Annual Report 2007/08

Bang & Olufsen Group

CVR-No. 41257911

BANG & OLUFSEN

Annual Report 2007/08

Bang & Olufsen Group

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CVR no. 41257911

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DEAR BANG & OLUFSEN SHAREHOLDER,

The 2007/08 financial year was particularly challenging as well as unpredictable. In retrospect, it seems almost as if the year covered two entirely different chapters in the company's history – a fantastic first six months with the best November ever followed by a second half year characterised by a significant slowdown in international economic activity. As a result, after a boom period of several years, the whole of Western Europe and the US was severely affected.

The dramatic change in economic trends in some of Bang & Olufsen's main markets necessitated an adjustment of the expectations for the year's result. Not from good to bad but from very high expectations based on the historic peak period of recent years to more modest expectations based on the economic realities that have affected large parts of the world.

Despite these difficulties, it is a pleasure to note that the Group exited 2007/08 with the fourth highest turnover in the company's history. We should also be pleased with the fact that Bang & Olufsen remains a particularly solid business with a solvency ratio of over 50 per cent. This, no doubt, makes us the envy of many other businesses now that economic trends look less favourable.

Continued whole-hearted commitment to innovation, idea and product development is the key component of the Group's strategy. In addition to a number of new products, these focal points led, for instance, to the launch of Automatic Colour Management during the year. This patented system means that Bang & Olufsen's plasma TVs retain their full colour and picture quality over their lifetime whereas the colour spectrum of ordinary plasma screens gradually fades over time. Bang & Olufsen will always endeavour to differentiate its products and set new standards by delivering solutions that surprise and endure.

During the past year, the Group consistently maintained the qualitative development of its distribution. With the opening of 45 new B1 shops (net) worldwide, we now have 822 dedicated outlets around the world as well as more than 400 shop-in-shops.

Moreover, we are delighted to note that Bang & Olufsen's sales to luxury hotels and residential projects worldwide as well as to the automotive industry continue to show positive trends.

On the backdrop of Bang & Olufsen's financial and product-related development, the Board unanimously decided on January 10, 2008 to dismiss the company's CEO. In the opinion of the Board, the dismissal was a pre-requisite for getting Bang & Olufsen back on track

Consequently, it is a pleasure to welcome our new CEO & President Kalle Hvidt Nielsen. In Kalle Hvidt Nielsen Bang & Olufsen now has a CEO who, with degrees in Engineering and Sales as well as marketing experience, has a particularly broad and professional background. Moreover, he can draw on several years of international management experience when he embarks on the task of moving Bang & Olufsen forward into a new and successful era.

Kind regards,

Jørgen Worning
Chairman

CORPORATE INFORMATION ETC.

Bang & Olufsen a/s, Peter Bangs Vej 15, 7600 Struer, Denmark
Tel.: +45 96 84 11 22, fax: +45 97 85 18 88, website: www.bang-olufsen.com

CVR no.: 41257911

Place of domicile: Struer

Financial year: 1 June – 31 May

Adoption of the annual report: The annual report is expected to be adopted at the Annual General Meeting, which is held on 26 September, 2008.

Annual General Meeting: The Annual General Meeting will be held on Friday, 26 September, 2008 at 16.30 at Struer Gymnasium.

Environmental reviews
The product-related environmental review "To the last detail" – a story about environmental awareness as told through the development, production, use and disposal of a specific product.

Voluntary environmental review, including consumption of raw materials.

These reviews are available at www.bang-olufsen.com or from Bang & Olufsen's Safety, Health & Environment department on +45 96 84 10 69.

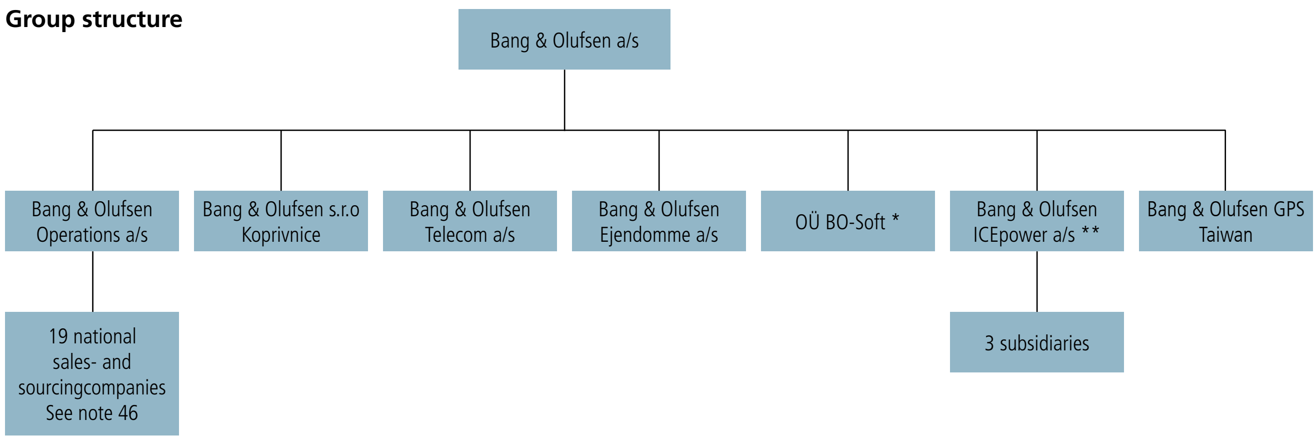
Statutory green accounts for the anodisation plant. A danish version can be requested at Bang & Olufsen's Safety, Health & Environment department on +45 96 84 10 69.

Financial calendar

2008: Wednesday, 13 August: Annual Report (2007/08)
Friday, 26 September: Annual General Meeting
Thursday, 9 October: Interim Report (1st quarter 2008/09)

2009: Thursday, 15 January: Half-year report (2008/09)
Thursday, 16 April: Interim Report (3rd quarter 2008/09)
Tuesday, 11 August: Annual Report (2008/09)
Friday, 18 September: Annual General Meeting
Thursday, 8 October: Interim Report (1st quarter 2009/10)

Group structure



* 51 % owned
** 90 % owned - 100 % owned from July 2008

BANG & OLUFSEN - A BRIEF HISTORY

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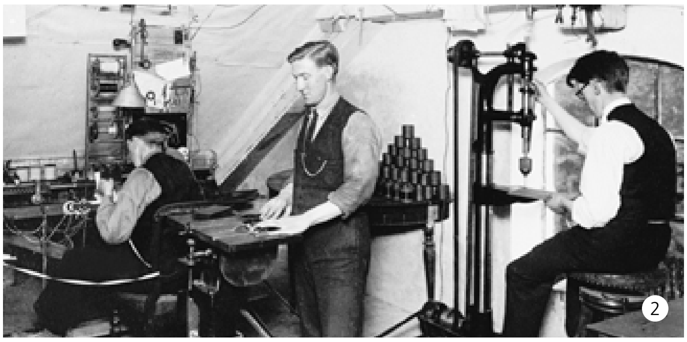

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Known all over the world for spectacular, idea-based, quality products, Bang & Olufsen produces and develops a wide range of audio/video products as well as telephones. Within the CarFi sector, the development of a unique sound system for, so far, six Audi models is ongoing, and a partnership has been established with Aston Martin. Moreover, several of the world's leading hotels have been equipped with Bang & Olufsen audio/video products. The majority of all development and product development is centred at the Group's head office in Struer in Western Jutland.

At the end of the financial year, Bang & Olufsen employed approx. 2,500 people while the company's products are currently sold in more than 100 countries across the world.

History

Bang & Olufsen was founded in 1925 by two young Danish engineers, Peter Bang and Svend Olufsen, who met as students and shared an enthusiasm for the new phenomenon of the age: the radio.

The company's first two years were spent in an "incubator", i.e. the main building of Svend's parents' estate, Quistrup, just outside Struer. At the beginning, the estate's young workers assisted the two engineers with their project, but as 25 people joined the fledgling company, Quistrup began to burst at the seams. Occasionally, Svend's mother, Anna Olufsen, supplemented the overstretched finances by selling eggs to pay the staff's weekly wages.

The first pioneering product, however, was not the mains radio, which the two engineers dreamed about, but the "Eliminator" – a mains receiver that eliminated the need for batteries. The timing was perfect – the Eliminator arrived in the market as electricity became commonplace in Danish households. It, therefore, provided Bang & Olufsen with the necessary start-up capital which enabled the business to move into its own factory in the village of Gimsing, which, at the time, was outside Struer, but is now part of the town.

In the final months of the Second World War, the factory was destroyed by Danish Nazi sympathisers as revenge for Bang & Olufsen's refusal to work for the occupying German forces, and because many of its employees were involved in the Danish Resistance.

In the post-war years, Bang & Olufsen faced a double challenge: to survive in the marketplace


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1. Svend Olufsen and Peter Bang, 1933
2. The attic room at Quistrup, 1926
3. Quistrup, 1925
4. The "Eliminator" 1926-30
5. Architect Ib Fabiansen's sectional furniture, 1959
6. "The Danish Quality Brand", extract from the maincatalogue, 1960

and rebuild the factory. Succeeding in both, during the 1950s and 60s, Bang & Olufsen established a recognized name for itself in the Danish market as "The Danish Quality Brand".

When, at the end of the 1960s, competition from Asian manufacturers forced scores of Danish and European radio and TV factories to close, Bang & Olufsen allied itself with a group of architects and designers and set about focusing on the ideas and the design behind the products as well as on their quality. Around the same time, Bang & Olufsen started sales from abroad.

In the late 1980s and early 90s, dark clouds once again gathered over Bang & Olufsen. Earnings did not match turnover, and the Group lacked sufficient funds to weather the storm. A large-scale disposal of non-core activities was undertaken and a new distribution strategy launched: no longer should Bang & Olufsen's products be sold through multi-brand radio/TV stores, but through dedicated outlets which only dealt in Bang & Olufsen products.

Over the years, Bang & Olufsen shops (B1), have accounted for an increasing share of overall sales. Bang & Olufsen has also focused on developing a shop in shop concept where individual dealers can sell Bang & Olufsen's products providing a separate section of the shop is designed according to Bang & Olufsen's demands and specifications.

The emphasis on core skills and the distribution strategy has proved highly successful and since the late 90s, has contributed to growth in both turnover and revenue on the strength of a healthy financial base.

Pursuing a strategy for growth since 2000, Bang & Olufsen continues to establish shops worldwide, including shops in new growth regions such as India, China and Russia.

During this period, Bang & Olufsen has launched a number of pioneering products, which fully meet the company's high quality requirements and design, setting new standards for the industry.

Bang & Olufsen's platform

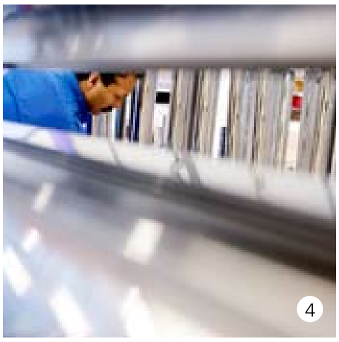
Branded business

Ground-breaking products have been launched for the audiophile world, with BeoLab 5 named as one of the world's finest loudspeakers, and within TV. In the latter area, Bang & Olufsen recently distinguished itself with the introduction of Automatic Colour Management, which enables the colour performance of plasma TVs to be controlled and adjusted so that the picture quality remains impeccable throughout the lifetime of the TV. Bang & Olufsen, therefore, has solved the problem of the plasma screen's colour balance changing over time with a subsequent deterioration in picture quality.

Bang & Olufsen has long been renowned for its user-friendly and functional remote controls which can control all the company's audio/video products. The classic Beo4, however, is now being replaced by the new Beo5, a portable central command device which offers a range of new functions in addition to those already known from Beo4. The Beo5 can, for instance, be configured specifically for the individual client's requirements. The Beo5, therefore, amounts to a unique, personal remote control which contains precisely those functions required for the user's individual home. As well as the company's audio/video products, Beo5 has the ability to control remotely controlled systems such as lighting, curtains, windows, air-conditioning and alarms.

Over the past few years, the branded business has extended into new areas. As a result, Bang & Olufsen has developed sound systems for, so far, six Audi models. These have attracted strong praise with Bang & Olufsen being awarded the title of "Best Brand 2008" in the Car-HiFi category in the respected German auto magazine "Auto Motor und Sport." In the automotive area, Bang & Olufsen has also entered into a strategic partnership with Aston Martin, the UK's sports car maker, and latest, Mercedes-AMG.

Through its Enterprise department, Bang & Olufsen focuses on sales to hotels where the company's products are currently represented in more than 200 five-star hotels across the world. In addition, Bang & Olufsen Enterprise has initiated and expanded a number of partnerships with leading property developers for the supply of audio/video products for exclusive property projects, primarily in the Middle East and Asia.



1. BeoVision 9
2. BeoSound 9000 and BeoLab 5
3. B1 shop layout anno 2008
4. Hanging of stand tubes for anodizing
5. Beo5 remote control
6. Production of BeoCenter 2

Shops

Sales take place through two types of dedicated Bang & Olufsen shops:

· B1 shops, which sell Bang & Olufsen products only
· Shop in shop outlets (SIS) where a substantial area of the shop is designed for, and exclusively dedicated to, Bang & Olufsen's products.

Irrespective of where customers purchase Bang & Olufsen products, they will encounter well-trained personnel especially as Bang & Olufsen invests substantial sums in training shop staff.

Bang & Olufsen's products are currently available from 822 B1 shops and 421 shop in shops. The B1 shops account for 81 per cent of turnover, with the shop in shop outlets accounting for 19 per cent. Bang & Olufsen's strategy is to continue to focus on these two types of shops with the B1 shops as the most important, and the shop in shop outlets as a significant distribution channel in areas where the demographics do not justify a B1 shop. Bang & Olufsen owns 51 B1 shops directly, mainly in Australia, the UK and in the US.

Markets

Bang & Olufsen's products are available around the world and 88 per cent of the Group's turnover derives from exports. In a number of markets, operations are handled by Bang & Olufsen's own subsidiaries, c.f. overview Note 46, while sales and distribution development in certain overseas markets are organised by highly qualified business partners.

Production

Most of Bang & Olufsen's production is centred in Struer, where the factories are located alongside the Development Department, the Administration and the Group's Head Office.

In 2006, Bang & Olufsen's new factory in Koprivnice in the Czech Republic was commissioned. By the end of the financial year, the 17,000 sq.m. factory employed around 260 people who are primarily involved in the production of audio and telephony products as well as assembly work. The Group's high quality requirements are, of course, maintained.

Bang & Olufsen's spare part distribution has also relocated to Koprivnice. Around 1,200 items are shipped daily from the new spare part warehouse which stores some 15,000 items. Bang & Olufsen's policy is to service all products up to 12 years after they have gone out of production.

Many components and a few finished products are manufactured by suppliers from across the world. Carefully considered in and outsourcing processes aim at optimising both efficiency and quality.

Most of Bang & Olufsen's products are manufactured in a large number of varieties, depending on the customer's specific wishes.

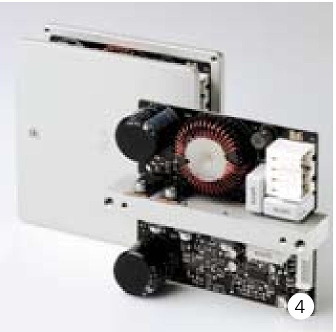
Product development

"The Idea Factory" is where the ideas for new concepts and new products are conceived. The concept developers work in close collaboration with external designers and with engineers and technicians in the Development Department to realise the ideas. "Synthesis" is the key word – as technology and design not only go hand in hand, but add a new dimension to each other.

Bang & Olufsen has recently established a development department in connection with the factory in Koprivnice. Consequently, the factory can now also handle integrated product and production development. The department's approx. 30 employees primarily focus on mechanical and acoustic competencies. Once specifications have been determined in Denmark, the department can implement complete construction processes.

The objective is for Bang & Olufsen to launch between three and five new products each year. Internal competencies play a major role with regard to ensuring quality in the assembly and finish of the products and are an important element in the development of new products.

For the 500 engineers and technicians involved in the development of Bang & Olufsen products, the opportunities for direct interaction with the production departments are of the utmost importance to ensure that the finished products contain the desired features and quality.



1. BeoLab 9
2. Serenata
3. Hotel Ceres am Meer
4. ICEpower 250A
5. Speaker in Audi Q7
6. BeoVision 8

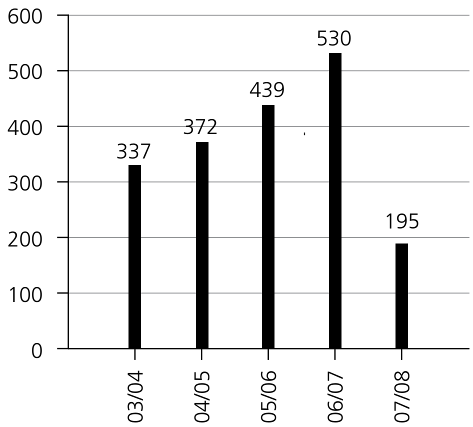
Non-branded business

Alongside the branded business, Bang & Olufsen is engaged in non-branded activities with regard to the development, production and sales of compact, digital amplifier units.

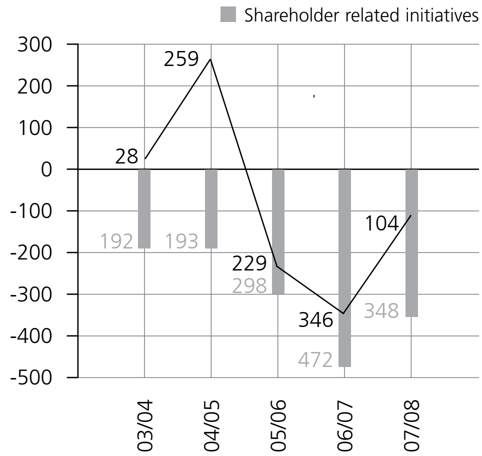
Bang & Olufsen ICEpower a/s is a subsidiary responsible for the patented ICEpower technology – a technology that enables small digital amplifiers to provide extremely high performance with particularly low heat output.

As a result of the compact design, reliability, energy savings, competitive prices and sound quality, Bang & Olufsen ICEpower's digital amplifier modules are in demand for use in, for instance, mobile phones, and as a result this technology can be found in a wide range of models from Samsung.

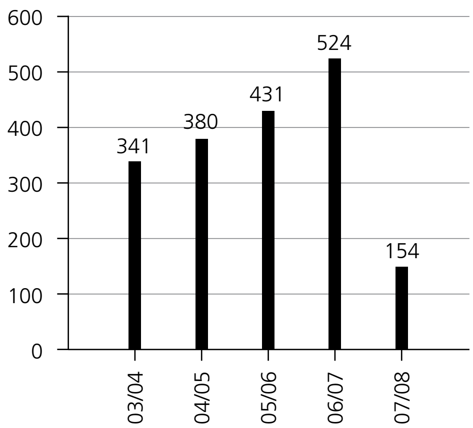
DKK million **Operating profit**



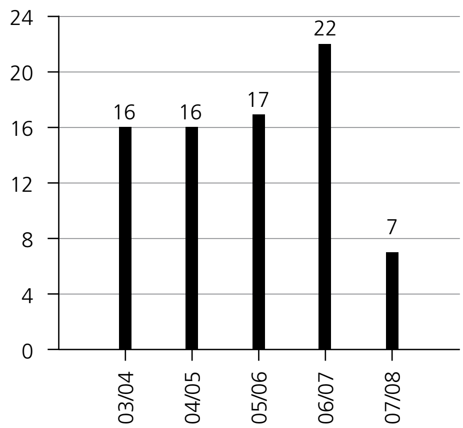
DKK million **Cash flow**



DKK million **Result before tax**



% **Return on equity**



FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES

Group (DKK million)	**2007/08**	2006/07	2005/06	2004/05	2003/04
Profit and loss account					
Net turnover	**4,092**	4,376	4,225	3,742	3,610
Of which in foreign markets as a percentage of above	**88**	85	82	82	83
Operating profit	**195**	530	439	372	337
Net financials	**(30)**	(16)	(7)	7	2
Result before tax	**154**	524	431	380	341
Result for the year	**112**	373	296	265	266
Result for the year, the Parent's shareholders	**105**	367	294	265	264
Balance sheet					
Total assets, end of year	**2,817**	2,962	2,915	2,784	2,721
Share capital	**121**	121	125	124	124
Equity, end of year	**1,484**	1,682	1,742	1,715	1,652
Equity, end of year, the Parent's shareholders	**1,472**	1,676	1,738	1,713	1,650
Minority interests	12	6	4	2	2
Cash flow for the year	**(104)**	(346)	(229)	259	28
Of which cash flow from:					
Operating activities	**332**	521	395	740	448
Investment activities	**(254)**	(378)	(379)	(233)	(195)
- of which investment in tangible non-current assets	**(190)**	(158)	(185)	(123)	(138)
- of which investment in intangible non-current assets	**(125)**	(210)	(171)	(125)	(147)
- of which investment in associates	**0**	0	0	0	0
Financing activities	**(181)**	(488)	(246)	(248)	(225)
Employment					
Number of employees at year-end	**2,579**	2,520	2,422	2,331	2,339

Main and key figures for 2004/05 onwards have been prepared on the basis of IFRS and "Recommendations and key figures 2005" issued by The Danish Society of Investment Proffesionals. Comparative figures for 2003/04 have been prepared on the basis of "Recommendations and key figures 1997" issued by The Danish Society of Investment Professionals, and the accounting principles applied in accordance with the Danish Financial Statements Act.

Parentheses denote negative figures.

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

Group (DKK million)	**2007/08**	2006/07	2005/06	2004/05	2003/04
Key figures					
EBITDA	**483**	789	670	616	623
EBITDA-margin, %	**12**	18	16	16	17
Profit ratio, %	**5**	12	10	10	9
Return on assets, %	**7**	21	20	18	16
Return on invested capital, excl. goodwill, %	**29**	51	52	48	42
Return on equity, %	**7**	22	17	16	16
Current ratio	**1.9**	1.9	2.4	2.5	2.7
Equity ratio, %	**53**	57	60	62	61
Financial gearing	**0.2**	0.0	(0.1)	(0.3)	(0.1)
Net turnover/Invested capital, excl. goodwill	**2.4**	2.8	3.3	2.9	2.5
Earnings per share (nom. DKK 10), DKK	**9**	31	25	22	22
Diluted earnings per share (nom. DKK 10), DKK	**9**	31	25	22	22
Equity value per share (nom. DKK 10), DKK	**123**	139	140	141	133
Quotation as at 31 May	**265**	698	684	389	355
Price/earnings	**29**	22	28	18	16
Price/earnings, diluted	**29**	22	28	18	16
Quotation/equity value	**2.2**	5.0	4.9	2.8	2.7
Dividend proposed/paid per share (nom. DKK 10), DKK	**3.00**	20.00	16.00	12.00	7.00
Number of shares (A and B)	**12,081,338**	12,081,338	12,450,925	12,414,240	12,380,330
Number of own shares (A and B)	**767,787**	619,923	669,587	435,479	164,340
Average number of circulating shares	**11,376,530**	11,683,175	11,872,383	12,097,376	11,850,685
Average number of dilutive share options outstanding	**0**	12,513	41,676	0	0
Average number of circulating shares - diluted	**11,376,530**	11,695,688	11,914,058	12,097,376	11,850,685

The key figures are defined as follows:

EBITDA:
Result before interest, tax, depreciations, amortisations and impairment losses

EBITDA-margin:
$$\frac{\text{Result before interest, tax, depreciations, amortisations and impairment losses x 100}}{\text{Net turnover}}$$

Profit ratio:
$$\frac{\text{Operating profit x 100}}{\text{Net turnover}}$$

Return on assets:
$$\frac{\text{Operating profit x 100}}{\text{Average operational assets}}$$

Return on invested capital, excl. goodwill:
$$\frac{\text{Operating profit before depreciation and goodwill write offs}}{\text{Average invested capital, excl. goodwill}}$$

Return on equity:
$$\frac{\text{Bang \& Olufsen a/s' share of result for the year x 100}}{\text{Average equity, excl. minority interests}}$$

Current ratio:
$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Equity ratio:
$$\frac{\text{Equity, end of year x 100}}{\text{Total equity and liabilities, end of year}}$$

Financial gearing:
$$\frac{\text{Interestbearing debt (net) end of year}}{\text{Equity, end of year}}$$

Net turnover/invested capital, excl. goodwill
$$\frac{\text{Net turnover x 100}}{\text{Average invested capital, excl. goodwill}}$$

Earnings per share (nom. DKK 10), DKK:
$$\frac{\text{Result after tax}}{\text{Average number of circulating shares}}$$

Diluted earnings per share (nom. DKK 10), DKK:
$$\frac{\text{Result after tax}}{\text{Average number of circulating shares - diluted}}$$

Equity value per share (nom. DKK 10), DKK:
$$\frac{\text{Equity, end of year}}{\text{Number of shares, end of year}}$$

Price/earnings:
$$\frac{\text{Quotation}}{\text{Result per share (nom. DKK 10)}}$$

Price/earnings, diluted
$$\frac{\text{Quotation}}{\text{Diluted earnings per share (nom. DKK 10)}}$$

STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Board of Management have today discussed and approved the annual report of Bang & Olufsen a/s for the financial year 1 June 2007 to 31 May 2008.

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

We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent's financial position at 31 May 2008 and of their financial performance and their cash flows for the financial year 1 June 2007 to 31 May 2008.

We believe that the Directors' report gives a fair presentation of developments in the Group´s and the Parent´s activities and finances, results for the year and of the Group´s financial position in general as well as a fair description of the most significant risks and uncertainties to which the Group is exposed.

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

Struer, 13 August 2008

The Board of Management of Bang & Olufsen a/s

Karl Kristian Hvidt Nielsen (Precident & CEO)

Peter Thostrup

The Board of Directors of Bang & Olufsen a/s

Jørgen Worning (Chairman)

Jesper Olesen

Lars Brorsen (Deputy Chairman)

Knud Olesen

Niels Bjørn Christiansen

Peter Skak Olufsen

Thorleif Krarup

Anette Revsgaard Sejbjerg

Preben Damgaard Nielsen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bang & Olufsen a/s
We have audited the annual report of Bang & Olufsen a/s for the financial year 1 June 2007 to 31 May 2008, which comprises the statement by Management on the annual report, Direcors' report, income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting policies, for the Group as well as the Parent. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

Management's responsibility for the annual report
The Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion
Our responsibility is to express an opinion on this annual report based on our audit. We have conducted our audit in accordance with Danish and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management as well as evaluating the overall presentation of the annual report.

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 annual report provides a true and fair view of the Group's and the Parent's financial position at 31 May 2008 and of their financial performance and their cash flows for the financial year 1 June 2007 to 31 May 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

Copenhagen, 13 August 2008

Deloitte
State Authorised Public Accounting Company

Jens Rudkjær
State Authorised Public Accountant

Henrik Z. Hansen
State Authorised Public Accountant

STRUCTURE, MANAGEMENT AND DIRECTORSHIPS

Company	**Board of Directors**	**Board of Management**
Bang & Olufsen a/s **Struer** CVR no. 41257911 *Brand building and Group staff functions as well as the development of Bang & Olufsen's audio/video-products.*	Jørgen Worning (Chairman) Lars Brorsen (Deputy Chairman) Niels Bjørn Christiansen Thorleif Krarup Preben Damgaard Nielsen Jesper Olesen* Knud Olesen* Peter Skak Olufsen Anette Revsgaard Sejbjerg*	Karl Kristian Hvidt Nielsen (President & CEO) Peter Thostrup

* Elected by the employees.

The Board of Directors Compensations Committee

Jørgen Worning
Lars Brorsen
Thorleif Krarup

Directorships in other Danish and foreign companies, with the exception of 100 % owned subsidiaries

Jørgen Worning
FLSmidth & CO A/S (CM)
ALK-ABELLO A/S (CM)

Lars Brorsen
Vorsitzender der Geschäftsführung
von Jost-World GmbH + 14 S

Niels Bjørn Christiansen
Vice CEO Danfoss A/S + 14 S
TrygVesta A/S
William Demant Holding A/S
Axcel A/S

Thorleif Krarup
Group4Securicor Plc.
H. Lundbeck A/S (DCM)
LFI A/S (DCM)
Lundbeckfonden
Brightpoint Inc.
ALK-ABELLO A/S (DCM)
Exiqon A/S (CM)
Sport One Danmark A/S (CM)

Preben Damgaard Nielsen
Rockwool International A/S
Axcess A/S
Esportnation A/S
AO Invest A/S
DTU-Innovation A/S
Brødrene A & O Johansen A/S
ED Equity Partner A/S
ED Project Partner A/S
Damgaard Company II A/S
Damgaard Group A/S
Excitor A/S
Proactive A/S (CM)
Heart Made A/S (CM)
Damgaard Company A/S

Peter Skak Olufsen
A/S Fiil-Sø (CM) + 1 S
Hunsballe Frø A/S (CM)
JP/Politikens Hus A/S
EuroGrass BV

Karl Kristian Hvidt Nielsen
Phase One A/S
EskoGraphics A/S

Peter Thostrup
Nordic Bioscience A/S (CM) + 3 S
NN AX ApS (Noa Noa) + 1 S
Bang & Olufsen Medicom a/s

CM = Chairman
DCM = Deputy Chairman
S = Subsidiaries

STRUCTURE, MANAGEMENT (CONTINUED)

Company	Board of Directors	Board of Management
Bang & Olufsen Operations a/s **Struer** (100 % owned) CVR no. 26035406 *Purchasing, production and logistics for the Bang & Olufsen Group as well as sales of Bang & Olufsen's audio/video-products.*	Peter Thostrup (Chairman) Kim Bo Hansen John Christian Bennett-Therkildsen	John Christian Bennett-Therkildsen (CEO)
Bang & Olufsen s.r.o **Koprivnice** (100 % owned) *Handles production and development of some of the Group's audio-products.*		Martin Wingaa (CEO)
Bang & Olufsen Telecom a/s **Struer** (100 % owned) CVR no. 24062112 *Develops and markets new telephony concepts as a dynamic part of electronic communication in the home.*	John Christian Bennett-Therkildsen (Chairman) Peter Thostrup Kim Bo Hansen	Peter Thostrup (CEO)
Bang & Olufsen Ejendomme a/s **Struer** (100 % owned) CVR no. 29806357 *The purpose is to own property and activities which, in the opinion of the Board of Directors, relates to property administration.*	Kim Bo Hansen (Chairman) Randi Toftlund Pedersen Peter Thostrup	Peter Thostrup (CEO)

Company	Board of Directors	Board of Management
OÜ BO-Soft **Tallin** (51 % owned) *Software development*	Allan Krog Erlandsen (Chairman) Peter Eckhardt Jaan Lievand	Jaan Lievand (CEO)
Bang & Olufsen ICEpower a/s **Lyngby-Tårbæk** (90 % owned)* CVR no. 25053591 *Develops, produces and markets products based on highly effective amplifier technologies.*	Peter Thostrup (Chairman) Jens Peter Zinck** Kim Bo Hansen Peter Petersen	Peter Sommer (CEO)
Bang & Olufsen GPS **Taipei City, Taiwan** (100 % owned) *Sourcing company*	Kim Bo Hansen (Chairman) John Christian Bennett-Therkildsen Peter Eckhardt	Klaus K. Knudsen

* 100 % owned from July 2008
** Joined July 2008

Main banker for all companies
Danske Bank A/S

Auditors for all companies
Deloitte, State-Authorised Public Accounting Company

Dormant companies are not included.

The Group recorded a turnover of DKK 4,092 million for the 2007/08 financial year against DKK 4,376 million last year. Medicom was included in the comparative figures for 2006/07 at DKK 101 million. Adjusted for this, the year shows a decrease in turnover of DKK 183 million.

The Group's gross margin was 46.2 per cent against 46.6 per cent in 2006/07.

Operating profit totalled DKK 195 million against DKK 530 million, while result before tax was DKK 154 million against DKK 524 million. Results before tax was in part affected by non-recurring expenditures of DKK 40 million and a negative change in the net effect of capitalisation of DKK 50 million – in total DKK 90 million.

The Board of Directors recommends that a dividend of DKK 3.00 per share will be paid out, which is in line with the established dividend policy.

The A/V business' three largest markets, Denmark, Germany and the UK, saw an overall decline in turnover of DKK 228 million during the financial year. The North American market declined by DKK 34 million. Measured in local currency, the decline in the US amounts to 4 per cent for the financial year.

The Group's fastest growing geographical markets were Expansion Markets, Middle East and Asia Pacific at DKK 71 million. Among Expansion Markets, particularly Russia has excelled with an increase of DKK 28 million. European markets such as Switzerland and France also showed growth. Between them, the business areas Automotive and Enterprise achieved turnover growth of DKK 95 million, of which DKK 14 million in the fourth quarter. ICEpower also ended the year on a positive note.

With the three high-end car manufacturers Audi, Aston Martin and Mercedes-AMG as partners, Bang & Olufsen Automotive is well equipped to expand its position as the most attractive supplier of in-car sound systems.

During the financial year under review, Bang & Olufsen launched the ground-breaking, patented Automatic Colour Management technology, the new remote control concept Beo5, BeoVision 8 in a 32 inch version and BeoVision 7-40 for the US market.

In the fourth quarter and following the close of the financial year, the Group satisfactorily settled a case against five former dealers in the US as well as an arbitration case concerning the terms for Bang & Olufsen's acquisition of the distribution in Holland and an offshoot of an arbitration case from December 2007.

The Board of Directors expects the result for 2008/09 will be on or above the level for 2007/08 based on an expected lower turnover than in the 2007/08 financial year.

Bang & Olufsen a/s

For Bang & Olufsen a/s, the first half of the financial year proceeded according to plan, culminating in the most successful November ever. By contrast, the second half year was characterised by a challenging market situation with a slowdown across Europe and the US. This contributed to a downgrading of expectations for the financial year on 9 January, 14 March and 7 July.

By the end of the financial year, the sales situation in the main business remained challenging with a decline in incoming orders.

In the fourth quarter and following the close of the financial year, the Group concluded a number of agreements and settlements, which are regarded as positive:

Bang & Olufsen's department for the development and sales of sound systems for cars, Automotive has announced a new partnership with Mercedes-AMG, Bang & Olufsen's third partner within this business area. The other partners are Aston Martin and Audi. Following the close of the financial year, Bang & Olufsen and Audi signed an agreement to expand their existing partnership further in the years ahead.

Bang & Olufsen has acquired a block of shares from Director Karsten Nielsen, one of the co-founders of the subsidiary, Bang & Olufsen ICEpower a/s, which has developed a pioneering technology included in all Bang & Olufsen's main products. It is, therefore, of considerable strategic importance that Bang & Olufsen now has attained full control of the company. The 10 per cent shareholding was acquired for DKK 23 million.

Bang & Olufsen satisfactorily concluded a legal dispute with five former dealers. Pending in the US courts for several years, the dispute concerned the terms for the start-up of the Bang & Olufsen shops previously run by the dealers. In financial terms, the satisfactory outcome means that a modest amount was expensed during the fourth quarter of the financial year.

Bang & Olufsen also concluded a three year legal dispute in Holland. This concerned arbitration proceedings relating to the terms for Bang & Olufsen's acquisition of its Dutch distribution. The matter has now been settled without further costs to the Group.

Finally, Bang & Olufsen closed an offshoot of an arbitration case which, in mid-December last year, went against Bang & Olufsen. As stated in announcement 07.11 of 9 January 2008, the outcome of the December arbitration case did cost Bang & Olufsen DKK 25 million.

Comments to to the development

In general

For the Bang & Olufsen a/s Group as a whole, turnover for the 2007/08 financial year was DKK 4,092 million against DKK 4,376 million last year. This represents a decrease of DKK 284 million, or 6.5 per cent. The comparative figures include Medicom's turnover at DKK 101 million. Adjusted for this, the Group saw a decrease in turnover of DKK 183 million or 4 per cent.

The branded business recorded a turnover of DKK 3,992 million against DKK 4,194 million for the 2006/07 financial year. Exchange rate developments had a negative impact on turnover at DKK 60 million compared to last year.

The Group's gross margin was 46.2 per cent against 46.6 per cent in 2006/07. The decline in the gross margin is primarily owing to a changed product mix with a greater emphasis on TVs.

Activities within the product development area continue to increase. Development costs amounted to DKK 546 million against DKK 459 million last year, an increase of DKK 87 million. DKK 51 million is attributable to the change in the net effect of capitalisation. The net effect of capitalisation of development costs was negative at DKK 16 million. Last year, the net effect was positive at DKK 35 million.

Distribution and marketing costs totalled DKK 1,004 million for 2007/08 against DKK 910 million last year. This includes non-recurring expenditures of DKK 21 million relating to the unsuccessful outcome of an arbitration case in December 2007. As part of the same case, DKK 4 million was expensed under financial items. In addition, DKK 49 million was expensed for losses and changes in provisions for losses on bad debts against DKK 17 million last year.

Administration costs amounted to DKK 149 million against DKK 139 million for the same period last year.

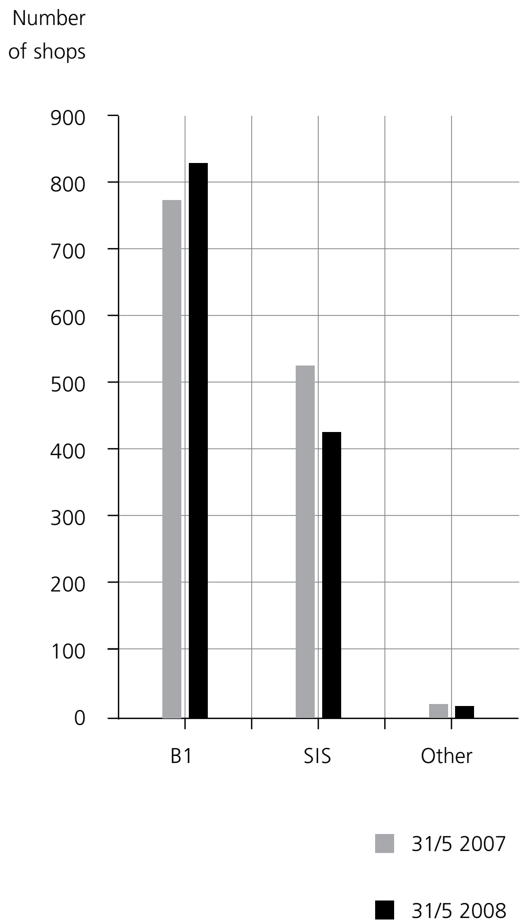
Operating profit for the financial year was DKK 195 million against DKK 530 million last year, i.e. a decrease of DKK 335 million.

Financial items amounted to a net expense of DKK 30 million against a net expense of DKK 16 million for the same period last year. The increase is owing to the DKK 4 million related to the arbitration case, a rise in exchange rate losses of DKK 5 million and a rise in interest costs owing to greater financing requirements as a result of recent years' shareholder-oriented initiatives.

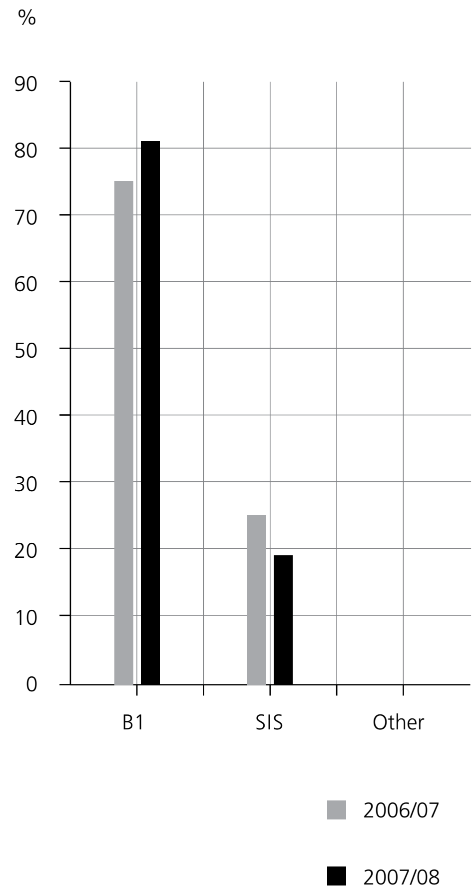
Result before tax was a profit of DKK 154 million. This represents a decrease of DKK 370 million compared to the DKK 524 million for the previous financial year. Result after tax was a profit of DKK 112 million against DKK 373 million last year.

Cash flow for the period was negative at DKK 104 million against DKK 346 million for the same period last year. Investment levels were sustained, and DKK 348 million was expended on shareholder-oriented initiatives against DKK 472 million last year. During the financial year, the Group raised a long-term loan of DKK 200 million.

Number of shops per segment



Turnover share per segment
(active shops at the end of each year)



Definitions of shop segments

B1: Shops, which are dedicated retailers of Bang & Olufsen products

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

BRANDED BUSINESS

Developments in the markets in the financial year

The Group began the financial year as planned, culminating in its best ever November sales. Since mid-December, turnover has been volatile, and, by the end of the financial year, order intake was lower than for the same period last year. The year as a whole, however, saw growth in markets such as Expansion Markets, including Russia, the Middle East, Asia Pacific, Switzerland and France as well as in business areas like Automotive and Enterprise. However, this has not been sufficient to compensate for the decline in turnover in the large markets such as Denmark, Germany and the UK.

Product launches

During the financial year, Bang & Olufsen launched the ground-breaking, patented Automatic Colour Management technology, which sets new standards for plasma TV and, therefore, further differentiates Bang & Olufsen's products in this area. Automatic Colour Management is a calibration mechanism that optimises colour and picture quality throughout the lifetime of the plasma TV whereas, over time, conventional plasma screens lose their original colour, which leads to the picture fading. Automatic Colour Management automatically restores the colour balance so that the picture quality remains intact.

Bang & Olufsen's well-established remote control concept, Beo4, has been supplemented by the new remote control concept Beo5. The Beo5 is not only unique in its design, but also in its functionality as the software-based device can be set up in accordance with the precise needs and requirements of the individual Bang & Olufsen customer.

On the audio side, the Group launched a centre loudspeaker, BeoLab 10, which has strengthened and differentiated the TV portfolio. Combined with BeoVision 4 with Automatic Colour Management, BeoLab 10 represents a new and unique concept.

The TV portfolio has been further expanded by BeoVision 7-40 for the US market. Moreover, the BeoVision 8 family now includes a 32 inch version.

The multi-functional dvd machine, DVD2, was also launched alongside the BeoSound 6 mp3 player and the music mobile phone, Serenata.

Distribution development

The financial year saw the worldwide B1 network increased by a further 45 B1 shops. 76 B1 shops were opened or upgraded while 31 shops were closed or converted to shop in shops.

Consequently, by the end of May 2008, there were 822 B1 shops across the world against 777 at the end of the 2006/07 financial year.

B1 shops account for 81 per cent of the total turnover. The number of shop in shops is 421 against 522 at the end of the previous financial year.

The organic growth for Bang & Olufsen shops which have been in operation for more than 24 months was, for the financial year as a whole, -5 per cent for B1 shops and -11 per cent for shop in shops.

Enterprise

Bang & Olufsen Enterprise, which covers the Group's sales to luxury hotels across the world as well as construction projects in the Middle East and Asia, posted a particularly satisfactory development in turnover from DKK 96 million last year to DKK 155 million this year. This equates to an advance of 61 per cent. The positive development is partly owing to significant growth in the Middle East and Asia, including the installation during the financial year of Bang & Olufsen products in the largest hotel project ever in Macau, China.

The financial year under review also continued to see a good intake of orders for delivery in the years ahead. In the new financial year, Enterprise will intensify its sales efforts in the Middle Eastern region. Towards the end of the financial year, it was therefore decided, that Enterprise's daily management should be based in Dubai in order to grow the market in the area.

Bang & Olufsen's products are now represented in more than 200 five star hotels worldwide. Synergies from marketing, PR and local events between Bang & Olufsen's retailers and these prominent hotels are particularly positive and offer significant potential for all parties.

Automotive

Bang & Olufsen Automotive's turnover for the financial year was DKK 123 million against DKK 87 million last year, equating to an advance of 41 per cent.

During the year, the partnership with Audi was extended to include six Audi models so that Bang & Olufsen Sound Systems are now available for Audi A4, Audi A5/S5, Audi R8 and – during the autumn – for Audi Q5. An even more advanced Bang & Olufsen Advanced Sound System is available for Audi A8/S8 and Audi Q7.

The previously announced partnership with Aston Martin has also proceeded according to plan and is now far advanced.

Automotive continues to make a contribution in terms of PR and method development – inspired by the automotive industry. As a consequence, Automotive expanded its ISO/TS 16949 quality certificate to include all processes related to its activities within the motor industry. Moreover, Automotive has established an office in the Munich area in order to enhance its support to its German partners and to improve the recruitment of individuals with experience in the sector.

Bang & Olufsen ICEpower a/s

Turnover for Bang & Olufsen ICEpower a/s for the financial year totalled DKK 118 million against DKK 117 million in 2006/07, which means that ICEpower ended the year on a high note. As its achievements included a new contract with Samsung, ICEpower's technology will continue to be incorporated into many of Samsung's new mobile phones. In the first half of the financial year, sales on the project side fell slightly below expectations, and two new products were launched later than scheduled. These new products are variants of a stereo amplifier based on an ASX2 platform, which was introduced as a new concept in the previous financial year. Research and product development activities were maintained at a high level and on the sales side, a subsidiary was established in Japan during the first half of 2007/08.

A substantial part of the turnover continues to derive from the sale of standard amplifier modules and customised solutions for quality producers in the global audio market as well as increased royalty revenue in connection with the sale of amplifier technology and acoustic solutions for major OEM partners.

Result before tax for the 2007/08 financial year totalled DKK 25 million against DKK 39 million last year.

ASSOCIATED COMPANIES

Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom a/s is included in the item, "Result of investments in associated companies after tax" with a negative result after tax of DKK 11 million. In the first three quarters of 2006/07, Medicom was included in the Group's figures with a turnover of DKK 101 million and a result of DKK 1 million.

ORGANIZATIONAL CHANGES

New President & CEO

Towards the end of the financial year, the Group appointed Kalle Hvidt Nielsen as the new President & CEO. Kalle Hvidt Nielsen, who joined the company on August 1, 2008, will now lay the foundation for the company's future development.

EXPECTATIONS FOR THE 2008/09 FINANCIAL YEAR

Product portfolio

The year is expected to offer a range of different and exciting products that will contribute to maintaining the right balance in the product mix. Of the product launches planned for 2008/09, the following should be mentioned:

A new audio concept designed to set a new standard for enjoying music in the home. The concept is an important step in the new way of living with, and experiencing, music in the converging digital world. The product combines the very best from Bang & Olufsen's long tradition of producing sublime audio systems with the digital world of the present and future.

In the second half year, the BeoVision 8 family will be increased by a 40 inch version.

Towards the end of the financial year, Bang & Olufsen expects to build on the BeoVision 4 family by launching a new product, which in size and functionality will set new standards within Bang & Olufsen's video portfolio.

Towards the end of the financial year, Bang & Olufsen will launch a new concept for land line telephony.

Distribution development

Bang & Olufsen will continue the qualitative expansion of its distribution. On the backdrop of the challenging retail environment, Bang & Olufsen will, however, concentrate its efforts on existing shops and open fewer new ones.

The ambition for the financial year is a net addition of around 20 new B1 shops.

A/V business

The A/V business, Bang & Olufsen's core business, is expected to face a challenging year - as has been the case since mid-December 2007. The Group expects a decline in turnover in the A/V business in the two first quarters of the 2008/09 financial year and expects growth to resume during the second half year at the earliest. This is, in part, owing to the fact that the timing of the launches of the new products is such that the products are not expected to be able to create a foundation for turnover growth until the second half of the financial year.

Automotive

At the beginning of the 2008/09 financial year, Bang & Olufsen announced a further expansion of the Audi partnership in relation to the next generation of sound systems, which will be available in further Audi models from 2010. In addition the Group has announced the start of a new partnership with Mercedes-AMG, Bang & Olufsen's third partner in the Automotive business area.

As previously announced, the third automotive partner is Aston Martin. In the second quarter of the 2008/09 financial year, Bang & Olufsen expects to announce more about specific developments in the strategic partnership with the UK car manufacturer.

With these three high-end car manufacturers as partners, Automotive is well placed to expand its position as the most attractive supplier of in-car sound systems. Moreover, during the financial year, Bang & Olufsen was named as Number One Brand in the Car-HiFi category in the respected magazine auto motor und sport's reader survey: Best Brand 2008.

The Group expects to see further positive developments in this business area.

ICEpower

Bang & Olufsen has so far owned 90 per cent of the shares in Bang & Olufsen ICEpower a/s. However, immediately after the end of the 2007/08 financial year, the company acquired the remaining 10 per cent. The Group has, therefore, gained full control of this strategically important subsidiary which supplies unique technology to a broad segment of the Group's products, from loudspeakers and sound systems to TVs and sound systems for the automotive industry.

Bang & Olufsen expects to use its control to further optimise and broaden Bang & Olufsen ICEpower a/s' potential.

For 2008/2009, ICEpower's turnover is expected to remain at the same level as in 2007/08.

Expectations for the Group's result for 2008/09

Market conditions for the 2008/09 financial year are expected to remain challenging. The first two months of the financial year are below last year's level.

Growth and an improvement to the results can at the earliest be expected in the second half year where the planned product launches will begin to take effect. The Group expects to be able to maintain its gross margin, and work will continue to focus on the Group's cost structure.

On that backdrop, Bang & Olufsen expects to post an operating profit and a result before tax on the same level as or above the result for the previous financial year, based on an expected lower turnover than in the 2007/08 financial year.

Bang & Olufsen's vision is to constantly question the ordinary in search of surprising, long-lasting experiences. A vision that demands a very high level of innovation in product development as well as in day-to-day operations, i.e. production, distribution, organisation and management. Bang & Olufsen, therefore, focuses strongly on maintaining and developing the skills that form the core of the company's innovative abilities. In practice, this means that within these areas, Bang & Olufsen constantly tests the limits of the possible.

Product development

For many years, Bang & Olufsen has placed considerable emphasis on innovation and systematising innovation so that today, an innovative spirit permeates the entire organisation. Taking its starting point in the company's vision, innovation is embedded into Bang & Olufsen's culture and values, such as excellence, originality, synthesis and passion. This is deeply rooted in the corporate culture, where employees have a natural passion for innovation and where excellence and originality are strived for. Every difference or disagreement is used as a basis for finding better solutions – a synthesis.

As part of this culture and the innovative environment, Bang & Olufsen has divided its product development activities into separate stages.

Responsibility for the early stages, when the concept is born, lies with the Product Innovation Department, known as the IdeaFactory. The department employs around 40 professionals skilled in concept and strategy development, operation and prototype production. As well as strengthening and streamlining concept development, the IdeaFactory's tasks include achieving synergies between the physical and virtual worlds.

Development takes place in close collaboration with a number of external design firms. Moreover, employees from other parts of the organisation, in particular the Development Department, as well as external partners, contribute to the process. Typically, staff from the IdeaFactory inspire the designers by providing technological and market input after which the designers return with a design proposal. From this mutual process, the final product concept materialises. When matured and approved, a concept is transferred to the Development Department, which is responsible for the construction and realisation of unique concepts. There are, of course, close links between the IdeaFactory and the development process to ensure an efficient transition.

Bang & Olufsen's core competencies are directed at enhancing the user's experience when using the products. This applies to the more technical competencies (as described in the following) as well as to the process competencies that drive the entire innovation process, i.e. concept development, technology platform, quality and project management and ongoing process improvements.

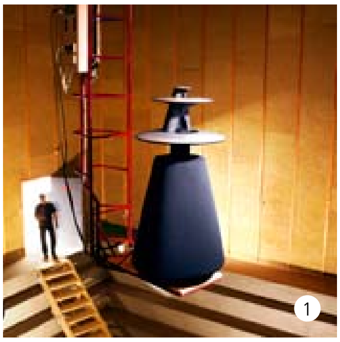
Acoustic competencies

Sound is one of Bang and Olufsen's core competencies and combines several knowledge areas, including basic acoustics, electro-acoustics, signal processing, highly effective amplifiers and psycho-acoustics. Bang & Olufsen's Development Department in Struer has unique measuring facilities at its disposal, which includes a large measuring room for acoustic free field measurements, several sound studios, and special facilities for the development of in-car sound. A trained and competent listening panel critically assesses the sound quality of all Bang & Olufsen's products.

Over the years, a platform of compact loudspeakers has been created with built-in amplifiers that offer extremely high acoustic performance. This platform applies to the entire product portfolio.

The most recent, major technological advance is the automatic adjustment of lower frequencies from the loudspeaker to the room and the patented acoustic lens created in partnership with Sausalito Audio Works. The BeoLab 5 loudspeaker, offering these advanced systems, is much admired by audio enthusiasts around the world and several international magazines have named BeoLab 5 one of the world's finest loudspeakers. The acoustic lens system is used in several other loudspeakers and in Bang & Olufsen Advanced Sound System for the Audi A8/S8 and Audi Q7.

The continued development of Bang & Olufsen's skills is assured through partnerships with European and American universities. At Aalborg University in Denmark, Bang & Olufsen employees have participated in the Sound Quality Research Unit under the four-year centre contract. The work has resulted in a number of scientific articles and one patent.



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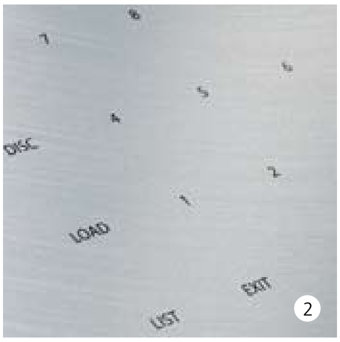

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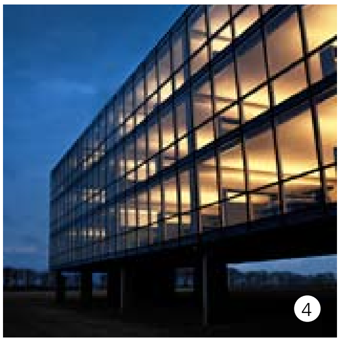

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1. The cube, used for acoustic measuring
2. Aluminium surface for BeoCenter 2
3. Assembling of loudspeakers, Automotive
4. The Farm, headquaters in Struer
5. Aluminium production
6. Anodisation
7. The factory in Koprivnice
8. ICEpower, Lyngby
9. BeoCom 1401 production, Koprivnice

Focus is also on building up development skills in acoustics projects at the newly established development unit in the Czech Republic. The first acoustic development project, the centre loudspeaker BeoLab 10 for Beovision 4, was launched during the current financial year.

Picture competencies

Bang & Olufsen's picture competencies are based on a combination of basic knowledge about the way in which we perceive picture quality, video signal processing, use of the TV screen and optimisation of the entire optical system from the screen to the eye. To exploit this knowledge, Bang & Olufsen has set up a number of special facilities, including a viewing room where the viewing panel makes critical assessments of Bang & Olufsen's own and other manufacturers' TVs. The aim is to optimise the picture quality in Bang & Olufsen TVs so that, irrespective of light conditions, they offer the best possible picture in the market.

To ensure the ultimate picture quality, only the best and most recent generations of LCD and plasma screens are built into Bang & Olufsen's flat screen products.
The picture experience is also affected by the glass plate at the front of the LCD or plasma screen. This is an area where Bang & Olufsen has accumulated considerable expertise. Consequently, most Bang & Olufsen TVs come with high tech front glass, which improves contrast and reduces screen reflections.

Bang & Olufsen's long-standing development work within the field of picture quality – and with it a wide range of technologies of which many are patent protected – is gathered under the VisionClear concept, which enhances picture quality for all types of video products.

Bang & Olufsen's picture competencies have recently attracted considerable attention in connection with the launch of Automatic Colour Management, for which a patent is pending. Here, a camera arm concealed in the top frame of a plasma TV enables the colour reproduction to be controlled and adjusted so that the picture quality remains impeccable over the lifetime of the TV. It is well known that the plasma screen's colour balance changes over time with the picture becoming more yellowish.

Operation competencies

Operation competencies combine behavioural psychology, tactility, mechanics, graphics and software, which are crucial for the development of user-friendly operations of the products. A special room has been designed for testing by psychologists who, together with users, test the operation. All details are recorded and subsequently analysed in order to enhance the operations. Around ten employees are continually employed in developing the products' operation, which also includes research into user-friendliness.

Since the mid-1980s, all controls have been integrated into one remote control. The classic Beo4, a unique product, offers simple controls for the whole product portfolio. One press on the DVD button, for instance, switches on the TV, DVD and loudspeakers. With this one touch of the remote control, customers using the BeoLiving concept can adjust the lighting in a room, activate a projector, unroll the film screen and slide back the curtains. The same remote control and operating principles apply across all products.

With the latest remote control, Beo5, Bang & Olufsen has taken yet another step towards increased user-friendliness. Beo5 can be configured specifically for the individual customer and his/her requirements so that users have a unique, customised remote control that offers precisely those functions necessary for controlling the products in their own homes. The Beo5 can also remotely control lighting, curtains, windows, air-conditioning and alarms.

Mechanical competencies

The unique design of Bang & Olufsen's products largely derives from the freedom given to its designers. This freedom is rooted in the very substantial mechanical construction skills available within the Development Department and the advanced material processes used in the production. The material quality, a strong Bang & Olufsen characteristic, is owing to the deliberate focus on, among other things, aluminium and plastic as well as close and enduring partnerships with a number of key suppliers.

Bang & Olufsen has accumulated very substantial knowledge resources with regard to anodisation, treatment and surface treatment of aluminium.
To take an example, the aluminium surface of a BeoCenter 2 is anodised so the aluminium contains

a number of minute pores allowing signs and figures to be printed. As a result of the subsequent hardening process, the surface is extremely tough so that signs and figures are indelible. Bang & Olufsen's high tech anodisation plant can colour aluminium surfaces in a variety of colours.

The Development Department possesses special skills in terms of producing robust constructions of critical mechanical details and integrating high quality movements in the products.

Bang & Olufsen's production is ISO 9000 certified and the Development Departments hold ISO 9001 certification. Bang & Olufsen's automotive production is certified according to ISO/TS 16949, a car industry quality standard.

Global development

In recent years, Bang & Olufsen has worked consistently on product development within a global perspective in order to exploit the cost and skills benefits available outside Denmark. This will continue going forward.

Consequently, Bang & Olufsen has established a development department in connection with the factory in Koprivnice in the Czech Republic. This provides opportunities for integrated product development and production maturity. Bang & Olufsen also benefits from its proximity to the University of Ostrava where it draws on the university's expertise. The company is also involved in training programmes within the engineering faculty. The department employs 30 people who focus on mechanical and acoustic competencies. Altogether, they represent one unit with mastery over all the skills necessary to carry out an entire construction process once the specifications have been determined at the head office in Denmark. In future, the Czech development department will be responsible for the implementation of acoustic, stand and audio projects.

Bang & Olufsen also draws on the approx. 40 people employed in the Estonian company, OÜ BO-Soft, which is partly owned by the Group. A number of strategic partners include TCS in India and IP Devel in Romania where 90 and 20 people respectively are primarily engaged in software and hardware development for Bang & Olufsen. In each case, these work in close partnership with the specialists in Struer.

All idea and concept development activities, however, will remain in Denmark, the heart of the Group's identity. As a result, the Group intends to invest substantially in its employees' competencies, methods and tools – which, in turn, will strengthen Struer and Århus as the focal point of product development.

The development of audio/video and automotive is based in Struer. In addition, there are small development and innovation units for software in Alexandra Park in Århus which collaborates with Aarhus University. In total, around 325 of Bang & Olufsen's employees in Denmark are involved with product development. Moreover, 50 people are employed at Bang & Olufsen ICEpower which is located in Lyngby, close to DTU, Denmark's Technical University.

Partnership with universities

Partnerships with knowledge centres, including universities, are an integral part of life at Bang & Olufsen and an important factor in the ongoing development of its core competencies. Bang & Olufsen has a long tradition for such partnerships and collaborates with universities in Europe and North America with regard to both research and its practical application. Bang & Olufsen's development engineers also participate in professional networks and conferences.

The partnership is based on an updated research strategy based on participation in research in all core competency areas. Each area has a "research gatekeeper" and a technology specialist, who is responsible for the research undertaken by PhD students financed by Bang & Olufsen. To further enhance co-operation with universities, Bang & Olufsen sponsors permanent lectureships within our core competencies as well as funding the stays of visiting professors in Struer.

Bang & Olufsen recently embarked on a research partnership with Aarhus University and the School of Engineering in Århus as well as the University of Surrey in the UK. The aim is to give Bang & Olufsen specialists access to the latest research and establish contact with graduates within specific areas.

Bang & Olufsen has also launched a Bang & Olufsen Scholarship scheme which offers financial support for special students studying within the company's core competencies. In addition, Bang & Olufsen sponsors an Innovation Camp where a significant number of students and teachers from five European countries visit Struer for three weeks. The purpose of the Innovation Camp is to strengthen cross-national co-operation and understanding with regard to the different cultures and traditions within the engineering profession.

Partnerships with suppliers

Bang & Olufsen enjoys close partnerships with some of the world's foremost suppliers in areas where Bang & Olufsen does not itself possess the requisite knowledge and competencies. These partners not only supply components for Bang & Olufsen's production, but also knowledge and skills for the development of the products. This is, for instance, the case with regard to flat screens, loudspeakers, DVD, Digital Video Broadcasting (DVB) and software development.

Production and development

In recent years, Bang & Olufsen has been continually and systematically involved with product and distribution development as well as implementing rationalisation measures in all areas, including the reduction of production and capacity costs. The guiding principles behind this work have been innovation, simplification and focus. In 2006, this targetted approach resulted in the establishment of a new factory in Koprivnice in the Czech Republic.

The factory is an important component in Bang & Olufsen's future, balanced production in that a range of more labour-intensive tasks will be undertaken in the Czech Republic. The factory has, for instance, taken over some pre-assembly work as well as the completion of a substantial part of Bang & Olufsen's audio products. This means that production in Struer will place stronger emphasis on the introduction of new products – particularly flat-screen TVs. Concurrent with these changes, new skills will be needed from employees in the Danish production and several hundred employees have already taken part in a range of intensive courses. The same is the case with the production employees in the Czech Republic who have received intensive training to ensure that the extremely high quality levels apply equally to the Danish and Czech production processes.

Distribution

Besides its internal training programmes, Bang & Olufsen also invests in training programmes for dealers, shop staff and technicians with a view to strengthening sales in the market. Previously, Bang & Olufsen offered one-off courses, but is now revitalising its commitment to training by setting up a sales academy – a training programme targetted at new shop owners, new shop managers and new shop employees. A training plan for each group will be implemented through Bang & Olufsen's sales training programme. Bang & Olufsen currently has 35 employees engaged in product training and the teaching of sales processes.

One important element is the e-learning portal, BEOCADeMY, which through internet-based courses and follow-up on class teaching, keeps sellers and technicians updated on product knowledge and sales. As well as making courses available for internal employees, Bang & Olufsen – via BEOCADeMY – instructs more than 2,700 sellers and 1,100 technicians and fitters on an annual basis. During the 2007 calendar year, 58,388 internet-based courses of up to one hour's duration took place while 747 class-based courses with a total of 7,448 participants were organised.

Organisation/management

Several independent surveys have, in the past few years, shown that Bang & Olufsen enjoys a strong image - as a business as well as a workplace. Recently, Bang & Olufsen achieved second place in the year's major image survey undertaken by the Reputation Institute. Inside Bang & Olufsen, a great deal of work is centred on enhancing the working environment as well as providing opportunities for management and employees in terms of career development and the upgrading of skills.

During the past financial year, a large number of employees participated in training programmes of a shorter or longer duration. Altogether, the company has invested DKK 11 million in the staff training and development. Among the financial year's main areas are: leadership development at all levels, employees on master programmes, IPMA certification, the "Skills Development in Production" programme and various technical and personal development courses.

Over the past few years, Bang & Olufsen has directed considerable attention to competence development for managers and employees. Such efforts will be ongoing. Consequently, in the new financial year, the so-called IPMA certification, under which a large number of Technical Project Managers receive training in order to strengthen Bang & Olufsen's project management skills, will be continued.

ENVIRONMENTAL STATEMENT

Environmental policy

All human activity impacts on the surrounding environment. This also applies to the production and use of Bang & Olufsen's products.

Bang & Olufsen continually strives to minimise environmental impact and achieve a balance between such impact and our products' qualities, economic viability, lifetime and aesthetics. Our wish is to be among the best in the industry – also within the environmental area. We wish to communicate openly about environmental issues and publish an annual environmental statement. We comply, of course, with current legislation at all times.

We wish to contribute to globally sustainable development and assess our activities from a life cycle perspective, which involves several phases:

Development (concept, design and construction)
In this creative process, the product's environmental properties are determined. The aim is to reduce environmental impact during the subsequent life cycle phases.

Raw materials
Our choice of materials aims at avoiding materials that can give rise to environmental issues.

Production
In our choice of production methods and production equipment, cleaner technologies have high priority.

We prioritise the near environment and the creation of a safe and healthy working environment for our employees. Our objective is to improve the physical as well as the psychological working environment.

When selecting suppliers we ensure that they have an appropriate attitude towards the environment and act accordingly. We wish to maintain a continuing dialogue with each individual supplier to create the right environmental conditions for the part of the product's life cycle for which the supplier is responsible.

Transport
We make environmental demands on our transport operators in terms of a high degree of utilisation and optimum application of technology for the transport units.

Application
Our aim is for our products to be enjoyed problem-free in the customer's home environment, that the products have an extended life and a low energy consumption.

Disposal
Our aim is to provide product parts that are suitable for recycling, and that major parts can be identified when dismantled in order to ensure appropriate disposal and recycling.

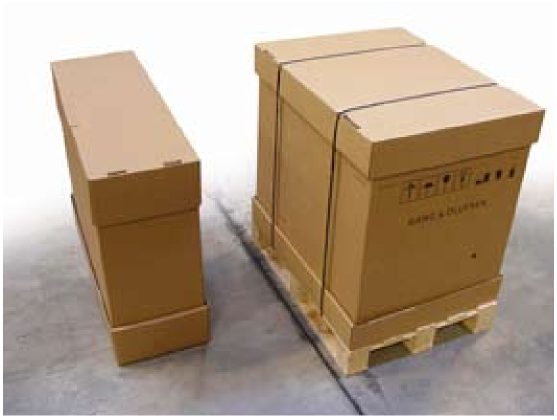
Environmental issues

The Bang & Olufsen logo is a guarantee of quality. We want our customers to buy Bang & Olufsen products in the knowledge that we have made intelligent decisions on their behalf – also in respect of environmental issues.

Based on life cycle analysis of our products, we know that the biggest environmental impact from Bang & Olufsen's products is energy consumption while in use. Consequently, it has been obvious for us to focus our efforts on reducing stand-by consumption since this is often regarded as a pure waste of energy. Bang & Olufsen is, to a great extent, at the cutting edge of the latest EUP directive[1].

Packaging is yet another focus area. While the purpose of packaging is to protect the product during handling, storage and transport, it is, however, often seen as a waste of resources as well as a disposal problem. We employ materials that can be re-used after disposal. Packaging for the majority of our products consists of cardboard boxes where the product is secured by two shells of expanded polystyrene (EPS). Both cardboard and EPS can be recycled or incinerated after use. Legislatively, the area is covered by the EU's packaging directive[2] which prescribes minimising packaging.

In October 2007, BeoCenter 6-26 won the Scandinavian packaging award, Scanstar, given for new, space-saving packaging. The box for the BeoCenter 6 is kept to a minimum so that it only accounts for 60 per cent of the previous amount of packaging. Later in the year, the packaging also won a Worldstar at the annual awards for the world's best packaging solutions. Reduced packaging also has environmental benefits in terms of transport as more products can be shipped on the same lorry, resulting in more efficient use of transport and reduced CO2 emissions.



Packaging for BeoCenter 6-26 after and before the reduction in packaging.

On the supplier front, we have worked actively with Corporate Social Responsibility (CSR) for the past three years. The CSR guidelines are set out in Bang & Olufsen's Code of Conduct which all suppliers must sign up to. Suppliers are divided into three risk groups where suppliers in the high-risk group are subject to a three-part audit. Bang & Olufsen recognizes that responsible supplier management is an ongoing process. Consequently, our aim is not to use the Code of Conduct to terminate a relationship with a supplier where an audit reveals critical deviations. Rather, we initiate joint action plans designed to improve the supplier's environmental and social standards. The implemented re-audits show improvements at supplier level with regard to human rights, employee rights and the environment.

As early as the product development stage we place extensive environmental demands on our products, the so-called compulsory features. In addition to purely statutory requirements, these compulsory features comprise internal requirements that exceed the statutory ones. One new compulsory feature introduced in 2008 is a ban on the use of the element tantalum/coltan. Extraction of tantalum/coltan in the Congo has raised ethical questions relating to human rights and endangered animals in the area. Up to now, we have used condensers that contain tantal, but we are now phasing out the use of this.

Over the past year, we continued to monitor other countries' implementation of product environment-related legislation, including the two EU directives WEEE[3] and RoHS[4] within as well as outside Europe. We also continuously update our knowledge on new requirements that can impact on our products. At present, no new requirements are expected to impact on the annual accounts.

In December 2006, the EU Commission approved the new chemical regulation REACH[5]. The part of REACH that deals with materials and preparations has no direct bearing on us as we do not import from non-European countries. With regard to the evaluation of chemicals in articles, we have decided to participate actively together with the Danish Environmental Protection Agency and DHI in the pre-project: "The Consequences of REACH for electronic companies – Requirements for Downstream Use of Preparations and Production of Chemicals". At the time of writing, the project is nearing completion and all indications are that the part of REACH that relates to chemicals in articles will not impact on us.

On the backdrop of REACH and participation in the project, we have initiated an internal chemical reduction programme under which the purchase and use of CMR[6] materials class 1 and 2 are prohibited at Bang & Olufsen. Having completed the substitution of these chemicals, we believe that REACH will have no consequences for Bang & Olufsen.

No external environmental issues have, or could have, a significant impact on Bang & Olufsen's financial position and Bang & Olufsen's Mechanics Factory has been approved in accordance with the Danish Environmental Protection Act's section 5. With regard to changes to processes and production layout, the objective is to eliminate or limit pollution whenever possible. We maintain a regular dialogue with the authorities to establish the best solutions and minimise pollution, e.g. by using cleaner technology (BAT[7]).

Bang & Olufsen prepares annual statutory green accounts for the anodising plant. Anodising is an electro-chemical treatment of aluminium which results in a highly durable surface structure. This surface structure means that with ordinary use, the aluminium element will retain its original attractive appearance for many years.

As well as the green accounts, we also prepare a voluntary environmental review every year which details the environmental aspects of production at our factories as well as our working environment conditions.

We also prepare a product-related environment review "To the last detail, an account of environmental awareness told through the development, production, use and disposal of a specific product." "To the last detail" has been produced for BeoCenter 1, BeoSound 3200, BeoLab 1 and BeoCenter 2, automotive products for cars and BeoCenter 6.

"To the last detail" and the environmental review can be downloaded at www.bang-olufsen.com. The green accounts are available from the Environment Department on +45 96 84 10 69.

1. Council Directive 2005/32/EC. EUP is an abbreviation of the directive's English title Energy Using Products. For the electronics industry, this primarily relates to the reduction of the products' energy consumption during the user phase.

2. Council Directive 94/62/EF of 20 December 1994 on packaging as amended by 2004/12/EF.

3. Council Directive 2002/96/EC. WEEE is an abbreviation of the directive's English title Waste Electrical and Electronic Equipment. The directive determines manufacturer responsibility for the collection and reprocessing of end of life electronic products.

4. Council Directive 2002/95/EC. RoHS is an abbreviation of the directive's English title Restriction of use of certain Hazardous Substances. For the electronics industry, this primarily relates to the switch to lead-free soldering.

5. Council regulation no. 1907 of December 18, 2006. REACH is an abbreviation of the regulations' English title: Registration, Evaluation, Authorisation of Chemicals.

6. CMR: Carcinogenic, Mutagenic or toxic Reproduction.

7. BAT is an environmental term "Best Available Technology" (best accessible – or cleaner technology).

CORPORATE GOVERNANCE

Under the guidelines for corporate governance issued by OMX The Nordic Stock Exchange Copenhagen, the company must consider these on the basis of the "comply or explain" principle.

In general, the Bang & Olufsen Group follows the OMX The Nordic Stock Exchange Copenhagen's recommendations for corporate governance. A few exceptions, however, are described in the following:

1. Shareholders' role and interaction with corporate management

The Annual General Meeting

In accordance with the company's Articles of Association, notice of the Annual General Meeting must be given at least 2-4 weeks prior to the date of the General Meeting. The notice must contain a complete agenda and an explanation of the items on the agenda where such explanation is relevant. Proposals for agenda items must be submitted to the Board of Directors in writing by 15 August of the year in question.

Investor meetings

Investor meetings and telephone conferences are held following the publication of each quarterly statement to provide participants with the opportunity to put questions to the Management Board. Telephone conferences are subsequently available at www.bang-olufsen.com. It is also possible to contact the company's Investor Relations function where the main purpose is to maintain an ongoing dialogue with current and potential shareholders.

Capital and share structure

Bang & Olufsen a/s' share capital is divided into A shares and B shares (multiple voting shares and ordinary shares respectively). The Board of Directors believe that the current division into two share classes is appropriate for the purpose of ensuring the company's continued and stable development. In a dialogue with the shareholders, the Board will continually assess the expediency of the aforementioned division.

2. The role of stakeholders and its importance to the company

For many years, the Board of Directors has been attentive to the company's relationship with its stakeholders, a fact that is reflected in the company's annual environmental statement which has been prepared since 1995/96. Equally, social issues both inside the company and beyond play an important role in the life of the company in general. In view of the work already under way, the company does not find it necessary to set out a formal policy for this area as the Board of Directors regularly monitors the Management Board's approach to these issues.

3. Openness and transparency

The company complies with the statutory regulations concerning the publication of material information relevant to shareholders' and the financial markets' evaluation of the company, its activities, business objectives, strategies and results. The Board of Directors has approved a policy aimed to ensure that such information complies with statutory regulations. All announcements are issued via Company News Service, OMX's distribution company, and can subsequently be accessed from the company's website www.bang-olufsen.com. All announcements are issued in both Danish and English.

The company publishes quarterly, half year and annual reports.

4. Board of Directors' tasks and responsibilities

The Board of Directors has overall management responsibility for the company. In keeping with general practice in Denmark, the Board of Directors and the Management Board act independently of each other and have different responsibilities. The Management Board handles the day-to-day management of the company while the Board of Directors supervises the work of the Management Board and is responsible for general strategic management.

5. The composition of the Board of Directors

With regard to Bang & Olufsen a/s, all board members elected at the Annual General Meeting stand for election each year – (this has not previously been the case. The necessary change to the Articles of Association is expected to be approved at the 2008 Annual General Meeting). In general, six to eight board meetings are held annually together with ad hoc meetings as required. Board members elected by the AGM comprise a group of experienced international business people from Denmark and Germany. The age limit for members of the Board of Directors is 70.

The Board of Directors does not employ formalised self-evaluation. The Chairmanship evaluates the work of the Board of Directors on an ongoing basis.

In contrast to the recommendations, Bang & Olufsen a/s does not operate guidelines for the number of directorships board members may have. The deciding factors are the individual member's capacity, competence and contribution. Information concerning individual board members' age, retirement age and time of their election and any re-election is deemed irrelevant.
The Board of Directors' rules of procedure lay down regulations concerning the tasks and responsibilities between the members of the Management Board and the Board of Directors.

6. The Board of Management's and the Board of Directors' remuneration

The Board of Directors has set up a compensation committee which carries out negotiations concerning the Board of Management's remuneration. The members of this committee are listed on page 20.

No information is provided on the remuneration of individuals. The Board of Directors believes the important factor is the overall remuneration and the related trends.

Incentive programmes are published comprehensively in the Annual Report in accordance with relevant rules and regulations. Members of the Board of Directors do not benefit from incentive programmes.

The Board of Directors believes that information provided under the section "Shareholder Information" on board members' ownership shares is sufficient.

7. Risk management

Please refer to page 55 and 56 of this report.

8. Audit

The company's auditors are elected by the Annual General Meeting after recommendation from the Board of Directors. The audit fee is approved by the Board of Directors.

IR Policy

Bang & Olufsen aims to provide:

- OMX The Nordic Exchange Copenhagen
- Current and potential investors
- Share analysts and stockbrokers

with all relevant information about the Group rapidly and concisely.

The objective of the information is to:

- Increase investor awareness of Bang & Olufsen in Denmark and abroad
- Provide investors with structured, current and planned information, which will satisfy information requirements relating to investments in the Bang & Olufsen ordinary share.

The information, and the provision of such information, must always comply with current regulations as issued by OMX The Nordic Exchange Copenhagen or other relevant bodies.

Internal rules regarding insider knowledge and trade in the company's shares

In conformity with the Danish Securities Trading Act, the company maintains an insider register of persons who, owing to their position, are deemed to have access to insider knowledge about the company. The company has set up internal rules for such individuals.

The individuals, who are included in the insider register and subject to the internal rules, are Board members and members of the Management Board of Bang & Olufsen a/s, other directors and senior managers who report directly to the Board of Directors or the Management Board of Bang & Olufsen a/s, elected auditors and other employees of Bang & Olufsen a/s who may have access to insider knowledge.

Also included are board members and members of the Management Board, other directors and senior managers in Bang & Olufsen a/s' subsidiaries, including the Group's foreign companies if their positions are deemed to provide them with access to insider knowledge

All board members, members of the Management Board and other insider-registered employees in the Bang & Olufsen a/s group may only buy or sell shares in Bang & Olufsen a/s for a period of 4 weeks after publication of each of the company's Interim Reports or Annual Reports.

The Bang & Olufsen share

Bang & Olufsen's share capital is divided into A shares (ordinary shares (multiple voting shares)) and B shares (ordinary shares). Each A share amount of DKK 10.00 carries 10 votes while each B share of DKK 10.00 carries 1 vote.

As at 31 May, 2008, the votes relating to A shares totalled 49.68 per cent of the total number of votes.

Bang & Olufsen's B shares are listed on OMX The Nordic Exchange Copenhagen. The company's identification code is DK 001021842-9.

The quotation on Bang & Olufsen's B shares fell from 698 as at 31 May, 2007 to 265 as at 31 May 2008, which equates to 433 points or a fall of approx. 62 per cent.

Between 1 June, 2007 and 31 May, 2008, OMX The Nordic Exchange C20 index fell by approx. 8 per cent.

During the same period, the market value of Bang & Olufsen's B shares fell from DKK 7,675 million to DKK 2,908 million.

Bang & Olufsen's A shares are not traded on a regulated market. Transactions with A shares are subject to the rules of an A share agreement which all A shareholders have signed up to. The agreement gives the other A shareholders an option to purchase if an A shareholder should wish to sell A shares.

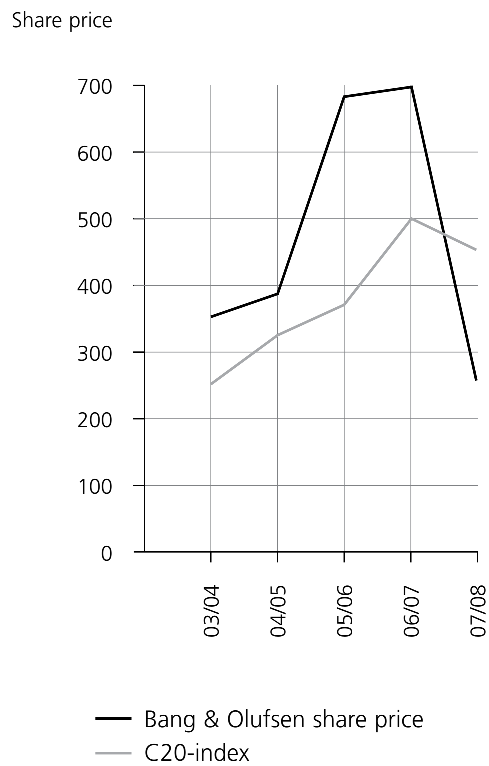
The share capital consists of:

A shares (ordinary shares (multiple voting shares)): 1,085,543 of DKK 10	DKK 10,855,430
B shares (ordinary shares): 10,995,795 of DKK 10	DKK 109,957,950
Total	DKK 120,813,380

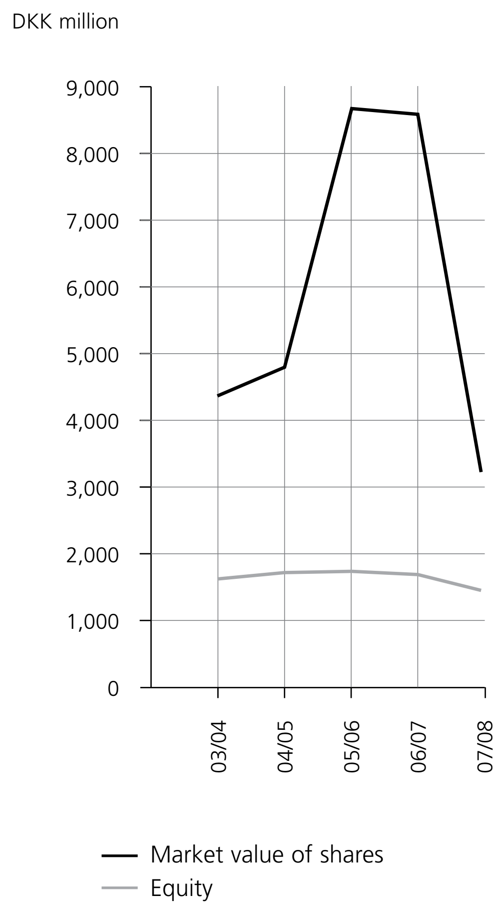
Circulating shares:

Issued shares	12,081,338
- own shares	(767,787)
Total as at 31 May, 2008	11,313,551
Average number of circulating shares	11,376,530

Development in quoted share price for Bang & Olufsen's ordinary shares compared to the C20-index as at 31 May



Market value of shares compared to equity as at 31 may



Ordinary shares (multiple voting shares) not listed on OMX The Nordic Exchange Copenhagen are included at the same price as the ordinary shares

Own shares

As at 31 May, 2008, Bang & Olufsen a/s' holding of own shares was valued at DKK 7,677,870 equating to approx. 6.36 per cent of the share capital.

Shares held by members of the Management Board

As at 31 May, 2008, members of Bang & Olufsen a/s' Management Board held DKK 2,000 A shares (nominal) and DKK 6,080 B shares (nominal).

Shares held by the Board of Directors

As at 31 May, 2008, members of Bang & Olufsen a/s' Board of Directors held DKK 275,400 A shares (nominal) and 246,700 B shares (nominal).

Share option programme

Bang & Olufsen's share option programme applies to a number of the Group's directors. As at 31 May, 2008, the total pool of options amounted to 193,500. These can be exercised during the period 2007-2011. For further details please see note 5.

Information about shareholders

As at 31 May, 2008, Bang & Olufsen a/s had approx. 29,400 registered shareholders corresponding to an ownership interest of approx. 80 per cent of the share capital. Approx. 28,500 of these shareholders are resident in Denmark.

Of the listed capital, approx. 84 per cent is placed in Denmark, approx. 4 per cent in the Netherlands and approx. 3 per cent in the UK and Northern Ireland.

As at 31 May, 2008, the following individuals or legal entities hold 5 per cent or more of the company's capital or share capital's voting rights.

	Nominal amount DKK 1,000	Capital %	Votes %
Lønmodtagernes Dyrtidsfond, Vendersgade 28, 1, 1363 Copenhagen K	5,977	4.95	13.58
Nordea Pension Danmark A/S, Klausdalsbrovej 615, 2750 Ballerup	2,000	1.66	9.15
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød	14,358	11.88	6.57
Kirsten og Peter Bang a/s, c/o Lars Peter Bang, Duevej 1, 7600 Struer	1,155	0.96	5.28
Chr. Augustinus Fabrikker A/S, Amaliegade 47, 1256 Copenhagen K	1,360	1.13	5.05
Bang & Olufsen a/s, Peter Bangs Vej 15, 7600 Struer	7,678	6.36	3.51

Rules concerning the appointment and replacement of members of the Company's Board of Directors and changes to the Company's Articles of Association

The Company's Articles of Association specify the following rules concerning the appointment and replacement of members of the Company's Board of Directors and changes to the Company's Articles of Association:

The Company is headed by a Board of Directors which – besides any representatives elected by the Company's employees pursuant to the statutory provisions – consists of between 4 and 8 members elected by the Annual General Meeting. All board members elected at the Annual General Meeting stand for election each year (this has not previously been the case. The necessary change to the articles is expected to be approved at the 2008 Annual General Meeting). Re-election may take place.

Board members elected by the AGM comprise a group of experienced international business people from Denmark and Germany. The age limit for members of the Board of Directors is 70.

The Board of Directors does not employ formalised self-evaluation. The Chairmanship evaluates the work of the Board of Directors on an ongoing basis. In contrast to the recommendations, Bang & Olufsen a/s does not operate guidelines for the number of directorships board members may have. The deciding factors are the individual member's capacity, competence and contribution. Information concerning individual board members' age, retirement age and time of their election and any re-election is deemed irrelevant.

All matters considered at the Annual General Meeting shall be settled by simple majority vote. For the adoption of resolutions on amendments to the Articles of Association or on the dissolution of the Company, it is required that at least 2/3 of the share capital is represented at the Annual General Meeting, and that the resolution is passed by at least 2/3 of both the votes cast and of the share capital carrying voting rights represented at the Annual General Meeting. Should 2/3 of the share capital not be represented at the Annual General Meeting, but the resolution proposed be passed by 2/3 of both the votes cast and of the share capital carrying voting rights represented at the Annual General Meeting, a new Annual General Meeting shall be convened as soon as possible at which the resolution proposed may be passed by 2/3 of the votes cast, regardless of the proportion of the share capital represented.

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

The agreements that Bang & Olufsen has entered into concerning the supply of sound systems to the automotive industry contain "change of control" clauses. This applies both to the agreement entered into with Audi, and the agreement with Aston Martin Lagonda Ltd. As a consequence of these clauses, should a change of control of Bang & Olufsen take place, Audi and Aston Martin Lagonda Ltd. are entitled to terminate the contract between the parties.

The loan of originally DKK 74.5 million from Danske Bank to Bang & Olufsen s.r.o with a carrying amount of DKK 50.4 million as at 31 May, 2008 includes a clause stating that the loan can be called in if a shareholder obtains controlling influence in Bang & Olufsen a/s.

The Company's Articles of Association state the following:

Until 31 May, 2012, the Board of Directors is authorised, in one or more stages, to increase the company's B share capital by up to DKK 2,500,000 through the issue of shares offered to employees of the Bang & Olufsen Group at a price corresponding to the current market price or lower, and on terms to be decided by the company's Board of Directors. The Board is authorised to acquire – within 18 months from 28 September, 2007 – up to 10 per cent of the company's share capital at a price which must not be more than 10 per cent above or below the most recent price quoted for B shares (ordinary shares) on OMX The Nordic Exchange Copenhagen.

Dividend policy

The Group's dividend policy aims at paying between one third and half of the profits after tax as dividend. The Board of Directors proposes to the Annual General Meeting that DKK 3 per nominal DKK 10 share i.e. DKK 36.2 million be allocated.

Dividend payment

Dividend is expected to be paid on Thursday, 2 October, 2008.

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

ABG Sundal Collier
ABN AMRO
Alm. Brand Henton
Bankinvest-group
Capinordic Bank
Carnegie Bank A/S
Cazenove
Cheuvreus Intl Ltd
Danske Equities
Enskilda Securities
FIH Capital Markets
FIH Erhvervsbank A/S
Gudme Raaschou Bank
Handelsbanken
Jyske Bank
Nordea
Oppenheim
Proactive Independent Ideas
Standard & Poors Equity Research

Website

Bang & Olufsen invites investors and other stakeholders to visit the company's website: www.bang-olufsen.com, where a wide range of information of interest to the investors is available, i.e. announcements, annual reports, quarterly and half-yearly reports, the financial calendar and, not least, the company's history and a presentation of its products.

Investor contact

Investors@bang-olufsen.dk

STATEMENTS SENT TO OMX THE NORDIC EXCHANGE COPENHAGEN DURING THE PERIOD JUNE 2007 - MAY 2008

Financial statements:

13 August, 2007	Annual Report for the financial year 2006/07
8 October, 2007	Interim Report for the 1st quarter 2007/08
9 January, 2008	Half year report 2007/08
8 April, 2008	Interim Report for the 3rd quarter 2007/08

Other statements:

1 June, 2007	Share capital and votes in Bang & Olufsen a/s
14 August, 2007	Financial calender for Bang & Olufsen a/s
29 August, 2007	Bang & Olufsen Sound System in Audi A4
7 September, 2007	Annual General Meeting of Bang & Olufsen a/s
28 September, 2007	Development of Annual General Meeting
11 December, 2007	Bang & Olufsen cooperation with Aston Martin
10 January, 2008	President, CEO Torben Ballegaard Sørensen leaves Bang & Olufsen
18 January, 2008	Bang & Olufsen: No plans to replace the Chairman
14 March, 2008	Bang & Olufsen a/s downgrades the expectations for the 2007/08 financial year
31 March, 2008	Peter Thostrup resigns as Excecutive Vice President in Bang & Olufsen a/s as of 30 September, 2008
19 April, 2008	Bang & Olufsen Sound System in the new Audi Q5
29 April, 2008	Karl Kristian Hvidt Nielsen appointed new CEO of Bang & Olufsen a/s

Statements regarding insider trading:

11 October, 2007
22 October, 2007
27 November, 2007
14 January, 2008
15 January, 2008

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

CAPITAL STRUCTURE

Bang & Olufsen operates in a sector with very frequent and significant changes in technology. Distribution development largely takes place through retailer-owned shops, but in certain markets it might from time to time be necessary for the Group to acquire established retail networks. The draw on liquidity in individual financial years is characterized by considerable seasonal variations. The Group will occasionally be faced with small or medium-sized acquisition opportunities within new business areas and new fields of technology.

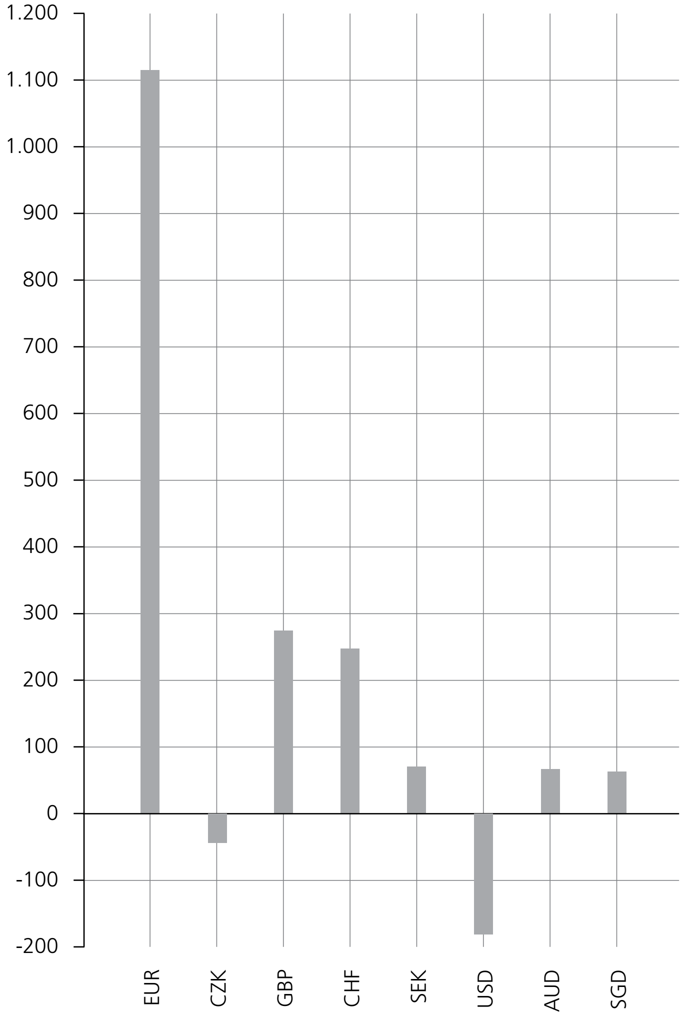
Based on this, Bang & Olufsen has a need for sufficient capital reserves and the Group will therefore, as a long-term average, aim at an equity ratio of 40-50 per cent and a net interest-bearing debt in a range between 0.25 and 2.00 times earnings before interest, tax, depreciations, amortisations and impairment losses (EBITDA). As at 31 May 2008 the equity ratio equals 52.7 %, while it, as at 31 May 2007, equalled 56.8 %.

As at the balance sheet date the financial gearing and the ratio between the net interest-bearing debt and EBITDA can be calculated as below:

	2007/08	2006/07
Mortgage loans	244.2	107.4
Loans from banks etc.	197.7	169.0
Cash	(107.1)	(196.4)
Net interest-bearing debt	334.8	80.0
Equity	1,483.8	1,681.9
Financial gearing	0.23	0.05
EBITDA	482.7	789.3
Net interest-bearing debt / EBITDA	0.69	0.10

The year's net flow in key currencies

DKK million



COMMERCIAL RISKS

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

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

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

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

Suppliers
The Group is dependent on a large number of suppliers, primarily from Europe and Asia, and strives to maintain long-term supplier relations with regard to the purchase of development services and production goods. Bang & Olufsen endeavours to ensure that supplies of critical raw materials a re 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, and invests in, a range of training programmes for its employees.

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

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

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

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

These risks comprise:

· Foreign exchange rate risk
· Interest rate risk
· Credit risk
· Liquidity risk

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

Foreign exchange rate risk
In 2007/08, 88 per cent (2006/07: 85 per cent) of the Group's turnover is in foreign currency. Since the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent, the figure does not express the Group's foreign exchange rate risk.

The Group has net inflows in EUR, GBP and CHF while USD accounts for the most significant exposure on the outflow side.

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. Forward contracts are used to continually cover net positions. These forward contracts are classified as hedging and fulfil the accounting requirements for hedging future cash flow. Forward contracts are used for commercial transactions only.

The Group's net monetary items in foreign currencies are disclosed in note 44.

Fluctuations in foreign exchange rates of 5 per cent for GBP, 5 per cent for CHF and 10 per cent for USD against DKK can be expected to impact on the Group's pre-tax result by 7 per cent, 7 per cent and 2 per cent respectively. (2006/07: 3 per cent, 2 per cent and 3 per cent respectively).

Besides the foreign exchange rate risk relating to current transactions, the Bang & Olufsen Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to DKK. The translation risk is of no significance to Bang & Olufsen's annual report.

Interest rate risk

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

The Group's interest-bearing assets consist mainly of liquid funds, which at year end totalled DKK 107 million (2006/07: DKK 196 million). Liquid funds yield interest on the short-term money market. The interest rate risk is deemed to be insignificant in that a change in the interest rate level of 0.5 per cent for 2007/08 would have impacted on the Group's result before tax by approx. DKK 0,5 million.

At year end, the Group's interest-bearing debt totalled DKK 442 million (2006/07: DKK 276 million) corresponding to 15,7 per cent of the balance sheet total. (2006/07: 9.3 per cent).

The interest-bearing debt is of a medium-term nature. For further information, please see Note 32 and 33.

Due to the low debt level and the fact that borrowings are exclusively in fixed interest loans, the Group's interest rate risks are insignificant and are not expected to impact significantly on the Group's result.

Credit risk

The Group's most important primary financial instruments comprise trade receivables and bank deposits. The amounts at which these balance sheet items are recognized correspond to the maximum credit risk.

At the end of the financial year, the Group was selling its products through 1,257 dealers worldwide. In view of the large number of dealers and the wide geographical spread, and the fact that the Group has no substantial concentrations of credit risk, the Group regards the credit risk in relation to receivables as limited.

The individual dealers, including their geographical location, are subject to ongoing evaluation. When deemed necessary, the Group employs bank guarantees or credit insurance against outstanding debts.

Losses relating to receivables have been at a minimal level over the previous four years. For the year 2007/08 losses and provision for losses on receivables are DKK 49 million. The losses are mainly related to the declining turnover in the UK market.

Liquid funds are placed with financial institutions with high credit ratings. Derivatives, including foreign exchange forward contracts, are entered into with such institutions only.

It is deemed, therefore, that the credit risk relating to liquid funds is of no significance to Bang & Olufsen's annual report.

Liquidity risk

The financial reserve is continually assessed and managed by the parent company's finance department. This ensures that, at any given time, there is sufficient, flexible and unused assurance credit available provided by major, reputable financial institutions. On the basis of its financial reserve arrangements, the Group believes that there is no reason to expect liquidity issues.

The liquidity risk, therefore, is not significant in relation to Bang & Olufsen's annual report.

COURAGE TO CONSTANTLY QUESTION THE ORDINARY
IN SEARCH OF SURPRISING, LONG-LASTING EXPERIENCES.

FINANCIAL REPORT AND NOTES

Financial report

Notes

PROFIT AND LOSS ACCOUNT

Notes ...	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	2007/08	2006/07	2007/08	2006/07
4 ...	**Net turnover**	**4,092.0**	**4,375.7**	**948.1**	**966.7**
5 ...	Production costs	(2,199.6)	(2,338.0)	(526.4)	(463.8)
	Gross profit	**1,892,4**	**2,037.7**	**421.7**	**502.9**
5 ...	Development costs	(545.5)	(458.8)	(565.5)	(464.9)
5 ...	Distribution and marketing costs	(1003.5)	(910.2)	-	-
5 ...	Administration costs etc.	(148.7)	(138.7)	(42.9)	(32.4)
	Operating profit	**194.7**	**530.0**	**(186.7)**	**5.6**
	Result of investments in associates after tax	(11.2)	(1.1)		
	Gain on sale of shares in subsidiary	-	11.5	-	27.1
6 ...	Dividend			916.5	189.0
7 ...	Financial income	20.0	15.7	59.0	44.1
8 ...	Financial costs	(49.8)	(31.7)	(36.1)	(25.3)
	Financial items, net	(29.8)	(16.0)	22.9	18.8
	Result before tax	**153.7**	**524.4**	**752.7**	**240.5**
9 ...	Tax on result for the year	(41.4)	(151.9)	25.8	(13.5)
	Result for the year	**112.3**	**372.5**	**778,5**	**227.0**
	Attributable to:				
	Shareholders of the parent company	104.7	367.4		
10 ...	Minority interests	7.6	5.1		
		112.3	**372.5**		
11 ...	**Earnings per share**				
	Earnings per share, DKK	9.2	31.4		
	Diluted earnings per share, DKK	9.2	31.4		
	Earnings per share from continuing operations, DKK	9.2	31.4		
	Diluted earnings per share from continuing operations, DKK	9.2	31.4		
	Proposed profit distribution:				
	Retained earnings			742.3	(14.6)
	Proposed dividend for the financial year			36.2	241.6
				778.5	227.0

The proposed dividend for 2007/08 corresponds to a dividend of DKK 3.00 per share (DKK 20.00 in 2006/07).

Parantheses denote negative figures or figures to be deducted. Notes: See pages 71 - 127

BALANCE SHEET
ASSETS

Notes	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 08	31/5 07	31/5 08	31/5 07
Notes ...					
	Intangible assets				
	Goodwill	44.8	44.8	3.2	3.2
	Acquired rights	41.1	44.4	35.9	38.2
	Completed development projects	218.8	244.6	204.5	220.3
	Development projects in progress	112.5	116.2	97.0	108.4
12, 15 ...	Total intangible assets	417.2	450.0	340.6	370.1
	Tangible assets				
	Land and buildings	274.4	252.1	83.7	89.4
	Plant and machinery	221.8	203.8	8.8	9.8
	Other equipment	50.0	70.7	30.9	27.3
	Leasehold improvements	28.7	29.1	0.1	0.1
	Tangible assets in progress and prepayments for tangible assets	80.8	62.2	6.7	0.6
13 ...	Total tangible assets	655.7	617.9	130.2	127.2
14 ...	**Investment property**	52.8	56.4	73.2	78.4
	Financial assets				
16 ...	Investments in subsidiaries			722.8	722.6
17 ...	Investments in associates	6.3	15.8	2.0	2.0
18 ...	Other financial receivables	52.0	88.2	3.0	0.2
	Total financial receivables	58.3	104.0	727.8	724.8
19 ...	**Deferred tax assets**	22.7	21.2	-	-
	Total non-current assets	**1,206.7**	**1,249.5**	**1,271.8**	**1,300.5**
20 ...	**Inventories**	801.4	694.3	1.4	0.4
	Receivables				
21 ...	Trade receivables	593.0	733.8	-	-
22 ...	Receivables from subsidiaries			921.4	255.2
23 ...	Receivables from associates	-	8.5	-	1.8
24 ...	Income tax receivables	39.7	27.0	9.2	28.4
25 ...	Other receivables	38.9	30.0	12.6	3.3
	Prepayments	30.5	22.8	7.0	5.9
	Total receivables	702.1	822.1	950.2	294.6
	Cash	107.1	196.4	5.3	5.3
	Total current assets	**1,610.6**	**1,712.8**	**956.9**	**300.3**
	Total assets	**2,817,3**	**2,962.3**	**2,228.7**	**1,600.8**

Notes: See pages 71 - 127

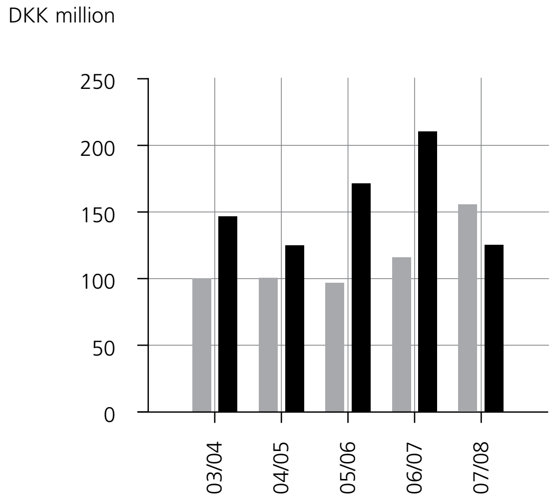
BALANCE SHEET
EQUITY AND LIABILITIES

Notes ...	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 08	31/5 07	31/5 08	31/5 07
	Equity				
26 ...	Share capital	120.8	120.8	120.8	120.8
	Share premium	14.6	14.6	14.6	14.6
	Translation reserve	(42.9)	(17.3)		
	Reserve for cash flow hedges	-	0.1	-	0.1
27 ...	Retained earnings	1,379.2	1,557.7	1,522.8	1,055.2
	Equity attributable to shareholders of the parent company	1,471.7	1,675.9	1,658.2	1,190.7
28 ...	Minority interests	12.1	6.0		
	Total equity	**1,483.8**	**1,681.9**	**1,658.2**	**1,190.7**
	Non-current liabilities				
29 ...	Pensions	9.5	9.7	-	-
30 ...	Deferred tax	64.2	67.8	72.7	79.6
31 ...	Provisions	77.3	97.0	3.1	4.3
32 ...	Mortgage loans	235.7	93.4	198.5	54.6
33 ...	Loans from banks etc.	101.1	97.1	48.9	37.5
34 ...	Other non-current liabilities	6.6	6.1	3.4	3.4
	Total non-current liabilities	494.4	371.1	326.6	179.4
	Current liabilities				
32 ...	Mortgage loans, short term part	8.5	14.0	6.9	12.4
33 ...	Loans from banks etc., short term part	42.9	32.4	35.4	25.0
	Other loans from banks	53.7	39.5	53.6	39.2
31 ...	Provisions	46.0	33.3	0.3	0.2
	Trade payables	216.0	213.7	49.7	34.7
	Payables to associates	1.8	-	0.1	-
35 ...	Income tax	66.3	122.3	-	-
36 ...	Other payables	320.0	356.2	97.9	119.2
	Deferred income	83.9	97.9	-	-
	Total current liabilities	839.1	909.3	243.9	230.7
	Total liabilities	**1,333.5**	**1,280.4**	**570.5**	**410.1**
	Total equity and liabilities	**2,817.3**	**2,962.3**	**2,228.7**	**1,600.8**

Parantheses denote negative figures or figures to be deducted. Notes: See pages 71 - 127

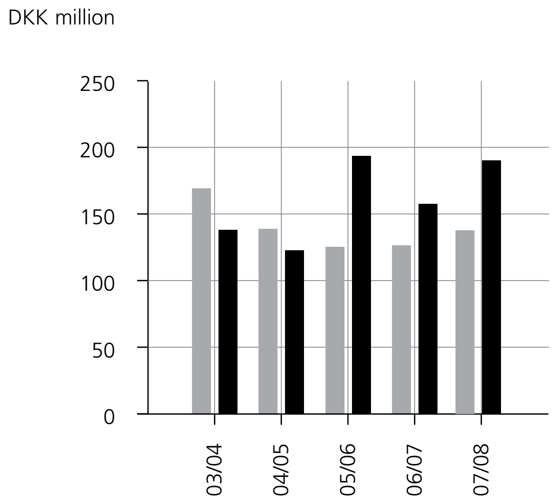
Purchase of intangible assets and amortisation

- Amortisation
- Purchase of intangible assets



Purchase of tangible assets and depreciation

- Depreciation
- Purchase of tangible assets



CASH FLOW STATEMENT

Notes ...	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	2007/08	2006/07	2007/08	2006/07
	Result for the year	112.3	372.5	778.5	227.0
	Depreciations, amortisations and impairment losses	299.2	248.9	166.1	126.5
37 ...	Adjustments	92.6	162.6	(27.9)	(18.7)
38 ...	Change in working capital	(22.2)	(142.2)	(682.1)	(58.1)
	Interest received etc.	20.0	15.7	59.0	44.1
	Interest paid etc.	49.8	(31.7)	(36.1)	(25.3)
	Income tax paid	120.3	(105.0)	32.0	(10.3)
	Cash flow from operating activities	**331.8**	**520.8**	**289.5**	**285.2**
	Purchase of intangible non-current assets	(124.9)	(210.1)	(109.6)	(169.0)
	Purchase of tangible non-current assets	(190.4)	(157.6)	(25.0)	(8.0)
	Purchase to investment property	-	-	(1.9)	(3.1)
	Purchase to investment in subsidiaries	-	-	(0.2)	-
	Sale of intangible non-current assets	1.5	0.7	1.6	-
	Sale of tangible non-current assets	23.3	9.8	-	(0.5)
	Sale of investment property	-	-	-	1.0
39 ...	Acquisitions of activities	-	-	-	-
40 ...	Disposals of activities	-	32.7	-	32.7
	Change in financial receivables	36.2	(53.9)	(2.8)	(0.2)
	Cash flow from investment activities	**(254.3)**	**(378.4)**	**(137.9)**	**(147.1)**
	Proceeds from long-term loans	200.0	-	200.0	-
	Repayment of long-term loans	(48.7)	(46.3)	(39.8)	(37.4)
	Dividend paid	(247.7)	(200.2)	(241.6)	(199.2)
	Dividend, own shares	14.0	11.3	14.0	11.3
	Repurchase of own shares	(100.2)	(271.3)	(100.2)	(271.3)
	Sale of own shares	1.6	18.5	1.6	18.5
	Cash flow from financing activities	**(181.0)**	**(488.0)**	**(166.0)**	**(478.1)**
	Change in cash and cash equivalents	**(103.5)**	**(345.6)**	**(14.4)**	**(340.0)**
	Cash and cash equivalents 1 June	156.9	502.5	(33.9)	306.1
41 ...	**Cash and cash equivalents 31 May**	**53.4**	**156.9**	**(48.3)**	**(33.9)**

Parentheses denote capital expenditure. Notes: See pages 71 - 127

STATEMENT OF CHANGES IN EQUITY

Bang & Olufsen a/s, Group

(DKK million)

	Equity attributable to equity holders of the parent company					Minority interests	Total
	Share capital	Share premium	Translation reserve	Reserve for cash flow hedges	Retained earnings		Equity Group
Equity 1 June 2006	**124.5**	**14.6**	**(4.7)**	**-**	**1,603.6**	**4.1**	**1,742.1**
Equity and exchange rate adjustments in subsidiaries	-	-	(12.6)	-	14.1	-	1.5
Change in fair value of derivative financial instruments	-	-	-	0.1	-	-	0.1
Net income recognized directly in equity	-	-	(12.6)	0.1	14.1	-	1.6
Retained earnings	-	-	-	-	367.4	5.1	372.5
Total recognized income and expense for the year	-	-	(12.6)	0.1	381.5	5.1	374.1
Capital reduction	(3.7)	-	-	-	3.7	-	-
Employee shares	-	-	-	-	10.8	-	10.8
Grant of share options	-	-	-	-	0.4	-	0.4
Tax regarding share options	-	-	-	-	(0.4)	-	(0.4)
Option for minority interest	-	-	-	-	(1.2)	(2.2)	(3.4)
Purchase of own shares	-	-	-	-	(271.3)	-	(271.3)
Sale of own shares	-	-	-	-	18.5	-	18.5
Dividend paid regarding 2005/06	-	-	-	-	(199.2)	(1.0)	(200.2)
Dividend, own shares	-	-	-	-	11.3	-	11.3
	(3.7)	-	-	-	(427.4)	(3.2)	(434.3)
Equity 31 May 2007	**120.8**	**14.6**	**(17.3)**	**0.1**	**1,557.7**	**6.0**	**1,681.9**

Parantheses denote negative figures or figures to be deducted.

Bang & Olufsen a/s, Group

(DKK million)

	Equity attributable to equity holders of the parent company					Minority interests	Total
	Share capital	Share premium	Translation reserve	Reserve for cash flow hedges	Retained earnings		Equity Group
Equity 1 June 2007	**120.8**	**14.6**	**(17.3)**	**0.1**	**1,557.7**	**6.0**	**1,681.9**
Equity and exchange rate adjustments in subsidiaries	-	-	(25.6)	-	32.2	-	6.6
Change in fair value of derivative financial instruments	-	-	-	(0.1)	-	-	(0.1)
Net income recognized directly in equity	-	-	(25.6)	(0.1)	32.2	-	6.5
Retained earnings	-	-	-	-	104.7	7.6	112.3
Total recognized income and expense for the year	-	-	(25.6)	(0.1)	136.9	7.6	118.8
Employee shares	-	-	-	-	10.4	-	10.4
Grant of share options	-	-	-	-	11.1	-	11.1
Change in deferred tax regarding share options	-	-	-	-	(6.1)	-	(6.1)
Option for minority interest	-	-	-	-	(2.2)	2.2	-
Transfer to minority interests	-	-	-	-	(2.4)	2.4	-
Purchase of own shares	-	-	-	-	(100.2)	-	(100.2)
Sale of own shares	-	-	-	-	1.6	-	1.6
Dividend paid regarding 2006/07	-	-	-	-	(241.6)	(6.1)	(247.7)
Dividend, own shares	-	-	-	-	14.0	-	14.0
	-	-	-	-	(315.4)	(1.5)	(316.9)
Equity 31 May 2008	**120.8**	**14.6**	**(42.9)**	**-**	**1,379.2**	**12.1**	**1,483.8**

Parantheses denote negative figures or figures to be deducted.

Bang & Olufsen a/s, parent company

(DKK million)

	Share capital	Share premium	Reserve for cash flow hedges	Retained earnings	Equity parent company
Equity 1 June 2006	**124.5**	**14.6**	**-**	**1,256.0**	**1,395.1**
Change in fair value of derivative financial instruments	-	-	0.1	-	0.1
Net income recognized directly in equity	-	-	0.1	-	0.1
Retained earnings	-	-	-	227.0	227.0
Total recognized income and expense for the year	-	-	0.1	227.0	227.1
Capital reduction	(3.7)	-	-	3.7	-
Employee shares	-	-	-	10.8	10.8
Grant of share options	-	-	-	2.1	2.1
Tax regarding share options	-	-	-	(0.3)	(0.3)
Option for minority interest	-	-	-	(3.4)	(3.4)
Purchase of own shares	-	-	-	(271.3)	(271.3)
Sale of own shares	-	-	-	18.5	18.5
Dividend paid regarding 2005/06	-	-	-	(199.2)	(199.2)
Dividend, own shares	-	-	-	11.3	11.3
	(3.7)	-	-	(427.8)	(431.5)
Equity 31 May 2007	**120.8**	**14.6**	**0.1**	**1,055.2**	**1,190.7**

Parantheses denote negative figures or figures to be deducted.

Bang & Olufsen a/s, parent company

(DKK million)

	Share capital	Share premium	Reserve for cash flow hedges	Retained earnings	Equity parent company
Equity 1 June 2007	**120.8**	**14.6**	**0.1**	**1,055.2**	**1,190.7**
Change in fair value of derivative financial instruments	-	-	(0.1)	-	(0.1)
Net income recognized directly in equity	-	-	(0.1)	-	(0.1)
Retained earnings	-	-	-	778.5	778.5
Total recognized income and expense for the year	-	-	(0.1)	778.5	778.4
Employee shares	-	-	-	10.4	10.4
Grant of share options	-	-	-	11.0	11.0
Change in deferred tax regarding share options	-	-	-	(6.1)	(6.1)
Purchase of own shares	-	-	-	(100.2)	(100.2)
Sale of own shares	-	-	-	1.6	1.6
Dividend paid regarding 2006/07	-	-	-	(241.6)	(241.6)
Dividend, own shares	-	-	-	14.0	14.0
	-	-	-	(310.9)	(310.9)
Equity 31 May 2008	**120.8**	**14.6**	**-**	**1,522.8**	**1,658,2**

Specification of movements in share capital:	**2007/08**	**2006/07**	**2005/06**	**2004/05**	**2003/04**
Share capital at the beginning of the year	120.8	124.5	124.1	123.8	134.3
Capital increase	-	-	0.4	0.3	0.4
Capital reduction	-	(3.7)	-	-	(10.9)
Share capital at the end of the year	**120.8**	**120.8**	**124.5**	**124.1**	**123.8**

Parantheses denote negative figures or figures to be deducted.

Notes ...

1 ... **Accounting principles applied**

Basic principles

The annual report for Bang & Olufsen a/s, which comprises the separate financial statements for the parent company, Bang & Olufsen a/s, and the consolidated financial statements for the Bang & Olufsen Group, has been prepared in accordance with the International Financial Reporting Standards (IFRS) and further Danish disclosure requirements for the presentation of financial statements for listed companies. Further Danish disclosures requirements for the presentation of financial statements are imposed in the Danish announcement on Adoption of IFRS issued in accordance with the Danish Financial Statements Act and are imposed by the OMX Nordic Exchange Copenhagen. IFRS is implemented so that the annual report also respects the regulations in financial reporting standards endorsed by the European Union.

The presentation currency in the financial statements is DKK, which is considered the functional currency for the Group.

The effect of new financial reporting requirements

All new and amended Standards and Interpretations, which are relevant for the Bang & Olufsen Group, and which have become effective as for financial periods beginning on 1 June 2007, have been applied in the preparation of the annual report.

The application of new and amended Standards and Interpretations has not resulted in any changes of amounts in the annual report for 2007/08 or previous years. The Group's accounting principles applied are consequently unchanged compared to 2006/07.

At the time of the announcement of this annual report, a number of new or amended Standards or Interpretations are still not effective. The assessment of the Management is that these Standards and Interpretations will not have significant influence on the annual report.

General information about recognition and measurement

Assets are recognized in the balance sheet, when it is probable that future economic benefits resulting from an event occurring before, or on, the balance sheet date will flow to the Group, and the value of the asset can be measured reliably. Assets are derecognized in the balance sheet, when it is no longer probable that future economic benefits will flow to the Group.

Liabilities are recognized 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 an event occurring before, or on, the balance sheet date, and the value of the liability can be measured reliably. Liabilities are derecognized in the balance sheet, when it is no longer probable that the Group will give up future economic benefits to meet the obligation.

Purchases and sales of financial assets and liabilities are accounted for at the trade date of the agreement.

On initial recognition, assets and liabilities are measured at cost price. Subsequently assets and liabilities are measured as described below for each financial statement item. Certain financial assets and liabilities are measured at amortized cost price, by which a constant effective rate of interest is recognized over the duration. Amortized cost price is calculated as initial cost price less instalments and addition/deduction of the accumulated depreciation/amortization of the difference between the cost price and the nominal amount. Consequently the difference between initial cost and the maturity amount is allocated over the duration of the asset/liability.

When recognizing and measuring, due consideration is made for losses and risks that arise before the financial statements are finalized and which confirm or invalidate conditions, which existed on the balance sheet date.

Income is recognized in the profit and loss account, when it is earned. Furthermore all costs incurred to achieve the earnings of the year, including depreciation and amortizations, impairment losses and provisions, are recognized in the profit and loss account as well as reversal of amounts due to changes in accounting judgements and estimates, if the amounts have previously been recognized in the profit and loss account.

Consolidation

For a list of subsidiaries, please refer to note 46.

Consolidation practice

The consolidated financial statement comprises the parent company, Bang & Olufsen a/s, and the subsidiaries in which the Group holds more than 50 % of the voting rights or in other ways has a controlling influence on the subsidiary's financial and operational policies. Companies, which are not subsidiaries, but in which the Bang & Olufsen Group holds 20 % or more of the voting rights or in other ways has a significant influence on the operational or financial management, are regarded as associated companies. Associated companies are consolidated in the item "Result from investments in associates after tax".

When judging whether or not Bang & Olufsen a/s has a controlling or significant influence, potential voting rights that are currently exercisable or convertible are considered.

The consolidated financial statement has been prepared on the basis of the audited financial statements of the parent company and its subsidiaries by adding uniform items from the individual companies. In the process of consolidation, intra-group income and expenses, shareholding, dividend, accounts receivable and payable and unrealized intra-group profits and losses have been eliminated.

Newly acquired subsidiaries are included in the consolidated financial statement as from the date of acquisition, and companies sold are included until the date of sale. Comparative figures are not adjusted for newly acquired or sold companies.

The parent company's shares in the consolidated subsidiaries, recognized at historical cost price, are netted against the parent company's share of the subsidiaries' fair value of the identifiable net assets and contingent liabilities at the time of the acquisition.

Goodwill is calculated at the time of the acquisition as the difference between the cost price and the fair value of the assets, the liabilities and the contingent liabilities acquired. For business combinations taking place on 1 June 2004 or later, goodwill is recognized in the balance sheet under intangible non-current assets. This goodwill is not amortized; instead quarterly impairment tests are performed. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in the profit and loss account at the time of the business combination.

Goodwill acquired before 1 June 2004 but after 1 June 2002 was recognized in the balance sheet under intangible non-current assets and amortized on a straight-line basis over its estimated useful life, which was determined on the basis of Management's experience of the individual business areas, although a maximum of 20 years applied.

For acquisitions before 1 June 2002 goodwill was calculated at the time of the acquisition as the difference between the cost price and the acquired company's equity value calculated in accordance with the Group's accounting principles applied. Goodwill was amortized directly over the equity.

For business combinations before 1 June 2004 the accounting classification and accounting treatment are maintained according to the former accounting principles applied. Goodwill as from before 1 June 2004 is recognized based on the cost price that was recognized according to the former accounting principles applied with deduction of amortization and impairment losses until 31 may 2004. Goodwill is not amortized after 1 June 2004; instead it is tested for impairment quarterly as of 1 June 2004.

Additions and disposals of shops are treated as either business combinations, ref. the above description, or as additions and disposals of single assets and liabilities. The treatment is based on a specific assessment.

Minority interests

Minority interests include third party shareholders' share of the equity value and the result for the year in subsidiaries, which are not 100 % owned.

The part of the subsidiaries' result, which can be attributed to minority interests, forms an integrated part of the profit or loss for the period. Minority interests' share of the equity is stated as an integrated part of the equity.

When minority interests are obligated to cover a share of any losses, this is recognized as an asset. An individual assessment of the need for provisions for losses is made.

Foreign exchange

The profit and loss account
Transactions in foreign currency are during the year translated at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the exchange rate on the transaction date and the exchange rate prevailing at the date of payment are recognized in the profit and loss account as financial income or financial costs.

Receivables and payables
Receivables, payables and other monetary items in foreign currency, which exist at the balance sheet date, are translated at the exchange rates prevailing at this date. Currency gains and losses arising from the differences between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the transaction date, are recognized in the profit and loss account as financial income or financial costs.

Translation of foreign subsidiaries
When recognizing foreign subsidiaries with a functional currency different from Bang & Olufsen a/s' presentation currency, profit and loss accounts are translated using average exchange rates, while balance sheet items are translated using the exchange rates prevailing on the balance sheet date. Differences deriving from translation of the foreign subsidiaries' opening equity to the exchange rates prevailing at the balance sheet date, and the differences owing to the translation of the profit and loss accounts of the foreign subsidiaries from average exchange rates to balance sheet date exchange rates, are recognized in the equity.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost price and are subsequently measured at fair value. Derivative financial instruments are recognized in other receivables and other debt.

Changes to the fair value of derivative financial instruments, which meets the conditions for hedging the fair value of a recognized asset or a recognized liability, are recognized in the profit and loss account together with any changes in the fair value of the hedged asset or the hedged liability.

Changes to the fair value of derivative financial instruments, which meets the conditions for hedging future cash flow, are recognized in the equity. Income and expenses relating to these hedge transactions are transferred from the equity when the hedged position is realized, and are included in the value of the hedged position.

For derivative financial instruments, which do not qualify as hedging instruments, changes to the fair value are recognized in the profit and loss account as financial income or financial costs.

The profit and loss account

Net turnover
Revenue is recognized in the profit and loss account, when delivery and transfer of ownership to the customer have taken place, if the revenue can be measured reliably, and payment is expected to be received. Revenue is recognized net of value added tax and discounts related to the sale.

Sales of goods
Revenue regarding sales of goods is recognized in the profit and loss account, if the transfer of ownership has taken place before the end of the financial year.

Rendering of services
Revenue associated with the rendering of services, which among other things includes sales of hours in connection with development projects, is recognized as the services are rendered.

Royalty

Royalty is recognized on a straight-line basis during the period covered by the royalty agreement.

Rentals

Rentals are recognized in the period, where the letting out of the property takes place.

Production costs

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

Development costs

Development costs, which do not meet the criteria for capitalization, are recognized in the profit and loss account as development costs along with amortization and impairment losses on capitalized development projects.

Distribution and marketing costs

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

Administration costs etc.

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

Result of investments in associated companies

In the Group’s profit and loss account the share of result after tax in associated companies after proportional elimination of intra-group profits and losses is recognized as “Result from investments in associates after tax”.

Dividend

Dividend from subsidiaries and associates is recognized in the parent company’s profit and loss account in the financial year, where the dividend is declared. In situations where the dividend received exceeds the earnings after the acquisition of the company, the dividend is recognized as a write-down of the cost price of the investment instead of in the profit and loss account.

Financial income and costs

Financial income and costs include interest, amortizations premium or allowance, fair value adjustments and realized and unrealized foreign exchange gains and losses.

Tax

Tax for the year, which includes the anticipated tax liability on taxable earnings and changes in deferred tax for the year, is recognized in the profit and loss account with the share that is attributable to the result for the year and directly on equity with the share, which can be attributed to entries made directly on the equity.

The parent company is included in an obligatory Danish joint taxation scheme with all companies controlled by the parent company. The calculated Danish tax of the jointly taxed income is distributed among the jointly taxed companies in proportion to their taxable income (full distribution with reimbursement for tax deficits).

The Group pays tax according to the instalment principle. Any allowances, deductions or refunds related to the payments of tax are included in financial income or costs.

The balance sheet

Intangible non-current assets

Goodwill
Goodwill is initially recognized in the balance sheet at historical cost price as described under "Consolidation practice". Subsequently goodwill is measured at historical cost price less accumulated impairment losses. Goodwill is not amortized.

Development projects
Development projects, that are clearly defined and identifiable, and which are expected to be marketed as new products within future potential markets, are recognized as intangible non-current assets.

Development projects are recognized at cost price and are amortized over the expected useful life when the criteria for capitalization have been met.

Development costs that do not meet the criteria for recognition in the balance sheet are recognized in the profit and loss account when incurred.

The cost price comprises salaries, wages, materials, services and depreciation of other equipment, plant and machinery that relate to the Group's development activities.

Subsidies concerning development projects are deducted in the incurred costs.

Interest expenses related to financing development projects are recognized in the profit and loss account.

Capitalized development projects are measured at the lower of cost price less accumulated amortizations and impairment losses and recoverable amount.

After the completion of the development work, development projects are amortized on a straight-line basis over the estimated useful life. The amortization period is normally 3-6 years.

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

Acquired rights are amortized on a straight-line basis over the shorter of the estimated useful life and the contractual duration.

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

The cost price comprises the acquisition price and costs directly related to the acquisition until the time, when the asset is ready for use. For non-current assets produced by the company, the cost price comprises direct costs for wage consumption, materials, components and sub-contractors.

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

Subsidies concerning tangible non-current assets are deducted in the cost price.

Interest expenses related to financing the production of tangible non-current assets are recognized in the profit and loss account.

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

Depreciation
Depreciation is carried out on a straight-line basis over the expected useful life of the assets considering the assets' residual values.

The following depreciation periods are used:

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

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

Investment property
Investment property is property held to earn rentals or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purposes in the company that owns the property.

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.

Subsidies concerning investment property are deducted in the cost price.

Impairment losses on non-current assets
The carrying amount of both investment property and intangible and tangible non-current assets is reviewed each quarter to determine if there are indications of decreases in value not reflected by ordinary depreciation/amortization. If this is the case, the recoverable amount of the asset is determined, and if the amount is lower than the carrying amount, an impairment loss is recognized, so that the carrying amount is reduced to the asset's recoverable amount. The recoverable amount for an asset is the higher of the net sales price and the value in use. If it is not possible to set a recoverable amount for one asset, the asset is assessed within the smallest group of assets for which a reliable recoverable amount can be set.

Goodwill and development projects in progress are tested for impairment each quarter irrespective of whether there is any indication of impairment.

Financial non-current assets
Investments in subsidiaries and associates are measured at historical cost price in the balance sheet of the parent company. If the historical cost price exceeds the recoverable amount, an impairment loss is recognized, so that the carrying amount is reduced to the investments' recoverable amount.

In situations where the dividend distributed exceeds the earnings after the acquisition of the company, the dividend is recognized as a write-down of the cost price of the investment.

Investments in associates are measured in the balance sheet of the Group at the equity value according to the Group's accounting principles applied, after proportional elimination of intra-group profits and losses.

Other financial receivables
Other financial receivables comprise primarily loans to external parties and are measured at amortized cost price corresponding to face value less provisions for losses.

Provisions for losses are based on an individual assessment of each account outstanding.

Inventories

Inventories are measured at the lower of cost price using the FIFO-principle and net realisable value.

Cost price of raw materials, consumables and purchased goods comprises the invoice price with added delivery costs. The cost price of finished goods and work in progress comprises the purchase price of materials and direct labour costs, plus indirect production costs.

Indirect production costs include indirect materials and wages, maintenance and depreciation on plant and machinery, factory buildings and other equipment as well as costs for factory administration and management.

Costs of financing are not included in the cost price.

Receivables

Receivables are measured in the balance sheet at amortized cost price corresponding to face value less provisions for losses.

Provisions for losses are based on an individual assessment of each outstanding account.

Equity

Dividend

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

Own shares

Acquisition fees, fees received in connection with the disposal of own shares and dividend received on own shares are recognized under retained earnings in the equity.

Share premium account

The reserve consists of paid-in premium in connection with the subscription of shares.

The reserve is a distributable reserve, and therefore it can be used for declaration of dividend or to cover deficits.

Translation reserve

The translation reserve for exchange rate differences in the consolidated financial statement consists of 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 the net investment the reserve for exchange rate differences on that foreign subsidiary is recognized in the profit and loss account.

The reserve is a distributable reserve.

The reserve for exchange rate differences has been reset to zero as at 1 June 2004 in accordance with IFRS 1.

Incentive programmes

The Group's incentive programmes comprise a share option programme for a number of directors and employee shares.

Share option programme

The share option programme solely comprises equity-settled share options.

The value of the services received from the employees is measured by reference to the fair value of the share options granted. The fair value of the share options is measured on the grant date and is recognized as an expense in the profit and loss account during the period from the grant date to the vesting date. The counter item to this is recognized directly in equity.

At initial recognition of the share options an estimate is made over the number of share options expected to vest. Subsequently, until the vesting date, the estimation is adjusted if the number of equity instruments expected to vest differs from previous estimates. Thus the number of share options actually recognized equals the number of equity instruments that ultimately vested.

The fair value of the share options is calculated on the basis of the Black-Scholes model for determining the value of options. When calculating the fair value of the share options the terms and conditions that are linked to the share options are taken into consideration.

The consequence on the taxes of the share option programme is recognized.

Employee shares
The employee shares have been granted to the employees in the Danish companies of the Bang & Olufsen Group as free shares or with a right to subscribe for shares in Bang & Olufsen a/s at a quotation below the market quotation. The discount element of the employee shares is recognized at the grant date as an expense in the profit and loss account. The counter item to this is recognized directly in equity. The consequence on the taxes of the employee share arrangement is recognized. The discount element is calculated as the difference between the subscription price and the fair value of the employee share calculated on the basis of the Black-Scholes model for determining the value of options.

Liabilities

Pensions
The Bang & Olufsen Group operates pension plans for certain groups of employees in Denmark and abroad. In general, these plans are defined contribution plans.

Costs regarding defined contribution plans are recognized continuously in the profit and loss account in the period, where the pension is earned, and the contribution payable is recognized in the balance sheet as a liability. The premium payments (e.g. a fixed amount or a fixed percentage of the salary) are made into independent insurance companies, which are responsible for the pension obligations. Once the pension contributions for the defined contribution plans have been paid, the Bang & Olufsen Group has no further pension obligations to current or past employees.

For defined benefit plans a yearly actuarial calculation is made of the present value of the defined benefit obligation. The present value is calculated based on conditions about the future development in among other things salary levels, interest rates, inflation and mortality. The actuarially calculated present value of the defined benefit obligation with deduction of the fair value of any plan assets is recognized in the balance sheet.

If the net defined benefit liability is an asset it is only recognized if it corresponds to or is lower than any cumulative unrecognized net actuarial losses and future refunds from the plan or it would result in reductions in future contributions to the plan.

Differences between the expected development in plan assets and in the defined benefit obligation and the actual values are actuarial gains and losses. Actuarial gains and losses are recognized only if the accumulated values exceed the highest 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 recognized over the remaining working years for the employees concerned.

Provisions
Provisions comprise provisions for warranty, provisions for fairness and other provisions. Provisions for warranty comprise obligations to repair products within the warranty period. Provisions for fairness comprise obligations to repair products after the warranty period. The provisions are recognized and measured on the basis of the company's experience with warranty repairs and other obligations. The provisions are discounted if this has a material effect on the measurement of the obligation.

Deferred tax and income tax
Provision for deferred tax is calculated according to the liability method on the basis of all temporary differences between the tax-based value and the carrying amount of assets and liabilities.

The tax-based value of assets is determined considering the planned use of the asset. In the calculation of deferred tax, the tax-based value of any losses and provisions etc. is entered, if it is likely that these can be offset against future taxable income. If the deferred tax constitutes a positive amount, this is recognized in the balance sheet as a deferred tax asset.

Income tax is recognized as the tax expected to be liable on the year's taxable income less prepaid tax.

Financial liabilities
Fixed interest loans, such as mortgage loans or bank loans, are recognized at the date of the loan at the received proceeds less transaction costs. In subsequent periods, the loans are measured at amortized cost price corresponding to the present value using the effective rate of interest, so that the difference between the proceeds and the nominal amount (debt discount) is recognized in the profit and loss account over the term of the loan.

Other financial liabilities are measured at amortized cost price, which is practically the same as the nominal value.

Prepayments and deferred income
Prepayments comprise incurred costs related to the following financial years. Deferred income comprises received payments related to income in the following financial years.

Cash flow statement

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

The cash flow statement shows the cash flow 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 is stated as the result for the year adjusted for non-liquid profit and loss account items and changes to the working capital. The working capital comprises current assets less current liabilities, excluding items, which are recognized as cash and cash equivalents.

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

Cash flow from financing activities
Cash flow from financing activities comprises borrowings and instalments on mortgage debt and other long-term debt, dividend paid and proceeds from increases in the share capital as well as sales and repurchase of own shares.

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

Segment information

The Group's main activities and primary segments are:

· Branded business
· Non-branded business – share of result after tax in the associated company Bang & Olufsen Medicom a/s
· Non-branded business – The ICEpower Group

The Group's geographical areas and secondary segments are:

· Scandinavia
· Central Europe
· Rest of Europe
· North America
· Asia
· Rest of the world

Scandinavia comprises Denmark, Sweden, Norway and Finland.

Central Europe comprises Germany, Switzerland and Austria.

The secondary segments are broken down according to the location of customers and assets.

The division into segments is, in all material respects, in accordance with the Group's management structure and the internal financial management.

The segment figures have been prepared using the same accounting principles applied as for the consolidated financial statements.

Segment income and expenses and segment assets and liabilities comprise those items, which can be directly allocated to the segment. Intra-group trade takes place on market terms.

Non-current assets in the segment comprise those assets, which are used directly in the operations of the segment, including intangible non-current assets and investments in subsidiaries and associates.

Current assets in the segment comprise those current assets, which are used directly in the operations of the segment, including inventories, trade receivables, other receivables, prepayments and cash.

Segment liabilities comprise liabilities derived from the operations of the segment, including trade payables and other payables.

Notes ...

2 ... **Significant accounting estimates and judgements**

When preparing the annual report it is necessary that Management makes a number of accounting estimates and judgements, which influence the carrying amount of certain assets and liabilities and the recognized revenue and costs for the financial years. Significant judgements are among others made when assessing provisions and contingent liabilities.

Management bases the judgements on historical experience and other assumptions that are believed to be reasonable under the given circumstances. The result of the assumptions is used to evaluate the carrying amount of the assets and liabilities and the recognized revenue and costs, which is not obvious from other material. The actual results can differ from the estimated results.

The following accounting estimates and judgements are believed to be material for the annual report:

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 returns. The provisions are made based on historical statistics of returns and based on Management's judgements.

The future returns can differ from the historical pattern, but it is the assessment of Management that the estimate of the provisions is reasonable and appropriate.

Contingent liabilities
Contingent liabilities, including the outcome of ongoing lawsuits, are naturally uncertain. Management has estimated these based on legal assessments in the individual cases. It is the assessment of Management that the estimate of the contingent liabilities is reasonable.

(DKK million)

Notes ...

3 ... **Segment-information**

	Branded business 2007/08	Branded business 2006/07	Non-branded business 2007/08	Non-branded business 2006/07
Primary segment - activities				
Net turnover	3,991.7	4,194.0	117.9	217.9
Internal turnover	(7.9)	(25.6)	(9.7)	(10.6)
External turnover	3,983.8	4,168.4	108.2	207.3
Gross profit	1,823.3	1,960.0	76.7	93.6
Depreciations and amortisations	(292.7)	(241.3)	(4.1)	(4.6)
Impairment losses recognized in the profit and loss account	(2.4)	(3.0)	-	-
Operating profit (EBIT)	159.4	488.8	35.3	41.2
Result from investments in associates	-	0.3	(11.2)	(1.4)
Result before tax				
Result for the year				
Non-current assets	1,204.0	1,238.2	21.9	27.8
Current assets	1,529.4	1,629.8	28.4	57.8
Total assets	2733.4	2,868.0	50.3	85.6
Equity	1,567.3	1,810.1	36.6	65.2
Non-current liabilities	420.5	289.2	0.1	0.3
Current liabilities	745.6	768.7	13.6	20.1
Total equity and liabilities	2,733.4	2,868.0	50.3	85.6
Capital additions	307.6	359.2	7.7	8.5
Investments in associates	6.3	6.3	(1.7)	9.5
Average number of employees:				
Denmark	1,755	1,764	39	39
Abroad	746	597	1	3
	2,501	2,361	40	42

Parantheses denote negative figures or figures to be deducted.

	Unallocated items		Other/eliminations		Bang & Olufsen a/s Group	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
	-	-	(17.6)	(36.2)	4,092.0	4,375.7
	-	-	17.6	36.2	-	-
	-	-	-	-	4,092.0	4,375.7
	-	-	(7.6)	(15.9)	1,892.4	2,037.7
	-	-	-	-	(296.8)	(245.9)
	-	-	-	-	(2.4)	(3.0)
	-	-	-	-	194.7	530.0
	-	-	-	-	(11.2)	(1.1)
					153.7	524.4
					112.3	372.5
	32.3	35.0	(51.5)	(51.5)	1,206.7	1,249.5
	50.2	27.0	2.6	(1.8)	1,610.6	1,712.8
	82.5	62.0	(48.9)	(53.3)	2,817.3	2,962.3
	(68.1)	(141.9)	(52.0)	(51.5)	1,483.8	1,681.9
	73.8	81.6	-	-	494.4	371.1
	76.8	122.3	3.1	(1.8)	839.1	909.3
	82.5	62.0	(48.9)	(53.3)	2,817.3	2,962.3
	-	-	-	-	315.3	367.7
	-	-	-	-	4.6	15.8
	-	-	-	-	1,794	1,803
	-	-	-	-	747	600
	-	-	-	-	2,541	2,403

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

3 ... **Segment-information (continued)**

Secondary segment - geography

	Total assets		Total capital additions		Total external turnover	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Scandinavia	1,970.6	2,124.8	248.3	307.6	673.6	884.4
Central Europe	128.2	123.5	1.3	8.2	966.0	941.5
Rest of Europe	630.3	623.0	52.5	47.2	1,703.1	1,813.5
North America	31.8	33.5	2.2	3.5	234.2	271.3
Asia	43.8	43.2	5.7	1.2	389.0	378.0
Rest of the world	12.6	14.3	5.3	-	126.1	87.0
Total	2,817.3	2,965.0	315.3	367.7	4,092.0	4,375.7
Export share					88 %	85 %

NOTES TO THE PROFIT AND LOSS ACCOUNT

Notes ...	(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
4 ...	**Net turnover**				
	Geografical break down				
	Denmark	490.9	661.5	948.1	966.7
	Norway	63.8	73.0	-	-
	Sweden	100.4	130.1	-	-
	Finland	18.5	19.8	-	-
	Scandinavia	673.6	884.4	948.1	966.7
	Germany	612.0	592.3	-	-
	Switzerland	287.5	281.1	-	-
	Austria	66.5	68.1	-	-
	Central Europe	966.0	941.5	-	-
	The UK	466.0	570.2	-	-
	France	216.4	211.3	-	-
	Spain/Portugal	258.2	278.6	-	-
	Italy	196.2	227.0	-	-
	Belgium	105.5	107.7	-	-
	Holland	271.1	271.8	-	-
	Rest of Europe	189.7	146.9	-	-
	Rest of Europe	1,703.1	1,813.5	-	-
	USA	234.2	271.3	-	-
	North America	234.2	271.3	-	-
	Japan	59.4	68.6	-	-
	Singapore	79.3	66.5	-	-
	Rest of Asia	250.3	242.9	-	-
	Asia	389.0	378.0	-	-
	Middle East	58.5	63.1		-
	Rest of the world	67.6	23.9	-	-
	Rest of the world	126.1	87.0	-	-
	Total	**4,092.0**	**4,375.7**	**948.1**	**966.7**
	Break down by categories				
	Sales of goods	4,037.8	4,318.2	-	-
	Rendering of services	33.8	33.5	286.1	245.9
	Royalty	15.3	23.0	580.0	642.8
	Rental income from investment property	5.1	1.0	82.0	78.0
	Total	**4,092.0**	**4,375.7**	**948.1**	**966.7**

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07

Notes ...

5 ... **Expenses, further information**

The following amounts are included in production costs, development costs, distribution and marketing costs and administration costs. Information about the expenses are provided below:

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Development costs				
Expensed development costs before capitalisation	529.9	493.5	552.0	507.1
Of which capitalised	(130.9)	(142.2)	(117.7)	(132.1)
Amortisations and impairment losses on development projects	146.5	107.5	131.2	89.9
Development costs recognized in the profit and loss account	545.5	458.8	565.5	464.9

Classification based on the nature of expense

Intangible non-current assets

Amortisations of intangible non-current assets are recognized in the following items in the profit and loss account:

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Production costs	1.2	0.8	1.0	4.1
Development costs	151.7	110.2	136.4	92.4
Distribution and marketing costs	0.7	0.9	-	-
Administration costs etc.	0.1	3.7	0.1	0.4
	153.7	115.6	137.5	96.9

Impairment losses on intangible non-current assets are recognized in the following item in the profit and loss account:

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Distribution and marketing costs	2.4	-	-	-
	2.4	-	-	-

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

Tangible non-current assets

Depreciations of tangible non-current assets are recognized in the following items in the profit and loss account:

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Production costs	114.1	101.1	11.1	17.9
Development costs	12.0	5.9	9.4	2.6
Distribution and marketing costs	12.4	10.4	-	-
Administration costs etc.	1.0	9.1	0.8	1.4
	139.5	126.5	23.3	21.9

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

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Distribution and marketing costs	-	3.0	-	-
	-	3.0	-	-

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

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2007/08	2006/07	2007/08	2006/07
Notes ...				
5 ... **Expenses, further information (continued)**				
Investment property				
Depreciations of investment property are recognized in the following items in the profit and loss account:				
Production costs	3.6	3.7	5.3	6.3
Development costs	-	0.1	1.6	0.9
Administration costs etc.	-	-	0.4	0.5
	3.6	3.8	7.3	7.7
No impairment losses on investment property have been recognized.				
No impairment losses on investment property have been reversed.				
Employees				
Remuneration to the Board of Directors	3.6	2.8	3.6	2.8
Remuneration to the Board of Management	16.0	7.5	16.0	7.5
Share-based payment	20.6	19.9	12.4	12.3
Wages, salaries and fees	835.6	840.4	306.2	278.3
Pensions	39.5	44.7	20.2	19.9
Other statutory contributions	36.4	35.9	4.0	2.5
	951.7	951.2	362.4	323.3
Average number of full-time employees:				
Denmark	1,794	1,803	719	708
Abroad	747	600	-	-
	2,541	2,403	719	708
Employee costs are recognized in the following items in the profit and loss account:				
Production costs	337.3	312.0	121.0	95.5
Development costs	256.0	266.4	228.8	217.3
Distribution and marketing costs	266.9	293.0	-	-
Administration costs etc.	91.5	79.8	13.4	10.5
	951.7	951.2	362.4	323.3

(DKK million)

Notes ...

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

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

Group

	2007/08			2006/07		
	Board of Directors of the parent company	Board of Management of the parent company	Other key management personnel	Board of Directors of the parent company	Board of Management of the parent company	Other key management personnel
Wages, salaries and fees	3.6	6.6	5.5	2.8	7.5	5.1
Severance pay	-	8.3	-	-	-	-
Bonus	-	1.1	0.8	-	-	1.2
Pensions	-	-	0.8	-	-	0.6
Remuneration	3.6	16.0	7.1	2.8	7.5	6.9
Share-based payment	-	6.1	2.4	-	7.2	1.7
Total remuneration	3.6	22.1	9.5	2.8	14.7	8.6

Parent company

	2007/08			2006/07		
	Board of Directors of the parent company	Board of Management of the parent company	Other key management personnel	Board of Directors of the parent company	Board of Management of the parent company	Other key management personnel
Wages, salaries and fees	3.6	6.6	2.9	2.8	7.5	2.6
Severance pay	-	8.3	-	-	-	-
Bonus	-	1.1	-	-	-	0.6
Pensions	-	-	0.4	-	-	0.3
Remuneration	3.6	16.0	3.3	2.8	7.5	3.5
Share-based payment	-	6.1	1.5	-	7.2	1.0
Total remuneration	3.6	22.1	4.8	2.8	14.7	4.5

Share-based payment

Share option programme, Group

The Bang & Olufsen Group's share option programme comprises a number of directors in the Group. As at 31 May 2008, the total pool of options totals 261,900 options, which can be exercised in the period 2008-2013. Exercise of the share options is dependent on the owner of the option being employed at Bang & Olufsen at the time of the exercise. There are no further conditions for the acquisition of the options.

The exercise prices, which are linked to earnings in the financial years 2005/06 and 2006/07, are based on exercise prices of 500 and 601, which are adjusted with 5 % on the date of the company's financial statement announcement to the OMX Nordic Exchange Copenhagen A/S first time, at the announcement in August 2006 and August 2007 respectively. The annual addition no longer apply or is limited to the extent that dividend is paid out on the latest Annual General Meeting before the announcement in question. The exercise price, which is linked to earnings in the financial year 2007/08, is set at 625.

The share options can only be settled with shares. To cover the share option programme, Bang & Olufsen a/s has purchased own shares, which cover the full commitment. The shares are recognized directly in the equity.

(DKK million)

Notes ...

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

Share options, Bang & Olufsen Group	Board of Management	Other directors	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2006	140,000	33,208	173,208	430	August 2003 - August 2010
Exercised 2006/07	-	(1,236)	(1,236)	305	August 2003 - August 2007
Exercised 2006/07	-	(972)	(972)	177	August 2004 - August 2008
Exercised 2006/07	(70,000)	(15,500)	(85,500)	*360	August 2006 - August 2009
Allocated 2006/07	-	5,500	5,500	*525	August 2007 - August 2010
Allocated 2006/07	70,000	32,500	102,500	*615	August 2008 - August 2011
Outstanding 31 May 2007	140,000	53,500	193,500	573	August 2007 - August 2011

As at 31 May, 2007, the share options are divided as follows:

Qualification period:					
Financial year 2005/06	70,000	21,000	91,000	*525	August 2007 - August 2010
Financial year 2006/07	70,000	32,500	102,500	*615	August 2008 - August 2011
Outstanding 31 May 2007	140,000	53,500	193,500	573	August 2007 - August 2011

Share options, Bang & Olufsen Group					
Outstanding 1 June 2007	140,000	53,500	193,500	573	August 2007 - August 2011
Exercised 2007/08	-	(3,000)	(3,000)	*525	August 2007 - August 2010
Allocated 2007/08	13,500	74,400	87,900	625	August 2010 - August 2013
Forfeited 2007/08	(13,500)	(3,000)	(16,500)	625	August 2010 - August 2013
Outstanding 31 May 2008	140,000	121,900	261,900	594	August 2008 - August 2013

As at 31 May, 2008, the share options are divided as follows:

Qualification period:					
Financial year 2005/06	70,000	18,000	8,000	*533	August 2007 - August 2010
Financial year 2006/07	70,000	32,500	102,500	*624	August 2008 - August 2011
Financial year 2007/08	-	71,400	71,400	625	August 2010 - August 2013
Outstanding 31 May 2008	140,000	121,900	261,900	594	August 2008 - August 2013

* The exercise price is adjusted cf. above.

At the dates of exercise of the share options the average weighted share price was as follows:

Exercises in August 2007	595

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

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

	2007/08	2006/07
The following amounts regarding the share option programme have been recognized as part of the employee costs in the Group	10.2	9.1

The recognition according to the Black-Scholes model for determining the value of options is based on the following conditions:	Options granted in 2007/08	Options granted in 2006/07
Expected volatility	22.3 %	29.7 %
5 year risk-free interest rate	4.31 %	3.64 %

In 2007/08 and 2006/07 an average addition for the Bang & Olufsen a/s share of 2.66 % and 2.50 % respectively has been used in the calculation. The expected term is fixed for the end of the maturity period.

The volatility is based on the historical volatility.

Calculated on the basis of the closing rate of 264.5 as at 31 May 2008 the equity value totals DKK 0.0 million. The closing rate as at 31 May 2007 was 698 corresponding to a calculated equity value of DKK 24.3 million.

Share option programme, parent company

A number of directors in Bang & Olufsen a/s are comprised by the Group's share option programme. As at 31 May, 2008, the pool of unexercised options totals 194,400 options, which can be exercised in the period 2008-2013.

Share options, Bang & Olufsen a/s	Board of Management	Other directors	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2006	140,000	14,972	154,972	430	August 2002 - August 2009
Exercised 2006/07	-	(972)	(972)	177	August 2004 - August 2008
Exercised 2006/07	(70,000)	(7,000)	(77,000)	*360	August 2006 - August 2009
Allocated 2006/07	-	2000	2.000	*525	August 2007 - August 2010
Allocated 2006/07	70,000	18,000	88,000	*615	August 2008 - August 2011
Outstanding 31 May 2007	140,000	27,000	167,000	572	August 2007 - August 2011

As at 31 May, 2007, the share options are divided as follows:

Qualification period:					
Financial year 2005/06	70,000	9,000	79,000	*525	August 2007 - August 2010
Financial year 2006/07	70,000	18,000	88,000	*615	August 2008 - August 2011
Outstanding 31 May 2007	140,000	27,000	167,000	572	August 2007 - August 2011

(DKK million)

Notes ...

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

Share options, Bang & Olufsen a/s

Outstanding 1 June 2007	140,000	27,000	167,000	572	August 2007 - August 2011
Allocated 2007/08	13,500	30,400	43,900	625	August 2010 - August 2013
Forfeited 2007/08	(13,500)	(3,000)	(16,500)	625	August 2010 - August 2013
Outstanding 31 May 2008	140,000	54,400	194,400	587	August 2008 - August 2013

As at 31 May, 2008, the share options are divided as follows:

Qualification period:					
Financial year 2005/06	70,000	9,000	79,000	*533	August 2007 - August 2010
Financial year 2006/07	70,000	18,000	88,000	*624	August 2008 - August 2011
Financial year 2007/08	-	27,400	27,400	625	August 2010 - August 2013
Outstanding 31 May 2008	140,000	54,400	194,400	587	August 2008 - August 2013

* The exercise price is adjusted cf. above.

	2007/08	2006/07
The following amounts regarding the share option programme have been recognized as part of the employee costs in the parent company:	8.3	8.2

The recognition according to the Black-Scholes model for determining the value of options is based on the following conditions:	Options granted in 2007/08	Options granted in 2006/07
Expected volatility	22.3 %	29.7 %
5 year risk-free interest rate	4.31 %	3.64 %

In 2007/08 and 2006/07 an average addition for the Bang & Olufsen a/s share of 2.66 % and 2.50 % respectively has been used for the calculation. The expected term is fixed for the end of the maturity period.

The volatility is based on the historical volatility.

Calculated on the basis of the closing rate of 264.5 as at 31 May 2008 the equity value totals DKK 0.0 million. The closing rate as at 31 May 2007 was 698 corresponding to a calculated equity value of DKK 21.0 million.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

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

Employee shares, Group

The period 1 June 2007 to 31 May 2008:
In the autumn of 2007 the employees in the Danish companies in the Bang & Olufsen Group were granted employee shares. The grant depended on the seniority of the employee. The employee shares were granted at no cost for the employees.

The employee shares are according to Danish legislation placed in closed depots until the end of the seventh calendar year after the grant. Thus, the employee shares can not be sold or in other ways be at the employees disposal during the 7 years.

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

The employees in the Group were granted 17,029 employee shares corresponding to 0.14 % of the share capital in Bang & Olufsen a/s. The granted employee shares had a fair value of DKK 610.00 per share. The fair value is calculated as of 13 August 2007, which was the date of the grant. The fair value corresponds to the quotation for the shares on the grant date.

The discount element per employee share is DKK 610.00, which is recognized in the profit and loss account.

	2007/08
In the Bang & Olufsen Group the following amount has been recognized in the profit and loss account regarding the employee shares	10.4

The period 1 June 2006 to 31 May 2007:
In the autumn of 2006 the employees in the Danish companies in the Bang & Olufsen Group were granted employee shares. The grant depended on the seniority of the employee. The employee shares were granted at no cost for the employees.

The employee shares are according to Danish legislation placed in closed depots until the end of the seventh calendar year after the grant. Thus, the employee shares can not be sold or in other ways be at the employees disposal during the 7 years.

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

The employees in the Group were granted 17,733 employee shares corresponding to 0.14 % of the share capital in Bang & Olufsen a/s. The granted employee shares had a fair value of DKK 609.00 per share. The fair value is calculated as of 21 August 2006, which was the date of the grant. The fair value corresponds to the quotation for the shares on the grant date.

The discount element per employee share is DKK 609.00, which is recognized in the profit and loss account.

	2006/07
In the Bang & Olufsen Group the following amount has been recognized in the profit and loss account regarding the employee shares	10.8

(DKK million)

Notes ...

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

Employee shares, parent company

The period 1 June 2007 to 31 May 2008:
The employees in Bang & Olufsen a/s were granted 6,756 employee shares corresponding to 0.06 % of the share capital in Bang & Olufsen a/s. The granted employee shares had a fair value of DKK 610.00 per share. The fair value has been calculated as of 13 August 2007, which was the date of the grant. The fair value corresponds to the quotation for the shares on the grant date.

	2007/08
In Bang & Olufsen a/s the following amount has been recognized in the profit and loss account regarding the employee shares	4.1

The period 1 June 2006 to 31 May 2007:
The employees in Bang & Olufsen a/s were granted 6,804 employee shares corresponding to 0.05 % of the share capital in Bang & Olufsen a/s. The granted employee shares had a fair value of DKK 609.00 per share. The fair value has been calculated as of 21 August 2006, which was the date of the grant. The fair value corresponds to the quotation for the shares on the grant date.

	2006/07
In Bang & Olufsen a/s the following amount has been recognized in the profit and loss account regarding the employee shares	4.1

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Notes ...				
6 ... **Dividend**				
Dividend received from subsidiaries			916.5	189.0
7 ... **Financial income**				
Interest income from banks etc.	4.4	7.0	1.6	4.6
Interest income from subsidiaries			40.7	9.9
Interest income from associates	0.1	-	0.1	-
Exchange rate gains, net	-	-	16.4	29.1
Other financial income	15.5	8.7	0.2	0.5
Financial income	20.0	15.7	59.0	44.1
8 ... **Financial costs**				
Interest costs on mortgage loans	11.8	6.4	10.0	4.2
Interest costs on bank loans etc.	14.8	10.0	11.9	6.8
Interest costs to subsidiaries			11.5	12.1
Exchange rate losses, net	12.3	7.6	-	-
Other financial costs	10.9	7.7	2.7	2.2
Financial costs	49.8	31.7	36.1	25.3
9 ... **Tax on result for the year**				
Parent company:				
Current tax	(29.6)	(5.5)	(29.6)	(5.5)
Change in current tax due to change in tax rate	0.6	-	0.6	16.0
Change in deferred tax	(16.3)	16.0	(16.3)	16.0
Change in deferred tax due to change in tax rate	(8.5)	-	(8.5)	-
Adjustment to previous years, current tax	16.2	2.1	16.2	2.1
Adjustment to previous years, deferred tax	11.8	0.9	11.8	0.9
Total, parent company	(25.8)	13.5	(25.8)	13.5
Subsidiaries:				
Current tax	98.4	145.3		
Corrections	1.7	-		
Change in current tax due to change in tax rate	(11.3)	-		
Change in deferred tax	(0.6)	(5.9)		
Change in deferred tax due to change in tax rate	0,6	-		
Foreign withholding tax, current year	-	2.2		
Adjustment to previous years, current tax	(22.6)	(3.1)		
Adjustment to previous years, deferred tax	1.0	(0.1)		
Total, subsidiaries	67.2	138.4		
Tax on result for the year, total	41.4	151.9	(25.8)	13.5
Tax on result for the year is recognized as follows:				
Tax recognized in the profit and loss account	41.4	151.9	(25.8)	13.5

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2007/08	2006/07	2007/08	2006/07

Notes ...

9 ... **Tax on result for the year (continued)**

Tax on result for the year can be detailed as follows:				
Calculated tax of result before tax	38.4	146.8	188.2	67.3
Tax effect of:				
Non-deductible costs and non-taxable income	3.8	(13.1)	0.5	(3.9)
Differing tax rate in foreign subsidiaries	10.0	12.3	-	-
Reduction of the rate from 28 % to 25 %	(18.6)	-	(7.9)	-
Adjustment of tax relating to previous years	6.4	3.8	28.0	3.0
Non-capitalised tax losses	3.5	(0.1)	-	-
Foreign withholding tax	-	2.2	-	-
Non-taxable dividend from investments in subsidiaries	-	-	(229.1)	(52.9)
Other	(2.1)	-	(5.5)	-
	41.4	151.9	(25.8)	13.5
Danish Income tax rate	25.0 %	28.0 %	25.0 %	28.0 %
Tax effect of:				
Non-deductible costs and non-taxable income	2.5 %	(2.5 %)	(0.1 %)	(1.6 %)
Differing tax rate in foreign subsidiaries	6.5 %	2.4 %	-	-
Reduction of the rate from 28 % to 25 %	(12.1 %)	-	(1.0 %)	-
Adjustment of tax relating to previous years	4.2 %	0.7 %	(3.7 %)	1.2 %
Non-capitalised tax losses	2.2 %	-	-	-
Foreign withholding tax	-	0.4 %	-	-
Non-taxable dividend from investments in subsidiaries	-	-	(30.4 %)	(22.0 %)
Other	(1.4 %)	-	(0.8 %)	-
The year's average effective tax rate	26.9 %	29.0 %	(3.4 %)	5.6 %

The weighted tax rate equals 26.9 % (29.0 % in 2006/07). The decrease is primarily owing to adjustments of tax relating to previous years and the reduction of the Danish tax rate from 28 % to 25 %. Income tax paid in the parent company including tax paid on account amounts to DKK 82.0 million in 2007/08 (DKK 81.1 million in 2006/07). The parent company pays current tax for jointly taxed Danish companies.

Parantheses denote negative figures or figures to be deducted.

		Group		Parent company	
	(DKK million)	2007/08	2006/07	2007/08	2006/07
Notes ...					
10 ...	**Minority interests' share of result for the year**				
	Bang & Olufsen ICEpower a/s	2.4	2.9		
	OÜ BO-Soft	5.2	2.2		
	Minority interests' share of result for the year	7.6	5.1		
11 ...	**Earnings per share**				
	Result for the year	112.3	372.5		
	Minority interests' share of result for the year	(7.6)	(5.1)		
	Result for the year attributable to the share holders	104.7	367.4		
	Average number of shares	12,081,338	12,329,417		
	Average number of own shares	(704,808)	(646,242)		
	Average number of circulating shares	11,376,530	11,683,175		
	Average number of dilutive share options outstanding	-	12,513		
	Average number of circulating shares	11,376,530	11,695,688		
	Earnings per share, DKK	9.2	31.4		
	Diluted earnings per share, DKK	9.2	31.4		
	Earnings per share from continuing operations, DKK	9.2	31.4		
	Diluted earnings per share from continuing operations, DKK	9.2	31.4		

The calculation of earnings per share from continuing operations takes place on the same basis as the calculation of earnings per share, since no discontinued operations exist in 2007/08 or 2006/07.

In the period until 1 August 2008 the average number of circulating shares is unchanged.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

12 ... **Intangible assets**

Group	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2006	18.0	104.6	851.7	109.8	1,084.1
Amortisations and impairment losses 1 June 2006	-	(92.5)	(635.4)	-	(727.9)
Carrying amount 1 June 2006	18.0	12.1	216.3	109.8	356.2
Cost price 1 June 2006	18.0	104.6	851.7	109.8	1,084.1
Additions during the year	27.5	40.4	45.9	96.3	210.1
Disposals during the year	(0.7)	(0.2)	(192.1)	-	(193.0)
Completed development projects	-	-	89.9	(89.9)	-
Cost price 31 May 2007	44.8	144.8	795.4	116.2	1,001.2
Amortisations and impairment losses 1 June 2006	-	(92.5)	(635.4)	-	(727.9)
Amortisations during the year	-	(8.1)	(107.5)	-	(115.6)
Reversed amortisations on disposals during the year	-	0.2	192.1	-	192.3
Amortisations and impairment losses 31 May 2007	-	(100.4)	(550.8)	-	(651.2)
Carrying amount 31 May 2007	44.8	44.4	244.6	116.2	450.0
Cost price 31 May 2007	44.8	144.8	795.4	116.2	1,001.2
Amortisations and impairment losses 31 May 2007	-	(100.4)	(550.8)	-	(651.2)
Carrying amount 31 May 2007	44.8	44.4	244.6	116.2	450.0
Cost price 1 June 2007	44.8	144.8	795.4	116.2	1,101.2
Exchange rate adjustment to year-end rate	(0.1)	-	-	-	(0.1)
Additions during the year	2.5	3.8	17.8	100.8	124.9
Disposals during the year	-	(0.1)	(128.5)	(1.6)	(130.2)
Completed development projects	-	-	102.9	(102.9)	-
Cost price 31 May 2008	47.2	148.5	787.6	112.5	1,095.8
Amortisations and impairment losses 1 June 2007	-	(100.4)	(550,8)	-	(651.2)
Amortisations during the year	-	(7.2)	(146.5)	-	(153.7)
Reversed amortisations on disposals during the year	-	0.2	128.5	-	128.7
Impairment losses during the year	(2.4)	-	-	-	(2.4)
Amortisations and impairment losses 31 May 2008	(2.4)	(107.4)	(568.8)	-	(678.6)
Carrying amount 31 May 2008	44.8	41.1	218.8	112.5	417.2
Cost price 31 May 2008	47.2	148.5	787.6	112.5	1,095.8
Amortisations and impairment losses 31 May 2008	(2.4)	(107.4)	(568.8)	-	(678.6)
Carrying amount 31 May 2008	44.8	41.4	218.8	112.5	417.2

The addition to goodwill in 2006/07 related to the business combination regarding the Dutch distribution in previous years.

No contractual obligations regarding purchase of intangible assets exist.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

12 ... **Intangible assets (continued)**

Parent company	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June 2006	3.2	89.3	670.7	100.4	863.6
Amortisations and impairment losses 1 June 2006	-	(81.0)	(484.6)	-	(565.6)
Carrying amount 1 June 2006	3.2	8.3	186.1	100.4	298.0
Cost price 1 June 2006	3.2	89.3	670.7	100.4	863.6
Additions during the year	-	36.9	43.6	88.5	169.0
Disposals during the year	-	-	(213.8)	-	(213.8)
Completed development projects	-	-	80.5	(80.5)	-
Cost price 31 May 2007	3.2	126.2	581.0	108.4	818.8
Amortisations and impairment losses 1 June 2006	-	(81.0)	(484.6)	-	(565.6)
Amortisations during the year	-	(7.0)	(89.9)	-	(96.9)
Reversed amortisations on disposals during the year	-	-	213.8	-	213.8
Amortisations and impairment losses 31 May 2007	-	(88.0)	(360.7)	-	(448.7)
Carrying amount 31 May 2007	3.2	38.2	220.3	108.4	370.1
Cost price 31 May 2007	3.2	126.2	581.0	108.4	818.8
Amortisations and impairment losses 31 May 2007	-	(88.0)	(360.7)	-	(448.7)
Carrying amount 31 May 2007	3.2	38.2	220.3	108.4	370.1
Cost price 1 June 2007	3.2	126.2	581.0	108.4	818.8
Additions during the year	-	4.0	14.5	91.1	109.6
Disposals during the year	-	(0.1)	(36.2)	(1.6)	(37.9)
Completed development projects	-	-	100.9	(100.9)	-
Cost price 31 May 2008	3.2	130.1	660.2	97.0	890.5
Amortisations and impairment losses 1 June 2007	-	(88.0)	(360.7)	-	(448.7)
Amortisations during the year	-	(6.3)	(131.2)	-	(137.5)
Reversed amortisations on disposals during the year	-	0.1	36.2	-	36.3
Amortisations and impairment losses 31 May 2008	-	(94.2)	(455.7)	-	(549.9)
Carrying amount 31 May 2008	3.2	35.9	204.5	97.0	340.6
Cost price 31 May 2008	3.2	130.1	660.2	97.0	890.5
Amortisations and impairment losses 31 May 2008	-	(94.2)	(455.7)	-	(549.9)
Carrying amount 31 May 2008	3.2	35.9	204.5	97.0	340.6

No contractual obligations regarding purchase of intangible assets exist.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

13 ... **Tangible assets**

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible non-current assets in progress	Total
Cost price 1 June 2006	568.6	1,048.9	220.3	60.5	49.1	1,947.4
Depreciations and impairment losses 1 June 2006	(235.8)	(848.2)	(162.1)	(33.9)	-	(1,280.0)
Carrying amount 1 June 2006	332.8	200.7	58.2	26.6	49.1	667.4
Cost price 1 June 2006	568.6	1,048.9	220.3	60.5	49.1	1,947.4
Exchange rate adjustment to year-end rate	(1.0)	-	(0.5)	(0.6)	-	(2.1)
Reclassification	(11.5)	(5.6)	17.0	-	0.1	-
Transferred to investment property	(79.0)	-	-	-	-	(79.0)
Additions during the year	7.8	52.7	22.7	13.5	60.9	157.6
Completed assets	3.7	33.9	2.2	-	(39.8)	-
Disposals during the year	(8.1)	(20.4)	(13.6)	(5.0)	(5.5)	(52.6)
Disposal regarding Bang & Olufsen Medicom a/s	-	(28.7)	(5.4)	-	(2.6)	(36.7)
Cost price 31 May 2007	480.5	1,080.8	242.7	68.4	62.2	1,934.6
Depreciations and impairment losses 1 June 2006	(235.8)	(848.2)	(162.1)	(33.9)	-	(1,280.0)
Exchange rate adjustment to year-end rate	0.9	-	0.4	0.4	-	1.7
Reclassification	0.3	4.6	(4.9)	-	-	-
Transferred to investment property	19.5	-	-	-	-	19.5
Depreciations during the year	(18.6)	(79.2)	(21.9)	(6.8)	-	(126.5)
Reversed depreciations on disposals during the year	5.3	19.0	12.8	4.0	-	41.1
Reversed depreciations on disposals regarding Bang & Olufsen Medicom a/s	-	26.8	3.7	-	-	30.5
Impairment losses during the year	-	-	-	(3.0)	-	(3.0)
Depreciations and impairment losses 31 May 2007	(228.4)	(877.0)	(172.0)	(39.3)	-	(1,316.7)
Carrying amount 31 May 2007	252.1	203.8	70.7	29.1	62.2	617.9
Cost price 31 May 2007	480.5	1,080.8	242.7	68.4	62.2	1,934.6
Depreciations and impairment losses 31 May 2007	(228.4)	(877.0)	(172.0)	(39.3)	-	(1,316.7)
Carrying amount 31 May 2007	252.1	203.8	70.7	29.1	62.2	617.9
Of which assets under finance leases	-	0.7	0.1	-	-	0.8

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

13 ... **Tangible assets (continued)**

Group	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible non-current assets in progress	Total
Cost price 1 June 2007	480.5	1,080.8	242.7	68.4	62.2	1,934.6
Exchange rate adjustment to year-end rate	8.5	0.9	1.6	(3.9)	0.4	7.5
Reclassification	12.6	17.4	(30.0)	-	-	-
Additions during the year	24.9	60.9	20.5	9.3	74.8	190.4
Completed assets	0.3	40.1	1.3	-	(41.7)	-
Disposals during the year	(2.3)	(51.2)	(15.7)	(4.9)	(14.9)	(89.0)
Cost price 31 May 2008	524.5	1,148.9	220.4	68.9	80.8	2,043.5
Depreciations and impairment losses 1 June 2007	(228.4)	(877.0)	(172.0)	(39.3)	-	(1,316.7)
Exchange rate adjustment to year-end rate	(0.4)	(0.2)	1.0	2.3	-	2.7
Reclassification	(1.3)	(4.7)	6.0	-	-	-
Depreciations during the year	(20.2)	(93.6)	(18.3)	(7.4)	-	(139.5)
Reversed depreciations on disposals during the year	0.2	48.4	12.9	4.2	-	65.7
Depreciations and impairment losses 31 May 2008	(250.1)	(927.1)	(170.4)	(40.2)	-	(1,387.8)
Carrying amount 31 May 2008	274.4	221.8	50.0	28.7	80.8	655.7
Cost price 31 May 2008	524.5	1,148.9	220.4	68.9	80.8	2,043.5
Depreciations and impairment losses 31 May 2008	(250.1)	(927.1)	(170.4)	(40.2)	-	(1,387.8)
Carrying amount 31 May 2008	274.4	221.8	50.0	28.7	80.8	655.7
Of which assets under finance leases	-	-	-	-	-	-

Tangible assets in general

Neither in 2007/08 nor 2006/07 subsidies regarding acquisitions of tangible assets have been received, and there are no unfulfilled conditions regarding subsidies that have been received in the past. No contractual obligations regarding purchase of tangible assets exist.

Property

The cash value of property in Denmark according to the most recent valuation is DKK 297.0 million (DKK 295.6 million in 2006/07). The cash value of property contains both land and buildings and investment property. The cost price for foreign property is DKK 139.1 million (DKK 99.5 million in 2006/07)

Assets under finance leases

The assets under finance leases consist solely of trucks and cars that can be purchased by the end of the lease term at favourable prices. The lease arrangements do not impose any restrictions in the Group's rights of disposal.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

13 ... **Tangible assets (continued)**

Parent company	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in progress	Total
Cost price 1 June 2006	186.2	22.3	134.2	1.4	4.1	348.2
Depreciations and impairment losses 1 June 2006	(95.2)	(11.1)	(102.3)	(1.2)	-	(209.8)
Carrying amount 1 June 2006	91.0	11.2	31.9	0.2	4.1	138.4
Cost price 1 June 2006	186.2	22.3	134.2	1.4	4.1	348.2
Transferred from investment property	13.9	-	-	-	-	13.9
Additions during the year	1.1	0.1	6.3	-	0.5	8.0
Completed assets	1.8	0.3	0.9	-	(3.7)	(0.7)
Disposals during the year	(1.7)	-	(7.8)	(0.1)	(0.3)	(9.9)
Cost price 31 May 2007	201.3	22.7	133.6	1.3	0.6	359.5
Depreciations and impairment losses 1 June 2006	(95.2)	(11.1)	(102.3)	(1.2)	-	(209.8)
Transferred from investment property	(9.8)	-	-	-	-	(9.8)
Depreciations during the year	(8.2)	(1.8)	(11.8)	(0.1)	-	(21.9)
Reversed depreciations on disposals during the year	1.3	-	7.8	0.1	-	9.2
Depreciations and impairment losses 31 May 2007	(111.9)	(12.9)	(106.3)	(1.2)	-	(232.3)
Carrying amount 31 May 2007	89.4	9.8	27.3	0.1	0.6	127.2
Cost price 31 May 2007	201.3	22.7	133.6	1.3	0.6	359.5
Depreciations and impairment losses 31 May 2007	(111.9)	(12.9)	(106.3)	(1.2)	-	(232.3)
Carrying amount 31 May 2007	89.4	9.8	27.3	0.1	0.6	127.2
Of which assets under finance leases	-	-	-	-	-	-

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

13 ... **Tangible assets (continued)**

Parent company	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in progress	Total
Cost price 1 June 2007	201.3	22.7	133.6	1.3	0.6	359.5
Additions during the year	2.9	0.8	14.7	-	6.6	25.0
Completed assets	-	-	0.3	-	(0.5)	(0.2)
Disposals during the year	(0.5)	(0.2)	(1.0)	-	-	(1.7)
Cost price 31 May 2008	203.7	23.3	147.6	1.3	6.7	382.6
Depreciations and impairment losses 1 June 2007	(111.9)	(12.9)	(106.3)	(1.2)	-	(232.3)
Depreciations during the year	(8.1)	(1.8)	(11.4)	-	-	(21.3)
Reversed depreciations on disposals during the year	-	0.2	1.0	-	-	1.2
Depreciations and impairment losses 31 May 2008	(120.0)	(14.5)	(116.7)	(1.2)	-	(252.4)
Carrying amount 31 May 2008	83.7	8.8	30.9	0.1	6.7	130.2
Cost price 31 May 2008	203.7	23.3	147.6	1.3	6.7	382.6
Depreciations and impairment losses 31 May 2008	(120.0)	(14.5)	(116.7)	(1.2)	-	(252.4)
Carrying amount 31 May 2008	83.7	8.8	30.9	0.1	6.7	130.2
Of which assets under finance leases	-	-	-	-	-	-

Tangible assets in general

Neither in 2007/08 nor 2006/07 subsidies regarding acquisitions of tangible assets have been received, and there are no unfulfilled conditions regarding subsidies that have been received in the past. No contractual obligations regarding purchase of tangible assets exist.

Property

The cash value of property in Denmark according to the most recent valuation is DKK 243.0 million (DKK 241.6 million in 2006/07). The cash value of property contains both land and buildings and investment property.

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2007/08	2006/07	2007/08	2006/07

Notes ...

14 ... **Investment property**

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Cost price 1 June	80.3	1.3	181.1	196.2
Depreciations and impairment losses 1 June	(23.9)	(0.6)	(102.7)	(108.8)
Carrying amount 1 June	(56.4)	0.7	78.4	87.4
Cost price 1 June	80.3	1.3	181.1	196.2
Transferred to/from land and buildings	-	79.0	-	(13.9)
Additions during the year	-	-	1.9	3.1
Completed assets	-	-	0.2	0.7
Disposals during the year	-	-	-	(5.0)
Cost price 31 May	80.3	80.3	183.2	181.1
Depreciations and impairment losses 1 June	(23.9)	(0.6)	(102.7)	(108.8)
Transferred to/from land and buildings	-	(19.5)	-	9.8
Depreciations during the year	(3.6)	(3.8)	(7.3)	(7.7)
Reversed depreciations on disposals during the year	-	-	-	4.0
Depreciations and impairment losses 31 May	(27.5)	(23.9)	(110.0)	(102.7)
Carrying amount 31 May	52.8	56.4	73.2	78.4
Cost price 31 May	80.3	80.3	183.2	181.1
Depreciations and impairment losses 31 May	(27.5)	(23.9)	(110.0)	(102.7)
Carrying amount 31 May	52.8	56.4	73.2	78.4

The Group's investment property is a house that is used only for rental, and the property that is used by the associated company Bang & Olufsen Medicom a/s. Some of the parent company's buildings are investment property, since these are owned solely for rental to the other companies in the Group.

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

No contractual obligations to purchase, construct or develop investment property exist. Furthermore no contractual obligations regarding repairs, maintenance or enhancements of the investment property exist.

Investment property, Group

Rental income from the investment property of DKK 5.1 million have been received in 2007/08 (DKK 1.6 million in 2006/07). In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 3.9 million (DKK 0.9 million in 2006/07). The properties are leased on contracts with a remaining duration of 36 months. According to the existing leases a rental income of DKK 5.2 million will be received in 2008/09.

Investment property, parent company

In 2007/08 DKK 42.9 million have been received in rental income from the investment property (DKK 42.8 million in 2006/07).
In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 18.1 million (DKK 20.8 million in 2006/07).

The parent company's investment property is rented to the subsidiaries on operating lease agreements with a lease term of 3 months. According to the existing operating lease agreements the parent company will receive a rental income of DKK 12.2 million in the 3 months, which are included in the agreements' lease term.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

15 ... **Impairment of assets**

Intangible assets – impairment losses during the year

Group

The impairment loss on goodwill (DKK 2.4 million) has been recognized in the English subsidiary in connection with the purchase of 2 shops.

No impairment losses on completed development projects have been recognized in 2007/08 or 2006/07.

The determination of the recoverable amount of the intangible assets is based on the estimated value in use of the assets. The value in use is calculated based on all expected future cash flows from the assets according to the budgets approved by management, and a discount rate before tax of 10 %.

Parent company

No impairment losses on completed development projects have been recognized in 2007/08 or 2006/07.

The determination of the recoverable amount of the development projects is based on the estimated value in use of the projects. The value in use is calculated based on all expected future cash flows from the projects according to the budgets approved by management, and a discount rate before tax of 10 %.

Tangible assets – impairment losses during the year

Group

In 2007/08 no impairment losses on tangible assets have been recognized (DKK 3.0 million in 2006/07).

The impairment loss in 2006/07 was recognized in connection with the purchase of 5 shops in Germany in May 2007, so that the purchased assets were measured at expected sales price.

Parent company

No impairment losses on tangible assets have been recognized in 2007/08 or 2006/07.

Financial assets – impairment losses during the year

Group

No impairment losses on financial assets have been recognized in 2007/08 or 2006/07.

Parent company

No impairment losses on financial assets have been recognized in 2007/08 or 2006/07.

	Group		Parent company	
(DKK million)	2007/08	2006/07	2007/08	2006/07

Notes ...

16 ... **Investments in subsidiaries**

	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Cost price 1 June			722.6	728.2
Additions during the year			0.2	-
Disposals during the year			-	(5.6)
Cost price 31 May			722.8	722.6

For a list of subsidiaries please refer to note 46.

17 ... **Investments in associates**

	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Cost price 1 June	19.0	17.0	2.0	-
Additions during the year, transferred investment	-	2.0	-	2.0
Cost price 31 May	19.0	19.0	2.0	2.0
Value adjustment 1 June	(3.2)	(11.0)		
Recognition of transferred investment in				
Bang & Olufsen Medicom a/s at intrinsic value	-	8.4		
Equity adjustments in associates	-	0.5		
Net result for the year after tax	(11.2)	(1.1)		
Negative investment offset against receivable	1.7	-		
Value adjustment 31 May	(12.7)	(3.2)		
Carrying amount 31 May	6.3	15.8	2.0	2.0

							Bang & Olufsen's share	
Name and registered office	Owners share	Total assets	Total liabilities	Share capital	Equity	Result for the year	Equity	Result for the year
Bang & Olufsen Medicom a/s, Struer	35 %	9.1	13.9	8.0	(4.8)	(31.9)	(1.7)	(11.2)
John Bjerrum Nielsen A/S, Bramming	33 %	45.0	26.1	10.0	18.9	-	6.3	-

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Notes ...				
18 ... **Other financial receivables**				
Other financial receivables (gross) 1 June	105.4	50.6	0.2	-
Exchange rate adjustment to year-end rate	(7.7)	(0.4)	-	-
Movements during the year	(28.0)	55.2	2.8	0.2
Other financial receivables (gross) 31 May	69.7	105.4	3.0	0.2
Write-down for expected losses 1 June	(17.2)	(14.2)	-	-
Exchange rate adjustment to year-end rate	0.7	0.1	-	-
Change in write-down during the year	(18.4)	(5.4)	-	-
Actual losses during the year	17.2	2.3	-	-
Write-down for expected losses 31 May	(17.7)	(17.2)	-	-
Other financial receivables (net) 31 May	52.0	88.2	3.0	0.2

The write-down of other financial receivables is recognized in the profit and loss account as part of distribution and marketing costs. The write-down is based on an individual assessment of the creditworthiness of each individual debtor. The Group and Parent company has no overdue other financial receivables, for which no write-down has been recognized.

The fair value of other financial receivables in the Group amounts to DKK 49.6 million (DKK 87.8 million in 2006/07). The fair value in the parent company amounts to DKK 2.0 million (DKK 0.2 million in 2006/07). The fair value has been calculated based on the present value of the future expected cash flow from the receivables.

19 ... **Deferred tax assets**

Group	Non-current assets	Inven-tories	Receivables	Provisions	Unused tax losses	Other	Total
Deferred tax assets 1 June 2006	7.2	0.3	4.0	10.8	6.5	-	28.8
Recognized in the profit and loss account	(3.5)	(0.1)	(2.5)	1.0	(2.8)	0.3	(7.6)
Deferred tax assets 31 May 2007	3.7	0.2	1.5	11.8	3.7	0.3	21.2
Exchange rate adjustment to year-end rate	0.1	-	-	-	-	-	0.1
Recognized in the profit and loss account	(0.2)	0.5	4.6	0.3	(3.7)	(0.1)	1.4
Deferred tax assets 31 May 2008	3.6	0.7	6.1	12.1	-	0.2	22.7

Deferred tax assets relate to the subsidiaries in Denmark, Norway, Sweden, Germany, the UK, Belgium, France, Italy, Spain and Singapore. Deferred tax assets have been calculated based on local tax rates. Deferred tax assets relating to the subsidiary in the US have not been recognized in 2007/08. In 2006/07 deferred tax assets relating to the subsidiary in the US and the Australian subsidiary in New Zealand were not recognized. The unrecognized deferred tax assets amount to DKK 79.1 million (DKK 92.5 million in 2006/07). The basis for the unrecognized deferred tax assets is tax losses of DKK 141.8 million (DKK 237.3 million in 2006/07). The taxlosses can be carried forward for a peroid of 1-20 years.

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2007/08	2006/07	2007/08	2006/07
Notes ...				
20 ... **Inventories**				
Raw materials	124.1	147.2	-	-
Work in progress	40.0	40.4	-	-
Spare parts	166.4	142.3	-	-
Finished goods	470.9	364.4	1.4	0.4
Inventories 31 May	801.4	694.3	1.4	0.4
The following amounts of the carrying amount are expected to be realised after more than 12 months:				
Spare parts	96.4	75.9	-	-
Inventories 31 May	96.4	75.9	-	-

The reason, why a large part of the spare parts is expected to be realised after 12 months, is due to the fact that it is the Group's policy to be able to make repairs to products for up to 12 years after the products are sold.

Carrying amount of inventories carried at net realisable value	0.7	-	-	-
Stock consumption recognized as part of production costs during the year	1,754.3	1,870.4	0.1	-
Write-down of inventories recognized as part of production costs during the year	23.1	21.0	-	-
Reversal of write-down of inventories recognized as part of production costs during the year	17.5	14.8	-	-

The reversal of write-down of inventories during the year has taken place due to the fact that sales of the inventories, which were written-down, exceeded the expected. The reversal of write-down of inventories last year took place due to the same circumstances.

Parantheses denote negative figures or figures to be deducted.

Notes ...	(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
21 ...	**Trade receivables**				
	Trade receivables (gross) 31 May	662.5	786.7	-	-
	Write-down for expected losses 1 June	(52.9)	(56.4)	-	-
	Exchange rate adjustment to year-end rate	2.7	0.8	-	-
	Change in write-down during the year	(30.5)	(11.7)	-	-
	Actual losses during the year	11.2	14.4	-	-
	Write-down for expected losses 31 May	(69.5)	(52.9)	-	-
	Trade receivables (net) 31 May	593.0	733.8	-	-

All trade receivables fall due within 1 year.

The write-down of trade receivables is recognized in the profit and loss account as part of distribution and marketing costs. The write-down is based on an individual assessment of the creditworthiness of each individual debtor. The Group and the Parent company have no overdue trade receivables, for which no write-down has been recognized.

The fair value of trade receivables in the Group amounts to DKK 593.0 million (DKK 733.8 million in 2006/07), while the fair value in the parent company amounts to DKK 0.0 million (DKK 0.0 million in 2006/07). The carrying amount of receivables that fall due within one year is expected to be a reasonable approximation of the fair value.

22 ... **Receivables from subsidiaries**

		Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
	Receivables from subsidiaries (net) 31 May			921.4	255.2

All receivables from subsidiaries fall due within 1 year.

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

The fair value of receivables from subsidiaries amounts to DKK 921.4 million (DKK 255.2 million in 2006/07). The carrying amount of receivables that fall due within one year is expected to be a reasonable approximation of the fair value.

23 ... **Receivables from associates**

		Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
	Receivables from associates (net) 31 May	2.1	8.5	-	1.8
	Negative investment offset against receivable	(1.7)	-	-	-
	Transferred to payables to associates	(0.4)	-	-	-
	Receivables from associates (net) 31 May	-	8.5	-	1.8

All receivables from associates fall due within 1 year.

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

The fair value of receivables from associates in the Group amounts to DKK 0.0 million (DKK 8.5 million in 2006/07). The fair value of receivables from associates in the parent company amounts to DKK 0.0 million (DKK 1.8 million in 2006/07). The carrying amount of receivables that fall due within 1 year is expected to be a reasonable approximation of the fair value.

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Notes ...				
24 ... **Income tax receivable**				
Income tax receivable 1 June	27.0	16.6	28.4	14.8
Exchange rate adjustment to year-end rate	(0.4)	(0.1)	-	-
Adjustment previous years	(1.6)	(0.1)	(16.2)	(2.2)
The year's current tax incl. jointly taxed subsidiaries	1.0	-	29.6	5.5
Change in tax rate	-	-	(0.6)	-
Income tax paid during the year	29.7	17.0	-	10.3
Income tax refunded during the year	(2.5)	(1.6)	(32.0)	-
Transferred to income tax payable	(13.5)	(4.8)	-	-
Income tax receivable 31 May	39.7	27.0	9.2	28.4

DKK 0.0 million of the income tax receivable in the Group is expected to be received after 1 year (DKK 0.0 million in 2006/07).
DKK 0.0 million of the income tax receivable in the parent company is expected to be received after 1 year (DKK 0.0 million in 2006/07).

25 ... **Other receivables**

Value added tax receivable	17.5	3.5	9.8	-
Other receivables	21.4	26.5	2.8	3.3
Other receivables 31 May	38.9	30.0	12.6	3.3

All other receivables fall due within 1 year.

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

The fair value of other receivables in the Group amounts to DKK 38.9 million (DKK 30.0 million in 2006/07), while the fair value in the parent company amounts to DKK 12.6 million (DKK 3.3 million in 2006/07). The carrying amount of receivables that fall due within one year is expected to be a reasonable approximation of the fair value.

26 ... **Share capital**

As at 31 May, 2007, the share capital comprises:				
1,085,543 ordinary shares of DKK 10.00				
(multiple voting shares)	10.8	10.8	10.8	10.8
10,995,795 ordinary shares of DKK 10.00	110.0	110.0	110.8	110.0
	120.8	120.8	120.8	120.8

Each ordinary share (multiple voting share) of DKK 10.00 gives 10 votes, while each ordinary share of DKK 10.00 gives 1 vote.

Number of ordinary shares (multiple voting shares) 1 June	1,085,543	1,119,910	1.085.543	1,119,910
Annulment of shares	-	(34,367)	-	(34,367)
Number of ordinary shares (multiple voting shares) 31 May	1,085,543	1,085,543	1.085.543	1,085,543
Number of ordinary shares 1 June	10,995,795	11,331,015	10,995,795	11,331,015
Annulment of shares	.	(335,220)	-	(335,220)
Number of ordinary shares 31 May	10,995,795	10,995,795	10,995,795	10,995,795

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2007/08	2006/07	2007/08	2006/07

Notes ...

26 ... **Share capital (continued)**

Number of own shares:				
Ordinary shares	767,787	619,923	767,787	619,923
	767,787	619,923	767,787	619,923
Nominal value in DKK million	7.7	6.2	7.7	6.2
% of share capital, year-end	6.4	5.1	6.4	5.1

261,900 of the Group's own shares (ordinary shares) are reserved for the coverage of the share option programme, cf. note 5. There are no other reservations regarding the Group's own shares.

Acquisitions during the year:				
Number of shares	164,893	389,085	164,893	389,085
Nominal value in DKK million	1.6	3.9	1.6	3.9
% of share capital, year-end	1.4	3.2	1.4	3.2
Total acquisition sum DKK million	100.2	271.3	100.2	271.3

The acquisitions were undertaken in accordance with the authority from the Annual General Meeting to purchase own shares with the purpose of subsequent capital reductions and the coverage of the share option programme.

Sales during the year:				
Number of shares	20,029	69,162	20,029	69,162
Nominal value in DKK million	0.2	0.7	0.2	0.7
% of share capital, year-end	0.1	0.6	0.1	0.6
Total sales sum DKK million	1.6	18.5	1.6	18.5

In 2007/08 20,029 own ordinary shares were used (69,162 in 2006/07). Of these 3,000 were used for share based programmes and 17,029 have been granted as employee shares (in 2006/07 51,429 were used for share based programmes and 17,733 were granted as employee shares).

In the 2006/07 financial year, on 1 February, 2007, the company made a capital reduction and consequently annulled 34,367 own ordinary shares (multiple voting shares) and 335,220 own ordinary shares.

27 ... **Retained earnings**

In the 2007/08 financial year DKK 241.6 million have been paid as dividend corresponding to DKK 20.00 per share (DKK 199.2 million corresponding to DKK 16.00 per share in 2006/07). On the Annual General Meeting 26 September 2008 a dividend for the financial year 2007/08 of DKK 36.2 million corresponding to DKK 3.00 per share will be proposed. This proposed dividend is not incorporated in the annual report.

28 ... **Minority interests**

Balance 1 June	6.0	4.1
Transfer to minority interests	2.4	-
Minority interests' share of result for the year	7.6	5.1
Dividend paid	(6.1)	(1.0)
Option for minority interest	2.2	(2.2)
Balance 31 May	12.1	6.0

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

29 ... **Pensions**

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

In the Group DKK 38.8 million (DKK 50.0 million in 2006/07) have been recognized in the profit and loss account as costs related to defined contribution plans. In the parent company DKK 20.2 million (DKK 19.9 million in 2006/07) have been recognized as costs related to defined contribution plans.

Defined benefit plans:
In defined benefit plans Bang & Olufsen is obliged to pay a certain benefit (e.g. retirement benefit as a fixed sum of the final salary). In defined benefit plans Bang & Olufsen carries the risk, since changes to the calculation basis result in changes in the actuarially calculated capital value.

The major defined benefit plans in the Group include employees in Germany and Norway. In the Group a net obligation of DKK 8.3 million (DKK 8.6 million in 2006/07) has been recognized relating to the Group's obligations to current or past employees concerning defined benefit plans. The obligation is calculated after deduction of the plan assets. The parent company has no defined benefit plans.

In the Group DKK 0.7 million (DKK 1.2 million in 2006/07) have been recognized in the profit and loss account regarding defined benefit plans. The gain of DKK 6.5 million obtained in connection with the settlement of the defined benefit plan in Holland was added to the amount in 2006/07. In total, a net income of DKK 5.3 million was recognized in 2006/07 in the Group financial statement regarding defined benefit plans.

	Group	
	2007/08	2006/07
Present value of defined benefit obligation	29.0	28.1
Fair value of the plan assets	(20.3)	(18.1)
Unrecognized actuarial gains and losses	(0.4)	(1.4)
Defined benefit plans 31 May, net	8.3	8.6
Of which included as part of the liabilities	9.5	9.7
Of which included as part of the assets	(1.2)	(1.1)
Development in the present value of the defined benefit obligation:		
Present value of the defined benefit obligation 1 June	28.1	56.8
Exchange rate adjustment to year-end rate	0.2	(0.4)
Contribution regarding the current year	1.3	0.8
Interest costs	1.3	1.0
Actuarial gains and losses	(1.6)	(0.2)
Settlement of defined benefit plan	-	(29.7)
Benefits paid	(0.3)	(0.2)
Present value of the defined benefit obligation 31 May	29.0	28.1
Defined benefit obligation from plans that are wholly unfunded	4.1	4.0
Defined benefit obligation from plans that are wholly or partly funded	24.9	24.1

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Notes ...				
29 ... **Pensions (continued)**				
Development in the fair value of the plan assets regarding defined benefit plans:				
Fair value of the plan assets 1 June	18.1	39.7		
Exchange rate adjustment to year-end rate	0.2	(0.3)		
Expected return on plan assets	0.9	0.8		
Actuarial gains and losses	0.5	(0.8)		
Disposal of assets in connection with settlement of defined benefit plan	-	(21.7)		
Administration costs	(0.1)	-		
Benefits paid	(0.1)	(0.1)		
Contributions by the employer	0.8	0.5		
Present value of the plan assets 31 May	20.3	18.1		
Amounts recognized in the profit and loss account:				
Contribution regarding the current year	1.3	0.8		
Interest costs on the obligation	1.3	1.0		
Expected return on plan assets	(0.9)	(0.8)		
Recognized actuarial gains and losses	(1.1)	0.2		
Gain on settlement of defined benefit plan	-	(6.5)		
Administration costs	0.1	-		
Total amount recognized for defined benefit plans	0.7	(5.3)		
Total amount recognized for defined contribution plans	38.8	50.0	20.2	19.9
Total amounts recognized in the profit and loss account, cf. note 5	39.5	44.7	20.2	19.9
Actual return on plan assets regarding the defined benefit plans	-	-		

The defined benefit plan in Germany is partly funded in an independent pension fund. As at 31 May 2008, the actuarially calculated net obligation is recognized in the Group's balance sheet at DKK 4.8 million (DKK 5.7 million in 2006/07). The net obligation is calculated as the present value of the future payments of DKK 12.3 million (DKK 12.3 million in 2006/07) less the fair value of the pension fund´s assets DKK 7.5 million (DKK 7.1 million in 2006/07). The actuarial calculation is based on a calculation rate of 5.0 % p.a., an expected rate of salary increase of 2.0 % p.a. and an expected rate of return on plan assets of 4.0 % p.a. In the Group's profit and loss account the defined benefit plan is recognized as an income of DKK 0.7 million (an expense of DKK 0.5 million in 2006/07).

The defined benefit plan in Norway is also partly funded in an independent pension fund. As at 31 May 2008 the actuarially calculated net receivable is recognized in the Group's balance sheet at DKK 1.2 million (DKK 1.1 million in 2006/07). The net receivable is calculated as the fair value of the plan assets of DKK 8.9 million (DKK 7.7 million in 2006/07) less the present value of the future payments of DKK 9.5 million (DKK 7.8 million in 2006/07) and added unrecognized actuarial losses of DKK 0.6 million (DKK 1.2 million in 2006/07). The actuarial calculation is based on a calculation rate of 5.0 % p.a., an expected rate of salary increase of 3.0 % p.a. and an expected rate of return on plan assets of 6.0 % p.a. In the Group's profit and loss account the defined benefit plan is recognized as an expense of DKK 0.6 million (DKK 0.4 million in 2006/07).

As of 1 October, 2006 the Dutch company entered into defined contribution plans with the employees. In this connection the defined benefit plans were settled for all employees with the exception of two.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

30 ... **Deferred tax**

Group	Non-current assets	Inven-tories	Receiv-ables	Provisions	Share based payment	Other	Total
Deferred tax 1 June 2006	77.8	2.0	(0.3)	6.5	(8.6)	(0.7)	63.7
Disposal of activity	0.8	-	-	-	-	-	0.8
Recognized in the profit and loss account	6.9	(1.7)	(8.1)	0.8	4.7	0.7	3.3
Deferred tax 31 May 2007	85.5	0.3	(8.4)	(5.7)	(3.9)	-	67.8
Exchange rate adjustment to year-end rate	(0.3)	-	-	-	-	-	(0.3)
Recognized in the profit and loss account	(22.8)	7.5	14.6	(7.2)	(2.2)	0.7	(9.4)
Recognized in equity	-	-	-	-	6.1	-	6.1
Deferred tax 31 May 2008	62.4	7.8	6.2	(12.9)	-	0.7	64.2

Parent company	Non-current assets	Inven-tories	Receiv-ables	Provisions	Share based payment	Other	Total
Deferred tax 31 May 2006	74.3	0.1	-	(1.5)	(8.6)	(1.6)	62.7
Recognized in the profit and loss account	10.8	(0.1)	-	(0.1)	4.7	1.6	16.9
Deferred tax 31 May 2007	85.1	-	-	(1.6)	(3.9)	-	79.6
Recognized in the profit and loss account	(11.9)	-	-	1.1	(2.2)	-	(13.0)
Recognized in equity	-	-	-	-	6.1	-	6.1
Deferred tax 31 May 2008	73.2	-	-	(0.5)	-	-	72.7

Deferred tax has been calculated based on local tax rates.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

31 ... **Provisions**

Group	Warranty	Fairness	Jubilee-benefits	Other obligations	Total
Provisions 1 June 2006	68.4	34.1	15.2	5.3	123.0
Exchange rate adjustment to year-end rate	(0.4)	(0.3)	(0.1)	-	(0.8)
Provisions during the year	62.9	4.1	1.4	3.1	71.5
Provisions used during the year	(46.7)	(9.3)	(1.0)	-	(57.0)
Provisions reversed during the year	(0.2)	(3.8)	(2.9)	-	(6.9)
Provisions reversed at sale of Bang & Olufsen Medicom a/s	(0.2)	-	(0.5)	-	(0.7)
Change in the calculation of present value during the year	-	0.7	0.5	-	1.2
Provisions 31 May 2007	83.8	25.5	12.6	8.4	130.3
Exchange rate adjustment to year-end rate	(1.1)	(0.8)	-	(0.7)	(2.6)
Provisions during the year	42.9	10.1	1.7	2.0	56.7
Provisions used during the year	(43.8)	(7.2)	(1.1)	(0.7)	(52.8)
Provisions reversed during the year	(5.4)	(1.0)	(3.6)	-	(10.0)
Change in the calculation of present value during the year	0.8	0.7	0.3	(0.1)	1.7
Provisions 31 May 2008	77.2	27.3	9.9	8.9	123.2

The expected due dates of the provisions as at 31 May 2007 are as follows:					
Falls due 1 - 5 years	59.5	17.8	3.5	7.3	88.1
Falls due after 5 years	-	0.1	8.3	0.5	8.9
Non-current provisions	59.5	17.9	11.8	7.8	97.0
Falls due within 1 year	24.3	7.6	0.8	0.6	33.3
Provisions 31 May 2007	83.8	25.5	12.6	8.4	130.3

The expected due dates of the provisions as at 31 May 2008 are as follows:					
Falls due 1 - 5 years	41.2	18.3	3.1	8.2	70.8
Falls due after 5 years	-	0.1	5.8	0.6	6.5
Non-current provisions	41.2	18.4	8.9	8.8	77.3
Falls due within 1 year	36.0	8.9	1.0	0.1	46.0
Provisions 31 May 2008	77.2	27.3	9.9	8.9	123.3

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

31 ... **Provisions (continued)**

Parent Company	Jubilee-benefits	Total
Provisions 1 June 2006	4.8	4.8
Provisions during the year	0.5	0.5
Provisions used during the year	(0.2)	(0.2)
Provisions reversed during the year	(0.8)	(0.8)
Change in the calculation of present value during the year	0.2	0.2
Provisions 31 May 2007	4.5	4.5
Provisions during the year	0.6	0.6
Provisions used during the year	(0.3)	(0.3)
Provisions reversed during the year	(1.5)	(1.5)
Change in the calculation of present value during the year	0.1	0.1
Provisions 31 May 2008	3.4	3.4

The expected due dates of the provisions as at 31 May 2007 are as follows:		
Falls due 1 - 5 years	1.4	1.4
Falls due after 5 years	2.9	2.9
Non-current provisions	4.3	4.3
Falls due within 1 year	0.2	0.2
Provisions 31 May 2007	4.5	4.5

The expected due dates of the provisions as at 31 May 2008 are as follows:		
Falls due 1 - 5 years	1.3	1.3
Falls due after 5 years	1.8	1.8
Non-current provisions	3.1	3.1
Falls due within 1 year	0.3	0.3
Provisions 31 May 2008	3.4	3.4

The company gives 2 - 5 years warranty on certain products and thereby undertakes the liability to repair or replace products, which do not function satisfactorily. Some products are repaired after the end of the warranty period, and a provision regarding this fairness is recognized.

Provisions of DKK 104.5 million (DKK 109.3 million in 2006/07) regarding expected warranty and fairness claims have been recognized. The provisions are based on previous experience relating to the level of repair and returned goods. The specification of the expected due dates is based on previous experience regarding the timing of claims and returns, if any.

No reimbursements will be received regarding the provisions.

(DKK million)

Notes ...

32 ... **Current and non-current financial liabilities, mortgage loans**

Group	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year total
Financial liabilities:				
Fixed rate loans, interest rate level 5.8 - 6.4 %	6.9	14.0	184.5	198.5
Fixed rate loans, interest rate level 4.0 - 5.0 %	1.6	6.5	30.7	37.2
Carrying amount 31 May 2008	8.5	20.5	215.2	235.7
Fixed rate loans, interest rate level 5.8 - 6.4 %	4.4	6.6	-	6.6
Fixed rate loans, interest rate level 4.0 - 5.0 %	9.6	38.2	48.6	86.8
Carrying amount 31 May 2007	14.0	44.8	48.6	93.4
Parent company				
Financial liabilities:				
Fixed rate loans, interest rate level 5.8 - 6.4 %	6.9	14.0	184.5	198.5
Carrying amount 31 May 2008	6.9	14.0	184.5	198.5
Fixed rate loans, interest rate level 5.8 - 6.4 %	4.4	6.6	-	6.6
Fixed rate loans, interest rate level 4.0 - 5.0 %	8.0	32.0	16.0	48.0
Carrying amount 31 May 2007	12.4	38.6	16.0	54.6

The fair value of the current and non-current financial liabilities, mortgage loans in the Group amounts to DKK 242.2 million (DKK 105.6 million in 2006/07), while the fair value in the parent company amounts to DKK 206.0 million (DKK 67.0 million in 2006/07). The fair value is calculated as the present value of the expected future interest and capital repayments.

(DKK million)

Notes ...

33 ... **Current and non-current financial liabilities, loans from banks etc.**

Group	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Financial liabilities:				
Fixed rate loans, interest rate level 5.8 - 6.4 %	25.0	12.5	-	12.5
Fixed rate loans, interest rate level 4.0 - 5.0 %	17.9	66.2	22.4	88.6
Carrying amount 31 May 2008	42.9	78.7	22.4	101.1
Fixed rate loans, interest rate level 5.8 - 6.4 %	25.0	37.5	-	37.5
Fixed rate loans, interest rate level 4.0 - 5.0 %	7.4	29.9	29.7	59.6
Carrying amount 31 May 2007	32.4	67.4	29.7	97.1

Parent company	Falls due within 1 year	Falls due 1 - 5 years	Falls due after 5 years	Falls due after 1 year, total
Financial liabilities:				
Fixed rate loans, interest rate level 5.8 - 6.4 %	25.0	12.5	-	12.5
Fixed rate loans, interest rate level 4.0 - 5.0 %	10.4	36.4	-	36.4
Carrying amount 31 May 2008	35.4	48.9	-	48.9
Fixed rate loans, interest rate level 5.8 - 6.4 %	25.0	37.5	-	37.5
Carrying amount 31 May 2007	25.0	37.5	-	37.5

The fair value of the current and non-current financial liabilities, loans from banks etc. in the Group amounts to DKK 144.0 million (DKK 129.5 million in 2006/07), while the fair value in the parent company amounts to DKK 84.3 million (DKK 62.5 million in 2006/07).

The fair value is calculated as the present value of the expected future interest and capital repayments.

Liabilities regarding finance leases are recognized in loans from banks etc. as follows:

Group	Falls due within 1 year	Falls due 1 - 5 years	Total
Carrying amount 31 May 2008	-	-	-
Carrying amount 31 May 2007	0.4	0.2	0.6
Parent company			
Carrying amount 31 May 2008	-	-	-
Carrying amount 31 May 2007	-	-	-

Neither in the Group nor in the parent company contingent leases have been recognized as an expense in 2007/08 or 2006/07.

None of the assets under finance leases have been subleased. Thus, at the balance sheet date, no non-cancellable subleases regarding assets under finance leases, from which sublease payments are received, exist in the Group or in the parent company.

The fair value of liabilities regarding assets under finance leases corresponds to the carrying amount. The fair value is estimated to be the present value of the expected future cash flow at a market interest rate for similar leases.

(DKK million)

Notes ...

34 ... **Other non-current liabilities**

Group	Falls due 1 - 5 years	Falls due after 1 year, total
Accrued deposit	3.0	3.0
Other non-current liabilities	3.6	3.6
Carrying amount 31 May 2008	6.6	6.6
Accrued deposit	2.4	2.4
Other non-current liabilities	3.7	3.7
Carrying amount 31 May 2007	6.1	6.1

Parent company	Falls due 1 - 5 years	Falls due after 1 year, total
Other non-current liabilities	3.4	3.4
Carrying amount 31 May 2008	3.4	3.4
Other non-current liabilities	3.4	3.4
Carrying amount 31 May 2007	3.4	3.4

The fair value of other non-current liabilities in the Group amounts to DKK 5.7 million (DKK 4.9 million in 2006/07), while the fair value in the parent company amounts to DKK 2.9 million (DKK 2.7 million in 2006/07).

The fair value is calculated as the present value of the expected future interest and capital repayments.

(DKK million)	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07

Notes ...

35 ... **Income tax**

	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Accrued income tax 1 June	122.3	78.3	-	-
Exchange rate adjustment to year-end rate	(0.8)	(0.1)	-	-
Corrections	0.4	-	-	-
Adjustment previous years	(18.7)	(3.1)	-	-
The year's current tax incl. jointly taxed subsidiaries	69.7	139.7	-	-
Income tax paid during the year	(93.1)	(87.4)	-	-
Other	-	(0.3)	-	-
Transferred to income tax receivable	(13.5)	(4.8)	-	-
Accrued income tax 31 May	66.3	122.3	-	-

DKK 0.0 million of the accrued income tax in the Group is expected to be paid after 1 year (DKK 0.0 million in 2006/07).
DKK 0.0 million of the accrued income tax in the parent company is expected to be paid after 1 year (DKK 0.0 million in 2006/07).

36 ... **Other payables**

	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Payroll-related items	143.1	118.3	55.3	37.0
Taxes and duties	39.7	48.0	-	33.7
Phantom shares	0.2	1.9	0.2	1.9
Other payables	137.0	188.0	42.4	46.6
Other payables, total	320.0	356.2	97.9	119. 2

All other payables fall due within one year.

The fair value of other payables in the Group amounts to DKK 320.0 million (DKK 356.2 million in 2006/07), while the fair value in the parent company amounts to DKK 97.9 million (DKK 119.2 million in 2006/07).

The carrying amount of payables that fall due within one year is expected to be a reasonable approximation of the fair value.

Parantheses denote negative figures or figures to be deducted.

NOTES TO THE CASH FLOW STATEMENT

Notes ...	(DKK million)	Group		Parent company	
37 ...	**Adjustments**	2007/08	2006/07	2007/08	2006/07
	Change in liabilities	(6.7)	4.5	(1.1)	(0.3)
	Financial income etc.	(20.0)	(15.7)	(59.0)	(44.1)
	Financial costs etc.	49.8	31.7	36.1	25.3
	Share of associates' result after tax	11.2	1.1		
	Gain on sale of non-current assets	-	-	0.5	1.2
	Gain on disposal of activities	-	(11.5)	-	(27.1)
	Tax on result for the year	41.4	151.9	(25.8)	13.5
	Various adjustments	16.9	0.6	21.4	12.8
	Adjustments, total	92.6	162.6	(27.9)	(18.7)
38 ...	**Change in working capital**				
	Change in receivables	131.9	(93.2)	(674.8)	(94.8)
	Change in inventories	(107.1)	(131.4)	(1.0)	(0.2)
	Change in accounts payables etc.	(47.0)	82.4	(6.3)	36.9
	Change in working capital, total	(22.2)	(142.2)	(682.1)	(58.1)

39 ... **Acquisitions of activities**

In 2006/07 Bang & Olufsen a/s acquired a development activity in Estonia. The effect of the acquisition is immaterial to the Group's financial statement.

		Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
40 ...	**Disposal of activities** (Sale of 65 % of the shares in Bang & Olufsen Medicom a/s)				
	Tangible non-current assets	-	7.9	-	-
	Financial non-current assets	-	2.2	-	3.6
	Inventories	-	4.5	-	-
	Receivables	-	27.4	-	2.0
	Non-current liabilities	-	(0.4)	-	-
	Current liabilities	-	(20.4)	-	-
		-	21.2	-	5.6
	Gain on disposal	-	11.5	-	27.1
	Addition to cash and cash equivalents	-	32.7	-	32.7
41 ...	**Cash and cash equivalents**				
	Cash and cash equivalents consists of:				
	Cash	107.1	196.4	5.3	5.3
	Other bank loans	(53.7)	(39.5)	(53.6)	(39.2)
	Cash and cash equivalents 31 May	53.4	156.9	(48.3)	(33.9)

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

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group		Parent company	
Notes ...				
42 ... **Fees to the auditors, elected at the Annual General Meeting**	2007/08	2006/07	2007/08	2006/07
Statutory audit:				
Deloitte	4.3	4.1	0.5	0.5
Statutory audit, total	4.3	4.1	0.5	0.5
Other services:				
Deloitte	1.9	1.3	0.4	0.4
Other services, total	1.9	1.3	0.4	0.4
Fees to the auditors, elected at the Annual General Meeting, total	6.2	5.4	0.9	0.9

43 ... **Contingent liabilities and other financial commitments**

a ... **Rental and leasing commitments regarding operating leases etc.**

The Group and the parent company have entered into a number of operating leases and rental agreements regarding plant and machinery, shops and other property. There is a big diversity in the length of the agreements. The longest agreement runs for 6 years. All agreements contain conditions regarding renewal. The Group and the parent company are entitled to determine, whether or not the agreements are renewed. None of the agreements cause limitations in the Group's or the parents company's rights of disposal.

	Group 2007/08	Group 2006/07	Parent company 2007/08	Parent company 2006/07
Leasing commitments relating to plant and machinery etc.	41.6	35.4	26.7	18.8
Leasing commitments relating to establishment of shops	185.8	185.6	-	-
Leasing commitments relating to office and factory property	108.1	45.8	64.2	6.3
Total	335.5	266.8	90.9	25.1
Which can be specified as follows:				
for payment within 1 year	75.9	68.8	18.5	13.0
for payment between 1 and 5 years	179.6	159.1	42.2	12.1
for payment after 5 years	80.0	38.9	30.2	-
Total	335.5	266.8	90.9	25.1
Rental and leasing costs for the year	78.5	70.6	26.4	21.4
Of which minimum rent and lease payments	78.5	70.6	26.4	21.4
Expected future income from non-cancellable sublease agreements, total	6.3	6.6	-	-

Neither in the Group nor in the parent company contingent rent or lease payments have been recognized in the profit and loss account in 2007/08 or 2006/07.

In connection with the establishment of shops in previous financial years, the Group has entered into a number of long-tem rental agreements. The agreements include conditions concerning the right to sublet. As at the balance sheet date neither the Group nor the Parent company have entered into any non-cancellable lease agreements.

(DKK million)		Group		Parent company	
Notes ...		2007/08	2006/07	2007/08	2006/07
43 ...	**Contingent liabilities and other financial commitments (continued)**				
b ...	Guarantees				
	Total guarantees as at 31 May	24.7	18.0	7.9	2.6
	Of which regarding subsidiaries	0.3	0.3	-	-
	Of which regarding associates	5.2	-	5.2	-

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

c ... Letters of intent

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

d ... VAT and other taxes

The Danish companies in the Group share common registration and are jointly and severally liable for VAT and other taxes.

e ... Security for mortgage and bank debt

Security of DKK 185.8 million (DKK 185.8 million as at 31 May 2007) has been given in land and buildings and investment property for the Group's mortgage and bank debt of DKK 388.2 million (DKK 236.9 million as at 31 May 2007). Security of DKK 142.0 million (DKK 142.0 million as at 31 May 2007) has been given in land and buildings and investment property for the parent company's mortgage and bank debt of DKK 289.7 million (DKK 129.5 million as at 31 May 2007). Other tangible non-current assets related to the land and buildings and investment property are included in the security. The carrying amount of the Group's land and buildings and investment property is DKK 207.9 million (DKK 221.1 million as at 31 May 2007), while the carrying amount in the parent company is DKK 155.6 million (DKK 167.8 million as at 31 May 2007). No intangible non-current assets are pledge as security for liabilities. No financial assets are pledge as security for liabilities.

In security of all receivables and payables with Danske Bank a statement has been made, that no shares in the subsidiaries of Bang & Olufsen a/s can be sold or pledged as security without the consent of the bank.

In security of Bang & Olufsen Ejendomme a/s' mortgage loan of DKK 40.0 million (DKK 41.6 million in 2006/07) a statement has been made to Nykredit Realkredit a/s, that the shares in Bang & Olufsen Ejendomme a/s at all times must remain 100 % owned of Bang & Olufsen a/s.

The loan of initially DKK 74.5 million from Danske Bank to Bang & Olufsen s.r.o, with a remaining debt of DKK 59.7 million as of 31 May 2008 (DKK 67.0 as at 31 May 2007) includes a clause stating, that the loan can be called for, if a shareholder obtains controlling influence in Bang & Olufsen a/s.

f ... Lawsuits

The companies in the Group are parties to a few ongoing lawsuits. It is the assessment of the Management, that the outcome of the lawsuits will not influence the Group's financial position. No further information is given regarding the awsuits, as further information might harm the Group.

(DKK million)

Notes ...

44 ... **Financial instruments**

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

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

		2007/08			2006/07		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	456.9	158.3	298.6	500.3	178.1	322.2
	> 12 months	21.2	7.8	13.4	31.9	3.8	28.1
GBP	0-12 months	111.5	30.7	80.8	125.9	34.6	91.3
	> 12 months	9.2	-	9.2	44.7	-	44.7
SEK	0-12 months	18.6	6.9	11.7	48.5	11.7	36.8
	> 12 months	1.9	-	1.9	-	-	-
JPY	0-12 months	9.1	1.9	7.2	16.2	2.3	13.9
	> 12 months	-	0.2	(0.2)	-	-	-
CHF	0-12 months	29.5	5.7	23.8	55.8	6.7	49.1
	> 12 months	-	0.1	(0.1)	-	-	-
USD	0-12 months	64.0	29.2	34.8	96.2	51.5	44.7
	> 12 months	3.1	2.2	0.9	12.9	3.0	9.9
CZK	0-12 months	6.1	42.0	(35.9)	9.4	26.9	(17.5)
	> 12 months	5.3	52.2	(46.9)	3.2	59.6	(56.4)
SGD	0-12 months	24.3	3.1	21.2	33.1	4.8	28.3
	> 12 months	0.1	0.1	-	0.3	-	0.3
AUD	0-12 months	21.3	13.3	8.0	20.3	16.1	4.2
	> 12 months	-	2.0	(2.0)	-	-	-
Other	0-12 months	14.2	6.0	8.2	23.5	5.7	17.8
	> 12 months	7.5	-	7.5	4.1	-	4.1

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

44 ... **Financial instruments (continued)**

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

		2007/08			2006/07		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	48.3	18.7	29.6	27.9	6.4	21.5
GBP	0-12 months	-	0.1	(0.1)	15.7	0.1	15.6
SEK	0-12 months	1.1	0.2	0.9	-	0.6	(0.6)
JPY	0-12 months	-	-	-	-	0.1	(0.1)
CHF	0-12 months	0.5	-	0.5	8.3	-	8.3
USD	0-12 months	10.6	3.2	7.4	4.5	1.9	2.6
CZK	0-12 months	10.6	-	10.6	1.7	-	1.7
SGD	0-12 months	-	-	-	5.7	-	5.7
AUD	0-12 months	-	-	-	0.2	-	0.2
Other	0-12 months	1.2	0.3	0.9	-	1.6	(1.6)

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

Groups of financial instruments

	Group		**Parent company**	
	2007/08	2006/07	2007/08	2006/07
Other financial receivables	52.0	88.2	3.0	0.2
Trade receivables	593.0	733.8	-	-
Receivables from subsidiaries			921.4	255.2
Receivables from associates	-	8.5	-	1.8
Other receivables	38.9	30.0	12.6	3.3
Cash	107.1	196.4	5.3	5.3
Loans and receivables	791.0	1,056.9	942.3	265.8
Other non-current liabilities	6.6	6.1	3.4	3.4
Mortgage loans	244.2	107.4	205.4	67.0
Loans from banks etc.	197.7	169.0	137.9	101.7
Trade payables	216.0	213.7	49.7	34.7
Payables to associates	1.8	-	0.1	-
Other payables	320.0	356.2	97.9	119.2
Financial liabilities measured at amortised costs	986.3	852.4	494.4	326.0

Hedging

There are no material forward contracts in the Group and the parent company as at 31 May, 2008. There were no material forward contracts in the Group and the parent company as at 31 May, 2007.

(DKK million)

Notes ...

45 ... **Related parties**

No related parties have controlling influence over the Bang & Olufsen Group or Bang & Olufsen a/s.

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

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

The related parties in Bang & Olufsen a/s also comprise the companies in which the company have a controlling interest, cf. note 46.

The related parties in Bang & Olufsen a/s and the Bang & Olufsen Group also comprise the associated companies, Bang & Olufsen Medicom a/s and John Bjerrum Nielsen A/S, in which Bang & Olufsen a/s has significant influence, cf. note 17.

Bang & Olufsen's share in the subsidiaries and associates are shown in note 46.

Board of directors, board of management and other key management personnel

Except from what results from the employment and shareholdings, if any, there have been no transactions with the board of directors, the board of management and other key management personnel. Remuneration and share option programmes are listed in note 5.

Subsidiaries and associates

The transactions with the subsidiaries and the associates have included the following:

	Group		**Parent company**	
	2007/08	2006/07	2007/08	2006/07
Purchase of raw materials from associates	42.7	47.9	-	-
Rendering of services from associates	1.0	0.6	-	-
Rental income from associates	4.8	1.3	-	-
Rendering of services and subsidies to associates	4.2	3.4	4.2	3.4
Rendering of services from subsidiaries			88.4	68.9
Rendering of services to subsidiaries			255.8	234.8
Royalty income from subsidiaries			580.0	642.8
Rental income from subsidiaries			82.0	78.0

The transactions with the subsidiaries have been eliminated in the consolidated financial statements in accordance with the accounting principles applied.

Outstanding balances with subsidiaries and associates

Bang & Olufsen a/s' and the Bang & Olufsen Group's outstanding balances with the subsidiaries and the associates appear from the balance sheet. The outstanding balances yield interest. The interest charged on the outstanding balances is shown in notes 7 and 8. The terms of payment on the outstanding accounts regarding purchase of goods are current month + 30 days. There are no securities regarding the outstanding balances, and there have been no need for write-downs of the outstanding balances. Furthermore, there have been no actual losses regarding the outstanding balances in 2007/08 or 2006/07.

Other transactions

Bang & Olufsen a/s has received DKK 916.5 million as dividend from the subsidiaries (DKK 189.0 million in 2006/07). No dividend has been received from the associates in 2007/08 (DKK 0.0 million in 2006/07).
Bang & Olufsen a/s has issued guarantees for the related parties, cf. note 43 b. None of the guarantees are expected to result in any losses.

Besides this, there have been no transactions with the related parties.

(DKK million)

Notes ...

46 ... **Companies in the Bang & Olufsen Group**

Company name	Place of registration	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of not disclosed subsidiaries
Branded business					
Bang & Olufsen a/s	Struer, DK	DKK	124,509,250	100 %	
Bang & Olufsen Operations a/s	Struer, DK	DKK	155,000,000	100 %	
Scandinavia					
Bang & Olufsen Danmark a/s	Copenhagen, 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.	Munich, D	EUR	1,022,584	100 %	3
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulin, 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.	Wemmel, B	EUR	942,000	100 %	
Bang & Olufsen b.v.	Hilversum, N	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.	Milan, 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.	Hawthorn, AUS	AUD	1,500,001	100 %	3
Middle East					
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
Other					
Bang & Olufsen Expansion a/s	Struer, DK	DKK	7,000,000	100 %	
Bang & Olufsen s.r.o	Koprivnice, CZ	CZK	187,800,000	100 %	1
Bang & Olufsen Telecom a/s	Struer, DK	DKK	23,900,000	100 %	
Bang & Olufsen Ejendomme a/s	Struer, DK	DKK	1,000,000	100 %	
OÜ BO-Soft	Tallin, EE	EEK	40,000	51 %	
Bang & Olufsen GPS Taiwan	Taipei, TW	TWD	1,000,000	100 %	
Non-branded business					
Bang & Olufsen ICEpower a/s*	Lyngby-Tårbæk, DK	DKK	1,939,750	90 %	3
Associates					
John Bjerrum Nielsen A/S	Bramming, DK	DKK	10,000,000	33 %	
Bang & Olufsen Medicom a/s**	Struer, DK	DKK	8,000,000	35 %	

Dormant companies have not been included.

* As of 1 June 2008 Bang & Olufsen a/s has acquired the remaining 10% shares in Bang & Olufsen ICEpower a/s.

** Bang & Olufsen Medicom a/s is recognized as an associate from 1 March 2007.

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