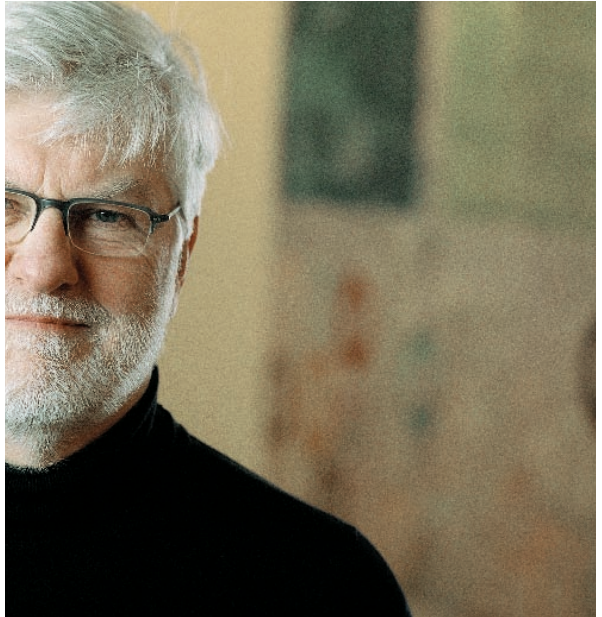
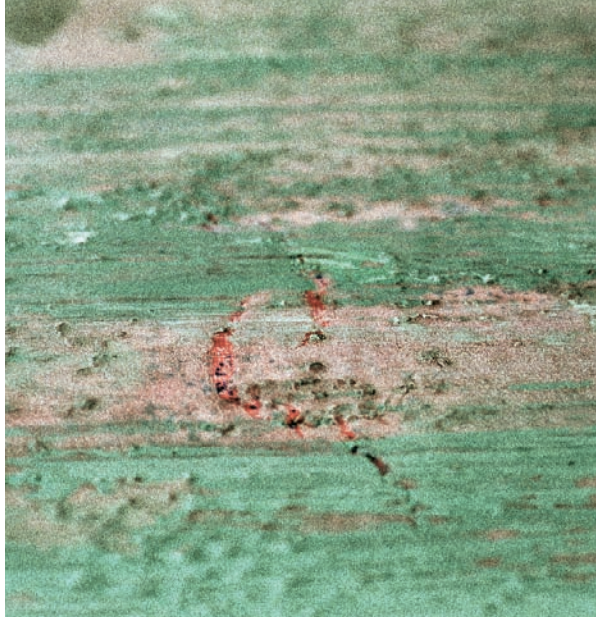


### **Developing a new product**

Conceiving the right idea and developing it into an innovative, high-tech product imbued with quality and characterised by precision in the production process, lies at the root of Bang & Olufsen's business philosophy. The products' inherent qualities are the essence of the Bang & Olufsen brand – the foundation of our values and competencies down through the years.

The best ideas are simple and easy – taking their starting point in the customer and the way in which he/she intends to use the product. The right idea unites uncomplicated design and advanced, complex technology – and combines the technology with robustness, reliability and enduring qualities.

To show how this is done, the following pages trace the development of BeoVision 5 from its inception to the finished plasma TV.





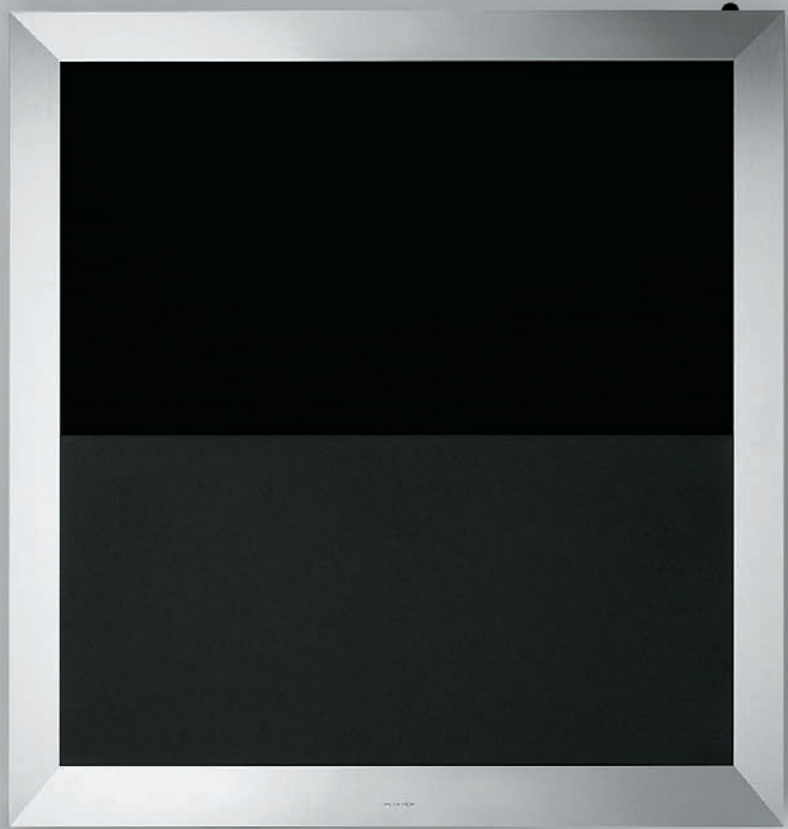
### Faithful to the idea

When David Lewis was handed the task of designing Bang & Olufsen's first plasma-TV, he pondered the question: "Where did the idea of a flat TV hanging on a wall, like a painting, originate?"

He found the answer in the world of science fiction – in the movie "Fahrenheit 451" which featured a flat wide-screen TV on a wall.

Inspired by the original concept, David Lewis designed BeoVision 5 within a frame of brushed aluminium – a frame which not only enclosed the sound system and the picture, but encompassed sound and picture in one complete experience, reminiscent of a painting's passe-partout.

The passe-partout builds on centuries of knowledge of how to direct the human eye on to a picture while obliterating distracting elements from the surroundings. Similarly, the frame around the BeoVision 5 renders the same calmness, allowing the eye to focus in the same way as when studying a painting in a gallery.



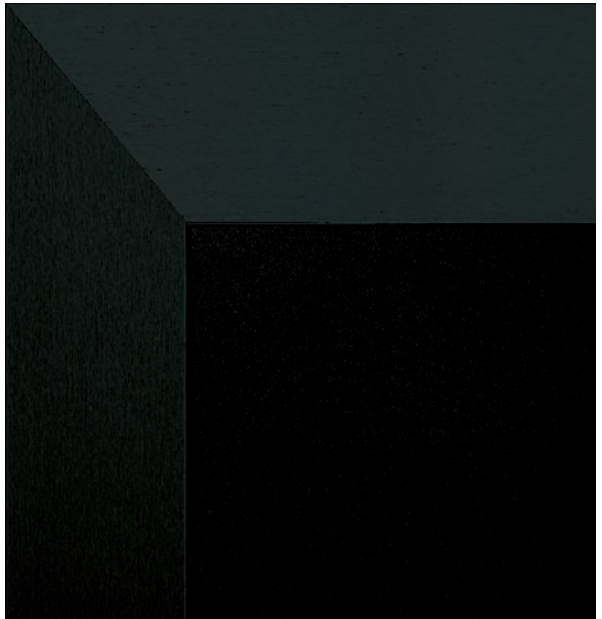
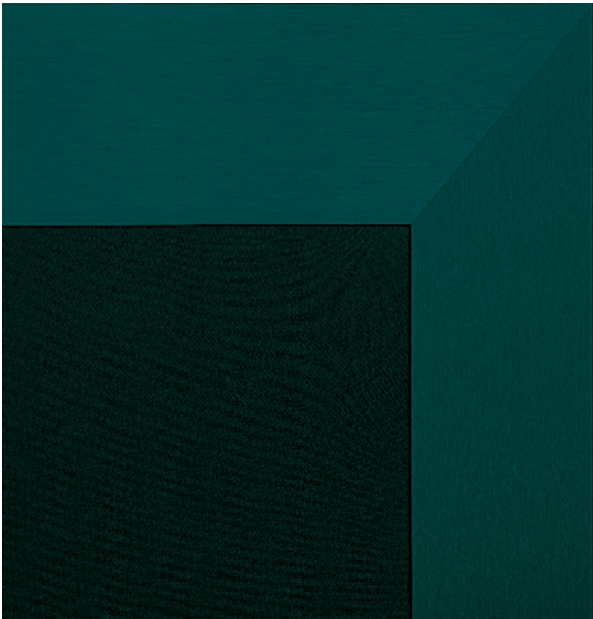
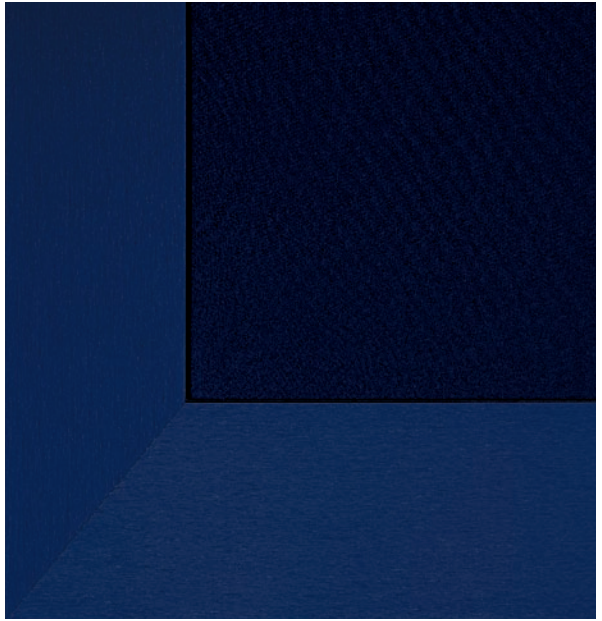
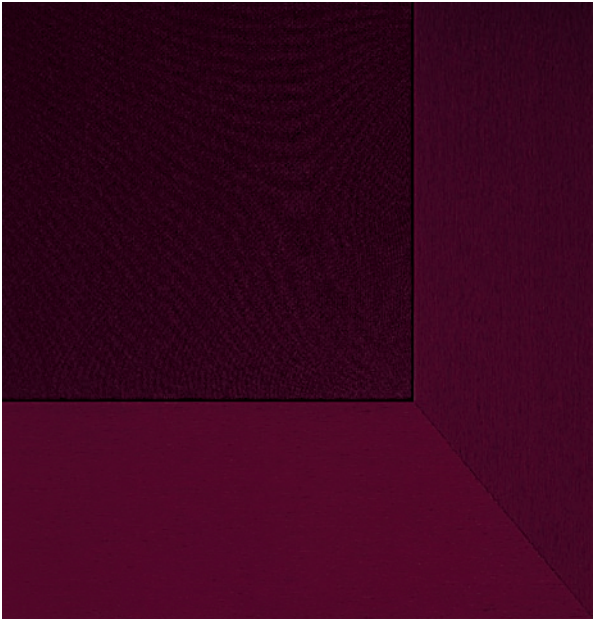
### **In the right place**

One thing, however, bothered the developers. Although the concept of plasma technology is aimed at suspending the TV on a wall, experience shows that not everyone wants to do this.

The staff at Idealand worked on this problem for some time. How to remain loyal to the original “painting-on-the-wall” concept while, at the same time, creating a solution that offered the freedom of positioning BeoVision 5 in other ways?

The answer presented itself one day when David Lewis visited a gallery preparing for a new exhibition – all the paintings were on the floor, balanced against the wall.

Lewis’ experience led to the development of several stands and mountings that allow the BeoVision to be placed on the floor, balance against the wall or stand freely in the room on a swivel foot which automatically turns the TV towards a favourite armchair.



## The right context

Aluminium is a soft metal. Although it can be polished like a mirror, the moment it leaves the polishing machine it is highly sensitive. Even the softest nail can leave a scratch.

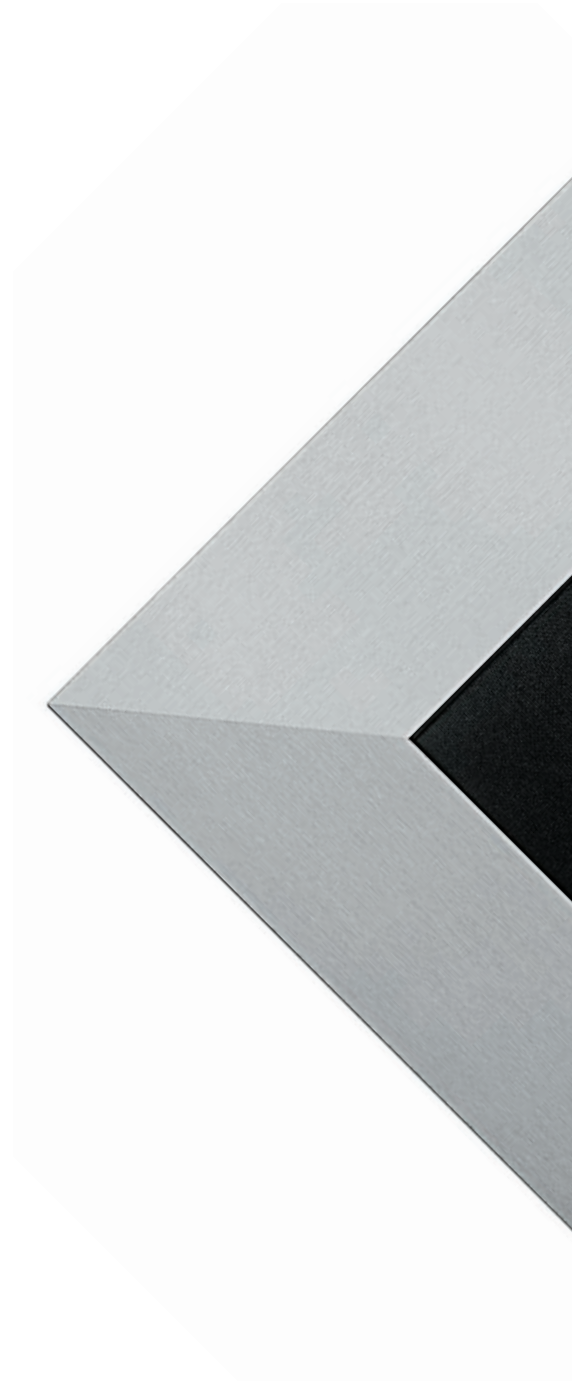
At the anodising plant at the Mechanics Factory we change the metal's properties. In a series of baths, the aluminium is exposed to a chemical process which hardens the metal's surface and makes it resilient to nails or even harder materials.

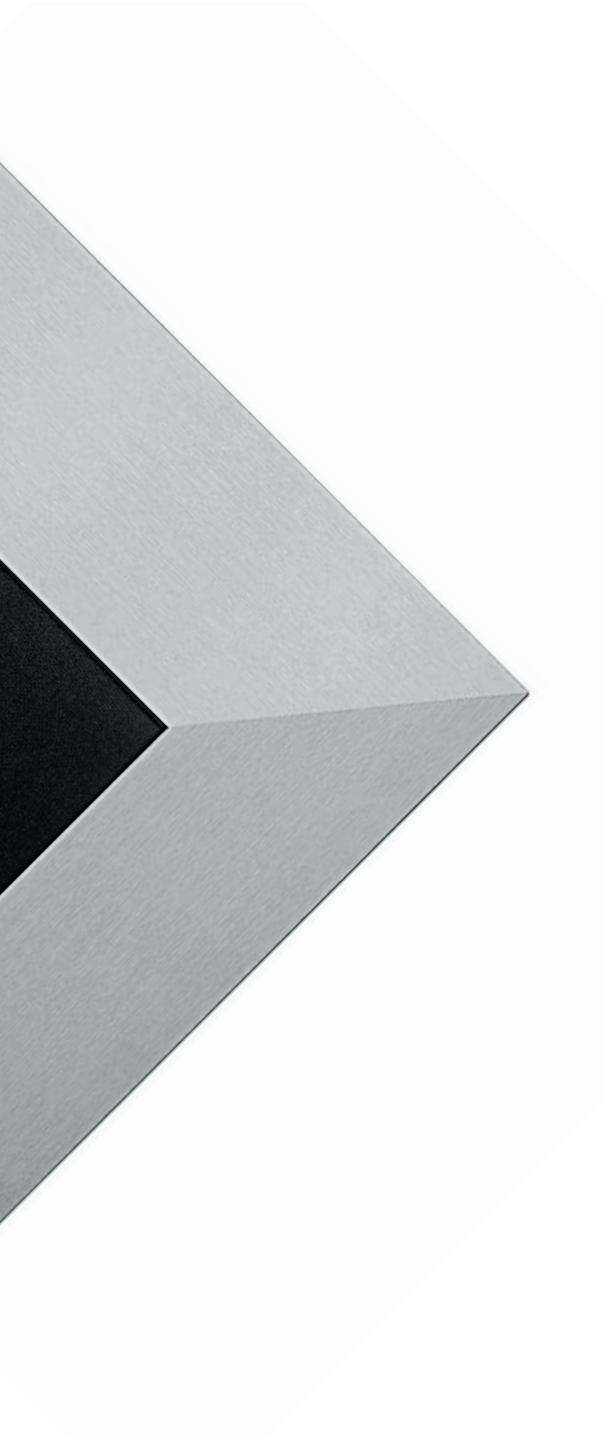
But why should we restrict ourselves to hardening the aluminium when it can also be coloured?

Not everybody has decorated their home with shiny aluminium in mind. And since it is possible to change the colour, why not fully integrate the TV into its surroundings – in black, blue, red or green?

After aluminium is hardened it can be dyed in a process which binds the colour to the metal. And if, despite the careful hardening, a scratch occurs, the dye has penetrated the metal so deeply that the original colour does not shine through.

This is why we dye our aluminium instead of just lacquering it.





### **True to the Bang & Olufsen family**

Important as it is for us to remain true to the original idea, loyalty to the Bang & Olufsen product family is equally important. A good idea is only good if it's true to the family.

Perhaps some customers who wish to purchase a BeoVision 5 for their home already have other Bang & Olufsen products – loudspeakers, subwoofers or audio systems. Products that will be in the same room – and interact with – BeoVision 5.

The BeoVision 5 was, therefore, required to operate seamlessly with all other Bang & Olufsen products, such as our audio products and the BeoLink System.

Likewise, the demands on the design were considerable. If BeoVision 5 is to share the same room as other Bang & Olufsen products it must speak the same language. And when it comes to the Bang & Olufsen product family, we only speak one language.







## The right harmony

The ability to interact, to speak the same language, lays a sound foundation for harmony. However, with BeoVision 5 the ultimate harmony lies in the balance between design and technology.

The 42" plasma screen contains technologies such as Motion Compensated Progressive Scan, Digital Adaptive Luminance Peaking, Digital Colour Transient Improvement and Adaptive Black. These advanced technologies control the image on the plasma screen making the picture even clearer.

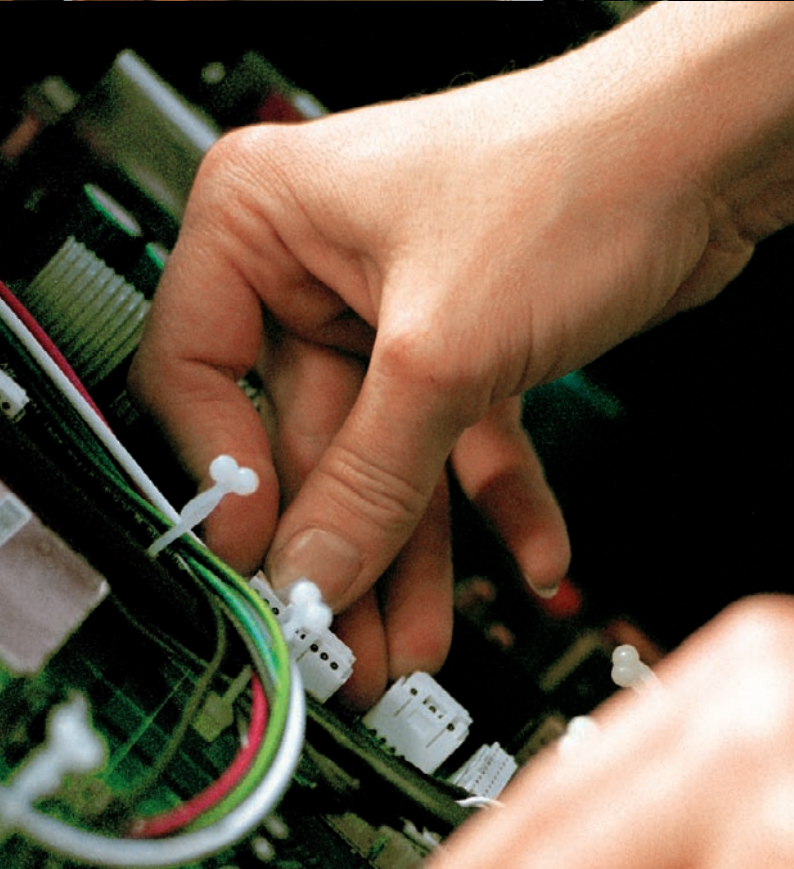
An anti-reflective coated contrast screen, which minimises light reflexes and ensures that black is black and not grey and a sensor that measures the light level in the room and automatically adjusts the picture, provides unparalleled sharpness.

The built-in active speakers under the screen render a sound pressure level of 96 dB. When the built-in Dolby Digital Surround Decoder with automatic detection of the digital 5.1 channel's sound format is active, the loudspeakers will function as a center channel.

Combined with BeoLab 1, Bang & Olufsen's most powerful loudspeakers, as front and rear speakers and the subwoofer BeoLab 2 featuring a 850 watt ICEpower amplifier, the BeoVision 5 transforms the living room into a true home cinema.

And should the temptation to turn the volume up too high overtake you, all loudspeakers automatically protect themselves from both overloading and overheating.





### **In the right hands**

Each BeoVision 5 is built to the individual customer's personal specifications. This means that the production of a specific BeoVision 5 only begins when the Assembly Factory receives the order via the electronic order processing system to which Bang & Olufsen's retailers are linked.

Each BeoVision 5 is produced by teams of six who assemble the BeoVision's approximately 1,000 components by hand. This highly complex task demands enormous precision and meticulousness. It cannot be carried out by machines.

Once the 1,000 components have been assembled, each TV set is exhaustively tested. When we have established that it meets all requirements, it will be carefully packed and dispatched to the customer.





What you have just been reading explains the background to our latest product.

The exact same attitudes and values lie behind the development and production of each of our products – large or small.



Report and accounts 2001/02



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## Announcements to the Copenhagen Stock Exchange during the 2001/02 financial year

The Annual General Meeting of September 7 approved a dividend payment of DKK 3.50 (per nom. share of DKK 10). The AGM also renewed its authorisation for the company to acquire up to 10 per cent of its share capital within 18 months from the date of the AGM.

Peter Skak Olufsen and Peter Leschly were re-elected to the Board of Directors. Following the AGM, the Board elected Jørgen Worning Chairman and Jan Gesmar-Larsen Deputy Chairman.

PricewaterhouseCoopers and DELOITTE & TOUCHE, State-Authorised Public Accounting Companies, were re-appointed the company's auditors.

### Satisfactory first quarter

In October, in the Financial Statement for the first quarter, Bang & Olufsen announced that turnover for the first quarter exceeded last year's, while earnings remained at the same level. The increase was primarily due to advances in Bang & Olufsen AudioVisual a/s. The reason why earnings did not rise in line with turnover was that demand during the quarter centred on the product portfolio's video segment, which traditionally has the lowest margin.

The German and UK markets reported significant growth in turnover for the quarter. Developments in the US showed unchanged turnover at wholesale level, while turnover at retail level was somewhat lower than the previous year.

Bang & Olufsen stated that the company maintained its expectations for the full year as expressed in the Annual Report, i.e. a moderately rising turnover and a result on par with last year. It was also pointed out that US sales were characterised by considerable uncertainty and that a further deterioration in world trade would impact negatively on the result.

In addition, Bang & Olufsen had noted increased uncertainty in international economic trends in the period since the presentation of the Annual Accounts and that the beginning of the second quarter had seen very low orders in the US. To compensate, the company had scaled back its investment and activity programmes during the quarter.

### Expectations maintained

In its interim report in January, Bang & Olufsen informed the Copenhagen Stock Exchange that expectations for the full year were maintained. Bang & Olufsen reported that current cost savings were proceeding as planned and that some important launches had been moved forward. Turnover for the first quarter of 2001/02 had proved better than expected.

The interim report's main figures showed a rise in turnover of DKK 131 million, or 7 per cent. The ordinary pre-tax result was DKK 98 million against DKK 135 million the previous year.

Bang & Olufsen ascribed the unsatisfactory profitability to substantial operating losses in the US, changes in the product mix in favour of the product portfolio's video segment and increased costs relating to new business areas of approx. DKK 15 million.

Bang & Olufsen AudioVisual a/s' turnover increased by DKK 101 million, or 6 per cent.

With regard to developments in the largest markets, Bang & Olufsen announced that after some difficult years, Germany showed a positive trend with increased turnover of DKK 25 million, i.e. 9 per cent. Bang & Olufsen was confident that the formation of a Central European Region with headquarters in Germany would improve the region's efficiency as well as support for retailers in Germany, Austria and Switzerland.

Denmark saw a decline in turnover of DKK 33 million for the half year compared to the previous year. Norway and Sweden also experienced a fall in turnover.

In the UK, turnover rose by DKK 22 million. The Dutch, French, Spanish/Portuguese markets increased by 10, 12 and 19 per cent respectively.

As to developments in the US, Bang & Olufsen noted that the American market had suffered from the economic slowdown and that B1 shops had failed to achieve a satisfactory level. The result in the US market had declined by DKK 30 million.

Bang & Olufsen concluded that the US market would continue to be characterised by significant uncertainties with strong fluctuations between individual shops from month to month. Consequently, it was difficult to predict developments in the remaining months. Bang & Olufsen emphasised, however, that the US would remain a long-term growth market for the group.

During the first six months of 2001/02 Bang & Olufsen had opened 46 new B1 shops and upgraded a further 25, reaching a total of 602 B1 shops worldwide. These dedicated B1 shops accounted for 56 per cent of the turnover against 48 per cent for the same period the previous year.

Bang & Olufsen Telecom a/s reported that turnover for the first half year rose by DKK 12 million to DKK 135 million. The increase had been broadly apportioned across the product portfolio although the cordless products, BeoCom 6000 and BeoCom 2, had shown particularly encouraging sales. Bang & Olufsen Telecom a/s was expected to meet the targets for sales and earnings for the year.

Bang & Olufsen Medicom a/s announced an interim turnover of DKK 126 million against DKK 99 million – a rise of DKK 27 million. In conjunction with its partner 3M, Bang & Olufsen Medicom also announced that it planned to show the outcome of a joint development project for the world's first digital stethoscope which, in December, received the Danish award, "Ingeniørens Produktpris". The partnership with 3M and AstraZeneca was proceeding according to plan and the company was foreseen to meet expectations.

Bang & Olufsen New Business a/s announced that it had examined the opportunities for, and the value of, entering the market for professional acoustics during the half year. The company, however, had concluded that a separate product portfolio for the professional segment did not seem commercially viable. Consequently, the company would concentrate on its core business. In addition, Bang & Olufsen New Business announced that it had embarked on a positive dialogue with selected high-end car manufacturers to examine the potential of exploiting Bang & Olufsen's acoustic competencies and brand. This work would continue.

Bang & Olufsen ICEpower a/s announced that the amplifier market had suffered a general slowdown, which had impacted on the company's activities. Negotiations with Sanyo and others continued, although the potential seemed less than originally envisaged. Consequently, sales of the company's amplifier solutions proceeded slower than anticipated. The company had failed to live up to expectations.

#### **Retirement from the Board**

On March 15, Bang & Olufsen informed Copenhagen Stock Exchange that Jan Henning Simonsen, elected by the employees, had retired from the Board of Bang & Olufsen a/s with effect from that date.

#### **Satisfactory growth in turnover**

In its third quarter statement in April, Bang & Olufsen informed the Copenhagen Stock Exchange that turnover for the quarter had increased by DKK 284 million, i.e. 10 per cent compared to the same period the previous year. The ordinary result before tax was DKK 201 million against DKK 214 million the year before. Seen in isolation, the quarterly result was DKK 103 million against DKK 79 million for the same quarter last year, an increase of 30 per cent.

Bang & Olufsen reported continued progress in a number of important European markets including the UK, Holland, France and Spain. The US market saw initial signs of improvement although earnings continued to be unsatisfactory. The US market had affected the result negatively by approx. DKK 43 million.

The beginning of the fourth quarter showed satisfactory progress. Based on this, Bang & Olufsen maintained its expectations for a satisfactory increase in turnover and a result on par with that of the previous year.

Bang & Olufsen also announced that the Group's objective was an average annual growth of 10-15 per cent. This would enable the Group to achieve pre-tax earnings of DKK 300-350 million, no later than at the close of the 2004/05 financial year.

#### **Annual General Meeting**

will be held on Thursday, 10 October, 2002 at 16.30 at Struer Gymnasium

#### **Environment Report/Product Cycle Description**

can be obtained from Bang & Olufsen Miljø and BST, tel: + 45 96 84 10 72

#### **Address etc.**

Bang & Olufsen a/s, Peter Bangs Vej 15, DK-7600 Struer

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

#### **Financial Calendar**

2002

Wednesday, 14 August, Annual Accounts (2001/02)

Thursday, 10 October, Annual General Meeting

Thursday, 10 October, Report for the First Quarter 2002/03

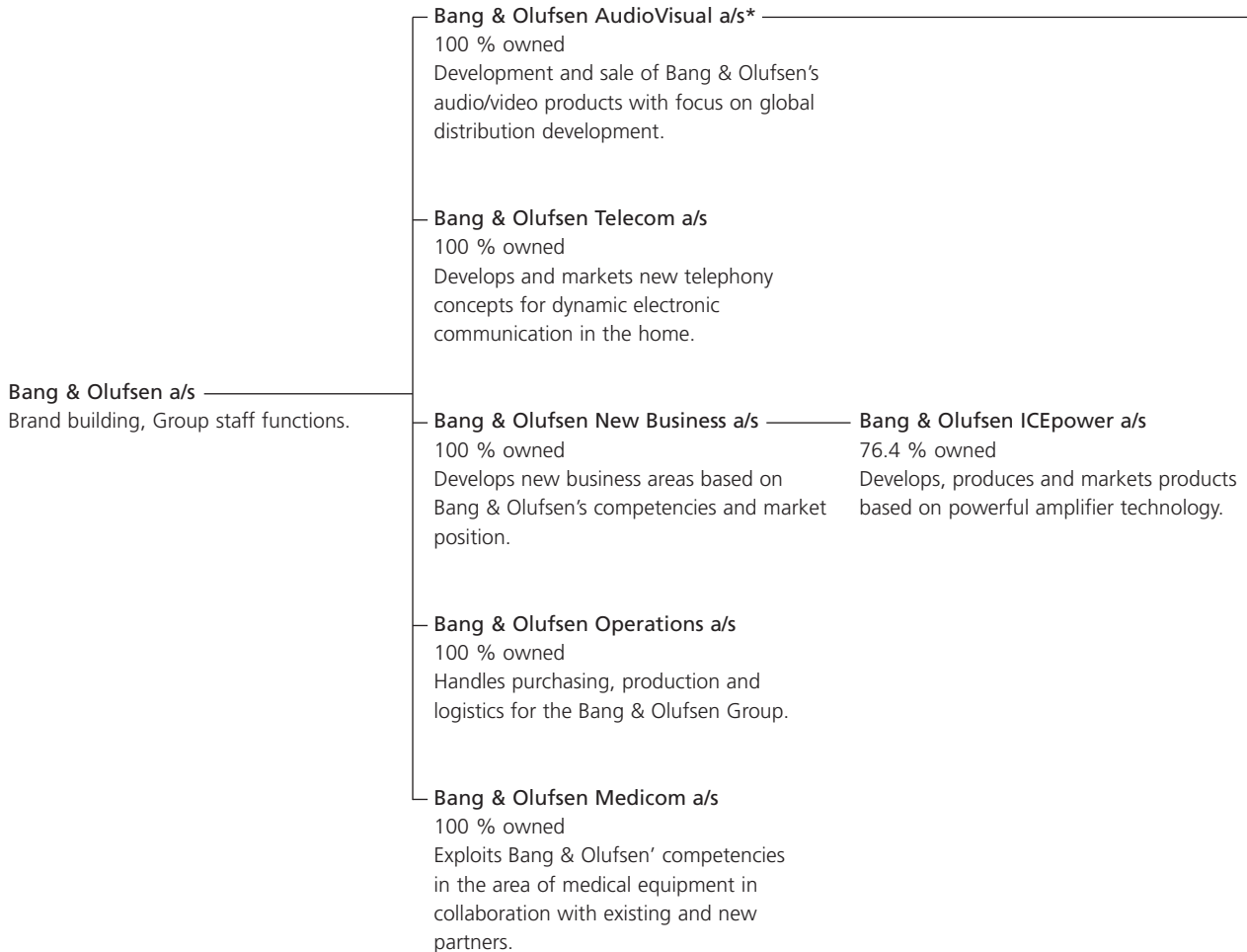
2003

Wednesday, 15 January, Interim Report (2002/03)

Thursday, 10 April, Report for the Third Quarter 2002/03

Wednesday, 13 August, Annual Accounts (2002/03)

## Group Structure



\* All companies in Bang & Olufsen AudioVisual a/s are 100 per cent owned.

\*\* A division in Bang & Olufsen AudioVisual a/s.

Dormant companies have not been included.



**Scandinavia**

Director: Lars Kirstein Andersen

**Denmark**

**Bang & Olufsen Scandinavia a/s\* \***

Kalvebod Brygge 43, 1560 Copenhagen V.

Director: Lars Kirstein Andersen

**Norway**

**Bang & Olufsen AS**

Øvre Torggate 18, 3007 Drammen

Director: Hans Olav Hole

**Sweden**

**Bang & Olufsen Svenska AB**

Gullbergs Strandgata 4,

401 24 Gothenburg

Director: Tommie Lindberg

**Central Europe**

Director: Peter Dalm

**Germany**

**Bang & Olufsen Deutschland G.m.b.H.**

Rudolf-Diesel-Strasse 8, 82205 Gilching,

Munich

Director: Peter Dalm

**Austria**

**Bang & Olufsen Ges.m.b.H.**

Hauptplatz 7, 3430 Tulln

Director: Peter Dalm

**Switzerland**

**Bang & Olufsen AG**

Grindelstrasse 15, 8303 Bassersdorf

Director: Heinz Müller

**Rest of Europe****Belgium**

**S.A. Bang & Olufsen Belgium N.V.**

Heide 9, 1780 Wemmel

Director: Peter Sommer

**Italy**

**Bang & Olufsen Italia S.p.A.**

Via Meravigli 2, 20123 Milan

Director: Francesco Canale

**Spain**

**Bang & Olufsen Espana S.A.**

Avenida Europa 2,

Parque Empresarial La Moraleja,

28108 Alcobendas, Madrid

Director: Alberto de Lucio

**France**

**Bang & Olufsen France S.A.**

141 rue Jules Guesde,

92300 Levallois-Perret

Director: Alberto de Lucio

**UK**

**Bang & Olufsen United Kingdom Ltd.**

UNIT 630, Wharfdale Road,

Winnersh Triangle, Berkshire RG41 5TP

Director: Derek Mottershead

**North America****USA**

**Bang & Olufsen America Inc.**

780 West Dundee Road, Arlington

Heights, IL-60004

Director: Ole Bek

**Asia****Japan**

**Bang & Olufsen Japan K. K.**

Shiba Boat Building 9th floor, 3-1-15,

Shiba, Minato-Ku, Tokyo 105-0014

Director: Lars Myrup

**Singapore**

**Bang & Olufsen Asia Pte Ltd.**

23, Ubi Road 4, 5th floor,

Olympia Industrial Building,

Singapore 408620

Director: Lars Flyvholm

## Management

Company	Board of Directors	Board of Management
<b>Bang &amp; Olufsen a/s</b> Struer. CVR-No. 41257911	Jørgen Worning (Chairman) Jan Gesmar-Larsen (Deputy Chairman) Lars Brorsen John Christoffersen* Joe Davies* Peter Leschly Peter Skak Olufsen Torsten Erik Rasmussen Garry Merrild Vestergaard*	Torben Ballegaard Sørensen (President & CEO) Peter Thostrup
<b>Bang &amp; Olufsen AudioVisual a/s</b> Struer. (100 % owned) CVR-No. 26035384	Jørgen Worning (Chairman) Jan Gesmar-Larsen (Deputy Chairman) Peter Leschly Torben Ballegaard Sørensen Peter Thostrup	Torben Ballegaard Sørensen (President & CEO) Peter Thostrup
<b>Bang &amp; Olufsen Telecom a/s</b> Struer. (100 % owned) CVR-No. 24062112	Peter Thostrup (Chairman) Torben Ballegaard Sørensen John Christian Bennett-Therkildsen	Peter Eckhardt
<b>Bang &amp; Olufsen New Business a/s</b> Struer. (100 % owned) CVR-No. 25051637	Peter Thostrup (Chairman) Flemming Møller Pedersen Torben Ballegaard Sørensen	Jens Peter Zinck
<b>Bang &amp; Olufsen Operations a/s</b> Struer. (100 % owned) CVR-No. 26035406	Peter Thostrup (Chairman) John Christian Bennett-Therkildsen Torben Ballegaard Sørensen	John Christian Bennett-Therkildsen
<b>Bang &amp; Olufsen Medicom a/s</b> Struer. (100 % owned) CVR-No. 24053415	Peter Thostrup (Chairman) Henrik Kagenow Torben Ballegaard Sørensen	Henrik Kagenow
<b>Bang &amp; Olufsen ICEpower a/s</b> Lyngby-Tårnbæk. (76.4 % owned) CVR-No. 25053591	Torben Ballegaard Sørensen (Chairman) Henrik Kagenow Karsten Nielsen Peter Thostrup	Jens Peter Zinck

\* Elected by the employees

### Main bank for all companies

Danske Bank A/S

### Auditors for all companies

PricewaterhouseCoopers

DELOITTE & TOUCHE, State-Authorised Public Accounting Company

## Directorships in other Danish and foreign companies, with the exception of 100 per cent owned subsidiaries

### Jørgen Worning

FLS Industries A/S  
Chr. Hansens Laboratorium A/S

### Jan Gesmar-Larsen

Danske Bank A/S - Danske Ventures  
Apax Partners & Co, UK  
Capital One Inc. USA

### Lars Brorsen

Vorsitzender der Geschäftsführung von  
Jost-World GmbH

### Peter Leschly

Cimbria A/S  
Energiens Hus  
Jernstøberiet Dania A/S  
Sahva A/S  
Team Hyldahl A/S  
Tinglev Elementfabrik A/S  
Trip Trap Danmark A/S  
Trelleborg Hadsten A/S  
KPC BYG A/S  
SDC DanDisc a/s  
Agramkow A/S  
ALO Danmark A/S  
Dansk Formpladeindustri A/S  
Omada A/S  
JKE Design A/S

### Peter Skak Olufsen

A/S Fiil-Sø  
Fiilsø Svineavl A/S  
Hunsballe Frø A/S  
A/S Jydsk Landvinding  
Holli Frø A/S  
Hedeselskabet A/S  
Plantringsselskabet "Steen Blicher" A/S  
Jyllands-Posten A/S

### Torsten E. Rasmussen

Coloplast A/S  
JAI A/S  
Vola A/S  
Best Buy Group A/S  
Uni-Chains A/S  
Bekaert Handling Group A/S  
Vestas Wind Systems A/S  
A/S Det Østasiatiske Kompagni  
TK Development A/S  
NatImmune A/S  
Amadeus Invest A/S  
Louis Poulsen A/S  
Bison A/S  
ECCO SKO A/S

### Torben Ballegaard Sørensen

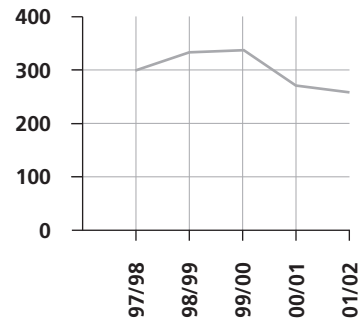
Radiometer A/S  
SimCorp A/S

### Peter Thostrup

Osteometer Biotech A/S  
CCBR A/S

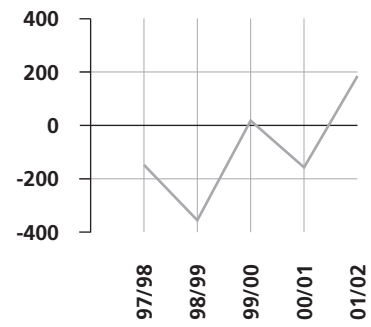
Operating profit

DKK million



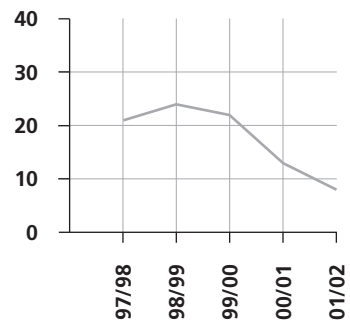
Cash flow

DKK million



Return on equity

%



## Main and key figures

Group (DKK million)	1997/98	1998/99	1999/00	2000/01	2001/02
<b>Result</b>					
Net turnover	3,117	3,380	3,722	3,810	<b>4,212</b>
Turnover on foreign markets as percentage of above	77	76	79	80	<b>81</b>
Operating profit	299	333	337	271	<b>258</b>
Result from ordinary operations before tax	340	348	317	224	<b>226</b>
Ordinary result after tax	232	253	222	148	<b>137</b>
Extraordinary result after tax	75	(63)	20	-	-
Result for the year	308	190	243	148	<b>137</b>
Result after tax and minority interest	308	190	243	154	<b>147</b>
<b>Balance sheet</b>					
Total assets, ultimo	2,074	1,895	2,144	2,302	<b>2,376</b>
Share capital	133	134	134	134	<b>134</b>
Equity capital, ultimo	1,163	981	1,058	1,147	<b>1,244</b>
Minority interests	-	-	-	1	-
<b>Cash flow for the year</b>					
	(148)	(356)	19	(157)	<b>184</b>
<b>Employment</b>					
No. of employees at year end	2,615	2,668	2,797	2,776	<b>2,871</b>
<b>Key figures</b>					
Profit ratio, %	10	10	9	7	<b>6</b>
Rate of return, %	20	20	17	13	<b>8</b>
Return on equity, %	21	24	22	13	<b>8</b>
Current ratio	2.3	1.7	1.9	1.9	<b>2.2</b>
Equity ratio, %	56	52	49	50	<b>52</b>
Earnings per share (nominal DKK 10)	17	20	18	12	<b>11</b>
Intrinsic value (nominal DKK 10)	87	77	85	92	<b>99</b>
Quoted share price on 31 May	441	462	283	268	<b>235</b>
Price/earnings	26	23	16	22	<b>21</b>
Quoted share price/intrinsic value	5.1	6.0	3.3	2.9	<b>2.4</b>
Dividend per share (nominal DKK 10)	7.5	5.0	6.0	3.5	<b>3.5</b>

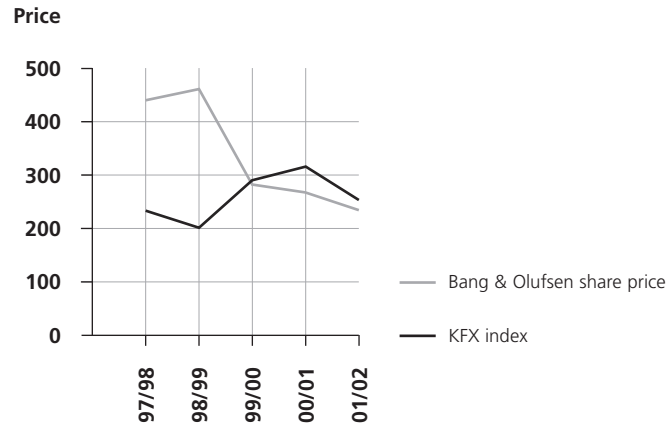
Parentheses denote negative figures

For the calculation of the key figures, the guidelines laid down by the Danish Society of Financial Analysts have been followed. The calculation of the ordinary result after tax has been adjusted for minority interests. In respect of Group goodwill, which is depreciated over the equity capital in the first year, the accounting practice differs from the guidelines' recommendation. Quoted securities are booked at the purchase or quoted price, whichever is lower.

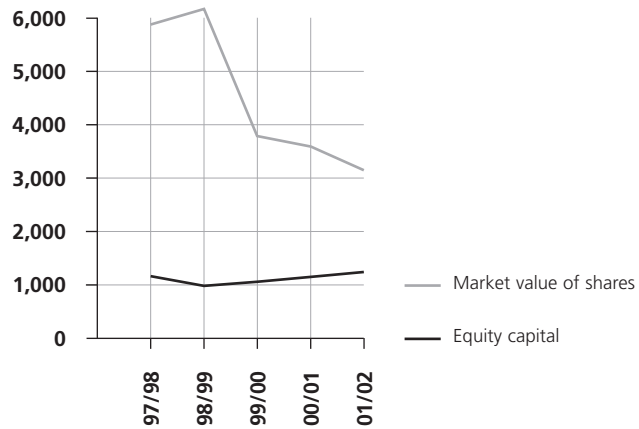
### The key figures are as follows:

Profit ratio:	$\frac{\text{Operating profit} * 100}{\text{Net turnover}}$	Equity ratio:	$\frac{\text{Equity capital, ultimo} * 100}{\text{Total liabilities, ultimo}}$
Rate of return:	$\frac{\text{Operating profit} * 100}{\text{Average operative assets}}$	Earnings per share (nominal DKK 10):	$\frac{\text{Ordinary result after tax}}{\text{Average number of circulating shares}}$
Return on equity:	$\frac{\text{Ordinary result after tax} * 100}{\text{Average equity capital}}$	Intrinsic value (nominal DKK 10):	$\frac{\text{Equity capital, ultimo}}{\text{No. shares, ultimo}}$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Price/earnings:	$\frac{\text{Quoted share price}}{\text{Earnings per share (nom. DKK 10)}}$

Quoted share price for Bang & Olufsen ordinary shares compared to the KFX index as at 31 May



Market value of shares in relation to the equity capital as at 31 May **DKK million**



Ordinary shares (multiple voting shares) not listed on the Copenhagen Stock Exchange are included at the same price as ordinary shares.

## The Shareholders

### Bang & Olufsen shares

The price of Bang & Olufsen a/s' ordinary shares fell from 268 to 235 during the financial year, a fall of approx. 12 per cent. Over the same period, the Copenhagen Stock Exchange's KFX index fell by approx. 20 per cent. The market value of Bang & Olufsen a/s' ordinary shares fell from DKK 3,277 million to DKK 2,887 over the period.

### Dividend policy

The Group's dividend policy aims at paying one third of the annual profits after tax as dividend. The Board will recommend to the Annual General Meeting that a dividend of DKK 46.9 million be paid for the financial

year 2001/02. This corresponds to DKK 3.50 per nom. DKK 10 share.

### Own shares

As at 31 May, 2002, Bang & Olufsen a/s holds own shares of nom. DKK 8,949,510. This corresponds to approx. 6.7 per cent of the share capital.

### Options

Bang & Olufsen's options programme covers a number of Directors and Senior Managers. The total options pool amounts to 122,295 shares which can be taken up between 2002-2008. For further information, please refer to Note 2.

### Board of Management's ownership share

As at 31 May, 2002, Bang & Olufsen a/s' Board of Management owns nom. DKK 2,000 ordinary shares (multiple voting shares) and nom. DKK 7,080 ordinary shares.

### Annual General Meeting and Dividend Payment

The Annual General Meeting will be held on 10 October, 2002 at 16.30 at Struer Gymnasium. Dividend payment is expected to take place on Wednesday, 16 October, 2002.

### List of shareholders in accordance with Danish Company Law §28b

Bang & Olufsen has approx. 13,500 registered shareholders who account for approx. 76 per cent of the share capital. In accordance with Danish Company Law §28b, the following were listed in the company's register as at 31 May, 2002:

Shareholders	Nominal amount DKK	Capital %	Votes %
Lønmodtagernes Dyrtdisfond, Vendersgade 28, 1, 1363 Copenhagen K	13,394,000	9.99	15.62
Nordea Companies Danmark A/S, Torvegade 2, 1786 Copenhagen V	12,851,000	9.58	15.16
ATP, Kongens Vænge 8, 3400 Hillerød	9,422,000	7.03	3.97

### The share capital consists of

Ordinary shares		
(multiple voting shares):	1,147,500 of DKK 10	DKK 11,475,000
Ordinary shares:	12,264,784 of DKK 10	DKK 122,647,840
Total		DKK 134,122,840

### Circulating shares

Issued shares	13,412,284
- Own ordinary shares	(894,951)
Total	12,517,333
Average no. circulating shares	12,517,333

### Key figures

	1997/98	1998/99	1999/00	2000/01	2001/02
Share capital DKK million	133	134	134	134	134
Earnings per share (nom. DKK 10)	17	20	18	12	11
Intrinsic value (nom. DKK 10)	87	77	85	92	99
Quoted share price at May 31	441	462	283	268	235
Dividend per share (nom. DKK 10)	7.5	5.0	6.0	3.5	3.5





## Directors' Report, the Bang & Olufsen a/s Group

For the 2001/02 financial year, turnover for the Group totalled DKK 4,212 million against DKK 3,810 million the previous year. This represents a growth of DKK 402 million, i.e. 11 per cent.

Operating profit totalled DKK 258 million against DKK 271 million the previous year. Losses in the US retail sector significantly affected the result.

The ordinary result before tax was DKK 226 million against DKK 224 million last year. This is in line with expectations for a satisfactory growth in turnover and a re-sult on a par with last year.

Turnover in the fourth quarter of the year totalled DKK 1,023 million against DKK 905 million for the same period last year – a growth of DKK 118 million, or 13 per cent, compared to the fourth quarter last year. The pre-tax result for the fourth quarter totalled DKK 25 million against DKK 10 million last year. This corresponds to an advance of DKK 15 million.

The Group's gross profit declined marginally by 0.3 percentage points as a consequence of two counter developments: Increasing retail turnover in own shops had a positive effect, while substantial video product launches and a shift in sales in favour of the product portfolio's video sector had a negative impact – as the video segment traditionally has lower contribution margins than the audio sector.

The American market impacted negatively on the result by DKK 73 million. The trend in the US has been characterised by considerable uncertainty and although, in comparison with last year, sales increased, earnings in both the wholesale and retail sectors were unsatisfactory.

Product development costs totalled DKK 333 million compared to DKK 298 million last year. These costs account for 8 per cent of the turnover.

Distribution and marketing costs increased by 17 per cent, i.e. DKK 133 million, from DKK 781 million to DKK 914 million. DKK 58 million of this relates to increased costs from operating our own retail shops.

Administration costs saw a decrease from DKK 130 million to DKK 121 million.

The overall tax rate for the year was 39.4 per cent, corresponding to DKK 89 million. The Group maintained its decision not to capitalise deferred US tax. This has resulted in a higher tax rate than in the previous year.

The balance sheet increased by DKK 74 million, from DKK 2,302 million to DKK 2,376 million primarily owing to receivables from sales and liquid assets which rose by DKK 54 million and DKK 111 million respectively.

Tangible fixed assets declined by DKK 49 million to DKK 908 million as a consequence of the Group's readjustment of its investment levels.

Overall cash flow for the year was positive at DKK 184 million. The Group's cash flow from operating activities totalled DKK 343 million against last year's DKK 138 million. During the year, the Group reduced stock by DKK 33 million despite increased turnover and relatively larger purchasing volumes relating to the launch of plasma technology. Due to increased sales volume the total debtors, primarily trade receivables, increased by DKK 44 million.

Investments amounted to DKK 154 million against DKK 276 million last year.

During the year under review, the Group took out long-term debt of DKK 45 million against DKK 51 million last year. Repayments on long-term debts totalled DKK 27 million against DKK 21 million last year. Dividend amounting to DKK 47 million was paid during the year.

After a proposed dividend of DKK 47 million, equity capital totals DKK 1,244 million against DKK 1,147 million last year.

As for the individual companies within the Group, Bang & Olufsen AudioVisual a/s and Bang & Olufsen Medicom a/s saw satisfactory development. Bang & Olufsen New Business a/s and Bang & Olufsen Operations a/s developed in line with expectations while Bang & Olufsen Telecom a/s and Bang & Olufsen ICEpower a/s failed to meet targets.

As announced in the 1999/00 Annual Report, the Group's new corporate structure came into force on June 1, 2001. As a result, comparisons between the current year and previous years can only be made on Group level.

The Group has decided to adjust its reporting of segment information. The Group is primarily split into segments corresponding to its business areas and is divided into brand-supported core business and brand-independent areas. The brand-supported business covers product areas carrying the "Bang & Olufsen" trademark and which are related to Bang & Olufsen's traditional offerings as used in core consumers' homes, i.e. the AudioVisual, Telecom or New Business areas. Other business areas which are not linked to the brand, i.e. Bang & Olufsen Medicom a/s and Bang & Olufsen ICEpower a/s come under brand-independent businesses.

### The Brand-supported core business

Total turnover for the Group's branded business segment amounted to DKK 3,936 million against DKK 3,575 million last year. This corresponds to an increase of DKK 361 million, i.e. 10 per cent.

The ordinary result before tax in the Group's branded business segment totalled DKK 229 million against DKK 201 million last year. This corresponds to a rise of DKK 28 million, i.e. 14 per cent.

The Group has maintained its strategy of global brand advertising managed centrally by Bang & Olufsen a/s. This strategy means that the individual markets focus on developing the distribution concept and local activities for the individual shops. During the year, the Group's general communication activities increasingly targeted traffic-enhancing tools and events to support sales in individual shops.

Distribution and marketing costs totalled DKK 905 million of which DKK 160 million relate to the operation of the Group's own shops.

## Directors' Report, Bang & Olufsen AudioVisual a/s

Turnover for Bang & Olufsen AudioVisual totalled DKK 3,852 million which is an improvement of DKK 358 million or 10 per cent compared to last year's DKK 3,494 million.

During the year Bang & Olufsen Multimedia a/s was integrated into Bang & Olufsen AudioVisual and the competencies accumulated here were transferred to the core business.

### Market Developments

#### Central European region established

To improve efficiency and retailer support, Bang & Olufsen set up a new Central European region comprising Germany, Austria and Switzerland under the management of Peter Dalm, Director of Bang & Olufsen's German subsidiary. With headquarters in Germany, the region comprises 103 B1 shops and 596 other shops.

#### Germany

Turnover in the German market was DKK 579 million against DKK 561 million last year. This represents a growth of DKK 18 million or 3 per cent (in local currency). In view of a generally weak retail sector, this must be regarded as satisfactory.

Seen in isolation, turnover for the fourth quarter amounted to DKK 118 million against DKK 111 million for the corresponding period last year, i.e. an increase of DKK 7 million or 7 per cent in local currency.

Overall, the German market showed satisfactory growth in turnover after several years of weakening sales. The market, however, remains a challenge and several years of effort is required to build a satisfactory platform for sales in Germany.

The year saw the opening of 11 B1 shops, bringing the total number of B1 shops in Germany to 67. There are 387 other shops. Continued focus will be on strengthening the B1 distribution and improving relations with the many multi-brand shops.

#### Switzerland

Turnover in the Swiss market totalled DKK 283 million against DKK 280 million last year. The stagnation is linked to consumer uncertainties and a certain market weakening during the year.

One new B1 shop was opened and six others were upgraded to B1 status. There are now 24 B1 shops and 161 other shops operating in the Swiss market.

#### Austria

Turnover in the Austrian market was unchanged at DKK 58 million.

With the opening of one new B1 shop during the year, Austria now has 12 B1 shops and 48 other shops.

#### UK

The UK, now Bang & Olufsen's second largest market, achieved a turnover of DKK 559 million against DKK 450 million last year, i.e. an increase of DKK 109 million or 25 per cent in local currency.

In the fourth quarter, turnover was DKK 129 million against DKK 94 million last year. This corresponds to an increase of DKK 35 million, or 39 per cent in local currency for the quarter.

The advances in the UK market are attributable to the successful operations of all current shops, the continued opening of new shops and many years of commitment.

During the year, nine B1 shops were opened and a further six upgraded to B1 shop status. The UK market now comprises 76 B1 shops which account for 73 per cent of the total turnover. The remaining 27 per cent is generated by 56 other shops.

#### US

Turnover in the US market amounted to DKK 380 million against DKK 311 million last year, a rise of DKK 69 million or 20 per cent in local currency. There are now 58 B1 shops operating in the US market.

Nevertheless, the year resulted in a loss of DKK 73 million. In view of the substantial investments in the further development of the US market, this must be regarded as disappointing. Most of the losses derive from the operation of our, wholly or partly, owned 28 retail outlets. These shops, the majority of which were opened over the last two financial years, are based on long-term leaseholds. They were expected to become profitable within one to two years under existing economic conditions, but the actual economic trends in the US have extended this period.

During the financial year, Bang & Olufsen decided to slow down the opening of new B1 shops in the US and focus on providing management and training resources for existing shops. Older, well-established shops perform relatively better because of their existing network of loyal customers. Consequently, efforts were centred on newly established shops. Renewed emphasis has been on sales of larger home installations which are gaining ground in the US.

Despite the highly disappointing results and difficult market conditions, the US remains a significant, long-term growth market for Bang & Olufsen. Initiatives aimed at improvement will continue, however, further losses are expected for the coming year.

#### **Denmark**

The Danish market developed satisfactorily after several years' decline in turnover. Turnover totalled DKK 475 million against DKK 467 million last year, i.e. a rise of DKK 8 million or 2 per cent. Denmark is currently B&O's third largest market.

Turnover derives primarily from organic growth in the existing B1 distribution. Work continues towards raising quality in the Danish distribution system.

During the year, two new B1 shops were opened in Denmark. The Danish market now has 32 B1 shops and 259 other shops.

#### **Sweden**

Turnover in Sweden was DKK 105 million against DKK 112 million last year, a decline of DKK 7 million. However, calculated in local currency, this represents a modest increase in turnover of 2 per cent.

Tommie Lindberg was appointed Country Manager of Bang & Olufsen's Swedish operations with effect from August 1, 2002.

During the year, two new B1 shops were opened. There are now 19 B1 shops and 35 other shops in Sweden.

#### **Norway**

After several years of declining turnover, sales in Norway showed modest progress. Turnover for the year totalled DKK 66 million against DKK 64 million last year – an increase of DKK 2 million or 2 per cent in local currency.

The year saw the upgrading of two other shops to B1 status. The Norwegian market now has 16 B1 shops and 20 other shops.

#### **Holland**

Holland, Bang & Olufsen's fifth largest market, achieved a turnover of DKK 291 million against DKK 248 million last year, i.e. a rise of DKK 43 million or 17 per cent in local currency. In contrast to the other markets, the Dutch market is operated by a sole distributor.

During the year, five B1 shops were opened bringing the total of B1 shops to 35. There are 118 other shops.

#### **Spain/Portugal**

The Spanish/Portuguese market had a turnover of DKK 190 million against DKK 156 million last year. This is an increase of DKK 34 million or 22 per cent in local currency.

The positive development is primarily a result of the Spanish and Portuguese organisations' ability to successfully support both new and existing B1 shops. Average increase in turnover for the mature shops was 16 per cent.

During the year, six new B1 shops were opened in the Spanish/Portuguese market to bring the total number of B1 shops to 74.

#### **France**

The French market achieved a turnover of DKK 216 million against DKK 200 million last year. This represents an increase of DKK 16 million or 9 per cent in local currency.

Four new B1 shops were opened and a further four shops were upgraded to B1 shops. France now has 49 B1 shops and 19 other shops.

In a further step in the integration of the Southern European markets, Alberto de Lucio, Director of the Spanish/Portuguese market operations will also assume responsibility for the French market as from October 1, 2002.

#### **Italy**

The Italian market achieved a turnover of DKK 206 million against DKK 198 million last year, i.e. a rise of DKK 8 million or 4 per cent in local currency.

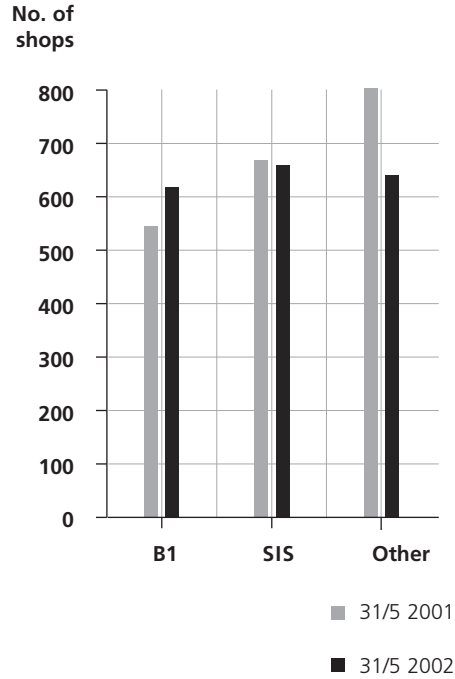
Seven B1 shops were opened during the year and one other shop was upgraded to B1 status. The Italian market now has 42 B1 shops and 85 other shops.

#### **Belgium**

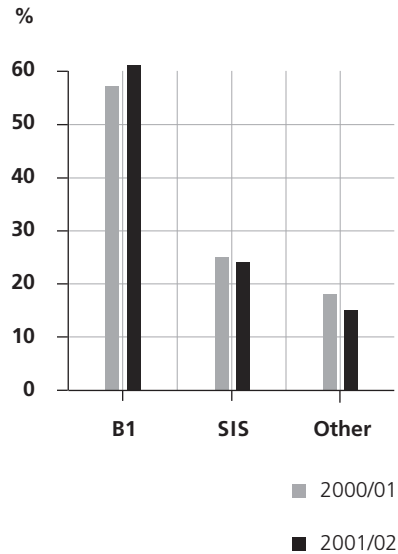
Belgium achieved a turnover of DKK 92 million against DKK 87 million last year corresponding to a rise of DKK 5 million or 6 per cent in local currency.

Endeavours to reduce the number of multi-brand shops and enhance the quality levels in the remaining shops continue. During the year, the number of shops in Belgium was cut from 65 to 61. Five new B1 shops were opened bringing the total to 13 B1 shops and 48 other shops.

Number of shops per segment



Share of turnover per segment  
(measured in terms of active shops at the end of each year in question)



Definitions of shop segments:

B1 Shops which are dedicated retailers of Bang & Olufsen products

SIS Shop in shop with a dedicated sales area for Bang & Olufsen products

### Japan

Turnover in Japan amounted to DKK 76 million against DKK 68 million last year, i.e. a rise of DKK 8 million or 24 per cent in local currency. Japan is now one of Bang & Olufsen's fastest growing markets.

During the year, eight new B1 shops were established with one other shop upgraded to B1 status. Japan currently has 18 B1 shops and 21 other shops.

### Other Asian markets

Turnover in Asian markets, i.e. Singapore, Hong Kong, Malaysia, Korea, Taiwan, Thailand, Indonesia and Australia, with headquarters in Singapore, totalled DKK 141 million against DKK 120 million last year, i.e. a rise of DKK 21 million.

The result is owing to a sound distribution development and a stronger effort in the individual markets.

Nine B1 shops were opened in the Asian markets which now have 35 B1 shops. There are no other shops in these markets.

### Expansion Markets

Expansion Markets – Russia, the Middle East, South America, Africa, and the East European markets – achieved a turnover of DKK 99 million against DKK 92 million last year, i.e. an increase of DKK 7 million or 7 per cent in local currency. The figures are adjusted for the fact that in the 2000/2001 financial year, Expansion Markets also included the Asian markets.

During the past year, Expansion Markets have focused on generating organic growth within the existing distribution.

Four new B1 shops were established. Subsequently, Expansion Markets have 46 B1 shops and 19 other shops.

### Increased turnover with fewer shops

The year saw the opening of 76 new B1 shops while 27 other shops were upgraded to B1 shops.

Difficulties in meeting expectations resulted in 26 B1 shops being closed and four shops being downgraded. The net increase in the number of B1 shops, therefore, came to 73.

The number of B1 shops world-wide totalled 618 with 461 in Europe, 58 in North America, 18 in Japan, 35 in other Asian markets and 46 in Expansion Markets. Turnover in B1 shops with at least two full years of operations rose by an average of 6 per cent.

At the beginning of the financial year, Bang & Olufsen products were sold in 669 shop-in-shop outlets. By May 31, 2002, this figure had fallen by nine shops to 660. Bang & Olufsen products are also available from a large number of other authorised retail outlets.

As at May 31, 2002, Bang & Olufsen products were available in 1,919 shops across the world, i.e. 98 fewer than the year before. The majority were closed by their owners as a consequence of general market trends which make trading conditions increasingly difficult, especially for smaller shops.

At the start of the year, approx. 1,000 users were linked up to Bang & Olufsen's Internet-based dealer system for on-line order processing. During the year, a further 715 joined the system bringing the total number of users to 1,715.

### Product launches during the year

During the financial year Bang & Olufsen AudioVisual launched five important products.

BeoLab 2, which was launched in June 2001, is a powerful subwoofer based on ICEpower technology. A combination of a cube and a sphere, BeoLab 2 gives out 850 Watt despite its modest size. As the acoustic adjustment between subwoofer and loudspeaker is regulated automatically, the BeoLab2 can be used with all Bang & Olufsen products.

BeoVision Avant DVD was launched in a 32" version in November 2001 and in a 28" version in March 2002. BeoVision Avant DVD integrates a DVD player in Bang & Olufsen's flag-ship tube TV, BeoVision Avant. Positioned in the cabinet's upper left corner the DVD player is at an operator-friendly height. The digital DVD format fully exploits BeoVision Avant's high performance with regard to both sound and picture.

BeoVision 3 was launched in October 2002 and combines a 32" real flat widescreen format (16:9) with an elegant foot. This allows the set to be placed on a table, a sideboard or a shelf. An integrated stand is also available which allows the TV to be positioned anywhere in a room.

BeoVision 5, which was launched in April 2002, is Bang & Olufsen's first plasma TV. It incorporates all Bang & Olufsen's competencies within the field of picture quality to maximise the potential inherent in the 42" plasma screen. With the integrated stereo speakers offering up to 96 dB BeoVision 5 – sound and picturewise – substantially exceeds all similar products currently available on the market. In terms of design, the BeoVision 5's brushed aluminium frame has been inspired by classical art.

BeoSound 2, which was launched in May 2002 is Bang & Olufsen's first portable, pocket-sized digital music player. Available in polished, stainless steel BeoSound 2 handles music files in the mp3 and wma formats. Through BeoPlayer, Bang & Olufsen's digital music organiser, music files can easily be transferred from PCs to BeoSound 2. The accompanying docking station manages both transfer of files and charging of the player.

During the year the following product updates were introduced:

Launched in September 2001, BeoLink PC2 enables the integration of PC systems and the BeoLink system. BeoLink PC2 is a small black box which, discreetly mounted, is linked to both the PC and the BeoLink system. This enables users to enjoy their PC's digital sound files through loudspeakers in, for instance, living rooms or bedrooms. Equally, users can listen to CDs on their Bang & Olufsen audio system through their PC's loudspeakers.

In October 2001 BeoSound 3000, Bang & Olufsen's most popular audio product received an update in the form of an aluminium front.

In November 2001, BeoLab 2500, which is often sold with BeoSound 3000 was launched in a version where the front is made from perforated aluminium, inspired by BeoSound 1.

Simultaneously, two new stand types were launched – one for BeoSound 3000 and BeoSound Overture and one for BeoLab 4000. The latter is frequently sold together with BeoSound 3000 or BeoSound Overture.

#### **Prestigious award for Bang & Olufsen**

During the year Bang & Olufsen received the prestigious technology award "Sonic Foundry Outstanding Technical Achievement Award 2002" from the Canadian BANFF Television Foundation. The award is given in recognition of long-standing technological and creative endeavour and is regarded as the ultimate accolade within the TV and media industries.

In its decision BANFF Television Foundation emphasised "Bang & Olufsen's continuous creative edge, outstanding design and outstanding technological skills for more than 75 years."

Within the audio/video industry only Sony and Philips have previously received the award.

## Directors' Report, Bang & Olufsen Telecom a/s

At the beginning of the financial year, Bang & Olufsen Telecom a/s' existing production facilities were transferred to Bang & Olufsen's Operations a/s as a result of the Group's adoption of a new business unit structure. Comparisons with previous years can, therefore, only be made in respect of the company's turnover.

Bang & Olufsen Telecom's turnover for the year was DKK 263 million against DKK 244 million last year, an increase of DKK 19 million or 8 per cent. Since the company has carried out an extensive restructuring of the specialised tele distribution, this development is regarded as satisfactory. The restructuring aims at strengthening Bang & Olufsen's general quality profile within the specialised tele segment. The process has meant that turnover within this segment declined by DKK 17 million.

The company's cordless products, BeoCom 6000 and BeoCom 2, have performed well. The cordless portfolio now accounts for 77 per cent of the company's turnover.

The year's ordinary result before tax was negative by DKK 10 million.

During the year, the company carried out an extensive reorganisation. Subsequently, a new management team has reorganised both development and sales functions in order to maximise profitability.

The launch of BeoCom 2 proceeded satisfactorily. As planned, BeoCom 6000 was launched in a new upgraded version towards the close of the financial year.



## Directors' Report, Bang & Olufsen New Business a/s

The ordinary result before tax for the year was a loss of DKK 18 million relating to the development of new business areas and costs of the significant research activities within the field of acoustics.

As previously announced, Bang & Olufsen New Business decided to discontinue work on loudspeakers for recording studios. The decision was made in view of the relatively limited business potential and the desire to focus on in-car sound systems and on loudspeakers for distribution through usual channels.

During the year, New Business carried out a preliminary study into a Bang & Olufsen sound concept for high quality cars. The concept sets new standards for design, operation and sound and Bang & Olufsen believes that the concept may form the basis for a new business platform. Penetrating this market, however, is a long-term project.

## Directors' Report, Bang & Olufsen Operations a/s

As part of the Group's division into new business units, Bang & Olufsen Operations a/s took over production of audio/video equipment from Bang & Olufsen Audio-Visual a/s from June 1, 2001. Bang & Olufsen Operations a/s also took over responsibility for the production of telephones from Bang & Olufsen Telecom a/s.

Reducing stock levels had high priority and a satisfactory result has been achieved despite greater turnover and relatively larger purchasing volumes in connection with the launch of plasma technology.

In general, supply reliability and precision towards retailers improved during the year. Focus on precision will continue over the coming financial year.

Within the field of telephony Bang & Olufsen Operations achieved significant cuts in production-related costs in connection with the optimisation of production and goods flow. It has been decided to outsource parts of Bang & Olufsen Telecom's product portfolio during 2002 and 2003 by which time the benefits of this can be expected to materialise.

Investments in machinery have been moderate and centred on process optimisation and minor capacity expansion in the production system.

## Brand-independent business

### Directors' Report, Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom a/s achieved a turnover of DKK 297 million against DKK 233 million the previous year. The year, therefore, saw an increase in turnover of DKK 64 million, corresponding to 27 per cent.

The rise derives from increased production for Novo Nordisk during the financial year and the launch of the world's first digital stethoscope which was developed in conjunction with – and produced for – another of the company's partners, 3M Littmann. In December 2001 Bang & Olufsen Medicom and 3M Littmann received a prestigious Danish technical award (Ingeniørens Produktpris) for the stethoscope.

Activities relating to development contracts for other pharmaceutical and diagnostic partners showed sound, stable development.

The result of ordinary operations before tax was DKK 16 million. Due to the reorganisation of the group the figure is not directly comparable to previous years.

The rise in turnover and the improved result is in line with existing plans and is seen as satisfactory.

## Directors' Report, Bang & Olufsen ICEpower a/s

Turnover for the year in Bang & Olufsen ICEpower a/s was DKK 17 million against DKK 2 million last year. This fell short of expectations.

Turnover derives from the sale of standard ICEpower products and revenue realised from the licence agreement with Sanyo.

Bang & Olufsen ICEpower a/s posted a loss of ordinary operations before tax of DKK 19 million for the year. This reflects the intensive research into – and development of – ICEpower technology.

Despite the delay in fulfilling the commercial potential inherent in Bang & Olufsen ICEpower, we believe that Bang & Olufsen ICEpower remains well positioned in the growing market for efficient audio power conversion.

## The new financial year 2002/03

### Product launches planned for 2002/03

In the coming financial year, BeoVision 5 will be launched in the US market. Bang & Olufsen also plans the launch of a new updated TV within the classical BeoVision MX family as well as an audio product with inbuilt CD memory using hard-disk technology which allows for storage of many hours of music in the product itself.

Within the field of telephony a new cordless phone is under way – a stand-alone product based on functional and design simplicity. The phone is intended for a variety of user situations and suits a range of different environments.

Late in the financial year Bang & Olufsen expects to launch two important products one of which is a new audio-centre product while the other will set new standards for high-end acoustic products. Both will break new ground in terms of technology as well as design.

### Expectations for the financial year 2002/03

The 11 per cent increase in turnover for 2001/02 which was, at least in part, driven by a massive launch programme and the opening of more than 100 new B1 shops, was satisfactory.

At the beginning of the new financial year, Bang & Olufsen offers a strong product portfolio. Product development remains high across the portfolio especially within the audio and acoustic areas. As slightly fewer launches have been planned for the coming season compared to last year, most development activities concern products to be launched following the close of the 2002/03 financial year.

Distribution will focus on consolidation and growth of individual shops rather than on a high level of new shop openings. Overall expectations are for approx. 50 new B1 shops. Communication activities will be strengthened with focus on generating increased traffic in the shops.

In view of the instability in some important markets we have decided to adjust operating and costs levels on the basis of a generally moderate growth of 5-6 per cent. Within this framework, our target is to achieve a satisfactory improvement in earnings.

The main focus area is the US where the growth of individual shops is of crucial importance in reducing operating losses. We continue to aim for growth through a range of measures, including staff development, introduction of products and local marketing. The goal is to cut the losses in the US significantly over the current year. It should be emphasised, however, this is an extended process.

The coming financial year will also focus on greater profitability in the Group's smaller subsidiaries, Telecom, New Business and ICEpower. In addition, a range of activities will aim at increasing the contribution margins of the product portfolio.

Bang & Olufsen Medicom remains an important contributor for the Group. To a significant extent, Medicom is dependent on the actions of the company's relatively few, large partners. Changes or reassessments by these partners impact directly on the result.

For the financial year 2002/03, Bang & Olufsen expects to maintain investments at 2001/02 levels. Product development and marketing costs are set to rise.

The first two months have shown satisfactory results and the Bang & Olufsen Group expects to achieve a pre-tax result of between DKK 250 and DKK 265 million based on a moderate growth in turnover. This is in line with the Group's three-year targets (cf. Stock Exchange announcement of April 17, 2002) for an annual growth in earnings of between 10 and 15 per cent.

The Group expects that the change to the new Annual Accounts Act, which comprises the capitalisation and subsequent depreciation of development costs, will have no significant impact on the Group's accounts. In future quarterly reports, we will report separately on the effect of the change.

## The Nørby Committee's report on Corporate Governance

In March 2001, the Danish Ministry of Business and Industry appointed a committee to consider the need for recommendations regarding good corporate governance in Denmark and to prepare specific proposals for their formulation.

The Committee's work resulted in "Nørby-udvalgets rapport om Corporate Governance i Danmark – Anbefalinger for god selskabsledelse i Danmark".

On the basis of the Nørby Committee's report, the Board of Directors of Bang & Olufsen a/s has considered the general level of implementation of corporate governance.

The general principles behind the Nørby Committee's specific recommendations have, for a number of years, been applied to the Board's ongoing business.

In its report, the Nørby Committee recommends that directors evaluate the expediency of articles of association with regard to, for example, voting differentiation and, in their annual reports, consider whether the cancellation of such differentiation might be desirable and/or possible.

Bang & Olufsen a/s' equity capital is divided into multiple voting shares (A shares) and ordinary shares (B shares). The board believes that the existence of two classes of shares currently ensures the stable development of the company. However, the Board will evaluate the expediency of such a division on an ongoing basis.

The Nørby Committee also recommends that details on individual directors and executive directors' share option programmes should be published in the annual report. Directors of Bang & Olufsen do not benefit from share options remuneration. Considering the size of the share programme paid to members of the Board of Management, the Board considers it sufficient to announce the programme totals on Group level.

The Nørby Committee's report also includes recommendations regarding executive directors' directorships and executive directorships in other companies.

Bang & Olufsen a/s' Board has previously decided that executive directors may undertake up to two directorships in other companies.

Concerning other specific recommendations in the second section of the Committee's report, the Board will include these in future considerations on good corporate governance to ensure that the company's and other stakeholders' interests are safeguarded in the best possible way.

## Environment report

Since 1995, Bang & Olufsen a/s has voluntarily prepared an environment report which sets out the environmental conditions pertaining to Bang & Olufsen's own factories. The report describes the impact on the surrounding environment, including consumption of raw materials, electricity, water and heating as well as waste volumes and reported work-related accidents.

Until last year the environment report was distributed to all Bang & Olufsen's neighbours as well as to local and district authorities. The report was also available directly from Bang & Olufsen a/s.

However, due to low demand in conjunction with a rising interest in how the products themselves impact on the environment, the decision was made to cease the automatic printing and distribution of the report. The report has now been replaced by a life-cycle description "To the last detail..."

"To the last detail..." provides an insight into how product developers consider the environmental aspects of one individual product during the production process, in the home of the user and, finally, when it comes to the end of its useful life.

The intention is to prepare an annual life-cycle description for another of the company's products each year.

The environment report will continue to be produced alongside the life-cycle description. Both can be obtained from Bang & Olufsen Miljø and BST on tel.: +45 96 84 10 72.





## Financial Report

### **Profit & Loss Account**

#### **Rise in turnover of DKK 402 million**

During 2001/02, the Group's turnover increased by DKK 402 million to DKK 4,212 million, a rise of 11 per cent.

All business areas reported increase in turnover – Bang & Olufsen AudioVisual a/s, Bang & Olufsen Medicom a/s, Bang & Olufsen Telecom a/s and Bang & Olufsen ICEpower a/s.

Bang & Olufsen AudioVisual a/s' turnover rose by DKK 358 million. Turnover in the UK was up by DKK 109 million to DKK 559 million, corresponding to a 25 per cent increase in local currency. The US saw an increase in turnover of DKK 69 million.

Broken down into product groups, turnover for audio products fell by 2 per cent while sales of video products rose by 22 per cent. On a Group basis, turnover within the telephony segment increased by DKK 26 million, i.e. 10 per cent. Audio and video products now account for 38 per cent and 42 per cent of the turnover against 43 per cent and 38 per cent last year. Other products' share of the turnover rose from 19 per cent to 20 per cent.

Calculated in local currency, all countries reported increases in turnover with the exception of Switzerland where turnover declined by 2 per cent.

For Bang & Olufsen AudioVisual a/s the largest increases (in local currencies) occurred in the UK (25 per cent), Japan (24 per cent), Spain (22 per cent), USA (20 per cent), Asia (20 per cent) and Holland (17 per cent).

#### **Group gross profit**

The Group's gross profit declined marginally by 0.3 percentage points as a consequence of two counter developments: Increasing retail turnover in own shops had a positive effect, while substantial video product launches and a shift in sales in favour of the product portfolio's video sector had a negative impact – as the video segment traditionally has lower contribution margins than the audio sector.

#### **Costs in relation to turnover**

Costs relating to product development, distribution, marketing and administration increased by DKK 159 million, i.e. 13 per cent, in 2001/02. As in the previous financial year, these costs account for 32 per cent of turnover.

Distribution and marketing costs rose by DKK 133 million, i.e. 17 per cent. This is due to the continued development of the distribution in foreign markets, including the operation of own retail shops in the US where distribution and marketing costs rose by DKK 58 million.

Product development costs increased by DKK 35 million to DKK 327 million, i.e. 12 per cent. A significant proportion of these costs relate to the development of BeoVision 3, BeoVision 5, BeoVision Avant DVD and BeoSound 2. Furthermore, funds went into upgrades of BeoSound 3000, BeoLab 2500 and Beolink PC2.

BeoVision 5 is the Group's first plasma solution. All picture quality competencies have been incorporated into this innovative product. Within the field of telephony, development of cordless and ISDN phones continues.

#### **Result of ordinary operations in associated company**

Early in the financial year 1999/00, Bang & Olufsen acquired a 33 per cent share in John Bjerrum Nielsen A/S. The impact on the result of this was DKK 2.8 million before tax against DKK 3.4 million last year.

#### **Financing**

Net financing costs fell by DKK 15 million to DKK 35 million against DKK 50 million last year. Exchange rate losses, due to foreign exchange fluctuations, declined by DKK 16 million to DKK 10 million against DKK 26 million in 2000/01.

#### **Increased tax rate**

The overall tax rate for the year increased from 34 to 39 per cent. The increase can primarily be ascribed to the Group's decision not to capitalise deferred tax in respect of the US and ICEpower a/s.

Of the charged tax of DKK 89 million, DKK 84 million relates to the brand-supported core business while DKK 5 million concerns other parts of the Bang & Olufsen Group.

#### **Minority share**

The item relates to the minority share of 23.4 per cent in Bang & Olufsen ICEpower a/s, and a minority share of 49 per cent relating to a Joint Venture in the USA.

#### **Balance Sheet**

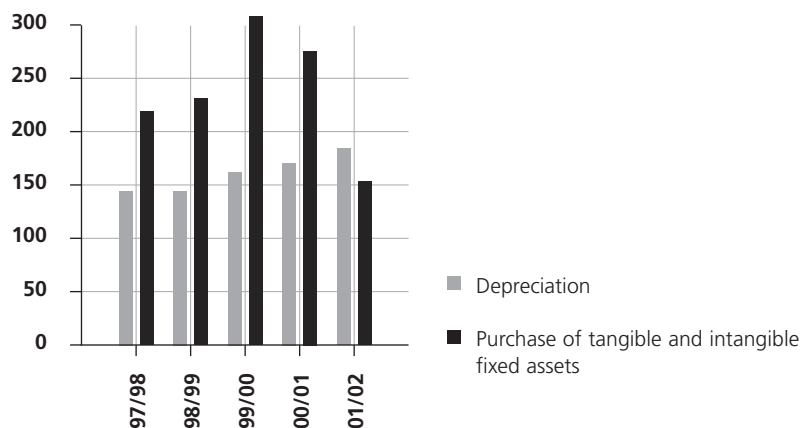
##### **Fixed Assets**

Fixed assets fell by DKK 48 million, i.e. 5 per cent.

Thus tangible fixed assets showed a net decline of DKK 49 million, while intangible and financial fixed assets are on a par with last year. The Group's investments in fixed assets were DKK 154 million against last year's DKK 276 million. This is in line with the Group's announcement concerning an adjustment of its activity level.

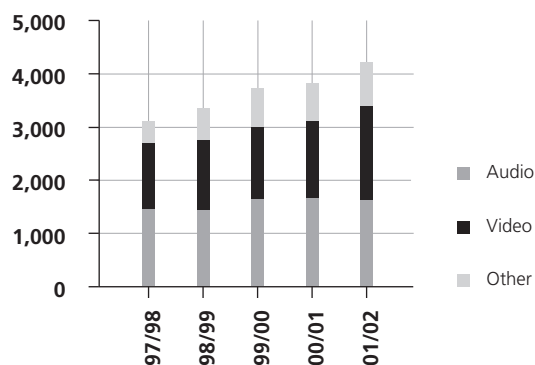
**Purchase of tangible and intangible fixed assets and depreciation hereof**

DKK million



**Turnover by product groups**

DKK million



**Current assets**

Current assets increased by DKK 123 million, i.e. 9 per cent.

The rise primarily derives from an increase in receivables of DKK 44 million of which DKK 54 million is due to an increase in trade debtors owing to the Group's rising sales volumes. Despite increased turnover and greater purchasing volumes in connection with the launch of plasma technology, stocks were reduced by DKK 33 million.

As at the balance sheet date, liquid assets had increased by DKK 111 million compared to last year.

**Cash flow**

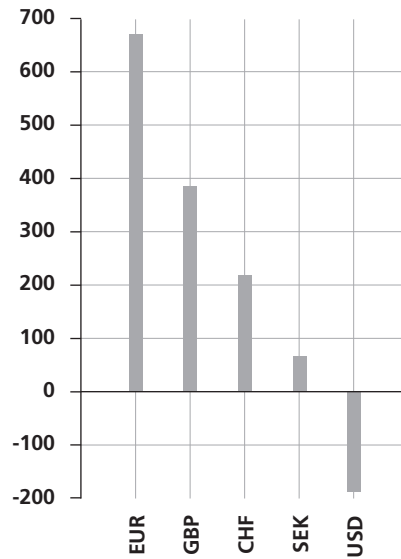
Total cash flow for the year was DKK 184 million. The Group's cash flow from operating activities was DKK 343 million against last year's DKK 138 million due to the positive development in the Group's operating capital.

Liquidity requirements for investments totalled DKK 154 million against DKK 276 million the previous year. The change is due to a fall in investments in fixed assets. During the financial year, a long-term loan of DKK 45 million was raised.

A dividend of DKK 47 million was paid to shareholders during the year.

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

DKK million



After a proposed dividend payment of DKK 46.9 million, the equity capital totals DKK 1,244 million against last year's DKK 1,147 million.

#### Foreign exchange exposure

The Group's turnover abroad accounts for 81 per cent of the total. This figure is not expressive of the exchange rate risk as it is the Group's policy to match purchases with sales in the same currency to the greatest possible extent.

The Group has an ongoing net inflow in Euro-related and other West European currencies. On the outflow side, the most important exposure is in US dollars.

Currency risks are managed centrally and, if necessary, forward contracts are used to cover positions. Future contracts are exclusively entered into on a commercial basis.

## Management's statement

The Board of Directors and Board of Management have today considered and approved Bang & Olufsen a/s' Consolidated Financial Statement and Annual Financial Statement for the 2001/02 financial year.

The Consolidated Financial Statement and Annual Financial Statement have been rendered in accordance with Danish accounting legislation.

We regard the chosen accounting policies as appropriate such that, in our opinion, the Consolidated Financial Statement and Annual Financial Statement give a true and fair view of the Group and Parent Company's assets and liabilities, financial position and result.

The Consolidated Financial Statement and the Annual Financial Statement are presented for approval at the Annual General Meeting.

Struer, 14 August 2002

### Board of Management

Torben Ballegaard Sørensen  
(President and CEO)

Peter Thostrup

### Board of Directors

Jørgen Worning (Chairman)

Lars Brorsen

Joe D. Davies

Peter Skak Olufsen

Garry Merrild Vestergaard

Jan Gesmar-Larsen (Deputy Chairman)

John Christoffersen

Peter Leschly

Torsten Erik Rasmussen

## Auditors' report

We have audited the consolidated financial statements and the annual financial statements of Bang & Olufsen a/s for 2001/02 as presented by the Board of Directors and the Management.

### Basis of opinion

We have planned and performed our audit in accordance with International Standards on Auditing and Danish auditing standards and provisions to obtain reasonable assurance that the financial statements are free of material errors or omissions. Based on an assessment of materiality and risk,

our audit included an examination of the basis and evidence supporting the amounts and other disclosures in the financial statements.

Furthermore, we have assessed the accounting policies applied and estimates made by the Board of Directors and the Management as well as evaluated the overall adequacy of the presentation in the financial statements.

Our audit did not give rise to any qualifications.

### Opinion

In our opinion, the consolidated financial statements and the annual financial statements have been presented in accordance with Danish accounting legislation and give a true and fair view of the group's and the company's assets and liabilities, the financial position and the result for the year.

Struer, 14 August 2002

PricewaterhouseCoopers

Carsten Gerner  
State Authorised Public Accountant

Jesper Lund  
State Authorised Public Accountant

DELOITTE & TOUCHE

State Authorised Public Accounting Company

Erik Holst Jørgensen  
State Authorised Public Accountant

Anders O. Gjelstrup  
State Authorised Public Accountant



## Accounting principles

### *Basic principles*

The Consolidated Statement and the Financial Statement for Bang & Olufsen a/s have been prepared in accordance with the Annual Accounts Act of 1981, Danish accounting guidelines, generally recognised Danish accounting principles and the guidelines of the Copenhagen Stock Exchange for the presentation of accounts for listed companies.

Owing to the reorganisation of the Bang & Olufsen Group, the comparative figures for the previous financial year for the parent company are not directly comparable. Consequently, these have been omitted from the Profit & Loss Account.

The reorganisation has not impacted on the comparative figures for the Group.

The item, leasehold improvements, has been transferred from intangible fixed assets to tangible fixed assets. In addition, some reclassifications have been made in the Profit & Loss Account with regard to the adjustment of the comparative figures. The reclassifications have not affected the result and the equity capital.

The accounting principles are unchanged from the previous year.

### *Group accounts Consolidation*

The consolidated accounts comprise the parent company, Bang & Olufsen a/s, and companies in which the Group retains more than 50 per cent of the voting rights or, in other ways, has a deciding influence.

The consolidated accounts have been prepared in accordance with the past-equity principle, on the basis of the audited accounts for the parent company and the subsidiaries, by combining the individual companies' items of a similar nature. Accordingly, intra-group income and expenses, shareholdings, outstandings and unrealised profits have been eliminated.

The accounting principles applied in the foreign subsidiaries have been adjusted to the Group's accounting principles unless these only differ insignificantly.

Recently acquired subsidiaries are included in the consolidated accounts as from the date of acquisition. Companies sold are included until the date of sale.

Group goodwill is calculated on the date of acquisition as the difference between the acquisition price and the intrinsic value of the acquired company established in accordance with the Group's accounting principles. Group goodwill is depreciated directly over the equity capital.

Companies which are not subsidiaries, but where the Bang & Olufsen Group holds 20 per cent or more of the voting right or in other ways has a significant influence on the operating or financial management, are regarded as associated companies.

Associated companies are consolidated as one-line in the consolidated accounts.

### *Foreign exchange Receivables and debts*

Receivables and debts in foreign currency have been booked at the exchange rates prevailing on the balance sheet date or at the applicable forward rate. Unrealised and realised currency gains and losses are included in the Profit & Loss Account under financial items.

### *Conversion of accounts of foreign subsidiaries*

In the case of independent foreign subsidiaries, the profit and loss accounts are converted to average foreign exchange rates while balance sheet items are converted at the exchange rates prevailing on the balance sheet date. Differences deriving from conversion of the foreign companies' initial equity capital to the exchange rates prevailing on the balance sheet date and the differences owing to the conversion of the foreign companies' Profit & Loss accounts into average exchange rates are adjusted in the equity capital. Hedging of investments abroad is also adjusted over the equity capital.

### *Financial instruments*

Gains and losses on financial transactions entered into in order to secure outstanding debtors and creditors on the balance sheet date, are included in the Profit & Loss Account.

Financial transactions designated to secure a future purchase or sale are included in the Profit & Loss Account at such time as the transaction is settled.

### *Profit and Loss Account Net turnover*

This comprises invoiced sales less returns and price reductions directly related to sales. Sales revenue is booked at the time of dispatch of the goods.

### *Production costs*

Products costs comprise stock consumption and costs, including salaries and depreciation incurred for the purpose of achieving the year's net turnover.

### Product development costs

Product development costs are charged in the year in which they were incurred and comprise costs that can be attributed to the companies' development departments, including salaries, wages, materials, services and depreciation on fixtures and fittings and equipment for development activities.

### Distribution and marketing costs

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

### Administration costs

Administration costs comprise costs for administrative personnel, management, office costs, etc. incl. depreciation.

### Result in subsidiaries and associated companies

The share of the subsidiaries' pre-tax profits is included in the Profit & Loss Account of the parent company under the item "Result of ordinary operations in subsidiaries", while the subsidiaries' share of tax is included under "Tax on ordinary result".

In the Group's and parent company's Profit & Loss Account, share of profits before tax in associated companies is included in the item "Result of ordinary operations in associated companies", while the share of the associated companies' tax liability is included under "Tax on ordinary result."

### Depreciation

Development costs have been charged as items of expenditure in the relevant year.

Acquired rights and patents are depreciated on a straight-line basis over an expected lifetime, not exceeding 10 years.

Tangible fixed assets with a purchase price of less than DKK 25,000 are charged in full in the year of purchase. For computer software the limit is DKK 100,000.

Subsidies concerning tangible fixed assets are deducted in the purchase price.

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

#### Land and buildings

- Land	None
- Buildings	40 years
- Interior refurbishment/ special installations	10 years
Plant and machinery	
- Single purpose production tools	4 - 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, although a maximum of 10 years.

### Leasing/Rental

Rent and leasing payments relate to operational leasing of operating equipment, vehicles and administrative equipment. Rent and leasing payments are charged in the year in which they are paid. The leasing liabilities are given in the Notes.

### Financial items

Financial items include interest, cash discounts, realised and unrealised foreign exchange gains and losses.

### Tax

Tax is charged, in part, on the basis of the year's anticipated tax liability on taxable earnings and, in part, on changes in deferred tax, which are entered in the Balance Sheet.

The result for the year includes non-taxable income and non-deductible costs. Tax attributable to the annual result is further influenced by variations in the taxation rates of the individual countries.

The parent company is jointly taxed with some of its subsidiaries. The tax due in Denmark is apportioned between the companies in proportion to their taxable income.

The Group pays tax in accordance with the instalment principle. Any supplementary payments, deduction or refunds related to tax are included in financial items.

### Minority interests

Minority interests include foreign shareholders' share of the intrinsic value and the year's result in subsidiaries which are not 100 per cent owned. In the consolidated result, the share of the subsidiaries' result which can be ascribed to minority interests, is given separately. Minority interests' share of the equity capital is given in a separate item between "Equity Capital" and "Provisions".

When minority interests constitute an asset, these are shown under other receivables.

### Balance sheet

#### Intangible fixed assets

Acquired rights include i.a. key money and patents. These are valued at cost less depreciation to date.



### **Tangible fixed assets**

Property in Denmark is booked at the official valuation as at April 1, 1977 (16th general valuation) plus later additions and reduced by accumulated depreciation.

Property abroad is valued at cost less depreciation to date.

Plant and machinery and other equipment are booked at cost less depreciation to date.

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

### **Financial fixed assets**

Shares in subsidiaries are included in the Balance Sheet of the parent company at the intrinsic value shown in the subsidiaries' accounts, with additions or deductions of profits or losses resulting from internal trading.

Shares in associated companies are valued in the Balance Sheet of the Group and the parent company in accordance with the equity method and in accordance with the most recent annual accounts or interim accounts.

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

### **Stocks**

Stocks are booked at purchase price/cost using the FIFO principle, or at the net realization value if lower.

Purchase price for raw materials, other materials and purchased goods comprises the invoice price plus delivery costs.

The cost price for finished goods and work in progress includes the purchase price of materials and direct labour costs plus additional indirect production costs.

Obsolete and slow-moving items are booked at the expected net realization value.

### **Debtors**

Book value is based on an assessment of each account outstanding.

### **Own shares**

Own shares are depreciated over the equity capital on the date of acquisition. Fees received in connection with the disposal of own shares and dividend received are also booked directly at equity capital.

### **Deferred taxation and corporation tax**

Provision for deferred tax is calculated according to the debt method on the basis of all temporary differences between the tax and accounting values of assets and liabilities.

In the calculation of deferred tax, the fiscal value of possible losses, provisions etc. is entered if it is likely to be absorbed in future fiscal results.

If the deferred tax is a positive amount, it is entered in the Balance Sheet as a deferred tax asset.

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

### **Other provisions**

Provisions are made for estimated warranty expenses for sold goods, pension commitments, etc.

### **Cash flow statement**

The presentation of the Consolidated Cash Flow Statement follows the indirect method, based on the result for the year. The Cash Flow Statement shows the Group's cash flow for the year, the year's change in liquid assets and the Group's liquid assets at the beginning and end of the year.

### **Cash flow from operating activities**

Cash flow from operating activities is stated as the result for the year adjusted for non-liquid result items, paid financial items and corporation taxes and changes to working capital. The working capital comprises trading assets less short-term liabilities, excluding such items which are booked as liquid assets.

### **Cash flow from investment activities**

Cash flow from investment activities comprises the acquisition and sale of intangible, tangible and financial fixed assets.

### **Cash flow from financing activities**

Cash flow from financing activities comprises borrowings and instalments of mortgage debt and other long-term debt as well as yield and earnings from increases in the share capital.

### **Liquid assets**

Liquid assets comprise liquid funds less short-term bank debt which form part of the Group's ongoing cash flow management.

The cash flow statement cannot be established solely on the basis of the published accounts.



## Profit and Loss Account

<b>Bang &amp; Olufsen a/s</b>		<b>Group</b>		<b>Parent Company</b>
(DKK million)		2001/02	2000/01	2001/02
Notes ...				
1 ...	<b>Net turnover</b>	<b>4,212.0</b>	<b>3,810.0</b>	<b>283.4</b>
2 + 3 ...	Production costs	<u>(2,585.5)</u>	<u>(2,329.5)</u>	<u>(277.6)</u>
	<b>Gross profit</b>	<b>1,626.5</b>	<b>1,480.5</b>	<b>5.8</b>
2 + 3 ...	Product development costs	(333.2)	(298.0)	-
2 + 3 ...	Distribution and marketing costs	(914.2)	(781.2)	-
2 + 3 ...	Administration costs, etc.	<u>(121.2)</u>	<u>(130.2)</u>	<u>(22.5)</u>
	<b>Operating profit</b>	<b>257.9</b>	<b>271.1</b>	<b>(16.7)</b>
4 ...	Result from ordinary operations in subsidiaries	-	-	257.6
	Result from ordinary operations in associated company	2.8	3.4	2.8
5 ...	Financing income	17.9	16.9	38.0
6 ...	Financing costs	<u>(53.0)</u>	<u>(67.2)</u>	<u>(45.8)</u>
	Financing, net	<u>(35.1)</u>	<u>(50.3)</u>	<u>(7.8)</u>
	<b>Result from ordinary operations before tax</b>	<b>225.6</b>	<b>224.2</b>	<b>235.9</b>
7 ...	Tax on ordinary result	<u>(88.9)</u>	<u>(76.3)</u>	<u>(88.9)</u>
	<b>Result for the year</b>	<b><u>136.7</u></b>	<b><u>147.9</u></b>	<b><u>147.0</u></b>
21 ...	Of which minority share	<u>10.3</u>	<u>5.6</u>	
	<b>Bang &amp; Olufsen a/s' share of the year's result</b>	<b><u>147.0</u></b>	<b><u>153.5</u></b>	

It is recommended that the profits be allocated as follows:

Dividend	46.9
Retained profit for the year	<u>100.1</u>
	<u>147.0</u>

Parantheses denote negative figures or amounts to be deducted.

Notes: see pages 65 - 76

## Assets

Bang & Olufsen a/s		Group		Parent company	
		31/5 02	31/5 01	31/5 02	Opening balance 1/6 01
(DKK million)					
Notes ...					
<b>Intangible fixed assets</b>					
8 ...	Acquired rights	13.2	13.8	-	-
	Total intangible fixed assets	<u>13.2</u>	<u>13.8</u>	<u>-</u>	<u>-</u>
<b>Tangible fixed assets</b>					
9 ...	Land and buildings	332.7	334.5	232.0	237.5
10 ...	Plant and machinery	327.1	367.1	1.3	1.1
11 ...	Other equipment	129.9	147.0	57.1	67.9
12 ...	Leasehold improvements	67.5	61.7	1.0	-
13 ...	Pre-payments for tangible fixed assets and plant and equipment in progress	50.6	46.8	4.4	40.2
	Total tangible fixed assets	<u>907.8</u>	<u>957.1</u>	<u>295.8</u>	<u>346.7</u>
<b>Financial fixed assets</b>					
14 ...	Investment in subsidiaries	-	-	687.5	462.7
15 ...	Investment in associated company	8.0	5.9	8.0	5.9
16 ...	Other debtors	27.6	28.0	-	-
	Total financial fixed assets	<u>35.6</u>	<u>33.9</u>	<u>695.5</u>	<u>468.6</u>
<b>Total fixed assets</b>		<b><u>956.6</u></b>	<b><u>1,004.8</u></b>	<b><u>991.3</u></b>	<b><u>815.3</u></b>
<b>Stocks</b>					
	Raw materials	239.8	254.7	-	-
	Work in progress	52.4	52.8	-	-
	Spare parts	141.5	128.6	-	-
	Finished goods	218.7	249.3	-	-
	Total stock	<u>652.4</u>	<u>685.4</u>	<u>-</u>	<u>-</u>
<b>Debtors</b>					
	Trade debtors	508.1	454.5	-	-
	Amounts owed by subsidiaries	-	-	655.0	243.9
	Dividend owed	2.0	2.0	2.0	583.2
17 ...	Other debtors	64.3	96.3	7.9	45.7
18 ...	Deferred tax assets	24.9	-	1.8	-
	Accruals	3.2	5.5	1.8	2.7
	Total debtors	<u>602.5</u>	<u>558.3</u>	<u>668.5</u>	<u>875.5</u>
<b>Liquid funds</b>		<u>164.4</u>	<u>53.0</u>	<u>97.7</u>	<u>3.6</u>
<b>Total current assets</b>		<b><u>1,419.3</u></b>	<b><u>1,296.7</u></b>	<b><u>766.2</u></b>	<b><u>879.1</u></b>
<b>Total assets</b>		<b><u>2,375.9</u></b>	<b><u>2,301.5</u></b>	<b><u>1,757.5</u></b>	<b><u>1,694.4</u></b>
19 ...	Own shares				

## Liabilities

	Bang & Olufsen a/s		Group		Parent company	
					Opening balance	
	(DKK million)		31/5 02		31/5 01	
Notes ...						1/6 01
20 ...	<b>Equity capital</b>					
	Share capital	134.1	133.9	134.1	133.9	
	Premium on share issue	2.8	2.1	2.8	2.1	
	Reserve for net revaluation using intrinsic value method	-	-	-	-	
	Retained earnings	<u>1,107.2</u>	<u>1,010.9</u>	<u>1,107.2</u>	<u>1,010.9</u>	
	<b>Total equity capital</b>	<b><u>1,244.1</u></b>	<b><u>1,146.9</u></b>	<b><u>1,244.1</u></b>	<b><u>1,146.9</u></b>	
21 ...	<b>Minority interests</b>	-	<b>1.3</b>	-	-	
	<b>Provisions</b>					
22 ...	Deferred tax liability	6.8	54.3	-	27.0	
23 ...	Other provisions	<u>51.7</u>	<u>44.5</u>	-	-	
	<b>Total provisions</b>	<b><u>58.5</u></b>	<b><u>98.8</u></b>	<b>-</b>	<b><u>27.0</u></b>	
24 ...	<b>Long-term debt</b>					
	Mortgage loans	181.3	198.8	124.1	136.8	
	Loans from banks, etc.	<u>202.4</u>	<u>187.5</u>	<u>162.5</u>	<u>187.5</u>	
	Total long-term debt	<u>383.7</u>	<u>386.3</u>	<u>286.6</u>	<u>324.3</u>	
	<b>Short-term debt</b>					
	Repayment of long-term borrowings next year	48.0	27.5	38.8	26.2	
	Loans from banks, etc	15.8	88.5	15.7	44.5	
	Trade creditors	183.7	186.5	8.8	-	
	Debt to associated company	6.9	1.9	6.9	1.8	
	Corporation tax	68.4	25.5	27.0	-	
	Other debt	319.9	291.4	82.7	76.8	
	Dividend for the financial year	46.9	46.9	46.9	46.9	
	Total short-term debt	<u>689.6</u>	<u>668.2</u>	<u>226.8</u>	<u>196.2</u>	
	<b>Total debt</b>	<b><u>1,073.3</u></b>	<b><u>1,054.5</u></b>	<b><u>513.4</u></b>	<b><u>520.5</u></b>	
	<b>Total liabilities</b>	<b><u>2,375.9</u></b>	<b><u>2,301.5</u></b>	<b><u>1,757.5</u></b>	<b><u>1,694.4</u></b>	
28 ...	Contingent liabilities and supplementary information					
29 ...	Financial items					

Notes: see pages 65 - 76

## Equity capital statement

### Bang & Olufsen a/s, the Group

(DKK million)

	Share capital	Premium on share issue	Reserves using intrinsic value method	Retained earnings	Total
<b>Equity capital 1 June 2001</b>	<b>133.9</b>	<b>2.1</b>	-	<b>1,010.9</b>	<b>1,146.9</b>
Capital increase used for staff shares	0.2	0.7	-	-	0.9
Tax on staff shares	-	-	-	0.4	0.4
Exchange rate adjustment of investment in subsidiaries	-	-	-	(3.4)	(3.4)
Amortization of Group goodwill	-	-	-	(2.4)	(2.4)
Equity capital adjustments in subsidiaries	-	-	-	(1.6)	(1.6)
Dividend own shares	-	-	-	3.2	3.2
Retained earnings for the year	-	-	-	100.1	100.1
<b>Equity capital 31 May 2002</b>	<b>134.1</b>	<b>2.8</b>	-	<b>1,107.2</b>	<b>1,244.1</b>
<b>Equity capital 1 June 2000</b>	<b>133.9</b>	<b>2.1</b>	-	<b>922.0</b>	<b>1,058.0</b>
Exchange rate adjustment of investment in subsidiaries	-	-	-	4.3	4.3
Equity capital adjustments in subsidiaries	-	-	-	(1.5)	(1.5)
Amortization of Group goodwill	-	-	-	(11.4)	(11.4)
Write-up of own shares used for jubilee bonus	-	-	-	24.1	24.1
Distribution of own shares as jubilee bonus	-	-	-	(24.1)	(24.1)
Tax on jubilee bonus	-	-	-	7.2	7.2
Writedown own shares	-	-	-	(21.6)	(21.6)
Dividend own shares	-	-	-	5.3	5.3
Retained earnings for the year	-	-	-	106.6	106.6
<b>Equity capital 31 May 2001</b>	<b>133.9</b>	<b>2.1</b>	-	<b>1,010.9</b>	<b>1,146.9</b>

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

## Cash flow statement

### Bang & Olufsen a/s, the Group

	(DKK million)	2001/02	2000/01
Notes ...			
	Result for the year	147.0	153.5
	Depreciation and write-offs	184.5	171.1
25 ...	Adjustments	119.7	118.2
26 ...	Change in working capital	8.1	(170.1)
	Cash flow from operations before financial items	459.3	272.7
	Interest received, etc	17.9	16.9
	Interest paid, etc	(53.0)	(67.2)
	Cash flow from ordinary operations	424.2	222.4
	Corporation tax paid	(81.4)	(84.8)
	<b>Cash flow from operating activities</b>	<b>342.8</b>	<b>137.6</b>
	Purchase of intangible fixed assets	(3.7)	(53.8)
	Purchase of tangible fixed assets	(150.0)	(221.8)
	Change in financial debtors	0.4	13.9
	Dividend from associated company	-	2.0
	Sale of intangible fixed assets	2.2	2.7
	Sale of tangible fixed assets	7.9	14.3
	<b>Cash flow from investment activities</b>	<b>(143.2)</b>	<b>(242.7)</b>
	New long-term debt	44.9	51.0
	Reduction of long-term debt	(27.0)	(20.6)
	Financing of minority interests	9.0	6.9
	Sale/purchase of own shares	-	(21.6)
	Tax relating to sale of own shares	-	7.2
	Revaluation of shares used for staff shares	0.9	-
	Tax relating to staff shares	0.4	-
	Proceeds from capital increase and dividend from own shares	3.2	5.2
	Dividend paid	(46.9)	(80.4)
	<b>Cash flow from financing activities</b>	<b>(15.5)</b>	<b>(52.3)</b>
	<b>Change in liquid funds – Cash flow for the year</b>	<b>184.1</b>	<b>(157.4)</b>
	Liquid funds 1 June	(35.5)	121.9
27 ...	<b>Liquid funds 31 May</b>	<b>148.6</b>	<b>(35.5)</b>

*Outgoings given in parentheses.*

*Notes: see pages 65 - 76*





Notes	Group		Parent company
	2001/02	2000/01	2001/02
(DKK million)			
Notes ...			
1 ... <b>Net turnover</b>			
Group turnover apportioned into main markets:			
Denmark	800.5	758.9	
Germany	581.8	563.2	
UK	572.1	460.4	
US	389.0	318.2	
Holland	293.5	257.7	
Switzerland	283.1	280.7	
Rest of Europe	1,040.2	955.0	
Rest of world	<u>251.8</u>	<u>215.9</u>	
	<u>4,212.0</u>	<u>3,810.0</u>	
Exports as percentage of turnover	<u>81.0</u>	<u>80.1</u>	
2 ... <b>Employees</b>			
Wages, salaries, fees	863.8	782.1	90.4
Pensions	32.1	27.4	3.6
Other statutory contributions	<u>36.0</u>	<u>28.3</u>	<u>0.8</u>
	<u>931.9</u>	<u>837.8</u>	<u>94.8</u>
Remuneration on Group basis to the Board of Management in parent company:	<u>7.2</u>	<u>10.6</u>	<u>7.2</u>
Bonus (incl. in above):	<u>0.6</u>	<u>3.5</u>	<u>0.6</u>
Remuneration, including bonus, to departing directors are included until the time of their departure.			
Emoluments to the Board of Directors in parent company:			<u>1.6</u>
Average number of full-time employees:			
Denmark	2,446	2,386	268
Abroad	<u>462</u>	<u>394</u>	<u>-</u>
	<u>2,908</u>	<u>2,780</u>	<u>268</u>

Parantheses denote negative figures or amounts to be deducted.

Notes ...

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

The Bang & Olufsen Group's share option programme covers a number of Executive Directors and Senior Managers.

The allocation of options is dependent on employment during the accumulation period.

The total options pool amounts to 122,295 shares which can be exercised between 2002-2008.

The price at which the options can be exercised for the financial years 2001/02, 2002/03 and 2003/04, is determined as the average price for the 10 days following the publication of the annual accounts in August 1999, 2000 and 2001.

To guarantee the share option programme, Bang & Olufsen has acquired own shares which cover the full commitment.

The shares are written down via the equity capital.

Share options in Bang & Olufsen a/s	Board of Directors	Board of Management	Executive Directors and Senior Managers	Total number	Exercise price per option	Exercise period
Balance 1 June 2000						
Allocated 2000/01	-	40,000	-	40,000	200	August 2002 - August 2006
Allocated 2000/01	-	-	20,000	20,000	270	August 2002 - August 2005
Allocated 2000/01	-	6,875	10,458	17,333	270	August 2002 - August 2006
Allocated 2000/01	-	6,875	10,458	17,333	305	August 2003 - August 2007
Allocated 2000/01	-	6,875	10,459	17,334	177	August 2004 - August 2008
Balance 31 May 2001	-	<u>60,625</u>	<u>51,375</u>	<u>112,000</u>		
Allocated 2001/02	-	3,125	307	3,432	270	August 2002 - August 2006
Allocated 2001/02	-	3,125	307	3,432	305	August 2003 - August 2007
Allocated 2001/02	-	3,125	306	3,431	177	August 2004 - August 2008
Allocated 2001/02	-	<u>9,375</u>	<u>920</u>	<u>10,295</u>		
Balance 31 May 2002	-	<u>70,000</u>	<u>52,295</u>	<u>122,295</u>		

As at 31 May 2002, the share options are apportioned as follows:

Accumulation period:

Financial year 2000/01	-	40,000	-	40,000	200	August 2002 - August 2006
Financial year 2000/01	-	-	20,000	20,000	270	August 2002 - August 2005
Financial year 2001/02	-	10,000	10,765	20,765	270	August 2002 - August 2006
Financial year 2002/03	-	10,000	10,765	20,765	305	August 2003 - August 2007
Financial year 2003/04	-	<u>10,000</u>	<u>10,765</u>	<u>20,765</u>	177	August 2004 - August 2008
Balance 31 May 2002	-	<u>70,000</u>	<u>52,295</u>	<u>122,295</u>		

Calculated at the price of 235 as at 31 May 2002, the market value totals DKK 2.6 million.

The value, calculated in accordance with the Black-Scholes formula, is DKK 10.4 million.

(DKK million)	Group		Parent company
	2001/02	2000/01	2001/02
Notes ...			
3 ... <b>Depreciation</b>			
Depreciation for the year is included in the following items:			
Production costs	120.5	122.1	13.6
Product development costs	21.0	14.8	9.0
Distribution and marketing costs	32.5	24.4	4.0
Administration costs	10.5	9.8	8.9
	<u>184.5</u>	<u>171.1</u>	<u>35.5</u>
4 ... <b>Result from ordinary operations in subsidiaries</b>			
Subsidiaries' result before tax			254.5
Change in unrealised consolidated gross profit			3.1
Income from investment in subsidiaries			<u>257.6</u>
The subsidiaries' result before tax can be apportioned as follows:			
- Subsidiaries showing a profit			300.4
- Subsidiaries showing a loss			(45.9)
			<u>254.5</u>
5 ... <b>Financing income</b>			
Interest earned from banks, etc.	2.8	1.9	1.6
Interest earned from affiliated companies	-	-	34.7
Cash discounts	8.5	8.5	-
Other interest received	6.6	6.5	1.7
	<u>17.9</u>	<u>16.9</u>	<u>38.0</u>
6 ... <b>Financing costs</b>			
Interest on bank loans	21.3	17.4	18.5
Interest on mortgage loans	11.3	13.1	8.1
Interest from affiliated companies	-	-	7.8
Currency losses	9.7	25.9	9.3
Cash discounts	5.1	5.3	-
Other interest charges	5.6	5.5	2.1
	<u>53.0</u>	<u>67.2</u>	<u>45.8</u>

Parantheses denote negative figures or amounts to be deducted.

	Group		Parent company
(DKK million)	2001/02	2000/01	2001/02
Notes ...			
7 ... <b>Corporation tax</b>			
In the Profit & Loss Account tax has been accounted for:			
Parent company:			
- Current tax	19.6	0.4	19.6
- Change in deferred tax	(25.7)	1.4	(25.7)
- Adjustment previous year, current and deferred tax	(0.6)	(3.9)	(0.6)
Total for parent company	<u>(6.7)</u>	<u>(2.1)</u>	<u>(6.7)</u>
Subsidiaries and associated company:			
- Current tax	142.7	71.4	142.7
- Change in deferred tax	(39.7)	5.6	(39.7)
- Adjustment previous year, current and deferred tax	(7.4)	4.5	(7.4)
- Adjustment deferred tax resulting from changed tax rate	-	(3.1)	-
Total for subsidiaries and associated company	<u>95.6</u>	<u>78.4</u>	<u>95.6</u>
Tax on result for the year	<u>88.9</u>	<u>76.3</u>	<u>88.9</u>
Tax on result for the year is accounted for as follows:			
Danish corporation tax	30.0 %	30.0 %	
Tax effect of :			
- Non-deductible costs and non-taxable income	0.2 %	0.1 %	
- Higher tax rate in foreign subsidiaries	1.5 %	0.4 %	
- Tax adjustment in respect of previous year	(3.5 %)	0.3 %	
- Non-capitalised taxable loss	11.2 %	5.9 %	
- Adjustment owing to changed tax rate	-	(1.4 %)	
- Other	-	(1.3 %)	
The year's effective tax rate	<u>39.4 %</u>	<u>34.0 %</u>	
Corporation tax paid in the parent company including tax paid on an instalment basis amounts to DKK 35.1 million.			
The parent company pays current tax for jointly taxed Danish companies.			
The year's difference between deferred tax and current corporation tax is affected by the reorganisation of the Group as at June 1, 2001.			
8 ... <b>Acquired rights</b>			
Cost 1 June	21.8	15.2	
Exchange adjustment primo	(0.2)	0.1	
Additions in the year	3.7	7.1	
Disposals in the year	(2.4)	(0.6)	
Cost 31 May	<u>22.9</u>	<u>21.8</u>	
Acc. depreciation 1 June	8.0	6.5	
Exchange adjustment, primo	(0.1)	-	
Depreciation for the year	2.0	1.8	
Adjustment for depreciation on assets sold	(0.2)	(0.3)	
Acc. depreciation 31 May	<u>9.7</u>	<u>8.0</u>	
Net book value 31 May	<u>13.2</u>	<u>13.8</u>	

Parantheses denote negative figures or amounts to be deducted.

(DKK million)	Group		Parent company	
	2001/02	2000/01	2001/02	Opening balance 1/6 01
Notes ...				
9 ... <b>Land and Buildings</b>				
Cost 1 June	510.7	421.0	397.9	-
Exchange adjustment primo	1.2	1.0	-	-
Addition through merger	-	-	-	397.9
Additions in the year	7.9	38.6	2.0	-
Transferred to use	9.7	55.8	8.2	-
Disposals in the year	-	(5.7)	-	-
Cost 31 May	<u>529.5</u>	<u>510.7</u>	<u>408.1</u>	<u>397.9</u>
Acc. depreciation 1 June	176.2	159.5	160.4	-
Exchange adjustment primo	0.5	0.4	-	-
Addition through merger	-	-	-	160.4
Year's depreciation	20.1	18.0	15.7	-
Adjustment for depreciation on assets sold	-	(1.7)	-	-
Acc. depreciation 31 May	<u>196.8</u>	<u>176.2</u>	<u>176.1</u>	<u>160.4</u>
Net book value 31 May	<u>332.7</u>	<u>334.5</u>	<u>232.0</u>	<u>237.5</u>
Value of property in Denmark (cash value) regarding most recent official valuation is DKK 301.1 million				
Cost price of property abroad is DKK 40.6 million.				
10 ... <b>Plant and machinery</b>				
Cost 1 June	1,193.8	1,094.2	4.5	-
Addition through merger	-	-	-	4.5
Additions in the year	58.0	86.8	0.5	-
Transferred to use	12.7	93.0	-	-
Disposals in the year	-	(12.4)	(80.2)	-
Cost 31 May	<u>1,252.1</u>	<u>1,193.8</u>	<u>5.0</u>	<u>4.5</u>
Acc. depreciation 1 June	826.7	796.0	3.4	-
Addition through merger	-	-	-	3.4
Depreciation for the year	107.9	105.1	0.3	-
Adjustment for depreciation on assets sold	(9.6)	(74.4)	-	-
Acc. depreciation 31 May	<u>925.0</u>	<u>826.7</u>	<u>3.7</u>	<u>3.4</u>
Net book value 31 May	<u>327.1</u>	<u>367.1</u>	<u>1.3</u>	<u>1.1</u>

Parantheses denote negative figures or amounts to be deducted.

Notes ...	Group		Parent company	
	2001/02	2000/01	2001/02	Opening balance 1/6 01
(DKK million)				
11 ... <b>Other equipment</b>				
Cost 1 June	370.4	346.3	128.0	-
Exchange adjustment primo	(3.0)	2.1	-	-
Reclassification	-	0.6	-	-
Addition through merger	-	-	-	128.0
Additions in the year	34.0	60.0	8.9	-
Transferred to use	-	11.4	-	-
Disposals in the year	(21.4)	(50.0)	(2.7)	-
Cost 31 May	<u>380.0</u>	<u>370.4</u>	<u>134.2</u>	<u>128.0</u>
Acc. depreciation 1 June	223.4	229.6	60.1	-
Exchange adjustment primo	(1.3)	1.1	-	-
Reclassification	-	0.3	-	-
Addition through merger	-	-	-	60.1
Depreciation for the year	43.4	38.1	19.3	-
Adjustment for depreciation on assets sold	(15.4)	(45.7)	(2.3)	-
Acc. depreciation 31 May	<u>250.1</u>	<u>223.4</u>	<u>77.1</u>	<u>60.1</u>
Net book value 31 May	<u>129.9</u>	<u>147.0</u>	<u>57.1</u>	<u>67.9</u>
12 ... <b>Leasehold improvement</b>				
Cost 1 June	100.7	67.4	-	-
Exchange adjustment primo	(7.9)	2.8	-	-
Reclassification	-	(6.2)	-	-
Additions in the year	22.7	46.6	-	-
Transferred to use	1.2	-	1.2	-
Disposals in the year	(3.4)	(9.9)	-	-
Cost 31 May	<u>113.3</u>	<u>100.7</u>	<u>1.2</u>	-
Acc. depreciation 1 June	39.0	37.4	-	-
Exchange adjustment primo	(2.6)	1.2	-	-
Reclassification	-	(0.4)	-	-
Depreciation and write-downs for the year	11.1	7.8	0.2	-
Adjustment for depreciation on assets sold	(1.7)	(7.0)	-	-
Acc. depreciation 31 May	<u>45.8</u>	<u>39.0</u>	<u>0.2</u>	-
Net book value 31 May	<u>67.5</u>	<u>61.7</u>	<u>1.0</u>	-
13 ... <b>Pre-payments for tangible fixed assets and plant &amp; equipment in progress</b>				
Cost 1 June	46.8	170.6	40.2	-
Addition through merger	-	-	-	40.2
Additions in the year	27.4	36.9	5.5	-
Transferred to use	(23.6)	(160.2)	(9.4)	-
Disposals in the year	-	(0.5)	(31.9)	-
Cost 31 May	<u>50.6</u>	<u>46.8</u>	<u>4.4</u>	<u>40.2</u>

Parantheses denote negative figures or amounts to be deducted.

Notes ...	Group		Parent company	
	2001/02	2000/01	2001/02	Opening balance 1/6 01
(DKK million)				
14 ... <b>Investment in subsidiaries</b>				
Cost 1 June			762.9	763.6
Additions			0.5	-
Additions through merger			-	50.1
Elimination of capital investment in Bang & Olufsen Property a/s			-	(0.8)
Elimination of capital investment in Bang & Olufsen Finance a/s			-	(50.0)
Balance 31 May			<u>763.4</u>	<u>762.9</u>
Value adjustment				
Balance, pr 1 June			(300.2)	(304.2)
Additions through merger			-	5.3
Elimination of internal profit			-	3.2
Elimination of value adjustments Bang & Olufsen Finance a/s			-	(4.5)
Exchange adjustment primo			(3.4)	-
Capital increases in subsidiaries			42.0	-
Equity capital adjustments			(1.6)	-
Amortization of Group goodwill			(2.4)	-
Offset by amounts owed by affiliated companies			27.0	-
Change in unrealised consolidated gross profit			3.1	-
Net result for the year after tax			159.6	-
Dividend			-	-
Balance 31 May			<u>(75.9)</u>	<u>(300.2)</u>
Net book value 31 May			<u>687.5</u>	<u>462.7</u>
15 ... <b>Investment in associated company</b>				
Cost 1 June	17.0	17.0		
Cost 31 May	<u>17.0</u>	<u>17.0</u>		
Value adjustment				
Balance 1 June	(11.1)	(11.5)		
Dividend paid	-	(2.0)		
Net result for the year	2.1	2.4		
Balance 31 May	<u>(9.0)</u>	<u>(11.1)</u>		
Net book value 31 May	<u>8.0</u>	<u>5.9</u>		
16 ... <b>Other debtors</b>				
Balance 1 June	28.0	41.9		
Exchange adjustment, primo	(0.9)	1.5		
Additions in the year	5.1	0.9		
Disposals in the year	<u>(4.6)</u>	<u>(16.3)</u>		
Balance 31 May	<u>27.6</u>	<u>28.0</u>		

Parantheses denote negative figures or amounts to be deducted.

	Group		Parent company	
	2001/02	2000/01	2001/02	Opening balance 1/6 01
(DKK million)				
Notes ...				
17 ... <b>Other debtors</b>				
Tax receivable	1.8	44.5	0.6	11.2
Other debtors	52.5	50.4	7.3	34.5
Receivable re. minority interest in US	10.0	1.4	-	-
Net book value 31 May	<u>64.3</u>	<u>96.3</u>	<u>7.9</u>	<u>45.7</u>
Of other debtors the following amounts fall due for payment after 1 year	<u>2.1</u>	<u>2.6</u>		
18 ... <b>Deferred tax assets</b>				
Intangible fixed assets	1.2	-	0.4	-
Tangible fixed assets	1.0	-	3.2	-
Financial fixed assets	6.7	-	0.1	-
Stocks	0.3	-	-	-
Debtors	4.4	-	-	-
Provisions	14.7	-	(2.0)	-
Balance for re-taxation	(3.4)	-	0.1	-
	<u>24.9</u>	<u>-</u>	<u>1.8</u>	<u>-</u>
Deferred tax assets have been set aside at prevailing local tax rates.				
19 ... <b>Own shares</b>				
Balance 1 June	-	-	-	-
Additions	-	45.7	-	45.7
Disposals	-	(24.1)	-	(24.1)
Net movement for the year transferred to equity capital	-	(21.6)	-	(21.6)
Balance 31 May	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	No. of shares	Nom. DKK million	% of capital	
Holding 1 June	894,951	8.9	6.7	
Holding 31 May	<u>894,951</u>	<u>8.9</u>	<u>6.7</u>	

The holding of own shares comprises 27,590 ordinary shares (multiple voting shares) and 867,361 ordinary shares, a total of 894,951

#### 20 ... **Share capital**

The share capital comprises:

1,147,500 ordinary shares (multiple voting shares) of DKK 10	11,475,000 DKK
12,264,784 ordinary shares of DKK 10	<u>122,647,840 DKK</u>
	<u>134,122,840 DKK</u>

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



	Group		Parent company	
	2001/02	2000/01	2001/02	Opening balance 1/6 01
(DKK million)				
Notes...				
21 ... <b>Minority interests</b>				
Balance 1 June	1.3	-		
Additions in the year	-	2.8		
Minority interests' share of year's result	(10.3)	(5.6)		
Transferred to other debtors	9.0	4.1		
	<u>-</u>	<u>1.3</u>		
22 ... <b>Deferred tax liability</b>				
Intangible fixed assets	2.0	(2.5)	-	(0.3)
Fixed assets	(9.6)	55.2	-	30.1
Financial fixed assets	(0.1)	(7.8)	-	-
Stocks	5.6	9.5	-	-
Debtors	0.3	(0.2)	-	-
Provisions	9.7	(3.4)	-	(3.5)
Unrealised loss on forward contracts	(1.1)	0.7	-	0.7
Balance for re-taxation	-	2.8	-	-
	<u>6.8</u>	<u>54.3</u>	<u>-</u>	<u>27.0</u>
Deferred tax assets have been set aside at prevailing local tax rates				
23 ... <b>Other provisions</b>				
Guarantee commitments	46.0	39.1		
Pension commitments	5.7	5.4		
	<u>51.7</u>	<u>44.5</u>		
24 ... <b>Long-term debt</b>				
Of the long-term debt shown in the balance sheet the following amounts fall due after 5 years				
Mortgage loans	112.2	123.0	69.1	81.0
Banks, etc.	62.5	87.5	62.5	87.5
	<u>174.7</u>	<u>210.5</u>	<u>131.6</u>	<u>168.5</u>
25 ... <b>Adjustments</b>				
Change in other provisions	7.2	7.1		
Interest received, etc.	(17.9)	(17.1)		
Interest payable, etc.	53.0	67.4		
Share in associated company's result before tax	(2.8)	(3.4)		
Loss on sale of fixed assets	2.6	(0.2)		
Tax on year's result	88.9	76.3		
Minority interests	(10.3)	(5.6)		
Various adjustments	(1.0)	(6.3)		
	<u>119.7</u>	<u>118.2</u>		

Parantheses denote negative figures or amounts to be deducted.

Notes ...	Group		Parent company	
	2001/02	2000/01	2001/02	Opening balance 1/6 01
(DKK million)				
26 ... <b>Change in working capital</b>				
Change in debtors	(55.6)	(28.9)		
Change in stocks	33.0	(101.3)		
Change in trade creditors, etc.	30.7	(39.9)		
	<u>8.1</u>	<u>(170.1)</u>		
27 ... <b>Liquid funds</b>				
Cash funds	164.4	53.0		
Short-term loans from banks	(15.8)	(88.5)		
	<u>148.6</u>	<u>(35.5)</u>		
28 ... <b>Contingent liabilities and supplementary information</b>				
a ... <b>Rental and leasing obligations</b>				
Leasing obligations	33.8	54.9	30.8	-
Rental obligations relating to establishment of shops	356.4	323.0	-	-
Rental obligations relating to offices and factory properties	79.3	86.4	-	-
Total	<u>469.5</u>	<u>464.3</u>	<u>30.8</u>	<u>-</u>
which can be specified as follows:				
for payment within 1 year	86.3	85.7	16.9	-
for payment between 1-5 years	228.0	240.4	13.9	-
for payment after more than 5 years	155.2	138.2	-	-
Total	<u>469.5</u>	<u>464.3</u>	<u>30.8</u>	<u>-</u>
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 concerning the right to sub-let.				
b ... <b>Guarantees</b>				
As at 31 May, guarantees total	<u>53.1</u>	<u>54.9</u>	<u>4.5</u>	<u>3.2</u>
No guarantee is expected to incur any loss. A guarantee has been issued on behalf of the US subsidiary's bank debt for USD 5 million.				
c ... <b>Letters of intent</b>				
Bang & Olufsen AudioVisual a/s has issued letters of intent to the foreign subsidiaries' bank connections for:				
	<u>91.8</u>	<u>93.1</u>		
Current bank debt as at 31 May	<u>-</u>	<u>0.1</u>		

Parantheses denote negative figures or amounts to be deducted.

	Group		Parent company
(DKK million)	2001/02	2000/01	2001/02
Notes ...			
d ... <b>Auditors' fees</b>			
Total fees to PricewaterhouseCoopers amount to:			
Auditing	2.9	3.3	0.1
Other services	2.6	1.8	0.4
	<u>5.5</u>	<u>5.1</u>	<u>0.5</u>
Total fees to DELOITTE & TOUCHE amount to:			
Auditing	1.2	1.0	0.1
Other services	0.7	1.4	0.3
	<u>1.9</u>	<u>2.4</u>	<u>0.4</u>

e ... **Joint taxation**

The Group's Danish companies, which are jointly taxed, share liability for tax on the total taxable income.

f ... **VAT and other public taxes**

The Danish companies in the Group share common registration and share liability for the above.

g ... **Security for mortgage debt and guarantees**

Security of DKK 326.8 million has been given in land and buildings for a mortgage debt of DKK 204.3 million. Other tangible fixed assets attached hereto are included in the security. The book value of land and buildings is DKK 322.0 million.

h ... **Related parties**

Transactions involving major shareholders, the Board of Directors and the Board of Management:

The Group's companies have not carried out any significant business with shareholders, the Board of Directors or the Board of Management or with companies outside the Group in which those concerned have interests.

29 ... **Financial aspects**

**The Group**

The extent and nature of the Group's financial instruments are shown in the Profit & Loss Account and the Balance sheet in accordance with the accounting principles applied. Set out below is information about factors that can impact on the amount, date of payment or reliability of future payments wherever such information is not directly shown in the consolidated accounts or follows normal practice.

Financial instruments	Amount DKK million	Cash flow	Terms
Long-term debt:			
Fixed rate loans	220.3	Remaining maturity 7 year	Interest level 5.9 - 6.4 %
Fixed rate loans	62.9	Remaining maturity 1 - 4 year	Interest level 4.0 - 5.2 %
Floating rate loans	148.2	Remaining maturity 12 - 18 year	Interest level 4.5 - 6.0 %
Financial institutions:			
Bank overdrafts	15.8	Credit lines are expected to continue on current terms	Variable day-to-day rates

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

(DKK million)

Notes ...

29 ... **Monetary items\* in foreign currency in the balance sheet as at 31 May 2002**

(cont.)

Currency	Assets	Debt	Net
EUR	360.5	113.7	246.8
GBP	151.7	38.2	113.5
SEK	24.5	3.7	20.8
JPY	23.6	5.7	17.9
CHF	8.8	23.8	(15.0)
USD	58.2	53.5	4.7
Other	25.9	6.3	19.6

\* Monetary items are liquid funds etc., debtors and debts which are paid in cash.

### Hedging

The following forward contracts are held as at 31 May 2002:

#### Group

Currency sold	Amount at exchange rate	Unrealised loss	Included in result	Maturity	
CHF	Amount DKK <u>23.0</u>	<u>22.8</u>	<u>0.2</u>	<u>-</u>	June - July 2002
	<u>23.0</u>	<u>22.8</u>	<u>0.2</u>	<u>-</u>	



## Summary of accounts

	<b>The Brand- supported core business Bang &amp; Olufsen</b>	<b>Brand independent business Bang &amp; Olufsen Medicom a/s</b>	<b>Bang &amp; Olufsen ICEpower a/s</b>	<b>Other/ Eliminations</b>	<b>Bang &amp; Olufsen a/s the Group</b>
<b>Profit &amp; Loss Account</b> (DKK million)	2001/02	2001/02	2001/02		2001/02
Net turnover	3,936.2	297.4	16.8	(38.4)	4,212.0
Production costs	(2,355.7)	(237.4)	(11.0)	18.6	(2,585.5)
Product development costs	(313.2)	(12.8)	(13.2)	6.0	(333.2)
Distribution and marketing costs	(905.0)	(4.4)	(5.4)	0.6	(914.2)
Administration costs, etc.	(106.1)	(22.6)	(5.7)	13.2	(121.2)
Other operating items, net	-	-	-		-
Result of ordinary operations from associated company	2.8	-	-		2.8
Financing, net	<u>(30.4)</u>	<u>(4.1)</u>	<u>(0.6)</u>		<u>(35.1)</u>
Result of ordinary operations before tax	228.6	16.1	(19.1)		225.6
Tax on ordinary result	<u>(83.8)</u>	<u>(5.1)</u>	<u>-</u>		<u>(88.9)</u>
Result for the year	144.8	<u>11.0</u>	<u>(19.1)</u>		136.7
Of which minority share	<u>10.3</u>				<u>10.3</u>
Bang & Olufsen a/s' share of the year's result	<u>155.1</u>	<u>11.0</u>	<u>(19.1)</u>		<u>147.0</u>
<b>Balance Sheet</b> (DKK million)					
<b>Assets</b>					
Fixed assets	902.4	125.5	2.2	(73.5)	956.6
Stocks	614.7	37.3	0.4		652.4
Debtors	604.4	50.8	3.4	(56.1)	602.5
Liquid funds	<u>163.8</u>	<u>0.3</u>	<u>0.3</u>		<u>164.4</u>
Total assets	<u>2,285.3</u>	<u>213.9</u>	<u>6.3</u>	<u>(129.6)</u>	<u>2,375.9</u>
<b>Liabilities</b>					
Equity capital	1,244.1	81.6	(13.5)	(68.1)	1,244.1
Liable loan capital	-	-	5.4	(5.4)	-
Provisions	54.9	3.5	0.1		58.5
Long-term debt	336.5	46.9	0.3		383.7
Short-term debt	<u>649.8</u>	<u>81.9</u>	<u>14.0</u>	<u>(56.1)</u>	<u>689.6</u>
Total liabilities	<u>2,285.3</u>	<u>213.9</u>	<u>6.3</u>	<u>(129.6)</u>	<u>2,375.9</u>

Parantheses denote negative figures or amounts to be deducted.

	<b>The Brand- supported core business Bang &amp; Olufsen</b>	<b>Brand independent business Bang &amp; Olufsen Medicom a/s</b>	<b>Bang &amp; Olufsen ICEpower a/s</b>	<b>Other/ Eliminations</b>	<b>Bang &amp; Olufsen a/s the Group</b>
<b>Profit &amp; Loss Account</b> (DKK million)	2000/01	2000/01	2000/01		2000/01
Net turnover	3,574.9	233.3	1.8		3,810.0
Production costs	(2,156.9)	(171.0)	(1.6)		(2,329.5)
Product development costs	(282.4)	(10.4)	(5.2)		(298.0)
Distribution and marketing costs	(776.0)	(3.6)	(1.6)		(781.2)
Administration costs, etc.	(114.8)	(11.8)	(3.6)		(130.2)
Result of ordinary operations from associated company	3.4	-	-		3.4
Financing, net	<u>(47.6)</u>	<u>(2.4)</u>	<u>(0.3)</u>		<u>(50.3)</u>
Result of ordinary operations before tax	200.6	34.1	(10.5)		224.2
Tax on ordinary result	<u>(65.5)</u>	<u>(10.8)</u>	<u>-</u>		<u>(76.3)</u>
Result for the year	135.1	<u>23.3</u>	<u>(10.5)</u>		147.9
Of which minority share	<u>5.6</u>				<u>5.6</u>
Bang & Olufsen a/s' share of the year's result	<u>140.7</u>	<u>23.3</u>	<u>(10.5)</u>		<u>153.5</u>
<b>Balance Sheet</b> (DKK million)					
<b>Assets</b>					
Fixed assets	972.8	111.3	2.0	(81.3)	1,004.8
Stocks	655.8	29.3	0.3		685.4
Debtors	510.6	56.8	21.3	(30.4)	558.3
Liquid funds	<u>52.4</u>	<u>0.4</u>	<u>0.2</u>		<u>53.0</u>
Total assets	<u>2,191.6</u>	<u>197.8</u>	<u>23.8</u>	<u>(111.7)</u>	<u>2,301.5</u>
<b>Liabilities</b>					
Equity capital	1,146.9	70.6	5.6	(76.2)	1,146.9
Minority interests	1.3	-	-		1.3
Liable loan capital	-	-	5.1	(5.1)	-
Provisions	96.3	2.5	-		98.8
Long-term debt	338.0	48.3	-		386.3
Short-term debt	<u>609.1</u>	<u>76.4</u>	<u>13.1</u>	<u>(30.4)</u>	<u>668.2</u>
Total liabilities	<u>2,191.6</u>	<u>197.8</u>	<u>23.8</u>	<u>(111.7)</u>	<u>2,301.5</u>

