BANG & OLUFSEN A/S GROUP

ANNUAL REPORT 2011/12

01 JUNE 2011 – 31 MAY 2012

BANG & OLUFSEN

CVR no.: 41257911

CONTENTS

3

41

140

ABOUT BANG & OLUFSEN

Bang & Olufsen designs, develops and markets a wide range of luxury audio/video products, including music systems, loudspeakers, television sets and multimedia products, that combine new technology with stylish design, quality and user-friendliness to provide consumers with enduring, magical experiences.

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to high quality audio reproduction. Since then, the brand has become an icon of performance and design excellence through its long-standing craftsmanship tradition and the strongest possible commitment to high-tech research and development. Still at the forefront of domestic technology, Bang & Olufsen has in recent years extended its comprehensive experience with integrated audio and video solutions for the home to other areas such as the hospitality and automotive industries. Consequently, its current product range epitomizes seamless media experiences in the home as well as in the car and on the move.

At the end of the financial year, Bang & Olufsen employed 2,106 people while the company's products are currently sold in more than 70 countries across the world. Bang & Olufsen's shares are listed on NASDAQ OMX Copenhagen A/S.

Core competencies

Bang & Olufsen recognises the importance of identifying, cultivating and utilising its own expertise and has, over the years, built up a number of areas of expertise through experience, practice, development and co-operation with external partners. Of these areas, some have been identified as the company's core areas of expertise, such as sound and acoustics, user experience mapping, concept development, design and system integration.

Business lines

Bang & Olufsen operates with two business lines; B2C and B2B.

The Business-to-consumer (B2C) business line consists of the AV and the B&O PLAY segments. The AV business comprises audio and video products sold under the Bang & Olufsen brand in more than 900 dedicated stores, which mainly sell Bang & Olufsen products. B&O PLAY is the new brand in the Bang & Olufsen family offering premium audio and visual equipment for the digital generation, taking advantage of Bang & Olufsen's core competencies.

The Business-to-business (B2B) business line consists of the Automotive and ICEpower segments. Automotive comprises development, production and sale of exclusive sound systems for high-end cars. In this respect, Bang & Olufsen has entered into partnership with Aston Martin, Audi, BMW and Mercedes-AMG. ICEpower is engaged in development, production and sales of compact, digital amplifier units.

2011/12 HIGHLIGHTS

The first year under the new company strategy "Leaner, Faster, Stronger" has seen growth in revenue and earnings. During the financial year, the Group launched a new brand, B&O PLAY, which is sold through Bang & Olufsen's existing distribution channels as well as through new distribution channels.

DKK 3,008m
Revenue

2010/11: DKK 2,867m

DKK 104m
EBT

2010/11: DKK 40m

4.9%
Revenue growth

2010/11: 3.8%

40.4%
Gross margin

2010/11: 40.3%

12.3%
EBITDA-margin

2010/11: 10.4%

4.1%
EBIT-margin

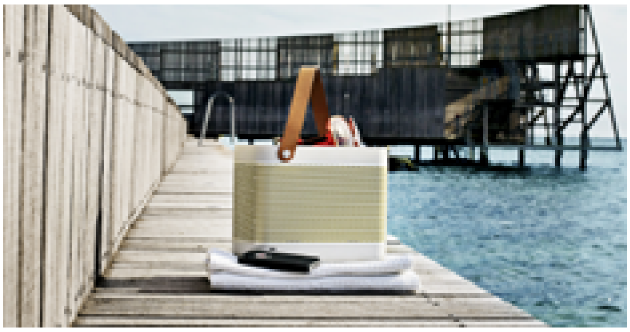
2010/11: 2.1%

DKK 613m
Net working capital

2010/11: DKK 451m

DKK -155m
Free cash flow

2010/11: DKK 2m



B&O PLAY launched

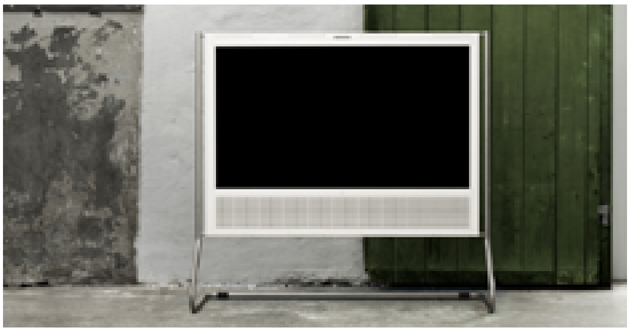
In 2011/12, Bang & Olufsen unveiled the new brand in the Bang & Olufsen family. B&O PLAY was launched in January 2012.

Expansion in BRIC markets

A number of new stores were established in the BRIC markets, including five new stores in China. Activities in Hong Kong were taken over, and operations in Shanghai opened.

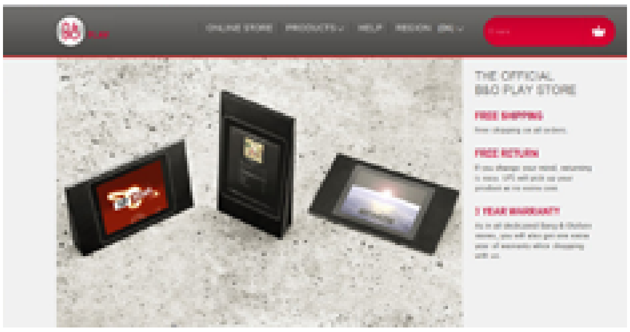
BeoVision 12 and BeoLab 12

A new 65-inch television, BeoVision 12, and a new family of wall speakers, BeoLab 12, have been added to the Bang & Olufsen product portfolio.



B&O PLAY launches first TV

Towards the end of the financial year, B&O PLAY introduced a new TV family. BeoPlay V1 is available in 32 and 40 inches and offers a wide range of placement options.



New distribution channels

B&O PLAY has entered into a number of distribution agreements with leading retailers such as Apple stores, independent premium shops and chain stores. An online shop has also been established.

Sound systems in new car models

Automotive launched a number of new sound systems to existing partners, and was for the third year running awarded best brand in Car-HiFi.

DEAR BANG & OLUFSEN SHAREHOLDER

For Bang & Olufsen, 2011/12 was another eventful year. The launch of the "Leaner, Faster, Stronger" strategy marked a strategic turning point towards a 5-year growth journey. During the year Bang & Olufsen improved both top- and bottom-line in a market that continues to be challenging.

Strategic measures

In August 2011, Bang & Olufsen presented a five-year strategy, "Leaner, Faster, Stronger", the aim of which is to exploit the full potential of the company. During the first year, Bang & Olufsen has focused on re-establishing a leading position within its main core areas and on building a more efficient, globalised and customer-oriented organisation.

Up to now, the implementation of the strategy has gone according to plan. The specific strategic measures undertaken during the year include:

- Bang & Olufsen has set up a Sound & Acoustics Innovation Team, which will contribute to ensuring that the company's unique competencies and market position within acoustics are turned to advantage.

- The Bang & Olufsen family has been extended with a new brand, B&O PLAY, aimed at the digital generation. The products combine user-friendliness with a high-quality modern design. In connection with the launch of B&O PLAY, a number of distribution agreements have been entered into with new retail outlets, and an online shop has been established.

- As part of the efforts to expand business in the BRIC markets, a national sales office has been established in Shanghai. In addition Bang & Olufsen has assumed control of the activities in Hong Kong and South China.

- To provide for much more extensive audio-video development cooperation and sourcing with partners, Bang & Olufsen has set up an office in Singapore to be closer to the company's partners in Asia. The aim is to ensure increased efficiency within product development.

- During the first half of the financial year, the company implemented a number of adjustments to create a more trimmed and agile organisation. In addition, the sales and marketing department has moved from Struer to Lyngby in Copenhagen, which contributes to ensuring global outlook and proximity to the customers.

Changes in management

The Board of Directors and management underwent a number of changes during the year. At the Annual General Meeting in September, Jim Hagemann Snabe replaced Niels Bjørn Christiansen on the Board. At the same time, Per Østergaard Frederiksen joined the Board as a new member elected by the employees, and replaced Anette Revsgaard Sejbjerg.

In addition to the three members of the Executive Management Board, Bang & Olufsen's management team now consists of six people, of which three joined in 2011/12.
Lou Schreurs was appointed Senior Vice President Product Creation on 1 October 2011, Danny Feltmann Espersen took up the position of Vice President Sales, Marketing & Service on 1 November 2011, and Christian Iversen became Vice President Corporate Services on 1 January 2012.

With these reinforcements, the company has established a strong management team to handle the continued challenges of the "Leaner, Faster, Stronger" strategy – including the focus areas that are vital to spurring the required growth in the years to come.

Employees and organisation

Bang & Olufsen's employees are an important part of the strategy's foundation and the company's continued development. During the year, the company took steps to build stronger competencies and processes, increase employee motivation, strengthen general management abilities and establish a strong team of future managers. At the end of the financial year, Bang & Olufsen had 2,106 employees worldwide.

New products

The increase in revenue and profit is partly attributable to the launch of a number of new products which were well received by customers. 2011/12 was a transition year for Automotive, with the launch of a number of new models at the end of the financial year.

Under the Bang & Olufsen brand, the company launched, among other things, the BeoSound 5 Encore sound system, the BeoVision 12 plasma television and a new family of wall-mounted loudspeakers, BeoLab 12. The B&O PLAY brand launched the BeoPlay V1 television and the Beolit 12, BeoPlay A3 and BeoPlay A8 sound systems.

These product launches contributed to an increase in the sale of audio and video products. Revenue increased by DKK 141 million or 4.9%, which is satisfactory in light of the generally challenging market situation. Profit before tax was DKK 104 million against a profit before tax of DKK 40 million last year.

Dividend

Based on the company's result and strategic challenges, the Board of Directors proposes to the Annual General Meeting that no dividend be paid out for the 2011/12 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results can justify it.

The future

2012/13 is the second year in the five-year "Leaner, Faster, Stronger" strategy plan. The first two years, focus will be on re-establishing a leading position within Bang & Olufsen's main core areas, and on building a more efficient, globalised and customer-oriented organisation. "Leaner, Faster, Stronger" will set the course for the management of Bang & Olufsen in the coming years.

The company expects that the strategic partnership entered into with Sparkle Roll and A CAPITAL, as described under 'Subsequent events' on page 14, will be important to the planned growth in the Greater China region.

Best regards,

Ole Andersen	Tue Mantoni
Chairman	President & CEO

FIVE-YEAR OVERVIEW – KEY FIGURES

Bang & Olufsen a/s – Group (DKK million)	2011/12	2010/11	2009/10	2008/09	2007/08
Income statement:					
Revenue	3,008	2,867	2,762	2,790	4,092
Gross margin, %	40.4	40.3	39.4	39.6	46.2
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	379	299	212	(210)	494
Earnings before interest and tax (EBIT)	122	60	(34)	(496)	195
Financial items, net	(16)	(20)	(9)	(30)	(30)
Earnings before tax (EBT)	104	40	(50)	(523)	154
Earnings after tax	73	28	(33)	(383)	112
Financial position:					
Total Assets	2,892	2,508	2,562	2,613	2,814
Share capital	362	362	362	362	121
Equity	1,626	1,538	1,496	1,517	1,481
Net interest-bearing debt	248	85	84	120	335
Net working capital	613	451	477	528	483
Cash flow:					
- from operating activities	225	320	218	113	332
- from investing activities	(380)	(318)	(178)	(339)	(254)
- acquisition of tangible assets	121	96	83	111	190
- free cash flow	(155)	2	40	(226)	78
- from financing activities	134	(100)	(44)	418	(181)
Cash flow for the period	(21)	(98)	(4)	192	(104)
Key figures:					
EBITDA-margin, %	12.3	10.4	7.7	(7,5)	12,1
EBIT-margin, %	4.1	2.1	(1,2)	(17,8)	4,8
NIBD/EBITDA,%	65.6	28.4	39.6	(57.1)	67.8
Return on assets, %	5.2	2.8	(1.6)	(20.6)	7.4
Return on invested capital, excl. goodwill, %	17.4	13.3	6.3	(21.6)	20.3
Return on equity, %	4.6	1.8	(2.3)	(25.8)	6.7
Full time employees at the end of the period	2,106	2,008	2,046	2,051	2,579
Stock related key figures:					
Earnings per share (EPS), DKK	2	1	(1)	(16)	4
Earnings per share, diluted (EPS-D), DKK	2	1	(1)	(16)	4
Price/Earnings	30	96	(59)	(3)	29

THE GROUP'S EXPECTATIONS TO 2012/13

The financial year 2012/13 sees the continuation of the"Leaner, Faster, Stronger" strategy roll-out with double-digit revenue growth driven primarily by new product launches within B&O PLAY and Automotive.

The financial year 2012/13 is the second year in the implementation of the 5-year "Leaner, Faster, Stronger" strategy.

The focus on new product launches continues in the core Bang & Olufsen AV business, B&O PLAY and Automotive. To increase average sales and profitability per retail store the focus on stores which deliver the best customer service and experience will be accelerated. We expect growth in the number of B1 stores outside Europe, whereas the B1 distribution will be further reduced in Europe. The number of distribution points for B&O PLAY is expected to be expanded worldwide.

Within the B2B business segment focus will be on providing excellent service to the existing four Automotive partners; Aston Martin, Audi, BMW and Mercedes AMG. Several of the partners have launched new models with Bang & Olufsen systems in the fourth quarter of the financial year 2011/12, which will positively impact the business in 2012/13.

The challenging macroeconomic outlook, the low level of consumer confidence and the company's high exposure to Europe lead to an uncertain trading environment ahead.

However, due to the company's strong innovation pipeline and the continued implementation of the strategic initiatives from the "Leaner, Faster, Stronger" strategy, we expect double-digit revenue growth in 2012/13 driven mainly by Automotive and B&O PLAY.

The core AV business will remain challenged due to two factors: 1. Exposure to Europe remains high and trading conditions in the region continue to be tough 2. The impact from key improvement initiatives like retail network restructuring takes time to materialise. This is consistent with the communication made at the launch of the "Leaner, Faster, Stronger" strategy, that the first two years represent a transition period to prepare the business for future growth.

We expect Q2 and Q3 to be strong compared to last year, the timing driven primarily by product launches and updates. Q1 and Q4 represent tough comparisons and no or moderate growth can be expected in these quarters.

We expect an improved EBIT-margin compared to the previous year, despite increased amortisation charges on development projects.

Safe Harbor Statement

The report contains statements relating to the expectations for future developments, including future revenues 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 risk.

STRATEGY FOLLOW-UP

In August 2011, Bang & Olufsen launched the strategy plan "Leaner, Faster, Stronger" with the aim of realising the full potential of the company, which is estimated to be revenue of DKK 8-10 billion and an EBIT-margin of more than 12%. The five-year strategy plan contains six "must-win battles", which Bang & Olufsen has focused on in 2011/12.

1. Increased focus on sound and acoustics and further strengthening of the Automotive business area

2. Launch of a new product category and expanding distribution through complementary sales channels

3. Optimization of distribution

4. Growth in the BRIC markets

5. R&D transition – use of partners for audio-video development and sourcing

6. Quicker and simpler execution

1.

Bang & Olufsen has set-up a Sound & Acoustics Innovation Team, which will contribute to ensuring that the company's unique competencies and market position within acoustics are turned to advantage. The acoustics product portfolio has been expanded with a new family of wall-mounted loudspeakers, BeoLab 12, which offer big sound in a compact design. During the course of the year, the Automotive business area was strengthened further with the launch of new sound systems for an extensive number of car models.

This work will continue in 2012/13 with a view to further expanding the acoustics product portfolio and launching new sound systems for partners in the Automotive business area.

2.

The Bang & Olufsen family has been extended with a new brand, B&O PLAY, offering among other things wireless music systems aimed at the digital generation. At the same time, distribution has been expanded with the conclusion of a number of distribution agreements with new retail outlets in Europe and the USA, as well as an online shop has been established.

In 2012/13, the company will focus on increasing the number of retail outlets beyond Europe and the USA. Similarly, the work on expanding the product portfolio within B&O PLAY will continue.

3.

In connection with the efforts to optimise distribution, during the year, Bang & Olufsen has worked on upgrading the existing store concept to make the future interior design reflect the focus on integrated audio-video solutions and the increased focus on acoustics. Work is continuously being undertaken to increase the number of B1 stores in developing markets and reducing the number of B1 stores in mature markets.

The upgrade of the existing store concept will start during the course of 2012/13.

4.

As part of the efforts to expand business in the BRIC markets, a national sales office has been established in Shanghai, and Bang & Olufsen has assumed control of the activities and distribution in Hong Kong and Southern China – including existing service and training facilities. At the same time, an agreement has been reached with a new master dealer in India.

In 2012/13, Bang & Olufsen will expand its organisation in China and exploit the know-how generated to create stronger growth. The company expects that the strategic partnership entered into with Sparkle Roll and A CAPITAL will be important for the planned growth in the Greater China region

5.

With the prospect of much more extensive audio-video development cooperation and sourcing with partners in order to provide greater efficiency in product development, Bang & Olufsen has set-up an office in Singapore to be closer to the company's partners in Asia.

In 2012/13, the work on finding new cooperation opportunities will continue. At the same time, Bang & Olufsen will increase its focus on the competencies where the company is able to really stand out – for instance key differentiation areas such as sound and acoustics, user experience mapping, concept development, design and system integration.

6.

During the first half of the financial year, the company implemented a number of adjustments to create a more trimmed and agile organisation. In addition, the sales and marketing department has moved from Struer to Lyngby in Copenhagen, which contributes to ensuring a global outlook and proximity to its customers.

Steps have been taken to improve the company's innovation process. The work to improve the innovation process will continue in 2012/13. In addition, the company will work on its corporate culture and to disseminate the required sense of urgency in the organisation.

Strategy implementation continues

During the first financial year with the new strategy, Bang & Olufsen has focused on re-establishing a leading position within its core areas and on building a more efficient, globalised and customer-oriented organisation. This will also be the case in 2012/13, which is the second financial year of the new strategy period.

The strategy will continue to set the direction for management of Bang & Olufsen in the coming years. The speed of implementation will be positively or negatively affected by the development in the company's financial resources. Strategy implementation will be monitored by the Board of Directors on an ongoing basis, and it will continuously be reconciled with the company's cash and capital resources.

FINANCIAL REVIEW

In line with the announced expectations for the 2011/12 financial year, the Bang & Olufsen a/s Group realised revenue of DKK 3,008 million and a profit before tax of DKK 104 million, with an EBIT-margin of 4.1%.

Revenue in the Bang & Olufsen a/s Group was DKK 3,008 million in 2011/12, which is DKK 141 million more than last year. The increase corresponds to a growth of 4.9%.

The Group's gross margin in the 2011/12 financial year was 40.4%, compared to a gross margin of 40.3% last year. The unchanged gross margin is partly due to a positive change in the product mix in the AV business because of stronger sales of loudspeaker products, which traditionally have a higher gross profit, and partly due to a positive change in the product mix in the Automotive segment. However, the positive effects from AV and Automotive are more than offset by increased sales in the B&O PLAY segment, which has a lower gross margin.

The Group's capacity costs decreased by DKK 3 million from DKK 1,096 million last year to DKK 1,093 million.

Distribution and marketing costs fell during the financial year by DKK 7 million from DKK 661 million to DKK 654 million, which was due, among other things, to organisational changes in the global sales organisation resulting from the new company strategy. Administrative expenses etc. amounted to DKK 102 million, which is a decrease of DKK 22 million compared to last year. The administrative expenses are on the same level as last year if one-off items are excluded in both financial years.

The development costs incurred by the Group were DKK 472 million against DKK 448 million last year. This increase is primarily the result of a high level of activity in product development, mainly in connection with development projects in Automotive.

Development costs recognised as an expense (incl. amortisation and impairment losses) amounted to DKK 337 million against DKK 311 million last year. The net effect of capitalisation was positive at DKK 134 million compared to DKK 137 million last year.

Capitalised development costs amounted to DKK 280 million, of which the B2B business area accounted for DKK 102

Capitalised development costs and carrying amount
(DKK million)

2011/12	**Consumer business**	**Business-to-business**	**Total**
Capitalised, net	178	102	280
Carrying amount, net	442	194	636

million, and Automotive projects for DKK 95 million. The total capitalised development costs were DKK 251 million last year.

EBIT was DKK 122 million compared to DKK 60 million last year.

Profit before tax was DKK 104 million against a profit before tax of DKK 40 million last year. The profit in 2011/12 was negatively affected by special items of DKK 3 million net, comprising of a DKK 7 million profit on the sale of a property, while it was negatively affected by severance payments of DKK 10 million in connection with the organisational changes following the implementation of the new company strategy. The financial year 2010/11 was negatively affected by one-off items of DKK 32 million.

Reimbursements of DKK 12 million from the Automotive partners relating to development projects were received in the 2011/12 financial year against DKK 27 million last year. The reimbursements received were offset directly against intangible assets.

Free cash flows for the year were negative at DKK 155 million compared to positive free cash flow of DKK 2 million last year. The adverse development in free cash flow was mainly caused by an increased working capital level due to a very high product launch activity level during the last two months of the financial year.

The Group's net working capital was DKK 613 million at the end of the 2011/12 financial year. The net working capital has increased by DKK 162 million from DKK 451 million at the end of financial year 2010/11.

The increase in net working capital was expected and is due to dispositions made in connection with the launch of several new products at the end of the financial year, combined with high sales activity in May as a result of the product launches.

Inventories have increased by DKK 102 million and trade receivables have increased by DKK 175 million. The increase in inventories and trade receivables should be seen in conjunction with an increase in trade payables of DKK 185 million.

Net interest-bearing debt increased to DKK 248 million against DKK 85 million at the end of the 2010/11 financial year. The increase in net interest-bearing debt is primarily due to an increase in working capital.

The Group's equity increased from DKK 1,538 million to DKK 1,626 million, which primarily is due to the net profit. The equity ratio is 56% against 61% last year.

Subsequent events
After the end of the reporting period Bang & Olufsen has entered a strategic partnerhsip with Sparkle Roll and A CAPITAL to further accelerate the growth of the Bang & Olufsen brand in China, cf. company announcement 12.06 from 19 July 2012.

As part of the partnership Sparkle Roll and A CAPITAL will subscribe for new shares in Bang & Olufsen a/s representing respectively 6.63% and 1.72% of the existing share capital. The agreement and the capital increase are subject to approval from the Chinese authorities.

Bang & Olufsen has also made an agreement with a new master dealer in Japan after the end of the reporting period.

DISTRIBUTION DEVELOPMENT

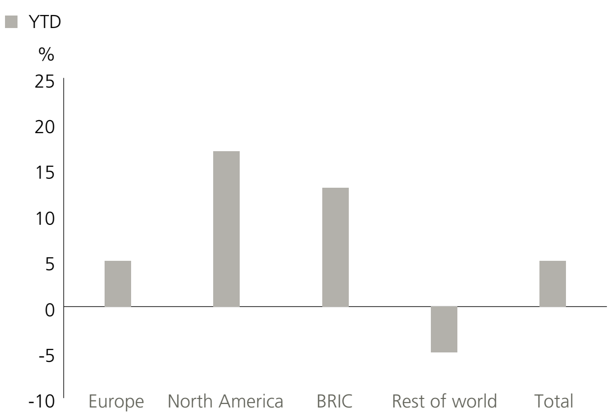
During the financial year 2011/12, the number of B1 shops have decreased in mature markets, whereas the number of B1 shops in BRIC markets have increased. An agreement has been made with a new master dealer in India, and the Group has also acquired a number of shops in Hong Kong and Southern China.

Development in Bang & Olufsen's distribution by region

During the 2011/12 financial year, the European region saw an increase in revenue of DKK 77 million, or 5%, from DKK 1,662 million to DKK 1,739 million. The increase is attributable to the northern European countries, whereas there has been a decline in the southern European countries, which were hit hard by the financial crisis during the financial year.

North America generated revenue of DKK 140 million, compared to DKK 119 million last year, corresponding to an increase of 17%. The BRIC countries which include Brazil, Russia, India and China, registered an increase from DKK 225 million to DKK 255 million, or 13%. Revenue for the Rest of the world decreased from DKK 252 million to DKK 239 million, i.e. a decrease of 5%.

Revenue growth per region



The geographical development in revenue is in line with expectations and the communicated future strategic expectations to the development of the distribution network, which encompasses a reduction in the number of stores in the Group's mature markets, while the distribution network will be expanded in growth markets.

Distribution development

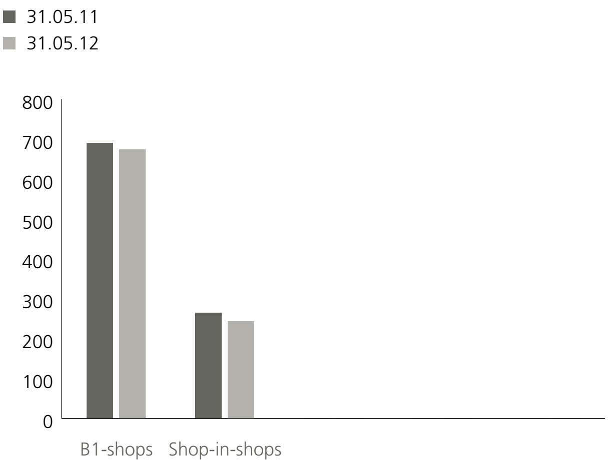
As part of the announced strategy, the distribution network is being expanded with new retailers in the growth markets, new alternative distribution channels are being introduced for the B&O PLAY brand, and the number of retailers in the mature European markets are being reduced.

At the end of May 2012, there were 674 B1 stores worldwide against 690 at the end of 2010/11. The net movement was a reduction of 16 stores, comprising 43 stores opening and 59 stores closing.

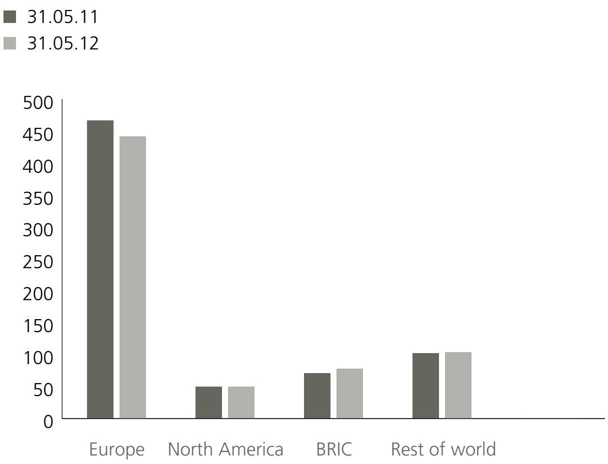
At the end of May 2012, the number of shop-in-shops were 244 stores worldwide against 265 stores at the end of 2010/11. The net movement was a reduction of 21 stores.

The organic growth in Bang & Olufsen stores which have been in operation for more than 24 months amounted to 11.2% for B1 stores and -6.4% for shop-in-shops.

Number of B1-stores and shops-in-shops



B1-stores by region



To increase the Group's focus in the BRIC markets, Bang & Olufsen concluded an agreement with the company Shreyans, Bang & Olufsen's new master dealer in India, during the financial period. Shreyans has extensive experience with luxury products and has established distribution for brands such as Porsche, Ferrari, Ducati and Fendi. This has given the Group a sound basis for increased growth in the Indian market, which currently has five Bang & Olufsen stores.

To strengthen the Group's position in the Chinese market, the Group took over 4 stores in Hong Kong and 2 stores in southern China on 1 January 2012. Since the takeover, 1 store has been established in Hong Kong and 8 stores in China, and the Group has set-up a new company in Shanghai, focusing on sales and marketing.

B&O PLAY has concluded a number of distribution agreements. The new retail outlets include John Lewis, a British chain of exclusive department stores, and Excelsior, one of Italy's leading design concept stores. In addition, distribution agreements have been concluded with around 100 independent premium stores dedicated to Apple's product universe.

B&O PLAY has launched an online shop, which is open to all major western European markets via www.beoplay.com. B&O PLAY already has agreements in place with Apple's online shops and retail stores in the USA and Europe.

There were 443 B1 stores in Region Europe, compared to 467 at the end of 2010/11. The net movement is, thus, -24 stores, comprising 25 stores opening and 49 stores closing.

There were 50 B1 stores in the North American region, which is unchanged compared to at the end of 2010/11. The net movement is, thus, 0 stores, comprising 5 stores opening and 5 stores closing.

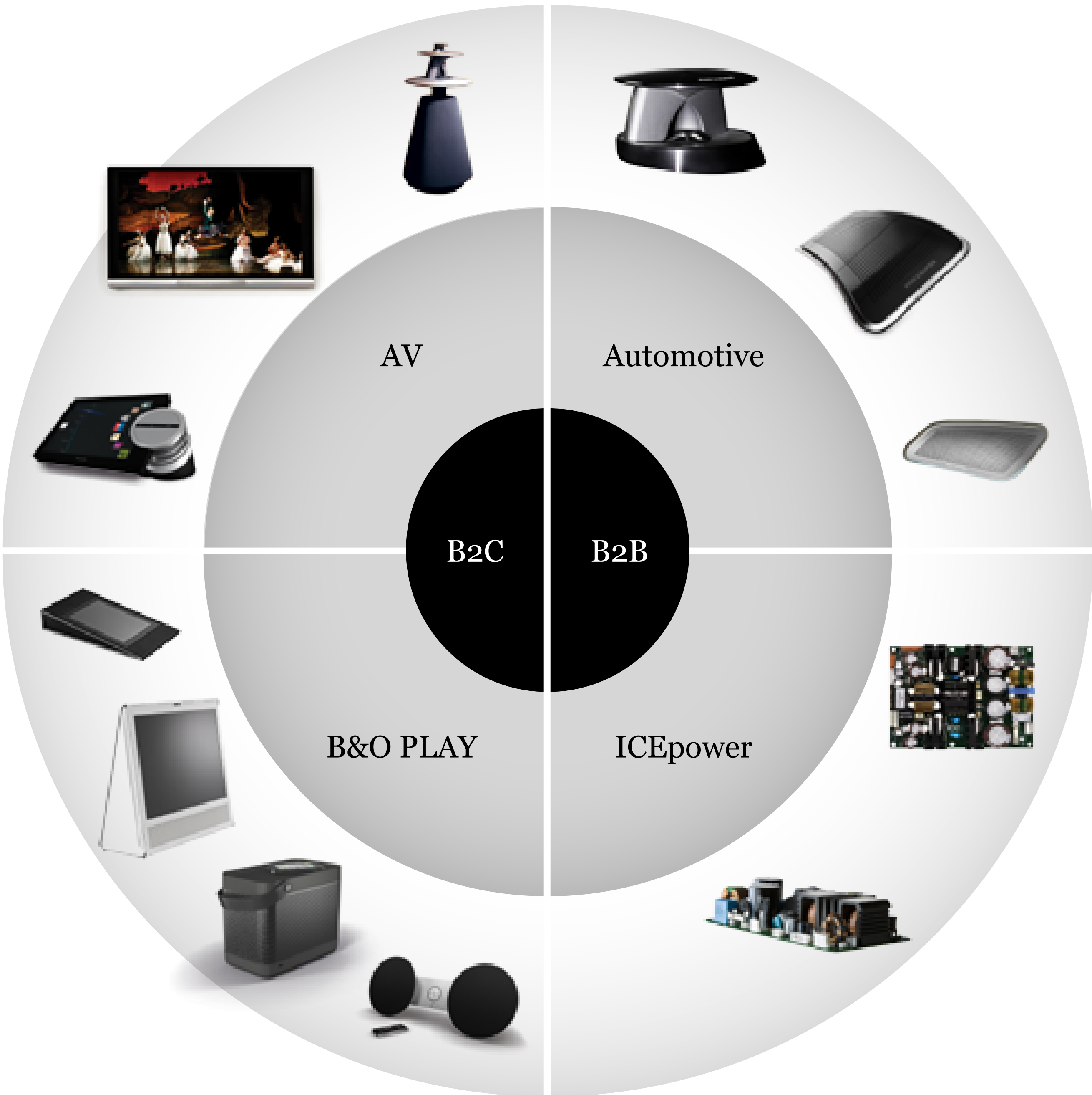
There were 78 B1 stores in the BRIC markets, compared to 71 at the end of 2010/11. The net movement is, thus, 7 stores, comprising 8 stores opening, and 1 store closing.

There were 104 B1 stores in the Rest of the world, compared to 102 at the end of 2010/11. The net movement is, thus, 2 stores, comprising 6 stores opening and 4 stores closing.

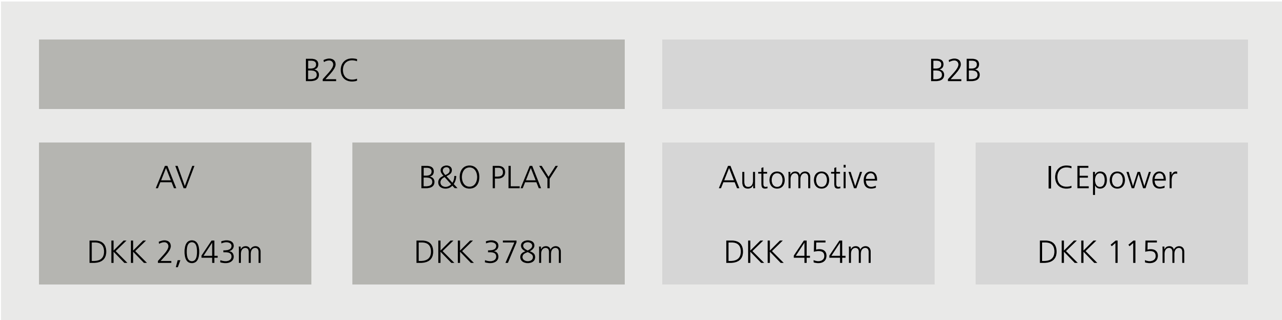
The development in distribution is in line with the announced strategy to reduce the number of stores in the mature markets and extend the distribution net in growth markets.

BUSINESS AREAS

The segment reporting has been changed in 2011/12 to reflect the implementation of the new corporate strategy.



Revenue 2011/12 (DKK million)



B2C business area

In the 2011/12 financial year, the B2C business area, comprising AV and B&O PLAY, generated revenue of DKK 2,421 million, against revenue of DKK 2,279 million in the 2010/11 financial year, corresponding to an increase of 6%.

The AV segment generated revenue of DKK 2,043 million in the 2011/12 financial year against DKK 2,135 million last year.

B2C revenue in the BRIC markets increased by 13%, while Europe increased by 5%.

Revenue from AV and B&O PLAY through B1 stores and shop-in-shop distribution increased by DKK 114 million from DKK 2,259 million to DKK 2,373 million, corresponding to a growth of 5%.

The average revenue per outlet has increased by 11% but was offset by a decrease in the number of stores.

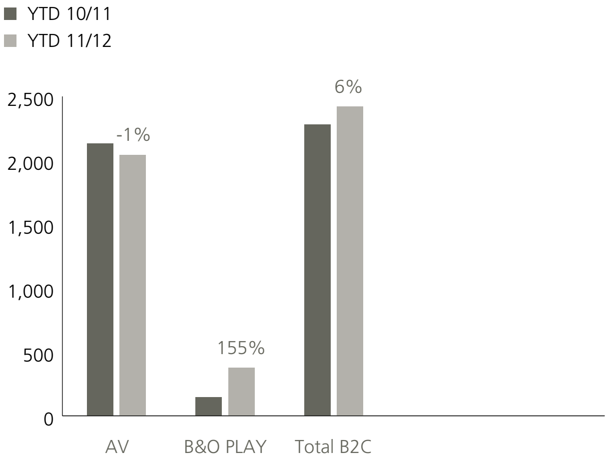
The gross margin for the AV segment in the financial year was 43.1% against a gross margin of 41.7% in the last financial year. The change in gross margin is mainly due to changes in the product mix.

The sale of B&O PLAY products has previously been classified under the AV segment, for which reason the historic AV figures now have been re-classified and included under the new B&O PLAY brand.

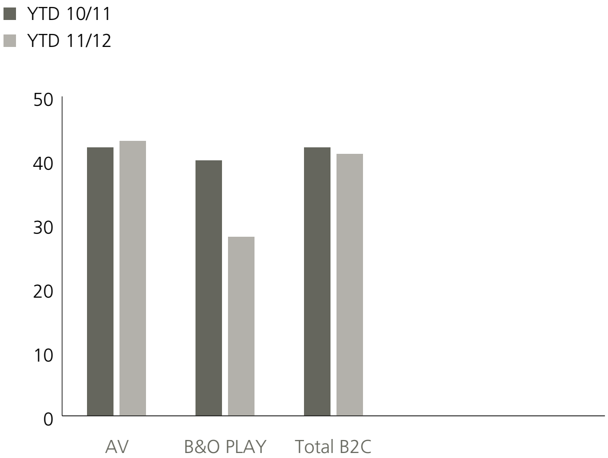
During the 2011/12 financial year, B&O PLAY generated revenue of DKK 378 million against DKK 148 million last year.

The gross margin for B&O PLAY in the 2011/12 financial year was 27.7% against a gross margin of 39.7% last year. The significant difference in gross margin is due to the recent expansion of the B&O PLAY segment, which now covers products other than accessories (earphones, headphones etc.), such as BeoSound 8, BeoPlay A8, BeoPlay A3, Beolit 12 and the new TV BeoPlay V1.

Revenue and growth by segment – B2C (DKKm)



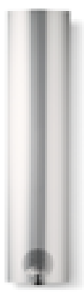
Gross margin by segment – B2C (%)



BeoSound 5 Encore

BeoSound 5 Encore, launched in July 2011, builds on the proud design heritage of BeoSound 5 and provides access to more than 13,000 international Internet radio stations. In addition to Internet radio, BeoSound 5 Encore makes it possible to play music from different sources such as external hard discs, NAS servers, computers, USB memory or portable units.

BeoLab 12



In January, Bang & Olufsen announced the launch of BeoLab 12, which became available in stores at the end of February. BeoLab 12 is Bang & Olufsen's first wall-mounted loudspeaker designed specifically for TV and surround sound set-ups. The loudspeaker is perfect for all flat screens on the market and is equipped with Bang & Olufsen's own ICEpower class D amplifier technology. Due to the space limitations and the requirement for a high peak effect, a new amplifier with power supply has been developed. All in all, this solution delivers 480 watts.

BeoVision 12

Also in January, Bang & Olufsen announced a new 65-inches plasma television for delivery at the end of February. BeoVision 12 is equipped with a NeoPDP panel, offering improved 3D performance and enhanced movement performance in a 2D situation. BeoVision 12 has an integrated centre loudspeaker with ICEpower amplifiers to match other powerful loudspeakers from Bang & Olufsen in a surround sound set-up. The video engine, which handles all sound processing and picture technologies, comes with a complete 7.1 surround sound module.

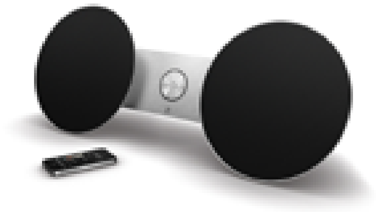
In addition, Bang & Olufsen expanded the BeoVision 7 television family with a number of 3D versions, just as a new CD Ripping Device for the BeoSound 5 audio product was launched.

Beolit 12

The first product in the B&O PLAY brand became available in the Bang & Olufsen stores globally and in most Apple stores in Europe and the USA from the end of January. Beolit 12 is a portable music system which uses Apple's AirPlay technology, and can be used for wireless playing of music from an iPod, iPhone, iPad, Mac or PC. Beolit 12 was awarded the coveted "red dot" design award 2012 for best product design.

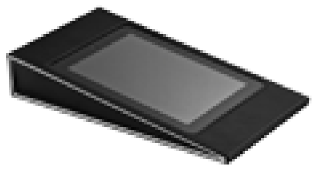
BeoPlay V1

BeoPlay V1 is a television with unprecedented placement options. With its LED display, efficient video platform, ICEpower class D amplifiers and easy connection, BeoPlay V1 has the specifications to deliver one of the best picture and sound experiences on the market. The all-in-one design of the sound system even measures up to many surround sound systems with their external loudspeakers, subwoofers, cables and amplifiers. The television has numerous built-in connection options, and the fabric sleeve under the front grill of the loudspeaker is replaceable. BeoPlay V1 comes in a black or white 32" and 40" screen.



BeoPlay A8

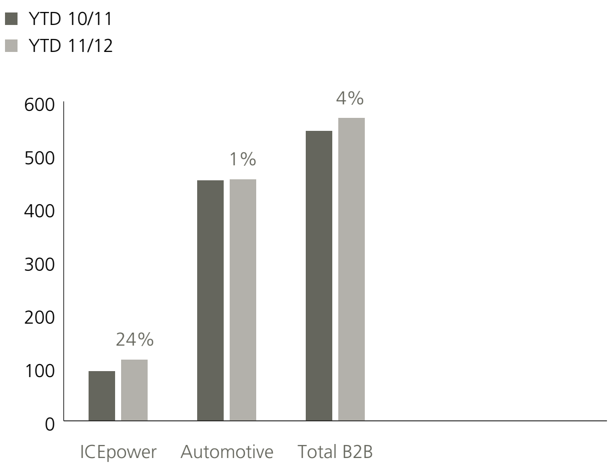
The BeoPlay A8 sound system expands the functionality of the popular BeoSound 8, giving the user fast, wireless access to first-class sound by connecting to an iPhone or iPad via Apple AirPlay.



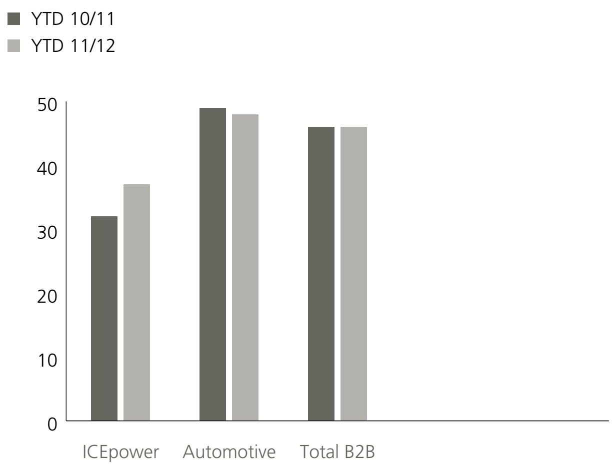
BeoPlay A3

The BeoPlay A3 system gives the sound from an iPad a fantastic new dimension. The faceted wedge-shape makes it possible to make full use of all the portable functions of the iPad. With BeoPlay A3, Bang & Olufsen launched Adaptive Stereo Orientation™. This technology registers which way the sound system is turning and chooses which of the four loudspeakers in BeoPlay A3 will be activated to achieve the optimal sound quality in any given situation.

Revenue and growth by segment – B2B (DKKm)



Gross margin by segment – B2B (%)



B2B business areas

The B2B business area, comprising Automotive and ICEpower, generated revenue of DKK 569 million in the 2011/12 financial year against revenue of DKK 545 million last year, which corresponds to a growth of 4%.

In the 2011/12 financial year, Automotive achieved revenue of DKK 454 million against DKK 452 million last year. At the end of the financial year, Bang & Olufsen announced that the company's audio systems in the future will be part of the equipment list for a number of new car models. The new car models will not be launched until the 2012/13 financial year, and the effect for Automotive will only be realised during the life of the models.

Automotive's gross margin in the 2011/12 financial year was 36.6%, compared to a gross margin of 31.9% last year. The change in gross margin is mainly due to changes in the product mix.

During the 2011/12 financial year, the ICEpower business area generated revenue of DKK 115 million against DKK 93 million last year, an increase of 23.7%.

ICEpower's gross margin in the 2011/12 financial year was 48.3%, compared to a gross margin of 49.1% last year.

Bang & Olufsen has increased the use of amplifiers from ICEpower, for which reason the internal revenue to Bang & Olufsen's other segments has increased to DKK 22 million from DKK 13 million last year.

Automotive
For the third consecutive year, Bang & Olufsen was named brand of the year in Car HiFi by the German car magazine "auto motor und sport". It was the readers of this recognised car magazine who voted Bang & Olufsen to the top.

In 2011/12, Bang & Olufsen continued its cooperation with Audi, Aston Martin, Mercedes-AMG and BMW, and a number of new car models are now available with sound from Bang & Olufsen. During the financial year, Bang & Olufsen launched audio systems for Mercedes-Benz SL, Mercedes-Benz ML 63 AMG, Mercedes-Benz E Class, Mercedes-Benz CLS and Mercedes-Benz GL Class. The cooperation with BMW was extended to include the BMW 5, 6 and 7 series, while Audi A3 is now also available with an audio system from Bang & Olufsen.

In addition, Bang & Olufsen concluded a new agreement with Audi during the financial year. Under this new agreement, Bang & Olufsen will develop and deliver new audio systems for three future Audi models.

ICEpower
During the financial year, ICEpower has launched ICEmatch. It consists of the power supply ICEpower 400SM and the amplifier module 80AM2. It is possible to plug up to eight 80AM2 amplifiers to the power supply and make everything from active loud speakers to multi-channel amplifiers with up to 16 channels. ICEmatch is among other things used in the loudspeaker family BeoLab 12.

R&D

Bang & Olufsen a/s has had a busy year in terms of product development. The Group intends to maintain a high level of activity in order to continuously launch updates and new and exciting products within both the B2B and B2C business areas.

In 2011/12, Bang & Olufsen was able to bring four new platforms and new system technology to the market.

The new Video Engine was launched in BeoPlay V1, and the new AirPlay Engine was launched in Beolit 12 and BeoPlay A8 and will also be used in future products. A new Digital Speaker Platform for the medium loudspeaker segment was launched with BeoLab 12 and will also be used for other speaker products. The so-called Small Engine was launched in BeoSound 5 Encore. New system functionality via DLNA was launched in BeoSound 5 and BeoPlay V1.

In the Video Engine, Bang & Olufsen has introduced several new innovations; among other things a new and advanced method of adaptively improving the contrast of the picture in bright viewing conditions. For film enthusiasts, Bang & Olufsen has introduced a dedicated movie mode in BeoPlay V1 which can be selected at will, allowing the customer to see film material, for example from Blu-ray, the way Hollywood intended. In this mode, the white point will be set to 6500 K, matching the colour of the lighting of the scene in the movie.

Furthermore, Bang & Olufsen has introduced a new professional screen calibration procedure in BeoPlay V1 to guarantee a perfect and consistent white point for all video material and all viewing conditions. In the factory, each TV is subjected to this rigorous procedure to ensure the best viewing experience for the customer.

In the Video Engine, the company has introduced several new listening modes optimizing the sound experience for the end user, enhancing for example speech, music or the movie experience. For night viewing, it is possible to filter out the low frequencies that normally travel through walls and can disturb the rest of the family.

Also on the Video Engine, Bang & Olufsen has introduced the next generation service software, which makes it possible to differentiate each individual product in terms of maintenance. This greatly improves Bang & Olufsen's ability to support individual customers, and is used for targeted software updates.

The AirPlay Engine allows the company to develop a range of new products enabling the customer to wireless stream audio from any iOS based device.

The new Digital Speaker Platform for the mid-tier segment allows Bang & Olufsen to re-use innovations across the portfolio and quickly bring new speakers to the market using the same basic technology.

DLNA introduced in both BeoSound 5 and BeoPlay V1 allows customers to easily play audio files from any devices on BeoSound 5, or play both audio and video on BeoPlay V1 from any device supporting the open standard DLNA.

To enhance the experience of BeoSound 5, Bang & Olufsen has introduced two-way navigation in the Beo6 remote control, enabling customers to browse and play their music remotely.

CORPORATE SOCIAL RESPONSIBILITY IN BANG & OLUFSEN

The Bang & Olufsen logo is a guarantee of quality, which it has been since the inception of the company in 1925. This not only applies to providing high-quality products to customers, but also in relation to the way of conducting business.

Business-driven CSR

Naturally, Bang & Olufsen recognises the UN and ILO declarations on human rights, labour rights, the environment and anti-corruption, for which reason we have chosen to structure our CSR work and reporting according to the UN's Global Compact.

In 2012/13 Bang & Olufsen intends to undertake new activities to strengthen the CSR efforts: initiation of independent external supplier audits, assessment of the need for tier 2 supplier assessments, expansion of the company's internal code of ethics to include the sales organisation, establishment of a whistleblower function.

Bang & Olufsen's CSR policy

In order to formalise and evaluate the CSR principles followed by the company, Bang & Olufsen adopted a CSR policy in 2011/12.

The CSR policy underlines that Bang & Olufsen wants to be a reliable and ethical responsible business partner to suppliers and other stakeholders. The company will contibute to improve people's conditions and provide its employees with a framework that will motivate them and give them a sound working environment, and it wants to show concern for the environment, both in its own activities and in the footprint left by the products in a life-cycle perspective. Within its sphere of influence, the company is willing to assume a share in the responsibility for a sustainable global development.

Bang & Olufsen's CSR policy covers all business units and facilities in the Group, and the company strives to ensure that suppliers and other business partners act in accordance with the intentions of the policy.

In line with the UN's Global Compact, our CSR poilcy is divided into four main issues: human rights, labour rights, the environment and anti-corruption.

CSR efforts

Bang & Olufsen has a systematic approach to CSR and is certified according to ISO 9001 (quality management), TS16949 (technical standard for quality in the Automotive industry), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety management). The management systems contribute to focusing the work on the areas with the greatest potential for improvement.

The 2011/12 adoption of a CSR policy ensures that efforts within human rights, labour rights and anti-corruption are prioritised on the same terms as the other focus areas.

The CSR work covers four important focus areas:

- Minimisation of the impact on the external environment through process optimisation, e.g. reduction of the energy consumption and waste volumes at the facilities.

- Environmental improvements through product development, including reduction of the products' electricity consumption and enhanced possibilities of recycling components.

- Improvement of occupational health and safety, e.g. by reducing the number and severity of industrial injuries.

- Safeguarding of human and labour rights for the employees of the component suppliers, which are primarily located in Asia.

To support the CSR policy, Bang & Olufsen has implemented a Code of Conduct for suppliers which sets out the company's values in key areas such as the environment, human rights, labour rights and anti-corruption, to ensure that they are clearly communicated to suppliers and other stakeholders.

Finally, the company has implemented an internal code of ethics with guidelines for, among other things, exchange of gifts, negotiation principles and conflicts of interest.

Group targets
The adoption of a CSR policy for the entire Group was a significant result in 2011/12. Good results were also achieved within the areas of environment and work environment even though all formal targets were not achieved.

In 2011/12, four CSR targets for the Group were set up. They all related to the environment and occupational health and safety, as these areas are of particular relevance in an electronics company.

The full wording of Bang & Olufsen's statutory report on CSR pursuant to Section 99a of the Danish Financial Statements Act is available on the company's website http://www.bang-olufsen.com/annual-report/csr/uk/ and is part of the management report in Bang & Olufsen's 2011/12 annual report.

The full report contains comments on the progress achieved in relation to the individual targets.

Group targets for the 2011/12 financial year

Policy Area	Subject	Target	Result 2011/12
Human- and labour rights	Reduction of the number of industrial injuries per 1 million working hours	Frequency not to exceed 3.5	Frequency of 4.3
Human- and labour rights	Reduction of the number of hours of absence per 1,000 working hours due to industrial injuries	Severity not to exceed 0.154	Severity of 0.095
Environment	Reduction of Bang & Olufsen's own total consumption of natural gas and electricity	Reduction of 5% per year measured in kWh/DKK earned	Reduction of 10%
Environment	Increase of the recycling rate for Bang & Olufsen's own waste	Recycling rate increase of 5%	Recycling rate increase of 6%

SHAREHOLDER INFORMATION

Bang & Olufsen's management works continuously to create long-term growth and to secure a competitive return on the shareholders' investment. It is expected that the ongoing implementation of the corporate strategy "Leaner, Faster, Stronger" will assist in achieving this.

IR Policy
It is Bang & Olufsen's objective to inform NASDAQ OMX Copenhagen A/S, present and potential investors as well as 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 and give investors structured, ongoing and 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.

Investor meetings
Investor meetings and/or telephone conferences are held following the publication of each quarterly statement to provide participants with the opportunity to address questions to the Executive Board. The 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.

The Bang & Olufsen share

Stock exchange	NASDAQ OMX Copenhagen A/S
Identification code	DK 0010218429

	2011/12	**2010/11**
Closing price 31 May	61.5	71.5
Market value 31 May (DKK million)	2,229	2,591
Nom. share value (DKK)	362,440,140	362,440,140
Nominal value (DKK)	10	10
Issued shares	36,244,014	36,244,014
Own shares	92,507	42,650
Shares in circulation	36,151,507	36,201,364
Registered shareholders (approx.)	33,000	35,000
Hereof in Denmark (approx.)	32,000	34,000
Ownership interest (%)	78%	76%
Listed capital placed in Denmark	63%	68%
Number of shares held by members of the Executive Board	65,848	79,540
Number of shares held by the Board of Directors	101,459	92,833

Investor contact investors@bang-olufsen.dk

Share option programme

Bang & Olufsen's share option programme comprises a number of the Group's directors and managers. As at 31 May, 2012, the total pool of options amount to 2,561,457 which can be exercised during the period 2012-2016. For further details, please refer to note 38 in the consolidated financial statements and note 32 in the Parent Company's financial statements.

Dividend policy and capital structure

Based on the company's result and strategic challenges, the Board of Directors proposes to the General Meeting that no dividend be paid out for the 2011/12 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results can justify it.

Bang & Olufsen operates in an industry with very frequent and significant changes in technology. Therefore, the Group will be faced with small or medium-sized investments within new business areas and new fields of technology. Distribution development largely takes place through retail-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. The Group decided in 2010/11 to suspend earlier announced long-term goals for self-financing and financial gearing. Even though the Group had a positive result for the second year in a row, it is still not satisfactory and many of the initiatives in the strategic 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 strategic plan.

During 2012/13 the Company will formulate coherent strategies for capital structure and shareholder remuneration.

Analyst coverage

The following 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

As at 31 May, 2012, 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., Amstelplein 6, P.O.Box 1000, 1000 BA Amsterdam, The Netherlands	6,201,154	17.11
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød, Denmark	3,905,922	10.78
Færchfonden, Lille Østergade 8A, 7500 Holstebro, Denmark	1,848,000	5.10

The chart below shows the development in share price from 2 June 2009 to 31 May 2012

Rules concerning changes to the Company's Articles of Association

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

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

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

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

The 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 Board has utilised this authorisation as mentioned under 'Subsequent events' on page 14.

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.

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.

Annual General Meeting

Bang & Olufsen a/s' Annual General Meeting will be held on Friday 21 September 2012 at 16:00 at Struer Statsgymnasium, Jyllandsgade 2, Struer, where the annual report is expected to be adopted.

Financial calendar

Annual General Meetings

21 September 2012	Annual General Meeting 2011/12
19 September 2013	Annual General Meeting 2012/13

Financial statements

10 October 2012	Interim report (1st quarter 2012/13)
9 Januar 2013	Interim report (2nd quarter 2012/13)
5 April 2013	Interim report (3rd quarter 2012/13)
16 August 2013	Annual report 2012/13
2 October 2013	Interim report (1st quarter 2013/14)

Company Announcements 2011/12

10 June 2011	Election of employee representatives to the Board of Directors
14 June 2011	Election of employee representatives to the Board of Directors
05 July 2011	Bang & Olufsen a/s – financial calendar
17 August 2011	Annual report for the financial year 2010/11
17 August 2011	Bang & Olufsen adapts its Executive Management to the new strategy
31 August 2011	Annual General Meeting of Bang & Olufsen a/s
23 September 2011	Annual General Meeting decisions
12 October 2011	Interim report for the 1st quarter 2011/12
13 October 2011	Announcement of managerial staff's etc. trading with company shares
17 October 2011	Announcement of managerial staff's etc. trading with company shares
15 November 2011	Bang & Olufsen postpones launch of new product category
24 November 2011	Bang & Olufsen BeoSound AMG in the new Mercedes-Benz SL
11 December 2011	Bang & Olufsen high-end Surround Sound System in the 6 Series Gran Coupe
15 December 2011	Bang & Olufsen a/s – Allocation of options and employee shares
10 January 2012	Bang & Olufsen launches B&O PLAY sub-brand and three new products at CES in Las Vegas
18 January 2012	Interim report for the 2nd quarter 2011/12
20 January 2012	Announcement of managerial staff's etc. trading with company shares
23 January 2012	Bang & Olufsen BeoSound AMG in the new Mercedes-Benz ML 63 AMG
06 March 2012	Bang & Olufsen Sound System in the new Audi A3
04 April 2012	Bang & Olufsen expands the partnership with Mercedes-Benz
18 April 2012	Interim report for the 3rd quarter 2011/12
18 April 2012	Announcement of managerial staff's etc. trading with company shares
11 May 2012	Bang & Olufsen enters new agreement with Audi
14 May 2012	Bang & Olufsen launches high-end Surround Sound system for BMW 5 Series
22 May 2012	Transactions in connection with share buy-back programme
25 May 2012	Bang & Olufsen launches high-end Surround Sound system for BMW 7 Series
31 May 2012	Bang & Olufsen a/s – financial calendar

The statements can be read in full at www.bang-olufsen.com under Investors http://www.bang-olufsen.com/en/investors

CORPORATE GOVERNANCE

The Board of Directors and Executive Management of Bang & Olufsen consider the work on corporate governance to be an ongoing process and continuously take into account corporate governance principles to ensure that Bang & Olufsen applies and complies with the recommendations and regulations in the best possible way. In this connection, the company attaches great importance to ensuring that shareholders, the Board of Directors, the Executive Management and managers have aligned interests.

Corporate governance recommendations
As a company listed on NASDAQ OMX Copenhagen A/S, and in accordance with Section 107b of the Danish Financial Statements Act, Bang & Olufsen is covered by the recommendations for corporate governance implemented by NASDAQ OMX Copenhagen A/S in 'Rules for issuers of shares'.

Pursuant to these rules, the company must apply the recommendations adopted based on the 'comply-or-explain' principle. Bang & Olufsen a/s has followed all recommendations of 8 April 2010.

In 2011, NASDAQ OMX Copenhagen A/S implemented the revised recommendations for corporate governance from August 2011, introducing recommendations on diversity in management. Bang & Olufsen a/s intend to follow these recommendations, including setting up specific objectives for diversity in the course of 2012/13.

The Board of Directors of Bang & Olufsen a/s has prepared a report on corporate governance for the 2011/12 financial year, which has been incorporated into management's report. This report is available for review and download at www.bang-olufsen.com/investor/corporate-governance/uk/. The report contains a description of Bang & Olufsen's approach to the 'Recommendations for corporate governance' and a description of the management structure and main elements of our internal control and risk management systems in connection with the company's presentation of the annual report.

Management structure
Bang & Olufsen a/s's management structure comprises a Board of Directors and a day-to-day management. Further information is available in the above-mentioned corporate governance report.

Board Self-Assessment
The Chairman of the Board has managed the assessment process which was performed by the individual board members and Executive managers by completing a questionnaire of 79 questions regarding the work of the Chairman, competencies and composition, work practices and climate of cooperation, focus areas, cooperation with Executive Management and assessment of the individual board members. The answers were given to an external consultant who collated them before passing them onto the Chairman. The result of the evaluation process was presented to and reviewed by the Board. The result of the evaluation was very positive, and only a few areas of improvement were identified. One area was succession planning which should be seen in the light of the recruitment of a number of key persons during the financial year. The Chairman also reviewed the assessment of the individual board members together with the respective individual.

GENERAL MEETING

BOARD OF DIRECTORS

AUDIT COMMITTEE
REMUNERATION COMMITTEE
NOMINATION COMMITTEE

EXECUTIVE MANAGEMENT

ORGANISATION

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is exposed to a number of risks related to its activities. These risks are very different, but they are all common risks within the luxury goods and electronics industries.

Management considers efficient risk management as an integrated part of all the Group's activities and is continuously striving to identify, analyse and control major risks in order to optimise the Group for the benefit of its stakeholders. The Group carries out an annual review of how its overall risk exposure has changed, and whether the risk mitigation measures undertaken are sufficient or excessive. The Board of Directors sets out the guidelines for the most important risk areas, follows developments and ensures that plans are in place for controlling the different risks, including strategic, operational and financial risks.

STRATEGIC 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 AV products.

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

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

Customer relations

Bang & Olufsen mainly sells its products through a network of dedicated stores which primarily sell Bang & Olufsen products. The products are marketed globally, but the main part of the Group's revenue stems from stores in Europe. To avoid excessive sensitivity to changing economic cycles in the different markets, Bang & Olufsen is increasingly establishing stores outside of Europe – including in growth markets e.g. Brazil, Russia, India and China.

Under the B&O PLAY brand, Bang & Olufsen has launched a number of products which are more attractive to a younger target group than Bang & Olufsen's classic AV products, for which reason Bang & Olufsen now generally covers a wider target group than before. At the same time, increased synergies between AV Automotive and B&O PLAY are expected, such that Automotive, and B&O PLAY are expected to attract new customers to AV.

Compliance

The Bang & Olufsen logo is a guarantee of quality and has been so since the company was established in 1925. This not only applies to delivering high-quality products to customers, but also the way in which the business is run. As a global company, Bang & Olufsen is obliged to comply with the legislation and guidelines of the countries in which we operate. Bang & Olufsen has a long tradition of compliance with rules and regulations in all parts of the company. In our subsidiaries, management has extensive knowledge of local rules. At a central level, we work on compliance in relation to products, production, finance, administration and CSR to assist the organisation in always complying with all rules, regulations, policies and standards.

Naturally, Bang & Olufsen recognises the UN and ILO declarations on human rights, labour rights, the environment and anti-corruption, for which reason we have chosen to structure our CSR work and reporting according to the UN's Global Compact.

Design

Bang & Olufsen devotes considerable efforts to creating innovative and durable concepts and designs to differentiate the company from other consumer electronics producers. The company's concept developers collaborate with a number of selected external designers who have a high degree of independence and considerable influence, which helps to ensure that the interplay between user-friendliness and technology is fully optimised. The cooperation with external designers means that Bang & Olufsen is constantly receiving new input and maintaining a broad creative horizon in terms of design.

Innovation ability

Bang & Olufsen is constantly striving to optimise the company's innovation process, which encompasses the definition, creation and realisation of the right products for customers in the target group. The product and technology strategy is continuously being developed based on general market developments, input from markets and customers, completed technology projects and the company's so-called technology radar, which contains information on and an overview of expected future technologies. The strategy is based on the company's core competencies in combination with a number of strategic partnerships, ensuring to the greatest possible extent that Bang & Olufsen's own strengths are being applied to the technology areas where Bang & Olufsen's products stand out from the products of other producers.

Quality

Bang & Olufsen is obliged to surpass our customers' expectations for the best possible quality, innovation and craftsmanship. We improve the efficiency of our quality management system by implementing preventive improvements on an ongoing basis.

Quality objectives are set-up and used as a benchmark for our performance. These objectives are revised on an ongoing basis to ensure that they are appropriate for the company and relevant for our customers.

Our ambition is to fulfil our quality objectives by having well-organised and well-educated staff at all levels; staff who are recognised for their professional integrity and proactive and customer-oriented approach.

Bang & Olufsen's quality management system is based on ISO 9001:2008 for the Audio-Video business and ISO TS16949 for Automotive. The systems are subjected to regular internal and annual external reviews to ensure that they fulfil the requirements.

Patents and trademarks

In connection with the development of new products, continuous internal control is performed to ensure, as far as possible, that these products do not infringe on any third-party rights. This applies to both patents, trademarks and design.

With regard to Bang & Olufsen's rights, these are registered in order to ensure that the business plans for the future may be realised, just as the enforcement of Bang & Olufsen's rights is carried out with the same focus.

OPERATIONAL RISKS

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 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.

IT risk

The Group depends on reliable IT systems for its day-to-day operations, including to ensure control of product procurement and to increase the efficiency of the Group's supply chain. Work is continuously being undertaken to hedge these risks in the form of firewalls, access control, emergency plans etc.

The overall IT platform and infrastructure have been outsourced to a major global partner, which reduces the risk significantly.

FINANCIAL RISKS

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 are as follows:

- 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 2011/12, 91% of the Group's turnover is in foreign currency (91% in 2010/11). 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 significant 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 company thus only has a limited natural hedging of the currency risk.

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 2012, the Group has entered into foreign exchange forward contracts at a contract amount of net DKK 41.5 million (DKK 213.2 million as at 31 May 2011), with a fair value of DKK 8.3 million (DKK -10.9 million as at 31 May 2011). 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. For further information please refer to notes 42 and 35 in the consolidated and parent company financial statements, respectively.

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 159.1 million (DKK 189.1 million in 2010/11). 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 1.7 million in 2011/12 (DKK 0.9 million in 2010/11).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 407.3 million (DKK 273.6 million in 2010/11) corresponding to 14.1% of the balance sheet total (10.9% in 2010/11).

Of the interest-bearing debt, DKK 184.4 million falls due after five years (DKK 192.5 million in 2010/11). Further information is provided in notes 33 and 34.

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 918 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 2011/12 financial year, DKK 17.9 million was expensed for losses on receivables (DKK 18.9 million in 2010/11).

Liquid funds are placed with financial institutions with high credit ratings. Derivatives, including foreign exchange forward contracts, are entered into with such institutions only. Therefore, it is deemed 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, management believes that there are sufficient capital ressources.

Further reference is made to note 42 of the consolidated financial statements for additional information on the Group's financial risks as at 31 May 2012.

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 Danske Bank, Chr. Hansen Holding A/S and ISS A/S. Director in OGA Holdings ApS and two subsidiaries.

This member is considered independent. Number of shares in Bang & Olufsen a/s at the end of the year: 39,450 (2010/11; 39,450)

Alberto Torres (1965)

Deputy Chairman
Year of first appointment, 2011.
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 at the end of the year: 3,000 (2010/11; 0)

Jesper Jarlbæk (1956)

Year of first appointment, 2011.
GDBA, state-authorised public accountant

Directorships
Chairman of the board of directors of Advis A/S, Altius Invest A/S, Basico Consulting International ApS and a subsidiary, Groupcare Holding A/S and a subsidiary, 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 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 at the end of the year: 1,500 (2010/11; 1,500)

Peter Skak Olufsen (1942)

Year of first appointment, 1972.
Agronomist

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

This member is not considered independent. Number of shares in Bang & Olufsen a/s at the end of the year: 49,000 (2010/11; 49,000)

Rolf Eriksen (1944)

Year of first appointment, 2008.
Decorator

Directorships
Member of the board of directors of Hennes & Mauritz A/S, Nobia AB, Royal Copenhagen A/S, Bianco International A/S, Bianco Footwear A/S, and BoConcept A/S.

This member is considered independent.
Number of shares in Bang & Olufsen a/s at the end of the year: 1,140 (2010/11; 1,140)

Jim Hagemann Snabe (1965)

Year of first appointment, 2011.
M.Sc. (Economics and Business Administration)

Directorships
Co-CEO of SAP AG and director of Snabe ApS. In addition, Jim Hagemann Snabe is a member of the German government's IT committee.

This member is considered independent.
Number of shares in Bang & Olufsen a/s at the end of the year: 4,700 (2010/11; 0)

Knud Olesen (1952)

Year of first appointment, 2003.
Employee-elected
Technical Project Manager

Number of shares in Bang & Olufsen a/s at the end of the year: 885 (2010/11; 869)

Jesper Olesen (1978)

Year of first appointment, 2007.
Employee-elected
Engineering Worker

Number of shares in Bang & Olufsen a/s at the end of the year: 1,578 (2010/11; 212)

Per Østergaard Frederiksen (1971)

Year of first appointment, 2011.
Employee-elected
Technical Project Manager

Number of shares in Bang & Olufsen a/s at the end of the year: 206 (2010/11; 0)

EXECUTIVE MANAGEMENT

Tue Mantoni (1975)

President & CEO
Employed since 1 March 2011.
M.Sc. (Business Administration and Management Science)

Directorships *)
None.

Number of shares in Bang & Olufsen a/s:
55,467 (2010/11; 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:
3,008 (2010/11; 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.

Number of shares in Bang & Olufsen a/s:
7,373 (2010/11; 7,357)

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

ANNUAL ACCOUNTS FOR BANG & OLUFSEN A/S

GROUP

CONTENTS – GROUP

CONSOLIDATED INCOME STATEMENT 1 JUNE – 31 MAY

(DKK million)	Notes	2011/12	2010/11
Revenue	4	**3,007.7**	**2,866.9**
Production costs	6,7	(1,792.0)	(1,711.4)
Gross profit		**1,215.7**	**1,155.5**
Development costs	5	(337.4)	(311.4)
Distribution and marketing costs	6,7	(654.3)	(660.8)
Adminstration costs etc.	6,7,8	(101.6)	(123.5)
Operating profit (EBIT)		**122.4**	**59.8**
Share of result after tax in associated companies		(2.1)	0.2
Financial income	9	9.4	7.5
Financial costs	10	(25.5)	(27.4)
Financial items, net		(16.1)	(19.9)
Profit for the year (EBT)		**104.2**	**40.1**
Tax for the year	11	(30.9)	(12.1)
Profit for the year		**73.3**	**28.0**
To be distributed as follows:			
Shareholders in parent company		73.3	26.9
Minority interest	12	-	1.1
		73.3	28.0
Earnings per share	13		
Earnings per share (EPS), DKK		2.0	0.7
Diluted earnings per share (EPS-D), DKK		2.0	0.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JUNE – 31 MAY

(DKK million)	Notes	2011/12	2010/11
Profit for the year		**73.3**	**28.0**
Exchange rate adjustment of foreign subsidiaries		0.0	12.0
Change in fair value of derivative financial instruments used as cash flow hedges		25.7	(36.2)
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		(10.8)	28.5
Transfer to production costs		4.3	1.8
Tax on other comprehensive income	11	(4.8)	1.4
Other comprehensive income, net of tax		**14.4**	**7.5**
Comprehensive income for the year		**87.7**	**35.5**
Attributable to:			
Shareholders of the parent company		87.7	34.4
Minority interests		-	1.1
		87.7	**35.5**

CONSOLIDATED BALANCE SHEET AS AT 31 MAY

(DKK million)	Notes	31/5-12	31/5-11
Intangible assets			
Goodwill		47.8	44.8
Acquired rights		27.8	37.7
Completed development projects		296.8	191.7
Development projects in progress		338.9	322.0
Total intangible assets	14, 17	711.3	596.2
Tangible assets			
Land and buildings		210.3	227.8
Plant and machinery		145.6	164.0
Other equipment		29.3	31.3
Leasehold improvements		17.5	15.6
Tangible assets in course of construction and prepayments of tangible assets		96.8	69.1
Total tangible assets	15, 17	499.5	507.8
Investment property	16	**41.3**	**42.7**
Financial assets			
Investments in associates	18	5.6	5.7
Other financial receivables	19	46.6	40.1
Total financial assets		52.3	45.8
Deferred tax assets	20	**139.9**	**144.1**
Total non-current assets		**1,444.2**	**1,336.6**
Inventories	21	**665.0**	**563.0**
Receivables			
Trade receivables	22	539.9	365.2
Receivables from associates	23	2.4	1.7
Corporation tax receivable	24	12.4	13.3
Other receivables	25	50.4	24.3
Prepayments		18.8	15.0
Total receivables		623.9	419.5
Cash		**159.1**	**189.1**
Total current assets		**1,448.0**	**1,171.6**
Total assets		**2,892.2**	**2,508.2**

CONSOLIDATED BALANCE SHEET AS AT 31 MAY

(DKK million)	Notes	31/5-12	31/5-11
Equity			
Share capital	26	362.4	362.4
Translation reserve	27	25.1	25.1
Reserve for cash flow hedges	28	8.3	(10.9)
Retained earnings		1,230.2	1,161.1
Equity attributable to shareholders of parent company		1,626.0	1,537.7
Minority interests	29	-	0.6
Total equity		**1,626.0**	**1,538.3**
Non-current liabilities			
Pensions	30	9.8	9.0
Deferred tax	31	15.4	8.1
Provisions	32	86.2	81.5
Mortgage loans	33	212.9	219.5
Other non-current liabilities	35	0.9	0.9
Total non-current liabilities		325.2	319.0
Current liabilities			
Mortgage loans	33	6.6	6.4
Loans from banks	34	150.0	-
Overdraft facilities		37.8	47.7
Provisions	32	54.8	56.4
Trade payables		384.8	199.8
Corporation tax	36	27.8	21.7
Other liabilities	37	259.9	303.9
Deferred income		19.2	15.0
Total current liabilities		941.0	650.9
Total liabilities		**1,266.2**	**969.9**
Total equity and liabilities		**2,892.2**	**2,508.2**

CONSOLIDATED CASH FLOW STATEMENT 1 JUNE – 31 MAY

(DKK million)	Notes	2011/12	2010/11
Profit for the year		73.3	28.0
Amortisation, depreciation and impairment losses		256.2	239.6
Adjustments for non-cash items	39	81.6	48.5
Change in receivables		(204.7)	63.1
Change in inventories		(94.8)	0.6
Change in trade payables etc.		144.5	(37.0)
Cash flow from operating activities		256.1	342.8
Interest received etc.		9.4	7.5
Interest paid etc.		(25.5)	(27.4)
Income tax paid		(14.7)	(3.1)
Cash flow from operating activities		**225.3**	319.8
Purchase of intangible non-current assets		(280.1)	(253.3)
Purchase of tangible non-current assets		(136.8)	(96.4)
Acquisition of activity	40	(12.9)	-
Sale of tangible non-current assets		45.6	4.9
Received reimbursments, intangible non-current assets		12.1	26.6
Capital increase, Bang & Olufsen Medicom a/s		(1.7)	(0.8)
Change in financial receivables		(6.5)	1.3
Cash flow from investing activities		**(380.3)**	**(317.7)**
Free cash flow		**(155.0)**	**2.1**
Repayment of long-term loans		(6.4)	(100.1)
Proceeds from short term borrowings		150.0	-
Payment of debt regarding purchase of minority interest and dividend		(5.7)	(2.0)
Purchase of own shares		(4.3)	-
Sale of own shares		-	2.0
Cash flow from financing activities		**133.6**	**(100.1)**
Change in cash and cash equivalents		**(21.4)**	**(98.0)**
Cash and cash equivalents 1 June		141.4	241.7
Exchange rate adjustment, cash and cash adjustments		1.3	(2.3)
Cash and cash equivalents 31 May		**121.3**	**141.4**
Cash and cash equivalents:			
Cash		159.1	189.1
Current overdraft facilities		(37.8)	(47.7)
Cash and cash equivalents 31 May		**121.3**	**141.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1 JUNE – 31 MAY

(DKK million)	Shareholders in Bang & Olufsen a/s					Minority interests	Total
	Share capital	Share premium	Translation reserve	Reserve for cash flow hedges	Retained earnings		
Equity 1 June 2010	**362.4**	**232.1**	**13.1**	**(5.0)**	**892.1**	**1.5**	**1,496.2**
Profit 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
Reclassificiation, share premium	-	(232.1)	-	-	232.1	-	-
Sale of own shares	-	-	-	-	2.0	-	2.0
Distributed dividend	-	-	-	-	-	(2.0)	(2.0)
Equity 31 May 2011	**362.4**	**-**	**25.1**	**(10.9)**	**1,161.1**	**0.6**	**1,538.3**
Equity 1 June 2011	**362.4**	**-**	**25.1**	**(10.9)**	**1,161.1**	**0.6**	**1,538.3**
Profit for the year	-	-	-	-	73.3	-	73.3
Other comprehensive income, net of tax	-	-	0.0	19.2	(4.8)	-	14.4
Comprehensive income for the year	-	-	0.0	19.2	68.5	-	87.7
Employee shares	-	-	-	-	1.2	-	1.2
Purchase of minority interest and distributed dividend	-	-	-	-	(2.3)	0.6	(2.9)
Grant of share options	-	-	-	-	6.0	-	6.0
Purchase of own shares	-	-	-	-	(4.3)	-	(4.3)
Equity 31 May 2012	**362.4**	**-**	**25.1**	**8.3**	**1,230.2**	**-**	**1,626.0**

NOTES

1 Accounting principles

Basic principles

The consolidated financial statements and the financial statements for 2011/12 for the Group and Bang & Olufsen a/s, respectively, have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and further Danish disclosure requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

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

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

Accounting policies are unchanged compared to 2010/11.

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

All new and amended Standards and Interpretations, which are relevant for the Bang & Olufsen Group, and which have become effective as for financial years beginning on 1 June 2011, have been implemented in the preparation of the annual report for 2011/12. These Standards and Interpretations are:

- Amendment to IAS 24, Related Party Disclosure. The changes relate to a simplification and further clarification of the definition of related parties and a relaxation of the disclosure requirements for state controlled entities.
- Amendment to IFRIC 14, Limitations on recognition of pension assets. The change removes the inconsistency in defined benefit plans where payment is required in situations where a contribution is prepaid.
- Amendment to IFRIC 19, Conversion of debt to equity. The Interpretation details the accounting treatment of receivables when a liability is renegotiated and in subsquently converted into equity.
- Minor changes to various standards following 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 2011/12 or previous years, and the Group's accounting principles are with the exceptions described above unchanged compared to 2010/11.

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:

- IAS 12 (Amended 2010) Income Taxes. The change is effective for financial years commencing 1 January 2012 or later. The change means that the investment property measured at fair value according to IAS 40 alone is considered to be recovered through disposal. The Group will apply IAS 12 (amended 2010) from 1 June 2012.
- Amendment to IFRS 7 Financial Instruments, information and presentation. The change results in changed disclosure requirements for derecognition of financial instruments.
- IFRS 9 Classification and Measurement of Financial Assets. The number of categories of financial assets is reduced to two – amortized cost price model or fair value model. The classification is determined by type of business model and the characteristics of the instrument.
- IFRS 10 Consolidated Financial Statements. The standard is effective for financial years beginning on 1 January 2013 or later. The standard replaces IAS 27 Consolidated and Separate Financial Statements and establishes disclosure and preparation of the consolidated financial statements.
- IFRS 11 Joint Arrangements "joint activities and joint entities (joint ventures)" The standard is effective for financial years beginning on 1 January 2013 or later. The standard replaces IAS 31 Interests in Joint Ventures and determines the financial reporting for parties in a joint venture.
- IFRS 12 Disclosure of Interests in Other Entities. The standard is effective for financial years beginning on 1 January 2013 or later. The standard is applicable to entities which have investments in a subsidiary, a joint venture, in an associated company or a non-consolidated structured entity.

NOTES

- IFRS 13 on Fair Value Measurements. The standard is effective for financial years beginning on 1 January 2013 or later. The standard sets out the framework for measurement of fair value and disclosures on fair value measurement in one single standard.

- IAS 1 Presentation of Financial Statements regarding amendments to the comprehensive income statement. The aim of the changes is to improve consistency and clarity in the presentation of items of other comprehensive income.

- IAS 19 Employee Benefits, including pensions. The standard is effective for financial years beginning on 1 January 2013 or later. The revised standard includes the accounting recognition and measurement as well as disclosure about employee benefits. The amendment seeks to improve the valuation of a company's defined benefit plans, the amounts recognized in the financial statements, risks associated with defined benefit plans and participation in multi-employer plans.

- IAS 27 on separate parent company financial statements. The standard is effective for financial years beginning on 1 January 2013 or later. The standard includes the accounting recognition and measurement as well as disclosure requirements for investments in subsidiaries, joint ventures and associates, when an entity prepares separate financial statements. Together with IFRS 10 Consolidated Financial Statement the amended standard replace the former IAS 27 Consolidated and Separate Financial Statements.

- IAS 28 Investments in Associates and Joint Ventures. The standard is effective for financial years beginning on 1 January 2013 or later. The Standard sets out the accounting treatment of investments in associates and establishes requirements for using the equity method for investments in associates and joint ventures.

- Minor changes to various standards as a result of IASB's annual improvement project from May 2012.

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

NOTES

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

NOTES

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 income statement

Revenue

Revenue is recognised in the income statement, 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

NOTES

to be received. Revenue is recognised net of value added tax and discounts related to the sale.

Sale of goods
Revenue regarding sales of goods is recognised in the income statement, if the transfer of the risks of ownership to the customer has taken place before the end of the financial year.

Rendering of services
Revenue 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 rent 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 sale 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.

NOTES

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

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

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

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

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

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

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

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

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

Reimbursements and grants concerning tangible non-current assets are deducted from the cost price.

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

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

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

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

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

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

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

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

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

NOTES

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 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

NOTES

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 %

NOTES

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

Cash flow from financing activities
Cash flow from financing activities comprise borrowings and instalments on non-current liabilities, dividends 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.

NOTES

Segment information

The segment information has been changed to reflect changes in the internal reporting following the implementation of the new corporate strategy. The comparatives have been restated accordingly.

Segment information has been prepared in accordance with the Group's accounting principles and follows the Group's management structure and the internal management reporting that is used by top operational management to evaluate results and resource allocation.

The Group's reportable segments are:

- Business to Consumer (B2C)
  - AV (Audio-Video)
  - B&O PLAY

- Business to Business (B2B)
  - ICEpower
  - Automotive

The segments are split based on differences in the customers and products of the segments. B2C is made up of the core business AV and the sub-brand B&O PLAY which has been created with a view to increase revenue and attract new potential customers to the existing Bang & Olufsen distribution. The B&O PLAY products are sold through Bang & Olufsen's B1 shops and through complementary retail sales channels. The products are also sold through a new B&O PLAY branded online shop. B2B is the ICEpower group which revenue mainly comes from sales of components to the electronics industry including the rest of the Bang & Olufsen Group independently of the Bang & Olufsen brand. Automotive covers the cooperation with a number of Automotive partners.

The segments performance measurement is gross profit. Segment income and costs include the items that can be directly attributed to the individual segment.

The segments asset measurement is a sum consisting of completed development projects, development projects in progress and trade receivables. The internal management reporting does not include segment liabilities.

Trade between the Group's reportable segments is carried out at arm's length conditions.

The Group's geographical areas are:

- Europe
- North America incl. Canada
- BRIC
- Rest of world

BRIC includes Brazil, Russia, India, China, Taiwan, Hong Kong and Korea.

The geographical areas are split on the basis of the location of the customers and assets.

As the Group's domicile is Denmark disclosure is also made of total non-current assets and net revenue split between Denmark and the Rest of world.

NOTES

Key figure definitions

Gross margin, %
Gross profit/(loss) x 100/Revenue

EBITDA
Profit/(loss) before interests, tax, depreciation, amortisation, impairment losses and result of investments in associates after tax

Free cash flow
Sum of cash flow from operating and investing activities

EBITDA-margin, %
EBITDA x 100/Revenue

EBIT-margin, %
Operating profit/(loss) x 100/Revenue

NIBD/EBITDA, %
Sum of mortgage loans, loans from banks, credit facilities and cash x 100/EBITDA

Return on assets, %
Operating profit/(loss) x 100/Average operational assets

Return on invested capital excl. goodwill, %
EBITA x 100 /Average invested capital, excl. goodwill

Return on equity, %
Profit/(loss) for the year excl. minority interests x 100/Average equity excl. minority interest

Earnings per share (EPS), DKK
Profit/(loss) for the year, excl. minority interests/Average number of shares in circulation

Earnings per share, diluted (EPS-D), DKK
Profit/(loss) for the year, excl. minority interests/Average number of shares in circulation (diluted)

Price/earnings
Quotation/Earnings per share (nom. DKK 10)

NOTES

2 Significant estimates and assessments by management

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 makes 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 its 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 on a continious basis. Changes made to the accounting estimates 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.

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 115.6 million as at 31 May 2012 (DKK 103.4 million as at 31 May 2011).

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 635.7 million as at 31 May 2012 (DKK 513.7 million as at 31 May 2011).

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 539.9 million as at 31 May 2012 (DKK 365.2 million as at 31 May 2011).

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 665.0 million as at 31 May 2012 (DKK 563.0 million as at 31 May 2011).

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 139.9 million as at 31 May 2012 (DKK 144.1 million as at 31 May 2011).

NOTES

(DKK million)

3 Segment information

	2010/2011						
	Consumer business (B2C)		Business to business (B2B)		Not		
	AV	B&O PLAY	ICEpower	Automotive	allocated	Elimination	Total
Revenue	2,130.5	148.3	93.2	451.7	-	-	2,823.7
Internal revenue	-	-	(12.6)	-	-	-	(12.6)
External revenue	2,130.5	148.3	80.6	451.7	-	-	2,811.1
Gross profit	888.4	58.9	45.8	144.0	-	-	1,137.1
Gross margin-%	41.7	39.7	49.1	31.9	-	-	40.3
Amortisation, depreciation and impairment losses	(197.6)	(0.8)	(5.6)	(35.6)	-	-	(239.6)
Share of result after tax in associated companies	-	-	-	-	0.2	-	0.2
Financial income	-	-	1.0	-	7.5	(1.0)	7.5
Financial costs	-	-	(1.6)	-	(26.8)	1.0	(27.4)
Profit before tax							40.1
Completed development projects	135.6	4.3	7.9	43.9	-	-	191.7
Development projects in progress	232.3	3.5	15.4	70.8	-	-	322.0
Trade receivables	-	-	8.8	-	356.4	-	365.2
Total segment assets	367.9	7.8	32.1	114.7	356.4	-	878.9
Average number of employees							
in Denmark	1,278	-	24	73	-	-	1,375
Abroad	590	-	-	25	-	-	615
	1,868	-	24	98	-	-	1,990

NOTES

(DKK million)

3 Segment information (continued)

	2011/2012						
	Consumer business (B2C)		Business to business (B2B)		Not		
	AV	B&O PLAY	ICEpower	Automotive	allocated	Elimination	Total
Revenue	2,043.1	377.6	115.4	454.0	-	-	2,990.1
Internal revenue	-	-	(22.1)	-	-	-	(22.1)
External revenue	2,043.1	377.6	93.3	454.0	-	-	2,968.0
Gross profit	880.6	104.6	55.7	166.2	-	-	1,207.1
Gross margin-%	43.1	27.7	48.3	36.6			40.4
Amortisation, depreciation and impairment losses	(203.6)	(3.0)	(5.6)	(43.3)	7.3	-	(248.1)
Share of result after tax in associated companies	-	-	-	-	(2.1)	-	(2.1)
Financial income	-	-	1.0	-	9.4	(1.0)	9.4
Financial costs	-	-	(1.8)	-	(24.7)	1.0	(25.5)
Profit before tax							104.2
Completed development projects	218.3	11.6	7.9	59.0	-	-	296.8
Development projects in progress	189.3	23.8	15.4	110.4	-	-	338.9
Trade receivables	-	-	8.8	-	531.1	-	539.9
Total segment assets	407.6	35.4	32.1	169.4	531.1	-	1,175.6
Average number of employees							
in Denmark	1,279	3	24	87	-	-	1,393
Abroad	614	-	-	25	-	-	639
	1,893	3	24	112	-	-	2,032

(DKK million)	2011/12	2010/11
Reconciliation of segment information		
Revenue, total segments	2,990.1	2,823.7
Effect of differences in exchange rates used in the internal management accounting	39.7	55.8
Elimination of internal revenue	(22.1)	(12.6)
Revenue, Group	3,007.7	2,866.9
Gross profit, total segments	1,207.1	1,137.1
Effect of differences in exchange rates used in the internal management accounting	8.6	18.4
Gross profit, Group	1,215.7	1,155.5
Total segment assets	1,175.6	878.9
Unallocated assets	1,716.6	1,629.3
Total assets, Group	2,892.2	2,508.2

NOTES

(DKK million)

3 Segment information (continued)

	Total non-current assets		Total net revenue	
	2011/12	2010/11	2011/12	2010/11
Geographical information				
Consumer business				
Bang & Olufsen distribution:				
Europe	1,207.1	1,140.7	1,738.6	1,661.5
North America including Canada	7.7	7.2	140.1	119.6
BRIC	-	-	255.3	225.2
Rest of the world	11.5	4.5	239.0	252.3
Total Bang & Olufsen distribution	1,227.1	1,124.4	2,373.0	2,258.6
3rd party distribution and e-commerce				
B&O PLAY	-	-	47.7	20.2
Total 3rd party distribution and e-commerce	-	-	47.7	20.2
Total consumer business	**1,227.1**	**1,124.4**	**2,420.7**	**2,278.8**
Business to business				
ICEpower	30.6	28.0	115.4	93.2
Automotive	-	-	454.0	451.7
Total business to business	**30.6**	**28.0**	**569.4**	**544.9**
Elimination of internal revenue	-	-	(22.1)	(12.6)
Exchange rate adjustments	-	-	39.7	55.8
Total	**1,257.7**	**1,152.4**	**3,007.7**	**2,866.9**
Total				
Denmark	1.132.3	977.1	283.2	268.4
Rest of the world	125.4	175.3	2,724.5	2,598.5
	1,257.7	**1,152.4**	**3,007.7**	**2,866.9**

Non-current assets do not include deferred tax assets, pension assets and non-current financial instruments.
Bang & Olufsen Group has no transactions with individual customers which make up more than 10% of the Group's net revenue.

NOTES

(DKK million)	2011/12	2010/11
4 Revenue		
Sale of goods	2,983.7	2,841.6
Rendering of services	6.8	9.0
Royalty	15.3	11.1
Property rental income	1.9	5.2
Total	3,007.7	2,866.9
5 Development costs		
Incurred development costs before capitalisation	471.5	448.1
Herof capitalised	(279.9)	(251.0)
Total amortisation charges and impairment losses on development projects	145.8	114.3
Total	337.4	311.4
6 Amortisation, depreciation and impairment losses		
Amortisation, depreciation and impairment losses are specified as follows:		
Amortisation, intangible assets	154.3	113.6
Impairment losses, intangible assets	1.9	11.3
Depreciation, tangible assets	98.7	105.0
Impairment losses, tangible assets	-	6.7
Gains and losses on sold property, plant and equipment	(8.2)	0.3
Depreciation, investment property	1.4	2.7
Total	248.1	239.6
- and are expensed as follows:		
Production costs	57.2	82.5
Development costs	166.9	138.7
Distribution- and marketing costs	20.8	13.1
Administration costs etc.	3.2	5.3
Total	248.1	239.6

During the year impairment losses of DKK 1.9 million have been recognised. No impairment losses have been reversed.

NOTES

(DKK million)	2011/12	2010/11
7 Staff costs		
Wages and salaries etc.	726.3	736.1
Share-based payment	6.0	6.6
Pensions	47.3	52.9
Other social security costs	44.6	33.5
Total	824.1	829.1
- and are expensed as follows:		
Production costs	259.5	261.1
Development costs	232.3	233.7
Distribution- and marketing costs	250.9	252.4
Administration costs etc.	81.4	81.9
Total	824.1	829.1

	2011/12			2010/11		
Whereof to:	Board	Management	Other key employees	Board	Management	Other key employees
Wages, salaries and fees	3.5	10.7	8.2	3.3	12.1	0.4
Severance pay	-	2.4	-	-	14.4	-
Pensions	-	-	0.6	-	-	-
Bonus	-	2.1	0.9	-	1.4	0.1
Total	3.5	15.2	9.7	3.3	27.9	0.5
Share-based payment	-	4.1	0.4	-	1.4	-
Total remuneration	3.5	19.3	10.1	3.3	29.3	0.5

Other key employees consist of six people in 2011/12 compared to one person in 2010/11.

NOTES

(DKK million)	2011/12	2010/11
7 Staff costs (continued)		
Specified as follows:		
Remuneration of Executive Management		
Tue Mantoni	8.1	2.1
Henning Bejer Beck	3.5	1.8
John Bennett-Therkildsen	3.2	2.5
Christian Winter (resigned 30.11.2011)	4.5	2.9
Karl Kristian Hvidt Nielsen (former CEO)	-	20.0
Total remuneration *)	19.3	29.3
Remuneration of the Board		
Ole Andersen (chairman)	0.8	0.6
Alberto Torres (deputy chairman) (appointed 10.03.2011)	0.5	-
Peter Skak Olufsen	0.3	0.3
Rolf Eriksen	0.3	0.4
Jesper Jarlbæk (appointed 10.03.2011)	0.4	0.1
Jim Hagemann Snabe (appointed 23.09.2011)	0.2	-
Knud Olesen	0.3	0.3
Jesper Olesen	0.3	0.3
Per Østergaard Frederiksen (appointed 23.09.2011)	0.2	-
Anette Revsgaard Sejbjerg (resigned 23.09.2011)	0.1	0.3
Niels Bjørn Christiansen (resigned 23.09.2011)	0.2	0.5
Brian Petersen (resigned 14.12.2010)	-	0.2
Jørgen Worning (resigned 27.09.2010)	-	0.3
Total remuneration	3.6	3.3
Average number of full-time employees:		
Denmark	1,393	1,388
Abroad	639	602
	2,032	1,990

*) Including value of share option programmes

NOTES

(DKK million)	2011/12	2010/11
8 Fees to auditors appointed at the Annual General Meeting		
Statutory audit:		
Deloitte	4.7	4.7
Total statutory audit	4.7	4.7
Other assurance services:		
Deloitte	0.2	-
Total other assurance services	0.2	-
Tax services:		
Deloitte	0.6	0.4
Total tax services	0.6	0.4
Other services:		
Deloitte	0.3	0.4
Total other services	0.3	0.4
Total fees to auditors appointed at the Annual General Meeting	5.8	5.5

	2011/12	2010/11
9 Financial income		
Interest income from banks	0.5	0.5
Other financial income	8.9	7.0
Financial income	9.4	7.5

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

	2011/12	2010/11
10 Financial costs		
Interest costs on bank loans	6.6	9.6
Interest costs on mortgage loans	10.0	11.8
Exhchange rate losses, net	5.1	2.5
Other financial costs	3.8	3.5
Financial costs	25.5	27.4

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

NOTES

(DKK million)	2011/12	2010/11
11 Tax for the year		
Current tax	32.0	13.4
Change in deferred tax	4.4	4.6
Adjustment to previous years, current tax	-	(1.2)
Adjustment to previous years, deferred tax	(0.7)	(6.1)
Total tax for the year	35.7	10.7
Tax for the year is recognised as follows:		
Tax recognised in the income statement	30.9	12.1
Tax recognised in other comprehensive income	4.8	(1.4)
Tax on profit for the year is specified as follows:		
Tax calculated on profit before tax	26.1	10.0
Tax effect of:		
Non-deductible costs and non-taxable income	0.7	1.6
Deviating tax rate in foreign subsidiaries	2.1	(0.4)
Adjustment of tax relating to previous years	(0.7)	(7.3)
Non-capitalised tax loss carry-forwards	(4.9)	2.3
Foreign withholding tax	0.3	1.0
Non-taxable dividend from investments in subsidiaries	(0.2)	(1.0)
Other	7.5	5.8
Tax on profit for the year	30.9	12.1

NOTES

(DKK million)	2011/12	2010/11
11 Tax for the year (continued)		
Danish income tax rate	25.0 %	25.0 %
Tax effect of:		
Non-deductible costs and non-taxable income	0.7%	4.1 %
Deviating tax rate in foreign subsidiaries	2.0%	(1.0 %)
Adjustment of tax relating to previous years	(0.7%)	(18.2 %)
Non-capitalised tax loss carry-forwards	(4.7%)	5.7 %
Foreign withholding tax	0.3%	2.5 %
Non-taxable dividend from investments in subsidiaries	(0.2%)	(2.5 %)
Other	7.2%	14.5 %
Tax on profit for the year	29.6 %	30.1 %
Change in fair value of derivative financial instruments used as cash flow hedges	4.8	(1.4)
Tax on other comprehensive income	4.8	(1.4)

Tax on other comprehensive income is recognised in retained earnings.

NOTES

(DKK million)	2011/12	2010/11
12 Minority interests' share of result for the year		
OÜ BO-Soft	-	1.1
Minority interests' share of result for the year	-	1.1
13 Earnings per share		
Profit for the year	73.3	28.0
Minority interests' share of result for the year	-	(1.1)
Parent company shareholders' share of profit for the year	73.3	26.9
Average number of shares	36,244,014	36,244,014
Average number of own shares	(67,578)	(73,900)
Average number of shares in circulation	36,176,436	36,170,114
Average dilutive effect of outstanding share options	95,988	26,450
Average number of shares in circulation – diluted	36,272,424	36,196,564
Earnings per share, DKK	2.0	0.7
Diluted earnings per share, DKK	2.0	0.7

430,163 of the outstanding share options are dilutive in 2011/12 (512,950 in 2010/11), cf. Note 38. The other outstanding share options are potentially dilutive in future periods.

NOTES

(DKK million)

14 Intangible assets

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
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
Reimbursements received	-	-	-	(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

There are no contractual obligations regarding purchase of intangible assets.

NOTES

(DKK million)

14 Intangible assets (continued)

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2011	47.4	166.5	830.1	331.0	1,375.0
Exchange rate adjustment to year-end rate	0.1	-	-	-	0,1
Additions	3.1	1.5	37.6	242.3	284.5
Reimbursements received	-	-	-	(12.1)	(12.1)
Disposals	-	(4.0)	(154.8)	(10.9)	(169.7)
Completed development projects	-	-	211.4	(211.4)	-
Cost price 31 May 2012	50.6	164.0	924.3	338.9	1,477.8
Amortisation and impairment losses 1 June 2011	(2.6)	(128.8)	(638.4)	(9.0)	(778.8)
Exchange rate adjustment to year-end rate	(0.2)	-	-	-	(0.2)
Amortisation during the year	-	(10.4)	(143.9)	(1.9)	(156.2)
Reversed amortisation on disposals	-	3.0	154.8	10.9	168.7
Amortisation and impairment losses 31 May 2012	(2.8)	(136.2)	(627.5)	-	(766.5)
Carrying amount 31 May 2012	47.8	27.8	296.8	338.9	711.3
Cost price 31 May 2012	50.6	164.0	924.3	338.9	1,477.8
Amortisation and impairment losses 31 May 2012	(2.8)	(136.2)	(627.5)	-	(766.5)
Carrying amount 31 May 2012	47.8	27.8	296.8	338.9	711.3

There are no contractual obligations regarding purchase of intangible assets.

NOTES

(DKK million)

15 Tangible assets

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
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
Hereof assets held under finance leases	-	-	1.0	-	-	1.0

NOTES

(DKK million)

15 Tangible assets (continued)

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
Cost price 1 June 2011	507.8	1,218.3	198.4	61.9	69.1	2,055.5
Exchange rate adjustment to year-end rate	(5.2)	(2.7)	2.4	5.0	-	(0.5)
Additions	2.1	33.0	8.5	6.2	71.3	121.1
Completed assets	1.8	17.7	1.1	-	(20.6)	-
Disposals	(26.6)	(90.3)	(6.1)	(3.8)	(23.0)	(149.8)
Cost price 31 May 2012	479.9	1,176.0	204.3	69.3	96.8	2,026.3
Depreciation and impairment losses 1 June 2011	(280.0)	(1,054.3)	(167.1)	(46.3)	-	(1,547.7)
Exchange rate adjustment to year-end rate	1.0	2.2	(1.7)	(3.7)	-	(2.2)
Depreciation during the year	(15.4)	(67.7)	(10.7)	(4.9)	-	(98.7)
Reversed depreciation on disposals	24.8	89.4	4.5	3.1	-	121.8
Depreciation and impairment losses 31 May 2012	(269.6)	(1,030.4)	(175.0)	(51.8)	-	(1,526.8)
Carrying amount 31 May 2012	210.3	145.6	29.3	17.5	96.8	499.5
Cost price 31 May 2012	479.9	1,176.0	204.3	69.3	96.8	2,026.3
Depreciation and impairment losses 31 May 2012	(269.6)	(1,030.4)	(175.0)	(51.8)	-	(1,526.8)
Carrying amount 31 May 2012	210.3	145.6	29.3	17.5	96.8	499.5
Hereof assets held under finance leases	-	-	0.8	-	-	0.8

Tangible assets in general

Government grants regarding acquisitions of tangible assets have not been received neither in 2011/12 nor in 2010/11, and there are no unfulfilled conditions for government grants received in previous years. There are no contractual obligations regarding purchase of tangible assets.

NOTES

(DKK million)	2011/12	2010/11
16 Investment property		
Cost price 1 June	79.9	80.3
Depreciation and impairment losses 1 June	(37.2)	(34.9)
Carrying amount 1 June	42.7	45.4
Cost price 1 June	79.9	80.3
Disposals	-	(0.4)
Cost price 31 May	79.9	79.9
Depreciation and impairment losses 1 June	(37.2)	(34.9)
Depreciation	(1.4)	(2.7)
Reversed depreciation on disposals	-	0.4
Depreciation and impairment losses 31 May	(38.6)	(37.2)
Carrying amount 31 May	41.3	42.7
Cost price 31 May	79.9	79.9
Depreciation and impairment losses 31 May	(38.6)	(37.2)
Carrying amount 31 May	41.3	42.7

The Group'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.

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 individual tenants' 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.

There are no contractual obligations to purchase, construct or develop investment property, nor are there any contractual obligations regarding repairs, maintenance or enhancements of the investment property.

Property, which is investment property
Rental income of DKK 1.9 million has been received from the investment property in 2011/12 (DKK 5.2 million in 2010/11). In the same period the direct operating expenses for the investment property that generated rental income were DKK 1.2 million (DKK 2.3 million in 2010/11).

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 1.9 million will be received in 2012/13.

NOTES

17 Impairment of non-current assets

Intangible assets excl. goodwill – impairment losses during the year

During 2011/12 impairment losses of DKK 1.9 million has been recognised on a development project (11,3 mio.DKK i 2010/11). The impairment losses are part of the AV segment.

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 based on 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 have been recognised on cash-generating units which include goodwill in 2011/12 or 2010/11 in the Group.

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 years. 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.

Financial assets – impairment losses during the year

No impairment losses on non-current financial assets are recognised in the Group in 2011/12 or 2010/11, except from what appears from note 19.

NOTES

(DKK million)	2011/12	2010/11
18 Investments in associates		
Cost price 1 June	23.4	22.6
Additions	1.7	0.8
Cost price 31 May	25.1	23.4
Revaluations and impairment losses 1 June	(17.7)	(17.3)
Share of profit/(loss) for the year after tax	(2.1)	0.2
Change in negative investment offset in receivables	0.3	(0.6)
Revaluations and impairment losses 31 May	(19.5)	(17.7)
Carrying amount 31 May	5.6	5.7

	Name and domicile	
	Bang & Olufsen Medicom a/s, Struer	John Bjerrum Nielsen A/S, Bramming
Total assets	27.2	37.4
Total liabilities	30.6	20.4
Share capital	9.4	10.0
Equity	(3.6)	16.9
Profit/(loss) for the year	(5.8)	(0.1)
Bang & Olufsen's share:		
Ownership	35%	33%
Equity	(1.3)	5.6
Profit/(loss) for the year	(2.0)	(0.1)

Bang & Olufsen Medicom a/s' financial year follows the calendar year, and the financial report for 2011 has been audited. The amounts indicated above are based on the company's interim reports for the period 1 June 2011 – 31 May 2012. John Bjerrum Nielsen A/S' financial year covers the period 1 May – 30 April, and the amounts above are based on the company's annual report, which has been audited. The companies' turnover is not disclosed above, since the turnover is not disclosed in the company's annual report.

NOTES

(DKK million)	2011/12	2010/11
19 Other financial receivables		
Other financial receivables (gross) 1 June	64.9	59.3
Exchange rate adjustment to year-end rate	2.1	(1.0)
Movements during the year (net)	5.0	6.6
Other financial receivables (gross) 31 May	72.0	64.9
Write-down for expected losses 1 June	(24.8)	(17.9)
Exchange rate adjustment to year-end rate	(1.2)	0.6
Change in write-down during the year	0.6	(7.5)
Write-down for expected losses 31 May	(25.4)	(24.8)
Other financial receivables (net) 31 May	46.6	40.1

Financial income of DKK 0.0 million (DKK 0.2 million in 2010/11) has been recognised in the Group on other financial receivables, on which impairment losses have been recognised.

The write-down of other financial receivables is recognised in the income statement as part of distribution and marketing costs. The write-down is based on an individual assessment of each individual debtor's ability to pay. The Group has 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 46.5 million (DKK 39.6 million in 2010/11). The fair value is calculated as the present value of the future expected cash flows from the receivables.

NOTES

(DKK million)

20 Deferred tax assets

	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 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 income statement	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
Exchange rate adjustment to year-end rate	(0.2)	-	-	(0.4)	-	-	(0.6)
Recognised in the income statement	79.1	(7.1)	1.0	6.3	(90.0)	11.9	1.2
Recognised in other comprehensive income	-	-	-	-	-	(4.8)	(4.8)
Deferred tax assets 31 May 2012	10.7	10.7	11.2	29.6	67.0	10.7	139.9

Deferred tax assets relate to the subsidiaries in Norway, Sweden, Germany, Switzerland, the UK, Belgium, France, Italy, Spain, the USA, Australia, Singapore and the jointly-taxed Danish companies. Deferred tax assets have been calculated based on local tax rates. In 2011/12 a deferred tax asset of gross DKK 235.4 million has been recognised in the jointly-taxed Danish companies based on tax loss carry-forwards, which can be indefinitely carried forward (2010/11; DKK 205.3 million). This deferred tax asset has been recognised on the basis of management's expectations of the Group's long-term earnings up to 5 years.

In 2011/12 tax assets of DKK 6.0 million have been partly recognised regarding the US subsidiary (DKK 3.0 million in 2010/11). The recognition is based on the expectations to future earnings in the US subsidiary. Unrecognised deferred tax assets amount to DKK 75.4 million (DKK 68.4 million in 2010/11). The basis for the unrecognised deferred tax assets includes tax losses of DKK 143.1 million (DKK 133.7 million in 2010/11). The tax losses can be carried forward for a period of up to 20 years.

NOTES

(DKK million)	2011/12	2010/11
21 Inventories		
Raw materials	195.5	189.2
Work in progress	34.1	31.2
Spare parts	129.6	124.2
Finished goods	305.8	218.4
Inventories 31 May	665.0	563.0
The following amount of the carrying value is expected to be realised after more than 12 months:		
Spare parts	69.5	66.2
Inventories 31 May	69.5	66.2
It is Group policy that spare parts should be able to be delivered for a number of years following the sale of the products. Consequently a large proportion of the spare parts are only expected to be sold after 12 months.		
Carrying amount of inventories recognised at net realisable value	6.3	5.3
Inventory movement recognised in production costs during the year	1,453.6	1,379.6
Write-down of inventories recognised in production costs	24.4	26.5
Reversal of write-down of inventories recognised in production cost during the year	4.6	2.6

The reversal of write-down of inventories during the year was a result of sales of the written-down inventories being better than expected. This was also the background for the prior year reversal of write-down of inventories.

NOTES

(DKK million)	2011/12	2010/11
22 Trade receivables		
Trade receivables (gross) 31 May	650.8	487.5
Write-down for expected losses 1 June	(122.3)	(140.5)
Exchange rate adjustment to year-end rate	(2.8)	1.6
Change in write-down during the year	(3.7)	(2.3)
Actual losses during the year	17.9	18.9
Write-down for expected losses 31 May	(110.9)	(122.3)
Trade receivables (net) 31 May	539.9	365.2

All trade receivables fall due within one year.

Financial income of DKK 3.3 million (DKK 1.6 million in 2010/11) has been recognised in the Group relating to 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 off each individual debtor. The Group has 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 539.9 million (DKK 365.2 million in 2010/11). 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 associates	2011/12	2010/11
Receivables from associates (net) 31 May	1.7	3.6
Change in write-down during the year	0.7	(1.9)
Receivables from associates (net) 31 May	2.4	1.7

All receivables from associates fall due within 1 year. There has been no need to write-down receivables from associates.

The fair value of receivables from associates in the Group amount to DKK 2.4 million (DKK 1.7 million in 2010/11).
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.

NOTES

(DKK million)	2011/12	2010/11
24 Corporation tax receivable		
Corporation tax receivable 1 June	13.3	21.2
Exchange rate adjustment to year-end rate	0.4	0.4
Adjustment previous years	(2.1)	1.1
Corporation tax during the year	(2.7)	3.1
Corporation tax paid	5.4	7.5
Corporation tax refund	(1.9)	(19.1)
Transferred to corporation tax payable	-	(0.9)
Corporation tax receivable 31 May	12.4	13.3

DKK 0.0 million of the corporation tax receivable in the Group is expected to be received after more than one year (DKK 0.0 million in 2010/11).

	2011/12	2010/11
25 Other receivables		
VAT receivable	15.2	8.8
Deposits	13.0	7.0
Other receivables	22.2	8.5
Other receivables 31 May	50.4	24.3

All other receivables fall due within one year with the exception of deposits which depend on the rental contracts.

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

The fair value of other receivables in the Group amounts to DKK 50.4 million (DKK 24.3 million in 2010/11). The carrying amount of receivables, which fall due within one year after the end of the financial year, is expected to be a reasonable approximation of the fair value. The fair value of derivative financial instruments included in Other receivables amount to DKK 8.3 million (DKK 0 million in 2010/11).

NOTES

(DKK million)	2011/12	2010/11
26 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
Number of shares 31 May	36,244,014	36,244,014

Specification of movements in share capital:	2011/12	2010/11	2009/10	2008/09	2007/08
Share capital	362.4	362.4	120.8	120.8	124.5
Capital increase	-	-	241.6	-	-
Capital reduction	-	-	-	-	(3.7)
Share capital	362.4	362.4	362.4	120.8	120.8

	2011/12	2010/11
Own shares:		
Number of own shares	95,207	42,650
Nominal value, DKK million	1.0	0.4
% of share capital, year-end	0.3	0.1

71.450 own shares have been bought back in 2011/12 (2010/11; 0). The reason for the share buy-back is to cover B&O's obligation in relation to the share option schemes for selected employees, refer to company announcement 11.22. The buy-back programme runs in the period from 18 April 2012 to 19 June 2012.

	2011/12	2010/11
Movements during the year:		
Buy-back during the year	71,450	-
Disposals during the year	(18,893)	(47,722)
Net buy-back/(disposal))	52,557	(47,722)
Nominal value, DKK million	0.5	0.5
% of share capital, year-end	0.1	0.1
Total sales sum, DKK million	-	2.0
Total buy-back, DKK million	4.3	-

18,893 own shares have been allocated as employee shares in 2011/12 (2010/11; 18,555), while 71,450 have been bought back (2010/11; 29,167 sold).

NOTES

(DKK million)	2011/12	2010/11
27 Translation reserve		
Translation reserve 1 June	25.1	13.1
Exchange rate adjustment of foreign subsidiaries	0.0	12.0
Translation reserve 31 May	25.1	25.1
28 Reserve for cash flow hedges		
Reserve for cash flow hedges 1 June	(10.9)	(5.0)
Change in fair value of derivative financial instruments used as cash flow hedges	25.7	(36.2)
Transfer to the profit and loss account of fair value adjustments of derivative financial instruments used as cash flow hedges:		
Transfer to net revenue	(10.8)	28.5
Transfer to production costs	4.3	1.8
Reserve for cash flow hedges 31 May	8.3	(10.9)
29 Minority interests		
Minority share 1 June	0.6	1.5
Minority interest' share of profit for the year	-	1.1
Dividend paid and acquisition of minority share	(0.6)	(2.0)
Minority share 31 May	-	0.6

NOTES

30 Pensions

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

In the Group DKK 44.8 million (DKK 50.9 million in 2010/11) has been recognised in the income statement 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 includes employees in Germany and Norway. In the consolidated financial statements, a net obligation of DKK 9.8 million (DKK 8.2 million in 2010/11) 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.

An expense of DKK 2.5 million (DKK 2.0 million in 2010/11) has been recognised in the consolidated accounts regarding defined benefit plans.

NOTES

(DKK million)	2011/12	2010/11
30 Pensions (continued)		
Present value of defined benefit obligation	26.2	23.8
Fair value of plan assets	(14.9)	(14.6)
Unrecognised actuarial gains and losses	(1.5)	(1.0)
Defined benefit plans 31 May, net	9.8	8.2
Recognised in liabilities	9.3	9.0
Recognised in other financial assets	-	(0.8)
Development in the present value of the defined benefit obligation:		
Present value of the defined benefit obligation 1 June	23.8	22.3
Exchange rate adjustment to year-end rate	0.1	0.2
Current service cost	0.7	0.8
Interest costs	1.0	1.0
Recognised actuarial gains and losses	1.7	0.6
Benefits paid	(1.1)	(1.1)
Present value of the defined benefit obligation 31 May	26.2	23.8
Defined benefit obligation from plans that are wholly unfunded	3.5	3.1
Defined benefit obligation from plans that wholly or partly funded	22.7	20.7
Development in the fair value of plan assets regarding defined benefit plans:		
Fair value of plan assets 1 June	14.6	14.7
Exchange rate adjustment to year-end rate	0.1	0.2
Expected return on plan assets	0.7	0.7
Recognised actuarial gains and losses	(0.1)	(0.4)
Administration costs	(0.1)	(0.1)
Benefits paid	(0.6)	(0.6)
Employer contributions	0.3	0.1
Fair value of plan assets 31 May	14.9	14.6

NOTES

(DKK million)	2011/12	2010/11
30 Pensions (continued)		
Amounts recognised in the income statement:		
Current service cost	0.7	0.6
Interest costs on the obligation	1.0	1.0
Expected return on plan assets	(0.7)	(0.7)
Recognised actuarial gains and losses	1.4	1.0
Administration costs	0.1	0.1
Total amount recognised for defined benefit plans	2.5	2.0
Total amount recognised for defined contribution plans	44.8	50.9
Total amount recognised in the income statement, cf. Note 7	47.3	52.9
In the coming financial year contributions to the defined benefit plans are expected to amount to	0.7	0.7
Specification of the plan assets measured af fair value regarding defined benefit plans		
Equity instruments	-	1.5
Debt instruments	-	11.0
Land and buildings	-	2.0
Other assets	-	0.1
Not specified	14.9	-
	14.9	14.6
None of the plan assets are connected to the companies in the Group.		
Actual return on plan assets regarding the defined benefit plans	0.6	0.3

The Group's defined benefit plans are administrered by independent pension funds, and a specification of the plan assets is not available in 2011/12.

The defined benefit plan in Germany is partly funded by means of an independent pension fund. As at 31 May 2012, the actuarially calculated net obligation is recognised in the Group's balance sheet at DKK 7.2 million (DKK 5.9 million in 2010/11).

The net obligation is calculated as the present value of the future payments of DKK 15.5 million (DKK 14.2 million in 2010/11) less the fair value of the pension fund's assets of DKK 8.3 million (DKK 8.3 million in 2010/11). The actuarial calculation is based on a calculation rate of 4.25 % 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 income statement the plan is recognised as an expense of DKK 1.9 million (DKK 1.5 million in 2010/11).

The defined benefit plan in Norway is also partly funded by means of an independent pension fund. As at 31 May 2012 the actuarially calculated net receivable is recognised in the Group's balance sheet at DKK 0.9 million (DKK 0.8 million in 2010/11). The net receivable is calculated as the fair value of the plan assets of DKK 6.4 million (DKK 6.3 million in 2010/11) less the present value of the future payments of DKK 7.0 million (DKK 6.5 million in 2010/11) and added unrecognised actuarial losses of DKK 1.5 million (DKK 1.0 million in 2010/11). 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 income statement the plan is recognised as an expense of DKK 0.2 million (DKK 0.2 million in 2010/11).

NOTES

(DKK million)

30 Pensions (continued)

5 year overview:	2011/12	2010/11	2009/10	2008/09	2007/08
Present value of defined benefit obligation	26.2	23.8	22.3	26.5	29.0
Fair value of plan assets	(14.9)	(14.6)	(14.7)	(20.1)	(20.3)
Deficit, defined benefit plans	11.3	9.2	7.6	6.4	8.7
Experience-based adjustments of defined benefit obligation	1.7	0.6	1.0	(3.0)	(1.6)
Experience-based adjustments of plan assets for defined benefit plans	(0.1)	(0.4)	(0.6)	(0.5)	0.5

31 Deferred tax

	Non-current assets	Provisions	Tax loss carry forwards	Other	Total
Deferred tax 1 June 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 income statement	1.3	-	0.5	(0.1)	1.7
Deferred tax 31 May 2011	8.9	(0.5)	-	(0.3)	8.1
Recognised in the income statement	(0.2)	-	-	7.5	7.3
Deferred tax 31 May 2012	8.7	(0.5)	-	7.2	15.4

Deferred tax has been provided for 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.

NOTES

(DKK million)

32 Provisions

	Warranty and fairness	Employee anniversary benefits	Other obligations	Total
Provisions 1 June 2010	97.8	9.0	24.1	130.9
Exchange rate adjustment to year-end rate	0.5	0.1	(0.7)	(0.1)
Provisions during the year	63.6	1.2	2.9	67.7
Provisions used during the year	(40.7)	(0.9)	(4.0)	(45.6)
Provisions reversed during the year	(8.1)	(1.1)	(6.4)	(15.6)
Change in calculation of present value during the year	0.3	0.3	-	0.6
Provisions 31 May 2011	113.4	8.6	15.9	137.9
Exchange rate adjustment to year-end rate	2.3	-	1.4	3.7
Provisions during the year	49.3	0.6	1.6	51.6
Provisions used during the year	(30.5)	(1.0)	(1.5)	(33.0)
Provisions reversed during the year	(18.9)	(0.2)	(0.2)	(19.3)
Provisions 31 May 2012	115.6	8.1	17.3	141.0
The expected due dates of the provisions as at 31 May 2011 are as follows:				
Falls due 1-5 years	63.7	2.6	9.0	75.3
Falls due after 5 years	0.2	5.3	0.7	6.2
Non-current provisions	63.9	7.9	9.7	81.5
Falls due within 1 year	49.5	0.7	6.2	56.4
Provisions 31 May 2011	113.4	8.6	15.9	137.9
The expected due dates of the provisions as at 31 May 2012 are as follows:				
Falls due 1-5 years	64.7	2.4	11.7	78.8
Falls due after 5 years	-	4.8	0.8	5.6
Non-current provisions	64.7	7.2	12.5	84.5
Falls due within 1 year	50.9	0.8	4.8	56.5
Provisions 31 May 2012	115.6	8.1	17.3	141.0

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 115.6 million (DKK 113.4 million in 2010/11) 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 of the timing of repairs and returns, if any. No reimbursements for the provisions will be received from third parties.

NOTES

(DKK million)

33 Mortgage loans

	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 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 4.1%	1.9	8.4	23.0	31.4
Floating rate loans, interest rate level 2.0 – 3.0 %	4.7	20.1	161.4	181.6
Carrying amount 31 May 2012	6.6	28.5	184.4	212.9

The fair value of the current and non-current financial liabilities, mortgage loans in the Group amounts to DKK 226.3 million (DKK 225.2 million in 2010/11). All loans are in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

34 Loans from banks

	Falls due within 1 year
Committed facility, Nordea	150.0
Carrying value 31 May 2012	150.0
Carrying value 31 May 2011	-

There is no non-current part.
The fair value of the current and non-current financial liabilities, loans from banks in the Group amounts to DKK 150.0 million (DKK 0.0 million in 2010/11). The fair value is calculated as the present value of the expected future instalments and interest payments.

35 Other non-current liabilities

	Falls due 1-5 years
Other non-current liabilities	0.9
Carrying value 31 May 2012	0.9
Other non-current liabilities	0.9
Carrying value 31 May 2011	0.9

The fair value of other non-current liabilities in the Group amounts to DKK 0.9 million (DKK 0.9 million in 2010/11).
The fair value is calculated as the present value of the expected future instalments and interest payments.

NOTES

(DKK million)	2011/12	2010/11
36 Corporation tax		
Corporation tax 1 June	21.7	20.0
Exchange rate adjustment to year-end rate	0.4	0.9
Adjustment prior years	(12.4)	(0.1)
Current tax for the period	29.3	16.5
Corporation tax paid in the year	(11.2)	(14.7)
Transferred to income tax receivable	-	(0.9)
Corporation tax 31 May	27.8	21.7

DKK 0.0 million of the corporation tax liability in the Group is expected to be paid after one year (DKK 0.0 million in 2010/11)

37 Other liabilities	2011/12	2010/11
Payroll related items	115.2	166.3
Taxes and duties	55.4	41.9
Other liabilities	89.3	95.7
Total other liabilities	259.9	303.9

All other liabilities fall due within one year.

The fair value of other liabilities in the Group amounts to DKK 259.9 million (DKK 303.9 million in 2010/11). The carrying amount of liabilities, which fall due within one year after the end of the financial year, is expected to be a reasonable approximation of the fair value. The fair value of the financial instruments included in 'Other liabilities' amount to DKK 0.0. million (DKK -10.9 million in 2010/11).

NOTES

(DKK million)

38 Share-based payment and employee shares

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 2012, the total pool of options amount to 2,561,457 options, which can be exercised in the period 2012-2016. 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.

However, for the 1.250.000 options granted to the CEO cf company announcement 10.16 from 14 March 2011 there are certain demands regarding development in share price and EBITDA performance. This is also the case for the 640.283 options which have been granted to Executive Management and a group of key employees cf company announcement 11.13 from 15 December 2011.

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 for the outstanding options. The shares are recognised directly in equity. The holding of own shares totals 95,207 shares as at 31 May 2012 (42,650 shares as at 31 May 2011).

The exercise price, which is linked to the grant in the financial year 2006/07, is based on an exercise price of 290, which is adjusted by 5 % on the date of the company's Annual Report announcement. 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 of the Annual Report 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. The exercise price, which is linked to the grants in the financial year 2011/12 is fixed at 67.

Share options, Bang & Olufsen Group	Executive Management	Other employees	Total number	Exercise price per option	Exercise period
Outstanding 1 June 1010	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

NOTES

(DKK million)

38 Share-based payment and employee shares (continued)

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

Share options, Bang & Olufsen Group	Executive Management	Other employees	Total number	Exercise price per option	Exercise period
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
Outstanding 1 June 2011	1,448,687	819,508	2,268,195	99	August 2010 – August 2013
Granted 2011/12	104,858	540,166	645,024	67	August 2014 – September 2014
Expired 2011/12	(72,554)	(57,006)	(129,560)	344	August 2008 – August 2011
Expired 2011/12	-	(2,726)	(2,726)	302	August 2010 – August 2013
Expired 2011/12	-	(19,586)	(19,586)	103	August 2011 – August 2014
Expired 2011/12	(6,544)	(13,148)	(19,692)	58	August 2012 – August 2015
Expired 2011/12	(35,500)	(131,369)	(166,869)	47	August 2013 – August 2016
Expired 2011/12	-	(13,329)	(13,329)	67	August 2014 – September 2014
Outstanding 31 May 2012	1,438,947	1,122,510	2,561,457	83	June 2012 – August 2016

As at 31 May 2012 the share options are split as follows:

Granting period:					
Financial year 2007/08	-	126,443	126,443	302	August 2010 – August 2013
Financial year 2008/09	-	123,156	123,156	103	August 2011 – August 2014
Financial year 2009/10	13,089	70,993	84,082	58	August 2012 – August 2015
Financial year 2010/11	71,000	275,081	346,081	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
Financial year 2011/12	104,858	526,837	631,695	67	August 2014 - September 2014
Outstanding 31 May 2012	1,438,947	1,122,510	2,561,457	83	June 2012 – August 2016

* The exercise price is adjusted cf above.

NOTES

(DKK million)	2011/12	2010/11
38 Share-based payment and employee shares (continued)		
The following amounts have been recognised as part of employee costs in the Group regarding the share option programme	6.0	5.5

	Options granted in 2011/12	Options granted in 2010/11
Weighted average fair value (DKK per option)	11	11
The expense recognition according to the Black-Scholes option pricing formula has been based on the following assumptions:		
Weighted average share price (DKK per option)	63	60
Expected volatility, first grant	29.0%	45.9 %
Expected volatility, second grant	-	29.0 %
Risk-free interest rate, first grant	3.0%	1.0 %
Risk-free interest rate, second grant	-	3.0 %

In 2011/12 and 2010/11 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.

As in the previous year the volatility is based on historical volatility. The volatility is based on one year's historical data and five years' historical data respectively.

Employee shares
In the autumn of 2011 and 2010 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 to 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 seven years. The employee shares carry, like the rest of the shares, the right to any payments of dividends during the seven years.

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

The employees in the Group were granted 18,893 employee shares in 2011/12 (18,555 in 2010/11) corresponding to 0.05 % of the share capital in Bang & Olufsen a/s at the date of the grant (0.05 % in 2010/11). The granted employee shares had a fair value of DKK 61.50 per share (DKK 57.00 in 2010/11). The fair value is calculated as at 16 August 2011, which was the date of the grant (27 September 2010 in 2010/11). The fair value corresponds to the market value of the shares on the grant date.

The discount element per employee share was DKK 61.50 (DKK 57.00 in 2010/11), which is recognised in the income statement.

NOTES

(DKK million)	2011/12	2010/11
38 Share-based payment and employee shares (continued)		
The following amounts have been recognised as staff costs in the Bang & Olufsen Group in relation to employee shares	1.2	1.1

(DKK million)	2011/12	2010/11
39 Adjustments for non-cash items		
Change in other liabilities	3.9	2.2
Financial income etc.	(9.4)	(7.5)
Financial costs etc.	25.5	27.4
Result of investments in associates after tax	0.1	(0.2)
Gain/loss on sale of non-current assets	(8.2)	2.4
Tax on result for the year	30.9	12.1
Various adjustments	38.8	12.1
Total adjustments	81.6	48.5

40 Acquisition of activity

As of 1 January 2012 Bang & Olufsen has acquired the activities in the Hong Kong and South China operations that were previously run by an agent. This is expected to lead the way for further expansion and stronger control of distribution in the BRIC region.

	B&O Hong-Kong Pty Ltd
Other equipment	1.3
Total non-current assets	**1.3**
Inventories	7.2
Total current assets	**7.2**
Acquired net assets	**8.5**
Goodwill	4.4
Total purchase price	12.9
Cash payment	**12.9**

At the time of acquisition a purchase price has been paid which exceeds the fair value of the acquired identifiable assets. This positive difference (goodwill) can primarily be justified by expected synergy effects between the acquired activities and the Group’s existing activities and future growth prospects. These synergies are not recognised separately from goodwill as they are not separately identifiable.

NOTES

(DKK million)	2011/12	2010/11
41 Contingent liabilities and other financial commitments		

Rental and leasing commitments regarding operating leases etc.
The Group has 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 is entitled to determine, whether or not the agreements are renewed. None of the agreements impose restrictions in the Group's rights of disposal.

	2011/12	2010/11
Leasing commitments relating to plant and machinery etc.	43.0	29.0
Leasing commitments relating to establishment of shops	147.2	154.4
Leasing commitments relating to office and factory property	86.5	86.6
Total	276.7	270.0
Which can be specified as follows:		
Falls due within 1 year	73.6	74.1
Falls due 1-5 years	174.8	151.8
Falls due after 5 years	28.3	44.1
Total	276.7	270.0
Rental and lease payments, net for the year	81.0	81.4
Of which minimum rental and lease payments	81.0	81.4

No contingent rental or lease payments have been recognised in the income statement in 2011/12 or 2010/11.

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.

The Group has not entered into any non-cancellable lease agreements as at the balance sheet date.

NOTES

(DKK million)	2011/12	2010/11
41 Contingent liabilities and other financial commitments (continued)		
Guarantees		
Total guarantees as at 31 May	15.1	16.6
Of which relate to associates	4.0	5.2

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

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 24.1 million (DKK 22.0 million DKK i 2010/11)

Mortgages and securities
Land and buildings and investment property have been mortgaged in the amount of DKK 385.5 million (DKK 385.8 in 2010/11) as security for DKK 219.5 million of the Group's mortgage and bank debt (DKK 273.4 million in 2010/11).

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 167.7 million (DKK 173.8 million in 2010/11). 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 had 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 banks.

Lawsuits
The companies in the Group are parties to a few pending lawsuits. Management assesses that the outcome of the lawsuits will not materially influence the Group's financial position. In accordance 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.

NOTES

(DKK million)

42 Financial instruments

The extent and nature of the Group's financial instruments appear from the income statement account, balance sheet and notes in accordance with the accounting principles. 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 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:

		2011/12			2010/11		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	345.9	143.4	202.5	348.7	123.2	225.5
	> 12 months	6.9	0.8	6.1	9.6	0.9	8.7
GBP	0-12 months	96.0	18.1	77.8	47.4	11.8	35.6
	> 12 months	13.4	-	13.4	6.0	-	6.0
SEK	0-12 months	17.2	4.2	13.0	13.9	2.9	11.0
	> 12 months	0.3	-	0.3	0.2	-	0.2
JPY	0-12 months	5.4	8.5	(3.1)	5.2	4.8	0.4
	> 12 months	-	-	-	0.2	-	0.2
CHF	0-12 months	61.8	7.8	54.0	27.6	5.1	22.5
USD	0-12 months	50.6	112.5	(61.9)	56.1	42.7	13.4
	> 12 months	1.8	14.3	(12.5)	-	-	-
CZK	0-12 months	1.5	1.8	(0.3)	5.8	3.5	2.3
SGD	0-12 months	27.3	4.2	23.1	19.1	0.9	18.2
	> 12 months	-	-	-	-	-	-
AUD	0-12 months	12.2	3.2	8.9	8.6	1.9	6.7
	> 12 months	-	3.7	(3.7)	-	4.2	(4.2)
Other	0-12 months	15.3	3.8	11.5	15.5	0.6	14.9
	> 12 months	-	-	-	0.9	-	0.9

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

NOTES

(DKK million)	2011/12	2010/11
42 Financial instruments (continued)		
Categories of financial instruments		
Other financial receivables	46.6	40.1
Trade receivables	539.9	365.2
Receivables from associates	2.4	1.7
Other receivables excl. foreign exchange forward contracts	42.1	24.3
Cash	159.1	189.1
Loans and receivables	790.1	620.4
Other non-current liabilities	0.9	0.9
Mortage loans, total	219.5	225.9
Loans from banks, total	150.0	-
Overdraft facilities	37.8	47.7
Trade payables	384.8	199.8
Other payables excl. foreign exchange forward contracts	259.9	293.0
Financial liablities measured at amortised cost	1,052.9	767.3

Foreign exchange forward contracts are measured at fair value in the balance sheet, cf note 1 and below. The fair value is based on observable market data and is part of level 2 in the fair value hierarchy, as well as financial assets and liabilities used as a hedging instrument. The fair value represents DKK 8.3 million (DKK -10.9 million in 2010/11).

Maturity analysis for receivables

	2011/12	2010/11
Amounts not due	541.6	359.8
Overdue up to 30 days	5.0	19.3
Overdue between 30 and 60 days	15.1	11.7
Overdue between 60 and 90 days	3.5	6.5
Overdue between 90 and 120 days	26.8	6.2
Overdue more than 120 days	39.0	27.8
Total	631.0	431.3

All overdue receivables have been written down unless sufficient collateral has been obtained.

NOTES

(DKK million)	2011/12	2010/11
42 Financial instruments (continued)		
Fair value by category of financial instruments		
Other financial receivables	46.6	39.6
Trade receivables	539.9	365.2
Receivables from associates	2.4	1.7
Other receivables excl. foreign exchange forward contracts	42.1	24.3
Cash	159.1	189.1
Loans and receivables	790.1	619.9
Other non-current liabilities	0.9	0.9
Mortage loans, net	226.3	225.2
Loans from banks, total	150.0	-
Overdraft facilities	37.8	47.7
Trade payables	384.8	199.8
Other payables excl. foreign exchange forward contracts	259.9	293.0
Financial liabilities measured at amortised cost	1,059.7	766.6

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 2011/12, 91 % of the Group's turnover is in foreign currency (91 % in 2010/11). This figure does not express the Group's foreign exchange rate risk, as part of the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent.

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.

NOTES

(DKK million)

42 Financial instruments (continued)

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 hedged. 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 2012 the Group has entered into foreign exchange forward contracts at a repurchase value of DKK net 41.5 million (DKK 213.2 million as at 31 May 2011), with a fair value of DKK 8.3 million (DKK -10.9 million as at 31 May 2011).

	31 May 2012		31 May 2011	
Foreign exchange purchase contracts, net sale (purchase)	Contractual value	Fair value	Contractual value	Fair value
USD	(283.1)	16.1	(126.0)	(3.6)
GBP	182.4	(8.9)	135.3	1.6
CHF	167.5	(1.5)	147.3	(8.4)
SEK	-	-	33.9	(0.3)
NOK	-	-	22.7	(0.2)
JPY	(25.3)	2.6	-	-
Total 31 May	41.5	8.3	213.2	(10.9)

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

	EBIT		Equity	
	2011/12	2010/11	31 May 2012	31 May 2011
USD	(18.8)	(10.7)	(14.1)	(7.2)
GBP	8.7	7.6	6.5	6.4
CHF	10.3	9.0	7.7	6.8
NOK	1.3	1.1	1.0	0.7
SEK	1.8	1.6	1.4	1.2
SGD	3.8	4.0	2.8	2.5
AUD	1.9	2.2	1.4	1.4
JPY	(2.1)	-	(1.6)	(0.2)

Besides the foreign exchange rate risk regarding 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.

NOTES

42 Financial instruments (continued)

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 159.1 million (DKK 189.1 million in 2010/11). 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 had an impact on the Group's profit before tax by approx. DKK 1.7 million in 2011/12 (DKK 0.9 million in 2010/11).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 362.9 million (DKK 273.6 million in 2010/11) corresponding to 12.4 % of the balance sheet total (10.9 % in 2010/11).

Of the interest-bearing debt, DKK 184.4 million fall due after five years (DKK 191.9 million in 2010/11). Further information is provided in notes 33 and 34.

Due to the low debt level and the fact that borrowings are fixed rate loans and loans with a fixed rate of minimum three years, the Group's interest rate risks are insignificant and are not expected to have a significant impact 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 918 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 2011/12 financial year, DKK 17.9 million has been recognised as losses on receivables (DKK 18.9 million in 2010/11).

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.

Defaults or breaches on loans
Neither the Group nor the parent company has defaulted or breached any loan agreements during 2011/12 or 2010/11.

NOTES

(DKK million)

43 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, Executive Management and certain other key management personnel in Bang & Olufsen a/s and the close family members of these persons. Related parties also include companies in which these persons have significant interests.

The related parties in 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 47.

Board of Directors, Executive 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, Executive Management and other key management personnel. Remuneration and share option programmes are shown in note 7 and 38.

Executive Management's terms of notice is in accordance with normal market conditions (up to 24 months).

Associates
Transactions with associates have included the following:

	2011/12	2010/11
Purchase of raw materials from associates	10.6	8.2
Purchase of services from associates	0.3	0.9
Rental income from associates	1.6	4.9
Rendering of services to associates	2.7	0.9

NOTES

43 Related parties (continued)

Outstanding balances with associates
The Bang & Olufsen Group's outstanding balances with associates appear from the balance sheet. The outstanding balances carry interest. 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 2011/12 or 2010/11.

Other transactions
During 2011/12 Bang & Olufsen a/s contributed DKK 1.7 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.

44 Capital structure

Bang & Olufsen operates in a sector with very frequent and significant changes in technology. Therfore, the Group will be faced with small or medium-sized investments within new business areas and new fields of technology. Distribution development largely takes place through retail-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 characterised by considerable seasonal variations.

Based on this, Bang & Olufsen has a need for sufficient capital reserves. After two years with significant losses the Group decided in 2010/11 to suspend earlier announced long-term goals for self-financing and financial gearing. Even though the Group had a positive result for the second year in a row, 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 are sufficient to cover variances in the earnings of the company – including seasonality – and support the strategic plan. During 2012/13 the Company will formulate coherent strategies for capital structure and shareholder remuneration.

45 Events after the balance sheet date

After the end of the reporting period Bang & Olufsen has entered a strategic partnerhsip with Sparkle Roll and A CAPITAL to further accelerate the growth of the Bang & Olufsen brand in China, cf. company announcement 12.06 from 19 July 2012. As part of the partnership Sparkle Roll and A CAPITAL will subscribe for new shares in Bang & Olufsen a/s representing respectively 6.63% and 1.72% of the existing share capital. The agreement and the capital increase are subject to approval from the Chinese authorities.

Bang & Olufsen has also made an agreement with a new master dealer in Japan after the end of the reporting period.

46 Approval of the Annual Report for publication

At the board meeting held on 14 August 2012 the Board of Directors have approved the publication of this annual report. The annual report will be presented for adoption at the Ordinary Annual General Meeting of Bang & Olufsen on 21 September 2012.

NOTES

47 Companies in the Bang & Olufsen Group

Company name	Domicile	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Bang & Olufsen a/s	Struer, DK	DKK	362,440,140		
Bang & Olufsen Operations a/s A)	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 %	
Great Britain/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
Bang & Olufsen Hong-Kong Pty Ltd *)	Hong Kong, HK	HKD	1,000,000	100 %	1
Bang & Olufsen Trading (Shanghai) Ltd **)	Shanghai, CN	RMB	1,000,000	100 %	
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 A)	Koprivnice, CZ	CZK	187,800,000	100 %	
B&O PLAY a/s ***A)	Struer, DK	DKK	7,500,000	100 %	
Bang & Olufsen ICEpower a/s A)	Lyngby-Tårbæk, DK	DKK	1,939,750	100 %	2
OÜ BO-Soft ****A)	Tallin, EE	EEK	40,000	100 %	
Bang & Olufsen GPS Taiwan A)	Taipei, TW	TWD	5,000,000	100 %	
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 have not been included

*) As at 1 January 2012 Bang & Olufsen a/s has acquired the activities in Hong Kong and Southern China which previously were run by an agent
**) The company was founded on 15 February 2012
***) The company was founded on 18 July 2011
****) As at 1 June 2011 Bang & Olufsen a/s acquired the remaining 49% of the shares in OÜ BO-Soft
A) Companies directly owned by Bang & Olufsen a/s

ANNUAL ACCOUNTS FOR BANG & OLUFSEN A/S

PARENT COMPANY

CONTENTS – PARENT COMPANY

INCOME STATEMENT 1 JUNE – 31 MAY FOR THE PARENT COMPANY

(DKK million)	Notes	2011/12	2010/11
Revenue	3	**546.1**	**535.3**
Production costs	5,6	(232.3)	(281.7)
Gross profit		**313.8**	**253.6**
Development costs	4	(412.8)	(369.0)
Adminstration costs etc.	5,6	(17.9)	(22.8)
Operating profit (EBIT)		**(116.9)**	**(138.2)**
Dividend	7	37.8	2.0
Financial income	8	33.0	19.2
Financial costs	9	(36.7)	(29.3)
Financial items, net		(3.7)	(10.1)
Profit for the year (EBT)		**(82.8)**	**(146.3)**
Tax for the year	10	30.4	41.5
Profit for the year		**(52.4)**	**(104.8)**

STATEMENT OF COMPREHENSIVE INCOME 1 JUNE – 31 MAY FOR THE PARENT COMPANY

(DKK million)	Notes	2011/12	2010/11
Profit for the year		**(52.4)**	**(104.8)**
Change in fair value of derivative financial instruments used as cash flow hedges		10.9	(36.2)
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
Transfer to production costs		-	1.8
Tax on other comprehensive income	10	(2.7)	1.4
Other comprehensive income, net of tax		**8.2**	**(4.5)**
Comprehensive income for the year		**(44.2)**	**(109.3)**

BALANCE SHEET AS AT 31 MAY FOR THE PARENT COMPANY

(DKK million)	Notes	2011/12	2010/11
Intangible assets			
Goodwill		3.2	3.2
Acquired rights		26.7	35.2
Completed development projects		292.4	183.8
Development projects in progress		317.1	306.6
Total intangible assets	11, 14	639.4	528.8
Tangible assets			
Land and buildings		67.9	70.5
Plant and machinery		5.0	5.3
Other equipment		9.3	13.0
Tangible assets in course of construction and prepayment for tangible assets		1.7	2.2
Total tangible assets	12, 14	83.9	91.0
Investment property	13	**99.8**	**106.8**
Financial assets			
Investments in subsidiaries	15	726.8	719.5
Investments in associates	16	8.1	6.4
Other financial receivables	17	3.0	3.0
Total financial assets		737.9	728.9
Deferred tax assets	18	**75.5**	**131.9**
Total non-current assets		**1,636.5**	**1,587.4**
Inventories	19	**0.3**	**0.4**
Receivables			
Trade receivables		1.0	-
Receivables from associates	20	517.0	509.5
Corporation tax receivable	21	-	-
Other receivables	22	18.7	13.3
Prepayments		3.9	4.2
Total receivables		540.6	527.0
Cash		**75.8**	**132.1**
Total current assets		**616.8**	**659.5**
Total assets		**2,253.2**	**2,246.9**

BALANCE SHEET AS AT 31 MAY FOR THE PARENT COMPANY

(DKK million)	Notes	31/5-/12	31/5-11
Equity			
Share capital	23	362.4	362.4
Reserve for cash flow hedges	24	-	(10.9)
Retained earnings		1,360.5	1,412.7
Total equity		**1,722.9**	**1,764.2**
Non-current liabilities			
Provisions	26	2.9	2.9
Mortgage loans	27	212.9	219.5
Total non-current liabilities		215.8	222.4
Current liabilities			
Mortgage loans	27	6.6	6.4
Loans from banks	28	150.0	-
Overdraft facilities		36.7	47.5
Provisions	26	0.2	0.2
Trade payables		38.4	28.9
Debt to subsidiaries	29	10.3	55.6
Corporation tax	30	0.1	0.1
Other liabilities	31	72.2	121.6
Total current liabilities		314.6	260.3
Total liabilities		**530.3**	**482.7**
Total equity and liabilities		**2,253.2**	**2,246.9**

CASH FLOW STATEMENT FOR THE PARENT COMPANY 1 JUNE TO 31 MAY

	Notes	2011/12	2010/11
Loss for the year		(52.4)	(104.8)
Amortisation, depreciation and impairment losses		171.9	149.7
Adjustments for non-cash items	33	72.2	(30.7)
Change in receivables		(12.7)	193.6
Change in inventories		(0.1)	(0.2)
Change in trade payables etc.		(85.8)	17.9
Cash flow from operating activities		93.1	225.5
Interest received etc.		33.0	19.2
Interest paid etc.		(36.7)	(29.3)
Income tax paid		-	0.1
Cash flow from operating activities		**89.4**	**215.5**
Purchase of intangible non-current assets		(274.9)	(246.8)
Purchase of tangible non-current assets		(5.7)	(9.3)
Purchase of investment property		(0.4)	(1.3)
Investment in subsidiary		(10.8)	-
Sale of tangible non-current assets		7.5	-
Received reimbursments, intangible non-current assets		12.1	26.6
Capital increase, Bang & Olufsen Medicom a/s		(1.7)	(0.8)
Cash flow from investing activities		**(273.9)**	**(231.6)**
Free cash flow		**(184.5)**	**(16.1)**
Repayment of long-term loans		(6.6)	(55.5)
Proceeds from short term borrowings		150.0	-
Purchase of own shares		(4.3)	-
Sale of own shares		-	2.0
Cash flow from financing activities		**139.1**	**(53.5)**
Change in cash and cash equivalents		**(45.4)**	**(69.6)**
Cash and cash equivalents 1 June		84.6	156.6
Exchange rate adjustment, cash and cash adjustments		(0.1)	(2.4)
Cash and cash equivalents 31 May		**39.1**	**84.6**
Cash and cash equivalents:			
Cash		75.8	132.1
Current overdraft facilities		(36.7)	(47.5)
Cash and cash equivalents 31 May		**39.1**	**84.6**

STATEMENT OF CHANGES IN EQUITY 1 JUNE – 31 MAY FOR THE PARENT COMPANY

	Share capital	Share premium	Reserve for cash flow hedges	Retained earnings	Total
Equity 1 June 2010	**362.4**	**232.1**	**(5.0)**	**1,275.4**	**1,864.9**
Profit 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
Reclassificiation, 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**
Equity 1 June 2011	**362.4**	**-**	**(10.9)**	**1,412.7**	**1,764.2**
Profit for the year	-	-	-	(52.4)	(52.4)
Other comprehensive income, net of tax	-	-	10.9	(2.7)	8.2
Comprehensive income for the year	-	-	10.9	(55.1)	(44.2)
Employee shares	-	-	-	1.2	1.2
Grant of share options	-	-	-	6.0	6.0
Pruchase of own shares	-	-	-	(4.3)	(4.3)
Equity 31 May 2012	**362.4**	**-**	**-**	**1,360.5**	**1,722.9**

NOTES

1 Accounting policies

The financial statements for 2011/12 for Bang & Olufsen a/s has been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and further Danish disclosure requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

Accounting policies for the parent company are identical to accounting policies in the Bang & Olusfen Group, cf Note 1 in the consolidated financial statements, except for the item below:

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. If the cost exceeds the investment's recoverable amount, the carrying amount is reduced to this lower amount, cf. the paragraph about impairment losses in Note 1 in the consolidated accounts.

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.

2 Significant estimates and assessments by management

When applying the parent company's accounting principles, as described in note 1, it is necessary that management makes a number of accounting assessments and estimates as well as makes 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 contingent liabilities, development projects, trade receivables, inventories and deferred tax assets.

Management bases its 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 on a continious basis. Changes made to the accounting estimates 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 separate financial statements for the parent company:

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 609.5 million as at 31 May 2012 (DKK 490.4 million as at 31 May 2011).

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 75.5 million as at 31 May 2012 (DKK 131.9 million as at 31 May 2011).

NOTES

(DKK million)	2011/12	2010/11
3 Revenue		
Geographical split		
Denmark	542.2	535.3
Europe	3.9	-
Total	546.1	535.3
Split by function		
Sale of goods	3.9	-
Rendering of services	80.1	76.9
Royalty	381.7	380.0
Property rental income	80.4	78.4
Total	546.1	535.3

(DKK million)	2011/12	2010/11
4 Development costs		
Incurred development costs before capitalisation	544.0	504.1
Herof capitalised	(273.4)	(244.7)
Total amortisation charges and impairment losses on development projects	142.2	109.6
Total	412.8	369.0

(DKK million)	2011/12	2010/11
5 Amortisation, depreciation and impairment losses		
Amortisation, depreciation and impairment losses are specified as follows:		
Amortisation, intangible assets	150.3	108.4
Impairment losses, intangible assets	1.9	11.3
Depreciation, tangible assets	12.3	14.1
Impairment losses, tangible assets	-	6.7
Gains and losses on sold property, plant and equipment	(6.9)	-
Depreciation, investment property	7.4	9.2
Total	165.0	149.7
- and are expensed as follows:		
Production costs	23.7	21.5
Development costs	139.2	126.3
Administration costs etc.	2.1	1.9
Total	165.0	149.7

NOTES

(DKK million)	2011/12	2010/11
6 Staff costs		
Wages and salaries etc.	297.9	312.3
Share-based payment	3.8	2.8
Pensions	21.8	21.1
Other social security costs	3.0	4.5
Total	326.5	340.7
- and are expensed as follows:		
Production costs	118.9	124.1
Development costs	197.9	206.5
Administration costs etc.	9.7	10.1
Total	326.5	340.7

Refer to Note 7 in the consolidated accounts for further information about the remuneration of Board of Directors, Executive Management and other key employees.

Average number of full-time employees:	622	617
7 Dividends		
Dividend from subsidiaries	37.8	2.0
8 Financial income		
Interest income from banks	0.2	0.3
Interest income from subsidiaries	18.4	18.3
Exhchange rate gains, net	11.2	0.4
Other financial income	3.2	0.2
Financial income	33.0	19.2

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

9 Financial costs		
Interest costs on bank loans	6.5	6.0
Interest costs on mortgage loans	10.0	11.8
Interest costs to subsidiaries	9.4	8.7
Exhchange rate losses, net	8.8	-
Other financial costs	2.0	2.8
Financial costs	36.7	29.3

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

NOTES

(DKK million)	2011/12	2010/11
10 Tax for the year		
Current tax	-	0.4
Change in deferred tax	(27.0)	(35.4)
Adjustment to previous years, current tax	-	(0.5)
Adjustment to previous years, deferred tax	(0.7)	(7.4)
Total	(27.7)	(42.9)
Tax for the year is recognised as follows:		
Tax recognised in the income statement	(30.4)	(41.5)
Tax recognised in other comprehensive income	2.7	(1.4)
Tax on profit for the year is specified as follows:		
Tax calculated on profit before tax	(20.6)	(36.6)
Tax effect of:		
Non-deductible costs and non-taxable income	0.4	0.2
Adjustment of tax relating to previous years	(0.7)	(7.9)
Non-taxable dividend from investments in subsidiaries	(9.5)	(0.5)
Other	-	3.3
Tax on profit for the year	(30.4)	(41.5)
Danish tax percentage	25.0 %	25.0 %
Tax effect of:		
Non-deductible costs and non-taxable income	(0.5 %)	(0.1 %)
Adjustment of tax relating to previous years	0.8 %	5.4 %
Non-taxable dividend from investments in subsidiaries	11.5 %	0.4 %
Other	-	(2.3 %)
Average effective tax rate for the year	36.9 %	28.4 %

The weighted tax percentage is 36.9% (28.4 % in 2010/11).

Income tax paid including tax paid on account for the jointly-taxed Danish companies amounts to DKK 0.0 million in 2011/12 (DKK -0.1 million in 2010/11). The parent company pays current tax for jointly taxed Danish companies.

Tax on other comprehensive income		
Change in fair value of derivative financial instruments used as cash flow hedges	2,7	(1.4)
Tax on other comprehensive income	2,7	(1.4)

Tax on other comprehensive income is recognised in retained earnings. All financial instruments have been transferred to B&O Operations a/s during the financial year.

NOTES

(DKK million)

11 Intangible assets

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
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
Reimbursements received	-	-	-	(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

There are no contractual obligations to purchase intangible assets.

NOTES

(DKK million)

11 Intangible assets (continued)

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2011	3.2	151.1	801.5	315.6	1,271.4
Additions	-	1.5	37.5	235.9	274.9
Reimbursements received	-	-	-	(12.1)	(12.1)
Disposals	-	-	(151.7)	(10.9)	(162.6)
Completed development projects	-	-	211.4	(211.4)	-
Cost price 31 May 2012	3.2	152.6	898.7	317.1	1,371.6
Amortisation and impairment losses 1 June 2011	-	(115.9)	(617.7)	(9.0)	(742.6)
Amortisation during the year	-	(10.0)	(140.3)	(1.9)	(152.2)
Reversed amortisation on disposals	-	-	151.7	10.9	162.6
Amortisation and impairment losses 31 May 2012	-	(125.9)	(606.3)	-	(732.2)
Carrying amount 31 May 2012	3.2	26.7	292.4	317.1	639.4
Cost price 31 May 2012	3.2	152.6	898.7	317.1	1,371.6
Amortisation and impairment losses 31 May 2012	-	(125.9)	(606.3)	-	(732.2)
Carrying amount 31 May 2012	3.2	26.7	292.4	317.1	639.4

There are no contractual obligations to purchase intangible assets.

NOTES

(DKK million)

12 Tangible assets

	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
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 during the year	(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

NOTES

(DKK million)

12 Tangible assets (continued)

	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
Cost price 1 June 2011	200.9	22.4	129.1	1.0	2.2	355.6
Additions	0.9	1.6	1.9	-	1.3	5.7
Completed assets	1.8	-	-	-	(1.8)	-
Disposals	(23.6)	-	(2.4)	-	-	(26.0)
Cost price 31 May 2012	180.0	24.0	128.6	1.0	1.7	335.3
Depreciation and impairment losses 1 June 2011	(130.4)	(17.1)	(116.1)	(1.0)	-	(264.6)
Depreciation during the year	(5.1)	(1.9)	(5.3)	-	-	(12.3)
Reversed depreciation on disposals	23.4		2.1	-	-	25.5
Depreciation and impairment losses 31 May 2012	(112.1)	(19.0)	(119.3)	(1.0)	-	(251.4)
Carrying amount 31 May 2012	67.9	5.0	9.3	-	1.7	83.9
Cost price 31 May 2012	180.0	24.0	128.6	1.0	1.7	335.3
Depreciation and impairment losses 31 May 2012	(112.1)	(19.0)	(119.3)	(1.0)	-	(251.4)
Carrying amount 31 May 2012	67.9	5.0	9.3	-	1.7	83.9

Tangible assets in general

Government grants regarding acquisitions of tangible assets have not been received neither in 2011/12 nor in 2010/11, and there are no unfulfilled conditions for government grants received in previous years. There are no contractual obligations regarding purchase of tangible assets.

NOTES

(DKK million)	2011/12	2010/11
13 Investment property		
Cost price 1 June	268.9	271.4
Depreciation and impairment losses 1 June	(162.1)	(156.4)
Carrying amount 1 June	106.8	115.0
Cost price 1 June	268.9	271.4
Additions	0.4	1.3
Disposals	(1.1)	(3.8)
Cost price 31 May	268.2	268.9
Depreciation and impairment losses 1 June	(162.1)	(156.4)
Depreciation	(7.4)	(9.2)
Reversed depreciation on disposals	1.1	3.5
Depreciation and impairment losses 31 May	(168.4)	(162.1)
Carrying amount 31 May	99.8	106.8
Cost price 31 May	268.2	268.9
Depreciation and impairment losses 31 May	(168.4)	(162.1)
Carrying amount 31 May	99.8	106.8

The parent company's investment property consists of a number of properties which are owned with the purpose of renting them to other Group companies.

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 Group companies' 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.

There are no contractual obligations to purchase, construct or develop investment property, nor are there any contractual obligations regarding repairs, maintenance or enhancements of the investment property.

NOTES

(DKK million)

13 Investment property (continued)

Rental income of DKK 54.7 million has been received from the investment property in 2011/12 (DKK 51.7 million in 2010/11). In the same period the direct operating expenses regarding the investment property that generated the rental income were DKK 29.2 million (DKK 28.7 million in 2010/11)

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 13.1 million in the 3 months which are included in the lease term of the operating leases.

14 Impairment of non-current assets

Intangible assets excl. goodwill – impairment losses during the year
During 2011/12 impairment losses of DKK 1.9 million was recognised on a development project (11,3 mio.DKK i 2010/11).
The impairment losses are part of the AV segment.

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 is calculated based on expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 10 % (8 % after tax).

Goodwill
No impairment losses have been recognised on cash-generating units which include goodwill in 2011/12 og 2010/11 in the parent company.

Financial assets – impairment losses during the year
No impairment losses have been recognised on non-current financial assets in the parent company in 2011/12 or 2010/11, except from what appears from note 17.

NOTES

(DKK million)	2011/12	2010/11
15 Investment in subsidiaries		
Cost price 1 June	719.5	719.5
Additions	7.3	-
Cost price 31 May	726.8	719.5

Refer to note 47 in the consolidated accounts for an overview of group companies.

(DKK million)	2011/12	2010/11
16 Investments in associates		
Cost price 1 June	6.4	5.6
Additions	1.7	0.8
Cost price 31 May	8.1	6.4
Carrying amount 31 May	8.1	6.4

Please refer to note 18 in the consolidated accounts for further information about associates.

(DKK million)	2011/12	2010/11
17 Other financial receivables		
Other financial receivables (gross) 1 June	3.0	3.0
Other financial receivables (gross) 31 May	3.0	3.0
Write-down for expected losses 1 June	-	-
Write-down for expected losses 31 May	-	-
Other financial receivables (net) 31 May	3.0	3.0

The parent company has no overdue other financial receivables, for which no write-down is recognised.

NOTES

(DKK million)

18 Deferred tax assets

	Non-current assets	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 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 income statement	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
Adjustments to prior years	65.2	0.2	2.2	(148.8)	(0.2)	(81.4)
Recognised in the income statement	2.9	-	(2.3)	27.1	-	27.7
Recognised in other comprehensive income	-	-	-	-	(2.7)	(2.7)
Deferred tax assets 31 May 2012	(12.8)	-	0.7	87.8	(0.2)	75.5

In 2011/12 a deferred tax asset of gross DKK 87.8 million has been recognised based on tax loss carry-forwards, which can be indefinitely carried forward (2010/11; DKK 209.5 million). This deferred tax asset has been recognised on the basis of management's expectations of the parent company's and Danish subsidiaries' long-term earnings up to 5 years.

NOTES

(DKK million)	2011/12	2010/11
19 Inventories		
Finished goods	0.3	0.4
Inventories 31 May	0.3	0.4

The entire book value is expected to be realised within 12 months.

20 Receivables from subsidiaries		
Receivables from subsidiaries 31 May	517.0	509.5

All receivables from subsdiairies fall due within one year.
There has been no need for write-down of receivables from subsidiaries.

The fair value of receivables from subsidiaries amount to DKK 517,0 million (DKK 470.3 million in 2010/11). 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.

21 Corporation tax receivable		
Corporation tax receivable 1 June	-	-
Adjustments to previous years	-	0.5
Corporation tax refund	-	(0.5)
Corporation tax receivable 31 May	-	-

22 Other receivables		
VAT receivable	6.7	11.0
Deposits	1.5	1.3
Other receivables	10.5	1.0
Other receivables 31 May	18.7	13.3

All other receivables fall due within one year with the exception of deposits which depend on the rental contracts.

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

The fair value of other receivables amounts to DKK 18.7 million (DKK 13.3 million in 2010/11).
The carrying amount of receivables, which fall due within one year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

NOTES

(DKK million)	2011/12	2010/11
23 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
Number of shares 31 May	36,244,014	36,244,014

Specification of movements in share capital:	2011/12	2010/11	2009/10	2008/09	2007/08
Share capital	362.4	362.4	120.8	120.8	124.5
Capital increase	-	-	241.6	-	-
Capital reduction	-	-	-	-	(3.7)
Share capital	362.4	362.4	362.4	120.8	120.8

	2011/12	2010/11
Own shares:		
Number of own shares	95,207	42,650
Nominal value, DKK million	1.0	0.4
% of share capital, year-end	0.3	0.1

71.450 own shares have been bought back in 2011/12 (2010/11; 0). The reason for the share buy-back is to cover B&O’s obligation in relation to the share option schemes for selected employees, refer to company announcement 11.22. The buy-back programme runs in the period from 18 April 2012 to 19 June 2012.

	2011/12	2010/11
Movements during the year:		
Buy-back during the year	71,450	-
Disposals during the year	(18,893)	(47,722)
Net buy-back/(disposal))	52,557	(47,722)
Nominal value, DKK million	0.5	0.5
% of share capital, year-end	0.1	0.1
Total sales sum, DKK million	-	2.0
Total buy-back, DKK million	4.3	-

18,893 own shares have been allocated as employee shares in 2011/12 (2010/11; 18,555), while 71,450 have been bought back (2010/11; 29,167 sold).

NOTES

(DKK million)	2011/12	2010/11
24 Reserve for cash flow hedges		
Reserve for cash flow hedges 1 June	(10.9)	(5.0)
Change in fair value of derivative financial instruments used as cash flow hedges	10,9	(36.2)
Transfer to the profit and loss account of fair value adjustments of derivative financial instruments used as cash flow hedges:		
Transfer to net revenue	-	28.5
Transfer to production costs	-	1.8
Reserve for cash flow hedges 31 May	-	(10.9)

During the financial period all financial instruments have been transferred to B&O Operations a/s.

25 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 parent company DKK 21.8 million (DKK 21.1 million in 2010/11) has been recognised as costs related to defined contribution plans.

NOTES

(DKK million)

26 Provisions

	Employee anniversary benefits
Provisions 1 June 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
Provisions during the year	0.2
Provisions used during the year	(0.2)
Provisions 31 May 2012	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 expected due dates of the provisions as at 31 May 2012 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 2012	3.1

No reimbursements for the provisions will be received from third parties.

NOTES

(DKK million)

27 Mortgage loans

	Falls due within 1 year	Falls due 1-5 years	Falls due after 5 years	Falls due after 1 year in total
Fixed rate loans, interest rate 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 4.1%	1.9	8.4	23.0	31.4
Floating rate loans, interest rate level 2.0 – 3.0 %	4.7	20.1	161.4	181.6
Carrying amount 31 May 2012	6.6	28.5	184.4	212.9

The fair value of the current and non-current financial liabilities, mortgage loans in the parent company amounts to DKK 226.3 million (DKK 225.2 million in 2010/11). All loans are in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

28 Loans from banks

	Falls due within 1 year
Committed facility, Nordea	150.0
Carrying value 31 May 2012	150.0
Carrying value 31 May 2011	-

There is no non-current part.
The fair value of the current and non-current financial liabilities, loans from banks in the parent company amounts to DKK 150.0 million (DKK 0.0 million in 2010/11). The fair value is calculated as the present value of the expected future instalments and interest payments.

NOTES

(DKK million)	2011/12	2010/11
29 Payables to subsidiaries		
Payables to subsidiaries (net) 31 May	10.3	55.6

All payables to subsidiaries fall due within one year.

The fair value of payables to subsidiaries amounts to DKK 10.3 million (DKK 55.6 million in 2010/11). 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.

30 Corporation tax		
Corporation tax 1 June	0.1	0.1
Current tax for the period	-	0.4
Corporation tax paid in the year	-	(0.4)
Corporation tax 31 May	0.1	0.1

DKK 0.0 million of the corporation tax liability in the parent company is expected to be paid after one year (DKK 0.0 million in 2010/11)

31 Other liabilities		
Payroll related items	48.6	85.8
Other liabilities	23.5	35.8
Other liabilities, total	72.1	121.6

All other liabilities fall due within 1 year.

The fair value of other liabilities in the parent company amounts to DKK 72.1 million (DKK 121.6 million in 2010/11). The carrying amount of liabilities, which fall due within one year after the end of the financial year, is expected to be a reasonable approximation of the fair value. The fair value of the financial instruments included in 'other liabilities' amount to DKK 0.0. million (DKK -10.9 million in 2010/11).

NOTES

(DKK million)

32 Sharebased payment and employee shares

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 2012, the total pool of options amount to 1,896,429 options, which can be exercised in the period 2012-2016. 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.

However, for the 1.250.000 options granted to the CEO cf company announcement 10.16 from 14 March 2011 there are certain demands regarding development in share price and EBITDA performance. This is also the case for the 360.934 options which have been granted to Executive Management and a group of key employees cf company announcement 11.13 from 15 December 2011.

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 for the outstanding options. The shares are recognised directly in equity. The holding of own shares totals 95,207 shares as at 31 May 2012 (42,650 shares as at 31 May 2011).

The exercise price, which is linked to the grant in the financial year 2006/07, is based on an exercise price of 290, which is adjusted by 5 % on the date of the company's Annual Report announcement. 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 Annual Report 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. The exercise price, which is linked to the grants in the financial year 2011/12 is fixed at 67.

Share options, Bang & Olufsen Group	Executive Management	Other employees	Total number	Exercise price per option	Exercise period
Outstanding 1 June 1010	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

NOTES

(DKK million)

32 Sharebased payment and employee shares (continued)

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

Share options, Bang & Olufsen Group	Executive Management	Other employees	Total number	Exercise price per option	Exercise period
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
Outstanding 1 June 2011	1,406,642	365,220	1,771,862	96	
Granted 2011/12	104,858	256,076	360,934	67	August 2014 – September 2014
Expired 2011/12	-	(109,867)	(109,867)	*344	August 2008 – August 2011
Forfeited 2011/12	(42,044)	((84,456)	(126,500)	52	September 2012 – August 2016
Outstanding 31 May 2012	1,469,456	426,973	1,896,429	79	June 2011 – August 2016

As at 31 May 2012 the share options are split as follows:

Granting period:					
Financial year 2007/08	-	49,544	49,544	302	August 2010 – August 2013
Financial year 2008/09	-	54,059	54,059	103	August 2011 – August 2014
Financial year 2009/10	13,088	22,392	35,480	58	August 2012 – August 2015
Financial year 2010/11	71,000	88,651	159,651	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 – August 2015
Financial year 2011/12	104,858	242,837	347,695	67	August 2014 – September 2014
Outstanding 31 May 2012	1,438,946	457,483	1,896,429	79	June 2012 – August 2016

* The exercise price is adjusted cf above.

NOTES

(DKK million)	2011/12	2010/11
32 Sharebased payment and employee shares (continued)		
The following amounts have been recognised as part of employee costs in the parent company regarding the share option programme	3.8	2.3

	Share options granted in 2011/12	Share options granted in 2010/11
Weighted average fair value (DKK per option)	11	11
The expense recognition according to the Black-Scholes option pricing formula has been based on the following assumptions:		
Weighted average share price (DKK per option)	63	60
Expected volatility, first grant	29.0%	45.9 %
Expected volatility, second grant	-	29.0 %
Risk-free interest rate, first grant	3.0%	1.0 %
Risk-free interest rate, second grant	-	3.0 %

In 2011/12 and 2010/11 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.

As in the previous year the volatility is based on historical volatility. The volatility is based on one year's historical data and five years' historical data respectively.

Employee shares

The employees in the Bang & Olufsen a/s were granted 8,473 employee shares in 2011/12 (8,309 in 2010/11) corresponding to 0.02 % of the share capital in Bang & Olufsen a/s at the date of the grant (0.02 % in 2010/11). The granted employee shares had a fair value of DKK 61.50 per share (DKK 57.00 in 2010/11). The fair value is calculated as at 16 August 2011, which was the date of the grant (27 September 2010 in 2010/11). The fair value corresponds to the market value of the shares on the grant date.

	2011/12	2010/11
The following amounts have been recognised as staff costs in the Bang & Olufsen Group in relation to the Bang & Olufsen Group	0.5	0.5

33 Adjustments for non-cash items		
Change in other liabilities	-	(6,5)
Financial income etc.	(33,0)	(19,2)
Financial costs etc.	36,7	29,3
Gains/(loss) on sale of non-current assets	(6,9)	0,6
Tax on result for the year	(30,4)	(41,5)
Other adjustments	105,5	6,6
Total adjustments	72,2	(30,7)

NOTES

(DKK million)	2011/12	2010/11
34 Contingent liabilities and other financial commitments		
Rental and leasing commitments regarding operating leases etc.		
The parent company has 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 parent company is entitled to determine, whether or not the agreements are renewed. None of the agreements impose restrictions in the parent company's rights of disposal.		
Leasing commitments relating to plant and machinery etc.	31.2	18.0
Leasing commitments relating to office and factory property	51.5	56.6
Total	82.7	74.6
Which can be specified as follows:		
Falls due within 1 year	19.1	18.6
Falls due 1-5 years	53.4	38.5
Falls due after 5 years	10.2	17.5
Total	82.7	74.6
Rental and lease payments, net for the year	26.5	25.3
Of which minimum rental and lease payments	26.5	25.3
No contingent rental or lease payments have been recognised in the income statement in 2011/12 or 2010/11.		
The parent company has not entered into any non-cancellable lease agreements as at the balance sheet date, from which sublease payments are received		
Guarantees		
Total guarantees as at 31 May	22.8	26.6
Of which relate to subsidiaries	17.0	19.7
Of which relate to associates	4.0	5.2

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

NOTES

(DKK million)

34 Contingent liabilities and other financial commitments (continued)

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 24.1 million (DKK 22.0 million in 2010/11)

Mortgages and securities

Land and buildings and investment property have been mortgaged in the amount of DKK 385.8 million (DKK 385.8 in 2010/11) as security for DKK 406.3 million of the Group's mortgage and bank debt (DKK 273.4 million in 2010/11). 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 167.7 million (DKK 173.8 million as at 31 May 2011). 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 had 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 banks.

Lawsuits

The companies in the Group are parties to a few pending lawsuits. Management assesses that the outcome of the lawsuits will not materially influence the Group's financial position. In accordance 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.

35 Financial instruments

The extent and nature of the parent company's financial instruments appear from the profit and loss account, balance sheet and notes in accordance with the accounting principles. Information regarding conditions that can affect amount, dates of payment or reliability of future payments, where such information is not directly evident from the parent company's financial statements, or follows from common practice, is given below.

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

		2011/12			2010/11		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	124.5	13.4	111.1	139.3	10.2	129.1
GBP	0-12 months	14.2	0.7	13.5	-	2.0	(2.0)
SEK	0-12 months	0.0	1.0	(1.0)	2.3	-	2.3
JPY	0-12 months	0.0	4.3	(4.3)	1.1	-	1.1
CHF	0-12 months	12.3	0.0	12.3	3.7	-	3.7
USD	0-12 months	1.3	6.2	(4.9)	21.9	6.2	15.7
CZK	0-12 months	1.4	-	1.4	4.3	-	4.3
SGD	0-12 months	0.0	-	0.0	6.5	-	6.5
AUD	0-12 months	1.5	-	1.5	6.2	-	6.2
Other	0-12 months	0.2	0.9	(0.7)	-	-	-

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

NOTES

(DKK million)	2011/12	2010/11
35 Financial instruments (continued)		
Categories of financial instruments		
Other financial receivables	2.8	3.0
Receivables with subsidiaries	517.0	509.5
Other receivables	18.7	13.3
Cash	75.8	132.1
Loans and receivables	614.3	657.9
Mortage loans, total	219.5	225.9
Loans from banks, total	150.0	-
Overdraft facilities	36.7	47.5
Trade payables	38.4	28.9
Payables to subsidiaries	10.3	55.6
Other payables excl. foreign exchange forward contracts	72.1	110.7
Financial liablities measured at amortised cost	527.0	468.6

Maturity analysis for receivables

All receivables in the parent company as at 31 May 2012 and as 31 May 2011 are not due.

Fair value by category of financial instruments

	2011/12	2010/11
Other financial receivables	2.8	2.5
Receivables with subsidiaries	217.0	509.5
Other receivables	18.7	13.3
Cash	75.8	132.1
Loans and receivables	614.3	657.4
Mortage loans, total	226.3	225.2
Loans from banks, total	150.0	-
Overdraft facilities	36.7	47.5
Trade payables	38.4	28.9
Payables to subsidiaries	10.3	55.6
Other payables excl. foreign exchange forward contracts	72.1	110.7
Financial liablities measured at amortised cost	533.8	467.9

Refer to note 42 in the consolidated accounts for a description of the Group's management of financial risks.

Defaults or breaches on loans

The parent company has not defaulted or breached any loan agreements during 2011/12 or 2010/11.

NOTES

(DKK million)

36 Related parties

No related parties have a controlling influence in Bang & Olufsen a/s.

The related parties that have significant influence in Bang & Olufsen a/s, are the Board of Directors, Executive 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 has a controlling interest, refer to the group overview in note 47 in the consolidated accounts.

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 47.

Board of Directors, Executive 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, Executive Management and other key management personnel. Remuneration and share option programmes are shown in note 6 and note 32.

Executive Management's terms of notice is in accordance with normal market conditions (up to 24 months).

Subsidiaries and associates
Transactions with subsidiaries (and sub-subsidiaries) and associates have included the following:

	2011/12	2010/11
Purchase of services from associates	0.3	0.9
Rental income from associates	1.6	4.9
Purchase of services from subsidiaries	97.9	104.7
Sales of services to subsidiaries	72.9	76.9
Royalty income from subsidiaries	381.7	380.0
Rental income from subsidiaries	78.8	73.5

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

NOTES

36 Related parties (continued)

Outstanding balances with subsidiaries and assoiciates
Bang & Olufsen a/s' outstanding balances with subsidiaries and 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 2011/12 or 2010/11.

Other transactions
Bang & Olufsen a/s has received DKK 37.8 million as dividend from its subsidiaries (DKK 2.0 million in 2010/11). No dividend has been received from its associates in 2011/12 or 2010/11.

Bang & Olufsen a/s has issued guarantees for the related parties, cf. note 34. None of the guarantees are expected to result in any losses.

No other transactions with the related parties have taken place.

37 Events after the balance sheet date

After the end of the reporting period Bang & Olufsen has entered a strategic partnerhsip with Sparkle Roll and A CAPITAL to further accelerate the growth of the Bang & Olufsen brand in China cf. company announcement 12.06 from 19 July 2012 . As part of the partnership Sparkle Roll and A CAPITAL will subscribe for new shares in Bang & Olufsen a/s representing respectively 6.63% and 1.72% of the existing share capital. The agreement and the capital increase are subject to approval from the Chinese authorities.

Bang & Olufsen has also made an agreement with a new master dealer in Japan after the end of the reporting period.

STATEMENTS AND CORPORATE INFORMATION

MANAGEMENT'S STATEMENT

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 2011 – 31 May 2012.

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 2012 as well as of their financial performance and their cash flow for the financial year 1 June 2011 – 31 May 2012.

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, 15 August 2012

Management:

Tue Mantoni
President & CEO

Henning Bejer Beck
Executive Vice President & CFO

John Christian Bennett-Therkildsen
Executive Vice President

Board of Directors:

Ole Andersen
Chairman

Alberto Torres
Deputy Chairman

Jesper Jarlbæk

Peter Skak Olufsen

Rolf Eriksen

Jim Hagemann Snabe

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

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 2011 – 31 May 2012, 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 as well as for the Parent. The consolidated financial statements and parent financial statements are 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 of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable 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.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 misstatements 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 of consolidated financial statements and parent financial statements that give a true and fair view 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 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 2012, and of the results of their operations and cash flows for the financial year 1 June 2011 – 31 May 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 15 August 2012

Deloitte
Statsautoriseret Revisionspartnerselskab

Kirsten Aaskov Mikkelsen	Lars Siggaard Hansen
State Authorised	State Authorised
Public Accountant	Public Accountant

CORPORATE INFORMATION

Company

Bang & Olufsen a/s	CVR no.: 41257911
Peter Bangs Vej 15	Tel.: +45 96 84 11 22
7600 Struer	www.bang-olufsen.com
Denmark	investors@bang-olufsen.com

The Group's overall corporate structure

BANG & OLUFSEN A/S

100%	**100%**	**100%**	**100%**	**100%**	**100%**
BANG & OLUFSEN OPERATIONS A/S	BANG & OLUFSEN S.R.O.	OÜ BO-SOFT	BANG & OLUFSEN ICEPOWER A/S	BANG & OLUFSEN GPS TAIWAN	B&O PLAY A/S

Bang & Olufsen a/s (CVR-no. 41257911) handles brand building and Group staff functions as well as the development of Bang & Olufsen's AV products.

Bang & Olufsen s.r.o handles production and development of some of the Group's audio products.

Bang & Olufsen ICEpower a/s (CVR-no. 25053591) develops, produces and markets products based on highly efficient amplifier technologies.

Bang & Olufsen Operations a/s (CVR-nr. 26035406) handles purchasing, production and logistics for the Bang & Olufsen Group as well as sales of Bang & Olufsen's AV products.

OÜ BO-Soft handles software development.

Bang & Olufsen GPS Taiwan is a sourcing company.

B&O PLAY (CVR-no. 33859643) handles marketing and sales of products within Bang & Olufsen's new brand B&O PLAY which is aimed at the digitial generation.

The Board of Directors

Ole Andersen, Chairman	Alberto Torres, Deputy Chairman
Jesper Jarlbæk	Peter Skak Olufsen
Rolf Eriksen	Jim Hagemann Snabe
Knud Olesen*)	Jesper Olesen*)
Per Østergaard Frederiksen*)	

Executive Management

Tue Mantoni, President & CEO
Henning Bejer Beck, Executive Vice President, CFO
John Christian Bennett-Therkildsen, Executive Vice President

*) employee-elected

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Main bank

Nordea Bank Danmark A/S
Strandgade 3
0900 København C