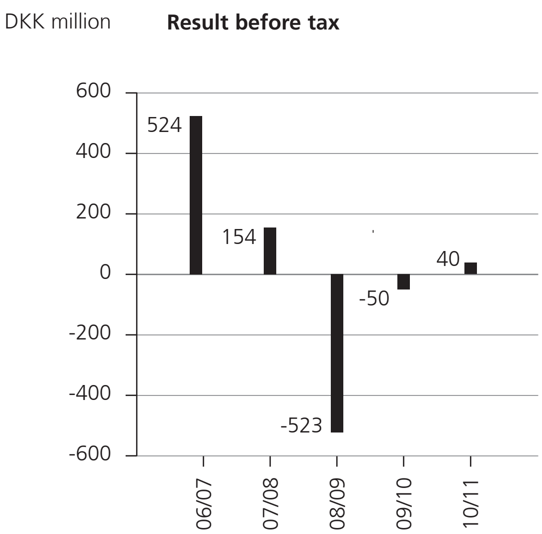
* The amounts for 2006/07 - 2007/08 are adjusted due to the dilution resulting from the bonus element related to the rights issue in the spring of 2009 in accordance with IAS 33.

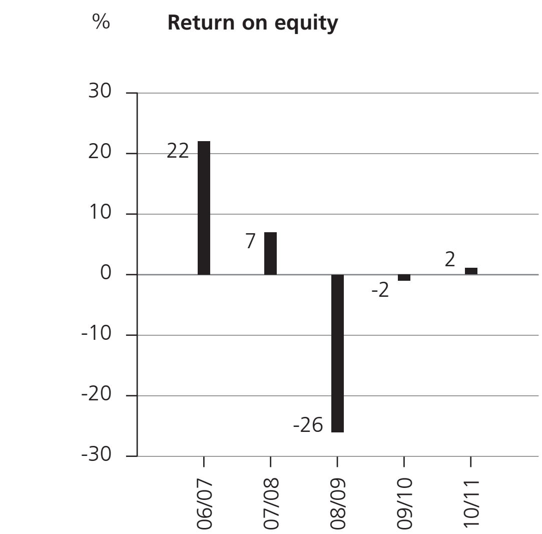
1) The key figures for 2008/09 - 2010/11 are adjusted due to change in accounting principles applied.

Parentheses denote negative figures.


DKK million
Operating profit
600
400
200
0
-200
-400
-600
530
195
-496
-34
60
06/07
07/08
08/09
09/10
10/11


DKK million
Cash flow
600
400
200
0
-200
-400
-600
-346
-104
192
-4
-98
06/07
07/08
08/09
09/10
10/11


DKK million
Result before tax
600
400
200
0
-200
-400
-600
524
154
-523
-50
40
06/07
07/08
08/09
09/10
10/11


%
Return on equity
30
20
10
0
-10
-20
-30
22
7
-26
-2
2
06/07
07/08
08/09
09/10
10/11

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

Definitions of key figures:

EBITDA:	Result before interests, tax, depreciation, amortisation, impairment losses and result of investments in associates after tax
EDITDA-margin:	EBITDA x 100 / Net turnover
Profit ratio (EBIT):	Operating profit/loss x 100 / Net turnover
Rate on assets:	Operating profit/loss x 100 / 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:	EBITA x 100 / Average invested capital, excl. goodwill
Return on equity:	Result for the year, excl. minority interests x 100 / Average equity, excl. minority interests
Current ratio:	Current assets / Current liabilities
Equity ratio:	Equity, end of year, excl. minority interests x 100 / Total equity and liabilities, end of year
Financial gearing:	Interest bearing debt (net) end of year / Equity, end of year
Net turnover/invested capital excl. goodwill:	Net turnover / Average invested capital, excl. goodwill
Earnings per share (nom. DKK 10), DKK:	Result for the year, excl. minority interests / Average number of shares in circulation
Diluted earnings per share (nom. DKK 10), DKK:	Result for the year, excl. minority interests / Average number of shares in circulation – diluted
Intrinsic value per share (nom. DKK 10), DKK:	Equity, end of year, excl. minority interests / Number of shares, end of year
Price/earnings:	Quotation / Earnings per share (nom. DKK 10)
Price/earnings, diluted:	Quotation / Diluted earnings per share (nom. DKK 10)

In the calculation of the above key figures for 2006/07 - 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:

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

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 Group's turnover for the 2010/11 financial year totalled DKK 2,867 million against DKK 2,762 million last year, which equates to an increase of 4 per cent. This is in accordance with previous guidance of a turnover level of DKK 2,850 million. Turnover for the fourth quarter was DKK 711 million against DKK 779 million for the same period last year, equating to a decrease of 9 per cent.

The decline in turnover in the fourth quarter should be seen in the light of a tough comparison base as the previous year's quarter recorded a growth of 26 per cent driven by the launch of BeoVision 10-46 and BeoLab 11 as well as the Football World Cup, which resulted in increased sales of video products.

The result before tax for the 2010/11 financial year was positive at DKK 40 million against a negative result of DKK 50 million for the same period last year. This is in accordance with previous guidance of a result before tax in the region of DKK 40-50 million. Result before tax for the fourth quarter was positive at DKK 8 million against a positive result of DKK 22 million for the fourth quarter of 2009/10.

The result before tax for the 2010/11 financial year is negatively affected by non-recurring items of DKK 32 million, of which DKK 14 million can be attributed to the costs associated with the departure of the former CEO, DKK 7 million relate to an impairment of a property put up for sale and DKK 11 million are due to an impairment of two development projects in the fourth quarter.

The Group's gross margin for the 2010/11 financial year was 40.3 per cent against a gross margin of 39.5 per cent for the same period last year. The Group's gross margin for the fourth quarter was 39.2 per cent against 40.9 per cent for the same quarter in the 2009/10 financial year.

The Group's turnover for the audio-video division for the 2010/11 financial year was DKK 2,335 million against DKK 2,427 million for the corresponding period last year, which equates to a decrease of 4 per cent. For the fourth quarter, turnover for the audio-video division was DKK 566 million against 657 in the corresponding period 2009/10, equating to a decrease of 14 per cent.

Automotive showed continued growth in the 2010/11 financial year with a turnover of DKK 452 million, equating to an increase of 69 per cent. In the fourth quarter, turnover amounted to DKK 120 million against DKK 101 million for the same period last year, which equates to an increase of 19 per cent.

The number of B1-shops was increased by 4 shops during the fourth quarter, which means that the number of B1-shops by the end of the 2010/11 financial year equated to 690 compared to 703 shops by the end of the 2009/10 financial year.

Bang & Olufsen rolls out a five year strategy plan 'Leaner, Faster, Stronger'. The strategy outlines concrete steps to strengthen Bang & Olufsen's focus on developing integrated audio-video solutions and market these around the world through a network of dedicated retailers.

The aim of the strategy plan is to realise the company's full potential, which is believed to be in the range of DKK 8-10 billion in turnover with EBIT margins exceeding pre-crisis levels of 12 per cent. The speed of implementation will be impacted by, in a favourable or adverse way, the development in the company's financial resources. During the first two financial years (2011/12 and 2012/13) the attention will be on regaining a leading position within Bang & Olufsen's key areas of strengths and building a more effective, globalised and customer-focused organisation.

In connection with the definition of Bang & Olufsen's new five-year strategy, a detailed analysis of the Board of Management composition and structure has been prepared. The strategy will be executed through a flatter organisation focused on the customers and dealers. As a consequence, Christian Winther steps down as Executive Vice President, Sales & Marketing in Bang & Olufsen a/s as of 30 November 2011.

Comments on developments

The Group's turnover for the 2010/11 financial year totalled DKK 2,867 million against DKK 2,762 million last year, which equates to an increase of 4 per cent.

Net turnover according to business area

(DKK million)	2010/11	2009/10
Branded business	2,787	2,695
Non-branded business	93	80
Intra-Group turnover	(13)	(13)
Net turnover in total	**2,867**	**2,762**

The turnover in the branded business totalled DKK 2,787 million in the 2010/11 financial year against DKK 2,695 million last year. The increase in turnover can be related to the Automotive business area, which continued to grow and increased its turnover from DKK 268 million in the 2009/10 financial year to DKK 452 in the 2010/11 financial year. The Group's turnover for the audio-video division for the 2010/11 financial year was DKK 2,335 million against DKK 2,427 million last year.

Branded business – turnover according to product categories

(DKK million)	2010/11	2009/10
Video	1,228	1,297
Loudspeakers	407	427
Audio	443	389
Telephones	81	95
Spareparts, accessories etc.	176	219
Automotive	452	268
Total turnover	**2,787**	**2,695**

For the 2010/11 financial year, the Group's gross margin was 40.3 per cent against a gross margin of 39.5 per cent for the same period last year. The higher gross margin is, in part, due to improved product margins in the audio-video business and, in part, to the higher turnover and thus a better use of production capacity.

The result before tax for the 2010/11 financial year was positive at DKK 40 million against a negative result of DKK 50 million for the same period last year, an improvement of DKK 90 million. The result is negatively affected by non-recurring items of DKK 32 million, of which DKK 14 million can be attributed to the costs associated with the departure of the former CEO, DKK 7 million relate to an impairment of a property put up for sale and DKK 11 million are due to an impairment of two development projects in the fourth quarter.

The Group has reduced its capacity costs by DKK 41 million or 4 per cent compared to last year among other things as a result of lower provisions for losses on trade receivables.

The Group's incurred development costs were DKK 448 million against DKK 438 million for the same period last year. The Group will maintain a high activity level within the product development area, with focus on the Group's launches in the audio-video business, development of new sound systems for partners within the Automotive business area and completion of the work on the Group's digital platform.

The net effect of capitalization was positive at DKK 137 million compared to DKK 95 million last year.

Expensed development costs were DKK 311 million whereas expensed development costs last year were DKK 343 million.

Reimbursements for development projects from Automotive partners of DKK 27 million were received in the 2010/11 financial year. The received reimbursements have not been recognized in the profit and loss account as in accordance with the Group's accounting policies, they have been directly offset against intangible assets.

The Group's cash flows from operating activities were positive at DKK 320 million compared to DKK 218 million for the same period last year. Net interest bearing debt is unchanged from last year.

Comments to developments in the fourth quarter of the 2010/11 financial year (unaudited)

For the fourth quarter of the 2010/11 financial year, turnover for the Bang & Olufsen group as a whole was DKK 711 million against DKK 779 million for the same period last year, equating to a decrease of 9 per cent.

For the fourth quarter, turnover for the audio-video division was DKK 566 million against DKK 657 million in the corresponding period 2009/10. The decline in turnover in the fourth quarter should be seen in the light of a tough comparison base as the previous year's quarter recorded a growth of 26 per cent driven by the launch of BeoVision 10-46 and BeoLab 11 as well as the Football World Cup, which resulted in increased sales of video products. In addition to this, the launch of the Group's new product, BeoSound 5 Encore, which was expected to take place in the fourth quarter of the 2010/11 financial year, was postponed until the first quarter of the 2011/12 financial year.

In the fourth quarter, turnover for the branded business decreased by DKK 73 million from DKK 758 million last year to DKK 685 million this year whereas the Group's gross profit declined by DKK 41 million.

The Group's gross margin for the fourth quarter was 39.2 per cent against 40.9 per cent for the same quarter in the 2009/10 financial year. The lower gross margin in the fourth quarter is owing to a change in the product mix towards increased sales of video products, primarily BeoVision 4-85 3D, which traditionally have a lower gross margin.

Result before tax for the fourth quarter was positive at DKK 8 million against a positive result of DKK 22 million for the fourth quarter of 2009/10. The result before tax for the fourth quarter was negatively affected by DKK 11 million due to an impairment of two development projects.

Development in the markets

While the Group's main markets Denmark and United Kingdom saw a decline in turnover during the 2010/11 financial year of DKK 69 million, the Asian markets recorded an increase in turnover of DKK 47 million.

North America, Germany, France, Belgium, Russia, and Norway also showed turnover growth compared to last year.

Product launches

During the financial year, the Group expanded the product portfolio with new and differentiated products, which have been well received by the markets and contributed to maintaining a good balance in the product mix.

BeoVision 10-32

In October, the highly acclaimed BeoVision 10 family was expanded with a 32 inch version. The BeoVision 10 family, which already comprises a 40 inch and a 46 inch version, is characterised by a unique design expression.

BeoVision 10-32 offers superior sound and picture quality. Thus, the product is based on a Full HD screen with an edge-type LED backlight and the TV has an active two-way speaker system, which offers a sound quality that exceeds the market standard for sound in TVs of this size.

BeoVision 10-32 is a good supplement to the BeoVision 10 family. With its size and attractive price point, BeoVision 10-32 is the ideal choice for secondary rooms such as the kitchen, the bedroom or the office.

BeoSound 8

In November, Bang & Olufsen launched BeoSound 8, which has become the fastest selling audio product in the company's 85-year history. BeoSound 8 can function as a speaker dock for iPad, iPhone and iPod as well as a speaker for PCs and MACs. It is a strategically important product for Bang & Olufsen as it appeals to both new and existing Bang & Olufsen customers. The product is, therefore, expected to attract new customers to the brand, including those from the younger segment. BeoSound 8 is characterised by unique sound quality, which is completed by a room adaptation function, which makes it possible to place BeoSound 8 anywhere in a room without compromising on the sound.

iPod, iPhone and iPad are trademarks of Apple Inc., registered in USA and other countries.

BeoVox 2

In April, Bang & Olufsen extended the speaker portfolio with a new in-wall or in-ceiling speaker with the special feature of rotating and tilting the front to allow the speaker units to point towards a specific listening position. The BeoVox 2 concept is made to fit discretely in hallways and other secondary rooms where the primary activity is not listening to music, but where music is appreciated. BeoVox 2 comes in two versions where the small one is based on a 3" cone and the big one is based on a 5" cone. Both speakers are equipped with a 3/4" soft dome.

3D technology in the BeoVision 4 familiy

In April, Bang & Olufsen announced that the new BeoVision 4-85 and BeoVision 4-103 would be launched with 3D technology. BeoVision 4-85, which was launched at a press event in Moscow in April, is the first Full HD plasma screen with 3D from Bang & Olufsen followed by BeoVision 4-103, which was launched in May 2011. With the addition of 3D technology, the Bang & Olufsen home cinema experience is taken to a new level. Both television concepts qualify as 'Full HD' and include the Bang & Olufsen developed Automatic Colour Management feature, which counters the effects of age on the plasma screen and ensures the same high level of picture performance year after year.

Product launch in the first quarter of the 2011/12 financial year

After the end of the fourth quarter of 2010/11, the Group launched a new audio product. BeoSound 5 Encore, which builds on the proud design heritage of BeoSound 5, offers easy access to more than 13,000 internet radio stations from all over the world. In addition to internet radio, BeoSound 5 Encore can browse and play music from a plethora of sources; a connected hard disc, a NAS server, a computer, a USB stick or a handheld device.

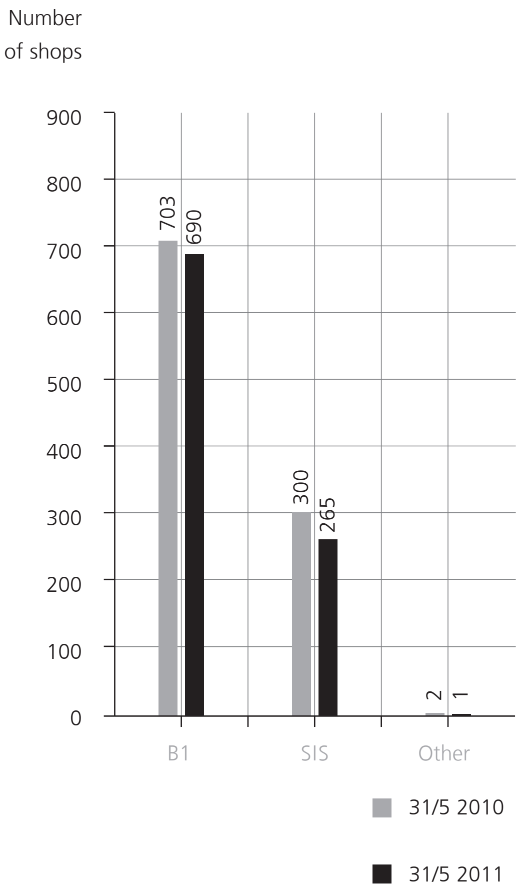
Distribution development

During the 2010/11 financial year 56 B1-shops were opened or upgraded, while 69 shops were closed or converted to Shop-in-Shops.

At the end of May 2011 there were 690 B1-shops compared to 686 at the end of the third quarter. The net movement for the fourth quarter was thus plus 4 shops divided into 16 openings and 12 closures.

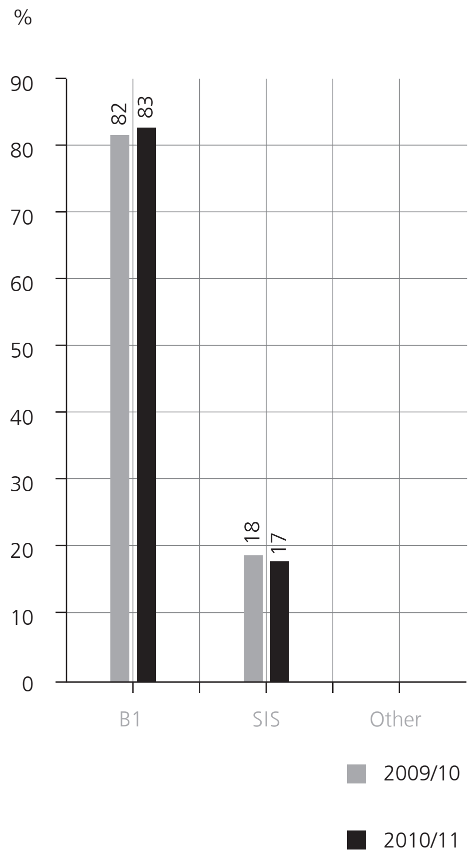
The turnover share for B1-shops is 83 per cent compared to 82 per cent last year. The number of Shop-in-Shops is 265 against 300 at the end of the previous financial year.

Number of shops per segment



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.

Enterprise

Bang & Olufsen Enterprise, which comprises the Group's sales to luxury hotels throughout the world as well as to construction projects in, amongst others, the Middle East and Asia, recorded a turnover of DKK 82 million for the 2010/11 financial year against a turnover of DKK 91 million for last year.

Bang & Olufsen Enterprise recorded a turnover of DKK 23 million for the fourth quarter compared to a turnover of DKK 46 million for the same period last year.

The majority of the turnover from Bang & Olufsen Enterprise continues to derive from Europe.

Automotive

For the 2010/11 financial year, Bang & Olufsen Automotive achieved a turnover of DKK 452 million against DKK 268 million last year, a growth of 69 per cent. In the fourth quarter, turnover totalled DKK 120 million against DKK 101 million last year. The satisfactory growth is partly owing to a general increase in the sales of cars and partly owing to the launch of new sound systems over the period.

During the year, Bang & Olufsen continued the successful cooperation with Audi and presented an Advanced Sound System for the new Audi A6 Limousine and Avant - an entirely new and interesting car segment for Bang & Olufsen. The partnership with Audi offers Bang & Olufsen solutions for all cars in the range from the Audi A4 and up, and the joint development of future systems is in full progress.

Also the cooperation with Aston Martin enabled Bang & Olufsen to work with a unique car: Each of the 77 hand-built super sports cars Aston Martin One-77 is delivered to customers equipped with a bespoke sound system from Bang & Olufsen, where the speaker cabinets are an integrated part of the car's carbon-fibre body-structure. Also the new Aston Martin Virage can optionally be equipped with Bang & Olufsen sound.

Through the cooperation partner Mercedes-AMG, Bang & Olufsen supplies sound systems to Mercedes-Benz S-Class (AMG as well as non-AMG versions) and to Mercedes-Benz SLS AMG; the latter has just been launched in a Roadster version, whose owners can obviously also decide to equip the car with Bang & Olufsen sound.

During the financial year, Bang & Olufsen presented a new partner: BMW. The cooperation with BMW has already brought the first vehicles to the market. Both the new BMW 6 Series Cabriolet and Coupé can be equipped with a Bang & Olufsen High End Surround Sound System.

Based on established contracts on the development of new, innovative sound systems for all partners, Bang & Olufsen expects to grow the business in the automotive segment further over the coming years.

Bang & Olufsen ICEpower a/s

Bang & Olufsen ICEpower a/s supplies patented amplifier technology combining high efficiency with low energy consumption and fantastic sound quality. As the ICEpower amplifier has an extremely high energy efficiency, it allows for more compact constructions, which offers greater design freedom. In addition, the reduced heat generation increases the life of the electronic components.

For the 2010/11 financial year, turnover for Bang & Olufsen ICEpower a/s was DKK 93 million against DKK 80 million last year.

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.

Bang & Olufsen rolls out new Corporate Strategy

Bang & Olufsen rolls out a five-year strategy plan 'Leaner, Faster, Stronger' to realise the company's full potential. The full potential is believed to be in the range of DKK 8-10 billion in turnover with EBIT margins exceeding pre-crisis levels of 12 per cent. The speed of implementation will be impacted by, in a favourable or adverse way, the development in the company's financial resources.

During the first two financial years (2011/12 and 2012/13) the attention will be on regaining a leading position within Bang & Olufsen's key areas of strengths and building a more effective, globalised and customer-focused organisation.

At its core, Bang & Olufsen's focus is to develop integrated audio-video solutions and market these globally through a network of dedicated retailers. The five-year strategy outlines concrete steps to strengthen this position by:

1. Increasing the focus on sound and acoustics and leveraging partners for audio-video development and sourcing

Bang & Olufsen will increase the focus on sound and acoustics development and thereby leverage and further strengthen the company's world-class skills and market position within this area. This will be achieved through deeper vertical integration of the ICEpower engineering teams and stronger knowledge sharing with the Automotive acoustics teams. The objective is to accelerate Bang & Olufsen's development of innovative sound and acoustics solutions and expand the product portfolio in this area of the business.

For audio-video development and sourcing, Bang & Olufsen will leverage technology partners to a significantly larger extent than is the case today. The internal competencies and resources will be focused on further strengthening the areas where Bang & Olufsen have world-class skills, e.g. within user experience mapping, concept development, sound and acoustics, design and systems integration. Leveraging partners for audio-video development and sourcing and focusing internal Bang & Olufsen resources on key differentiating areas, will ensure more effectiveness in product development and result in more successful product launches in the future.

Bang & Olufsen will continue to launch products that provide lasting value to the customers and emphasize this in the digital age by adding value to the products over time through software upgrades. An example of this is the audio system BeoSound 5, where Bang & Olufsen recently added free two-way remote control functionality and smart phone connectivity to all owners.

2. Restructuring the retail network for increased customer focus and store profitability

To create a more dynamic and engaging customer experience and improve retailer profitability, a change of the Bang & Olufsen retail model is required. The Bang & Olufsen shops will continue to offer excellent customer service and installation support, elements which are considered true differentiators for the Bang & Olufsen brand. The focus on providing integrated audio-video solutions will be reflected in the store design and the sales processes. The primary target location for the shops will over time shift from high-street to destination locations with sufficient space to demonstrate real-life integrated audio-video solutions.

While Bang & Olufsen intends to increase the number of dedicated shops in developing markets, such as China, the number of dedicated shops in mature markets will be reduced over the next five years. The objective is to maximise customer satisfaction and loyalty and increase sales and profitability for the individual retailer.

3. Launching a new product category and expanding the distribution

Bang & Olufsen will launch a new category of products towards the end of 2011 aimed at attracting new customers to the brand. The new product category will consist of a range of stand-alone products, which take advantage of Bang & Olufsen's competencies within design, sound, connectivity and user friendliness – applying Bang & Olufsen's approach to quality.

The products will be marketed through Bang & Olufsen's dedicated shops and through complementary retail channels. The objective is to increase the worldwide brand awareness and attract new customers to Bang & Olufsen. Bang & Olufsen has signed an agreement with Apple for European distribution of these products through Apple shops. This complements an already established agreement to sell through Apple stores in the USA. The products under the new product category will also be sold through a new Bang & Olufsen branded digital online shop.

The new product category is expected to be an important business driver. The intention is to deliver incremental turnover and generate new customer leads to the existing Bang & Olufsen distribution offering the complete product portfolio, home integration services and installation support. The management of the new product category is in place and located in Copenhagen.

4. Expanding the business in BRIC markets

A substantial part of the future sales growth is to be driven by a geographic refocus towards growth markets. This includes an aggressive growth strategy in China, where Bang & Olufsen is in the process of establishing a national sales office in Shanghai to support the growth and offer full-scale support to the customers and retailers in China.

Recently, Bang & Olufsen signed an agreement to take control of the Hong Kong and South China operations including six retail shops with effect from January 1, 2012. This will help lead the way for further expansion and stronger control in the Greater China region.

5. Strengthening the Automotive business further

Bang & Olufsen Automotive is the leading provider of high-end sound systems for cars. The future focus on sound and acoustics and the establishment of a cross-company Sound & Acoustics Innovation Team will further support this important business.

In the coming years, Bang & Olufsen will continue its focus on creating outstanding value to existing partners (Aston Martin, Audi, BMW and Mercedes) through the development of innovative sound systems, which will support the partners' brand image and maximise their car-fi businesses. Bang & Olufsen will continue to carefully evaluate approaches from potential new partners and will do so with due consideration to existing partners.

6. Creating a leaner and more agile organisation with a global outlook

To ensure that the company consistently delivers high value to our customers in the future, the Bang & Olufsen organisation will adopt a more globalised and customer-focused approach. This will require being closer to the customers, the technology partners and the market dynamics – and inevitably affect the Bang & Olufsen organisation around the world. As a consequence of this – and to ensure that Bang & Olufsen is able to attract a top-qualified staff of employees within sales and marketing – it has been decided that the Bang & Olufsen Sales and Marketing organisation will be relocated to Copenhagen from Struer.

In connection with the definition of Bang & Olufsen's new five-year strategy 'Leaner, Faster, Stronger', a detailed analysis of the Board of Management composition and structure has been prepared. The strategy will be executed through a flatter organisation focused on the customers and dealers. As a consequence, Christian Winther steps down as Executive Vice President, Sales & Marketing in Bang & Olufsen a/s as of 30 November 2011. The new Sales & Marketing organisation is expected to be in place before the end of 2011.

At the headquarters in Struer, a leaner organisation and a more selective approach with focus on truly differentiating core competencies, which the company has built up over the years (e.g. R&D, aluminium processing and mechanics), is required. This is likely to lead to significant changes to the future supply-chain and manufacturing footprint. To secure future competiveness Bang & Olufsen will focus on sourcing and producing at the lowest possible cost without compromising the high Bang & Olufsen standards with regards to design, craftsmanship and quality.

In order to secure the future of Bang & Olufsen and to ensure that the organisation and the wider business are as prepared as possible to execute the 'Leaner, Faster, Stronger' strategy, a number of measures have already been initiated:

- A leaner and flatter organisation to make the company more agile and responsive to changes in the market.

- A further adjustment of the cost base to secure competitiveness and make the company less sensitive to changes in the global economy. This will make it possible to invest in areas that offer the highest growth opportunities and are aligned with the strategy.

- A persistent and clear-cut organisational focus on 'doing the right thing for Bang & Olufsen' to eliminate activities, which do not bring value to the customers and to Bang & Olufsen.

EXPECTATIONS FOR THE 2011/12 FINANCIAL YEAR

Expectations for the Group result for 2011/12

Bang & Olufsen expects the 2011/12 result before tax to be in the level of DKK 100 million based on a turnover level exceeding DKK 3,000 million.

Product portfolio

The Group's objective for the 2011/12 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 30 per cent of the Group's turnover from the audio and video business will derive from new products and major product updates, with "new" defined as sales in the first 12 months after the launch.

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.

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 and cost benefits that are available in other countries.

As part of this, a development department was established at Bang & Olufsen's factory in Koprivnice in the Czech Republic with the necessary skills to manage a full development and production maturing process, utilising local as well as key competencies from the parent company in Struer. 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 people employed in the Estonian company OÜ BO-Soft, which is taken over by Bang & Olufsen by 1 June 2011. The company also has 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 will largely be covered by partners and 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

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 fully developed, two digital technology platforms – one for audio products and one for video products – form the basis of future products. As a consequence, valuable time can be saved on the development, maintenance and updating of technologies.

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, when the concept is born, lies with the Product Innovation Department, known as the IdeaFactory. This is where the company's concept 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-operate 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 flat screen products. 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 one of Bang and Olufsen's core competencies. 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, Bang & Olufsen has also 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, Beo6, 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 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

Bang & Olufsen's production is continually developed through intense focus on ongoing improvements to customer-experienced quality and reliability of supply as well as on rationalisation measures to reduce production costs and fixed costs. Consequently, improvements are made to product development, production and distribution processes through a consistent and committed effort in respect of training and performance management, LEAN and Six Sigma in all work areas.

In order to meet customers' wishes and requirements at all times, Bang & Olufsen places high priority on maintaining highly flexible and responsive production systems. The ongoing development of employees' knowledge, competencies and flexibility is crucial in order for them to handle existing and new technologies for products and production processes.

Bang & Olufsen's production teams in Denmark and the Czech Republic co-operate closely to ensure that production tasks are allocated in the best way possible between the factories. As labour-intensive tasks are most often assigned to the Czech Republic, audio products, speakers, telephones and remote controls are finished here. The Danish production has, therefore, been able to increase its focus on the commissioning of new TV products and the establishment of a large number of new automotive processes. As a result of Bang & Olufsen's extensive experience, the relocation of production tasks from Denmark to the Czech Republic has been implemented efficiently and with strong involvement by both Danish and Czech employees. This applies to knowledge transfer and training as well as to the physical relocation of processing equipment.

Bang & Olufsen's production in the Czech Republic and Denmark is ISO 9001 certified. The company's automotive production is also ISO/TS 16949 certified. ISO/TS 16949 is the motor industry's quality certification.

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 support organization. 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.

In order to formalise and clarify the CSR principles to which the company adheres, Bang & Olufsen adopted a CSR policy in 2011.

CSR policy of Bang & Olufsen Group

It is important for Bang & Olufsen to integrate social, societal and environmental considerations into our activities. Therefore, we have been working with CSR – Corporate Social Responsibility – within the framework of our business. We want to create sustainable products seen in a life-cycle perspective and thus take an active responsibility for the society we are a part of.

The main purpose of this policy is to set the general guidelines for the continuation of this work and to ensure that the Group is conscious of the choices made in the field of CSR policy.

The policy is divided into four main issues: human rights, labor rights, environment and anticorruption. Under each item is prepared an implementation plan that will be an organic document that ensures continuous improvement.

The four main points is seen by Bang & Olufsen as fundamental values. Therefore, we seek not only to ensure compliance with ourselves, but also within our partners, including subcontractors, why compliance with the four main points is included in the Group's agreements with them.

Human Rights
Bang & Olufsen aim, in all matters within the Group's control, to support and respect the protection of internationally proclaimed human rights.

Employee Rights
Bang & Olufsen aims to show the greatest degree of social responsibility towards our employees. We support the abolition of child labor and forced labor, and we condemn discrimination in employment and occupation.

Bang & Olufsen attaches great importance to freedom of association and recognizes the right to collective bargaining. We want to be an inclusive workplace where each employee can thrive and have the ability to evolve and create a good balance between leisure and work.

Environment
At Bang & Olufsen, we think about the environmental impacts that our production and products have on our employees, customers and environment, from an overall perspective. This means that when we use the word "environment" it covers the broad disciplines of working environment, product environment and external environment.

Bang & Olufsen produces products with a long life, which in itself is beneficial to the environment. At the same time we are constantly working to find comprehensive and lasting solutions to ensure that the consideration for our products' performance, design and life are in mutual balance with our impacts on the surroundings. When products are disposed of, the most possible must be able to be reused and incorporated into a new life cycle.

Anti Corruption
The group is strongly opposed to all forms of corruption, including extortion and bribery.

Environmental conditions that have significant environmental impact

Bang & Olufsen divides its environmental work into three main areas: working environment, the external environment and product environment. Bang & Olufsen is ISO 14001 and OHSAS 18001 certified, which covers the three main areas.

In accordance with the standards, Bang & Olufsen has to define and risk assess key working environment and environmental conditions. The company has decided to do this in the following way:

The initial environmental survey of the external environment was conducted according to the Key2greens scoring system[1] and is updated when significant changes occur. During the survey, environmental parameters are scored according to the risk of accidents, the impact on the environment/working environment and the economy. The highest scoring environmental impact forms the basis for the objectives, targets and action plans.

The working environment survey is based on risk assessment forms comprising a range of parameters such as industrial accidents, the psychological working environment and workplace assessment[2]. The salient factors are subsequently assembled into a matrix of risk assessment used in the procurement of new equipment or in connection with key changes that impact the environment or working environment.

Environmental targets in relation to key environmental conditions

In connection with the certification of the external and product environments according to the ISO 14001 standard and working environment in accordance with OHSAS 18001, the following targets have been established across all Bang & Olufsen's activities in Denmark for the 2010/11 financial year.

The targets are as follows in table 1.

Area	Target	Measuring point	Duration
Industrial accidents	Accident frequency should not exceed the 2009/10 level frequency 3.7)	Frequency	3 years
Energy	5% reduction per year, total in consumption of natural gas and electricity (0.45 kWh/ earned salary krone)	kWh/earned salary krone	3 years
Risk assessment	No difference in respect of carrying out risk assessment	No differrence between internal and external audit	3 years

Table 1. Targets for the 2010/11 financial year

[1] Key2Green scoring system was developed by COWI. The environmental impact is scored so that the environmental impact is weighted. This is done by assessing every environmental impact on the basis of volume/size, distribution scale (global, regional, local) and effect (reversible, irreversible). Each of the three parameters is assigned a score of 1- 3 depending on the extent of the problem. When multiplying the scores for "volume", "spread" and "effect", the resulting figure indicates the extent of the problem. In total, there are 10 possible levels (1, 2, 3, 4, 6, 8, 9, 12, 18 and 27). The higher the score, the greater is the potential problem

[2] Workplace assessment (APV) is a tool to identify working environment conditions at individual workplaces. APV is also used to set targets and action plans for working environment.

The targets were selected based on a number of parameters: environmental survey of environment and occupational health parameters as described in the previous section, and designated by senior management as part of the leadership's annual assessment of the environment and working environment.

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.

Accidents and risk assessment

Bang & Olufsen is focused on improvements within the working environment area. The following target was set for the 2010/11 financial year, i.e. the accident frequency should not exceed the 2009/10 levels (frequency 3.7).

As a result of the rise in industrial accidents, the company has intensified its focus on this. Risk assessment has been introduced as a target where action plans have been created to support the process.

The risk assessment action plans include ensuring that all new employees, including colleagues who have switched to another job within the company, receive introduction to working environment and the environment. In addition, the Environmental Group will be involved in the procurement of new equipment and in respect of any major changes. A risk assessment is carried out in this connection. Increased registration of "near misses" is also designed to prevent industrial accidents.

In the second half of 2010/11, a task force was set up with the aim of focusing on the increasing number of industrial accidents. The task force comprises employees from the environmental department, the environmental coordinator and environmental groups. The task force, together with the injured person and the Environmental Group, is responsible for identifying the underlying causes of the accident. Remedial action is initiated based on the causes identified. Bang & Olufsen has sought to increase awareness of the increased number of accidents by reporting on the accidents on the company's intranet. Bang & Olufsen will continue to raise awareness of this area and develop new tools and initiatives to help support the company's objectives. The accident analysis has contributed to the fact that there has only been one accident since the project's start in December 2010.

Results

As shown in fig. 1, there were 14 industrial accidents in 2010/11. This is a significant rise on previous years, which has meant that the accident frequency target of 3.7 has failed to materialise. It is expected that the new initiatives with regard to risk assessment and accident analysis will help to reduce the number of industrial accidents for the next financial year.

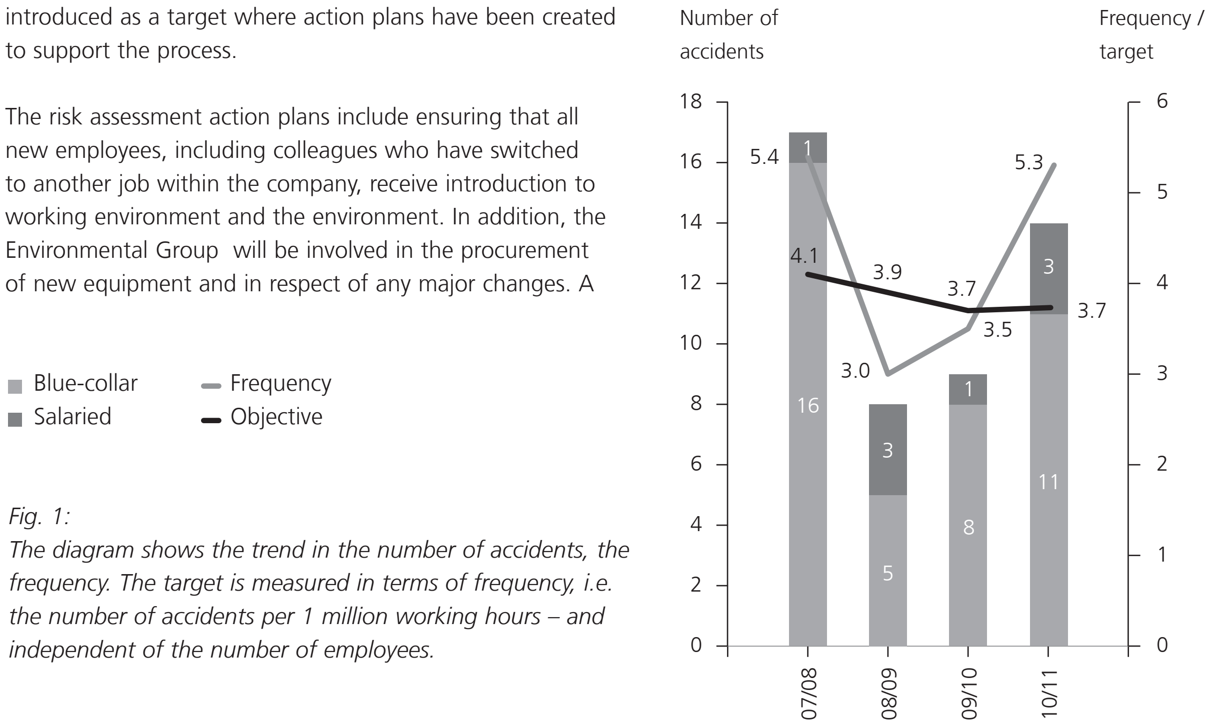


Fig. 1:
The diagram shows the trend in the number of accidents, the frequency. The target is measured in terms of frequency, i.e. the number of accidents per 1 million working hours – and independent of the number of employees.

[3] Environmental groups consist of one employee representative and one management representative, who cover one specific area. The environmental groups comprise both the occupational health area and the environment. Together with the management group, the environmental groups are responsible for the psychological working environment.

The measuring point for risk assessment has been achieved since no difference between the internal or external audit has been identified.

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 sells products. The compulsory features also comply with RoHS, WEEE, the Battery Directive, 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 ICEpower. In conventional amplifiers, only around 20 per cent of the input power is converted to output power. The remaining approx. 80 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 reduces power consumption by 70 per cent. In addition to the fact that Bang & Olufsen ICEpower 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 analyses of Bang & Olufsen products show that the greatest environmental impact derives from 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

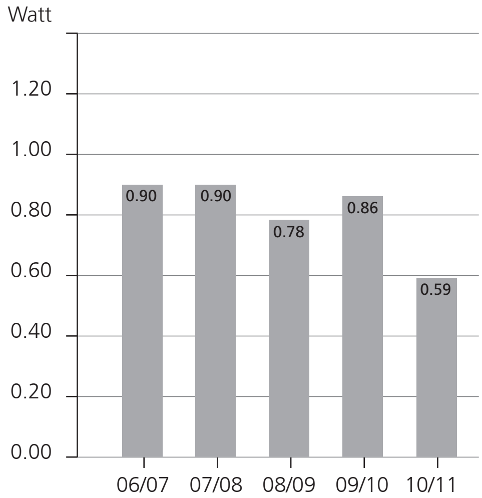


Fig 2:
The average standby consumption for all Bang & Olufsen TVs, speakers and audio products sold in individual financial years. The calculation is sales weighted and thus expresses Bang & Olufsen's environmental impact on the market.

The average standby consumption for the 2010/11 financial year fell compared to the previous financial year. This is due to the launch of new products with a low standby consumption and to the fact that some of the products that had a high standby consumption have been withdrawn from the product portfolio.

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.

[4] RoHS: Restriction on use of certain Hazardous Substances, WEEE: Waste of Electrical and Electronic Equipment, the Battery Directive and the Packaging Directive are all European directives concerning requirements for electric and electronic products, batteries and their packaging.

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.

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.

During the 2010/11 financial year, there were no breakdowns and Bang & Olufsen received no complaints from neighbours concerning the external environment.

BEOenergy

BEOenergy is an energy saving project that was initiated because Bang & Olufsen wishes to be a green, energysaving company with an environmental target to reduce energy consumption by 5 per cent per year.

BeoEnergy groups have been established at the factories. These comprise environmental groups and consultancy support from the Facilities and Environmental Departments. The groups work proactively to reduce energy consumption. In co-operation with the Facilities and Environmental Department, the environmental groups have defined energy consumption and proposals have been put forward with regard to initiatives for saving on energy consumption. Habits and conduct in relation to energy consumption are a particular target area. This has resulted in concrete measures such as:

- The introduction of procedures/inspections for any leaking compressed air pipes
- Shut-down of PCs and screens
- Switching off lights when not in use
- Switching off room lights during the summer period with plenty of daylight available
- Switching off room lights during breaks
- Rolling up blinds to let daylight in
- Using stairs instead of lifts
- Gates and doors to be closed after use
- Radiators regulated by thermostat depending on the outside temperature

Knowledge sharing across Bang & Olufsen is handled by the technical team, which ensures that the environmental groups meet and maintain dialogue with each other across departments. Materials/slideshows have been prepared for all managers and their teams. This is followed up by departmental dialogues based on the theme of "What can we do in our department?”

Bang & Olufsen's aim is to reduce energy consumption by 5 per cent per year starting in 2009/10. The key figure for BeoEnergy is determined at kWh per earned salary krone. Adjustments are made for production level, the number of shifts, degree days etc.

Results

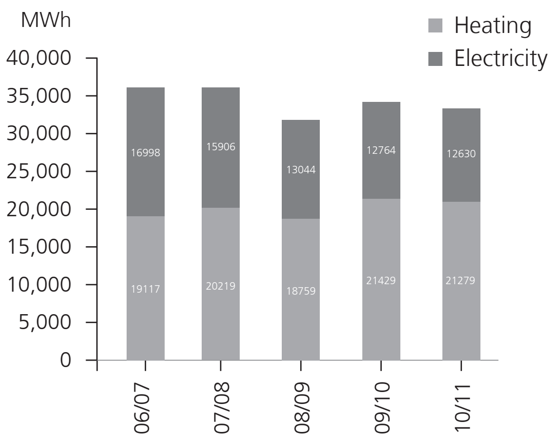


Fig. 3:
The chart shows the total energy consumption according to energy used for heating and electricity.

As is evident from the diagram in fig. 3, energy consumption in 2010/11 fell slightly compared to 2009/10. As the production level was identical or even slightly higher compared to last year, the BeoEnergy groups and the supporting activities, coupled with the change in awareness and habits, have helped to bring about energy savings.

Energy target

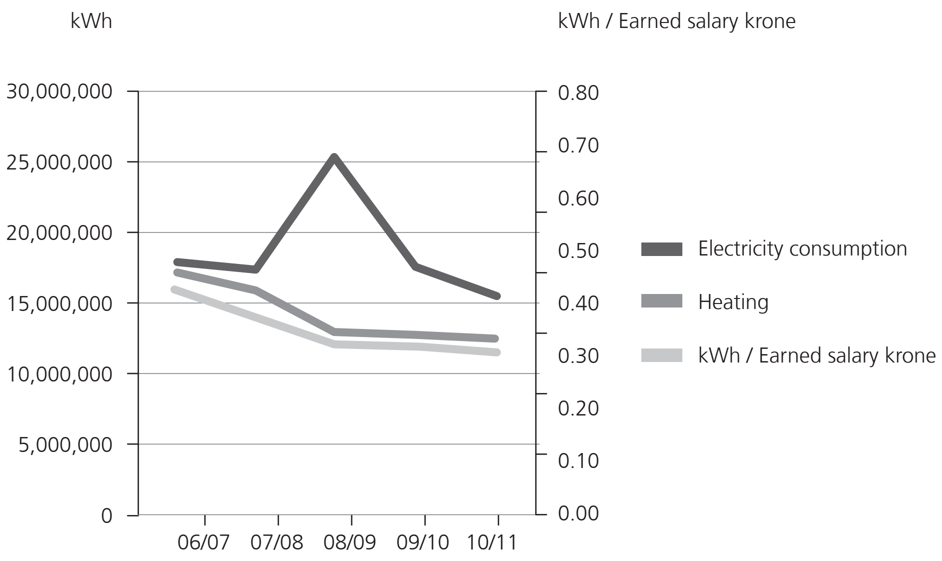


Fig. 4.
The graph shows heat and electricity consumption compared to the stipulated targets for 5 per cent reduction in kWh / Earned salary krone starting in 2009/10.

Fig. 4 shows that the desired reduction target of 5 per cent for kWh/earned salary krone has been achieved. In total, there has been a reduction of around 10 per cent. Bang & Olufsen expects energy consumption to fall going forward and will, therefore, continue its work with the BEOenergy project to achieve next year's reduction target.

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, printing plates, 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) demands that a minimum of 65 per cent of all collected electronics used for entertainment must be recycled.

In partnership with the company's waste management contractor, Bang & Olufsen has begun to work pro-actively on further optimising its waste sorting at the factories into different components in order to optimise the volume of recyclable waste rather than processing it. Fig. 5 shows that the recycling percentage has increased over the financial year. Bang & Olufsen intends to focus on becoming even better at waste sorting over the next financial years.

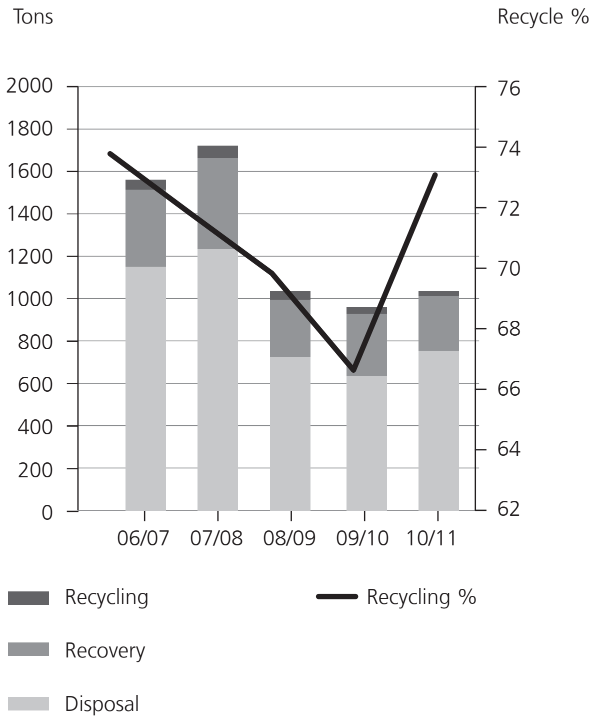


Fig. 5.
Composition of waste volumes divided into recyclable, processed waste and landfill.

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. In 2010/11, 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.

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 six 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 anti-corruption 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 by 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. One new supplier in the high-risk group was identified during the 2010/11 financial year. Bang & Olufsen is planning an audit of this supplier.

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 electro-chemical 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.

Bang & Olufsen has chosen to report on the company's CO2 emissions via the Carbon Disclosure Project, which enables investors to compare the Group's CO2 emissions with the figures from other companies. This year, Bang & Olufsen has decided to publish the relevant data in the Carbon Disclosure Project.

In addition to the green accounts, 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 produced for a number of products and business areas. Both the green accounts and "Down to the smallest detail" are available from the Environmental Manager, Rikke Højer, on +45 96 84 10 18 or mailing RIH@bang-olufsen.dk

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.

The Bang & Olufsen Group follows the NASDAQ OMX Copenhagen A/S' recommendations for corporate governance:

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 five 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 six weeks before the meeting.

Investor meetings

Investor meetings and/or 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. 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 its 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.

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. 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.

The Chairmanship evaluates the work of the Board of Directors. 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 56.

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 contains information concerning the amount of remuneration paid to individual members of the Board of Directors (note 51). The amount of remuneration paid to individual members of the Management Board is shown in note 5.

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.

Further information

Bang & Olufsen has commented on the company's status on all recommendations from the Committee on Corporate Governance.

Reference is made to www.bang-olufsen.com under Company – Investors

IR Policy

It is Bang & Olufsen's objective to inform:

- NASDAQ OMX Copenhagen A/S
- Present and potential investors
- Stock analysts and stock brokers

quickly and correctly about all relevant matters relating to the Group.

The purpose of such information is to:

- Increase the knowledge of Bang & Olufsen among investors in Denmark as well as abroad
- Give investors structured, ongoing, planned information that meets the need for information when deciding on investments in Bang & Olufsen shares.

The information given and the issuance of such information must always be in accordance with applicable rules and regulations issued by the NASDAQ OMX Copenhagen A/S or other relevant bodies.

Internal rules regarding insider knowledge 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, 2011, 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 0010218429.

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

At 31 May, 2010, the closing price of Bang & Olufsen's shares was 56. With 36,244,014 shares, this equates to a market value of approx. DKK 2,030 million. The closing price as at 31 May, 2011 was 71.5. This equates to a market value of approx. DKK 2,591 million.

Shares in circulation	
Issued shares	36,244,014
– own shares	(42,650)
	36,201,364

Own shares

As at 31 May, 2011, Bang & Olufsen a/s had a portfolio of own shares of 42,650 equating to 0.12 per cent of the share capital.

Shares held by members of the Management Board

As at 31 May, 2011, members of Bang & Olufsen a/s' Management Board held 79,540 shares.

Shares held by the Board of Directors

As at 31 May, 2011, members of Bang & Olufsen a/s' Board of Directors held 92,833 shares.

Share option programme

Bang & Olufsen's share option programme comprises a number of the Group's directors and managers. As at 31 May, 2011, the total pool of options amounted to 2,268,195. These can be exercised during the period 2011-2016. For further details please refer to note 5.

Information about shareholders

As at 31 May, 2011, Bang & Olufsen a/s had approx. 35,000 registered shareholders corresponding to an ownership interest of approx. 76 per cent of the share capital. Approx. 34,000 of these shareholders were resident in Denmark. Of the listed capital, approx. 68 per cent was placed in Denmark.

As at 31 May, 2011, the following individuals or legal entities hold 5 per cent or more of the company's capital or share capital's voting rights:

	Number of shares	Capital/Votes %
Delta Lloyd N.V., Amstelplein 6, 1096 BC Amsterdam, Holland	5,843,944	16.12
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød, Denmark	3,630,319	10.02
Færchfonden, Lille Østergade 8A, 7500 Holstebro, Denmark	1,848,000	5.10

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.

10 Board meetings were held during the financial year 2010/11.

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.

Rules for the election of employee representatives on the Board of Directors

Under the Danish Companies Act, employees in the Group's Danish companies have the right to elect a number of directors and alternates to the Board of Directors. Employees are entitled to elect the equivalent of half the board members elected by the Annual General Meeting, albeit not less than two members

Employees have chosen to elect board members on group level which means that only representatives to the Board of Directors of the parent company, Bang & Olufsen a/s are elected. The employees have, therefore, elected three colleagues to represent them on the main Board of Directors.

The latest election of employees to the Board of Directors took place in June 2011 by means of a written, secret and direct vote. The elected employees will join the Board of Directors immediately following the Annual General Meeting in 2011.

Employee-elected board members are elected for a four-year period and eligible employees are those who are of age and who, on election day, have been employed by the company for at least 12 months.

Should an employee-elected board member's employment be terminated, the employee in question will retire from the Board of Directors and be replaced by an elected alternate.

An employee-elected board member has the same rights, obligations and responsibilities as the other board members.

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 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 12 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 CEO 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 2010/11 financial year.

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

ABG Sundal Collier
Alm. Brand Markets
Carnegie Bank A/S
Danske Markets Equities
SEB Enskilda Equities
Handelsbanken Equity Research
Jyske Bank
Nordea Markets Division
Sydbank
Standard & Poor's Equity Research

Website

Bang & Olufsen invites investors and other stakeholders to visit the company's website:
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

STATEMENTS SENT TO NASDAQ OMX COPENHAGEN A/S

Financial statements:

24 August, 2010	Annual Report for the financial year 2009/10
8 October, 2010	Interim Report for the 1st quarter 2010/11
19 January, 2011	Half year report 2010/11
13 April, 2011	Interim Report for the 3rd quarter 2010/11

Other statements:

9 June, 2010	Bang & Olufsen a/s – financial calendar
23 July, 2010	Bang & Olufsen BeoSound AMG in the Mercedes-Benz S-Class
27 July, 2010	Bang & Olufsen expands partnership with Audi
30 August, 2010	Annual General Meeting of Bang & Olufsen a/s
20 September, 2010	Bang & Olufsen in partnership with BMW
27 September, 2010	Allocation of options and employee shares
27 September, 2010	Annual General Meeting of Bang & Olufsen a/s
10 November, 2010	Bang & Olufsen launches powerful speaker dock
1 December, 2010	Bang & Olufsen Advanced Sound System (second-generation) in the new Audi A6
15 December, 2010	Change in the management of Bang & Olufsen a/s
9 February, 2011	Tue Mantoni appointed new President & CEO of Bang & Olufsen from 1 March 2011
14 February, 2011	Major shareholder announcement
14 February, 2011	Extraordinary General Meeting
2 March, 2011	Bang & Olufsen expands the partnership with Aston Martin
10 March, 2011	Extraordinary General Meeting for Bang & Olufsen a/s
11 March, 2011	Announcement of grant of options
14 March, 2011	Bang & Olufsen launches high-end surround sound system for BMW 6 Series Coupé
19 April, 2011	Bang & Olufsen a/s launches 3D technology in big screen TV family
2 May, 2011	Bang & Olufsen expands partnership with Audi
10 May, 2011	Major shareholder announcement
11 May, 2011	Major shareholder announcement
18 May, 2011	Bang & Olufsen plans new product category and expands the distribution
10 June, 2011	Election of employee representatives to the Board of Directors
14 June, 2011	Election of employee representatives to the Board of Directors
5 July, 2011	Bang & Olufsen a/s – financial calendar

Statements regarding insider trading:

14 April, 2011

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

www.bang-olufsen.dk/investors/company-announcements

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 A/V 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 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 capital 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 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 2010/11, 91 per cent of the Group's turnover is in foreign currency (89 per cent in 2009/10). 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 in-flows 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 per cent 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 2011 the Group has entered into foreign exchange forward contracts at a contract amount of DKK 213.2 million (DKK 186.3 million as at 31 May 2010), with a fair value of DKK -11.0 million (DKK -5.0 million as at 31 May 2010).

Foreign exchange forward contracts, net sale (purchase)	31 May 2011 Contract value	31 May 2011 Fair value	31 May 2010 Contract value	31 May 2010 Fair value
USD	(126.0)	(3.6)	(70.8)	9.1
GBP	135.3	1.6	107.6	(7.2)
CHF	147.3	(8.5)	114.6	(5.3)
SEK	33.9	(0.3)	24.2	(1.1)
NOK	22.7	(0.2)	10.7	(0.5)
Total 31 May	213.2	(11.0)	186.3	(5.0)

The table below shows the effect on operating profit/loss for the year and the Group's equity of a positive change in selected currencies of 5 per cent compared to the average foreign exchange rates for the year estimated on udhedged basis.

	Operating profit/loss		Equity	
(DKK million)	2010/11	2009/10	31 May 2011	31 May 2010
USD	(10.7)	(9.6)	(8.0)	(7.2)
GBP	7.6	8.5	5.7	6.4
CHF	9.0	9.1	6.8	6.8
NOK	1.1	0.9	0.8	0.7
SEK	1.6	1.6	1.2	1.2
SGD	4.0	3.4	3.0	2.5
AUD	2.2	1.9	1.6	1.4

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 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 189.1 million (DKK 253.6 million in 2009/10). 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 would have impacted on the Group's result before tax by approx. DKK 0.9 million in 2010/11 (DKK 1.2 million in 2009/10).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 273.6 million (DKK 337.9 million in 2009/10) corresponding to 10.9 per cent of the balance sheet total (13.2 per cent in 2009/10).

Of the interest-bearing debt, DKK 191.9 million falls due after five years (DKK 212.2 million in 2009/10). Further information is provided in notes 35 and 36.

Due to the low debt level and the fact that the borrowings are in fixed rate loans or loans with a fixed rate of minimum three years, 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 955 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 2010/11 financial year, DKK 9.8 million was expensed for losses and changes to provisions for losses on receivables (DKK 61.0 million in 2009/10).

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 the Group's financial reserve arrangements and the expectations to the Groups future cash flows, no liquidity issues 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 manage, rather than eliminate, the risk of errors and omissions in the financial reporting.

Control Environment

Internal control at Bang & Olufsen is based on organizational 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 2011, Bang & Olufsen established a separate Audit Committee consisting of two 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 organization 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 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.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the annual report of Bang & Olufsen a/s for the financial year 1 June 2010 - 31 May 2011.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 May 2011 as well as of their financial performance and their cash flow for the financial year 1 June 2010 - 31 May 2011.

We believe that the management commentary contains a fair review of the development and performance of the Group's and the Parent's business and of their position as well as the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Struer, 17 August 2011

The Board of Management

Tue Mantoni (President & CEO)

Henning Bejer Beck

Christian Winther

John Christian Bennett-Therkildsen

The Board of Directors

Ole Andersen (Chairman)

Alberto Torres

Niels Bjørn Christiansen (Deputy Chairman)

Anette Revsgaard Sejbjerg

Peter Skak Olufsen

Jesper Olesen

Rolf Eriksen

Knud Olesen

Jesper Jarlbæk

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 2010 - 31 May 2011, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group and the Parent, respectively. The consolidated financial statements and parent financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and 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 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 conducted our audit in accordance with Danish 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 2011, and of their financial performance and their cash flows for the financial year 1 June 2010 - 31 May 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management commentary

Management is responsible for preparing a management commentary that contains a fair review in accordance with Danish disclosure requirements for listed companies.

Our audit did not include the management commentary, 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 commentary are consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 17 August 2011

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

Ole Andersen (1956)
Chairman

Year of first appointment, 2009

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

Directorships
Chairman of the board of directors of Chr. Hansen Holding A/S and ISS A/S. Deputy Chairman of Danske Bank A/S.
This member is considered independent.
Number of shares in Bang & Olufsen a/s: 39,450

Niels Bjørn Christiansen (1966)
Deputy Chairman

Year of first appointment, 2007

M.Sc. (Engineering), MBA

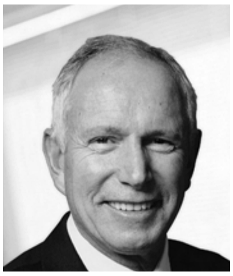
Directorships
President & CEO of Danfoss A/S. Deputy Chairman of Sauer-Danfoss Inc. Chairman of the board of directors of Axcel and member of the board of directors of Danske Bank A/S and William Demant Holding A/S.
This member is considered independent.
Number of shares in Bang & Olufsen a/s: 300

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, Fiilsø 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.
This member is not considered independent.
Number of shares in Bang & Olufsen a/s: 49,000



Rolf Eriksen (1944)

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, Ugly Duck Aps and BoConcept A/S.
This member is considered independent.
Number of shares in Bang & Olufsen a/s: 1,140

Board of Directors

Jesper Jarlbæk (1956)

Year of first appointment, 2010

GDBA, state-authorised public accountant

Directorships
Chairman of the board of directors of Advis A/S, Altius Invest A/S, Basico Consulting International ApS og a subsidiary, Groupcare Holding A/S and two subsidiaries, Jaws A/S, Julie Sandlau China ApS, Prospect A/S, Spoing A/S, Valuemaker A/S and Southern Trident Pty Ltd. Member of the board of directors of Earlbrook Holdings Ltd. A/S, Polaris III Invest Fonden, TK Development A/S, Torm A/S, Cimber Sterling Group A/S and a subsidiary, Økonomiforum ApS, IT2 Treasury Solutions Ltd. and Københavns Privathospital A/S. Managing Director of TIMPCO ApS, SCSK 2272 ApS and Earlbrook Holdings Ltd. A/S.
This member is considered independent.
Number of shares in Bang & Olufsen a/s: 1,500

Alberto Torres (1965)

Year of first appointment, 2010

Ph.D. in Computer Science and Master of Science

Directorships
Deputy Chairman of Opera Software ASA.
In the period from 2008 to 2011, Alberto Torres held a number of executive positions in the Nokia Group.
This member is considered independent.
Number of shares in Bang & Olufsen a/s: 0

Anette Revsgaard Sejbjerg (1966)

Year of first appointment, 2007 (Employee-elected)

Measure Time Technician

Number of shares in Bang & Olufsen a/s: 362

Jesper Olesen (1978)

Year of first appointment, 2007 (Employee-elected)

Engineering Worker

Number of shares in Bang & Olufsen a/s: 212

Knud Olesen (1952)

Year of first appointment, 2003 (Employee-elected)

Technical Project Manager

Number of shares in Bang & Olufsen a/s: 869

Board of Management

Tue Mantoni (1975)

President & CEO of Bang & Olufsen a/s since 1 March 2011

M.Sc. (Business Administration and Management Science)

Directorships *
Member of the board of directors of Triumph Motorcycles Ltd.

Number of shares in
Bang & Olufsen a/s: 55,467

Henning Bejer Beck (1965)

Executive Vice President, CFO.
Employed since 1 October 2010

B.Sc. in Economics and Business Administration, GDBA (accounting)

Directorships *
Chairman of the board of directors of Pro Pack A/S.

Number of shares in
Bang & Olufsen a/s: 3,000

John Christian Bennett-Therkildsen (1952)

Executive Vice President, Operations.
Employed since 1 September 1981

Electronics engineer

Directorships *
Member of the board of directors of Grundfos A/S and Center for Industriel Produktion at Aalborg Universitet.

Number of shares in
Bang & Olufsen a/s: 7,357

Christian Winther (1970)

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

GDBA (Marketing)

Directorships *
Member of the board of directors of Pironet AG and Lundberg Data A/S.

Number of shares in
Bang & Olufsen a/s: 13,716

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

STRUCTURE AND MANAGEMENT (CONTINUED)

Company	Board of Directors	Board of Management
Bang & Olufsen Operations a/s **Struer** (100 % owned) CVR no. 26035406 *Purchasing, production and logistics for the Bang & Olufsen Group as well as sales of Bang & Olufsen's audio/video-products.*	Ole Andersen (Chairman) Niels Bjørn Christiansen (Deputy Chairman) Peter Skak Olufsen Rolf Eriksen Jesper Jarlbæk Alberto Torres Anette Revsgaard Sejbjerg * Jesper Olesen * Knud Olesen *	Tue Mantoni (CEO) Henning Bejer Beck John Christian Bennett-Therkildsen Christian Winther
Bang & Olufsen s.r.o **Koprivnice** (100 % owned) *Handles production and development of some of the Group's audio-products.*		Pavel Merhout (CEO)
OÜ BO-Soft **Tallinn** (51 % owned) *Software development.*		Ants Sepp (CEO)

* Employee-elected

Company	Board of Directors	Board of Management
Bang & Olufsen ICEpower a/s **Lyngby-Tårbæk** (100 % owned) CVR no. 25053591 *Develops, produces and markets products based on highly efficient amplifier technologies.*	Tue Mantoni (Chairman) Jens Peter Zinck Kim Hyldahl Hansen	Peter Sommer (CEO)
Bang & Olufsen GPS **Taipei City, Taiwan** (100 % owned) *Sourcing company.*	Kim Hyldahl Hansen (Chairman) John Christian Bennett-Therkildsen	Peter Seidelin Hune

The below committees were established during the financial year:

Bang & Olufsen a/s, The Board of Directors Compensations Committee
Ole Andersen (Chairman)
Rolf Eriksen
The Compensations Committee held one meeting during the financial year.

Bang & Olufsen a/s, The Board of Directors Audit Committee
Jesper Jarlbæk (Chairman)
Peter Skak Olufsen
The Audit Committee held two meetings during the financial year.

Bang & Olufsen a/s, The Board of Directors Nomination Committee
Ole Andersen (Chairman)
Alberto Torres
The Nomination Committee held one meeting during the financial year.

Main banker for all companies
Nordea Bank Danmark a/s

Auditors for all companies
Deloitte

Dormant companies are not included.

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. After 2 years with significant losses has the Group decided to suspend earlier announced long term goals for self-financing and financial gearing. Even though the Group had a positive result for the year, it is still not satisfactory and many of the initiatives in the strategy plan require capital. That is why the Group focuses on the short term capital needs to ensure that funds sufficient to cover variances in the earnings of the company - including seasonality - and support the strategy plan.

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:

DKK million	2010/11	2009/10
Mortgage loans	225.9	230.4
Loans from banks etc.	0.0	95.6
Overdraft facilities	47.7	11.9
Cash	(189.1)	(253.6)
Net interest-bearing debt	84.5	84.3
Equity	1,538.3	1,496.2
Financial gearing	0.05	0.06
EBITDA	299.4	211.6
Net interest-bearing debt/EBITDA	0.28	0.40

Parantheses denote negative figures or figures to be deducted.

PROFIT AND LOSS ACCOUNT

Notes	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	1/6 - 31/5 2010/11	1/6 - 31/5 2009/10	1/6 - 31/5 2010/11	1/6 - 31/5 2009/10
4 …	**Net turnover**	**2,866.9**	**2,761.5**	**535.3**	**441.6**
5 …	Production costs	(1,711.4)	(1,672.0)	(281.7)	(246.3)
	Gross profit	**1,155.5**	**1,089.5**	**253.6**	**195.3**
5 …	Development costs	(311.4)	(342.8)	(369.0)	(385.2)
5 …	Distribution and marketing costs	(660.8)	(708.5)	-	-
5 …	Administration costs etc.	(123.5)	(85.3)	(22.8)	(20.0)
6 …	Other operating income	-	13.3	-	-
	Operating profit/loss (EBIT)	**59.8**	**(33.8)**	**(138.2)**	**(209.9)**
	Result of investments in associates after tax	0.2	(6.7)		
7 …	Dividend			2.0	32.4
8 …	Financial income	7.5	15.4	19.2	61.2
9 …	Financial costs	(27.4)	(24.5)	(29.3)	(29.0)
	Financial items, net	(19.9)	(9.1)	(10.1)	32.2
	Result before tax (EBT)	**40.1**	**(49.6)**	**(146.3)**	**(145.3)**
10 …	Tax on result for the year	(12.1)	16.7	41.5	43.2
	Result for the year	**28.0**	**(32.9)**	**(104.8)**	**(102.1)**
	Attributable to:				
	Shareholders of the parent company	26.9	(34.4)		
11 …	Minority interests	1.1	1.5		
		28.0	**(32.9)**		
12 …	**Earnings per share**				
	Earnings per share and earnings per share from continuing operations, DKK	0.7	(1.0)		
	Diluted earnings per share and diluted earnings per share from continuing operations, DKK	0.7	(1.0)		

Parantheses denote negative figures or figures to be deducted. Notes: See pages 66 - 126.

STATEMENT OF COMPREHENSIVE INCOME

Bang & Olufsen a/s

(DKK million)

Notes …		Group		Parent company	
		1/6 - 31/5 2010/11	1/6 - 31/5 2009/10	1/6 - 31/5 2010/11	1/6 - 31/5 2009/10
	Result for the year	**28.0**	**(32.9)**	**(104.8)**	**(102.1)**
	Exchange rate adjustment of foreign subsidiaries	12.0	12.8	-	-
	Change in fair value of derivative financial instruments used as cash flow hedges	(36.2)	(4.6)	(36.2)	(4.6)
	Transfer to the profit and loss account of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:				
	– Transfer to net turnover	28.5	4.3	28.5	4.3
	– Transfer to production costs	1.8	(3.7)	1.8	(3.7)
10 …	Tax on other comprehensive income	1.4	1.3	1.4	1.3
	Other comprehensive income, net of tax	**7.5**	**10.1**	**(4.5)**	**(2.7)**
	Comprehensive income for the year	**35.5**	**(22.8)**	**(109.3)**	**(104.8)**
	Attributable to:				
	Shareholders of the parent company	34.4	(24.3)		
	Minority interests	1.1	1.5		
		35.5	**(22.8)**		

Parantheses denote negative figures or figures to be deducted. Notes: See pages 66 - 126.

ASSETS

Notes	Bang & Olufsen a/s	Group			Parent company		
	(DKK million)	31/5 - 11	31/5 - 10	1/6 - 09	31/5 - 11	31/5 - 10	1/6 - 09
Notes …							
	Intangible assets						
	Goodwill	44.8	44.7	44.8	3.2	3.2	3.2
	Acquired rights	37.7	46.0	50.8	35.2	43.2	47.4
	Completed development projects	191.7	249.1	200.6	183.8	236.5	191.2
	Development projects in progress	322.0	154.5	145.4	306.6	145.4	134.2
13, 16 …	Total intangible assets	596.2	494.3	441.6	528.8	428.3	376.0
	Tangible assets						
	Land and buildings	227.8	240.9	269.9	70.5	76.8	82.0
	Plant and machinery	164.0	209.4	229.5	5.3	7.2	8.8
	Other equipment	31.3	34.9	48.4	13.0	18.7	29.0
	Leasehold improvements	15.6	23.2	32.2	-	-	-
	Tangible assets in progress and prepayment for tangible assets	69.1	18.7	25.5	2.2	0.1	-
14, 16 …	Total tangible assets	507.8	527.1	605.5	91.0	102.8	119.8
15 …	**Investment property**	42.7	45.4	49.1	106.8	115.0	125.0
	Financial assets						
17 …	Investments in subsidiaries	-	-	-	719.5	719.5	719.5
18 …	Investments in associates	5.7	5.3	9.5	6.4	5.6	5.6
19 …	Other financial receivables	40.1	41.4	60.4	3.0	3.0	3.0
	Total financial assets	45.8	46.7	69.9	728.9	728.1	728.1
20 …	**Deferred tax assets**	144.1	140.4	104.9	131.9	92.6	53.0
	Total non-current assets	**1,336.6**	**1,253.9**	**1,271.0**	**1,587.4**	**1,466.8**	**1,401.9**
21 …	**Inventories**	563.0	563.6	593.3	0.4	0.2	1.2
	Receivables						
22 …	Trade receivables	365.2	417.9	407.9	-	-	-
23 …	Receivables from subsidiaries	-	-	-	509.5	710.6	836.0
24 …	Receivables from associates	1.7	1.5	1.4	-	0.5	-
25 …	Income tax receivables	13.3	21.2	21.7	-	-	0.2
26 …	Other receivables	24.3	27.6	31.6	13.3	3.5	2.3
	Prepayments	15.0	22.4	28.4	4.2	6.0	11.4
	Total receivables	419.5	490.6	491.0	527.0	720.6	849.9
	Cash	189.1	253.6	258.1	132.1	168.5	217.7
	Total current assets	**1,171.6**	**1,307.8**	**1,342.4**	**659.5**	**889.3**	**1,068.8**
	Total assets	**2,508.2**	**2,561.7**	**2,613.4**	**2,246.9**	**2,356.1**	**2,470.7**

Notes: See pages 66 - 126.

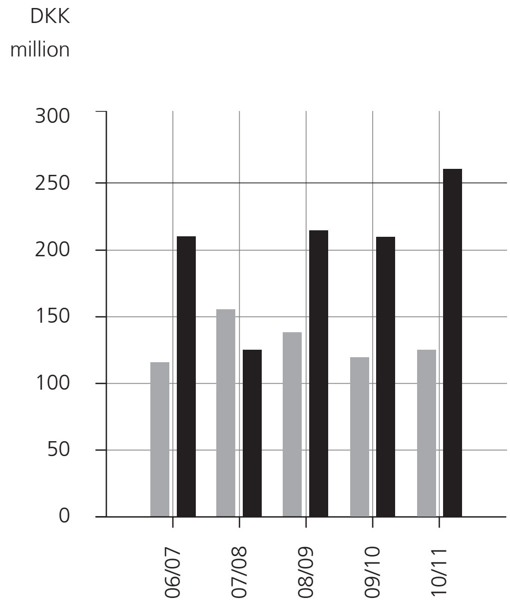
EQUITY AND LIABILITIES

Notes	Bang & Olufsen a/s	Group			Parent company		
	(DKK million)	31/5 - 11	31/5 - 10	1/6 - 09	31/5 - 11	31/5 - 10	1/6 - 09
	Equity						
27 …	Share capital	362.4	362.4	362.4	362.4	362.4	362.4
	Share premium	-	232.1	232.1	-	232.1	232.1
28 …	Translation reserve	25.1	13.1	(39.6)	-	-	-
29 …	Reserve for cash flow hedges	(10.9)	(5.0)	(1.0)	(10.9)	(5.0)	(1.0)
30 …	Retained earnings	1,161.1	892.1	960.5	1,412.7	1,275.4	1,371.6
	Equity attributable for shareholders of the parent company	1,537.7	1,494.7	1,514.4	1,764.2	1,864.9	1,965.1
31 …	Minority interests	0.6	1.5	2.3	-	-	-
	Total equity	**1,538.3**	**1,496.2**	**1,516.7**	**1,764.2**	**1,864.9**	**1,965.1**
	Non-current liabilities						
32 …	Pensions	9.0	7.8	7.0	-	-	-
33 …	Deferred tax	8.1	6.2	4.8	-	-	-
34 …	Provisions	81.5	78.2	78.1	2.9	2.8	2.8
35 …	Mortgage loans	219.5	225.8	230.3	219.5	225.8	230.3
36 …	Loans from banks etc.	-	52.8	95.7	-	15.6	51.0
37 …	Other non-current liabilities	0.9	6.9	6.7	-	6.5	6.5
	Total non-current liabilities	319.0	377.7	422.6	222.4	250.7	290.6
	Current liabilities						
35 …	Mortgage loans, short-term part	6.4	4.6	6.5	6.4	4.6	6.5
36 …	Loans from banks etc., short-term part	-	42.8	32.6	-	35.4	10.4
	Overdraft facilities	47.7	11.9	13.0	47.5	11.9	12.9
34 …	Provisions	56.4	52.7	65.7	0.2	0.3	0.4
	Trade payables	199.8	259.4	188.3	28.9	38.9	41.7
38 …	Payables to subsidiaries	-	-	-	55.6	40.0	36.8
39 …	Income tax	21.7	20.0	21.2	0.1	0.1	0.1
40 …	Other payables	303.9	289.9	324.6	121.6	109.3	106.2
	Deferred income	15.0	6.5	22.2	-	-	-
	Total current liabilities	650.9	687.8	674.1	260.3	240.5	215.0
	Total liabilities	**969.9**	**1,065.5**	**1,096.7**	**482.7**	**491.2**	**505.6**
	Total equity and liabilities	**2,508.2**	**2,561.7**	**2,613.4**	**2,246.9**	**2,356.1**	**2,470.7**

Parantheses denote negative figures or figures to be deducted. Notes: See pages 66 - 126.

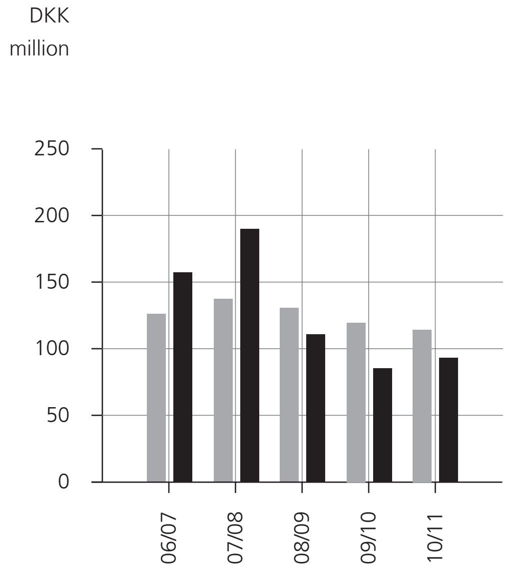
Purchase of intangible assets and amortisation

- Amortisation and impairment losses
- Purchase of intangible assets



Purchase of tangible assets and depreciation

- Depreciation and impairment losses
- Purchase of tangible assets



CASH FLOW STATEMENT

Note	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	2010/11	2009/10	2010/11	2009/10
Note …					
	Result for the year	28.0	(32.9)	(104.8)	(102.1)
	Depreciation, amortisation and impairment losses	239.6	245.4	149.7	145.6
41 …	Adjustments	48.5	(14.1)	(30.7)	(68.1)
42 …	Change in working capital	26.7	43.8	211.3	134.6
	Cash flows from ordinary activities	342.8	242.2	225.5	110.0
	Interest received etc.	7.5	15.4	19.2	61.2
	Interest paid etc.	(27.4)	(24.5)	(29.3)	(29.0)
	Income tax paid	(3.1)	(14.7)	0.1	0.2
	Cash flows from operating activities	**319.8**	**218.4**	**215.5**	**142.4**
	Purchase of intangible non-current assets	(253.3)	(211.6)	(246.8)	(206.6)
	Purchase of tangible non-current assets	(96.4)	(82.7)	(9.3)	(1.6)
	Purchase of investment property	-	-	(1.3)	-
	Sale of tangible non-current assets	4.9	60.4	-	-
	Received reimbursements, intangible non-current assets	26.6	37.3	26.6	37.3
	Capital increase, Bang & Olufsen Medicom a/s	(0.8)	-	(0.8)	-
	Change in financial receivables	1.3	19.0	-	-
	Cash flows from investment activities	**(317.7)**	**(177.6)**	**(231.6)**	**(170.9)**
	Costs related to capital increase	-	(2.8)	-	(2.8)
	Repayment of long-term loans	(100.1)	(39.1)	(55.5)	(16.9)
	Dividend paid, minority interests	(2.0)	(2.3)	-	-
	Sale of own shares	2.0	-	2.0	-
	Cash flows from financing activities	**(100.1)**	**(44.2)**	**(53.5)**	**(19.7)**
	Changes in cash and cash equivalents	**(98.0)**	**(3.4)**	**(69.6)**	**(48.2)**
	Cash and cash equivalents 1 June	241.7	245.1	156.6	204.8
	Exchange rate adjustment, cash and cash equivalents	(2.3)	-	(2.4)	-
43 …	**Cash and cash equivalents 31 May**	**141.4**	**241.7**	**84.6**	**156.6**

Parantheses denote negative figures or figures to be deducted. Notes: See pages 66 - 126.

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
Equity 1 June 2009	**362.4**	**232.1**	**(39.6)**	**(1.0)**	**960.5**	**2.3**	**1,516.7**
Result for the year	-	-	-	-	(34.4)	1.5	(32.9)
Other comprehensive income, net of tax	-	-	12.8	(4.0)	1.3	-	10.1
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)	-	-
Equity 31 May 2010	**362.4**	**232.1**	**13.1**	**(5.0)**	**892.1**	**1.5**	**1,496.2**
Equity 1 June 2010	**362.4**	**232.1**	**13.1**	**(5.0)**	**892.1**	**1.5**	**1,496.2**
Result for the year	-	-	-	-	26.9	1.1	28.0
Other comprehensive income, net of tax	-	-	12.0	(5.9)	1.4	-	7.5
Comprehensive income for the year	-	-	12.0	(5.9)	28.3	1.1	35.5
Employee shares	-	-	-	-	1.1	-	1.1
Grant of share options	-	-	-	-	5.5	-	5.5
Reclassification, share premium	-	(232.1)	-	-	232.1	-	-
Sale of own shares	-	-	-	-	2.0	-	2.0
Dividend paid regarding 2009/10	-	-	-	-	-	(2.0)	(2.0)
Equity 31 May 2011	**362.4**	**-**	**25.1**	**(10.9)**	**1,161.1**	**0.6**	**1,538.3**

Parantheses denote negative figures or figures to be deducted.

STATEMENT OF CHANGES IN EQUITY

Bang & Olufsen a/s, Parent company

(DKK million)

	Share capital	Share premium	Reserve for cash flow hedges	Retained earnings	Equity parent company
Equity 1 June 2009	**362.4**	**232.1**	**(1.0)**	**1,371.6**	**1,965.1**
Result for the year	-	-	-	(102.1)	(102.1)
Other comprehensive income, net of tax	-	-	(4.0)	1.3	(2.7)
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
Equity 31 May 2010	**362.4**	**232.1**	**(5.0)**	**1,275.4**	**1,864.9**
Equity 1 June 2010	**362.4**	**232.1**	**(5.0)**	**1,275.4**	**1,864.9**
Comprehensive income for the year	-	-	-	(104.8)	(104.8)
Other comprehensive income, net of tax	-	-	(5.9)	1.4	(4.5)
Comprehensive income for the year	-	-	(5.9)	(103.4)	(109.3)
Employee shares	-	-	-	1.1	1.1
Grant of share options	-	-	-	5.5	5.5
Reclassification, share premium	-	(232.1)	-	232.1	-
Sale of own shares	-	-	-	2.0	2.0
Equity 31 May 2011	**362.4**	**-**	**(10.9)**	**1,412.7**	**1,764.2**

Parantheses denote negative figures or figures to be deducted.

NOTES

ACCOUNTING PRINCIPLES APPLIED

Note …

1 … **Accounting principles applied**

Basic principles

The consolidated financial statements and the separate financial statements for 2010/11 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 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

In 2010/11, the Bang & Olufsen Group amended the presentation of external grants received for intellectual development projects and parts-specific tools.

External grants received were previously presented as a current liability and first offset against capitalised costs on completion of the project.

Following the amendment, the externally received grant is offset directly in capitalised costs as the project is completed.

The change has no effect on the year's results, equity or EPS in 2008/09, 2009/10 and 2010/11.

The change means that the Group's balance sheet items will be affected as follows:

(DKK million)	2008/09	2009/10	2010/11
Intangible assets	(39.6)	(52.2)	(39.2)
Tangible assets	(7.7)	(33.4)	(13.2)
Total assets	(47.3)	(85.6)	(52.4)
Other payables	0.0	(33.4)	0.0
Accruals and deferred income	(47.3)	(52.2)	(52.4)
Total liabilities	(47.3)	(85.6)	(52.4)

The change means that the parent company's balance sheet items will be affected as follows:

(DKK million)	2008/09	2009/10	2010/11
Intangible assets	(39.6)	(52.2)	(39.2)
Affiliate receivables	39.6	52.2	39.2
Total assets	0.0	0.0	0.0

The change has been made as it was thought to give a true picture of the presentation of external grants received for intellectual development projects and parts-specific tools.

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 2010, have been implemented in the preparation of the annual report for 2010/11. These Standards and Interpretations are:

• Amendment to IFRS 2, Share-based Payment: Group Cash-settled Share-based Payment Transactions. The amendment to the standard clarifies that all share-based payment transactions are within the scope of the standard regardless of whether or not goods or services received in exchange of the share-based payment can be directly identified. Furthermore the accounting treatment of the share-based payment transactions in the financial statement of the subsidiary, when the subsidiary receives goods or services, which the parent company or another company in the group is obligated to settle, is clarified.
• Amendment to IAS 1, Presentation of Financial Statements due to IASB's yearly improvements. The amendment to the standard means, that the statement of changes in equity no longer has to comprise the specification per element of equity of the individual items of other comprehensive income. Instead the specification can be included in the notes. The amendment is effective for annual periods beginning on or after 1 January 2011. The Bang & Olufsen Group has applied the amendment in advance of its effective date.
• Minor amendments resulting from the IASB's annual improvements project.

The application of the new and amended Standards and Interpretations has not resulted in any changes to amounts in the annual report for 2010/11 or previous years, and the Group's accounting principles are with the exceptions described above unchanged compared to 2009/10.

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:

• Amendment to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets. The amendment to the standard is effective for annual periods beginning on or after 1 July 2011. The amendment to the standard is not yet endorsed by the European Union.
• IFRS 9, Financial instruments. The standard changes the recognition and measurement of financial assets and liabilities. 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 are effective for annual periods beginning on or after 1 January 2011. The amendments are not yet endorsed by the European Union. The amendments are not applied in the annual report for 2010/11 with the exception of the amendment to IAS 1, which is applied in advance of its effective date.

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.

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 concurrently with completion.

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.

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

Note …

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.

The provisions for warranty and fairness amount to DKK 113.4 million as at 31 May 2011 (DKK 97.8 million as at 31 May 2010).

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.

The development projects amount to DKK 513.7 million as at 31 May 2011 (DKK 403.6 million as at 31 May 2010).

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

The trade receivables amount to DKK 365.2 million as at 31 May 2011 (DKK 417.9 million as at 31 May 2010).

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.

The inventories amount to DKK 563.0 million as at 31 May 2011 (DKK 563.6 million as at 31 May 2010).

Note …

2 … **Significant accounting estimates, assumptions and uncertainties (continued)**

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.

The deferred tax assets amount to DKK 144.1 million as at 31 May 2011 (DKK 140.4 million as at 31 May 2010).

Change in accounting estimates

Result for the year is negatively affected by DKK 7.8 million before tax due to a change in the accounting estimate of the expected useful life of three completed development projects.

SEGMENT INFORMATION

(DKK million)

Note …

3 … **Segment information**

	Branded business		Non-branded business		Total segments	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Net turnover	2,730.5	2,679.5	93.2	79.9	2,823.7	2,759.4
Internal turnover	-	-	(12.6)	(13.4)	(12.6)	(13.4)
External turnover	2,730.5	2,679.5	80.6	66.5	2,811.1	2,746.0
Depreciation, amortisation and impairment losses	(233.8)	(240.5)	(5.8)	(4.9)	(239.6)	(245.4)
Result of investments in associates	0.4	(1.1)	(0.2)	(5.6)	0.2	(6.7)
Financial income	7.5	10.7	1.0	5.5	8.5	16.2
Financial costs	(26.8)	(25.1)	(1.6)	(0.2)	(28.4)	(25.3)
Result before tax	20.5	(60.9)	19.6	11.3	40.1	(49.6)
Completed development projects	183.8	236.5	7.9	12.6	191.7	249.1
Development projects in progress	306.6	145.4	15.4	9.1	322.0	154.5
Trade receivables	356.4	411.3	8.8	6.6	365.2	417.9
Total segment assets	846.8	793.2	32.1	28.3	878.9	821.5
Average number of employees:						
Denmark	1,364	1,353	24	27	1,388	1,380
Abroad	600	586	2	3	602	589
	1,964	1,939	26	30	1,990	1,969

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

3 … **Segment information (continued)**

	2010/11	2009/10
Reconciliation of segment information		
Net turnover, total segments	2,823.7	2,759.4
Effect of differences in exchange rates used in the internal management accounting	55.8	15.5
Elimination of internal turnover	(12.6)	(13.4)
Net turnover, Group	2,866.9	2,761.5
Result before tax, total segments	40.1	(49.6)
Result before tax, Group	40.1	(49.6)
Total segment assets	878.9	821.5
Unallocated assets	1,629.3	1,740.2
Total assets, Group	2,508.2	2,561.7

	Total non-current assets		Total net turnover	
Geographical information	2010/11	2009/10	2010/11	2009/10
Denmark	977.1	883.0	268.4	313.0
Rest of Scandinavia	-	-	90.9	89.5
Central Europe	2.1	2.6	906.4	746.4
Rest of Europa	161.5	168.3	984.9	1,063.0
North America	7.2	11.1	185.8	146.1
Asia	4.3	6.7	344.4	291.6
Rest of the world	0.2	0.4	86.1	111.9
Total	1,152.4	1,072.1	2,866.9	2,761.5
Export share			91 %	89 %

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)	2010/11	2009/10	2010/11	2009/10
Note …				
4 … **Net turnover**				
Geographical breakdown				
Denmark	268.4	313.0	535.3	441.6
Norway	30.2	29.1	-	-
Sweden	48.1	51.4	-	-
Finland	12.6	9.0	-	-
Scandinavia	359.3	402.5	535.3	441.6
Germany	638.7	483.4	-	-
Switzerland	196.4	210.7	-	-
Austria	71.3	52.3	-	-
Central Europe	906.4	746.4	-	-
The UK	252.1	274.8	-	-
France	152.6	133.3	-	-
Spain/Portugal	101.7	133.7	-	-
Italy	107.1	117.3	-	-
Belgium	73.7	71.8	-	-
Holland	154.6	178.6	-	-
Rest of Europe	143.1	153.5	-	-
Rest of Europe	984.9	1,063.0	-	-
North America	185.8	146.1	-	-
Japan	25.6	25.3	-	-
Singapore	95.0	81.8	-	-
Rest of Asia	223.8	184.5	-	-
Asia	344.4	291.6	-	-
Middle East	53.9	78.1	-	-
Rest of the world	32.2	33.8	-	-
Rest of the world	86.1	111.9	-	-
Total	**2,866.9**	**2,761.5**	**535.3**	**441.6**
Breakdown by categories				
Sales of goods	2,841.6	2,736.2	-	-
Rendering of services	9.0	11.4	76.9	86.6
Royalty	11.1	8.6	380.0	275.0
Rental income from property	5.2	5.3	78.4	80.0
Total	**2,866.9**	**2,761.5**	**535.3**	**441.6**

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10

Note …

5 … **Expenses, further information**

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:

Development costs				
Development costs incurred before capitalisation	448.1	437.7	504.1	479.0
Amount hereof capitalised	(251.0)	(206.4)	(244.7)	(201.4)
Total amortisation and impairment losses on development projects	114.3	111.5	109.6	107.6
Development costs recognised in the profit and loss account	311.4	342.8	369.0	385.2

Classification based on the nature of expense

Intangible non-current assets

Amortisation of intangible non-current assets is recognised in the following items in the profit and loss account:

Production costs	0.5	3.5	3.2	5.5
Development costs	120.9	115.6	116.2	111.1
Distribution and marketing costs	0.8	-	-	-
Administration costs etc.	2.7	2.4	0.3	0.4
	124.9	121.5	119.7	117.0

During the year impairment loss of DKK 11.3 mio. concerning development projects have been recognized while no impairment losses have been reversed regarding intangible assets.

Tangible non-current assets

Depreciation of tangible non-current assets is recognised in the following items in the profit and loss account:

Production costs	77.4	90.0	6.7	10.0
Development costs	16.2	15.8	6.8	7.8
Distribution and marketing costs	10.8	13.9	-	-
Administration costs etc.	0.9	0.5	0.6	0.8
	105.3	120.2	14.1	18.6

Impairment losses on tangible non-current assets are recognised in the following items in the profit and loss account:

Production costs	1.9	-	4.7	-
Development costs	1.6	-	1.6	-
Distribution and marketing costs	1.5	-	-	-
Administration costs etc.	1.7	-	0.4	-
	6.7	-	6.7	-

No impairment losses on tangible non-current assets have been reversed.

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10

Note …

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

Investment property

Depreciation of investment property is recognised in the following items in the profit and loss account:

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Production costs	2.7	3.7	6.9	8.0
Development costs	-	-	1.7	1.3
Administration costs etc.	-	-	0.6	0.7
	2.7	3.7	9.2	10.0

No impairment losses on investment property have been recognised, and no impairment losses on investment property have been reversed.

Employees	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Remuneration of the Board of Directors	3.3	3.4	3.3	3.4
Remuneration of the Board of Management	27.9	6.1	25.6	5.9
Share-based payment	6.6	7.4	2.8	3.3
Wages, salaries and fees	704.9	694.9	283.4	268.3
Pensions	52.9	49.7	21.1	21.1
Other social security costs	33.5	30.9	4.5	3.4
	829.1	792.4	340.7	305.4
Average number of full-time employees:				
Denmark	1,388	1,380	617	626
Abroad	602	589	-	-
	1,990	1,969	617	626

Employee costs are recognised in the following items in the profit and loss account:

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Production costs	261.1	269.5	124.1	92.6
Development costs	233.7	234.2	206.5	205.3
Distribution and marketing costs	252.4	234.1	-	-
Administration costs etc.	81.9	54.6	10.1	7.5
	829.1	792.4	340.7	305.4

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

	Group 2010/11			Group 2009/10		
	Board of Directors, parent company	Board of Manage-ment, parent company	Other key manage-ment personnel	Board of Directors, parent company	Board of Management, parent company	Other key management personnel
Wages, salaries and fees	3.3	12.1	0.4	3.4	6.1	8.6
Severance pay	-	14.4	-	-	-	0.9
Bonus	-	1.4	0.1	-	-	0.2
Pensions, cf. note 32	-	-	-	-	-	0.5
Total	3.3	27.9	0.5	3.4	6.1	10.2
Share-based payment	-	1.4	-	-	0.6	0.7
Total remuneration	3.3	29.3	0.5	3.4	6.7	10.9

(DKK million)

Note …

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

Remuneration of the Board of Management:	2010/11
Tue Mantoni (1 March - 31 May)	2.1
Henning Bejer Beck (1 October - 31 May)	1.8
Christian Winther	2.9
John Bennett-Therkildsen	2.5
Karl Kristian Hvidt Nielsen (former CEO)	20.0
Total remuneration	29.3

Parent company

	2010/11			2009/10		
	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	3.3	10.0	0.4	3.4	5.9	2.4
Severance pay	-	14.4	-	-	-	-
Bonus	-	1.2	0.1	-	-	0.2
Pensions	-	-	-	-	-	0.3
Total	3.3	25.6	0.5	3.4	5.9	2.9
Share-based payment	-	1.2	-	-	0.6	0.3
Total remuneration	3.3	26.8	0.5	3.4	6.5	3.2

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 2011, the total pool of options totals 2,268,195 options, which can be exercised in the period 2011-2016. 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.
For the 1.250.000 options granted the CEO according to company announcement 10.16, dated 14 March 2011, certain demands regarding development in share price and EBITDA performance exist.

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 42,650 shares as at 31 May 2011 (90,372 shares as at 31 May 2010).

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 58. The exercise prices, which are linked to the grants in the financial year 2010/11, are fixed at 47, 69, 77 and 86 respectively.

(DKK million)

Note …

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	204,052	459,117	663,169	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	31,995	88,424	120,419	58	August 2012 - August 2015
Outstanding 31 May 2010	204,052	459,117	663,169	205	June 2010 - August 2015

Outstanding 1 June 2010	204,052	459,117	663,169	205	June 2010 - August 2015
Granted 2010/11	106,500	406,450	512,950	47	August 2013 - August 2016
Granted 2010/11	416,666	-	416,666	69	August 2013 - September 2013
Granted 2010/11	416,667	-	416,667	77	August 2014 - September 2014
Granted 2010/11	416,667	-	416,667	86	August 2015 - September 2015
Expired 2010/11	(72,554)	(30,058)	(102,612)	*279	August 2007 - August 2010
Forfeited 2010/11	(26,949)	(11,718)	(38,667)	103	August 2011 - August 2014
Forfeited 2010/11	(12,362)	(4,283)	(16,645)	58	August 2012 - August 2015
Outstanding 31 May 2011	1,448,687	819,508	2,268,195	99	June 2011 - August 2016

As at 31 May 2011, the share options are divided as follows:

Granting period:					
Financial year 2006/07	72,554	57,006	129,560	*344	August 2008 - August 2011
Financial year 2007/08	-	129,169	129,169	302	August 2010 - August 2013
Financial year 2008/09	-	142,742	142,742	103	August 2011 - August 2014
Financial year 2009/10	19,633	84,141	103,774	58	August 2012 - August 2015
Financial year 2010/11	106,500	406,450	512,950	47	August 2013 - August 2016
Financial year 2010/11	416,666	-	416,666	69	August 2013 - September 2013
Financial year 2010/11	416,667	-	416,667	77	August 2014 - September 2014
Financial year 2010/11	416,667	-	416,667	86	August 2015 - September 2015
Outstanding 31 May 2011	1,448,687	819,508	2,268,195	99	June 2011 - August 2016

* The exercise price is adjusted cf. above.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

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

	2010/11	2009/10
The following amounts regarding the share option programme have been recognised as part of the employee costs in the Group	5.5	6.2

	Options granted in 2010/11	Options granted in 2009/10
Weighted average fair value (DKK per option)	11	34
The recognition according to the Black-Scholes option pricing formula is based on the following conditions:		
Weighted average share price (DKK per option)	60	64
Expected volatility, first grant	45.9 %	77.3 %
Expected volatility, second grant	29.0 %	-
Risk-free interest rate, first grant	1.0 %	3.1 %
Risk-free interest rate, second grant	3.0 %	-

In 2010/11 and 2009/10 an average dividend addition for the Bang & Olufsen a/s share of 0.00 % 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 and five years' historical data respectively.

(DKK million)

Note …

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 2011, the pool of options totals 1,771,862 options, which can be exercised in the period 2011-2016.

Share options, Bang & Olufsen a/s	Board of Management	Other employees	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2009	172,057	168,273	340,330	243	June 2009 - August 2014
Granted 2009/10	25,450	33,740	59,190	58	August 2012 - August 2015
Outstanding 31 May 2010	197,507	202,013	399,520	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	25,450	33,740	59,190	58	August 2012 - August 2015
Outstanding 31 May 2010	197,507	202,013	399,520	223	June 2010 - August 2015

Outstanding 1 June 2010	197,507	202,013	399,520	223	June 2010 - August 2015
Granted 2010/11	71,000	190,808	261,808	47	August 2013 - August 2016
Granted 2010/11	416,666	-	416,666	69	August 2013 - September 2013
Granted 2010/11	416,667	-	416,667	77	August 2014 - September 2014
Granted 2010/11	416,667	-	416,667	86	August 2015 - September 2015
Expired 2010/11	(72,554)	(18,657)	(91,211)	*279	August 2007 - August 2010
Forfeited 2010/11	(26,949)	(7,572)	(34,521)	103	August 2011 - August 2014
Forfeited 2010/11	(12,362)	(1,372)	(13,734)	58	August 2012 - August 2015
Outstanding 31 May 2011	1,406,642	365,220	1,771,862	96	June 2011 - August 2016

As at 31 May 2011, the share options are divided as follows:

Granting period:					
Financial year 2006/07	72,554	37,313	109,867	*344	August 2008 - August 2011
Financial year 2007/08	-	49,544	49,544	302	August 2010 - August 2013
Financial year 2008/09	-	55,187	55,187	103	August 2011 - August 2014
Financial year 2009/10	13,088	32,368	45,456	58	August 2012 - August 2015
Financial year 2010/11	71,000	190,808	261,808	47	August 2013 - August 2016
Financial year 2010/11	416,666	-	416,666	69	August 2013 - September 2013
Financial year 2010/11	416,667	-	416,667	77	August 2014 - September 2014
Financial year 2010/11	416,667	-	416,667	86	August 2015 - September 2015
Outstanding 31 May 2011	1,406,642	365,220	1,771,862	96	June 2011 - August 2016

* The exercise price is adjusted cf. above.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

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

	2010/11	2009/10
The following amounts regarding the share option programme have been recognised as part of the employee costs in the parent company	2.3	2.8

	Options granted in 2010/11	Options granted in 2009/10
Weighted average fair value (DKK per option)	11	34
The recognition according to the Black-Scholes option pricing formula is based on the following conditions:		
Weighted average share price (DKK per share)	60	64
Expected volatility, first grant	45.9 %	77.3 %
Expected volatility, second grant	29.0 %	-
Risk-free interest rate, first grant	1.0 %	3.1 %
Risk-free interest rate, second grant	3.0 %	-

In 2010/11 and 2009/10 an average dividend addition for the Bang & Olufsen a/s share of 0.00 % 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 and five years' historical data respectively.

Employee shares, Group

In the autumn of 2010 and the autumn of 2009 the employees in the Danish companies in the Bang & Olufsen Group were granted employee shares. The grants 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 18,555 employee shares in 2010/11 (19,704 in 2009/10) corresponding to 0.05 % of the share capital in Bang & Olufsen a/s at the date of the grant (0.05 % in 2009/10). The granted employee shares had a fair value of DKK 57.00 per share (DKK 59.50 in 2009/10). The fair value is calculated as at 27 September 2010, which was the date of the grant (2 October 2009 in 2009/10). The fair value corresponds to the market value of the shares on the grant date.

The discount element per employee share was DKK 57.00 (DKK 59.50 in 2009/10), which is recognised in the profit and loss account.

	2010/11	2009/10
In the Bang & Olufsen Group the following amount has been recognised as part of the employee costs regarding the employee shares	1.1	1.2

(DKK million)

Note …

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

Employee shares, parent company

The employees in Bang & Olufsen a/s were granted 8,309 employee shares in 2010/11 (8,843 in 2009/10) corresponding to 0.02 % of the share capital in Bang & Olufsen a/s at the date of the grant (0.02 % in 2009/10). The granted employee shares had a fair value of DKK 57.00 per share (DKK 59.50 in 2009/10). The fair value is calculated as at 27 September 2010, which was the date of the grant (2 October 2009 in 2009/10). The fair value corresponds to the market value of the shares on the grant date.

	2010/11	2009/10
In Bang & Olufsen a/s the following amount has been recognised as part of the employee costs regarding the employee shares	0.5	0.5

	Group		Parent company	
6 … **Other operating income**	2010/11	2009/10	2010/11	2009/10
Profit on sale of property, Switzerland	-	13.3	-	-
Other operating income	-	13.3	-	-
7 … **Dividend**				
Dividend received from subsidiaries			2.0	32.4
8 … **Financial income**				
Interest income from banks etc.	0.5	1.0	0.3	0.8
Interest income from subsidiaries	-	-	18.3	26.0
Exchange rate gains, net	-	7.8	0.4	34.4
Other financial income	7.0	6.6	0.2	-
Financial income	7.5	15.4	19.2	61.2

All financial income is related to financial assets, which are not measured at fair value through the profit and loss account.

9 … **Financial costs**

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Interest costs on bank loans etc.	9.6	6.8	6.0	4.6
Interest costs on mortgage loans	11.8	14.3	11.8	14.1
Interest costs to subsidiaries	-	-	8.7	8.0
Exchange rate losses, net	2.5	-	-	-
Other financial costs	3.5	3.4	2.8	2.3
Financial costs	27.4	24.5	29.3	29.0

All financial costs are related to financial liabilities, which are not measured at fair value through the profit and loss account.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Note …				
10 … **Tax for the year**				
Parent company:				
Current tax	0.4	-	0.4	-
Change in deferred tax	(35.4)	(44.8)	(35.4)	(44.8)
Adjustment to previous years, current tax	(0.5)	-	(0.5)	-
Adjustment to previous years, deferred tax	(7.4)	0.3	(7.4)	0.3
Total, parent company	(42.9)	(44.5)	(42.9)	(44.5)
Subsidiaries:				
Current tax	13.0	15.7		
Change in deferred tax	40.0	11.2		
Adjustment to previous years, current tax	(0.7)	(1.3)		
Adjustment to previous years, deferred tax	1.3	0.9		
Total, subsidiaries	53.6	26.5		
Total tax for the year	10.7	(18.0)	(42.9)	(44.5)
Tax for the year is recognised as follows:				
Tax recognised in the profit and loss account	12.1	(16.7)	(41.5)	(43.2)
Tax recognised in other comprehensive income	(1.4)	(1.3)	(1.4)	(1.3)
Tax recognised directly in equity, deferred tax asset	-	-	-	-
Tax on result for the year is specified as follows:				
Calculated tax of result before tax	10.0	(12.4)	(36.6)	(36.3)
Tax effect of:				
Non-deductible costs and non-taxable income	1.6	1.8	0.2	0.9
Deviating tax rate in foreign subsidiaries	(0.4)	(1.5)	-	-
Adjustment of tax relating to previous years	(7.3)	(0.1)	(7.9)	0.3
Non-capitalised tax losses	2.3	-	-	-
Partial capitalisation of previously non-capitalised tax losses	-	(6.1)	-	-
Foreign withholding tax	1.0	0.1	-	-
Non-taxable dividend from investments in subsidiaries	(1.0)	-	(0.5)	(8.1)
Other	5.8	1.5	3.3	-
Tax on result for the year	12.1	(16.7)	(41.5)	(43.2)
Danish income tax rate	25.0 %	25.0 %	25.0 %	25.0 %
Tax effect of:				
Non-deductible costs and non-taxable income	4.1 %	(3.6 %)	(0.1 %)	(0.6 %)
Deviating tax rate in foreign subsidiaries	(1.0 %)	3.0 %	-	-
Adjustment of tax relating to previous years	(18.2 %)	0.2 %	5.4 %	(0.3 %)
Non-capitalised tax losses	5.7 %	-	-	-
Partial capitalisation of previously non-capitalised tax losses	-	12.3 %	-	-
Foreign withholding tax	2.5 %	(0.2 %)	-	-
Non-taxable dividend from investments in subsidiaries	(2.5 %)	-	0.4 %	5.6 %
Other	14.5 %	(3.0 %)	(2.3 %)	-
Average effective tax rate for the year	30.1 %	33.7 %	28.4 %	29.7 %

Income tax paid including tax paid on account for the jointly-taxed Danish companies amounts to DKK -0.1 million in 2010/11 (DKK -0.2 million in 2009/10). The parent company pays current tax for jointly taxed Danish companies.

Parantheses denote negative figures or figures to be deducted.

Note	(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
10 …	**Tax for the year (continued)**				
	Tax on other comprehensive income				
	Change in fair value of derivative financial instruments used as cash flow hedges	(1.4)	(1.3)	(1.4)	(1.3)
	Transfer to the profit and loss account of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows	-	-	-	-
	Tax on other comprehensive income	(1.4)	(1.3)	(1.4)	(1.3)

Tax on other comprehensive income is recognised in retained earnings.

Note		2010/11	2009/10
11 …	**Minority interests’ share of result for the year**		
	OÜ BO-Soft	1.1	1.5
	Minority interests’ share of result for the year	1.1	1.5
12 …	**Earnings per share**		
	Result for the year	28.0	(32.9)
	Minority interests’ share of result for the year	(1.1)	(1.5)
	Shareholders of the parent company's share of result for the year	26.9	(34.4)
	Average number of shares	36,244,014	36,244,014
	Average number of own shares	(73,900)	(97,012)
	Average number of shares in circulation	36,170,114	36,147,002
	Average dilutive effect of outstanding share options	26,450	-
	Average number of shares in circulation - diluted	36,196,564	36,147,002
	Earnings per share, DKK	0.7	(1.0)
	Diluted earnings per share, DKK	0.7	(1.0)
	Earnings per share from continuing operations, DKK	0.7	(1.0)
	Diluted earnings per share from continuing operations, DKK	0.7	(1.0)

In 2010/11 512,950 of the outstanding share options, cf. note 5, are dilutive (0 in 2009/10). The other outstanding share options are potentially dilutive in future periods.

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 2010/11 or 2009/10.

In the period until 1 August 2011 the number of circulating shares is unchanged.

Parantheses denote negative figures or figures to be deducted.

NOTES TO THE BALANCE SHEET

(DKK million)

Note …

13 … **Intangible assets**

Group	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2009	47.4	161.3	815.4	185.0	1,209.1
Change in accounting policy	-	-	-	(39.6)	(39.6)
Corrected cost price 1 June 2009	47.4	161.3	815.4	145.4	1,169.5
Amortisation and impairment losses 1 June 2009	(2.6)	(110.5)	(614.8)	-	(727.9)
Carrying amount 1 June 2009	44.8	50.8	200.6	145.4	441.6
Cost price 1 June 2009	47.4	161.3	815.4	145.4	1,169.5
Additions	-	5.2	77.8	128.6	211.6
Received reimbursements	-	-	-	(37.3)	(37.3)
Disposals	-	(1.9)	(95.4)	-	(97.3)
Completed development projects	-	-	82.2	(82.2)	-
Cost price 31 May 2010	47.4	164.6	880.0	154.5	1,246.5
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	-	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	154.5	494.3
Cost price 31 May 2010	47.4	164.6	880.0	154.5	1,246.5
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	154.5	494.3
Cost price 1 June 2010	47.4	164.6	880.0	154.5	1,246.5
Additions	-	2.3	45.2	205.8	253.3
Received reimbursements	-	-	-	(26.6)	(26.6)
Disposals	-	(0.4)	(97.8)	-	(98.2)
Completed development projects	-	-	2.7	(2.7)	-
Cost price 31 May 2011	47.4	166.5	830.1	331.0	1,375.0
Amortisation and impairment losses 1 June 2010	(2.7)	(118.6)	(630.9)	-	(752.2)
Exchange rate adjustment to year-end rate	0.1	-	-	-	0.1
Amortisation during the year	-	(10.6)	(105.3)	(9.0)	(124.9)
Reversed amortisation on disposals	-	0.4	97.8	-	98.2
Amortisation and impairment losses 31 May 2011	(2.6)	(128.8)	(638.4)	(9.0)	(778.8)
Carrying amount 31 May 2011	44.8	37.7	191.7	322.0	596.2
Cost price 31 May 2011	47.4	166.5	830.1	331.0	1,375.0
Amortisation and impairment losses 31 May 2011	(2.6)	(128.8)	(638.4)	(9.0)	(778.8)
Carrying amount 31 May 2011	44.8	37.7	191.7	322.0	596.2

No contractual obligations regarding purchase of intangible assets exist.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

13 … **Intangible assets (continued)**

Parent company	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2009	3.2	144.2	772.1	173.8	1,093.3
Change in accounting policy	-	-	-	(39.6)	(39.6)
Corrected cost price 1 June 2009	3.2	144.2	772.1	134.2	1,053.7
Amortisation and impairment losses 1 June 2009	-	(96.8)	(580.9)	-	(677.7)
Carrying amount 1 June 2009	3.2	47.4	191.2	134.2	376.0
Cost price 1 June 2009	3.2	144.2	772.1	134.2	1,053.7
Additions	-	5.2	77.7	123.7	206.6
Received reimbursements	-	-	-	(37.3)	(37.3)
Disposals	-	-	(95.4)	-	(95.4)
Completed development projects	-	-	75.2	(75.2)	-
Cost price 31 May 2010	3.2	149.4	829.6	145.4	1,127.6
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	-	-	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	145.4	428.3
Cost price 31 May 2010	3.2	149.4	829.6	145.4	1,127.6
Amortisation and impairment losses 31 May 2010	-	(106.2)	(593.1)	-	(699.3)
Carrying amount 31 May 2010	3.2	43.2	236.5	145.4	428.3
Cost price 1 June 2010	3.2	149.4	829.6	145.4	1,127.6
Additions	-	2.1	45.2	199.5	246.8
Received reimbursements	-	-	-	(26.6)	(26.6)
Disposals	-	(0.4)	(76.0)	-	(76.4)
Completed development projects	-	-	2.7	(2.7)	-
Cost price 31 May 2011	3.2	151.1	801.5	315.6	1,271.4
Amortisation and impairment losses 1 June 2010	-	(106.2)	(593.1)	-	(699.3)
Amortisation during the year	-	(10.1)	(100.6)	(9.0)	(119.7)
Reversed amortisation on disposals	-	0.4	76.0	-	76.4
Amortisation and impairment losses 31 May 2011	-	(115.9)	(617.7)	(9.0)	(742.6)
Carrying amount 31 May 2011	3.2	35.2	183.8	306.6	528.8
Cost price 31 May 2011	3.2	151.1	801.5	315.6	1,271.4
Amortisation and impairment losses 31 May 2011	-	(115.9)	(617.7)	(9.0)	(742.6)
Carrying amount 31 May 2011	3.2	35.2	183.8	306.6	528.8

No contractual obligations regarding purchase of intangible assets exist.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

14 … **Tangible assets**

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in progress	Total
Cost price 1 June 2009	536.9	1,206.3	228.9	73.2	33.2	2,078.5
Change in accounting policy	-	-	-	-	(7.7)	(7.7)
Corrected cost price 1 June 2009	536.9	1,206.3	228.9	73.2	25.5	2,070.8
Depreciation and impairment losses 1 June 2009	(267.0)	(976.8)	(180.5)	(41.0)	-	(1,465.3)
Carrying amount 1 June 2009	269.9	229.5	48.4	32.2	25.5	605.5
Cost price 1 June 2009	536.9	1,206.3	228.9	73.2	25.5	2,070.8
Exchange rate adjustment to year-end rate	7.3	2.7	2.9	5.3	0.1	18.3
Additions	0.7	36.0	2.5	0.7	42.8	82.7
Completed assets	-	22.2	1.5	-	(23.7)	-
Disposals	(32.4)	(39.4)	(32.0)	(13.5)	(26.0)	(143.3)
Cost price 31 May 2010	512.5	1,227.8	203.8	65.7	18.7	2,028.5
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	14.2	37.5	30.9	9.9	-	92.5
Depreciation and impairment losses 31 May 2010	(271.6)	(1,018.4)	(168.9)	(42.5)	-	(1,501.4)
Carrying amount 31 May 2010	240.9	209.4	34.9	23.2	18.7	527.1
Cost price 31 May 2010	512.5	1,227.8	203.8	65.7	18.7	2,028.5
Depreciation and impairment losses 31 May 2010	(271.6)	(1,018.4)	(168.9)	(42.5)	-	(1,501.4)
Carrying amount 31 May 2010	240.9	209.4	34.9	23.2	18.7	527.1
Cost price 1 June 2010	512.5	1,227.8	203.8	65.7	18.7	2,028.5
Exchange rate adjustment to year-end rate	4.3	2.3	(0.5)	(3.9)	-	2.2
Additions	6.7	20.0	9.6	1.7	58.4	96.4
Completed assets	0.1	3.8	0.1	-	(4.0)	-
Disposals	(15.8)	(35.6)	(14.6)	(1.6)	(4.0)	(71.6)
Cost price 31 May 2011	507.8	1,218.3	198.4	61.9	69.1	2,055.5
Depreciation and impairment losses 1 June 2010	(271.6)	(1,018.4)	(168.9)	(42.5)	-	(1,501.4)
Exchange rate adjustment to year-end rate	(0.8)	(1.5)	0.6	2.4	-	0.7
Depreciation during the year	(16.4)	(69.4)	(12.8)	(6.4)	-	(105.0)
Reversed depreciation on disposals	15.5	35.0	14.0	0.2	-	64.7
Impairment losses during the year	(6.7)	-	-	-	-	(6.7)
Depreciation and impairment losses 31 May 2011	(280.0)	(1,054.3)	(167.1)	(46.3)	-	(1,547.7)
Carrying amount 31 May 2011	227.8	164.0	31.3	15.6	69.1	507.8
Cost price 31 May 2011	507.8	1,218.3	198.4	61.9	69.1	2,055.5
Depreciation and impairment losses 31 May 2011	(280.0)	(1,054.3)	(167.1)	(46.3)	-	(1,547.7)
Carrying amount 31 May 2011	227.8	164.0	31.3	15.6	69.1	507.8
Of which assets held under finance leases	-	-	1.0	-	-	1.0

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

14 … **Tangible assets (continued)**

Tangible assets in general

Neither in 2010/11 nor 2009/10 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 298.9 million (DKK 331.8 million in 2009/10).
The cash value of property contains land and buildings as well as investment property. The cost price of foreign property is DKK 117.9 million (DKK 113.5 million in 2009/10)

Parent Company	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in progress	Total
Cost price 1 June 2009	207.3	24.3	154.9	1.0	-	387.5
Depreciation and impairment losses 1 June 2009	(125.3)	(15.5)	(125.9)	(1.0)	-	(267.7)
Carrying amount 1 June 2009	82.0	8.8	29.0	-	-	119.8
Cost price 1 June 2009	207.3	24.3	154.9	1.0	-	387.5
Additions	0.5	0.2	0.8	-	0.1	1.6
Disposals	-	(0.2)	(17.8)	-	-	(18.0)
Cost price 31 May 2010	207.8	24.3	137.9	1.0	0.1	371.1
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	-	0.2	17.8	-	-	18.0
Depreciation and impairment losses 31 May 2010	(131.0)	(17.1)	(119.2)	(1.0)	-	(268.3)
Carrying amount 31 May 2010	76.8	7.2	18.7	-	0.1	102.8
Cost price 31 May 2010	207.8	24.3	137.9	1.0	0.1	371.1
Depreciation and impairment losses 31 May 2010	(131.0)	(17.1)	(119.2)	(1.0)	-	(268.3)
Carrying amount 31 May 2010	76.8	7.2	18.7	-	0.1	102.8
Cost price 1 June 2010	207.8	24.3	137.9	1.0	0.1	371.1
Additions	5.3	0.1	1.7	-	2.2	9.3
Completed assets	0.1	-	-	-	(0.1)	-
Disposals	(12.3)	(2.0)	(10.5)	-	-	(24.8)
Cost price 31 May 2011	200.9	22.4	129.1	1.0	2.2	355.6
Depreciation and impairment losses 1 June 2010	(131.0)	(17.1)	(119.2)	(1.0)	-	(268.3)
Depreciation during the year	(5.0)	(1.8)	(7.3)	-	-	(14.1)
Reversed depreciation on disposals	12.3	1.8	10.4	-	-	24.5
Impairment losses	(6.7)	-	-	-	-	(6.7)
Depreciation and impairment losses 31 May 2011	(130.4)	(17.1)	(116.1)	(1.0)	-	(264.6)
Carrying amount 31 May 2011	70.5	5.3	13.0	-	2.2	91.0
Cost price 31 May 2011	200.9	22.4	129.1	1.0	2.2	355.6
Depreciation and impairment losses 31 May 2011	(130.4)	(17.1)	(116.1)	(1.0)	-	(264.6)
Carrying amount 31 May 2011	70.5	5.3	13.0	-	2.2	91.0

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

14 … **Tangible assets (continued)**

Tangible assets in general

Neither in 2010/11 nor 2009/10 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 298.9 million (DKK 331.8 million in 2009/10). The cash value of property contains land and buildings as well as investment property.

	Group		Parent company	
15 … **Investment property**	2010/11	2009/10	2010/11	2009/10
Cost price 1 June	80.3	80.3	271.4	271.4
Depreciation and impairment losses 1 June	(34.9)	(31.2)	(156.4)	(146.4)
Carrying amount 1 June	45.4	49.1	115.0	125.0
Cost price 1 June	80.3	80.3	271.4	271.4
Additions	-	-	1.3	-
Disposals	(0.4)	-	(3.8)	-
Cost price 31 May	79.9	80.3	268.9	271.4
Depreciation and impairment losses 1 June	(34.9)	(31.2)	(156.4)	(146.4)
Depreciation during the year	(2.7)	(3.7)	(9.2)	(10.0)
Reversed depreciation on disposals	0.4	-	3.5	-
Depreciation and impairment losses 31 May	(37.2)	(34.9)	(162.1)	(156.4)
Carrying amount 31 May	42.7	45.4	106.8	115.0
Cost price 31 May	79.9	80.3	268.9	271.4
Depreciation and impairment losses 31 May	(37.2)	(34.9)	(162.1)	(156.4)
Carrying amount 31 May	42.7	45.4	106.8	115.0

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)

Note …

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 5.2 million has been received in 2010/11 (DKK 5.3 million in 2009/10). In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 2.3 million (DKK 3.1 million in 2009/10).

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 2.3 million will be received in 2011/12.

Property, which is investment property in the parent company
Rental income from the investment property of DKK 51.7 million has been received in 2010/11 (DKK 39.3 million in 2009/10). In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 28.7 million (DKK 15.9 million in 2009/10).

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 13.5 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
During 2010/11 impairment of two delopment projects of total DKK 11.3 million have been made. (DKK 0.0 million 2009/10)
The impairment losses are part of the segment branded business

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 % (8 % after tax).

Goodwill
The majority of the Group's goodwill (DKK 41.7 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 2010/11 og 2009/10 in the Group or the parent company.

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 (8 % after tax). Management has based the key assumptions on past experience.

Tangible assets – impairment losses during the year
In 2010/11 an impairment of buildings of DKK 6.7 million has been recognised due to a change in expectations to the future utilisation in the Group and the parent company. No impairment losses on tangible assets were recognised in 2009/10 in the Group or the parent company. The impairment loss is part of the segment branded business.

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 % (8 % after tax).

Note …

16 … **Impairment of non-current assets (continued)**

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 2010/11 or 2009/10, except from what appears from note 19.

17 … **Investments in subsidiaries**

	Group		Parent company	
(DKK million)	2010/11	2009/10	2010/11	2009/10
Cost price 1 June			719.5	719.5
Cost price 31 May			719.5	719.5

For a list of subsidiaries please refer to note 48.

18 … **Investments in associates**

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Cost price 1 June	22.6	22.6	5.6	5.6
Additions	0.8	-	0.8	-
Cost price 31 May	23.4	22.6	6.4	5.6
Revaluations and impairment losses 1 June	(17.3)	(13.1)		
Share of result for the year after tax	0.2	(6.7)		
Change in negative investment offset against receivable	(0.6)	2.5		
Distributed dividend	-	-		
Revaluations and impairment losses 31 May	(17.7)	(17.3)		
Carrying amount 31 May	5.7	5.3	6.4	5.6

								Bang & Olufsen's share		
Name and registered office	Owner's share	Total assets	Total liabilities	Share capital	Equity	Turnover for the year	Result for the year	Equity	Turnover for the year	Result for the year
Bang & Olufsen Medicom a/s, Struer	35%	14.0	19.3	9.4	(5.3)	83.5	(0.6)	(1.9)	30.2	(0.2)
John Bjerrum Nielsen A/S, Bramming	33%	35.3	18.2	10.0	17.1	-	1.2	5.7	-	0.4

Bang & Olufsen Medicom a/s' financial year is the calendar year, and the financial report for 2010 has been audited. The amounts above are based on the company's interim reports for the periode 1 June 2010 - 31 May 2011. 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.

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Note …				
19 … **Other financial receivables**				
Other financial receivables (gross) 1 June	59.3	78.4	3.0	3.0
Exchange rate adjustment to year-end rate	(1.0)	1.8	-	-
Movements during the year (net)	6.6	(20.9)	-	-
Other financial receivables (gross) 31 May	64.9	59.3	3.0	3.0
Write-down for expected losses 1 June	(17.9)	(18.0)	-	-
Exchange rate adjustment to year-end rate	0.6	(0.6)	-	-
Change in write-down during the year	(7.5)	(2.2)	-	-
Actual losses for the year	-	2.9	-	-
Write-down for expected losses 31 May	(24.8)	(17.9)	-	-
Other financial receivables (net) 31 May	40.1	41.4	3.0	3.0

Financial income of DKK 0.2 million (DKK 0.1 million in 2009/10) 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 39.6 million (DKK 40.9 million in 2009/10). The fair value in the parent company amounts to DKK 2.5 million (DKK 2.5 million in 2009/10). The fair value is calculated as the present value of the future expected cash flows from the receivables.

20 … **Deferred tax assets**

Group	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 2009	(75.1)	(9.0)	4.5	21.2	160.9	2.4	104.9
Exchange rate adjust	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
Exchange rate adjustment to year-end rate	0.1	0.2	-	0.1	-	-	0.4
Recognised in the profit and loss account	29.1	22.5	(0.1)	6.2	(52.8)	(3.0)	1.9
Recognised in other comprehensive income	-	-	-	-	-	1.4	1.4
Deferred tax assets 31 May 2011	(68.2)	17.8	10.2	23.7	157.0	3.6	144.1

Parent company	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 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
Intra-group transfers due to joint taxation	-	-	-	-	(3.5)	-	(3.5)
Recognised in the profit and loss account	26.7	-	1.2	1.0	12.5	-	41.4
Recognised in other comprehensive income	-	-	-	-	-	1.4	1.4
Deferred tax assets 31 May 2011	(80.9)	-	(0.2)	0.8	209.5	2.7	131.9

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

20 … **Deferred tax assets (continued)**

Deferred tax assets relate to the subsidiaries in Norway, Sweden, Germany, Switzerland, the UK, Belgium, France, Italy, Spain, the US, Australia, Singapore and the jointly-taxed Danish companies. Deferred tax assets have been calculated based on local tax rates.

In 2010/11 in the jointly-taxed Danish companies a deferred tax asset, gross of DKK 150.2 million has been recognised based on tax loss carry-forwards, which can be carried forward indefinitely (DKK 209.5 million in the parent company in 2010/11, in 2009/10 DKK 205.3 million in the Group and DKK 200.5 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 2010/11 a partial recognition regarding deferred tax assets of DKK 3.0 million relating to the subsidiary in the US has been made (DKK 3.5 million in 2009/10). The recognition is based on the expectations to the future earnings in the subsidiary in the US. The unrecognised deferred tax assets amount to DKK 68.4 million (DKK 77.4 million in 2009/10). The basis for the unrecognised deferred tax assets includes tax losses of DKK 133.7 million (DKK 148.7 million in 2009/10). The tax losses can be carried forward for a period of 1 - 20 years.

21 … **Inventories**

	Group		Parent company	
	2010/11	2009/10	2010/11	2009/10
Raw materials	189.2	180.1	-	-
Work in progress	31.2	28.6	-	-
Spare parts	124.2	132.1	-	-
Finished goods	218.4	222.8	0.4	0.2
Inventories 31 May	563.0	563.6	0.4	0.2

The following amounts of the carrying amount are expected to be realised after more than 12 months:

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Spare parts	66.2	78.1	-	-
Inventories 31 May	66.2	78.1	-	-

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.

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Carrying amount of inventories recognised at net realisable value	5.3	3.5	-	-
Inventory consumption recognised as part of production costs during the year	1,379.6	1,343.6	-	1.0
Write-down of inventories recognised as part of production costs during the year	26.5	52.7	-	-
Reversal of write-down of inventories recognised as part of production costs during the year	2.6	6.6	-	-

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.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Note …				

22 … Trade receivables

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Trade receivables (gross) 31 May	487.5	558.4	-	-
Write-down for expected losses 1 June	(140.5)	(92.4)	-	-
Exchange rate adjustment to year-end rate	1.6	(4.0)	-	-
Change in write-down during the year	(2.3)	(58.8)	-	-
Actual losses during the year	18.9	14.7	-	-
Write-down for expected losses 31 May	(122.3)	(140.5)	-	-
Trade receivables (net) 31 May	365.2	417.9	-	-

All trade receivables fall due within 1 year.

Financial income of DKK 1.6 million (DKK 1.5 million in 2009/10) 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 365.2 million (DKK 417.9 million in2009/10), while the fair value in the parent company amounts to DKK 0.0 million (DKK 0.0 million in 2009/10). 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

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Receivables from subsidiaries 31 May			509.5	710.6

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 470.3 million (DKK 658.4 million in 2009/10). 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

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Receivables from associates (net) 31 May	3.6	4.0	-	0.5
Negative investment offset against receivable	(1.9)	(2.5)	-	-
Receivables from associates (net) 31 May	1.7	1.5	-	0.5

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 1.7 million (DKK 1.5 million in 2009/10). The fair value of receivables from associates in the parent company amounts to DKK 0.0 million (DKK 0.5 million in 2009/10). 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)	2010/11	2009/10	2010/11	2009/10

Note …

25 … **Income tax receivable**

Income tax receivable 1 June	21.2	21.7	-	0.2
Exchange rate adjustment to year-end rate	0.4	0.6	-	-
Adjustment previous years	1.1	(3.5)	0.5	-
The year's current tax	3.1	2.0	-	-
Income tax paid	7.5	10.9	-	-
Income tax refunded	(19.1)	(6.4)	(0.5)	(0.2)
Intra-group transfers due to joint taxation	-	-	-	-
Transferred to income tax payable	(0.9)	(4.1)	-	-
Income tax receivable 31 May	13.3	21.2	-	-

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 2009/10).

26 … **Other receivables**

Value added tax receivable	8.8	6.8	11.0	-
Deposits	7.0	8.2	1.3	1.3
Other receivables	8.5	12.6	1.0	2.2
Other receivables 31 May	24.3	27.6	13.3	3.5

All other receivables fall due within 1 year, except deposits which are depending on the rent period.

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

The fair value of other receivables in the Group amounts to DKK 24.3 million (DKK 27.6 million in 2009/10), while the fair value in the parent company amounts to DKK 13.3 million (DKK 3.5 million in 2009/10). 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	362.4	362.4	362.4	362.4

Each share of DKK 10.00 gives 1 vote.

Number of shares 1 June	36,244,014	36,244,014	36,244,014	36,244,014
Number of shares 31 May	36,244,014	36,244,014	36,244,014	36,244,014

Specification of movements in share capital:	2010/11	2009/10	2008/09	2007/08	2006/07
Share capital	362.4	120.8	120.8	124.5	124.1
Capital increase	-	241.6	-	-	0.4
Capital reduction	-	-	-	(3.7)	-
Share capital	362.4	362.4	120.8	120.8	124.5

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2010/11	2009/10	2010/11	2009/10

Note …

27 … **Share capital (continued)**

Own shares:

Number of own shares	42,650	90,372	42,650	90,372
Nominal value, DKK million	0.4	0.9	0.4	0.9
% of share capital, year-end	0.1	0.2	0.1	0.2

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

There have been no acquisitions of own shares during 2009/10 nor 2010/11.

Disposals during the year:

Number of shares	47,722	19,704	47,722	19,704
Nominal value, DKK million	0.5	0.2	0.5	0.2
% of share capital, year-end	0.1	0.1	0.1	0.1
Total sales price, DKK million	2.0	-	2.0	-

In 2010/11 18,555 own shares were granted as employee shares, while 29,167 own shares were sold (19,704 own shares were granted as employee shares in 2009/10).

28 … **Translation reserve**

Translation reserve 1 June	13.1	(39.6)
Exchange rate adjustment of foreign subsidiaries	12.0	12.8
Reclassification related to currency translation of foreign subsidiaries	-	39.9
Translation reserve 31 May	25.1	13.1

29 … **Reserve for cash flow hedges**

Reserve for cash flow hedges 1 June	(5.0)	(1.0)	(5.0)	(1.0)
Change in fair value of derivative financial instruments used as cash flow hedges	(36.2)	(4.6)	(36.2)	(4.6)
Transfer to the profit and loss account of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:				
– Transfer to net turnover	28.5	4.3	28.5	4.3
– Transfer to production costs	1.8	(3.7)	1.8	(3.7)
Reserve for cash flow hedges 31 May	(10.9)	(5.0)	(10.9)	(5.0)

30 … **Retained earnings**

In the 2010/11 and the 2009/10 financial years no dividend has been paid. At the Annual General Meeting 23 September 2011 no dividend for the financial year 2010/11 will be proposed.

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Note …				
31 … **Minority interests**				
Balance 1 June	1.5	2.3		
Minority interests' share of result for the year	1.1	1.5		
Dividend paid	(2.0)	(2.3)		
Balance 31 May	0.6	1.5		

32 … **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 50.9 million (DKK 47.9 million in 2009/10) have been recognised in the profit and loss account as costs related to defined contribution plans. In the parent company DKK 21.1 million (DKK 21.1 million in 2009/10) 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 8.2 million (DKK 6.8 million in 2009/10) 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 2.0 million (an expense of DKK 1.8 million in 2009/10) has been recognised in the profit and loss account regarding defined benefit plans.

	Group 2010/11	Group 2009/10
Present value of defined benefit obligation	23.8	22.3
Fair value of plan assets	(14.6)	(14.7)
Unrecognised actuarial gains and losses	(1.0)	(0.8)
Defined benefit plans 31 May, net	8.2	6.8
Of which included as part of the liabilities	9.0	7.8
Of which included as part of the assets	(0.8)	(1.0)

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Note …				
32 … **Pensions (continued)**				
Development in the present value of the defined benefit obligation:				
Present value of the defined benefit obligation 1 June	22.3	26.5		
Adjustment, beginning of the year	-	(1.5)		
Exchange rate adjustment to year-end rate	0.2	0.6		
Current service cost	0.8	0.2		
Interest costs	1.0	1.0		
Recognised actuarial gains and losses	0.6	1.0		
Settlement of defined benefit plan	-	(4.1)		
Benefits paid	(1.1)	(1.4)		
Present value of the defined benefit obligation 31 May	23.8	22.3		
Defined benefit obligation from plans that are wholly unfunded	3.1	2.7		
Defined benefit obligation from plans that are wholly or partly funded	20.7	19.6		
Development in the fair value of plan assets regarding defined benefit plans:				
Fair value of plan assets 1 June	14.7	20.1		
Adjustment, beginning of the year	-	(1.9)		
Exchange rate adjustment to year-end rate	0.2	0.7		
Expected return on plan assets	0.7	0.4		
Recognised actuarial gains and losses	(0.4)	(0.6)		
Disposal of assets in connection with settlement	-	(4.1)		
Administration costs	(0.1)	(0.1)		
Benefits paid	(0.6)	(0.2)		
Contributions by the employer	0.1	0.4		
Fair value of plan assets 31 May	14.6	14.7		
Amounts recognised in the profit and loss account:				
Current service cost	0.6	0.2		
Interest costs on the obligation	1.0	1.0		
Expected return on plan assets	(0.7)	(0.4)		
Recognised actuarial gains and losses	1.0	0.9		
Administration costs	0.1	0.1		
Total amount recognised for defined benefit plans	2.0	1.8		
Total amount recognised for defined contribution plans	50.9	47.9	21.1	21.1
Total amount recognised in the profit and loss account, cf. note 5	52.9	49.7	21.1	21.1
In the coming financial year the contributions to the defined benefit plans are expected to amount to	0.7	0.4		
Specification of the plan assets measured at fair value regarding defined benefit plans				
Equity instruments	1.5	1.4		
Debt instruments	11.0	11.2		
Property	2.0	2.0		
Other assets	0.1	0.1		
	14.6	14.7		

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Note …				
32 … **Pensions (continued)**				
None of the plan assets are connected to the companies in the Group.				
Actual return on plan assets regarding the defined benefit plans	0.3	0.2		

The defined benefit plan in Germany is partly funded by means of an independent pension fund. As at 31 May 2011, the actuarially calculated net obligation is recognised in the Group's balance sheet at DKK 5.9 million (DKK 5.1 million in 2009/10).
The net obligation is calculated as the present value of the future payments of DKK 14.2 million (DKK 13.4 million in 2009/10) less the fair value of the pension fund's assets of DKK 8.3 million (DKK 8.3 million in 2009/10). The actuarial calculation is based on a calculation rate of 5.25 % 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 1.5 million (an expense of DKK 3.1 million in 2009/10).

The defined benefit plan in Norway is also partly funded by means of an independent pension fund. As at 31 May 2011 the actuarially calculated net receivable is recognised in the Group's balance sheet at DKK 0.8 million (DKK 1.0 million in 2009/10).
The net receivable is calculated as the fair value of the plan assets of DKK 6.3 million (DKK 6.4 million in 2009/10) less the present value of the future payments of DKK 6.5 million (DKK 6.2 million in 2009/10) and added unrecognised actuarial losses of DKK 1.0 million (DKK 0.8 million in 2009/10). The actuarial calculation is based on a calculation rate of 4.0 % p.a., an expected rate of salary increase of 4.0 % p.a. and an expected rate of return of 5.4 % p.a. In the Group's profit and loss account the plan is recognised as an expense of DKK 0.2 million (DKK 0.2 million in 2009/10).

5 year overview:

	2010/11	2009/10	2008/09	2007/08	2006/07
Present value of defined benefit obligation	23.8	22.3	26.5	29.0	28.1
Fair value of plan assets	(14.6)	(14.7)	(20.1)	(20.3)	(18.1)
Deficit, defined benefit plans	9.2	7.6	6.4	8.7	10.0
Experience adjustments on defined benefit obligation	0.6	1.0	(3.0)	(1.6)	(0.2)
Experience adjustments on plan assets	(0.4)	(0.6)	(0.5)	0.5	(0.8)

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

33 … **Deferred tax**

Group	Non-current assets	Inven-tories	Receivables	Provisions	Tax loss carry forwards	Other	Total
Deferred tax 1 June 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
Exchange rate adjustment to year-end rate	0.2	-	-	-	-	-	0.2
Recognised in the profit and loss account	1.3	-	-	-	0.5	(0.1)	1.7
Deferred tax 31 May 2011	8.9	-	-	(0.5)	-	(0.3)	8.1

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)

Note …

34 … **Provisions**

Group	Warranty	Fairness	Jubilee benefits	Restruc-turing	Other obligations	Total
Provisions 1 June 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	0.2	0.8	0.5	-	-	1.5
Provisions 31 May 2010	74.6	23.2	9.0	10.8	13.3	130.9
Exchange rate adjustment to year-end rate	0.2	0.3	0.1	(0.2)	(0.5)	(0.1)
Provisions during the year	56.9	6.7	1.2	-	2.9	67.7
Provisions used during the year	(33.4)	(7.3)	(0.9)	(3.7)	(0.3)	(45.6)
Provisions reversed during the year	(2.8)	(5.3)	(1.1)	(5.7)	(0.7)	(15.6)
Change in calculation of present value during the year	0.1	0.2	0.3	-	-	0.6
Provisions 31 May 2011	95.6	17.8	8.6	1.2	14.7	137.9

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	-	-	5.5	1.6	0.1	7.2
Non-current provisions	40.3	13.4	8.3	8.2	8.0	78.2
Falls due within 1 year	34.3	9.8	0.7	2.6	5.3	52.7
Provisions 31 May 2010	74.6	23.2	9.0	10.8	13.3	130.9

The expected due dates of the provisions as at 31 May 2011 are as follows:

Falls due 1 - 5 years	52.1	11.6	2.6	-	9.0	75.3
Falls due after 5 years	0.1	0.1	5.3	-	0.7	6.2
Non-current provisions	52.2	11.7	7.9	-	9.7	81.5
Falls due within 1 year	43.4	6.1	0.7	1.2	5.0	56.4
Provisions 31 May 2011	95.6	17.8	8.6	1.2	14.7	137.9

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

34 … **Provisions (continued)**

Parent company	Jubilee benefits
Provisions 1 June 2009	3.2
Provisions during the year	0.5
Provisions used during the year	(0.6)
Provisions reversed during the year	(0.3)
Change in calculation of present value during the year	0.3
Provisions 31 May 2010	3.1
Provisions during the year	0.4
Provisions used during the year	(0.4)
Provisions reversed during the year	(0.2)
Change in calculation of present value during the year	0.2
Provisions 31 May 2011	3.1

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

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

The expected due dates of the provisions as at 31 May 2011 are as follows:

Falls due 1 - 5 years	1.0
Falls due after 5 years	1.9
Non-current provisions	2.9
Falls due within 1 year	0.2
Provisions 31 May 2011	3.1

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 113.4 million (DKK 97.8 million in 2009/10) 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)

Note …

35 … **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 4.0 - 5.0 %	1.8	8.0	25.2	33.2
Floating rate loans, interest rate level 3.0 - 4.0 %	4.6	19.0	167.3	186.3
Carrying amount 31 May 2011	6.4	27.0	192.5	219.5
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

Parent company				
Fixed rate loans, interest rate level 4.0 - 5.0 %	1.8	8.0	25.2	33.2
Floating rate loans, interest rate level 3.0 - 4.0 %	4.6	19.0	167.3	186.3
Carrying amount 31 May 2011	6.4	27.0	192.5	219.5
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

The fair value of the current and non-current financial liabilities, mortgage loans in the Group amounts to DKK 225.2 million (DKK 230.6 million in 2009/10), while the fair value in the parent company amounts to DKK 225.2 million (DKK 230.6 million in 2009/10). All loans are taken out in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

36 … **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
Carrying amount 31 May 2011	-	-	-	-
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

Parent company				
Carrying amount 31 May 2011	-	-	-	-
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

The fair value of the current and non-current financial liabilities, loans from banks etc. in the Group amounts to DKK 0.0 million (DKK 95.6 million in 2009/10), while the fair value in the parent company amounts to DKK 0.0 million (DKK 51.0 million in 2009/10). All current and non-current financial liabilities, loans from banks etc. in the Group were taken out in DKK or EUR. In the parent company they were taken out in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

(DKK million)

Note …

37 … **Other non-current liabilities**

Group	Falls due 1 - 5 years
Other non-current liabilities	0.9
Carrying amount 31 May 2011	0.9
Accrued deposit	3.1
Other non-current liabilities	3.8
Carrying amount 31 May 2010	6.9
Parent company	
Carrying amount 31 May 2011	-
Accrued deposit	3.1
Other non-current liabilities	3.4
Carrying amount 31 May 2010	6.5

The fair value of other non-current liabilities in the Group amounts to DKK 0.9 million (DKK 6.8 million in 2009/10), while the fair value in the parent company amounts to DKK 0.0 million (DKK 6.4 million in 2009/10). The fair value is calculated as the present value of the expected future instalments and interest payments.

	Group		**Parent company**	
(DKK million)	2010/11	2009/10	2010/11	2009/10
38 … **Payables to subsidiaries**				
Payables to subsidiaries (net) 31 May			55.6	40.0

All payables to subsidiaries fall due within 1 year.

The fair value of payables to subsidiaries amounts to DKK 55.6 million (DKK 40.0 million in 2009/10). 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.

39 … **Income tax**

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Accrued income tax 1 June	20.0	21.2	0.1	0.1
Exchange rate adjustment to year-end rate	0.9	0.9	-	-
Adjustment previous years	(0.1)	(4.8)	-	-
The year's current tax	16.5	17.0	0.4	-
Income tax paid during the year	(14.7)	(10.2)	(0.4)	-
Other	-	-	-	-
Transferred to income tax receivable	(0.9)	(4.1)	-	-
Accrued income tax 31 May	21.7	20.0	0.1	0.1

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 2009/10). 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 2009/10).

Parantheses denote negative figures or figures to be deducted.

NOTES TO THE CASH FLOW STATEMENT

Note	(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
40	**Other payables**				
	Payroll-related items	166.3	154.9	85.8	67.2
	Taxes and duties	41.9	36.4	-	12.0
	Other payables	95.7	98.6	35.8	30.1
	Other payables, total	303.9	289.9	121.6	109.3

All other payables fall due within 1 year.

The fair value of other payables in the Group amounts to DKK 303.9 million (DKK 289.9 million in 2009/10), while the fair value in the parent company amounts to DKK 121.6 million (DKK 109.3 million in 2009/10). 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. Fair value of financial instruments included in "other payables" totals DKK -11.0 million (2009/10 DKK -5.0 million)

Note	(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
41	**Adjustments**				
	Change in other liabilities	2.2	(11.9)	(6.5)	(0.1)
	Financial income etc.	(7.5)	(15.4)	(19.2)	(61.2)
	Financial costs etc.	27.4	24.5	29.3	29.0
	Result of investments in associates after tax	(0.2)	6.7		
	Gain/loss on sale of non-current assets	2.4	(9.0)	0.6	-
	Tax on result for the year	12.1	(16.7)	(41.5)	(43.2)
	Various adjustments	12.1	7.7	6.6	7.4
	Total adjustments	48.5	(14.1)	(30.7)	(68.1)
42	**Change in working capital**				
	Change in receivables	63.1	-	193.6	134.0
	Change in inventories	0.6	29.7	(0.2)	1.0
	Change in accounts payables etc..	(37.0)	14.1	17.9	(0.4)
	Total change in working capital	26.7	43.8	211.3	134.6
43	**Cash and cash equivalents**				
	Cash and cash equivalents consists of:				
	Cash	189.1	253.6	132.1	168.5
	Overdraft facilities	(47.7)	(11.9)	(47.5)	(11.9)
	Cash and cash equivalents	141.4	241.7	84.6	156.6

There are no restrictions in the Group's or the parent company's use of cash and cash equivalents.

Parantheses denote negative figures or figures to be deducted.

Note	(DKK million)	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
44	**Fees to auditors elected at the Annual General Meeting**				
	Statutory audit:				
	Deloitte	4.7	4.6	0.6	0.6
	Statutory audit, total	4.7	4.6	0.6	0.6
	Tax consulting services:				
	Deloitte	0.4	0.3	0.1	-
	Tax consulting services, total	0.4	0.3	0.1	-
	Other services:				
	Deloitte	0.4	0.2	0.3	0.1
	Other services, total	0.4	0.2	0.3	0.1
	Fees to auditors elected at the Annual General Meeting, total	5.5	5.1	1.0	0.7

45 … **Contingent liabilities and other financial commitments**

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.

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Leasing commitments relating to plant and machinery etc.	29.0	17.8	18.0	10.3
Leasing commitments relating to establishment of shops	154.4	207.9	-	-
Leasing commitments relating to office and factory property	86.6	105.1	56.6	64.5
Total	270.0	330.8	74.6	74.8
Which can be specified as follows:				
Falls due within 1 year	74.1	87.5	18.6	17.3
Falls due 1 - 5 years	151.8	166.0	38.5	28.2
Falls due after 5 years	44.1	77.3	17.5	29.3
Total	270.0	330.8	74.6	74.8
Rental and lease payments, net for the year	81.4	67.5	25.3	23.8
Of which minimum rental and lease payments	81.4	67.5	25.3	23.8

Neither in the Group nor in the parent company contingent rental or lease payments have been recognised in the profit and loss account in 2010/11 or 2009/10.

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.

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group		Parent company	
Note …	2010/11	2009/10	2010/11	2009/10
45 … **Contingent liabilities and other financial commitments (continued)**				
Guarantees				
Total guarantees as at 31 May	16.6	18.9	26.6	6.9
Of which regarding subsidiaries	-	-	19.7	-
Of which regarding associates	5.2	5.2	5.2	5.2

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

Letters of intent

Bang & Olufsen Operations a/s has issued letters of intent to the subsidiaries in the US and Australia.

VAT and other taxes

The Danish companies in the Group share joint registration and are jointly and severally liable for VAT and other taxes totalling DKK 22.0 million (DKK 13.0 million in 2009/10).

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 2010) as security for DKK 273.4 million of the Group's mortgage and bank debt (DKK 293.3 million as at 31 May 2010). 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 2010) as security for the parent company's mortgage and bank debt of DKK 273.4 million (DKK 293.3 million as at 31 May 2010). 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 173.8 million (DKK 184.9 million as at 31 May 2010), while the carrying amount in the parent company is DKK 173.8 million (DKK 184.9 million as at 31 May 2010). No intangible assets, financial assets or inventories are pledged as security for liabilities.

As security of all receivables and payables with Danske Bank and Nordea 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 0.0 million as at 31 May 2011 (DKK 44.6 million as at 31 May 2010) included a clause stating, that the loan could be called, if a shareholder obtained 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 0.0 million as at 31 May 2011 (DKK 26.0 million as at 31 May 2010) included a clause stating, that the loan could be called, if a shareholder obtained 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. In accordances with the exemption clause in IAS 37, Provisions, Contingent Liabilities and Contingent Assets, no further information is given regarding the lawsuits, as further information might harm the Group.

(DKK million)

Note …

46 … **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.

Monetary items* in the balance sheet of the Group as at 31 May translated to DKK:

		2010/11			2009/10		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	348.7	123.2	225.5	360.8	150.2	210.6
	> 12 months	9.6	0.9	8.7	8.0	37.6	(29.6)
GBP	0-12 months	47.4	11.8	35.6	61.9	27.2	34.7
	> 12 months	6.0	-	6.0	8.9	-	8.9
SEK	0-12 months	13.9	2.9	11.0	14.6	2.0	12.6
	> 12 months	0.2	-	0.2	-	-	-
JPY	0-12 months	5.2	4.8	0.4	5.5	1.2	4.3
	> 12 months	0.2	-	0.2	-	-	-
CHF	0-12 months	27.6	5.1	22.5	41.1	6.5	34.6
USD	0-12 months	56.1	42.7	13.4	72.1	74.5	(2.4)
	> 12 months	-	-	-	0.1	-	0.1
CZK	0-12 months	5.8	3.5	2.3	2.9	3.5	(0.6)
SGD	0-12 months	19.1	0.9	18.2	15.2	1.7	13.5
	> 12 months	-	-	-	-	-	-
AUD	0-12 months	8.6	1.9	6.7	9.9	5.7	4.2
	> 12 months	-	4.2	(4.2)	-	1.1	(1.1)
Other	0-12 months	15.5	0.6	14.9	16.2	-	16.2
	> 12 months	0.9	-	0.9	1.1	-	1.1

Monetary items* in the balance sheet of the parent company as at 31 May translated to DKK:

		2010/11			2009/10		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	139.3	10.2	129.1	103.1	24.0	79.1
GBP	0-12 months	-	2.0	(2.0)	-	11.9	(11.9)
SEK	0-12 months	2.3	-	2.3	0.8	0.2	0.6
JPY	0-12 months	1.1	-	1.1	1.0	-	1.0
CHF	0-12 months	3.7	-	3.7	11.1	-	11.1
USD	0-12 months	21.9	6.2	15.7	26.3	7.2	19.1
CZK	0-12 months	4.3	-	4.3	1.8	-	1.8
SGD	0-12 months	6.5	-	6.5	3.3	-	3.3
AUD	0-12 months	6.2	-	6.2	0.8	-	0.8
Other	0-12 months	-	-	-	0.4	-	0.4

* 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.

(DKK million)	Group		Parent company	
Note …	2010/11	2009/10	2010/11	2009/10
46 … **Financial instruments (continued)**				
Categories of financial instruments				
Other financial receivables	40.1	41.4	3.0	3.0
Trade receivables	365.2	417.9	-	-
Receivables from subsidiaries	-	-	509.5	710.6
Receivables from associates	1.7	1.5	-	0.5
Other receivables	24.3	27.6	13.3	3.5
Cash	189.1	253.6	132.1	168.5
Loans and receivables	620.4	742.0	657.9	886.1
Other non-current liabilities	0.9	6.9	-	6.5
Mortgage loans, total	225.9	230.4	225.9	230.4
Loans from banks etc., total	-	95.6	-	51.0
Overdraft facilities	47.7	11.9	47.5	11.9
Trade payables	199.8	259.4	28.9	38.9
Payables to subsidiaries	-	-	55.6	40.0
Other payables excl. foreign exchange forward contracts	293.0	284.9	110.7	104.3
Financial liabilities measured at amortised cost	767.3	889.1	468.6	483.0

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, as well as financial assets and liabilities used as a hedging instrument. The fair value represents DKK -11.0 million (DKK -5.0 million in 2009/10)

Maturity analysis for receivables	2010/11	2009/10
Amounts not due	359.8	399.6
Up to 30 days overdue	19.3	31.8
Between 30 and 60 days overdue	11.7	10.4
Between 60 and 90 days overdue	6.5	9.3
Between 90 and 120 days overdue	6.2	14.0
More than 120 days overdue	27.8	23.3
Total	431.3	488.4

Write-downs have been recognised for all overdue receivables with the exception of situations sufficient collateral have been attained. All receivables in the parent company as at 31 May 2011 and as at the 31 May 2010 are not due.

Fair value per category of financial instruments	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Other financial receivables	39.6	40.9	2.5	2.5
Trade receivables	365.2	417.9	-	-
Receivables from subsidiaries	-	-	509.5	710.6
Receivables from associates	1.7	1.5	-	0.5
Other receivables	24.3	27.6	13.3	3.5
Cash	189.1	253.6	132.1	168.5
Loans and receivables	619.9	741.5	657.4	885.6
Other non-current liabilities	0.9	6.8	-	6.4
Mortgage loans, total	225.2	230.6	225.2	230.6
Loans from banks etc., total	-	95.6	-	51.0
Overdraft facilities	47.7	11.9	47.5	11.9
Trade payables	199.8	259.4	28.9	38.9
Payables to subsidiaries	-	-	55.6	40.0
Other payables excl. foreign exchange forward contracts	293.0	284.9	110.7	104.3
Financial liabilities measured at amortised cost	766.6	889.2	467.9	483.1

(DKK million)

Note …

46 … **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 2010/11, 91 % of the Group’s turnover is in foreign currency (89 % in 2009/10). 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 2011 the Group has entered into foreign exchange forward contracts at a contract amount of DKK 213.2 million (DKK 186.3 million as at 31 May 2010), with a fair value of DKK -11.0 million (DKK -5.0 million as at 31 May 2010).

	31 May 2011		31 May 2010	
Foreign exchange forward contracts, net sale (purchase)	Contract amount	Fair value	Contract amount	Fair value
USD	(126.0)	(3.6)	(70.8)	9.1
GBP	135.3	1.6	107.6	(7.2)
CHF	147.3	(8.5)	114.6	(5.3)
SEK	33.9	(0.3)	24.2	(1.1)
NOK	22.7	(0.2)	10.7	(0.5)
Total 31 May	213.2	(11.0)	186.3	(5.0)

The table below shows the effect on operating profit/loss for the year and the Group's equity of a positive change in selected currencies of 5 % compared to the average foreign exchange rates for the year estimated on unhedged basis.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Note …

46 … **Financial instruments (continued)**

	Operating profit/loss		Equity	
	2010/11	2009/10	31 May 2011	31 May 2010
USD	(10.7)	(9.6)	(7.2)	(7.2)
GBP	7.6	8.5	6.4	6.4
CHF	9.0	9.1	6.8	6.8
NOK	1.1	0.9	0.7	0.7
SEK	1.6	1.6	1.2	1.2
SGD	4.0	3.4	2.5	2.5
AUD	2.2	1.9	1.4	1.4

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 189.1 million (DKK 253.6 million in 2009/10). 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 0.9 million in 2010/11 (DKK 1.2 million in 2009/10).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 273.6 million (DKK 337.9 million in 2009/10) corresponding to 10.9 % of the balance sheet total (13.2 % in 2009/10).

Of the interest-bearing debt, DKK 191.9 million fall due after five years (DKK 212.2 million in 2009/10). Further information is provided in notes 35 and 36.

Due to the low debt level and the fact that the borrowings are in fixed rate loans or loans with a fixed rate of minimum three years, 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 955 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 2010/11 financial year, DKK 9.8 million was expensed for losses and changes to provisions for losses on receivables (DKK 61.0 million in 2009/10).

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 the Group's financial reserve arrangements and the expectations to the Group's future cash flows, no liquidity issues are expected.

Parantheses denote negative figures or figures to be deducted.

Note …

46 … **Financial instruments (continued)**

Defaults or breaches on loans

Neither the Group nor the parent company has defaulted or breached any loan agreements during 2010/11 or 2009/10.

47 … **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 48.

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 48.

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:

(DKK million)	Group		Parent company	
	2010/11	2009/10	2010/11	2009/10
Purchase of raw materials from associates	8.2	15.8	-	-
Purchase of services from associates	0.9	1.3	0.9	1.3
Rental income from associates	4.9	5.0	4.9	5.0
Rendering of services to associates	0.9	2.3	-	-
Purchase of services from subsidiaries			104.7	100.8
Rendering of services to subsidiaries			76.9	86.6
Royalty income from subsidiaries			380.0	275.0
Rental income from subsidiariesr			73.5	75.0

The transactions with the subsidiaries (and sub-subsidiaries) have been eliminated in the consolidated financial statements in accordance with the accounting principles applied.

(DKK million)

Note …

47 … **Related parties (continued)**

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 2010/11 or 2009/10.

Other transactions

Bang & Olufsen a/s has received DKK 2.0 million as dividend from the subsidiaries (DKK 32.4 million in 2009/10).
No dividend has been received from the associates in 2010/11 or 2009/10.

Bang & Olufsen a/s has issued guarantees for the related parties, cf. note 45. None of the guarantees are expected to result in any losses.

During 2010/11 Bang & Olufsen a/s contributed DKK 0.8 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)

Note …

48 … **Companies in the Bang & Olufsen Group**

Company name	Registered office	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Branded business					
Bang & Olufsen a/s	Struer, DK	DKK	362,440,140	100 %	
Bang & Olufsen Operations a/s	Struer, DK	DKK	156,000,000	100 %	
Scandinavia					
Bang & Olufsen Danmark a/s	Struer, DK	DKK	3,000,000	100 %	
Bang & Olufsen AS	Oslo, N	NOK	3,000,000	100 %	
Bang & Olufsen Svenska AB	Stockholm, S	SEK	4,150,000	100 %	
Central Europe					
Bang & Olufsen Deutschland G.m.b.H.	München, D	EUR	1,022,584	100 %	
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulln, A	EUR	1,744,148	100 %	
United Kingdom/Benelux					
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 %	
Rest of Europe					
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 %	
North America					
Bang & Olufsen America Inc.	Arlington Heights, USA	USD	34,000,000	100 %	3
Asia					
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
Middle East					
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
Other					
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 %	
Non-branded business					
Bang & Olufsen ICEpower a/s	Lyngby-Tårbæk, DK	DKK	1,939,750	100 %	2
Associates					
John Bjerrum Nielsen A/S	Bramming, DK	DKK	10,000,000	33 %	
Bang & Olufsen Medicom a/s	Struer, DK	DKK	11,920,918	35 %	

Dormant companies are not included.

* As at 1 June 2011 Bang & Olufsen a/s has acquired the remaining 49 % of the shares in OÜ BO-Soft.

Note …

49 … **Capital structure**

Bang & Olufsen operates in a sector with very frequent and significant changes in technology. Therfore, 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 charaterised by considerable seasonal variations.

Based on this, Bang & Olufsen has a need for sufficient capital reserves. After 2 years with significant losses has the Group decided to suspend earlier announced long term goals for self-financing and financial gearing. Even though the Group had a positive result for the year, it is still not satisfactory and many of the initiatives in the strategy plan require capital. That is why the Group focuses on the short term capital needs to ensure that funds sufficient to cover variances in the earnings of the company - including seasonality - and support the strategy plan.

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:

(DKK million)	Group	
	2010/11	2009/10
Mortgage loans	225.9	230.4
Loans from banks etc.	-	95.6
Overdraft facilities	47.7	11.9
Cash	(189.1)	(253.6)
Net interest-bearing debt	84.5	84.3
Equity	1,538.3	1,496.2
Financial gearing	0.05	0.06
EBITDA	299.4	211.6
Net interest-bearing debt/EBITDA	0.28	0.40

50 … **Information about shareholders**

As at 31 May 2011, Bang & Olufsen a/s has approx. 35,000 registered shareholders corresponding to an ownership interest of approx. 76 % of the share capital. Approx. 34,000 of these shareholders are resident in Denmark. Of the listed capital, approx. 68 % is placed in Denmark.

As at 31 May 2011, the following individuals or legal entities hold 5 % or more of the company's capital or share capital's voting rights:

	Number of shares	Capital/ Votes %
Delta Lloyd Asset Management N.V., Spaklerweg 4, 1000 BA Amsterdam, Holland	5,843,944	16.1
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød, Denmark	3,630,319	10.0
Færchfonden, Lille Østergade 8A, 7500 Holstebro, Denmark	1,848,000	5.1

Note …

51 … **Board of Directors and Board of Management**

The members of the Board of Directors and the Board of Management of Bang & Olufsen a/s' hold shares in Bang & Olufsen a/s and hold other directorships in commercial enterprises as specified below:

	Number of shares in Bang & Olufsen a/s		
Board of Directors	31 May 2011	31 May 2010	Directorships in other commercial enterprises *
Ole Andersen Chairman	39,450	-	Chairman of the board of directors of Chr. Hansen Holding A/S and ISS A/S. Deputy Chairman of Danske Bank A/S.
Niels Bjørn Christiansen Deputy chairman	300	300	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 Danske Bank A/S and William Demant Holding A/S.
Peter Skak Olufsen	49,000	49,000	Peter Skak Olufsen runs the manor Quistrup. In addition, he is chairman of Aktieselskabet Fiil-Sø, Hunsballe Frø A/S, Fiilsø Svineavl A/S and Fonden Nr. Vosborg. Deputy chairman of Idagaardfonden. Member of the board of directors of JP/Politikens Hus A/S, Euro-Grass BV, Kongenshus Mindepark for Hedens Opdyrkere and Sven Torben og Margrethe Westenholz Slægtsfond.
Rolf Eriksen	1,140	1,140	Member of the board of directors of Hennes & Mauritz A/S, Nobia AB, Royal Copenhagen A/S, Bianco Footware A/S, Ugly Duck Aps and BoConcept A/S.
Jesper Jarlbæk	1,500	-	Chairman of the Board of Advis A/S, Altius Invest A/S, Basico Consulting International ApS and one of its subsidiaries, Groupcare Holding A/S and two of its subsidiaries, Jaws A/S, Julie Sandlau China ApS, Prospect A/S, Spoing A/S, Valuemaker A/S and Southern Trident Pty Ltd. Member of the Board of Earlbrook Holdings Ltd. A/S, Polaris III Invest Fonden, TK Development A/S, Torm A/S, Cimber Sterling Group A/S and one of its subsidiaries, Økonomiforum ApS, IT2 Treasury Solutions Ltd. and Københavns Privathospital A/S. Managing Director of TIMPCO ApS, SCSK 2272 ApS and Earlbrook Holdings Ltd. A/S.
Alberto Torres	-	-	Deputy Chairman of Opera Software ASA. In the period from 2008 to 2011, Alberto Torres held a number of executive positions in the Nokia Group.
Anette Revsgaard Sejbjerg	362	346	None
Jesper Olesen	212	196	None
Knud Olesen	869	853	None
Board of Management			
Tue Mantoni	55,467	-	Member of the board of Triumph Motorcycles Ltd.
John Christian Bennett-Therkildsen	7,357	7,341	Member of the board of Grundfos A/S and Center for Industriel Produktion ved Aalborg Universitet.
Christian Winther	13,716	13,700	Member of the board of Pironet AG and Lundberg Data A/S.
Henning Bejer Beck	3,000	-	Chairman of the board of Directors of Pro Pack A/S.

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

Note …

51 … **Board of Directors and Board of Management (continued)**

Remuneration Board of Directors	2010/11
Ole Andersen (Chairman)	0.6
Niels Bjørn Christiansen (Deputy Chairman)	0.5
Peter Skak Olufsen	0.3
Rolf Eriksen	0.4
Jesper Jarlbæk (10 March - 31 May)	0.1
Alberto Torres (10 March - 31 May)	-
Anette Revsgaard Sejbjerg	0.3
Jesper Olesen	0.3
Knud Olesen	0.3
	2.8
Remuneration, former Board of Directors:	
Jørgen Worning	0.3
Brian Petersen	0.2
Total Board of Directors	3.3

52 … **Events after the balance sheet date**

After the balance sheet date no material events with effect for the annual report have occurred.

53 … **Adoption of the announcement of the annual report**

At the board meeting held on the 17 August 2011 the Board of Directors has adopted the announcement of this annual report. The annual report will be presented for adoption at the Ordinary Annual General Meeting of Bang & Olufsen a/s as at 23 September 2011.

www.bang-olufsen.com

CVR no. 41257911