BANG & OLUFSEN A/S GROUP

ANNUAL REPORT 2012/13

01 JUNE 2012 – 31 MAY 2013

BANG & OLUFSEN

Comreg: 41257911

CONTENTS

DEAR BANG & OLUFSEN SHAREHOLDER

2012/13 was a year of significant progress in key strategic areas such as product innovation, retail network restructuring and expansion in China. However, it was also a year of unsatisfactory financial results for Bang & Olufsen. The strong performance of Automotive and B&O PLAY has confirmed their importance for Bang & Olufsen.

2012/13 was also a year of big change for Bang & Olufsen. Over the course of the year many important strategic decisions were implemented to drive the "Leaner, Faster, Stronger"-strategy forward to ensure a strong foundation for the long-term growth of the Group.

The revenue declined by 6 per cent in 2012/13 and the earnings before tax were negative DKK 212 million against positive earnings before tax of DKK 104 million last year. The earnings for the year did not live up to the expectations at the beginning of the year as the positive contribution from the successful launch of many new and innovative products like BeoVision 11, BeoLab 14 and BeoPlay A9 was outweighed by continued challenging market conditions in Europe, combined with the adverse revenue effects of terminating low-performing retailers and taking control of the distribution in China. These are actions that have a negative effect on the topline in the short-term, but are right for the company long-term.

Key strategic milestones

During the year, a number of strategic milestones were achieved. Some of the most important were the following:

- Expansion of the product portfolio with a strong emphasis on Bang & Olufsen's acoustics capabilities, e.g. BeoLab 14.
- Widening of the B&O PLAY product portfolio from the BeoPlay H3 and H6 headphones to the BeoPlay A9 music system creating a growing and strong product lineup attractive to B1-stores and third party retailers.
- Partnership with Sparkle Roll, an experienced luxury retailer, in China to ensure a strong platform for future growth in this important market.
- Take-over of the majority of the retail stores and establishment of a Bang & Olufsen operation in China to unlock the potential of this important market.
- Acceleration of the strategic focus on fewer, more productive stores by terminating 125 underperforming stores in Europe and opening new stores, especially outside Europe.
- Launch of the new store concept, which emphasizes Bang & Olufsen's capabilities within acoustics, design and craftsmanship and delivers a cutting-edge and magical shopping experience to Bang & Olufsen customers in the future.

- Increased level and speed of innovation by focusing on core Bang & Olufsen competencies like sound, design and user experiences, while leveraging partner capabilities in non-core areas (e.g. Smart TV development).

New and innovative products

Bang & Olufsen launched a number of new and innovative products during 2012/13, which were well received by the market. Products were launched across all segments in the Group and all products build on Bang & Olufsen's unique competencies within acoustics, design and craftsmanship.

Under the Bang & Olufsen brand, the company launched the BeoVision 11, which has received top reviews for its technological performance as well as its design and acoustics. In addition a number of other new and innovative products have been launched such as the Playmaker, enabling wireless streaming to any set of Bang & Olufsen speakers and the BeoLab 14, which offers a full surround sound or stereo setup for any TV, whether it is a Bang & Olufsen TV or from another brand.

B&O PLAY continued to build the product portfolio. A key launch was the BeoPlay A9, which sets new standards for design and performance of wireless streaming of music. The BeoPlay A9 has received multiple design awards since launch and has established itself as a new icon for Bang & Olufsen. During the spring the headphones BeoPlay H3 and H6 were launched, again demonstrating Bang & Olufsen's strong capabilities within acoustics, design and craftsmanship.

2012/13 was another strong year for Automotive where growth was driven by new car models launched in spring 2012, a number of new models launched during the 2012/13 financial year and a continued strong collaboration with Bang & Olufsen's four partners; Aston Martin, Audi, BMW and Mercedes-Benz.

Employees and organisation

Bang & Olufsen's employees are an essential part of the strategy's success and continued development.

During the year, the company continued to take steps to build stronger competences and processes, increase employee motivation, strengthen general management capabilities and establish a strong team of future managers. The determination to optimize the global footprint to reflect the future demands of the business continues. At the end of the financial year, Bang & Olufsen had 2,036 employees worldwide.

Changes in management

Changes occurred to the Board of Directors and Executive Management during the year. At the annual general meeting in September, Peter Skak Olufsen retired from the Board due to the age limit of 70 years. André Loesekrug-Pietri from A CAPITAL was elected new member of the Board. The retirement of John Bennett-Therkildsen (Executive Vice President, Operations) from Executive Management on 31 July 2013 and from the company in July 2014 was announced. John Bennett-Therkildsen has been replaced by Folkert Bölger who has been Head of Global Procurement since 1 August 2012. Executive Management will hereafter consist of CEO Tue Mantoni and CFO Henning Bejer Beck.

Dividend

Based on the company's result and to ensure sufficient funds to support the strategic initiatives, the Board of Directors proposes to the Annual General Meeting that no dividend will be paid out for the 2012/13 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results justify it.

The future

The 2013/14 financial year is the third and last year of the transition phase in the "Leaner, Faster, Stronger" strategy. The key focus for the year will be to continue to build a strong foundation that will prepare Bang & Olufsen for future growth, while ensuring a significant improvement in the financial results.

Best regards,

Ole Andersen
Chairman

Tue Mantoni
President & CEO

ABOUT BANG & OLUFSEN

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

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

At the end of the financial year, Bang & Olufsen employed 2,036 people while the company's products are currently sold in more than 70 countries across the world. Bang & Olufsen's shares are listed on NASDAQ OMX Copenhagen A/S.

Core competencies

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

Business areas

Bang & Olufsen operates within two business areas; Business-to-Consumer (B2C) and Business-to-Business (B2B).

The B2C business area consists of the AV and the B&O PLAY segments. The AV business comprises audio and video products sold under the Bang & Olufsen brand in more than 800 dedicated stores, selling Bang & Olufsen products. B&O PLAY is the new brand in the Bang & Olufsen family offering premium audio and visual equipment for the digital generation, taking advantage of Bang & Olufsen's core competencies. The B&O PLAY products are distributed through Bang & Olufsen's dedicated B1 stores and shop-in-shops as well as through third party retailers and online.

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

The Group's overall corporate structure

BANG & OLUFSEN A/S

100%	100%	100%	100%	100%
BANG & OLUFSEN OPERATIONS A/S DENMARK	BANG & OLUFSEN S.R.O CZECH REPUBLIC	BANG & OLUFSEN OÜ ESTONIA	ICEPOWER A/S DENMARK	B&O PLAY A/S DENMARK

Bang & Olufsen a/s (Comreg: 41257911) handles brand ownership and group staff functions as well as the development of Bang & Olufsen's AV products.

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

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

Bang & Olufsen OÜ handles software development.

ICEpower a/s (Comreg: 25053591) develops, manufactures and markets products based on highly efficient amplifier technologies.

B&O PLAY a/s (Comreg: 33859643) handles marketing and sales of products within Bang & Olufsen's brand B&O PLAY.

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KEY FIGURES

Bang & Olufsen a/s – Group (DKK million)	2012/13	2011/12	2010/11	2009/10	2008/09
Income statement					
Revenue	2,814	3,008	2,867	2,762	2,790
Gross margin, %	38.9	40.4	40.3	39.4	39.6
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	(107)	99	48	6	(411)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	144	379	299	212	(210)
Earnings before interest and tax (EBIT)	(188)	122	60	(34)	(496)
Financial items, net	(25)	(16)	(20)	(9)	(30)
Earnings before tax (EBT)	(212)	104	40	(50)	(523)
Earnings after tax	(160)	73	28	(33)	(383)
Financial position:					
Total Assets	2,757	2,892	2,508	2,562	2,613
Share capital	393	362	362	362	362
Equity	1,641	1,626	1,538	1,496	1,517
Net interest-bearing debt	273	248	85	84	120
Net working capital	557	613	451	477	528
Cash flow:					
– from operating activities	127	225	320	218	113
– from investment activities	(328)	(380)	(318)	(178)	(339)
– hereof acquisition of tangible assets	*(84)*	*(121)*	*(96)*	*(83)*	*(111)*
– free cash flow	(202)	(155)	2	40	(226)
– from financing activities	171	134	(100)	(44)	418
Cash flow for the period	(30)	(21)	(98)	(4)	192
Key figures:					
EBITDA-margin, %	5.1	12.3	10.4	7.7	(7.5)
EBIT-margin, %	(6.7)	4.1	2.1	(1.2)	(17.8)
NIBD/EBITDA ratio	1.9	0.7	0.3	0.4	(0.6)
Return on assets, %	(7.7)	5.2	2.8	(1.6)	(20.6)
Return on invested capital, excl. goodwill, %	2.3	17.4	13.3	6.3	(21.6)
Return on equity, %	(9.8)	4.6	1.8	(2.3)	(25.8)
Full time employees at the end of the period	2,036	2,106	2,008	2,046	2,051
Stock related key figures:					
Earnings per share (EPS), DKK	(4)	2	1	(1)	(16)
Earnings per share, diluted (EPS-D), DKK	(4)	2	1	(1)	(16)
Price/Earnings	(13)	30	96	(59)	(3)

For definitions refer to Section 5.8

FINANCIAL REVIEW

Bang & Olufsen realised revenue of DKK 2,814 million in the 2012/13 financial year, corresponding to a decline of 6 per cent compared to last year. The positive contribution from the successful launch of many new and innovative products was more than outweighed by continued challenging market conditions in Europe, combined with short-term, adverse revenue effects of terminating low-performing retailers and taking control of the distribution in China. The Group EBIT was negative DKK 188 million. Both revenue and EBIT were in line with the company's latest guidance.

Revenue in Bang & Olufsen Group was DKK 2,814 million in 2012/13, which is DKK 194 million below last year, corresponding to a decline of 6 per cent. The revenue for the 2012/13 financial year was impacted by the following compared to the initial expectations for the year:

- The decision in January 2013 to transform the retail network to focus on fewer, more productive stores in existing markets by closing up to 125 stores within 12-18 monts. 80 stores were terminated already in 2012/13. The terminations are estimated to have had an adverse revenue impact in the financial year 2012/13 of approximately DKK 130 million.

- The acquisition of the master dealer operations in mid-China and Brazil is estimated to have had a negative effect on revenue of approximately DKK 100 million.

In addition, Group revenue was affected by continued challenging market conditions in Europe, which negatively impacted consumer spending.

The Group's gross margin in the 2012/13 financial year was 38.9 per cent, compared to a gross margin of 40.4 per cent last year.

However, the gross margin was affected by the following in Q4:

- Bang & Olufsen has decided to carry out an extraordinary termination of a number of older, non-productive products across all product segments in the first quarter of the 2013/14 financial year. This initiative will significantly reduce complexity and rejuvenate and strengthen the product portfolio. The write down of inventory related to this impacted the gross margin negatively by DKK 22 million in the fourth quarter of the 2012/13 financial year.

- Bang & Olufsen's continuous focus on improving product quality. This has resulted in a reduced need for warranty provisions and as a result DKK 23 million was released in the fourth quarter of the 2012/13 financial year.

The significant reduction in inventory compared to the level at year-end 2011/12 resulted in a reduction of indirect production costs capitalised as part of inventory.

The underlying gross margin for the company is in line with the gross margin last year.

The Group's capacity costs increased by DKK 191 million from DKK 1,093 million last year to DKK 1,284 million, which includes net non-recurring costs of DKK 40 million, which mainly relate to organisational changes, network restructuring and restructuring of the European sales set-up which account for DKK 11 million of the total DKK 40 million. The majority of the net non-recurring costs affected the distribution and marketing costs.

Distribution and marketing costs increased during the financial year by DKK 102 million from DKK 654 million to DKK 756 million. The costs have increased compared to the prior year due to the full year impact from the establishment of a national sales office in Shanghai, the acquisition of activities and own distribution in Hong Kong and Southern China and the establishment of a B&O PLAY sales organisation. In addition the distribution and marketing costs were adversely affected by non-recurring costs related to the distribution network restructuring, regional sales setup and other organisational changes.

Capitalised development costs and carrying amount
(DKK million)

2012/13	B2C	B2B	Total
Capitalised, net	151	100	251
Carrying amount, net	431	232	663

2011/12	B2C	B2B	Total
Capitalised, net	178	102	280
Carrying amount, net	442	194	636

Administrative expenses amounted to DKK 86 million, which was a decrease of DKK 16 million compared to last year.

The development costs incurred by the Group were DKK 476 million against DKK 472 million last year. A high activity level has been maintained in R&D to ensure a constant pipeline of new products.

Development costs recognised as an expense (incl. amortisation and impairment losses) amounted to DKK 442 million against DKK 337 million last year. The net effect of capitalisation was positive at DKK 33 million compared to DKK 134 million last year which is a combination of a lower level of capitalisation and higher amortisation charges. The net adverse effect of lower capitalisation and higher amortisation on group EBIT was DKK 101 million compared to the 2011/12 financial year.

Capitalised development costs amounted to DKK 251 million, of which the B2B business area accounted for DKK 100 million, and Automotive projects for DKK 91 million. The total capitalised development costs were DKK 280 million last year.

Bang & Olufsen received reimbursements of DKK 11 million from the Automotive partners relating to development projects in the 2012/13 financial year against DKK 12 million last year. The reimbursements received were offset directly against intangible assets.

EBIT was negative DKK 188 million compared to positive DKK 122 million last year.

Earnings before tax were negative DKK 212 million against positive DKK 104 million last year. As mentioned above earnings in 2012/13 were negatively affected by non-recurring items of net DKK 40 million.

The financial year 2011/12 was negatively affected by non-recurring items of net DKK 3 million.

The Group's net working capital was DKK 557 million at the end of the 2012/13 financial year. The net working capital has decreased by DKK 56 million from DKK 613 million at the end of financial year 2011/12.

The decrease was mainly a result of a decrease in inventories and receivables by DKK 93 million and DKK 81 million respectively. This was offset to a certain extent by a decrease in payables of DKK 118 million.

Free cash flow for the year was negative DKK 202 million compared to negative free cash flow of DKK 155 million last year. The adverse development in cash flow was primarily due to the negative earnings for the financial year.

Net interest-bearing debt increased to DKK 273 million against DKK 248 million at the end of the 2011/12 financial year.

Group equity increased from DKK 1,626 million to DKK 1,641 million despite the negative earnings after tax. This was primarily due to the capital increase following the strategic partnership entered into with Sparkle Roll and A CAPITAL.

The Group equity ratio was 60 per cent at the end of the 2012/13 financial year against 56 per cent at the end of the 2011/12 financial year.

Subsequent events

As previously communicated Bang & Olufsen took over 20 shops from the previous master dealer Richcom in mid-China (including Beijing and Shanghai) on 1 June 2013. Bang & Olufsen now owns and operates 31 out of the 36 stores in total in China and Hong Kong. The final purchase price has not been finalised yet, but is expected to be in the level of DKK 35 million.

DISTRIBUTION DEVELOPMENT

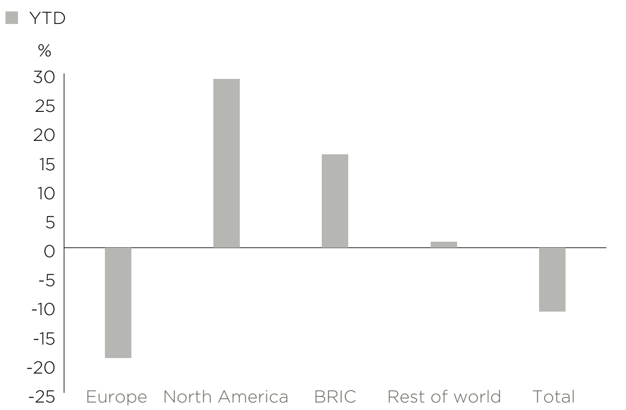
During the 2012/13 financial year, the strategic decision was taken to accelerate the focus on creating a healthier retail network of fewer, more productive stores. The goal is to ensure a magical customer experience in the stores thereby ensuring long-term growth for the retail network and Bang & Olufsen.

Distribution strategy
One of the six "Must-win Battles" in the "Leaner, Faster, Stronger"-strategy launched in August 2011, was to optimise the retail network. The goal is to create a stronger and more profitable retail network, which has the resources to invest in initiatives that will ensure the long-term growth. During the 2012/13 financial year significant steps were taken to improve the standard of the retail network.

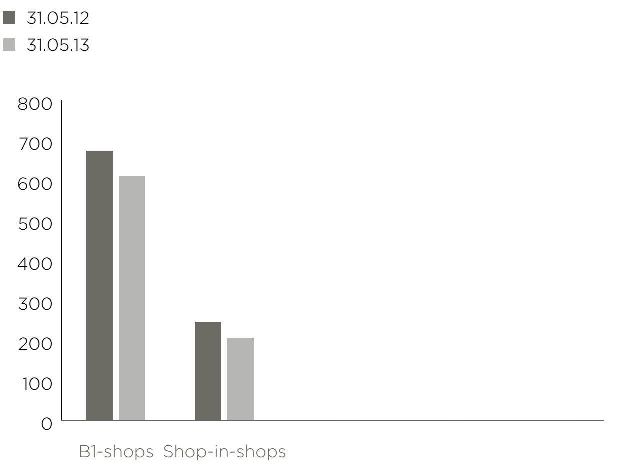
To create a retail network of fewer, more productive stores, which can invest in service, events, marketing, store design and other customer focused activities, it was decided to accelerate the closure of up to 125 stores primarily in Europe. 80 of these stores were terminated during the 2012/13 financial year of which 16 have already closed and the remainder will close within the six month termination period. The rest will be terminated in the first half of 2013/14. The short-term revenue impact related to this initiative is estimated to have been approximately DKK 130 million in 2012/13. However, the strengthening of the retail network is expected to be an important element in ensuring the long-term growth of the company.

In April 2013 the first store with the new store design opened on Strøget in Copenhagen with very positive feedback. The new store design has a strong focus on emphasizing Bang & Olufsen's unique capabilities within acoustics, design and craftsmanship and is designed to create a truly magical shopping experience for Bang & Olufsen's customers.

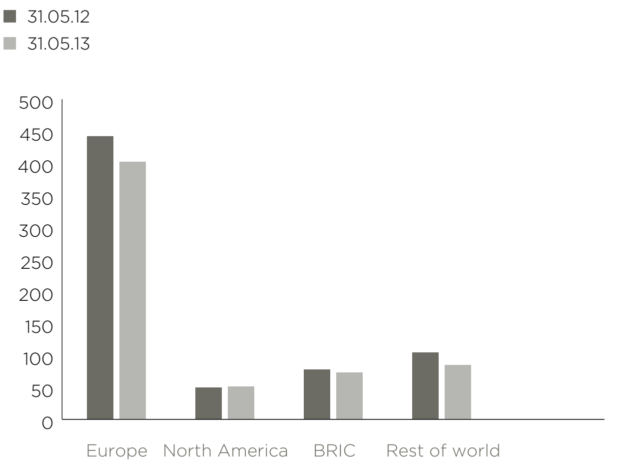
Revenue growth by region (B2C)



Number of B1-shops and shop-in-shops



B1-shops per region



In addition to improving the company's own distribution it is a key focus area for Bang & Olufsen to increase the revenue through alternative distribution for the B&O PLAY brand. During the year, distribution agreements were signed with distributors throughout Europe and in other key markets such as China and the e-commerce distribution has been expanded.

Development in Bang & Olufsen's revenue by region
During the 2012/13 financial year, the European region saw a decrease in revenue of DKK 334 million, or 19 per cent, from DKK 1,739 million to DKK 1,405 million. The decrease in revenue was seen across most European markets and mainly related to the AV segment.

Revenue in North America increased by DKK 40 million to DKK 180 million in the 2012/13 financial year. This corresponded to an increase of 29 per cent compared to the 2011/12 financial year. The BRIC countries which include Brazil, Russia, India and China, registered an increase from DKK 255 million to DKK 297 million, or 16 per cent. Revenue for the Rest of the world showed a modest increase from DKK 239 million to DKK 241 million.

Distribution development
At the end of May 2013, there were 611 B1 stores worldwide against 674 at the end of 2011/12. The net movement was a reduction of 63 stores, made up of 27 store openings and 89 store closures and (net) 1 downgrade from a B1 store to a shop-in-shop. The number of shop-in-shops were 205 stores worldwide at the end of May 2013 against 244 stores at the end of May 2012. The net movement was a reduction of 39 stores.

Revenue to Bang & Olufsen stores which have been in operation for more than 24 months decreased by 12 per cent for B1 stores and 20 per cent for shop-in-shops.

There were 402 B1 stores in Europe, compared to 442 at the end of 2011/12. The net movement was thus a net reduction of 40 stores, made up of 17 store openings and 56 store closures and (net) one store downgrade from a B1 store to a shop-in-shop.

There were 51 B1 stores in the North American region, compared to 50 at the end of 2011/12. The net movement was thus one store, made up of four store openings and three store closures.

There were 73 B1 stores in the BRIC markets, compared to 78 at the end of 2011/12. The net movement was thus a reduction of five stores, made up of four store openings, and nine store closures.

On 29 January 2013 Bang & Olufsen signed an agreement with Hengzhunzixun (Beijing) Co., Ltd., a joint venture between Sparkle Roll Group Ltd. and Mr. Qi Jianhong (hereafter called Sparkle Roll). Sparkle Roll will open and operate B1 stores in three cities in China (Chongqing, Wuhan and Wuxi). In addition, Sparkle Roll agreed to open and operate more than 50 dedicated B&O PLAY stores across China within the 2013 calendar year. At the end of the 2012/13 financial year, Sparkle Roll had opened 16 dedicated B&O PLAY stores. The stores will be included in the store count from Q1 2013/14.

To further strengthen the Group's position in the Chinese market, the Group took over 20 stores from the previous master dealer in mid-China (including stores in Beijing and Shanghai) on 1 June 2013.

There were 85 B1 stores in the Rest of the world, compared to 104 at the end of 2011/12. The net movement is thus a reduction of 19 stores, made up of two store openings and 21 store closures.

BUSINESS AREAS

Revenue 2012/13 (2011/12 within brackets)

B2C		B2B	
DKK 2,181m (DKK 2,421m)		DKK 633m (DKK 569m)	
AV	**B&O PLAY**	**AUTOMOTIVE**	**ICEPOWER**
DKK 1,649m (DKK 2,043m)	DKK 532m (DKK 378m)	DKK 546m (DKK 454m)	DKK 87m (DKK 115m)

B2C business area

In the 2012/13 financial year the B2C business area, which is made up of the AV and B&O PLAY segments, generated revenue of DKK 2,181 million, compared to DKK 2,421 million in the 2011/12 financial year, corresponding to a decrease of 10 per cent.

The AV segment generated revenue of DKK 1,649 million in the 2012/13 financial year against DKK 2,043 million last year, corresponding to a decline of 19 per cent. Products launched during the 2012/13 financial year performed well. However, this was not enough to outweigh the decline in revenue primarily from older TV products. Based on the success of recently launched products and a strong roadmap for new products for the next 12-18 months, Bang & Olufsen has decided to reduce the complexity in the product portfolio by terminating a number of older, non-productive products across all product segments. The new product launches and the terminations of old products will significantly rejuvenate and strengthen the product portfolio, make it even more attractive to consumers and retailers and further position Bang & Olufsen as a leader within high-end AV solutions.

During the 2012/13 financial year, B&O PLAY generated revenue of DKK 532 million against DKK 378 million last year, corresponding to an increase of 41 per cent. The growth was driven by successful launches of products towards the end of the previous financial year as well as during the 2012/13 financial year.

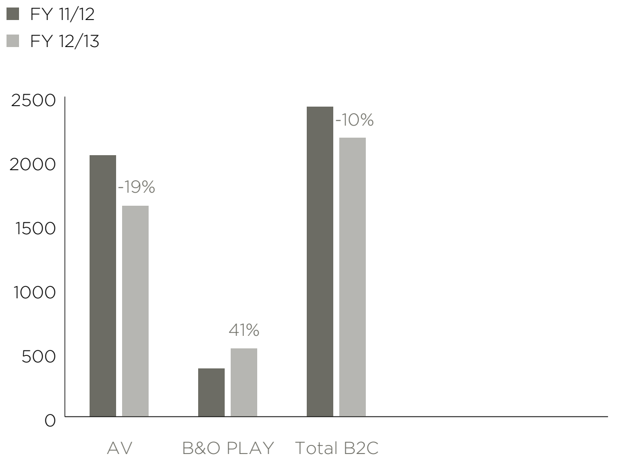
Revenue from AV and B&O PLAY through B1 stores and shop-in-shop distribution decreased by DKK 251 million from DKK 2,373 million to DKK 2,122 million, corresponding to a decline of 11 per cent.

The average revenue per outlet decreased by 9 per cent.

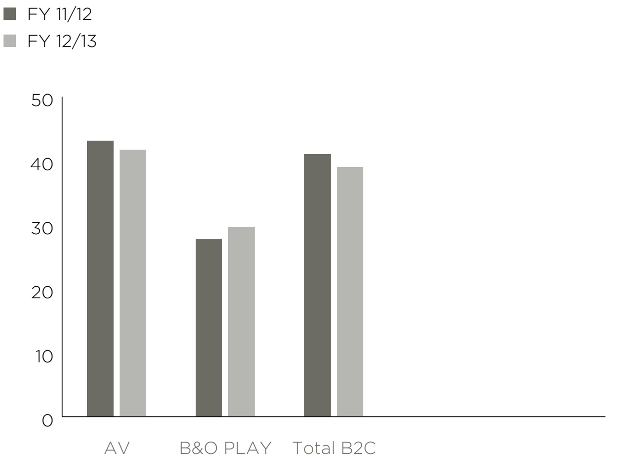
The gross margin for the AV segment in the financial year was 41.7 per cent against a gross margin of 43.1 per cent in the last financial year. The gross margin mainly declined as a result of indirect production costs related to the reduction of inventory and due to DKK 22 million in extra-ordinary write down of inventory, which mainly relates to older AV products.

The gross margin for B&O PLAY in the 2012/13 financial year was 29.6 per cent against a gross margin of 27.7 per cent last year. The increase in gross margin was due to a change in the product mix, as products launched during 2012/13 had a higher gross margin than in particular the BeoPlay V1 TV launched in May 2011/12.

Revenue and growth by segment – B2C (DKK million)



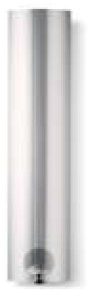
Gross margin by segment – B2C (%)



In the 2012/13 financial year Bang & Olufsen launched numerous new products within the B2C business area:

BeoLab 12-1 and 12-2

In June 2012 Bang & Olufsen announced the launch of BeoLab 12-2, which was followed by BeoLab 12-1 in November 2012. The BeoLab 12 family is the company's first dedicated wall speakers created for rooms featuring flat screen televisions.



Playmaker

In July 2012 Bang & Olufsen launched Playmaker. Playmaker can be added to any set of Bang & Olufsen active loudspeakers, and works with both Apple AirPlay and DLNA, enabling streaming from practically any smartphone, tablet, Mac, PC or media server. Playmaker is a simple way for existing Bang & Olufsen customers to add digital music to their music systems – wirelessly.

BeoVision 11

Bang & Olufsen launched BeoVision 11 in October 2012, and the TV has received excellent reviews in the trade press. BeoVision 11 is equipped with the new video engine and builds on the company's well known design virtues and acoustical expertise. Bang & Olufsen's most ambitious TV to date incorporates 3D technology, Hybrid broadband TV (HbbTV), optional hard disk, DLNA compatibility, Bang & Olufsen Smart TV, and a number of picture improvement technologies. BeoVision 11 is available in screen sizes 40", 46", and 55".

BeoLab 15/BeoLab 16/Amplifier 1

Bang & Olufsen launched a new built-in sound system in January 2013. The sound system comprises two loudspeakers with a motorised tilt function, BeoLab 15, and a subwoofer, BeoLab 16, all connected to a separate hideaway amplifier, Amplifier 1, then tucked into walls or the ceiling. The built-in speakers are an alternative to free-standing speakers, where limitations are caused by space or interior decor.

BeoLab 14

In May 2013 Bang & Olufsen launched a new surround sound speaker system. BeoLab 14 is a new compact satellite and subwoofer set that connects seamlessly to all Bang & Olufsen televisions, but it also works with all other TV brands, offering the Bang & Olufsen sound for all who care about design and listening pleasure. BeoLab 14 is offered with different placement options and color combinations.

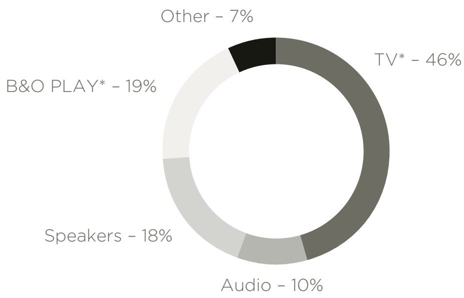
BeoPlay A9

BeoPlay A9 was announced in October 2012. The wireless sound system offers streaming via AirPlay or DLNA. BeoPlay A9 integrates dedicated speaker units and amplifiers – delivering a total output of 480 watts – with timeless Scandinavian inspired design. The sound system can be controlled by remote control, smartphone or tablet or via a new touch sensor built into the top. BeoPlay A9 has received excellent reviews and has been awarded prestigious design and innovation awards.

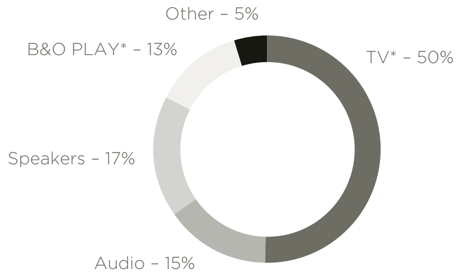
BeoPlay H3 and BeoPlay H6

In April 2013 B&O PLAY launched two new sets of headphones. BeoPlay H3 is an in-ear headphone for people in action that gives an authentic sound along with simple and superb ergonomic comfort. BeoPlay H6 is a flexible over-ear headphone designed with the finest materials and with a superior sound performance. BeoPlay H6 is available in black or natural leather.

Share of revenue 2012/13 – B2C (%)



Share of revenue 2011/12 – B2C (%)



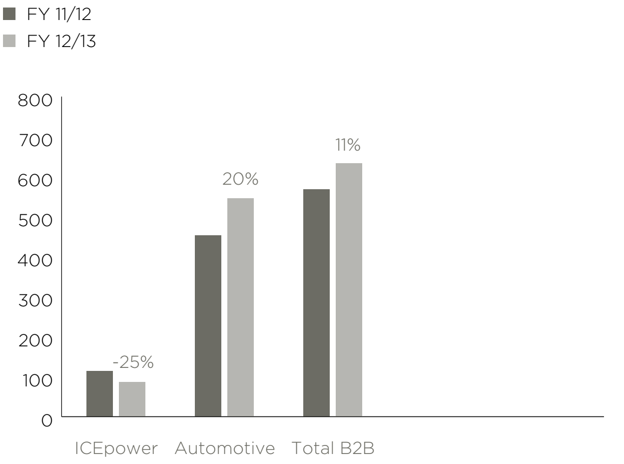
** The BeoPlay V1 is included in the TV revenue*

46 per cent of the B2C revenue was generated from the TV category (incl. BeoPlay V1) compared to 50 per cent in 2011/12. This was mainly a result of the sharp decline in sales of older, more expensive TV models which results in a lower average sales price per TV. Newly launched TV models, such as the BeoVision 11, performed well during the year.

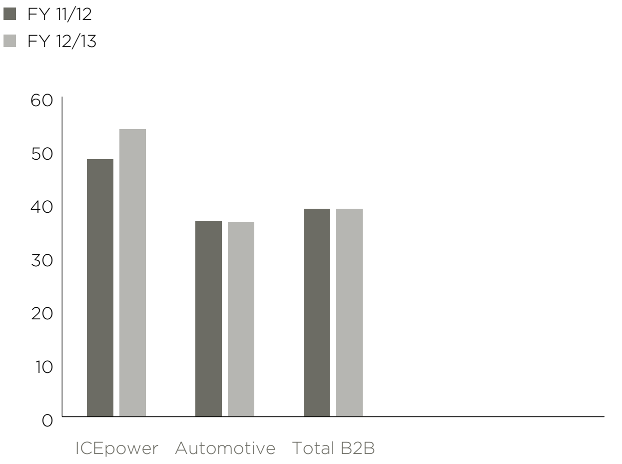
The share of revenue generated from the Audio category continued to decline, as the penetration of wireless streaming of music from online sources has reduced the demand for traditional audio systems. Audio represented 10 per cent of B2C revenue in the 2012/13 financial year compared to 15 per cent last year.

The share of revenue from speakers increased to 18 per cent of B2C revenue in 2012/13 from 17 per cent last year. The share of revenue from B&O PLAY (excl. the BeoPlay V1) increased to 19 per cent of B2C revenue from 13 per cent in 2011/12.

Revenue and growth by segment – B2B (DKK million)



Gross margin by segment – B2B (%)



B2B business area

The B2B business area, which is made up of the Automotive and ICEpower segments, generated revenue of DKK 633 million in the 2012/13 financial year compared to revenue of DKK 569 million last year, or a growth of 11 per cent, driven by Automotive.

In the 2012/13 financial year, Automotive generated revenue of DKK 546 million against DKK 454 million last year, corresponding to an increase of 20 per cent.

Automotive's gross margin in the 2012/13 financial year was 36.4 per cent, compared to a gross margin of 36.6 per cent last year.

During the 2012/13 financial year, the ICEpower segment generated revenue of DKK 87 million against DKK 115 million last year, or a decrease of 25 per cent. The revenue in ICEpower was affected by a general slowdown in the global consumer electronics segment.

Internal revenue from ICEpower to Bang & Olufsen's other segments decreased to DKK 11 million from DKK 22 million last year which is a reflection of the lower group revenue.

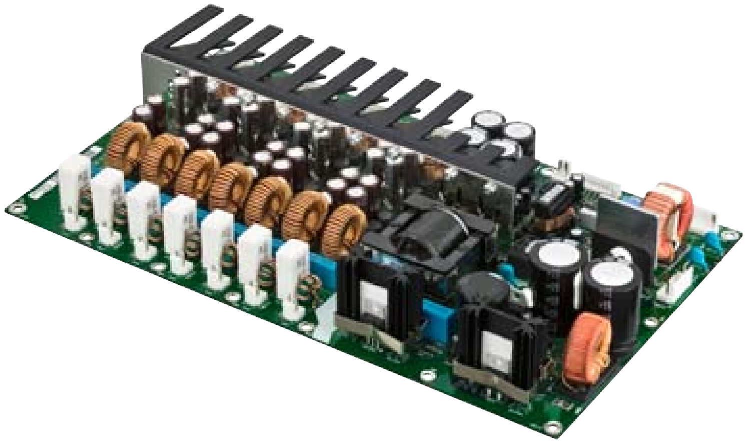
ICEpower's gross margin in the 2012/13 financial year was 53.9 per cent, compared to a gross margin of 48.3 per cent last year.

Automotive
In 2012/13 Bang & Olufsen launched new sound systems for all four business partners – Aston Martin, Audi, BMW and Mercedes-Benz.

The presentation of the Audi A3 Saloon marks an important step forward in Audi's and Bang & Olufsen's relationship. This vehicle features a bespoke Bang & Olufsen Sound System that is the landmark by which all car audio in the compact class is judged.

Aston Martin Vanquish is delivered with sound from Bang & Olufsen as standard equipment. The sound system Bang & Olufsen BeoSound Vanquish features 13 active loudspeakers and the new BeoCore amplifier which is Bang & Olufsen's next generation amplifier platform delivering a total output of more than 1,000 watts.

Mercedes-Benz CLS Shooting Brake has been launched with sound system Bang & Olufsen BeoSound AMG. The sound system offers 14 active loudspeakers and 1,200 watts of musical power being generated by Bang & Olufsen's patented ICEpower amplifier technology.



The new generation of BMW X5 is the first-ever BMW SUV to be fitted with Bang & Olufsen sound. The sound system offers 16 active loudspeakers powered by a 1,200-watts amplifier.

ICEpower
During the financial year, ICEpower has launched ICEtheater7 and ICExtend.

ICEtheater7 is a seven channel amplifier for surround sound amplifiers. ICEtheater7 delivers 7 x 150 Watt, which is an extreme amount of power in relation to its compact size. The amplifier is well suited for manufacturers who want to create stylish design products with high-end audio. ICExtend is an extension module, which among other things adds stand-by converter, universal mains functionality and even more value-adding functions to existing modules. It also complies with the regulations of 0.5 watt standby consumption.

RESEARCH & DEVELOPMENT

2012/13 has been a year where new standards within design, sound and craftsmanship have been set by the successful launches of many new products. This has been done while continuing the transition of the R&D setup to a more agile structure that is ready to meet the future challenges.

The 2012/13 financial year has been an exciting year for Bang & Olufsen in the Research and Development department.

Bang & Olufsen launched the BeoVision 11 series, which received overwhelmingly positive feedback from customers, dealers and the press and has won numerous awards since the launch. The BeoVision 11 series has world class sound and picture performance and it clearly demonstrates Bang & Olufsen's unique capabilities within design, quality, and craftsmanship. The BeoVision 11 incorporates the video-engine launched in May 2012 and is equipped with the latest digital technology and Bang & Olufsen Smart TV, which allows for online functionalities such as YouTube and the BBC iPlayer. The silent motorized floor stand and wall bracket compliments the BeoVision 11 resulting in a truly magical experience. In conjunction with the launch of the BeoVision 11, a software update including Bang & Olufsen Smart TV was released for owners of the BeoPlay V1. The update enabled customers to easily update their BeoPlay V1 with the latest functionalities – a testament to Bang & Olufsen's commitment to creating enduring magical experiences.

During the year the BeoRemote App was launched. The app enables Bang & Olufsen customers to control their TV directly from a tablet.

The BeoLab 14 surround sound system was launched successfully in May 2013. The BeoLab 14 can easily be integrated with Bang & Olufsen's TV's (BeoLab 14 4.1) as well as other TV brands (BeoLab 14 5.1). The speakers are small in size but rich in sound. They deliver top performance thanks to the advanced Digital Signal Processing capabilities and Bang & Olufsen's unique intellectual property rights on controlling and decoding audio.

In the Audio segment Bang & Olufsen launched the Playmaker, which enables wireless streaming of music content via AirPlay and DLNA to Bang & Olufsen speakers in a simple and convenient way. In addition Bang & Olufsen launched a software update to the BeoSound 5, allowing existing and new customers to use Spotify directly from their BeoSound 5 system.

B&O PLAY launched the BeoPlay A9 in October 2012. The BeoPlay A9 is the largest and best performing Airplay and DLNA wireless speaker in the world. It delivers 480 watts of pure and undistorted power. Despite its young age it has already become a design icon for Bang & Olufsen.

The headphones BeoPlay H3 and BeoPlay H6 were launched in April 2013. These high precision headsets have been crafted with high quality materials such as aluminium and natural leather, and have very strong sound performance. These headphones are excellent examples of Bang & Olufsen's strong competencies within design, sound and craftsmanship while leveraging on the use of a technology partner with mass manufacturing skills.

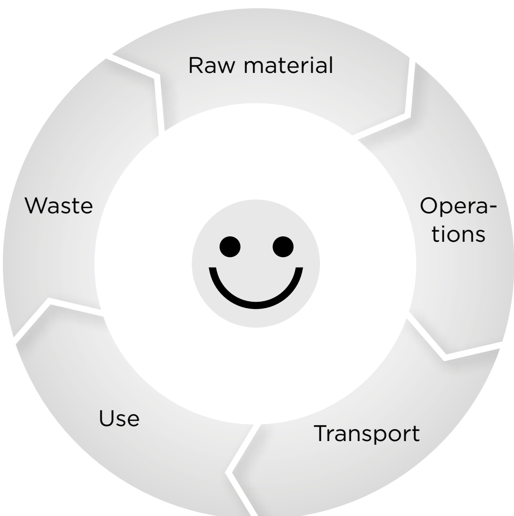
During the 2012/13 financial year Bang & Olufsen has established a sourcing- and R&D team based in Singapore. This team enables us to have strong competencies close to the Asian sourcing partners. In addition the software organisation has been restructured to create a more agile setup which matches the ever changing challenges in the industry.

CORPORATE SOCIAL RESPONSIBILITY IN BANG & OLUFSEN

The Bang & Olufsen logo has been a quality guarantee since the company was established in 1925. This is not only in relation to delivering products of high quality to the customers, but also in relation to the way the business is run.

Bang & Olufsen naturally recognises the UNs and ILOs declarations regarding human rights, labour rights, environment and anti corruption and have therefore chosen to structure the CSR work, including the CSR policy, in accordance with UN's Global Compact.

Bang & Olufsen has taken the environment into consideration for many years, but the topics have changed character and new standards have appeared through the years. Traditionally focus has been on the products and the production, including work environment and the external environment. Today the consideration for the environment is more oriented towards a product life cycle and the corporate social responsibility and as a consequence the product in an environmental context has become an important parameter.



Bang & Olufsen considers the environment in a closed life cycle, where waste is a resource which can be recycled in other products. At the same time Bang & Olufsen wishes to take an active co-responsibility for the society which we are part of. Through a number of years we have worked with corporate social responsibility within the framework of our business. This is best illustrated by the picture of a closed life cycle with a smiley which symbolizes the work with CSR in the middle – we call it 'Design for Sustainability'.

Bang & Olufsen's CSR policy

In order to formalise and clarify the principles of social responsibility that the company lives by Bang & Olufsen adopted a CSR policy in 2011. The policy is inspired by UN's Global Compact; 10 principles for sustainable behavior in companies.

The CSR policy underlines that Bang & Olufsen wants to be a credible and ethically responsible business partner to suppliers and other stakeholders. The company would like to contribute to the promotion of human rights and create a framework for its employees which is motivating forms part of a proper working environment. At the same time it wants to be considerate of the environment, both in own activities and in the footprint the products leave in a life cycle perspective.

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

The CSR effort, objectives and results in the financial year

Bang & Olufsen work systematically with CSR, and is certified in accordance with ISO 9001 (quality management), TS16949 (technical standard for quality within the automotive industry), ISO 14.001 (environmental management) and OHSAS 18.001 (working environment management). The management systems contribute to ensure that the efforts are concentrated on the areas with the largest potential for improvement.

The CSR policy is supported by Bang & Olufsens' Code of Conduct, which contains the company's demands to suppliers within the CSR area. In 2012/13 the existing Code of Conduct from 2005 with associated self assessment schedule has been updated to existing standards in the area and is now in conjunction with the CSR

Environmental objectives for the financial year 2012/2013

Policy area	Topic	Objective	Result 2012/13
Working environment	Reduction in the number of work accidents per 1 million working hours	Frequency must not exceed 3.5	2.0
Working environment	Reduction in hours of absence per 1,000 working hours due to work related accidents	Severity must not exceed 0.095	0.133
Working environment	Completion of three campaigns with focus on prevention of work accidents	- Near miss - Attitude & behaviour - Risk awareness in the labour force	Completed
Environment	Reduction in consumption of natural gas and electricity	5 per cent reduction per year measured in KWh/DKK earned (index must not exceed 0.35)	0.40
Environment	Reduction of scrap from production	Compliance with annual objective	Further reduction of 3 per cent

Table 1: The table shows status of the objectives in the work and external environment areas

policy and UN's Global Compact. In addition to this external, independent supplier audits of suppliers in high risk countries have been reintroduced, eg. South East Asia. In total 30 high risk suppliers have been identified which are audited on an ongoing basis. In 2012/13 10 audits were carried out. All new suppliers in high risk countries will be subject to an external audit. Through Code of Conduct Bang & Olufsen demands that the suppliers ensure compliance with the CSR demands in their own supply chains. External audits further back in the supply chain are carried out when there is a concrete suspicion of breach of Code of Conduct.

In 2005 Bang & Olufsen developed its own standard 'Moral and ethics in the purchase department at Bang & Olufsen', which included internal anti-corruption guidelines for e.g. gift exchange, negotiation principles and handling of conflicts of interest. It is important to be credible and reliable both internally and externally. Therefore Bang & Olufsen has extended the internal anti-corruption guidelines also to include the sales organization. This is most relevant in relation to the new markets where Bang & Olufsen currently is expanding the business. To support the guidelines Bang & Olufsen has in 2012/13 set up a whistleblower function which is an externally run hotline where employees anonymously can report unethical behaviour.

Planned CSR activities in 2013/14

In 2013/14 Bang & Olufsen will continue the work to improve the work environment and reduce the environmental impact of the group's activities with a view to prevent work related accidents and reduction of scrap and energy consumption, including the extension of the CSR policy to include reduction of climate impact and to extend the governance in the environment area to cover the entire Bang & Olufsen Group. Independent supplier audits will continue with re-audits of the suppliers where deviations have been found in relation to Code of Conduct.

Bang & Olufsen's statement for Corporate Social Responsibility (CSR) in accordance with the Financial Statements Act §99a can be found in its entirety on the company's home page http://www.bang-olufsen.com/annual-report/csr/uk, and is part of the management report in the Bang & Olufsen Annual Report for 2012/13.

Comments to the progress in individual objectives and other efforts can be found in the complete statement for Corporate Social Responsibility.

THE BANG & OLUFSEN SHARE

Bang & Olufsen works continuously to create shareholder value. The ongoing execution of the corporate strategy "Leaner, Faster, Stronger" will assist in achieving this.

IR Policy
It is Bang & Olufsen's objective to inform NASDAQ OMX Copenhagen A/S, current and potential investors as well as equity analysts and brokers quickly and accurately about all relevant matters relating to the Group.

The purpose of such information is to increase the knowledge of Bang & Olufsen in Denmark as well as abroad and provide the capital market with structured, continuous and relevant information that meets the requirements for information when deciding on investments in Bang & Olufsen shares.

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

For further details regarding the Investor Relations Policy refer to www.bang-olufsen.com/investor.

Investor meetings
Investor meetings and/or telephone conferences are held following the publication of each quarterly report

The Bang & Olufsen share

Stock exchange: **NASDAQ OMX Copenhagen A/S**
Identification code (ISIN): DK 0010218429

	2012/13	2011/12
Closing price 31 May	56.0	61.5
Market value 31 May (DKK million)	2,199	2,229
Nominal share value (DKK)	392,704,350	362,440,140
Nominal value (DKK)	10	10
Issued shares	39,270,435	36,244,014
Own shares	102,021	95,207
Shares in circulation	39,168,414	36,151,507
Registered shareholders (approx.)	33,000	33,000
Hereof in Denmark (approx.)	32,000	32,000
Listed capital placed in Denmark*	59%	63%

IR contact investors@bang-olufsen.dk

**Percentage of owner registered capital* to provide participants with the opportunity to address questions to Executive Management. The telephone conferences are subsequently available at www.bang-olufsen.com/investor. In addition, it is also possible to contact the company's Investor Relations function, which is responsible for maintaining an on-going dialogue with current and potential shareholders.

The share and share capital

Bang & Olufsen has a share capital of DKK 392,704,350, which consists of a single share class (39,270,435 shares of a nominal value of DKK 10 per share). Each share entitles the holder to one vote, and all shares carry the same right. Bang & Olufsen a/s holds 102,021 own shares to cover the company's share option program.

On 3 October 2012 Bang & Olufsen's capital was increased through a directed share issue to Sparkle Roll and A CAPITAL, whereby 3,026,421 new shares of DKK 10 each were issued (corresponding to a total nominal capital increase of DKK 30,264,210). Sparkle Roll Holdings Limited subscribed for 2,404,186 shares and A CAPITAL Bravo Holding S.à.r.l. subscribed for 622,235 shares at a market price of DKK 60.22 per share.

The Bang & Olufsen share price was DKK 56 per share on 31 May 2013 corresponding to a decline of 8.9 per cent for the financial year. The OMXC Mid Cap index increased 35.1 per cent in the same period. The average daily turnover of the Bang & Olufsen share was DKK 4,949,404 in the 2012/13 financial year compared to DKK 3,069,829 in 2011/12.

Analyst coverage

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

Alm. Brand Markets
Carnegie Bank A/S
Danske Markets Equities
SEB Equities
Handelsbanken Equity Research
Nordea Markets
Sydbank

The chart below shows the development in share price from 1 June 2010 to 31 May 2013:

As at 31 May 2013, the following individuals or legal entities hold 5 per cent or more of the company's capital or share capital's voting rights:

	Number of shares	Capital/ votes %
Delta Lloyd Asset Management N.V., Amstelplein 6, P.O. Box 1000, 1000 BA Amsterdam, the Netherlands	6,512,077	16.58
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød, Danmark	3,934,816	10.02
Sparkle Roll Holdings Ltd, 25/F, Office Tower 1, Henderson Center, No 18 Jianguomennei Avenue, Beijing 100005, P.R.of China	2,404,186	6.12

Dividend policy and capital structure

Based on the company's result and and to have sufficient funds to support the strategic initiatives, the Board of Directors proposes to the General Meeting that no dividend be paid out for the 2012/13 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results justify it.

Bang & Olufsen operates in an industry with frequent and significant changes in technology, and therefore, the Group will from time to time be faced with small or medium-sized investment opportunities within new business areas and new fields of technology. The distribution largely takes place through partner-owned retail shops. But in certain markets it might from time to time be necessary for the Group to acquire established retail networks or open new stores. For these reasons and to ensure adequate reserves to implement the "Leaner, Faster, Stronger" strategy and manage the considerable seasonal variations in the company's income, Bang & Olufsen must maintain adequate capital reserves.

The company will, when financial resources allow it again, formulate coherent strategies for capital structure and shareholder remuneration.

Financial calendar

Annual General Meetings

19 September 2013	Annual General Meeting 2012/13
11 September 2014	Annual General Meeting 2013/14

Financial statements

2 October 2013	Interim report (1st quarter 2013/14)
16 January 2014	Interim report (2nd quarter 2013/14)
11 April 2014	Interim report (3rd quarter 2013/14)
13 August 2014	Annual report 2013/14
2 October 2014	Interim report (1st quarter 2014/15)

Website

Bang & Olufsen invites investors and other stakeholders to visit the company's website: www.bang-olufsen.com, where a wide range of information of interest to the investors is available, i.e. announcements, annual reports, interim reports, the financial calendar, the company's history and a presentation of its products.

Annual General Meeting

Bang & Olufsen a/s' Annual General Meeting will be held on Thursday 19 September 2013 at 14:30 CET at Struer Statsgymnasium, Jyllandsgade 2, DK-7600 Struer.

Company Announcements 2012/13

#	Date	Subject
1	1 June 2012	Transactions in connection with share buyback programme
2	13 June 2012	Transactions in connection with share buyback programme
3	20 June 2012	Bang & Olufsen BeoSound Vanquish in the new Aston Martin Vanquish
4	20 June 2012	Transactions in connection with share buyback programme
5	29 June 2012	Bang & Olufsen BeoSound AMG in the new Mercedes-Benz CLS Shooting Brake
6	19 July 2012	Bang & Olufsen accelerates China growth plans through strategic partnership with Sparkle Roll and A CAPITAL
7	15 August 2012	Annual Report 2011/12
8	29 August 2012	Annual General Meeting in Bang & Olufsen a/s
9	21 September 2012	Minutes from Bang & Olufsen's Annual General Meeting
10	28 September 2012	Registration of capital increase in Bang & Olufsen a/s
11	1 October 2012	Shareholder announcement from Nordea Invest
12	1 October 2012	Shareholder announcement from Færch Fonden
13	1 October 2012	Shareholder announcement from Sparke Roll Holdings Limited
14	3 October 2012	Bang & Olufsen a/s has issued new shares in a directed share issue to Sparke Roll Holdings Limited and Capital Bravo Holding S.à.r.l.
15	4 October 2012	Shareholder announcement from Nordea Invest
16	10 October 2012	Interim report for the 1st quarter 2012/13
17	12 November 2012	Allocation of options
18	9 January 2013	Interim report for the 2nd quarter 2012/13
19	9 January 2013	Announcement of managerial staffs etc. trading with company shares
20	29 January 2013	Bang & Olufsen a/s expands the partnership with Sparkle Roll
21	22 March 2013	Bang & Olufsen releases preliminary results for the third quarter of the 2012/13 financial year
22	5 April 2013	Interim report for the 3rd quarter 2012/13
23	1 May 2013	Announcement of managerial staffs etc. trading with company shares
24	2 May 2013	Announcement of managerial staffs etc. trading with company shares

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

OUTLOOK

THE GROUP'S EXPECTATIONS TO THE 2013/14 FINANCIAL YEAR

The 2013/14 financial year is the third year of the transition phase in the "Leaner, Faster, Stronger" strategy. The key focus for the year will be to continue to build a strong foundation that will prepare Bang & Olufsen for future growth while ensuring a significant improvement in the financial results.

Continued challenging market conditions in Europe is likely to have a negative impact on consumer confidence and continue to create headwind for the overall AV market in the 2013/14 financial year, and hence have an adverse effect on the general demand for products across all of Bang & Olufsen's segments.

The most important focus areas in the 2013/14 financial year are the rejuvenation and strengthening of the Bang & Olufsen product portfolio and the transformation of the retail network, while continuing to grow Automotive and B&O PLAY, albeit at a reduced rate. It is expected that this will lead to revenue moderately above the level of the 2012/13 financial year.

A continued focus on operational and sourcing efficiencies and an increased share of sales of high margin products are expected to increase the gross margin to a level slightly above the level in the 2012/13 financial year.

Capacity costs excluding the increased costs of own retail are expected to be reduced. The costs related to own retail will increase compared to the 2012/13 financial year in particular due to the takeover of the retail operations in China.

The EBIT margin is expected to show significant improvement compared to the 2012/13 financial year to a level around break-even. However, the EBIT margin is highly sensitive to the development in the revenue.

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

STRATEGY FOLLOW-UP

In August 2011, Bang & Olufsen launched the strategy plan "Leaner, Faster, Stronger" with the aim of realising the full potential of the company, which is estimated to be revenue in the order of DKK 8-10 billion and an EBIT margin of more than 12 per cent. The strategy plan contains six "must-win battles", which Bang & Olufsen has continued to focus on during 2012/13.

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

2. Build the B&O PLAY brand and expand distribution through complementary sales channels

3. Optimisation of distribution

4. Growth in the BRIC markets

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

6. Quicker and simpler execution

1.
Sound and acoustics has been a key element in every product launched during 2012/13 – as evidenced for example in the high quality acoustics in the BeoVision 11, the BeoPlay A9 with 480 watt output, or the agile BeoLab 14 surround sound system that fits with any TV be it Bang & Olufsen or another brand. During the course of the year, the Automotive business area was strengthened further with the launch of new sound systems for a number of car models.

In 2013/14, the Sound & Acoustics Innovation Team will continue to further expand the acoustics product portfolio with products that will underpin Bang & Olufsen's unique capabilities within the field of acoustics.

2.
2012/13 was the first full year with the new brand, B&O PLAY. Nevertheless, B&O PLAY has already reached 20 per cent of Group revenue. The product portfolio has been expanded with award winning products such as the BeoPlay A9 and the BeoPlay H6. The distribution has been expanded with the a number of distribution agreements with new retail outlets in Europe, the USA and China.

In 2013/14, the company will work to increase the brand awareness of the B&O PLAY brand as well as increase the revenue through third party retailers and e-commerce.

3.
In 2012/13 Bang & Olufsen launched the new store concept, which delivers a cutting-edge and magical shopping experience. The work has continued to create a stronger retail network through fewer and more productive stores. Stores have been opened in key locations and will contribute to Bang & Olufsen's growth in the coming years.

During the course of the 2013/14 financial year the roll out of the new store concept will gradually begin while the focus will remain on creating a stronger retail network.

4.
The effort to establish a strong platform for growth in the BRIC countries continued in 2012/13. During the year Bang & Olufsen launched a new partnership with Sparkle Roll, an experienced luxury retailer, and established a China Advisory Board to ensure the potential is realised in the best and fastest possible way. In addition Bang & Olufsen has taken over the distribution in mid-China, including Shanghai and Beijing, with effect from 1 June 2013 which will greatly improve Bang & Olufsen's ability to realise Bang & Olufsen's potential in China. Sparkle Roll also expects to open more than 50 B&O PLAY shop-in-shops in the 2013 calendar year. In Brazil, Bang & Olufsen has taken over the master dealer responsibility to also ensure an increased penetration in this market.

In 2013/14, Bang & Olufsen will continue the work to establish a strong distribution platform in China and will through a targeted marketing approach and by leveraging on partners continue to build the brand awareness.

5.
Work has continued to focus resources on Bang & Olufsen's core R&D competencies, while leveraging on partner capabilities for non-core expertise. During the year Bang & Olufsen announced the collaboration with the Smart TV Alliance, where Bang & Olufsen uses its unique competencies within user interface design and user experience, while leveraging on partner capabilities on creating the backbone of the system. The company has also established a strong sourcing team in Singapore, to ensure a frequent and efficient contact with sourcing partners.

In 2013/14, the work with finding new collaboration opportunities will continue. At the same time, Bang & Olufsen will increase its focus on the competences where the company is able to really stand out.

6.
During the course of the financial year, Bang & Olufsen has continued the work to create a more trimmed and agile organisation. The results have been evidenced in a faster and more structured innovation process as well as an organisation with a greater global outlook and an increased focus on the company's customers.

Steps have been taken that will greatly reduce the complexity in Bang & Olufsen's products and markets during the 2013/14 financial year. In addition, the company will work on its corporate culture to ensure that there is the required performance focus in the organisation.

Strategy implementation continues
2013/14 is the third financial year of the transition phase in the 6 year strategy period. The strategy will continue to set the direction for the management of Bang & Olufsen in the coming years. The speed of implementation will be positively or negatively affected by the development in the company's financial resources. The strategy implementation will be monitored by the Board of Directors on an ongoing basis, and it will continuously be reconciled with the company's cash and capital resources.

GOVERNANCE

BOARD OF DIRECTORS

Ole Andersen (1956)

Chairman
Year of first appointment, 2009
M.Sc. (Economics and Business Administration),
state-authorised public accountant

Directorships
Chairman of the Board of Directors of Danske Bank A/S, Chr. Hansen Holding A/S, Zebra A/S and ISS A/S and a subsidiary. Senior advisor to EQT Partners. Member of the NASDAQ OMX Nordic nomination committee.

This member is considered independent
Chairman of the Remuneration and Nomination Committees
Number of shares in Bang & Olufsen a/s at the end of the year: 80,250 (2011/12; 39,450)

Jim Hagemann Snabe (1965)

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

Directorships
Member of the Board of Directors of Danske Bank A/S. Co-CEO of SAP AG and Managing director of Snabe ApS. In addition, Jim Hagemann Snabe is a member of the German government's IT committee.

This member is considered independent
Member of the Nomination Committee
Number of shares in Bang & Olufsen a/s at the end of the year: 6,300 (2011/12; 4,700)

Jesper Jarlbæk (1956)

Year of first appointment, 2011
M.Sc (Economics and Business Administration),
state-authorised public accountant

Directorships
Chairman of the Board of Directors of Advis A/S, Altius Invest A/S, Basico Consulting International ApS and a subsidiary, Catacap Management ApS, Groupcare Holding A/S and a subsidiary, Jaws A/S, Julie Sandlau China ApS, Sanderman Pte. Ltd (Singapore), ShowMe ApS, Spoing A/S and Valuemaker A/S.

Member of the Board of Directors of A-Solutions A/S, Earlbrook Holdings Ltd. A/S, Polaris III Invest Fonden and Økonomiforum ApS. Managing Director of Earlbrook Holdings Ltd A/S, SCSK 2272 ApS and TIMPCO ApS.

This member is considered independent
Chaiman of the Audit Committee
Number of shares in Bang & Olufsen a/s at the end of the year: 1,500 (2011/12; 1,500)

André Loesekrug-Pietri (1972)

Year of first appointment, 2012
Graduate of HEC School of Management, International MBA Programme of the Michigan Business School (Ann Arbor, USA), Sup'Aéro aerospace engineering school (Toulouse, France)

Directorships
Director of A CAPITAL Group Limited, A CAPITAL Asia Limited and of subsidiaries thereof. Chairman of the Private Equity and Strategic M&A Working Group of the European Chamber in China, Deputy Chairman of the Beijing International Financiers Club and member of the World Economic Forum Global Agenda Council on Europe.

This member is considered independent
Member of the Audit Committee
Number of shares in Bang & Olufsen a/s at the end of the year: 0 (2011/12; 0)

Rolf Eriksen (1944)

Year of first appointment, 2008
Decorator

Directorships
Member of the Board of Directors of Hennes & Mauritz A/S, Bianco International A/S, Bianco Footwear A/S, BoConcept A/S, BoConcept Holding A/S and Zebra A/S

This member is considered independent
Member of the Remuneration Committee
Number of shares in Bang & Olufsen a/s at the end of the year:
1,140 (2011/12; 1,140)

Alberto Torres (1965)

Year of first appointment, 2011
Ph.D. in Computer Science and Master of Science

Directorships
None

This member is considered independent

Number of shares in Bang & Olufsen a/s at the end of the year:
3,000 (2011/12; 3,000)

Knud Olesen (1952)

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

Number of shares in Bang & Olufsen a/s at the end of the year:
885 (2011/12; 885)

Jesper Olesen (1978)

Year of first appointment, 2007
Employee-elected
Engineering Worker

Number of shares in Bang & Olufsen a/s at the end of the year:
1,578 (2011/12; 1,578)

Per Østergaard Frederiksen (1971)

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

Number of shares in Bang & Olufsen a/s at the end of the year:
206 (2011/12; 206)

EXECUTIVE MANAGEMENT

Tue Mantoni (1975)

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

Directorships*⁾
None.

Number of shares in Bang & Olufsen a/s at the end of the year:
73,267 (2011/12; 55,467)

Henning Bejer Beck (1965)

Executive Vice President, CFO
Employed since 1 October 2010
B.Sc. (Economics and Business Administration), GDBA (accounting)

Directorships*⁾
Chairman of the Board of Directors of Pro Pack A/S.

Number of shares in Bang & Olufsen a/s at the end of the year:
8,448 (2011/12; 3,008)

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

CORPORATE GOVERNANCE

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

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

Pursuant to these rules, the company must apply the recommendations adopted based on the 'comply-or-explain' principle. In 2013, NASDAQ OMX Copenhagen A/S implemented the revised recommendations for corporate governance from May 2013. Bang & Olufsen a/s complies with these recommendations.

The Board of Directors of Bang & Olufsen a/s has prepared a report on corporate governance for the 2012/13 financial year, which has been incorporated into management's report. This report is available for review and download at www.bang-olufsen.com/investor/corporate-governance/uk. The report contains a description of Bang & Olufsen's approach to the 'Recommendations for corporate governance' and a description of the management structure and main elements of our internal control and risk management systems in connection with the company's presentation of the annual report.

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

GENERAL MEETING

BOARD OF DIRECTORS

AUDIT COMMITTEE
REMUNERATION COMMITTEE
NOMINATION COMMITTEE

EXECUTIVE MANAGEMENT

ORGANISATION

Board Self-Assessment

In 2012/13 the Board and Executive Management performed an assessment process regarding the work of the Chairman, competencies and composition, work practices and climate of cooperation, focus areas, cooperation with Executive Management and assessment of the individual board members. The answers were collated by an external consultant before being passed on to the Chairman. The result of the evaluation process was presented to and reviewed by the Board. The result of the evaluation was positive and only a few areas of improvement were identified.

Rules concerning changes to the Company's Articles of Association

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

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

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

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

The Company's Articles of Association state the following:

The Board of Directors is in the period until 31 May 2013 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 36,244,014 by issuing new shares at market price by way of cash contribution or otherwise. The capital increase shall be without preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

The Board of Directors is in the period until 31 May 2017 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price or at a discount to market price by way of cash contribution or otherwise. The capital increase shall be with preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

The Board of Directors is in the period until 31 May 2017 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price by way of cash contribution or otherwise. The capital increase shall be without preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

Pursuant of the above, the Board of Directors may not decide to increase the company's share capital by more than a total nominal value of DKK 75,514,449.

The Company shall be managed by a Board of Directors consisting of between 4 and 8 members elected by the shareholders in general meeting and any representatives elected by the Company's employees as required by law. The members of the Board of Directors elected at the general meeting shall retire at each year's annual general meeting, but shall be eligible for re-election. Board members elected by the General Meeting comprise a group of experienced international business executives. The age limit for members of the Board of Directors is 70.

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

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

The latest election of employees to the Board of Directors took place in June 2011 by means of a written, secret and direct vote. Employee-elected board members are elected for a four-year period and eligible employees are those who are of age and on election day have been employed by the company for at least 12 months. Should an employee-elected board member's employment be terminated, the employee in question will retire from the Board of Directors and be replaced by an elected alternate. An employee-elected board member has the same rights, obligations and responsibilities as the other board members.

Remuneration etc.
Bang & Olufsen's share option programme extends to a number of the Group's executive directors and managers. As at 31 May 2013 the total pool of options amount to 2.882.254 which can be exercised during the period 2013-2016 if certain criteria are met. For further details, please refer to note 4.7 and note 15 in the consolidated and the parent company financial statements respectively.

The Company's CEO can terminate his employment by giving 12 months' notice and the company can terminate the employment by giving 24 months' notice. In the event that the Company is taken over and delisted from NASDAQ OMX Copenhagen A/S, the CEO is entitled to consider his employment to be terminated. The CEO is subject to a non-competition clause. For further information about remuneration to the CEO refer to note 2.2 and note 4 in the consolidated and the parent company financial statements respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Strategic risks

Markets and competition
Although the Group's products are marketed globally, most of the turnover derives from Europe. Bang & Olufsen is a niche player in an industry dominated by major international electronics companies.

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

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

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

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

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

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

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

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

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

Quality
Bang & Olufsen is obliged to surpass our customers' expectations for the best possible quality, innovation and craftsmanship. We consciously improve the efficiency of our quality management system by preventive quality improvement activities.

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

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

Bang & Olufsen's quality management system is based on ISO 9001:2008 for the Audio-Video business and ISO TS16949:2009 for Automotive activities. The systems are subjected to regular internal and annual external reviews to ensure that Bang & Olufsen continually improve quality and fulfil the requirements.

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

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

Operational risks

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

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

Insurance
Bang & Olufsen's insurance policy stipulates that insurance policies must cover any damage arising to Bang & Olufsen's assets and any claims that Bang & Olufsen may incur so that such damage or claims do not impact the company's capital and future operations to any significant extent. Consistent with this, the Group can be self-insured in respect of minor risks, while major risks are fully insured. In those instances. When deemed financially beneficial, insurance policies contain an excess.

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

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

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

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

Financial risks

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

These risks are as follows:
- Foreign exchange rate risk
- Interest rate risk
- Credit risk
- Liquidity risk

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

Foreign exchange rate risk
In 2012/13, 91 per cent of the Group's turnover was in foreign currency (2011/12; 91 per cent). Since part of the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent, the figure does not express the Group's foreign exchange rate risk.

The Group has significant net in-flows in EUR, GBP and CHF, and the most significant exposure is presently related to these. The most significant exposure on the outflow is USD. The company thus only has a limited natural hedging of the currency risk.

The Group's foreign exchange rate risks are managed centrally by the parent company's finance department based on a foreign exchange rate policy approved by the Board of Directors, under which up to 75 per cent of the expected net cash flows in selected currencies are covered. Forward contracts are continually used for this hedging. The forward contracts are classified as hedging and fulfil the accounting requirements for hedging of future cash flow. Forward contracts are used for commercial transactions only, and hedging is made for a horizon of up to 18 months.

As at 31 May 2013, the Group has entered into foreign exchange forward contracts at a contract amount of net DKK 42.0 million (2011/12; DKK 41.5 million), with a fair value of DKK 4.0 million (2011/12; DKK 8.3 million). Besides the foreign exchange rate risk relating to current transactions, the Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to DKK. For further information please refer to notes 4.3 and 17 in the consolidated and parent company financial statements respectively.

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

The Group interest-bearing assets mainly consist of liquid funds, which at the end of the financial year totalled DKK 145.9 million (2011/12; DKK 159.1 million). Liquid funds yield interest in the short-term money market. The interest rate risk is deemed to be insignificant in that a change in the interest rate level of 0.5 percentage points would have impacted the Group's earnings before tax by approx. DKK 1.7 million in 2012/13 (2011/12; DKK 1.7 million).

At the end of the financial year, the Group's interest-bearing debt totaled DKK 419.1 million (2011/12; DKK 407.3 million) corresponding to 15.2 per cent of the balance sheet total (2011/12; 14.1 per cent).

Of the interest-bearing debt DKK 176.8 million falls due after five years (2011/12; DKK 184.4 million). Further information is provided in note 4.1.

Due to the low debt level and the fact that the borrowings are in fixed rate loans or loans with a fixed rate of minimum three years, the Group's interest rate risks are insignificant and are not expected to significantly impact the Group's earnings.

Credit risk
The Group's balance sheet items that are subject to credit risk are primarily trade receivables and bank deposits. The amounts at which these balance sheet items are recognised correspond to the maximum credit risk.

At the end of the financial year, the Group sells its products through 816 dealers worldwide. The Group is, therefore, exposed to a risk of losses on trade receivables.

The individual dealers, including their geographical location, are subject to ongoing evaluation. When deemed necessary, the Group employs bank guarantees or debtor insurance against outstanding debts, and in some situations other forms of securities are attained, e.g. in the form of security in inventories or other assets.

In the 2012/13 financial year, DKK 14.7 million was expensed as losses on trade receivables (2011/12; DKK 17.9 million).

Liquid funds are placed with financial institutions with high credit ratings. Derivatives, including foreign exchange forward contracts, are entered into with such institutions only. Therefore, it is deemed that the credit risk relating to liquid funds is of no significance to Bang & Olufsen's annual report.

Liquidity risk

The financial reserve is continually assessed and managed by the parent company's finance department. It is ensured that there at any given time, is sufficient, flexible and unused credit available provided by major, reputable financial institutions. On the basis of the Group's financial reserve arrangements, and the expectations to the Groups future cash flows, management believes that there are sufficient capital resources.

ACCOUNTS & DATA

ANNUAL ACCOUNTS FOR BANG & OLUFSEN A/S

GROUP

CONTENTS – GROUP

In the 2012/13 annual financial reporting Bang & Olufsen have chosen to restructure the consolidated financial statements to provide the user with a better reflection of how Bang & Olufsen views and does its business.

The notes are structured to provide full transparency including relevant accounting policy and numerical disclosures.

CONSOLIDATED INCOME STATEMENT 1 JUNE – 31 MAY

(DKK million)	Notes	2012/13	2011/12
Revenue	2.1	**2,813.9**	**3,007.7**
Production costs	2.2	(1,718.0)	(1,792.0)
Gross profit		**1,095.9**	**1,215.7**
Development costs	2.2, 2.3	(442.4)	(337.4)
Distribution and marketing costs	2.2	(755.9)	(654.3)
Administration costs	2.2, 2.4	(85.9)	(101.6)
Operating profit (EBIT)		**(188.2)**	**122.4**
Share of result after tax in associated companies		1.3	(2.1)
Financial income	4.2	8.6	9.4
Financial expenses	4.2	(33.2)	(25.5)
Financial items, net		(24.7)	(16.1)
Earnings before tax (EBT)		**(211.6)**	**104.2**
Income tax	2.5	51.8	(30.9)
Earnings for the year		**(159.8)**	**73.3**
Earnings attributable to:			
Shareholders in the parent company		(159.8)	73.3
Earnings per share			
Earnings per share (EPS) and earnings per share from continuing operations, DKK	2.6	(4.3)	2.0
Diluted earnings per share (EPS-D) and diluted earnings per share from continuing operations, DKK	2.6	(4.3)	2.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JUNE – 31 MAY

(DKK million)	Notes	2012/13	2011/12
Earnings for the year		**(159.8)**	**73.3**
Exchange rate adjustment of investments in foreign subsidiaries		(3.0)	0.0
Change in fair value of derivative financial instruments used as cash flow hedges		(4.7)	25.7
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:			
Transfer to revenue		(5.8)	(10.8)
Transfer to production costs		6.2	4.3
Tax on other comprehensive income	2.5	1.1	(4.8)
Other comprehensive income for the year, net of tax		**(6.3)**	**14.4**
Total comprehensive income for the year		**(166.1)**	**87.7**
Total comprehensive income attributable to:			
Shareholders in the parent company		(166.1)	87.7

CONSOLIDATED BALANCE SHEET AT 31 MAY

(DKK million)	Notes	31/5/13	31/5/12
Goodwill		51.9	47.8
Acquired rights		20.7	27.8
Completed development projects		484.7	296.8
Development projects in progress		178.2	338.9
Intangible assets	3.1	**735.4**	**711.3**
Land and buildings		198.2	210.3
Plant and machinery		155.6	145.6
Other equipment		24.4	29.3
Leasehold improvements		30.2	17.5
Tangible assets in course of construction and prepayments of tangible assets		67.5	96.8
Tangible assets	3.2	**475.9**	**499.5**
Investment property	3.3	**40.0**	**41.3**
Investments in associates		7.0	5.6
Other financial receivables	3.4	43.3	46.6
Financial assets		**50.3**	**52.2**
Deferred tax assets	2.5	**183.1**	**139.9**
Total non-current assets		**1,484.7**	**1,444.2**
Inventories	3.5	**572.1**	**665.0**
Trade receivables	3.5	443.9	539.9
Receivables from associates	5.4	1.8	2.4
Corporation tax receivable		23.8	12.4
Other receivables		41.7	50.4
Prepayments		43.2	18.8
Receivables		**554.4**	**623.9**
Cash		**145.9**	**159.1**
Total current assets		**1,272.4**	**1,448.0**
Total assets		**2,757.1**	**2,892.2**

CONSOLIDATED BALANCE SHEET AT 31 MAY

(DKK million)	Notes	31/5/13	31/5/12
Share capital	4.5	392.7	362.4
Translation reserve		22.1	25.1
Reserve for cash flow hedges		4.0	8.3
Retained earnings	4.6	1,221.8	1,230.2
Total equity		**1,640.6**	**1,626.0**
Pensions	3.6	12.4	9.8
Deferred tax	2.5	13.8	15.4
Provisions	3.7	57.9	86.2
Mortgage loans	4.1	206.1	212.9
Other non-current assets		3.1	0.9
Total non-current liabilities		**293.3**	**325.2**
Mortgage loans	4.1	6.8	6.6
Loans from banks	4.1	150.0	150.0
Overdraft facilities		56.2	37.8
Provisions	3.7	39.4	54.8
Trade payables		295.3	384.8
Corporation tax payable		25.5	27.8
Other liabilities		226.9	259.9
Deferred income		23.1	19.2
Total current liabilities		**823.2**	**941.0**
Total liabilities		**1,116.5**	**1,266.2**
Total equity and liabilities		**2,757.1**	**2,892.2**

CONSOLIDATED CASH FLOW STATEMENT 1 JUNE – 31 MAY

(DKK million)	Notes	2012/13	2011/12
Earnings for the year		(159.8)	73.3
Amortisation, depreciation and impairment losses		331.9	256.2
Adjustments for non-cash items	5.1	(66.6)	81.6
Change in receivables		80.5	(204.7)
Change in inventories		92.8	(94.8)
Change in trade payables etc		(117.9)	144.5
Cash flow from operations		**160.9**	**256.1**
Interest received		8.6	9.4
Interest paid		(33.2)	(25.5)
Income tax paid		(9.7)	(14.7)
Cash flow from operating activities		**126.5**	**225.3**
Purchase of intangible non-current assets		(263.2)	(280.1)
Purchase of tangible non-current assets		(83.8)	(136.8)
Acquisition of activity	5.2	-	(12.9)
Sales of tangible non-current assets		4.8	45.6
Received reimbursements, intangible non-current assets		10.9	12.1
Capital increase, Bang & Olufsen Medicom a/s		-	(1.7)
Change in financial receivables		3.3	(6.5)
Cash flow from investing activities		**(328.1)**	**(380.3)**
Free cash flow		**(201.5)**	**(155.0)**
Repayment of long-term loans		(6.6)	(6.4)
Proceeds from short-term borrowings		-	150.0
Capital increase		178.7	-
Payment of debt regarding purchase of minority interest and dividend		-	(5.7)
Purchase of own shares		(1.3)	(4.3)
Sale of own shares		0.5	-
Cash flow from financing activities		**171.2**	**133.6**
Change in cash and cash equivalents		**(30.3)**	**(21.4)**
Cash and cash equivalents, 1 June		121.3	141.4
Exchange rate adjustment, cash and cash equivalents		(1.4)	1.3
Cash and cash equivalents, 31 May		**89.7**	**121.3**
Cash and cash equivalents:			
Cash		145.9	159.1
Current overdraft facilities		(56.2)	(37.8)
Cash and cash equivalents 31 May		**89.7**	**121.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1 JUNE – 31 MAY

(DKK million)	Shareholders of the parent company				Minority interests	Total
	Share capital	Translation reserve	Reserve for cash flow hedges	Retained earnings		
Equity 1 June 2012	**362.4**	**25.1**	**8.3**	**1,230.2**	**0.0**	**1,626.0**
Earnings for the year	-	-	-	(159.8)	-	(159.8)
Other comprehensive income, net of tax	-	(3.0)	(4.3)	1.1	-	(6.3)
Comprehensive income for the year	-	(3.0)	(4.3)	(158.7)	-	(166.1)
Capital increase	30.3	-	-	152.0	-	182.3
Costs relating to capital increase	-	-	-	(3.6)	-	(3.6)
Grant of share options	-	-	-	2.8	-	2.8
Purchase of own shares	-	-	-	(1.3)	-	(1.3)
Sale of own shares				0.5	-	0.5
Equity 31 May 2013	**392.7**	**22.1**	**4.0**	**1,221.8**	**0.0**	**1,640.6**
Equity 1 June 2011	**362.4**	**25.1**	**(10.9)**	**1,161.1**	**0.6**	**1,538.3**
Earnings for the year	-	-	-	73.3	-	73.3
Other comprehensive income, net of tax	-	0.0	19.2	(4.8)	-	14.4
Comprehensive income for the year	-	0.0	19.2	68.5	-	87.7
Employee shares	-	-	-	1.2	-	1.2
Purchase of minority interest and distributed dividend	-	-	-	(2.3)	(0.6)	(2.9)
Grant of share options	-	-	-	6.0	-	6.0
Purchase of own shares	-	-	-	(4.3)	-	(4.3)
Equity 31 May 2012	**362.4**	**25.1**	**8.3**	**1,230.2**	**0.0**	**1,626.0**

SECTION 1

BASIS OF PREPARATION

This section introduces Bang & Olufsen's financial accounting policies in general, as well as an overview of management's key accounting estimates and the new IFRS requirements. All group companies follow the same Group accounting policies. A detailed description of accounting policies related to specific reported amounts is presented in each note to the relevant financial items.

1.1 BASIC PRINCIPLES

The consolidated financial statements and the financial statements for 2012/13 for the Group and Bang & Olufsen a/s, respectively, have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and further Danish disclosure requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

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

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

Accounting policies are unchanged compared to 2011/12.

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

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

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

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

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

The consolidated financial statements have been prepared on the basis of the financial statements of the parent company and its subsidiaries. The consolidated financial statements have been prepared by adding uniform items. The financial statements that are used for the consolidation are prepared in accordance with the Group's accounting prin-

SECTION 1

BASIS OF PREPARATION

ciples. In the process of consolidation, intra-group income and expenses, intra-group accounts receivable and payable and dividend and profits and losses from transactions between the consolidated companies have been eliminated. In the consolidated financial statements the subsidiaries' items are recognised 100 %.

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

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

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

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

The proportional share of the companies result after tax with the reduction of any impairment losses on goodwill is recognised in the income statement.

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

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

New investments in associates are accounted for by using the acquisition method.

SECTION 1

BASIS OF PREPARATION

Production costs
Production costs comprise wages, consumption of stock and indirect costs, including salaries, depreciation/amortisation and impairment losses, which are incurred with the purpose of achieving the net turnover for the year.

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

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

New or amended EU endorsed accounting standards
Bang & Olufsen has adopted all new, amended standards, revised accounting standards, and interpretations (IFRIC) as endorsed by the EU and which are effective for the financial year 1 June 2012 – 31 May 2013. The following new and amended IFRSs and Interpretations were implemented:

- IFRS 7 – The amendment prescribes further disclosure requirements in connection with transfer of fianncial assets

Bang & Olufsen has thoroughly considered the impact of the new IFRS standards and interpretations, and has concluded that standards which are effective for the financial year 1 June 2012 – 31 May 2013 are either of no relevance to the Group, or exert no material impact on the financial statements for the current year.

IASB has issued a number of new standards, amendments to existing standards and bases for conclusions, which have not yet come into force, but which will become effective in the financial year 2013/14 or later. New and revised standards are expected to be implemented on the effective date. Management is currently assessing the potential impact. It is Management's immediate assessment that the changes will not have any significant impact on recognition and measuring

SECTION 1

BASIS OF PREPARATION

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The following accounting estimates are assessed to be material for the consolidated financial statements.

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

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

The provisions for warranty and fairness amount to DKK 70.9 million as at 31 May 2013 (DKK 115.6 million as at 31 May 2012).

Development projects
Development costs are capitalised only after technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the product is to be determined. Management has assessed that the amortisation period is usually 3-6 years. The amount capitalised as development projects was DKK 662.9 million as at 31 May 2013 (DKK 635.7 million as at 31 May 2012).

Trade receivables
Specific estimates of trade receivables are made on an assessment of the dealer's historical ability to pay and the current situation. The trade receivables amount to DKK 443.9 million as at 31 May 2013 (DKK 539.9 million as at 31 May 2012).

Inventories
A specific assessment of the need for write-down for obsolescence of inventories is made based on an assessment of the future sales potential. During the assessment the expected technological developments and the expected service periods are taken into account. Inventories amount to DKK 572.1 million as at 31 May 2013 (DKK 665.0 million as at 31 May 2012).

Deferred tax assets
Deferred tax assets are recognised in the balance sheet at the value, the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be set-off against future positive taxable income. At each balance sheet date it is assessed, if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised. The deferred tax assets amount to DKK 183.1 million as at 31 May 2013 (DKK 139.9 million as at 31 May 2012).

SECTION 2

RESULTS FOR THE YEAR

This section contains notes relating to earnings for the year including operating segments, development and staff costs and taxes for the year. A detailed description of the results for the year is given in the Financial Review section of the Report.

2.1 OPERATING SEGMENT INFORMATION

Accounting policies
Revenue recognition
Revenue regarding sales of goods is recognised in the income statement, when delivery and transfer of the risks of ownership to the customer has taken place, if the revenue can be measured reliably, and payment is expected to be received. Revenue is recognised net of value added tax and discounts related to the sale.

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

The Group's reportable segments are:

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

- Business to Business (B2B)
  – ICEpower
  – Automotive

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

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

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

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

SECTION 2

RESULTS FOR THE YEAR

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

The Group's geographical areas are:

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

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

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

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

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

	2012/13						
	Consumer business (B2C)		Business to business (B2B)				
	AV	B&O PLAY	Automotive	ICEpower	Un-allocated	Elimi-nation	Total
Net revenue	1,648.9	532.3	545.7	86.8	-	-	2,813.7
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	11.6	-	11.6
Internal revenue	-	-	-	(11.4)	-	-	(11.4)
Revenue, Group	**1,648.9**	**532.3**	**545.7**	**75.5**	**11.6**	**-**	**2,813.9**
Gross profit	687.6	157.6	198.6	46.8	-	-	1,090.6
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	5.3	-	5.3
Gross profit, Group	**687.7**	**157.6**	**198.6**	**46.8**	**5.3**	**-**	**1,095.9**
Gross margin, %	**41.7%**	**29.6%**	**36.4%**	**53.9%**	**-**	**-**	**38.9%**
Amortisation, depreciation and impairment losses	(235.9)	(34.9)	(45.5)	(15.6)	-	-	(331.9)
Other non-allocated capacity costs	-	-	-	-	(952.3)	-	(952.3)
Share of result after tax in associated companies	-	-	-	-	1.3	-	1.3
Financial income	-	-	-	-	9.7	(1.1)	8.6
Financial expenses	-	-	-	-	(34.4)	1.1	(33.2)
Earnings before tax	**-**	**-**	**-**	**-**	**-**	**0.0**	**(211.6)**
Completed development projects	268.8	56.5	157.3	2.1	-	-	484.7
Development projects in progress	102.6	3.4	53.3	18.9	-	-	178.2
Total segment assets	371.4	59.9	210.6	21.0	-	-	662.9
Unallocated assets	-	-	-	-	2,094.2	-	2,094,2
Total assets, Group	**371.4**	**59.9**	**210.6**	**21.0**	**2,094.2**	**-**	**2,757.1**
Average number of employees:							
Denmark	1,192	11	94	25	-	-	1,322
Rest of world	727	1	36	3	-	-	767
Average number of full-time employees, Group	**1,919**	**12**	**130**	**28**	**-**	**-**	**2,089**

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

2011/12	Consumer business (B2C)		Business to business (B2B)				
	AV	B&O PLAY	Automotive	ICEpower	Un-allocated	Elimi-nation	Total
Net revenue	2,043.1	377.6	454.0	115.4	-	-	2,990.1
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	39.7	-	39.7
Internal revenue	-	-	-	(22.1)	-	-	(22.1)
Revenue, Group	**2,043.1**	**377.6**	**454.0**	**93.3**	**39.7**	**-**	**3,007.7**
Gross profit	880.6	104.6	166.2	55.7	-	-	1,207.1
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	8.6	-	8.6
Gross profit, Group	**880.6**	**104.6**	**166.2**	**55.7**	**8.6**	**-**	**1,215.7**
Gross margin, %	**43.1%**	**27.7%**	**36.6%**	**48.3%**	**-**	**-**	**40.4 %**
Amortisation, depreciation and impairment losses	(203.6)	(3.0)	(43.3)	(5.5)	7.3	-	(248.1)
Other non-allocated capacity costs	-	-	-	-	(845.2)	-	(845.2)
Share of result after tax in associated companies	-	-	-	-	(2.1)	-	(2.1)
Financial income	-	-	-	-	10.4	(1.0)	9.4
Financial expenses	-	-	-	-	(26.5)	1.0	(25.5)
Earnings before tax	**-**	**-**	**-**	**-**	**-**	**-**	**104.2**
Completed development projects	218.3	11.6	59.0	7.9	-	-	296.8
Development projects in progress	189.3	23.8	110.4	15.4	-	-	338.9
Total segment assets	407.6	35.4	169.4	23.3	-	-	635.7
Unallocated assets	-	-	-	-	2,256.5	-	2,256.5
Total assets, Group	**407.6**	**35.4**	**169.4**	**23.3**	**2,256.5**	**-**	**2,892.2**
Average number of employees:							
Denmark	1,279	3	87	24	-	-	1,393
Rest of world	614	-	25	-	-	-	639
Average number of employees, Group	**1,893**	**3**	**112**	**24**	**-**	**-**	**2,032**

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

	Total non-current assets		Total revenue	
	2012/13	2011/12	2012/13	2011/12
Geographical information				
Consumer business				
Europe	999.3	1,045.8	1,404.7	1,738.6
North America	5.1	7.7	180.4	140.1
BRIC	16.0	-	296.5	255.3
Rest of world	6.2	11.5	240.6	239.0
Total Bang & Olufsen distribution	**1.026,6**	**1,065.0**	**2,122.2**	**2,373.0**
B&O PLAY	-	-	59.0	47.7
Total 3rd party distribution and e-commerce	**-**	**-**	**59.0**	**47.7**
Total consumer business	**1.026,6**	**1.065,0**	**2,181.2**	**2,420.7**
Business to business				
Automotive	210.6	169,4	545.7	454.0
ICEpower	21.0	23.3	86.8	115.4
Total business to business	**231.6**	**192,7**	**632.5**	**569.4**
Elimination of internal revenue	-	-	(11.4)	(22.1)
Exchange rate adjustments	-	-	11.6	39.7
Total	**1,258.2**	**1,257.7**	**2,813.9**	**3,007.7**
Denmark	1,107.2	1,132.3	253,7	283.2
Rest of world	151.0	125.4	2,560.2	2,724.5
Total	**1,258.2**	**1,257.7**	**2,813.9**	**3,007.7**

Non-current assets do not include deferred tax assets, pension assets and non-current financial instruments.

Bang & Olufsen Group has no transactions with individual customers which make up more than 10% of the Group's revenue.

99% (2011/12; 99%) of the Group's total revenue relates to sale of goods.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)	2012/13	2011/12

2.2 STAFF COSTS

	2012/13	2011/12
Wages and salaries etc.	733.5	726.2
Share-based payment	2.8	6.0
Pensions	55.7	47.3
Other social security costs	46.6	44.6
Total	**838.6**	**824.1**
Expensed as follows:		
Production costs	264.1	259.5
Development costs	236.4	232.3
Distribution- and marketing costs	262.3	250.9
Administration costs	75.8	81.4
Total	**838.6**	**824.1**

	2012/13			2011/12		
Whereof to:	Board	Executive Management	Other key employees	Board	Executive Management	Other key employees
Wages, salaries and fees	3.5	10.2	10.6	3.5	10.7	8.2
Severance pay	-	-	-	-	2.4	-
Pensions	-	-	0.8	-	-	0.6
Bonus	-	-	1.1	-	2.1	0.9
Total	3.5	10.2	12.5	3.5	15.2	9.7
Share-based payment	-	0.3	0.9	-	4.1	0.4
Total remuneration	**3.5**	**10.5**	**13.5**	**3.5**	**19.3**	**10.1**

There are eight other key employees in 2012/13 compared to six other key employees in 2011/12.

Specified as follows:	2012/13	2011/12
Remuneration of Executive Management:	Total remuneration	Total remuneration
Tue Mantoni	4.8	8.1
Henning Bejer Beck	3.2	3.5
John Bennett-Therkildsen	2.5	3.2
Christian Winter (resigned 30.11.2011)	-	4.5
Total	**10.5**	**19.3**

The value of the share-based payment expresses the group income statement effect of allocated share options. 8,727 options have been exercised during the year. The remaining options have not been (and may never be) exercised. Refer to note 4.7 for further information about the Group's share option programme.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)	2012/13	2011/12

2.2 STAFF COSTS (CONTINUED)

Remuneration of the Board:		
Ole Andersen (chairman)	0.8	0.8
Jim Hagemann Snabe (deputy chairman)	0.5	0.2
Jesper Jarlbæk	0.4	0.4
André Loesekrug-Pietri (appointed 21.09.2012)	0.2	-
Rolf Eriksen	0.3	0.3
Alberto Torres	0.4	0.5
Knud Olesen	0.3	0.3
Jesper Olesen	0.3	0.3
Per Østergaard Frederiksen	0.3	0.2
Peter Skak Olufsen (resigned 21.09.2012)	0.1	0.3
Anette Revsgaard Sejbjerg (resigned 23.09.2011)	-	0.1
Niels Bjørn Christiansen (resigned 23.09.2011)	-	0.2
Total	**3.5**	**3.6**

2.3 DEVELOPMENT COSTS

Accounting policies
Development costs, which do not meet the criteria for capitalisation as defined in note 3.1 are recognised in the income statement as development costs along with amortisation and impairment losses on capitalised development projects.

Incurred development costs before capitalisation	475.8	471.5
Hereof capitalised	(250.8)	(279.9)
Incurred development costs after capitalisation	225.0	191.6
Capitalisation (%)	*52.7*	*59.4*
Total amortisation charges and impairment losses on development projects	217.4	145.8
Total	**442.4**	**337.4**

2.4 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

Statutory audit	1.9	4.7
Other assurance services	0.2	0.2
Tax services	1.1	0.6
Other services	0.4	0.3
Total	**3.5**	**5.8**

Ernst & Young were appointed as auditors at the Annual General Meeting on 21 September 2012 in place of Deloitte which was the appointed auditor for the financial year 2011/12.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.5 TAXATION

Accounting policies

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

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

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

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

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

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

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

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

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

SECTION 2

RESULTS FOR THE YEAR

(DKK million)	2012/13	2011/12
2.5 TAXATION (CONTINUED)		
Income statement and other comprehensive income		
Current tax charge/credit	(5.0)	32.0
Adjustment for prior periods, current tax	-	-
	(5.0)	32.0
Change in deferred tax	(44.8)	4.4
Adjustment for prior periods, deferred tax	(3.1)	(0.7)
	(47.9)	3.7
Total taxation charge in the income statement and other comprehensive income	**(52.9)**	**35.7**
Tax recognised in:		
Income statement	(51.8)	30.9
Other comprehensive income	(1.1)	4.8
Total	**(52.9)**	**35.7**

Tax on other comprehensive income relates to change in fair value of derivative financial instruments used as cash flow hedges, and is recognised in retained earnings.

The taxation charge in the income statement that would arise at the standard rate of DK corporation tax is reconciled to the actual tax charge as follows:

	2012/13		2011/12	
Tax calculated on earnings before tax	25.0%	(52.9)	25.0%	26.1
Non-deductible costs and non-taxable income	(1.0%)	2.2	0.7%	0.7
Deviating tax rates in foreign subsidiaries	0.2%	(0.5)	2.0%	2.1
Changes in tax rates	(0.1%)	0.2	-	-
Adjustments to prior periods	1.4%	(3.1)	(0.7%)	(0.7)
Non-capitalised tax loss carry-forwards	1.1%	(2.2)	(4.7%)	(4.9)
Foreign withholding tax	-	-	0.3%	0.3
Non-taxable dividends from subsidiaries	0.3%	(0.6)	(0.2%)	(0.2)
Other	(2.3%)	5.1	7.2%	7.5
Annual effective tax rate/taxation charge in income statement	**24.6%**	**(51.8)**	**29.6%**	**30.9**

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.5 TAXATION (CONTINUED)

Balance sheet

Deferred tax assets	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 2011	(68.2)	17.8	10.2	23.7	157.0	3.6	144.1
Exchange rate adjustment to year-end rate	(0.2)	-	-	(0.4)	-	-	(0.6)
Recognised in the income statement	79.1	(7.1)	1.0	6.3	(90.0)	11.9	1.2
Recognised in other comprehensive income	-	-	-	-	-	(4.8)	(4.8)
Deferred tax assets 31 May 2012	10.7	10.7	11.2	29.6	67.0	10.7	139.9
Recognised in the income statement	64.7	1.6	(3.5)	(9.4)	(0.3)	(11.0)	42.1
Recognised in other comprehensive income	-	-	-	-	-	1.1	1.1
Deferred tax assets 31 May 2013	**75.4**	**12.3**	**7.7**	**20.2**	**66,7**	**0.8**	**183.1**

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

In 2012/13 a deferred tax asset of gross DKK 53.9 million has been recognised in the jointly-taxed Danish companies based on tax loss carry-forwards, which can be indefinitely carried forward (2011/12; DKK 23.0 million). This deferred tax asset has been recognised on the basis of management's expectations of the Group's long-term earnings up to 5 years.

In 2012/13 tax assets of DKK 6.4 million have been partly recognised regarding the US subsidiary (2011/12; DKK 6.0 million). The recognition is based on the expectations to future earnings in the US subsidiary. Unrecognised deferred tax assets amount to DKK 72.2 million (2011/12; DKK 75.4 million). The basis for the unrecognised deferred tax assets includes tax losses of DKK 142.2 million (2011/12; DKK 143.1 million). The tax losses can be carried forward for a period of one to 20 years.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.5 TAXATION (CONTINUED)

Deferred tax	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry forwards	Other	Total
Deferred tax 1 June 2011	8.9	(0.5)	-	(0.3)	-	-	8.1
Recognised in the income statement	(0.2)	-	-	7.5	-	-	7.3
Deferred tax 31 May 2012	8.7	(0.5)	-	7.2	-	-	15.4
Recognised in the income statement	5.4	0.1	(0.3)	(8.5)	(0.7)	2.4	(1.6)
Deferred tax 31 May 2013	**14.1**	**(0.4)**	**(0.3)**	**(1.3)**	**(0.7)**	**2.4**	**13.8**

Deferred tax has been provided for based on local tax rates.

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

2.6 EARNINGS PER SHARE

2012/13	Basic	Diluted
Earnings for the year attributable to equity shareholders of Bang & Olufsen a/s	(159.8)	(159.8)
Weighted average number of shares in issue – million	37.2	37.2
Dilution due to share options	-	0.1
Total weighted average number of ordinary shares in issue – million	37.2	37.2
Earnings per ordinary share	(4.3)	(4.3)

2011/12	Basic	Diluted
Earnings for the year attributable to equity shareholders of Bang & Olufsen a/s	73.3	73.3
Weighted average number of shares in issue – million	36.2	36.2
Dilution due to share options	-	0.1
Total weighted average number of ordinary shares in issue – million	36.2	36.3
Earnings per ordinary share	2.0	2.0

SECTION 3

OPERATING ASSETS AND LIABILITIES

This section contains notes relating to the assets that form the basis for the activities in the Bang & Olufsen Group and the related liabilities.

3.1 INTANGIBLE ASSETS

Accounting policies

Asset class	Recognition	Valuation	Amortisation method	Estimated useful life
Goodwill	When recognising goodwill, the goodwill amount is allocated to those of the Group's activities that generate independent cash flows (cash-generating units). The definition of cash-generating units is in accordance with the managerial structure and the internal management accounting and reporting in the Group.	Goodwill is initially recognised and measured as the difference between on the one hand, the cost price of the acquired company, the value of minority interests in the acquired company and the acquisition-date fair value of previously held equity interests, and, on the other hand, the fair value of the acquired assets, liabilities and contingent liabilities.	N/A	Unlimited – tested for impairment annually.
Development projects (under construction)	Clearly defined and identifiable projects if probable that they can be marketed as new products in a potential market.	Measured at cost price. This comprises costs, including salaries and depreciation/amortisation that relate directly to the development projects, and which are necessary to complete the project from the time when the development project initially meets the criteria for recognition as an asset. Reimbursements and grants are deducted from the cost price. Interest expenses relating to financing of qualifying development projects in the period of construction are recognised in the cost price.	N/A	N/A until completed – tested for impairment annually.
Development projects (completed)		Measured at cost price less accumulated amortisation and impairment losses.	Straight-line	3-6 years for completed development projects, or over remaining term of intellectual property right if less.
Acquired rights	Software, key money and patents.	Measured at cost price less accumulated amortisation and impairment losses.	Straight-line	Over the shorter of the estimated useful life and the term of the contract.

SECTION 3

OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS (CONTINUED)

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

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

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

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

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

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

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.1 INTANGIBLE ASSETS (CONTINUED)

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost					
At 1 June 2011	47.4	166.5	830.1	331.0	1,375.0
Exchange rate adjustment to year-end rate	0.1	-	-	-	0.1
Additions in the year	3.1	1.5	37.6	242.3	284.5
Reimbursements received	-	-	-	(12.1)	(12.1)
Disposals in the year	-	(4.0)	(154.8)	(10.9)	(169.7)
Completed development projects	-	-	211.4	(211.4)	-
At 31 May 2012	50.6	164.0	924.3	338.9	1,477.8
Exchange rate adjustment to year-end rate	(0.2)	-	-	-	(0.2)
Additions in the year	4.1	2.9	75.9	180.3	263.2
Reimbursements received	-	-	-	(10.9)	(10.9)
Disposals in the year	-	-	(9.5)	(0.7)	(10.2)
Completed development projects	-	-	329.4	(329.4)	-
At 31 May 2013	**54.5**	**166.9**	**1,320.1**	**178.2**	**1,719.7**
Amortisation and impairment					
At 1 June 2011	(2.6)	(128.8)	(638.4)	(9.0)	(778.8)
Exchange rate adjustment to year-end rate	(0.2)	-	-	-	(0.2)
Amortisation during the year	-	(10.4)	(143.9)	(1.9)	(156.2)
Reversed amortisation on disposals	-	3.0	154.8	10.9	168.7
At 31 May 2012	(2.8)	(136.2)	(627.5)	-	(766.5)
Exchange rate adjustment to year-end rate	0.2	-	-	-	0.2
Amortisation during the year	-	(10.0)	(217.4)	-	(227.4)
Reversed amortisation on disposals	-	-	9.5	-	9.5
At 31 May 2013	**(2.6)**	**(146.2)**	**(835.4)**	**-**	**(984.3)**
Net book value					
At 31 May 2013	**51.9**	**20.7**	**484.7**	**178.2**	**735.4**
At 31 May 2012	47.8	27.8	296.8	338.9	711.3

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.1 INTANGIBLE ASSETS (CONTINUED)

Impairment losses during the year

Goodwill
The majority of the Group's goodwill (DKK 41.7 million) is related to the acquisition of the Dutch distribution in 2004/05. The goodwill is allocated to the cash-generating unit, which includes the activities in Holland. No impairment losses have been recognised on cash-generating units which include goodwill in 2012/13 and 2011/12 in the Group. The goodwill is included in the AV-segment.

The assessment of the recoverable amount of the cash-generating units which include goodwill is based on calculations of value in use, which is calculated based on expected future cash flows according to the budgets approved by management and forecasts for the coming 5 financial years. The terminal value is determined on the assumption of a growth of 2.0% (2011/12; 2.5%). The growth rate is not expected to exceed the long-term growth rate. A discount rate before tax of 12.8% is used (10% after tax) (2011/12; 10%/8%). Management has based the key assumptions on past experience.

Development projects
During 2012/13 no impairment losses have been recognised on development projects (2011/12; DKK 1.9 million). The impairment losses last year were part of the AV-segment.

The assessment of the recoverable amount of the intangible assets excl. goodwill is based on calculations of value in use of the assets. The value in use is calculated based on expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 12.8% (10% after tax) (2011/12; 10%/8%).

	2012/13	2011/12
Amortisation and impairment losses		
Production costs	5.8	6.5
Development costs	218.8	147.0
Distribution- and marketing costs	2.5	2.4
Administration costs	0.3	0.4
Total	**227.4**	**156.2**

No impairment losses have been recognised in 2012/13.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.2 TANGIBLE ASSETS

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

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

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

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

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

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

Asset class	Asset type	Depreciation policy
Land & Buildings	Land	None
	Buildings	Straight-line over 40 years
	Interior refurbishment/ special installations	Straight-line over 10 years
Plant & machinery	Single purpose production tools	Straight-line over 3-6 years
	Other	Straight-line over 8-10 years
Other equipment	Other equipment	Straight-line over 3-10 years
Leasehold improvements	Leasehold improvements	Straight-line over term of lease, max 10 years
Tangible assets in course of construction	Tangible assets in course of construction	None

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.2 TANGIBLE ASSETS (CONTINUED)

Impairment

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

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

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

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

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

No impairment losses have been recognised on tangible assets during 2012/13 (2011/12; 0).

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.2 TANGIBLE ASSETS (CONTINUED)

	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
Cost						
At 1 June 2011	507.8	1,218.3	198.4	61.9	69.1	2,055.5
Exchange rate adjustment to year-end rate	(5.2)	(2.7)	2.4	5.0	-	(0.5)
Additions in the year	2.1	33.0	8.5	6.2	71.3	121.1
Completed assets	1.8	17.7	1.1	-	(20.6)	-
Disposals in the year	(26.6)	(90.3)	(6.1)	(3.8)	(23.0)	(149.8)
At 31 May 2012	479.9	1,176.0	204.3	69.3	96.8	2,026.3
Exchange rate adjustment to year-end rate	-	0.1	(2.0)	(2.3)	-	(4.2)
Additions in the year	2.0	40.5	5.3	20.8	16.0	83.8
Completed assets	0.9	43.4	-	0.2	(44.5)	-
Disposals in the year	-	(19.1)	(5.0)	(14.4)	(0.8)	(39.3)
At 31 May 2013	**482.8**	**1,240.9**	**202.6**	**72.8**	**67.5**	**2,066.6**
Amortisation and impairment						
At 1 June 2011	(280.0)	(1,054.3)	(167.1)	(46.3)	-	(1,547.7)
Exchange rate adjustment to year-end rate	1.0	2.2	(1.7)	(3.7)	-	(2.2)
Depreciation during the year	(15.4)	(67.7)	(10.7)	(4.9)	-	(98.7)
Reversed depreciation on disposals	24.8	89.4	4.5	3.1	-	121.8
At 31 May 2012	(269.6)	(1,030.4)	(175.0)	(51.8)	-	(1,526.8)
Exchange rate adjustment to year-end rate	-	(0.1)	1.3	1.7	-	2.9
Depreciation during the year	(15.0)	(73.0)	(9.3)	(5.9)	-	(103.2)
Reversed depreciation on disposals	-	18.2	4.8	13.4	-	36.4
At 31 May 2013	**(284.6)**	**(1,085.3)**	**(178.2)**	**(42.6)**	**-**	**(1,590.7)**
Net book value						
At 31 May 2013	**198.2**	**155.6**	**24.4**	**30.2**	**67.5**	**475.9**
At 31 May 2012	210.3	145.6	29.3	17.5	96.8	499.5
Hereof assets held under finance leases	-	-	1.0	-	-	1.0

There are no contractual obligations regarding purchase of tangible assets.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)	2012/13	2011/12

3.2 TANGIBLE ASSETS (CONTINUED)

	2012/13	2011/12
Depreciation and impairment losses		
Production costs	59.6	57.2
Development costs	14.9	10.7
Distribution- and marketing costs	25.9	20.8
Administration costs	2.8	3.2
Total	**103.2**	**91.9**

3.3 INVESTMENT PROPERTY

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

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

Cost	
At 1 June 2011	79.9
At 31 May 2012	79.9
At 31 May 2013	**79.9**
Depreciation and impairment	
At 1 June 2011	(37.2)
Depreciation during the year	(1.4)
At 31 May 2012	(38.6)
Depreciation during the year	(1.3)
At 31 May 2013	**(39.9)**
Net book value	
At 31 May 2013	**40.0**
At 31 May 2012	41.3

Investment properties consist of a property that is used only for rental purposes, and the property that is partly used by the associate Bang & Olufsen Medicom a/s.

External rental income of DKK 2.0 million has been received from the investment properties in 2012/13 (2011/12; DKK 1.9 million), and directly attributed operating expenses were DKK 1.5 million (2011/12; DKK 1.2 million).

The properties are leased on operating leases with a remaining duration of 12 months. According to the existing operating leases a rental income of DKK 2.0 million will be received in 2013/14.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.4 OTHER FINANCIAL RECEIVABLES

Cost	
At 1 June 2011	64.9
Exchange rate adjustment to year-end rate	2.1
Changes in the year	5.0
At 31 May 2012	72.0
Exchange rate adjustment to year-end rate	(1.3)
Changes in the year	(15.3)
At 31 May 2013	**55.4**
Impairment	
At 1 June 2011	(24.8)
Exchange rate adjustment to year-end rate	(1.2)
Impairment reversals/losses during the year	0.6
At 31 May 2012	(25.4)
Exchange rate adjustment to year-end rate	0.5
Impairment reversals/losses during the year	12.8
At 31 May 2013	**(12.1)**
Net book value	
At 31 May 2013	**43.3**
At 31 May 2012	46.6

The fair value of other financial receivables in the Group amounts to DKK 43.3 million (DKK 46.6 million in 2011/12). The fair value is calculated as the present value of the future expected cash flows from the receivables.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.5 WORKING CAPITAL

Accounting policies

Inventories
Inventories are measured at the lower of cost price according to the FIFO principle and net realisable value. The cost price of raw materials, consumables and purchased goods comprises the acquisition price including delivery costs. The cost price of finished goods and work in progress comprises costs of materials and direct labour plus indirect production costs.

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

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

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

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

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

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

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

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)	2012/13	2011/12

3.5 WORKING CAPITAL (CONTINUED)

3.5.1 Inventories

Raw materials	166.5	195.5
Work in progress	22.5	34.1
Spare parts	100.3	129.6
Finished goods	282.8	305.8
Total 31 May	**572.1**	**665.0**

It is group policy that spare parts should be available for a number of years after sale of the product. DKK 50.1 million (2011/12; DKK 69.5 million) are expected to be realised after more than 12 months.

Other disclosures:

Net book value of inventories recognised at net realisable value	-	6.3
Inventory movement recognised in production costs	1,391.7	1,453.6
Impairment of inventories recognised in production costs	29.8	24.4
Reversal of impairment of inventories recognised in production costs	1.2	4.6

Reversal of impairment of inventories is, as in the previous year, a result of better than expected sales of impaired inventories.

3.5.2 Trade receivables

Trade receivables at 31 May (gross)	535.8	650.8
Impairment 1 June	(110.9)	(122.3)
Exchange rate adjustment to year-end rate	0.8	(2.8)
Change in impairment during the year	3.5	(3.7)
Actual losses during the year	14.7	17.9
Impairment 31 May	(91.9)	(110.9)
Trade receivables at 31 May (net)	**443.9**	**539.9**

All trade receivables fall due within one year.

Financial income of DKK 6.8 million (2011/12; DKK 3.3 million) has been recognised in the Group relating to impaired trade receivables.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.5 WORKING CAPITAL (CONTINUED)

Impairment of trade receivables is recognised in distribution and marketing costs in the income statement. The impairment charge is based on an individual assessment of each individual debtor's ability to pay. All overdue trade receivables are provided for, except for those where sufficient collateral has been obtained.

The carrying amount of receivables which fall due within 1 year after the end of the financial year, is expected to be a reasonable approximation of the fair value.

	2012/13	2011/12
Maturity analysis:		
Amounts not due	364.7	450.5
Overdue up to 30 days	6.1	5.0
Overdue between 30 and 60 days	9.4	15.1
Overdue between 60 and 90 days	6.4	3.5
Overdue between 90 and 120 days	7.4	26.8
Overdue more than 120 days	49.8	39.0
Trade receivables at 31 May (net)	**443.9**	**539.9**

For further details about the credit risk associated with the trade receivables, refer to the "Risk management and internal controls"-section in the Report, page 46.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.6 PENSIONS

Accounting policies
The Bang & Olufsen Group has pension plans for certain groups of employees in Denmark and abroad. There are two types of plans; defined contribution plans and defined benefit plans.

Under **defined contribution plans** the Group recognises the pension contributions, which can either be a fixed amount of a fixed percentage of the monthly salary, in the income statement as they are paid to independent pension insurance companies. Any unpaid contributions are recognised in the balance sheet as a liability. Once the contributions have been paid the Group has no further obligations and the individual employee carries the risk for the value of the pension insurance at retirement. All pension plans in Denmark and most pension plans in the foreign subsidiaries are defined contribution plans.

Under **defined benefit plans** the Group has an obligation to pay a fixed amount or a fixed percentage of the salary at retirement. This means that the Bang & Olufsen carries the risk of any changes in the actuarially calculated capital value of the pension plans. Bang & Olufsen currently operates with defined benefit plans in Germany and in Norway.

Annual actuarial calculations are made of the present value of the future benefits that the employees are entitled to. The present value is calculated based on a number of assumptions relating to the future development in salary levels and interest-, inflation-, and mortality rates. The present value of the defined benefit obligation net of the fair value of the plan assets is recognised in the balance sheet as a pension asset or a pension liability.

Changes in the assumptions mentioned above as well as differences between the expected and the realised return on plan assets cause actuarial gains and losses. The actuarial gains and losses are recognised only, if the accumulated gains or losses exceed the highest numerical value of 10 % of the defined benefit obligation or 10 % of the fair value of the plan assets as at the beginning of the financial year (“The Corridor Method”). Amounts that fall outside the corridor are recognised in the income statement over the expected, remaining average number of working years for the employees covered by the plan.

If the defined benefit plan is a net asset, the asset is recognised only if it corresponds to, or is lower than, the sum of unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Changes to the benefits, which relate to the employees’ previous employment in the Group, cause a change in the actuarially calculated present value, which is regarded as past service costs. If the covered employees are immediately entitled to the changed benefit the change is recognised in the income statement at once. Otherwise the change is recognised in the income statement during the period, where the employees become entitled to the changed benefit.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)	2012/13	2011/12
3.6 PENSIONS (CONTINUED)		
Amounts recognised in the income statement:		
Defined contribution plans	53.1	44.8
Defined benefit plans	2.6	2.5
Total pension amount charged to the income statement	55.7	47.3
Amounts recognised in the balance sheet:		
Wholly unfunded defined benefit plans	3.3	3.5
Wholly or partly funded defined benefit plans	23.9	22.7
Present value of defined benefit obligation 31 May	27.2	26.2
Fair value of plan assets	(14.0)	(14.9)
Unrecognised actuarial (gains) and losses	(0.8)	(1.5)
Defined benefit plans obligation 31 May	12.4	9.8
Actual return on plan assets	0.5	0.6

The Group's defined benefit plans are administered by independent pension funds. None of the plan assets are connected to any of the Group companies.

The defined benefit plans in Germany and Norway are partly funded by means of an independent pension fund.

	Germany		Norway	
	2012/13	2011/12	2012/13	2011/12
Actuarial assumptions:				
Calculation rate p.a.	3.5%	4.3%	2.6%	4.0%
Expected salary increase p.a.	1.5%	1.5%	3.5%	4.0%
Expected rate of return p.a.	3.5%	4.0%	4.1%	5.4%

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.6 PENSIONS (CONTINUED)

	2012/13	2011/12
Germany:		
Present value of future payments	17.5	15.5
Fair value of plan assets	(8.4)	(8.3)
Actuarially calculated net obligation	9.1	7.2
Norway:		
Present value of future payments	6.4	7.0
Fair value of plan assets	(5.6)	(6.4)
Unrecognised (gains)/losses	(0.8)	(1.5)
Actuarially calculated net receivable	0.0	(0.9)
Net obligation	9.1	6.3
Wholly unfunded defined benefit plans	3.3	3.5
Defined benefit plans 31 May, net	**12.4**	**9.8**

5 year overview:	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of defined benefit obligation	27.2	26.2	23.8	22.3	26.5
Fair value of plan assets	(14.0)	(14.9)	(14.6)	(14.7)	(20.1)
Deficit, defined benefit plans	13.2	11.3	9.2	7.6	6.4
Experience-based adjustments of defined benefit obligation	1.4	1.7	0.6	1.0	(3.0)
Experience-based adjustments of plan assets for defined benefit plans	(0.0)	(0.1)	(0.4)	(0.6)	(0.5)

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.7 PROVISIONS

Accounting policies
Provisions comprise provisions for warranty, provisions for fairness and other provisions. Provisions for warranty are obligations to repair products within the warranty period, whereas provisions for fairness are obligations to repair products after the end of the warranty period.

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

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

	Warranty and fairness	Employee anniversary benefits	Other obligations	Total
At 1 June 2011	113.4	8.6	15.9	137.9
Exchange rate adjustment to year-end rate	2.3	-	1.4	3.7
Provisions in the year	49.3	0.6	1.6	51.6
Provisions used in the year	(30.5)	(1.0)	(1.5)	(33.0)
Provisions reversed in the year	(18.9)	(0.1)	(0.2)	(19.2)
At 31 May 2012	115.6	8.1	17.3	141.0
Exchange rate adjustment to year-end rate	(1.3)	-	(0.6)	(1.9)
Provisions in the year	26.4	1.0	5.7	33.0
Provisions used in the year	(32.2)	(1.1)	(3.8)	(37.1)
Provisions reversed in the year	(37.6)	-	(0.2)	(37.8)
At 31 May 2013	**70.9**	**8.0**	**18.4**	**97.3**
Falls due 1-5 year	42.5	2.7	7.7	52.8
Falls due after 5 years	-	4.3	0.7	5.0
Non-current provisions	42.5	7.0	8.4	57.9
Falls due within one year	28.4	0.9	10.1	39.4
At 31 May 2013	**70.9**	**8.0**	**18.4**	**97.3**

The Group provides 2-5 years of warranty on certain products and is therefore committed to repairing or replacing products which do not function satisfactorily. Some products are repaired after the end of the warranty period, and a provision is made regarding this potential fairness claim.

Provisions of DKK 70.9 million (2011/12; DKK 115.6 million) have been recognised at 31 May to cover expected warranty and fairness claims. The size and timing of the provisions are based on previous experience of the level and timing of repairs and returns. No reimbursements will be received from third parties to cover the provisions.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

This section contains notes relating to the capital structure and financial items of the Bang & Olufsen Group.

4.1 MORTGAGE LOANS AND LOANS FROM BANKS

Accounting policies
Fixed interest loans, such as mortgage loans or bank loans, are recognised at the date of the loan at the received proceeds less transaction costs. In subsequent periods, the loans are measured at amortised cost price. This means, that the difference between the proceeds from the raising of the loan and the amount, that must be repaid, is recognised in the income statement during the term of the loan as a financial cost using the effective interest method.

The fair value is calculated as the present value of the expected future instalments and interest payments.

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

4.1.1 Mortgage loans

	Falls due within 1 year	Falls due 1-5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate 4.1%	2.0	8.7	20.7	29.4
Floating rate loans, interest rate level 2.0 - 3.0 %	4.9	20.6	156.1	176.7
Book value 31 May 2013	**6.8**	**29.3**	**176.8**	**206.1**
Fixed rate loans, interest rate 4.1 %	1.9	8.4	23.0	31.4
Floating rate loans, interest rate level 2.0 - 3.0 %	4.7	20.1	161.4	181.5
Book value 31 May 2012	6.6	28.5	184.4	212.9

The fair value of the Group's mortgage loans amounts to DKK 216.4 million (2011/12; DKK 226.3 million). All loans are in DKK.

4.1.2 Loans from banks

The Group has a current draw of DKK 150.0 million (2011/12; DKK 150.0 million) on a committed facility with Nordea. This is also the fair value. This is an ongoing line of credit.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.2 FINANCIAL ITEMS

Accounting policies
Financial items include interest income and cost, realised and unrealised capital gains and losses on securities, liabilities, and transactions in foreign currency as well as charges and refunds under the instalment payment tax scheme.

	2012/13	2011/12
Interest income from banks	0.5	0.5
Other financial income	8.1	8.9
Financial income	8.6	9.4
Interest costs on bank loans etc	8.6	6.6
Interest costs on mortgage loans	10.8	10.0
Exhchange rate losses, net	5.9	5.1
Other financial costs	7.9	3.8
Financial costs	33.2	25.5

All financial income and costs are related to financial assets and liabilities, which are not measured at fair value in the income statement.

4.3 FINANCIAL INSTRUMENTS

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

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

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

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

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

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

Monetary items in the consolidated balance sheet at 31 May (cash and cash equivalents and receivables and payables settled in cash) are detailed below (in DKK):

		2012/13			2011/12		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	Current	280.2	(134.2)	146.0	345.9	(143.4)	202.5
	Non-current	10.9	(6.1)	4.8	6.9	(0.8)	6.1
GBP	Current	69.0	(13.7)	55.3	96.0	(18.1)	77.9
	Non-current	7.2	-	7.2	13.4	-	13.4
SEK	Current	14.1	(1.1)	13.0	17.2	(4.2)	13.0
	Non-current	-	-	-	0.3	-	0.3
CHF	Current	23.8	(5.3)	18.5	61.8	(7.8)	54.0
	Non-current	-	-	-	-	-	-
USD	Current	57.0	(62.2)	(5.2)	50.6	(112.5)	(61.9)
	Non-current	1.1	(4.7)	(3.6)	1.8	(14.3)	(12.5)
CNY	Current	56.4	(22.0)	34.4	-	-	-
	Non-current	-	-	-	-	-	-
HKD	Current	62.2	(1.7)	60.5	16.8	(3.7)	13.1
	Non-current	-	-	-	-	-	-
SGD	Current	12.0	(1.0)	11.0	27.3	(4.2)	23.1
	Non-current	-	-	-	-	-	-
Other	Current	52.4	(23.1)	29.3	63.8	(32.2)	31.6
	Non-current	-	(1.0)	(1.0)	1.8	(7.4)	(5.6)

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments:

	2012/13		2011/12	
	Fair value	Amortised cost	Fair value	Amortised cost
Other financial receivables	43.3	43.3	46.6	46.6
Trade receivables	443.9	443.9	539.9	539.9
Receivables from associates	1.8	1.8	2.4	2.4
Other receivables ex forex forward contracts	37.7	37.7	42.1	42.1
Cash	145.9	145.9	159.1	159.1
Loans and receivables	672.6	672.6	790.1	790.1
Other non-current liabilities	3.1	3.1	0.9	0.9
Mortgage loans	216.4	212.9	226.3	219.5
Loans from banks	150.0	150.0	150.0	150.0
Overdraft facilities	56.2	56.2	37.8	37.8
Trade payables	295.3	295.3	384.8	384.8
Other payables ex forex forward contracts	226.9	226.9	259.9	259.9
Financial liabilities	947.9	944.4	1,059.7	1,052.9

Foreign exchange contracts are measured at fair value in the balance sheet. The fair value is based on observable market data and is part of the fair value hierarchy and in the category financial assets and liabilites used as hedging instruments. The fair value is DKK 4.0 million (2011/12; DKK 8.3 million).

Please refer to the section 'Risk Management and Internal Controls' in the Report on page 45 for a detailed description of the Group's management of financial risks.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange contracts
As at 31 May 2013 the Group has entered into foreign exchange forward contracts for future sales and purchase at a repurchase value of DKK 42.0 million (DKK 41.5 million as at 31 May 2012), with a fair value of DKK 4.0 million (DKK 8.3 million as at 31 May 2012).

Foreign exchange contracts, net sale (purchase)

	31 May 2013		31 May 2012	
	Contractual value	Fair value	Contractual value	Fair value
USD	(177.7)	2.5	(283.1)	16.1
GBP	42.2	0.3	182.4	(8.9)
CHF	136.5	1.7	167.5	(1.5)
Other	41.0	(0.5)	(25.3)	2.6
Total	**42.0**	**4.0**	**41.5**	**8.3**

Sensitivity analysis
Effect on Group EBIT and equity based on 5% change in selected currencies compared to average annual rates estimated on unhedged basis.

	EBIT		Equity	
	2012/13	2011/12	2012/13	2011/12
USD	(13.1)	(18.8)	(9.9)	(14.1)
GBP	7.0	8.7	5.2	6.5
CHF	8.7	10.3	6.5	7.7
Other	5.3	6.7	4.1	5.0
Total	**7.9**	**6.9**	**5.9**	**5.1**

Bang & Olufsen's equity is also exposed to foreign exchange rate risks relating to translation of the Group's foreign subsidiaries from local currency to DKK.

Defaults or breaches on loans
No loan agreements have been defaulted or breached in 2012/13 or 2011/12.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.4 CAPITAL STRUCTURE

Based on the company's result and to have sufficient funds to support the strategic initiatives, the Board of Directors proposes to the General Meeting that no dividend be paid out for the 2012/13 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results justify it.

Bang & Olufsen operates in an industry with frequent and significant changes in technology, and therefore, the Group will from time to time be faced with small or medium-sized investment opportunities within new business areas and new fields of technology. The product distribution largely takes place through partner-owned retail shops. But in certain markets it might from time to time be necessary for the Group to acquire established retail networks or open new stores. For these reasons and to ensure adequate reserves to implement the "Leaner, Faster, Stronger" strategy and manage the considerable seasonal variations in the company's income, Bang & Olufsen must maintain an adequate capital reserve.

The company will, when financial resources again allow it, formulate coherent strategies for capital structure and shareholder remuneration

4.5 SHARE CAPITAL

Accounting policies

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

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

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

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

The reserve is a distributable reserve.

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

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

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.5 SHARE CAPITAL (CONTINUED)

	Issued shares			
	Number		Nominal value (DKK mio)	
	2012/13	2011/12	2012/13	2011/12
1 June	36,244,014	36,244,014	362.4	362.4
Capital increase	3,026,421	-	30.3	-
31 May	**39,270,435**	**36,244,014**	**392.7**	**362.4**

The share capital consists of 39,270,435 shares with a nominal value of 10 DKK. Each share gives one vote. No shares have special rights. There are no limitations to transferability and no voting restrictions. All new shares have been subscribed for by Sparkle Roll Holdings Limited and A CAPITAL Bravo Holding S.à.r.l at a market price of DKK 60.22 per share of DKK 10. The 3,026,421 new shares have been issued without pre-emption rights for the company's existing shareholders.

	2012/13	2011/12	2010/11	2009/10	2008/09
Specification of movements in the share capital:					
Share capital	362.4	362.4	362.4	120.8	120.8
Capital increase	30.3	-	-	241.6	-
Share capital	392.7	362.4	362.4	362.4	120.8

Own shares

	Number		Nominal value (DKK mio)		% of share capital	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
1 June	95,207	42,650	1.0	0.4	0.3	0.1
Used in connection with allocation of employee shares	(8,727)	(18,893)	(0.1)	(0.2)	(0.0)	(0.1)
Acquired to cover employee share option programmes	15,541	71,450	0.2	0.7	0.0	0.2
31 May	**102,021**	**95,207**	**0.9**	**1.0**	**0.3**	**0.3**

All own shares are owned by Bang & Olufsen a/s

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.6 COSTS RELATING TO CAPITAL INCREASE

On 19 July 2012 it was announced (company announcement 12.06) that Bang & Olufsen had entered into a strategic partnership with Sparkle Roll Holdings Limited and A CAPITAL China Outbound Fund, FCP-SIF and A CAPITAL Bravo Holding S.à.r.l. in order to further accelerate the growth of the Bang & Olufsen brand in China. As part of the strategic partnership Sparkle Roll and A CAPITAL subscribed for new shares corresponding to 6.63% and 1.72% of the existing share capital respectively at market price through a directed share issue.

The following costs have been recognised directly in equity in relation to the capital increase:

	2012/13	2011/12
Legal fees	1.3	-
Consultancy fees	2.0	-
Issuance fees	0.3	-
Total	**3.6**	**-**

4.7 SHARE-BASED PAYMENT AND EMPLOYEE SHARES

Accounting policies

Share-based incentive programmes
Share-based incentive programmes, in which Executive Management and select other key employees are given the right to buy shares in the parent company (equity-settled programmes), are measured at the fair value of the equity instruments at grant date and are recognised in the income statement as part of staff costs during the period where the employees become entitled to buy the shares. The other side of the entry is recognised directly in equity.

The fair value of the equity instruments is calculated on the basis of the Monte Carlo simulation model based on the assumptions listed on page 98.

Share options have been granted on one occasion in the financial year 2012/13.

Employee shares
Employee shares have been granted to the employees in the Danish companies of the Bang & Olufsen Group at no cost for the employees. The discount element of the employee shares is recognised at the grant date as an expense in the income statement. The other side of the entry is recognised directly in equity. The discount element equals the fair value of the Bang & Olufsen share at the grant date. The tax effect of the employee share programme is taken into consideration.

No employee shares have been granted in the financial year 2012/13. In the financial year 2011/12 18.893 shares (0.05% of the share capital at date of grant) were granted at a fair value of DKK 61.50 per share, and DKK 1.2 million were recognised as a staff cost in the group income statement.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.7 SHARE-BASED PAYMENT AND EMPLOYEE SHARES (CONTINUED)

Share-based payment
The Bang & Olufsen Group's share option programme extends to Executive Management and a number of key employees in the Group. As at 31 May 2013, the total pool of options amount to 2.882.254 options, which can be exercised in the period 2013-2016. Vesting of the share options is dependent on the recipient of the option being employed during the vesting period. There are no further vesting conditions for the options.

However, for the 1.250.000 options granted to the CEO cf company announcement 10.16 from 14 March 2011 there are certain demands regarding development in share price and EBITDA performance. This is also the case for the 640.283 options and the 333.361 options which have been granted to Executive Management and a group of key employees cf company announcements 11.13 and 12.17 respectively.

The share options can only be settled with shares. To a limited extent, Bang & Olufsen a/s has purchased own shares to cover the obligation for the outstanding options. The shares are recognised directly in the equity. The holding of own shares totals 102,021 shares as at 31 May 2013 (95,207 shares as at 31 May 2012).

	2012/13		2011/12	
	Number of options	Avg. exercise price per option (DKK)	Number of options	Avg. exercise price per option (DKK)
Outstanding at 1 June	2,561,457	83	2,268,195	99
Granted	344,929	81	645,024	67
Exercised	(8,727)	58	-	-
Expired	-	-	(351,762)	163
Forfeited	(15,405)	72	-	-
Outstanding 31 May	**2,882,254**	**82**	**2,561,457**	**83**

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.7 SHARE-BASED PAYMENT AND EMPLOYEE SHARES (CONTINUED)

Further information about the outstanding stock options:

	2012/13			2011/12		
	Number of options	Avg. exercise price per option (DKK)	Remaining term to maturity (months)	Number of options	Avg. exercise price per option (DKK)	Remaining term to maturity (months)
Outstanding programme 2007/08	126,443	302	2	126,443	302	14
Outstanding programme 2008/09	123,156	103	14	123,156	103	26
Outstanding programme 2009/10	75,355	58	26	84,082	58	38
Outstanding programme 2010/11	341,972	47	38	346,081	47	50
Outstanding programme 2010/11	416,666	69	3	416,666	69	15
Outstanding programme 2010/11	416,667	77	15	416,667	77	27
Outstanding programme 2010/11	416,667	86	27	416,667	86	39
Outstanding programme 2011/12	631,695	67	15	631,695	67	27
Outstanding programme 2012/13	333,631	81	27	-	-	-
Outstanding 31 May 2013	2,882,254	82		2,561,457	83	

	2012/13	2011/12
Staff cost recognised in the income statement	2.8	6.0

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.7 SHARE-BASED PAYMENT AND EMPLOYEE SHARES (CONTINUED)

	Options granted in 2012/13	Options granted in 2011/12
Weighted average fair value (DKK per option)	18	11
The expense recognition according to the Monte Carlo option pricing formula has been based on the following assumptions:		
Weighted average share price (DKK per option)	81	63
Expected volatility, first grant	40.0%	29.0 %
Risk-free interest rate, first grant	0.15%	3.0 %

In 2012/13 and 2011/12 an average dividend addition for the Bang & Olufsen a/s share of 0.00% has been used in the calculation. The expected maturity is fixed to be the end of the vesting period.

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

SECTION 5

OTHER NOTES

This section contains other statutory notes and notes of secondary importance for understanding the financial performance of the Bang & Olufsen Group.

5.1 NON-CASH ITEMS

Accounting policies

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

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

Cash flow from operating activities
Cash flow from operating activities are stated as earnings for the year adjusted for non-cash income statement items and changes to working capital. The working capital is made up of current assets less current liabilities, excluding items, which are recognised as cash and cash equivalents.

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

Free cash flow
Cash produced from operations less the costs of expanding the asset base.

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

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

(DKK million)	2012/13	2011/12
Change in other liabilities	(39.0)	3.9
Financial income	(8.6)	(9.4)
Financial costs	33.2	25.5
Result of investments in associates after tax	(2.6)	0.1
Gain/loss on sale of non-current assets	(1.2)	(8.2)
Tax on earnings for the year	(51.8)	30.9
Other adjustments	3.2	38.8
Total adjustments	**(66.6)**	**81.6**

SECTION 5

OTHER NOTES

(DKK million)

5.2 BUSINESS COMBINATIONS

Accounting policies

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

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

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

SECTION 5

OTHER NOTES

(DKK million)

5.2 BUSINESS COMBINATIONS (CONTINUED)

	2011/12 B&O Hong-Kong Pty Ltd
The assumed fair value of acquired assets and liabilities is as follows:	
Other equipment	1.3
Total non-current assets	**1.3**
Inventories	7.2
Total current assets	**7.2**
Other liabilities	-
Total current liabilities	**-**
Acquired net assets	**8.5**
The purchase price is as follows:	
Cash	12.9
Total purchase price	**12.9**
Goodwill	**4.4**
Cash flow for acquisition:	
Cash payment	(12.9)
Less cash and cash equivalents in acquired business	-
Cash outflow for acquisition	**(12.9)**

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

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

On 1 June 2013 Bang & Olufsen took over 20 shops from the previous master dealer Richcom in mid-China (including Beijing and Shanghai). Bang & Olufsen now owns and operates 31 out of the 36 stores in total in China and Hong Kong. The purchase price is expected to be in the level of DKK 35 million.

Bang & Olufsen has also taken over the master dealer responsibility in Brazil to ensure an increased penetration in this market.

SECTION 5

OTHER NOTES

(DKK million)

5.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Rental and leasing commitments for operating leases
The Group has entered into a number of operating leases and rental agreements regarding plant and machinery, shops and other property. There is a big diversity in the length of the agreements. The longest agreement has a term term of 10 years. All agreements contain conditions regarding renewal. The Group is entitled to determine, whether or not the agreements are renewed. None of the agreements impose restrictions in the Group's rights of disposal.

	2012/13	2011/12
Leasing commitments:		
Plant and machinery etc.	40.9	43.0
Establishment of shops	190.4	147.2
Office and factory property	83.9	86.5
Total	**315.2**	**276.7**
Maturity:		
Due within 1 year	99.2	73.6
Due 1 - 5 years	194.9	174.8
Due after 5 years	21.1	28.3
Total	**315.2**	**276.7**
Rental and lease payments, net for the year	102.4	81.0
Minimum rental and lease payments	102.4	81.0

No contingent rental or lease payments have been recognised in the income statement in 2012/13 or 2011/12.

In connection with the establishment of shops in previous financial years, the Group has entered into a number of long-term rental agreements. The agreements include conditions concerning the right to sublet.

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

Guarantees

Total guarantees as at 31 May	15.1	15.1

DKK 1.3 million (2011/12; DKK 4.0 million) relate to associates.

None of the guarantees are expected to result in losses.

SECTION 5

OTHER NOTES

(DKK million)

5.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

VAT and other taxes
The Danish companies in the Group are jointly registrated and are jointly and severally liable for VAT and other taxes of a total of DKK 10.8 million (2011/12; DKK 24.1 million).

Mortgages and securities
Land and buildings and investment property have been mortgaged in the amount of DKK 378.2 million (2011/12; DKK 385.5 million) as security for DKK 212.9 million of the Group's mortgage and bank debt (2011/12; DKK 219.5 million).

Other tangible non-current assets relating to the land and buildings and investment property are included in the mortgages The carrying amount of the Group's mortgaged land and buildings and investment property is DKK 157.9 million (2011/12; DKK 167.7 million). No intangible assets, financial assets or inventories are pledged as security for liabilities.

As security for all receivables and payables with Nordea a statement has been made to the effect that no shares in the subsidiaries of Bang & Olufsen a/s can be sold or pledged as security without the consent of the banks.

Lawsuits
The companies in the Group are parties to a few pending lawsuits. The management assesses that the outcome of the lawsuits will not materially influence the Group's financial position. In accordance with the exemption clause in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', no further information is given regarding the lawsuits, as further information might harm the Group.

SECTION 5

OTHER NOTES

(DKK million)

5.4 RELATED PARTIES

No related parties have a controlling influence in the Bang & Olufsen Group.

The related parties that have significant influence in the Bang & Olufsen Group, are the Board of Directors, Executive Management and other key management personnel in other companies in the Group and the close family members of these persons. Related parties also include companies in which these persons have significant interests.

The related parties in Bang & Olufsen a/s and the Bang & Olufsen Group also comprise the associates Bang & Olufsen Medicom a/s and John Bjerrum Nielsen A/S, in which Bang & Olufsen a/s has significant influence.

Bang & Olufsen's share in subsidiaries and associates is shown in Note 5.8.

Board of Directors, Board of Management and other key management personnel
Except from what follows from the employment and shareholdings, if any, there have been no transactions with the Board of Directors, Executive Management and other key management personnel. Remuneration and share option programmes are shown in notes 2.3 and 4.7.

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

Associates
The transactions with the associates have included the following:

	2012/13	2011/12
Purchase of raw materials	(12.5)	(10.6)
Purchase of services	(0.6)	(0.3)
Rental income	1.6	1.6
Rendering of services	1.3	2.7

The Group has a net receivable with associated companies of DKK 1.8 million (2011/12; DKK 2.4 million). The outstanding balances carry interest. Terms of payment on outstanding balances for purchase of goods are current month + 30 days. All receivables fall due within 1 year.

The fair value of the receivables are DKK 1.8 million (2011/12; DKK 2.4 million). The book value is expected to be a reasonable approximation of the fair value.

There are no securities regarding the outstanding balances. There has been no need for write-down of outstanding balances, and no actual losses have been incurred in 2012/13 and 2011/12.

Other transactions
No other transactions have taken place with related parties.

SECTION 5

OTHER NOTES

(DKK million)

5.5 EVENTS AFTER THE BALANCE SHEET DATE

On 1 June 2013 Bang & Olufsen took over 20 shops from the previous master dealer Richcom in mid-China (including Beijing and Shanghai). Bang & Olufsen now owns and operates 31 out of the 36 stores in total in China and Hong Kong. The purchase price is expected to be in the level of DKK 35 million.

5.6 APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

At the Board meeting held on 16 August 2013 the Board of Directors have approved the publication of this Annual Report. The Annual Report will be presented for adoption at the ordinary Annual General Meeting of Bang & Olufsen a/s on 19 September 2013.

SECTION 5

OTHER NOTES

(DKK million)

5.7 COMPANIES IN THE BANG & OLUFSEN GROUP

Company name	Domicile	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Bang & Olufsen a/s	Struer, DK	DKK	392,704,350		
Bang & Olufsen Operations a/s	Struer, DK	DKK	156,000,000	100 %	
Scandinavia					
Bang & Olufsen Danmark a/s	Struer, DK	DKK	3,000,000	100 %	
Bang & Olufsen AS	Oslo, N	NOK	3,000,000	100 %	
Bang & Olufsen Svenska AB	Stockholm, S	SEK	4,150,000	100 %	
Central Europe					
Bang & Olufsen Deutschland G.m.b.H.	München, D	EUR	1,022,584	100 %	
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulln, A	EUR	1,744,148	100 %	
United Kingdom/Benelux					
Bang & Olufsen United Kingdom Ltd.	Berkshire, GB	GBP	2,600,000	100 %	2
S.A. Bang & Olufsen Belgium N.V.	Dilbeek, B	EUR	942,000	100 %	
Bang & Olufsen b.v.	Naarden, NL	EUR	18,000	100 %	
Rest of Europe					
Bang & Olufsen France S.A.	Levallois-Perret, F	EUR	3,585,000	100 %	1
Bang & Olufsen España S.A.	Madrid, E	EUR	1,803,036	100 %	2
Bang & Olufsen Italia S.p.A.	Milano, I	EUR	774,000	100 %	
North America					
Bang & Olufsen America Inc.	Arlington Heights, USA	USD	34,000,000	100 %	3
Asia					
Bang & Olufsen Japan K. K.	Tokyo, JP	JPY	100,000,000	100 %	
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100 %	
Bang & Olufsen Wholesale Pty Ltd	Armadale, AUS	AUD	6,000,001	100 %	3
Bang & Olufsen Hong-Kong Pty Ltd	Hong Kong, HK	HKD	1,000,000	100 %	1
Bang & Olufsen Trading (Shanghai) Ltd	Shanghai, CN	CNY	16,000,000	100 %	
Middle East					
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
Other					
Bang & Olufsen Expansion a/s	Struer, DK	DKK	7,000,000	100 %	
Bang & Olufsen s.r.o	Koprivnice, CZ	CZK	187,800,000	100 %	
B&O PLAY a/s	Struer, DK	DKK	7,500,000	100 %	
Bang & Olufsen ICEpower a/s	Lyngby-Tårbæk, DK	DKK	1,939,750	100 %	
Bang & Olufsen OÜ	Tallin, EE	EEK	40,000	100 %	
Associates					
John Bjerrum Nielsen A/S	Bramming, DK	DKK	10,000,000	33 %	
Bang & Olufsen Medicom a/s	Struer, DK	DKK	11,920,918	33 %	

Dormant companies have not been included

SECTION 5

OTHER NOTES

(DKK million)

5.8 KEY FIGURE DEFINITIONS

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

EBITDAC
Earnings before interest, tax, depreciation, amortisation, impairment losses, capitalisation of development projects and result of investments in associates after tax

EBITDA
Earnings before interest, tax, depreciation, amortisation, impairment losses and result of investments in associates after tax

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

EBITDA-margin, %
EBITDA x 100/Revenue

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

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

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

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

Return on equity, %
Earnings for the year excl. minority interests x 100/Average equity excl. minority interest

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

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

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

ANNUAL ACCOUNTS FOR BANG & OLUFSEN A/S

PARENT COMPANY

CONTENTS – BANG & OLUFSEN A/S

Notes

INCOME STATEMENT FOR BANG & OLUFSEN A/S 1 JUNE – 31 MAY

(DKK million)	Notes	2012/13	2011/12
Revenue	3	**383.9**	**546.1**
Production costs	4	(204.2)	(232.1)
Gross profit		**179.7**	**314.0**
Development costs	4,5	(427.1)	(412.8)
Distribution and marketing costs	4	(113.9)	-
Administration costs	4	(88.0)	(17.9)
Operating profit (EBIT)		**(449.3)**	**(116.7)**
Dividend from subsidiaries		0.8	37.8
Financial income	6	19.2	33.0
Financial expenses	6	(36.6)	(36.7)
Financial items, net		(17.4)	(3.7)
Earnings before tax (EBT)		**(465.9)**	**(82.6)**
Income tax	7	115.0	30.4
Earnings for the year		**(350.8)**	**(52.2)**

STATEMENT OF COMPREHENSIVE INCOME FOR BANG & OLUFSEN A/S 1 JUNE – 31 MAY

(DKK million)	Notes	2012/13	2011/12
Earnings for the year		**(350.8)**	**(52.2)**
Change in fair value of derivative financial instruments used as cash flow hedges		-	10.9
Tax on other comprehensive income	7	-	(2.7)
Other comprehensive income for the year, net of tax		**-**	**8.2**
Total comprehensive income for the year		**(350.8)**	**(44.0)**

BALANCE SHEET FOR BANG & OLUFSEN A/S AT 31 MAY

(DKK million)	Notes	31/5/13	31/5/12
Goodwill		3.2	3.2
Acquired rights		19.9	26.7
Completed development projects		482.6	292.4
Development projects in progress		159.3	317.1
Intangible assets	8,11	**665.0**	**639.4**
Land and buildings		64.3	67.9
Plant and machinery		4.3	5.0
Other equipment		7.3	9.3
Leasehold improvements		1.3	-
Tangible assets in course of construction and prepayments of tangible assets		0.9	1.7
Tangible assets	9,11	**78.1**	**83.9**
Investment property	10	**93.6**	**99.8**
Investments in subsidiaries	12	726.8	726.8
Investments in associates		7.7	8.1
Other financial receivables		4.7	3.0
Financial assets		**739.2**	**737.9**
Deferred tax assets		**129.1**	**75.5**
Total non-current assets		**1,705.0**	**1,636.5**
Inventories		**0.3**	**0.3**
Trade receivables		-	1.0
Receivables from subsidiaries	19	1,200.6	517.0
Corporation tax receivable		0.4	-
Other receivables		6.2	18.7
Prepayments		8.4	3.9
Total receivables		**1,215.6**	**540.6**
Cash		**50.8**	**75.8**
Total current assets		**1,266.7**	**616.7**
Total assets		**2,971.7**	**2,253.2**

BALANCE SHEET FOR BANG & OLUFSEN A/S AT 31 MAY

(DKK million)	Notes	31/5/13	31/5/12
Share capital	13	392.7	362.4
Retained earnings	13	1,160.3	1,360.5
Total equity		**1,553.0**	**1,722.9**
Provisions		3.0	2.9
Mortgage loans	14	206.1	212.9
Total non-current liabilities		**209.1**	**215.8**
Mortgage loans	14	6.8	6.6
Loans from banks	14	150.0	150.0
Overdraft facilities		56.2	36.7
Provisions		0.3	0.2
Trade payables		65.9	38.4
Debt to subsidiaries	19	864.1	10.3
Corporation tax payable		0.1	0.1
Other liabilities		66.2	72.2
Total current liabilities		**1,209.6**	**314.6**
Total liabilities		**1,418.7**	**530.3**
Total equity and liabilities		**2,971.7**	**2,253.2**

CASH FLOW STATEMENT FOR BANG & OLUFSEN A/S 1 JUNE – 31 MAY

(DKK million)	Notes	2012/13	2011/12
Earnings for the year		(350.8)	(52.4)
Amortisation, depreciation and impairment losses		232.7	171.9
Adjustments for non-cash items	16	(32.4)	72.2
Change in receivables		(675.0)	(12.7)
Change in inventories		-	(0.1)
Change in trade payables etc		875.8	(85.8)
Cash flow from operations		**50.3**	**93.1**
Interest received		19.2	33.0
Interest paid		(36.7)	(36.7)
Income tax paid		(0.4)	-
Cash flow from operating activities		**32.4**	**89.4**
Purchase of intangible non-current assets		(250.6)	(274.9)
Purchase of tangible non-current assets		(6.6)	(5.7)
Purchase of investment property		(0.1)	(0.4)
Investment in subsidiary		-	(10.8)
Sales of tangible non-current assets		-	7.5
Received reimbursements, intangible non-current assets		10.9	12.1
Capital increase, Bang & Olufsen Medicom a/s		-	(1.7)
Change in financial receivables		(1.7)	-
Cash flow from investing activities		**(248.1)**	**(273.9)**
Free cash flow		**(215.7)**	**(184.5)**
Repayment of long-term loans		(6.7)	(6.6)
Proceeds from short-term borrowings		-	150.0
Capital increase		178.7	-
Purchase of own shares		(1.3)	(4.3)
Sale of own shares		0.5	-
Cash flow from financing activities		**171.2**	**139.1**
Change in cash and cash equivalents		**(44.5)**	**(45.4)**
Cash and cash equivalents, 1 June		39.1	84.6
Exchange rate adjustment, cash and cash equivalents		0.0	(0.1)
Cash and cash equivalents, 31 May		**(5.4)**	**39.1**
Cash and cash equivalents:			
Cash		50.8	75.8
Current overdraft facilities		(56.2)	(36.7)
Cash and cash equivalents 31 May		**(5.4)**	**39.1**

STATEMENT OF CHANGES IN EQUITY FOR BANG & OLUFSEN A/S 1 JUNE – 31 MAY

(DKK million)	Shareholders of the parent company			Total
	Share capital	Reserve for cash flow hedges	Retained earnings	
Equity 1 June 2012	**362.4**	**-**	**1,360.5**	**1,722.9**
Earnings for the year	-	-	(350.8)	(350.8)
Other comprehensive income, net of tax	-		-	-
Comprehensive income for the year	-	-	(350.8)	(350.8)
Capital increase	30.3	-	152.2	182.3
Costs relating to capital increase	-	-	(3.6)	(3.6)
Grant of share options	-	-	2.8	2.8
Purchase of own shares	-	-	(1.3)	(1.3)
Sale of own shares	-	-	0.5	0.5
Equity 31 May 2013	**392.7**	**-**	**1,160.3**	**1,553.0**
Equity 1 June 2011	**362.4**	**(10.9)**	**1,412.7**	**1,764.2**
Earnings for the year	-	-	(52.4)	(52.4)
Other comprehensive income, net of tax	-	10.9	(2.7)	8.2
Comprehensive income for the year	-	10.9	(54.9)	(44.2)
Employee shares	-	-	1.2	1.2
Grant of share options	-	-	6.0	6.0
Purchase of own shares	-	-	(4.3)	(4.3)
Equity 31 May 2012	**362.4**	**-**	**1,360.5**	**1,722.9**

NOTES

(DKK million)

1 APPLIED ACCOUNTING PRINCIPLES

The financial statements for 2012/13 for Bang & Olufsen a/s has been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and further Danish disclosure requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

Accounting policies for the parent company are unchanged from the last financial and are identical to accounting policies in the Bang & Olufsen Group financial statements, except for the items below. For a description of the accounting policies of the Group please refer to the consolidated financial statements on pages 57-59 and relevant notes.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured at cost. If the cost exceeds the investment's recoverable amount, the carrying amount is reduced to this lower amount.

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

Dividend
Dividend from investments in subsidiaries and associates is recognised, when the final right to receive the dividend is established. This is typically at the time of the Annual General Meeting's approval of the distribution of dividend from the company in question.

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

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

Investment property consist of a number of properties which are owned with the purpose of renting them to other Group companies, and the property that is partly used by the associate Bang & Olufsen Medicom a/s.

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

NOTES

(DKK million)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The following accounting estimates are assessed to be material for the parent company financial statements.

Development projects
Development costs are capitalised only after technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the product is to be determined. Management has assessed that the amortisation period is usually 3-6 years. The amounts capitalised as development projects was DKK 641.9 million as at 31 May 2013 (DKK 609.5 million as at 31 May 2012).

Deferred tax assets
Deferred tax assets are recognised in the balance sheet at the value, the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be set-off against future positive taxable income. At each balance sheet date it is assessed, if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised. The deferred tax assets amount to DKK 129.1 million as at 31 May 2013 (DKK 75.5 million as at 31 May 2012).

NOTES

(DKK million)	2012/13	2011/12
3 REVENUE		
Geographical split		
Denmark	380.7	542.2
Rest of world	3.2	3.9
Total	**383.9**	**546.1**
Functional split:		
Sale of goods	3.2	3.9
Sale of services	2.8	80.1
Royalty	300.0	381.7
Rental income	77.9	80.4
Total	**383.9**	**546.1**

4 STAFF COSTS

Wages and salaries etc.	291.6	297.9
Share-based payment	1.1	3.8
Pensions	21.8	21.8
Other social security costs	2.7	3.0
Total	**317.2**	**326.5**
Expensed as follows:		
Production costs	77.8	118.9
Development costs	162.7	197.9
Distribution and marketing costs	43.4	-
Administration costs	33.4	9.7
Total	**317.2**	**326.5**
Average number of full-time employees	601	622

The pension costs all relates to pension contributions under defined contribution plans. The parent company recognises the pension contributions, which can either be a fixed amount of a fixed percentage of the monthly salary, in the income statement as they are paid to independent pension insurance companies. Any unpaid contributions are recognised in the balance sheet as a liability. Once the contributions have been paid the Group has no further obligations and the individual employee carries the risk for the value of the pension insurance at retirement.

Refer to note 2.2 in the consolidated financial statements for further information about the remuneration of the Board of Directors, Executive Management and other key employees.

NOTES

(DKK million)	2012/13	2011/12

5 DEVELOPMENT COSTS

Incurred development costs before capitalisation	470.4	544.0
Herof capitalised	(247.7)	(273.4)
Incurred development costs after capitalisation	222.7	270.6
Capitalisation (%)	*47.3*	*50.3*
Total amortisation charges and impairment losses on development projects	204.4	142.2
Total	**427.1**	**412.8**

6 FINANCIAL ITEMS

Interest income from banks	1.2	0.2
Interest income from subsidiaries	18.0	18.4
Exchange rate gains, net	-	11.2
Other financial income	-	3.2
Financial income	**19.2**	**33.0**
Interest costs on bank loans	6.5	6.5
Interest costs on mortgage loans	10.8	10.0
Interest costs to subsidiaries	9.8	9.4
Exhchange rate losses, net	4.4	8.8
Other financial costs	5.1	2.0
Financial costs	**36.6**	**36.7**

All financial income and costs are related to financial assets and liabilities, which are not measured at fair value in the income statement.

NOTES

(DKK million)	2012/13	2011/12

7 TAXATION

Income statement and other comprehensive income

	2012/13	2011/12
Adjustment to prior periods, current tax	0.6	-
	0.6	-
Change in deferred tax	(115.6)	(27.0)
Adjustment to prior periods, deferred tax	-	(0.7)
	(115.6)	(27.7)
Total taxation charge in the income statement	(115.0)	(27.7)
Tax recognised in:		
Income statement	(115.0)	(30.4)
Other comprehensive income	-	2.7
	(115.0)	(27.7)

Tax on other comprehensive income relates to change in fair value of derivative financial instruments used as cash flow hedges, and is recognised in retained earnings. All financial instruments were transferred to Bang & Olufsen Operations in the financial year 2011/12.

The taxation charge that would arise at the standard rate of DK corporation tax is reconciled to the actual tax charge as follows:

	2012/13		2011/12	
Tax calculated on earnings before tax	25.0%	(116.4)	25.0%	(20.6)
Non-deductible costs and non-taxable income	(0.2%)	1.0	(0.5%)	0.4
Adjustments for prior periods	(0.1%)	0.6	0.8%	(0.7)
Non-taxable dividends from subsidiaries	0.0%	(0.2)	11.5%	(9.5)
Other	0.0%	-	0.0%	-
Annual effective tax rate/taxation charge in income statement	24.7%	(115.0)	36.9%	(30.4)

Income tax paid including on-account payments for the jointly-taxed Danish companies amounts to DKK 0.4 million (2011/12; DKK 0 milliion)

NOTES

(DKK million)

7 TAXATION (CONTINUED)

Balance sheet

	Non-current assets	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets						
Deferred tax assets 1 June 2011	(80.9)	(0.2)	0.8	209.5	2.7	131.9
Adjustments to prior years	65.2	0.2	2.2	(148.8)	(0.2)	(81.4)
Recognised in the income statement	2.9	-	(2.3)	27.1	-	27.7
Recognised in other comprehensive income	-	-	-	-	(2.7)	(2.7)
Deferred tax assets 31 May 2012	(12.8)	-	0.7	87.8	(0.2)	75.5
Recognised in the income statement	-	-	-	(62.0)	-	(62.0)
Recognised in other comprehensive income	21.1	-	0.2	94.3	-	115.6
Deferred tax assets 31 May 2013	**8.3**	**-**	**0.9**	**120.1**	**(0.2)**	**129.1**

In 2012/13 a deferred tax asset of gross DKK 129.1 million has been recognised in the jointly-taxed Danish companies based on tax loss carry-forwards, which can be indefinitely carried forward (2011/12; DKK 87.8 million). This deferred tax asset has been recognised on the basis of management's expectations of the parent company's and the Danish subsidiaries long-term earnings up to 5 years.

NOTES

(DKK million)

8 INTANGIBLE ASSETS

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost					
At 1 June 2011	3.2	151.1	801.5	315.6	1,271.4
Additions in the year	-	1.5	37.5	235.9	274.9
Reimbursements received	-	-	-	(12.1)	(12.1)
Disposals in the year	-	-	(151.7)	(10.9)	(162.6)
Completed development projects	-	-	211.4	(211.4)	-
At 31 May 2012	3.2	152.6	898.7	317.1	1,371.6
Additions in the year	-	2.9	75,7	172,0	250,6
Reimbursements received	-	-	-	(10.9)	(10.9)
Disposals in the year	-	-	(9.5)	-	(9.5)
Completed development projects	-	-	318.9	(318.9)	-
At 31 May 2013	**3.2**	**155.5**	**1,283.8**	**159.3**	**1,601.8**
Amortisation and impairment					
At 1 June 2011	-	(115.9)	(617.7)	(9.0)	(742.6)
Amortisation during the year	-	(10.0)	(140.3)	(1.9)	(152.2)
Reversed amortisation on disposals	-	-	151.7	10.9	162.6
At 31 May 2012	-	(125.9)	(606.3)	-	(732.2)
Amortisation during the year	-	(9.7)	(204.4)	-	(214.1)
Reversed amortisation on disposals	-	-	9.5	-	9.5
At 31 May 2013	**-**	**(135.6)**	**(801.2)**	**-**	**(936.8)**
Net book value					
At 31 May 2013	**3.2**	**19.9**	**482.6**	**159.3**	**665.0**
At 31 May 2012	3.2	26.7	292.4	317.1	639.4

	2012/13	2011/12
Amortisation and impairment losses		
Production costs	3.4	21.9
Development costs	210.4	128.4
Adminstration costs	0.3	1.9
Total	**214.1**	**152.2**

No impairment losses have been recognised in 2012/13.

NOTES

(DKK million)

9 TANGIBLE ASSETS

	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
Cost						
At 1 June 2011	200.9	22.4	129.1	1.0	2.2	355.6
Additions in the year	0.9	1.6	1.9	-	1.3	5.7
Completed assets	1.8	-	-	-	(1.8)	-
Disposals in the year	(23.6)	-	(2.4)	-	-	(26.0)
At 31 May 2012	180.0	24.0	128.6	1.0	1.7	335.3
Additions in the year	1.6	1.4	2.1	1.4	0.1	6.6
Completed assets	0.1	-	-	-	(0.9)	(0.8)
Disposals in the year	-	(0.1)	(0.8)	-	-	(0.9)
At 31 May 2013	**181.7**	**25.3**	**129.9**	**2.4**	**0.9**	**340.2**
Amortisation and impairment						
At 1 June 2011	(130.4)	(17.1)	(116.1)	(1.0)	-	(264.6)
Depreciation during the year	(5.1)	(1.9)	(5.3)	-	-	(12.3)
Reversed depreciation on disposals	23.4	-	2.1	-	-	25.5
At 31 May 2012	(112.1)	(19.0)	(119.3)	(1.0)	-	(251.4)
Depreciation during the year	(5.3)	(2.1)	(4.0)	(0.1)	-	(11.5)
Reversed depreciation on disposals	-	0.1	0.7	-	-	0.8
Impairment losses during the year	-	-	-	-	-	-
At 31 May 2013	**(117.4)**	**(21.0)**	**(122.6)**	**(1.1)**	**-**	**(262.1)**
Net book value						
At 31 May 2013	**64.3**	**4.3**	**7.3**	**1.3**	**0.9**	**78.1**
At 31 May 2012	67.9	5.0	9.3	-	1.7	83.9

There are no contratual obligations regarding purchase of tangible assets.

	2012/13	2011/12
Depreciation and impairment losses		
Production costs	4.0	1.8
Development costs	7.2	10.8
Administration costs	0.3	0.2
Total	**11.5**	**12.8**

NOTES

(DKK million)

10 INVESTMENT PROPERTY

Cost	
At 1 June 2011	268.9
Additions	0.4
Disposals	(1.1)
At 31 May 2012	268.2
Additions	0.1
Completed assets	0.8
At 31 May 2013	**269.1**
Depreciation and impairment	
At 1 June 2011	(162.1)
Depreciation during the year	(7.4)
Reversed depreciation on disposals	1.1
At 31 May 2012	(168.4)
Depreciation during the year	(7.1)
Reversed depreciation on disposals	-
At 31 May 2013	**(175.5)**
Net book value	
At 31 May 2013	**93.6**
At 31 May 2012	99.8

Investment property consist of a number of properties which are owned with the purpose of renting them to other Group companies, and the property that is partly used by the associate Bang & Olufsen Medicom a/s.

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

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

Rental income of DKK 56.3 million has been received from investment properties in 2012/13 (2011/12; DKK 54.7 million), and directly attributed operating expenses were DKK 29.2 million (2011/12; DKK 29.2 million).

Investment properties are rented to the subsidiaries on operating leases with a lease term of 3 months. According to the existing operating leases rental income of DKK 13.6 million will be received in the 3 months which are included in the lease term of the operating leases.

NOTES

(DKK million)

11 IMPAIRMENT OF NON-CURRENT ASSETS

Intangible assets excl. goodwill – impairment losses during the year
During 2012/13 no impairment losses have been recognised on development projects (2011/12; DKK 1.9 milion). The impairment losses were part of the AV segment.

The assessment of the recoverable amount of the intangible assets excl. goodwill is based on calculations of value in use of the assets. The value is calculated based on expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 12.8 % (10 % after tax) (2011/12; 10%/8%).

Goodwill
No impairment losses have been recognised on cash-generating units which include goodwill in 2012/13 og 2011/12 in the parent company.

Financial assets – impairment losses during the year
No impairment losses have been recognised on non-current financial assets in the parent company in 2012/13 or 2011/12.

12 INVESTMENTS IN SUBSIDIARIES

Cost	
At 1 June 2011	719.5
Additions	7.3
At 31 May 2012	726.8
At 31 May 2013	**726.8**

Refer to note 5.7 in the consolidated accounts for an overview of the group companies.

13 SHARE CAPITAL

For further information about share capital etc. refer to note 4.5 in the consolidated financial statements.

For further information about the costs incurred in connection with the capital increase, refer to note 4.6 in the consolidated financial statements.

NOTES

(DKK million)

14 MORTGAGE LOANS AND LOANS FROM BANKS

Mortgage loans

	Falls due within 1 year	Falls due 1-5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate 4.1%	2.0	8.7	20.7	29.4
Floating rate loans, interest rate level 2.0 - 3.0 %	4.9	20.6	156.1	176.7
Book value 31 May 2013	**6.8**	**29.3**	**176.8**	**206.1**
Fixed rate loans, interest rate 4.1 %	1.9	8.4	23.0	31.4
Floating rate loans, interest rate level 2.0 - 3.0 %	4.7	20.1	161.4	181.5
Book value 31 May 2012	6.6	28.5	184.4	212.9

The fair value of the parent company's mortgage loans amounts to DKK 216.4 million (2011/12; DKK 226.3 million). All loans are in DKK. All loans are in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

Loans from banks
The parent company has current draw of DKK 150.0 million (2011/12; DKK 150.0 million) on the committed facility with Nordea. This is also the fair value. This is an ongoing line of credit.

15 SHARE BASED PAYMENT

The share option programmes described in note 4.7 to the consolidated financial statements are issued by Bang & Olufsen a/s. The value of the share options granted to employees in the parent company's subsidiaries is recognised in investments in subsidiaries. DKK 1.8 million of the total expense of DKK 2.8 million relates to subsidiaries (2011/12; DKK 2.2 million).

16 NON-CASH ITEMS

	2012/13	2011/12
Financial income	(19.2)	(33.0)
Financial costs	36.7	36.7
Gain/loss on sale of non-current assets	0.4	(6.9)
Tax on earnings for the year	(115.0)	(30.4)
Other adjustments	64.7	105.8
Total adjustments	(32.4)	72.2

NOTES

(DKK million)

17 FINANCIAL INSTRUMENTS

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

Monetary items in the consolidated balance sheet at 31 May (cash and cash equivalents and receivables and payables settled in cash) are detailed below (in DKK):

		2012/13			2011/12		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	Current	105.2	(11.8)	93.4	89.8	(13.4)	76.4
	Non-current	31.1	-	31.1	34.7	-	34.7
GBP	Current	0.4	-	0.4	14.2	(0.7)	13.5
	Non-current	-	-	-	-	-	-
JPY	Current	1.0	-	1.0	-	(4.3)	(4.3)
	Non-current	-	-	-	-	-	-
CHF	Current	1.5	-	1.5	12.3	-	12.3
	Non-current	-	-	-	-	-	-
USD	Current	11.6	(2.4)	9.2	1.3	(6.2)	(4.9)
	Non-current	-	-	-	-	-	-
Other	Current	0.3	(1.1)	(0.8)	3.1	(1.9)	1.2
	Non-current	-	-	-	-	-	-

NOTES

(DKK million)

17 FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments:

	2012/13		2011/12	
	Fair value	Amortised cost	Fair value	Amortised cost
Other financial receivables	4.7	4.7	3.0	3.0
Receivables from subsidiaries	1,200.6	1,200.6	517.0	517.0
Other receivables ex forex forward contracts	6.4	6.4	18.7	18.7
Prepayments	8.4	8.4	3.9	3.9
Cash	50.8	50.8	75.8	75.8
Loans and receivables	1,270.9	1,270.9	618.4	618.4
Mortgage loans	216.4	212.9	226.3	219.5
Loans from banks	150.0	150.0	150.0	150.0
Overdraft facilities	56.2	56.2	36.7	36.7
Trade payables	65.9	65.9	38.4	38.4
Payables to subsidiaries	864.1	864.1	10.3	10.3
Other liabilities ex forex forward contracts	66.3	66.3	72.1	72.1
Financial liabilities	1,418.8	1,415.3	533.8	527.0

No receivables in the parent company are overdue at 31 May 2013 (2011/12; DKK 0 million).

Refer to 'Risk management and internal controls' in the Report on page 45 for a description of the Group's management of financial risks.

Defaults or breaches on loans
No loan agreements have been defaulted or breached in 2012/13 or 2011/12.

NOTES

(DKK million)

18 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Rental and leasing commitments for operating leases
The parent company has entered into a number of operating leases and rental agreements regarding plant and machinery, shops and other property. There is a big diversity in the length of the agreements. The longest agreement has a term term of 10 years. All agreements contain conditions regarding renewal. The parent company is entitled to determine, whether or not the agreements are renewed. None of the agreements impose restrictions in the parent company's right of disposal.

	2012/13	2011/12
Leasing commitments:		
Plant and machinery etc.	27.4	31.2
Office and factory property	55.0	51.5
Total	**82.4**	**82.7**
Maturity:		
Due within 1 year	21.5	19.1
Due 1 – 5 years	57.7	53.4
Due after 5 years	3.2	10.2
Total	**82.4**	**82.7**
Rental and lease payments, net for the year	34.2	26.5
Minimum rental and lease payments	34.2	26.5

No contingent rental or lease payments have been recognised in the income statement in 2012/13 or 2011/12.

Guarantees

Total guarantees as at 31 May	19.6	22.8

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

VAT and other taxes
Refer to note 5.3 in the consolidated financial statements.

Mortgages and securities
Mortgages and securities are identical in the parent company and in the Group. For further details refer to note 5.3 in the consolidated financial statements.

NOTES

(DKK million)

19 RELATED PARTIES

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

The related parties that have significant influence in Bang & Olufsen a/s, are the Board of Directors, Executive Management and other key management personnel in other companies in the Group and the close family members of these persons. Related parties also include companies in which these persons have significant interests.

The related parties in Bang & Olufsen a/s also comprise the subsidiaries in which the company has a controlling interest, and the associates Bang & Olufsen Medicom a/s and John Bjerrum Nielsen A/S, in which Bang & Olufsen a/s has significant influence.

Bang & Olufsen's share in subsidiaries and associates is shown in note 5.7 to the consolidated financial statements.

Board of Directors, Executive Management and other key management personnel
Except from what follows from the employment and shareholdings, if any, there have been no transactions with the Board of Directors, Executive Management and other key management personnel. Remuneration and share option programmes are shown in notes 2.2 and 4.7 in the consolidated financial statements.

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

Associates & subsidiaries
Transactions with subsidiaries and associates have included the following:

	2012/13	2011/12
Purchase of services – subsidiaries	82.1	97.9
Sale of services – subsidiaries	-	72.9
Rental income – subsidiaries	76.2	78.8
Royalty income – subsidiaries	300.0	381.7
Purchase of services – associated companies	0.6	0.3
Rental income – associated companies	1.6	1.6

NOTES

(DKK million)

19 RELATED PARTIES (CONTINUED)

The parent company has a net receivable from subsidiaries of DKK 336.6 million at 31 May (2011/12; DKK 506.7 million). Except for a loan receivable of DKK 27.5 million all receivables and payables with subsidiaries fall due within 1 year.

The fair value of the intercompany receivables and payables are DKK 1,200.6 million and DKK 864.1 million respectively (2011/12; DKK 517.0 million and DKK 10.3 million). The book value is expected to be a reasonable approximation of the fair value.

There has been no need for write-down of receivables from subsidiaries and no actual losses have been incurred in 2012/13 and 2011/12.

Other transactions
Bang & Olufsen a/s has received DKK 0.8 million in dividend from its subsidiaries (2011/12; DKK 37.8 million). No dividend has been received from its associates in 2012/13 or 2011/12.

Bang & Olufsen a/s has issued guarantees for the related parties, cf. note 18. None of the guarantees are expected to result in any losses.

No other transactions have taken place with related parties.

20 EVENTS AFTER THE BALANCE SHEET DATE

On 1 June 2013 Bang & Olufsen has taken over 20 shops from the previous master dealer Richcom in mid-China (including Beijing and Shanghai). This means that Bang & Olufsen now owns and operates 31 out of the 36 stores in total in China and Hong Kong. The purchase price is expected to be in the level of DKK 35 million.

STATEMENTS

MANAGEMENT'S STATEMENT

The Board of Directors and Executive Management have today considered and approved the annual report of Bang & Olufsen a/s for the financial year 1 June 2012 – 31 May 2013.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 May 2013 as well as of their financial performance and their cash flow for the financial year 1 June 2012 – 31 May 2013.

We believe that the management commentary contains a true and fair review of the development and performance of the Group's and the parent company's business activities and financial situation, the earnings for the year and the financial position of the parent company and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the parent company face.

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

Struer, 16 August 2013

Executive Management:

Tue Mantoni
President & CEO

Henning Bejer Beck
Executive Vice President & CEO

Board of Directors:

Ole Andersen
Chairman

Jim Hagemann Snabe
Deputy Chairman

Jesper Jarlbæk

André Loesekrug-Pietri

Rolf Eriksen

Alberto Torres

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bang & Olufsen a/s

Report on the consolidated financial statements and the parent company financial statements
We have audited the consolidated financial statements and parent company financial statements of Bang & Olufsen a/s for the financial year 1 June 2012 – 31 May 2013 which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including the accounting principles, for the Group as well as for the parent company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. Further, management is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent company financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 May 2013, and of the results of their operations and cash flows for the financial year 1 June 2012 – 31 May 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

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

Copenhagen, 16 August 2013

Ernst & Young
Godkendt Revisionspartnerselskab

Steen Skorstengaard	Niels-Jørgen Andersen
State authorised	State authorised
public accountant	public accountant

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