Annual Report 2006/07

Bang & Olufsen Group

CVR-No. 41257911

BANG & OLUFSEN

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DEAR BANG & OLUFSEN SHAREHOLDER,

Once again, we are pleased to publish an annual report that shows progress for Bang & Olufsen. Not only have we met the earnings targets announced in August last year, in fact we have slightly improved on them. Bang & Olufsen's ambition remains to ensure a healthy and profitable growth in the years up to 2010, when the aim is to achieve turnover in the region of DKK 6 billion.

The year was characterised by many new and exciting activities. We laid out an ambitious launch programme for the year, where we were to not only introduce a TV at the high-end of the price scale, but also to demonstrate Bang & Olufsen's ability to launch an attractively priced TV. This was important in order for us to ensure a broad product portfolio. Late in the year, we dispatched the first prototypes of our core product, BeoVision 7, to the US and we are confident that the concept will prove as strong in the US as it is in Europe.

With the opening of 52 new concept shops, we maintained the targetted development of our distribution so that today we have almost 780 dedicated Bang & Olufsen outlets worldwide. The majority of the shops are owned by independent dealers whose commitment and competence are an invaluable component for the future development.

The new business areas, which are all characterised by doing "business-to-business" trade, have made considerable progress. Automotive, an important business area based on in-car sound, has shown signs of the potential contained in this industry, although significant investments are still required. Showing impressive growth rates, sales to the hotel industry are also paying off with good growth rates. ICEpower, that supplies advanced amplifier technology, once again contributed significantly to the Group's development of our company.

No organisation succeeds without its employees. Once again, our many employees across the world put in an enormous effort and demonstrated a high level of flexibility. Like so many other companies based in Denmark, we are facing challenges regarding the recruitment of new colleagues. The bottlenecks in the Group's development are today more characterised by access to the right resources and competencies than funds for investments.

During the year under review, Bang & Olufsen paid out close to DKK 500 million to its shareholders – an amount that was divided between dividend and repurchase of own shares. This demonstrates the Group's healthy progress. We hope that this annual report provides a good picture of the state of the Group and its activities, and that it will be exciting reading for our shareholders.

Kind regards,

Jørgen Worning
Chairman

Torben Ballegaard Sørensen
President & CEO

CORPORATE INFORMATION ETC.

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

CVR no.: 41257911

Place of domicile: Struer

Financial year: 1 June – 31 May

Adoption of the annual report: The annual report is expected to be adopted at the Annual General Meeting, which is held on 28 September, 2007.

Annual General Meeting: The Annual General Meeting will be held on Friday, 28 September, 2007 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
- Statutory green accounts for the anodisation plant
- Voluntary environmental review, including consumption of raw materials

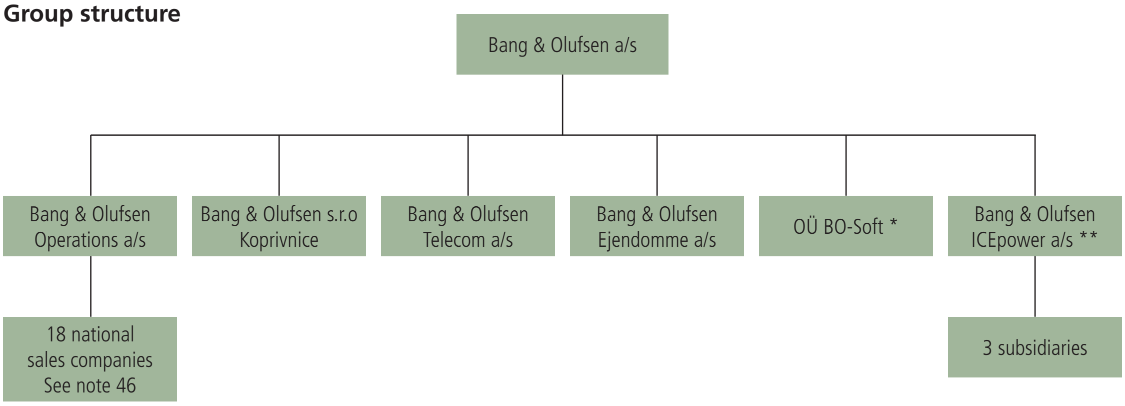
These reviews are available at www.bang-olufsen.com or from Bang & Olufsen's Safety, Health & Environment department on +45 96 84 10 69.

Financial calendar

2007: Monday, 13 August: Annual Report (2006/07)
Friday, 28 September: Annual General Meeting
Monday, 8 October: Interim Report (1st quarter 2007/08)

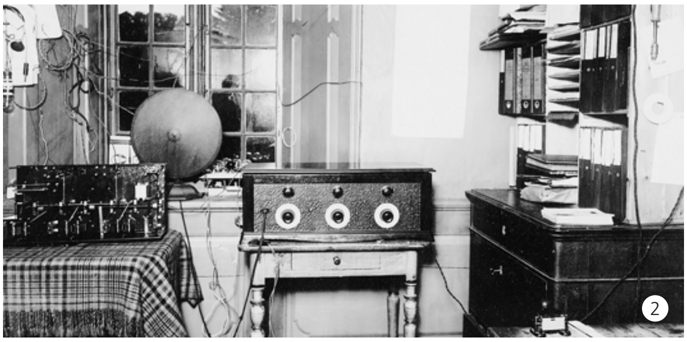
2008: Wednesday, 9 January: Half-year report (2007/08)
Tuesday, 8 April: Interim Report (3rd quarter 2007/08)
Wednesday, 13 August: Annual Report (2007/08)
Friday, 26 September: Annual General Meeting
Thursday, 9 October: Interim Report (1st quarter 2008/09)

Group structure



* 51 % owned
** 90 % owned

BANG & OLUFSEN - A BRIEF HISTORY



Although in global terms Bang & Olufsen is a relatively modest-sized business, its spectacular, idea-based, quality products within the fields of audio/video products and telephony are renowned the world over. Bang & Olufsen recently moved into the CarFi sector and, in partnership with Audi, has developed a unique sound system for, so far, four Audi models, and has signed a contract with another European manufacturer within the top-of-the-range segment. Moreover, several of the world's leading hotels have installed Bang & Olufsen audio/video-products. By and large, 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 2,500 people while the company's products are currently sold in more than100 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.

4

5

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

In the post-war years, Bang & Olufsen faced a double challenge: to survive in the marketplace 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 the sales from abroad that today account for more than 85 per cent of its revenue.

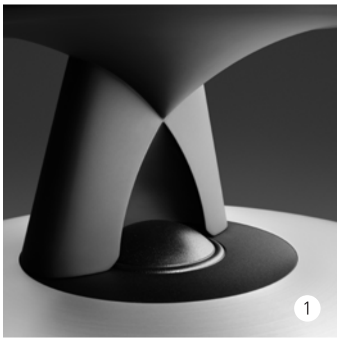
In the late 1980s and early 90s, dark clouds once again gathered over Bang & Olufsen. Earnings did not match turnover, and the Group lacked sufficient funds to weather the storm. A largescale disposal of non-core activities was undertaken and a new distribution strategy launched: no longer should Bang & Olufsen's products solely 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 and China.

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. This not only applies to the audio segment where BeoLab 5 has been named one of the world's finest loudspeakers, but also to TVs. In fact, in the spring of 2006, the LCD TV, BeoVision 7-40, achieved the highest possible score for both sound and picture in the highly respected British trade magazine,



"What Plasma and LCD TV". Recently, the respected German magazine "Video" lavishly praised the plasma TV, BeoVision 9, for its outstanding picture reproduction and multimedia technology.

Bang & Olufsen's partnership with Audi regarding the development of sound systems for, so far, four models has also received high praise. The German motor magazine "Auto, Motor and Sport" conducted a comparative study of the high-end category within car stereo systems and reached the unequivocal conclusion: Bang & Olufsen Advanced Sound System for the Audi A8, and soon the Audi Q7, produces the best car stereo sound available.

Distribution

The strong focus on core skills and the commitment to the dedicated Bang & Olufsen distribution continues to this day, where sales take place through two types of dedicated Bang & Olufsen shops:

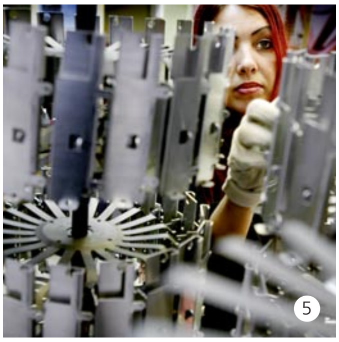
- B1 shops, which sell Bang & Olufsen products only
- Shop in shop outlets (SIS) where a substantial area of the shop is designed for, and exclusively allocated to, Bang & Olufsen's products.

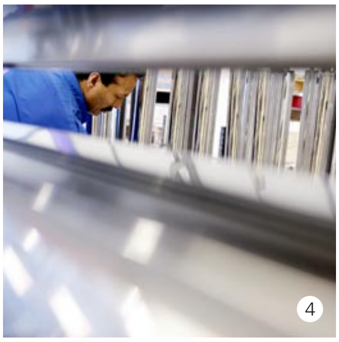
Irrespective of where customers purchase Bang & Olufsen products, they will meet well-trained personnel not least since Bang & Olufsen invest substantial sums in training shop staff.

Bang & Olufsen's products are currently available from 777 B1 shops and 522 shop in shops. The B1 shops account for 75 per cent of turnover, with the shop in shop outlets accounting for 25 per cent. It is the strategy of Bang & Olufsen 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 38 B1 shops directly, mainly in the US and in Australia.

Markets

Bang & Olufsen's products are available around the world and more than 85 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. the review in note 46, while sales and distribution development in certain overseas markets is organised by highly qualified business partners.





1. BeoLab 5, August 2003
2. BeoVision 7 and BeoLab 5, 2005
3. B1 shop layout anno 2007
4. Hanging of stand tubes for anodizing
5. Dismantling of cold plates after anodizing
6. Production of BeoCenter 2

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 February 2006, Bang & Olufsen's new factory in the Czech Republic was commissioned. By the end of the financial year, the 14,000 sq.m. factory employed a workforce of 211, who are primarily involved in the production of audio and telephony products as well as assembly work. In 2006, the Bang & Olufsen spare part warehouse was moved to the new Czech factory. The Czech organisation is now responsible for the distribution of spare parts.

The quality requirements for the products manufactured in the Czech Republic are identical to those of Struer and are maintained through comprehensive training of the Czech employees and thorough testing of all ready produced components – as is the case in Struer.

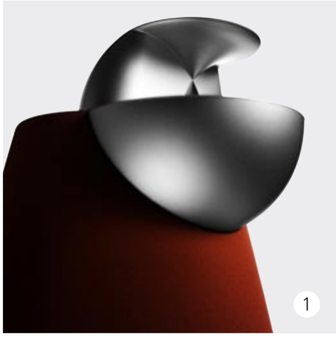
Many components and a few finished products are manufactured by suppliers from across the world. Carefully considered in and outsourcing processes aim at optimising both efficiency and quality.

Production of the individual products only begins once the customer has placed his/her order. This negates the need to carry large quantities of stock and the risk of not being able to sell the produced products. In addition, the system offers greater flexibility and significantly increases opportunities for adapting the product to the individual customer's requirements. 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.

The objective is for Bang & Olufsen to launch between three and five new ground-breaking products each year. The factories in Struer continue to 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.



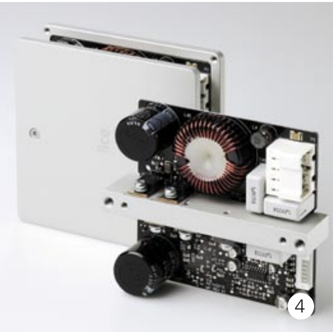
For the 500 engineers and technicians involved in the development of Bang & Olufsen products, the opportunities for direct interaction with the production departments are of the utmost importance to ensure that the finished products contain the desired features and quality.

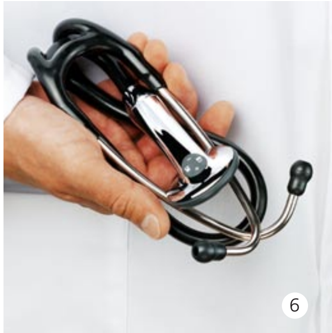
Branded business

For decades, Bang & Olufsen has provided unique quality products for the home. The branded business has, however, recently expanded into new areas with, for instance, the high-end sound system for Audi's flagship, the A8. Supported by lens technology and digital ICEpower amplifier technology, the sound system delivers an unprecedented in-car tone quality. This has provided valuable experience that has since led to the development of sound systems for Audi R8, Audi A5 Coupe and Audi Q7.

With the launch of the mobile telephone, Serene, Bang & Olufsen has delivered a unique mobile phone which, both in design and performance, stands out from all other products in the market. In addition, Bang & Olufsen has also renewed its focus on sales of products for hotels.

Consequently, Bang & Olufsen's products are now represented in more than 200 five star hotels across the world. Among these are the MGM in Las Vegas, Hotel Arts in Barcelona, Widder Hotel in Zurich, Sheraton Park Tower in London, Grand Hyatt in Singapore, Jumeirah Emirates Towers in Dubai and Mandarin Oriental in Munich. Moreover, during the year under review, Bang & Olufsen started developing partnerships with leading property developers concerning audio and video products for exclusive property projects.





1. BeoLab 9, 2006
2. Serene, 2005
3. One Aldwych, London
4. ICEpower 250A
5. Speaker in Audi Q7, 2007
6. Stetoskop E3000

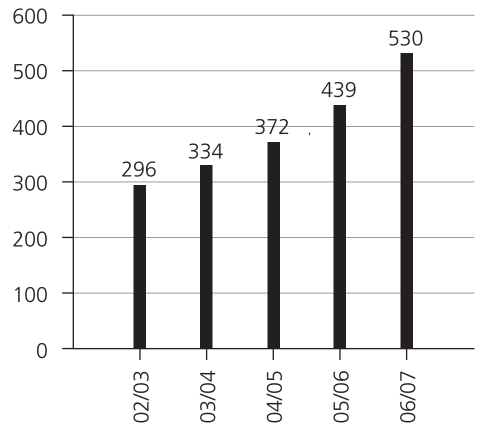
Non-branded business

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. Through the associated company, Bang & Olufsen Medicom a/s, Bang & Olufsen is also involved in the development of products for the medical technology industry.

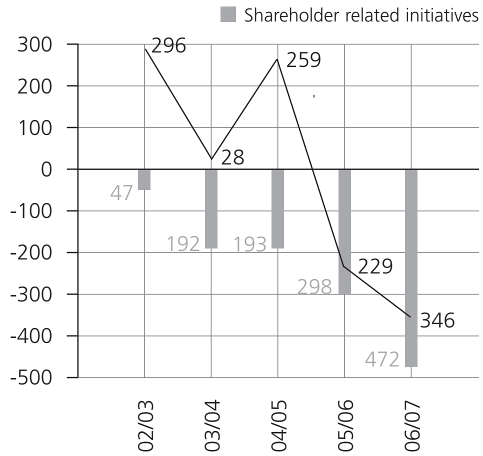
The subsidiary, Bang & Olufsen ICEpower a/s, is responsible for development, production and sales of digital amplifier modules based on the Bang & Olufsen patented ICEpower technology – a technology that enables very small digital amplifiers to provide extremely high performance with particularly low heat output.

Bang & Olufsen Medicom a/s was a subsidiary until March 1, 2007 when Bang & Olufsen a/s sold 65 per cent of the shares to a company owned by LD Equity and the present management of Bang & Olufsen Medicom a/s. Focusing on the sale of development services to the medical technology industry, Bang & Olufsen Medicom has won a number of prizes for its products in recent years.

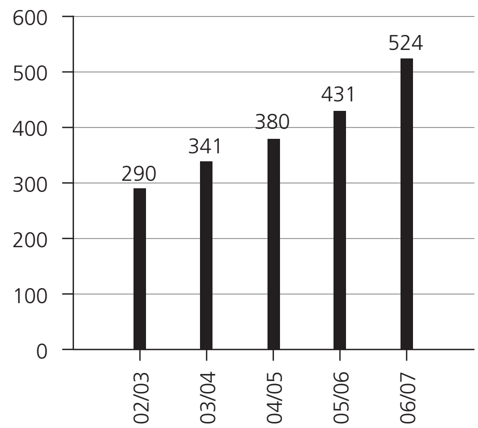
DKK million **Operating profit**



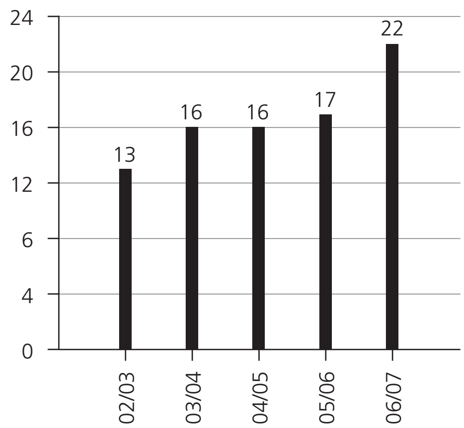
DKK million **Cash flow**



DKK million **Result before tax**



% **Return on equity**



The key figures are defined as follows:

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 (nominel DKK 10), DKK:
$$\frac{\text{Result after tax}}{\text{Average number of circulating shares}}$$

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

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

FIVE-YEAR SUMMARY, MAIN AND KEY FIGURES

Group (DKK million)	2006/07	2005/06	2004/05	2003/04	2002/03
Profit and loss account					
Net turnover	**4,376**	4,225	3,742	3,610	3,974
Of which in foreign markets as a percentage of above	**85**	82	82	83	81
Operating profit	**530**	439	372	337	296
Net financials	**(16)**	(7)	7	2	(9)
Result before tax	**524**	431	380	341	290
Result for the year	**373**	296	265	264	190
Result for the year, the Parent's shareholders	**367**	294	265		
Balance sheet					
Total assets, end of year	**2,965**	2,915	2,784	2,721	2,572
Share capital	**121**	125	124	124	134
Equity, end of year	**1,682**	1,742	1,715	1,652	1,551
Equity, end of year, the Parent's shareholders	**1,676**	1,738	1,713		
Investment in tangible non-current assets	**(158)**	(185)	(123)	(138)	(132)
Cash flow for the year	**(346)**	(229)	258.9	28	296
Of which cash flow from:					
Operating activities	**530**	395	740	448	643
Investment activities	**(388)**	(379)	(233)	(195)	(245)
- of which investment in tangible non-current assets	**(158)**	(185)	(123)	(138)	(132)
- of which investment in intangible non-current assets	**(210)**	(171)	(125)	(147)	(146)
- of which investment in associates	**0**	0	0	0	0
Financing activities	**(488)**	(246)	(248)	(225)	(102)
Employment					
Number of employees at year-end	**2,520**	2,422	2,331	2,339	2,636
Ratios					
EBITDA	**789**	670	616	623	562
EBITDA-margin, %	**18**	16	16	17	14
Profit ratio, %	**12**	10	10	9	7
Return on assets, %	**21**	20	18	16	13
Return on invested capital, excl. goodwill, %	**51**	52	48	42	36
Return on equity, %	**22**	17	16	16	13
Current ratio	**1.9**	2.4	2.5	2.7	2.6
Equity ratio, %	**57**	60	62	61	60
Financial gearing	**0.0**	(0.1)	(0.3)	(0.1)	0.0
Net turnover/Invested capital, excl. goodwill	**2.8**	3.3	2.9	2.5	3.5
Earnings per share (nom. DKK 10), DKK	**32**	25	22	22	15
Equity value per share (nom. DKK 10), DKK	**139**	140	141	133	115
Quotation as at 31 May	**698**	684	389	355	159
Price/earnings	**22**	27	18	16	10
Quotation/equity value	**5.0**	4.9	2.8	2.7	1.4
Dividend proposed/paid per share (nom. DKK 10), DKK	**20.00**	16.00	12.00	7.00	7.00
Number of shares (A and B)	**12,081,338**	12,450,925	12,414,240	12,380,330	13,432,033
Number of own shares (A and B)	**619,923**	669,587	435,479	164,340	894,951

Main and key figures have been prepared on the basis of IFRS and "Recommendations and key figures 2005" of The Danish Society of Investment Proffesionals. Comparative figures have been prepared on the basis of "Recommendations and key figures 1997" of The Danish Society of Investment Professionals.

Parentheses denote negative figures.

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 2006 to 31 May 2007.

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 2007 and of their financial performance and their cash flows for the financial year 1 June 2006 to 31 May 2007.

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

Struer, 13 August 2007

The Board of Management of Bang & Olufsen a/s

Torben Ballegaard Sørensen (president and CEO)

Peter Thostrup

The Board of Directors of Bang & Olufsen a/s

Jørgen Worning (chairman)

Torsten Erik Rasmussen (Deputy Chairman)

Lars Brorsen

John Svejgaard Christoffersen

Thorleif Krarup

Preben Damgaard Nielsen

Knud Olesen

Ole Kristian Olesen

Peter Skak Olufsen

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 2006 to 31 May 2007, which comprises the statement by Management on the annual report, Management's review, 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

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 control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We 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 misstatement.

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 misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 gives a true and fair view of the Group's and the Parent's financial position at 31 May 2007 and of their financial performance and their cash flows for the financial year 1 June 2006 to 31 May 2007 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 2007

Deloitte
State Authorised Public Accounting Company

Erik Holst Jørgensen
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) Torsten Erik Rasmussen (Deputy Chairman) Lars Brorsen John Svejgaard Christoffersen* Thorleif Krarup Preben Damgaard Nielsen Knud Olesen* Ole Kristian Olesen* Peter Skak Olufsen	Torben Ballegaard Sørensen (President & CEO) Peter Thostrup

* Elected by the employees.

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)

Torsten Erik Rasmussen
Coloplast A/S
JAI A/S (DCM)
JAI Group Holding ApS
JAI Aviation ApS
JPD Invest ApS (CM)
Vola Holding A/S + 1 S
Best Buy Group A/S (CM)
Vestas Wind Systems A/S (DCM)
A/S Det Østasiatiske Kompagni (DCM)
TK Development A/S (DCM)
Amadeus Management A/S (CM)
Morgan Invest ApS
ECCO SKO A/S + 5 S
Schur International A/S
Acadia Pharmaceuticals Inc. + 1 S
NatImmune A/S
Outdoor Holding A/S + 1 S
Arvid Nilsson A/S

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

Thorleif Krarup
G4S Plc.
H. Lundbeck A/S (DCM)
LFI A/S (DCM)
Lundbeckfonden
Dangaard Telecom A/S (CM)
ALK-ABELLO A/S (DCM)
Exiqon A/S (CM)
Sport One Danmark A/S (CM)

Preben Damgaard Nielsen
ROCKWOOL International A/S
A. O. Johansen A/S
IT University in Copenhagen
DTU-Innovation A/S
Giritech A/S
Damgaard Company A/S
ED Equity Partner A/S
Damgaard Company 1 A/S
Proactive A/S (CM)
Heart Made (CM)
Excitor A/S
ZYB A/S

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

Torben Ballegaard Sørensen
Egmont Fonden
LEGO A/S
AB Electrolux
Bang & Olufsen ICEpower a/s (CM) + 3 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) Torben Ballegaard Sørensen John Christian Bennett-Therkildsen	John Christian Bennett-Therkildsen (CEO)
Bang & Olufsen s.r.o **Koprivnice** (100 % owned) *Handles production of some of the Group's audio-products.*		Michael Langager Jensen (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.*	Torben Ballegaard Sørensen (Chairman) Peter Thostrup John Bennett-Therkildsen	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.*	Torben Ballegaard Sørensen (Chairman) Henrik Mouritsen Karsten Nielsen Jens Peter Zinck	Peter Sommer (CEO)

Main banker for all companies
Danske Bank A/S

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

Non-active companies are not included.

The Group's profit before tax was DKK 524 million for the 2006/07 financial year against DKK 431 million last year. This represents an increase of DKK 93 million, or 22 per cent. Previously announced expectations were DKK 490-520 million. The result is based on a turnover of DKK 4,376 million against a turnover in 2005/06 of DKK 4,225 million. The Group's increase in turnover totalled DKK 151 million, or 4 per cent.

Growth in the branded business for the 2006/07 financial year totalled 6 per cent. The markets in Asia/Pacific recorded two-digit growth figures as did Spain, Norway, Sweden and Belgium. Germany saw growth of 6 per cent while turnover in the UK market was disappointing with a fall of 4 per cent.

The Group achieved its target of opening net 50 B1 shops as net 52 B1 shops opened during the financial year. Of these, 32 opened in the fourth quarter and therefore had a limited impact on the growth for the year.

A range of new products was launched during the financial year, including the BeoCenter 6 and BeoVision 9 as well as the BeoLab 9 and BeoVox 1 loudspeakers. The new TV family, BeoVision 8, and BeoVision 7 for the USA were delayed, and had no impact on the year's turnover.

In the automotive area, turnover for 2006/07 increased from DKK 19 million to DKK 87 million.

Turnover for Bang & Olufsen ICEpower a/s increased from DKK 100 million to DKK 117 million, and at the same time the company's profit before tax increased by DKK 9 million to DKK 39 million in 2006/07.

After payment of dividend and share buy-back of DKK 471 million, the cash flow was negative at DKK 346 million.

The company has a satisfactory financial position, and the Board recommends that a dividend of DKK 20.00 per share be paid (DKK 16.00 last year) corresponding to approx. DKK 242 million (approx. DKK 200 million last year) and that a further DKK 200 million will be used for the purchase of own shares during the quarters of the coming financial year.

Expectations for the 2007/08 financial year are for a turnover growth of approx. 8 per cent so that the turnover reaches DKK 4,700-4,800 million. The operating profit is expected to total DKK 560-590 million, while the profit before tax is expected to increase to DKK 540-570 million.

Comments on the development

Advance in both turnover and profit for the year

In the 2006/07 financial year, the Group achieved a turnover of DKK 4,376 million against DKK 4,225 million last year, equating to an increase of DKK 151 million or 4 per cent. The profit before tax totalled DKK 524 million against DKK 431 million last year, i.e. an increase of DKK 93 million, or 22 per cent. The profit before tax includes non-recurring income relating to the sale of the majority of the shares in Bang & Olufsen Medicom a/s of DKK 12 million.

The result is satisfactory and slightly above the recently announced expectations of a profit between DKK 490 and 520 million.

Profit and loss account for 2006/07

The turnover growth was lower than expected, particularly in the fourth quarter. A contributory factor was disappointing sales in the UK and a slower-than-expected development in the Danish market. Sales were also affected by the delayed launch of the BeoVision 8 family and the BeoVision 7 version for the USA. Finally, the majority of the shop openings took place later than expected during the financial year.

The Group's gross margin increased to 46.6 per cent against 46.0 per cent in 2005/06. The improvement is largely owing to a change in the product mix and the successful commissioning of the factory in Koprivnice in the Czech Republic.

The Group has maintained its high level of activity in the development area, where development costs incurred totalled DKK 494 million against DKK 511 million in 2005/06. After the effect of capitalisations, DKK 459 million was expensed compared to DKK 443 million last year. The net capitalisation effect on profits for 2006/07 was positive at DKK 35 million against DKK 68 million the previous year.

Of the DKK 494 million, DKK 429 million was employed within the audio-visual business against DKK 451 million the previous year.

Distribution and marketing costs fell by DKK 10 million, from DKK 920 million to DKK 910 million. Marketing efforts were sustained and the decrease is owing to reduced costs relating to own shops.

Administration costs for the year under review were DKK 139 million against DKK 142 million last year, a modest fall of DKK 3 million.

Operating profit for the 2006/07 financial year was DKK 530 million against DKK 439 million last year, i.e. an increase of DKK 91 million or 21 per cent.

Financial items were negative at DKK 16 million net compared to last year's DKK 7 million. The increase is due, inter alia, to increased net interest payments as a result of the increased payment to the share holders.

The year's effective tax rate, which relates to the Group's Danish as well as foreign companies, was 29 per cent, equating to a tax charge of DKK 152 million. For the 2005/06 financial year, the tax charge was DKK 135 million equating to 31 per cent. Thus, the year's profit after tax was DKK 373 million against DKK 296 million last year.

Danish corporation tax was recognized at 28 per cent equating to the tax rate applicable on 31 May, 2007. On 1 June, 2007 Danish corporation tax was reduced to 25 per cent, which means that recognized tax as well as deferred tax will be reduced by DKK 11 million and DKK 7 million respectively in the first quarter of the 2007/08 financial year. As a result, there will be an overall recognition of income of DKK 18 million.

Fourth quarter

Turnover for the quarter was DKK 1,089 million against DKK 1,108 million for the fourth quarter last year, equating to a decrease of DKK 19 million. The decrease is owing to the delayed TV launch, shop openings late in the quarter and disappointing sales in the UK.

Seen in isolation, the fourth quarter gross margin was 45 per cent. This represents an improvement on the fourth quarter last year where the gross margin was 42 per cent, which, however, was lower than usual.

Distribution and marketing costs for the fourth quarter were DKK 226 million against DKK 234 million for the same quarter last year equating to a decrease of DKK 8 million.

Operating profit for the fourth quarter totalled DKK 115 million against DKK 72 million last year.

Financial items during the fourth quarter were negative at DKK 10 million compared to the previous year's DKK 7 million.

The profits before tax for the fourth quarter totalled DKK 116 million against DKK 64 million last year.

The balance sheet as at 31 May, 2007

The balance sheet increased by DKK 50 million from DKK 2,915 million to DKK 2,965 million during the financial year.

The increase is primarily attributable to the fact that the Group's inventories increased by DKK 127 million during the financial year while trade receivables increased by DKK 88 million. The item, Other Financial Receivables, increased by DKK 52 million in part owing to the fact that loans were extended to a number of dealers as part of the ongoing drive to expand and strengthen the distribution.

As at 31 May, 2007 capitalised development projects totalled DKK 361 million against DKK 326 million as at 31 May, 2006.

Investments (net) totalled DKK 359 million during the year against DKK 343 million last year. Of this, investments in intangible assets account for DKK 209 million against DKK 171 million last year. Capital investments (net) totalled DKK 150 million against DKK 172 million in 2005/06.

Repayments on long-term loans totalled DKK 46 million against DKK 39 million last year. Dividend of DKK 200 million was paid during the year and buy back of own shares accounted for DKK 271 million.

Cash flow for the year was negative at DKK 346 million against a negative cash flow of DKK 229 million for 2005/06.

The key figure set by the Group, i.e. the ratio between Earnings before Interest, Depreciations and Amortisations (EBITDA) and interest bearing debt, was 0.1, which is slightly outside the defined level. This means that the financial situation for the company is satisfactory, and the Board therefore recommends that a dividend of DKK 20.00 per share be paid (DKK 16.00 last year), totalling approx. DKK 242 million, and that a further DKK 200 million will be used for the purchase of own shares during the financial year.

As in previous years, the Board of Directors has decided to grant employee shares. Each employee will be allotted up to 12 shares corresponding to the issue of approx. 17,500 employee shares.

Equity was DKK 1,682 million against DKK 1,742 million last year.

BRANDED BUSINESS

The Group's branded business comprises the activities marketed under the Bang & Olufsen brand.

Turnover in the Group's branded business for 2006/07 totalled DKK 4,194 million against DKK 3,964 million last year, representing an increase of DKK 230 million or 6 per cent.

The profit before tax for the Group's branded business was DKK 485 million against DKK 388 million last year, i.e. an improvement of DKK 97 million, or 25 per cent.

Development in the markets

(Percentage changes are calculated in local currency to give a true and fair view of the actual development, while turnover figures are given in DKK.)

UK and Benelux

Turnover in the UK was marked by a disappointing development. A rise in the sale of loudspeakers failed to compensate for the declining sales of video products, which were adversely affected by the delayed launch of the BeoVision 8 family. Following many years' satisfactory growth and distribution expansion, the Group initiated a consolidation and revitalisation of the UK distribution and the UK sales company. Turnover for the UK for the full year was DKK 523 million against DKK 538 million last year. This represents a fall of DKK 15 million, or 4 per cent. Four B1 shops net were opened during the financial year. As a consequence, at the end of the financial year, the number of B1 shops in the UK stood at 102.

In the previous financial year, turnover in Holland showed substantial growth, achieving a particularly high level, which has proved not to be sustainable. Sales were DKK 272 million, which is DKK 16 million below last year's level, primarily owing to the delayed launch of the BeoVision 8 family, which will have an important role to play – also in the Dutch market. Six B1 shops were opened in Holland during the financial year.

In Belgium, turnover increased by 13 per cent and totalled DKK 108 million for the financial year. In Belgium and Luxembourg, three B1 shops were opened, which contributed to the two digit growth rate.

Scandinavia

In Denmark, the fourth quarter in particular was characterised by a slight decline after a period of high consumer spending. Turnover during the fourth quarter was DKK 14 million lower than the same quarter last year. As a result, turnover in the Danish market only rose by DKK 4 million for the full year, from DKK 558 million to DKK 562 million. Four new B1 shops were opened during the year, bringing the total number of Danish B1 shops to 52.

In Sweden, the two digit growth rates continued from 2005/06 as turnover rose from DKK 111 million to DKK 126 million, or 11 per cent. The opening of a further B1 shop brought the total number of B1 shops in Sweden to 25 as at 31 May.

Norway saw positive development in 2006/07 with 15 per cent growth from DKK 65 million to DKK 72 million this year. The opening of three new B1 shops brought the total number of B1 shops in Norway to 17 by the end of the financial year.

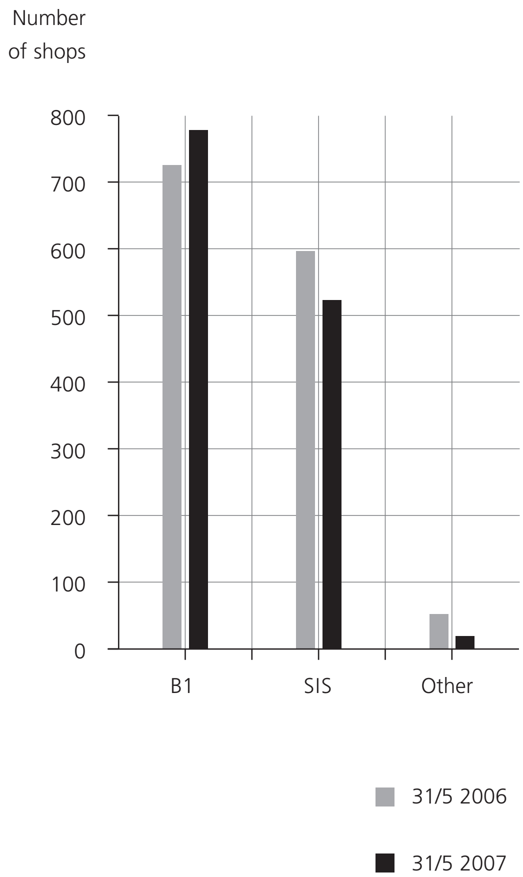
Central Europe

Central Europe as a whole showed satisfactory growth in turnover during the financial year from DKK 791 million last year to DKK 823 million this year. In Germany, turnover increased by 6 per cent to DKK 483 million, while the Swiss market showed an increase of 7 per cent to DKK 280 million.

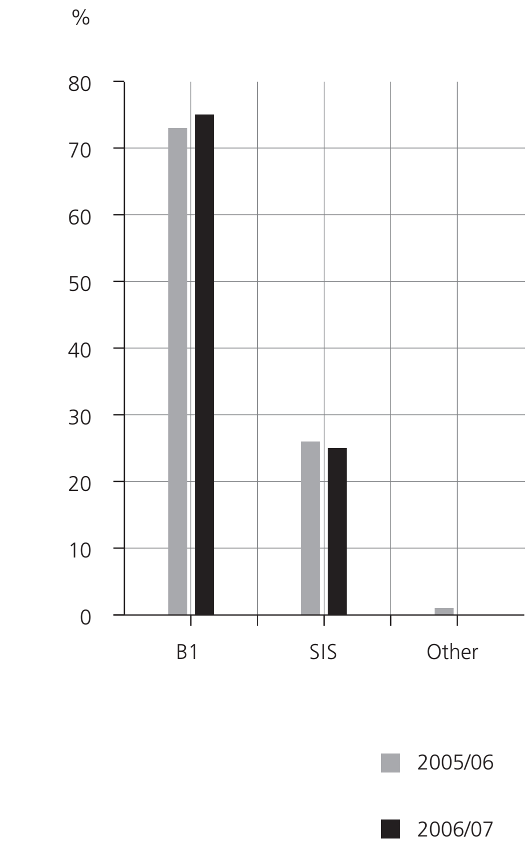
Growth in Germany and Switzerland can, in part, be ascribed to the well received product portfolio and the continued effort to raise the quality of the distribution, which, during the financial year, was expanded by seven new B1 shops – six in Germany and one in Switzerland. At the same time, a pro-active marketing effort helped to strengthen Bang & Olufsen's position in the region.

In Germany, the year was the third in succession for Bang & Olufsen to record satisfactory growth. Consequently, the market now ranks as the Group's third largest. Considering the market's size, the 6 per cent growth is, therefore, of great significance to the year's turnover development. The market benefited from the positive effect of Bang & Olufsen's partnership with Audi, which was received positively by the German media. A number of successful events and other marketing initiatives in large towns and cities also helped to enhance Bang & Olufsen's position among German consumers.

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

Southern Europe

Spain, Portugal, France and Italy continued their positive development. The total turnover for these markets was DKK 688 million against DKK 651 million the year before. Turnover in Spain and Portugal increased by a total of 12 per cent, while France advanced by 3 per cent and Italy by 2 per cent. These markets benefited from two digit growth rates in a strong fourth quarter with focus on both the new loudspeakers and the large flat screens. Efforts to streamline and improve the quality of the distribution continued in 2006/07. Overall, the region saw a net addition of 12 new B1 shops.

North America

In the US, Bang & Olufsen achieved a turnover of DKK 243 million against DKK 254 million in the previous financial year. This equates to a decrease in turnover of 3 per cent in local currency. The delayed launch of BeoVision 7-40 with the integrated BeoSystem 3 meant that the US version of the successful TV failed to achieve the planned effect. Six new B1 shops were opened during 2006/07, but the ongoing reorganisation of the distribution and the longer-than-expected time for developing new shops means that the number of B1 shops is unchanged on the year.

Asia/Pacific

Asia/Pacific saw a highly positive development during the financial year with an overall growth in turnover of DKK 56 million, bringing total turnover to DKK 317 million against DKK 261 million last year.

The turnover in the Australian market rose by 40 per cent. Following Bang & Olufsen's taking over of shop operations in October 2005, a significant effort to enhance the quality of the distribution and marketing has been made.

In Japan, the launch of the BeoVision 4, BeoSystem 3 and BeoVision 9 TV products strongly contributed to a turnover growth of 16 per cent. In particular, the launch of BeoVision 9 in the fourth quarter had a significant impact on turnover.

The positive development in China continues. The opening of six new B1 shops brought the total number of B1 shops in China to 16.

Expansion Markets

Expansion Markets, which comprise a number of Bang & Olufsen's overseas markets, saw overall growth in turnover of DKK 19 million, achieving a turnover of DKK 186 million.

Russia, in particular, continued the positive development and reached a turnover of DKK 78 million. The distribution strategy to open well located B1 shops has contributed to raising awareness of Bang & Olufsen in the market. Two shops in Moscow occupy first and second place in the list of the best selling B1 shops in the world.

Developments were generally positive in most of Bang & Olufsen's overseas markets.

Overall distribution development

At the end of the 2006/07 financial year, 1,317 shops worldwide were selling Bang & Olufsen's products. Of these, 777 were B1 shops and 522 shop in shops. 18 shops were operating in the "other" multi-brand shop category.

At the start of the financial year, the Group's objective was to continue to focus on improving the quality of the distribution and open 50 new B1 shops (net) during the year. While 86 B1 shops were opened or upgraded, 34 were closed or downgraded. In all, 52 B1 shops (net) were opened.

Turnover in B1 shops with a minimum of two years in operation increased by 4 per cent on the year, although this differed widely from country to country.

Product launches during the year

The Group's firm commitment to product development resulted in a range of strong new products in the audio-visual area and in new solutions for the business-to-business area during the 2006/07 financial year.

In the audio-visual area, two new products were launched during the first quarter. One was a new global TV platform, BeoSystem 3, which sets new standards within picture quality and sound, while the other was a new audio/video-centre, BeoCenter 6-23. A 23 inch LCD TV, which includes an integrated FM tuner and the option for a DAB tuner, BeoCenter 6-23 replaces BeoVision 6-22. BeoCenter 6-26, launched in the second quarter, replaces BeoVision 6-26. BeoCenter 6-26 is a 26 inch LCD TV with a built-in FM/DAB radio.

BeoVision 9 was launched in the US at the end of the second quarter. This is Bang & Olufsen's new flagship within flat-screen TV with a 50 inch plasma screen and incorporating the new BeoSystem 3. This TV comprises a complete sound and master functionality as well as hard disc and multi-media functions. BeoVision 9 was subsequently launched in the rest of the world in the second half year where it has been particularly well received in all markets. The second quarter also saw the launch of a new bluetooth based EarSet 2 in the US.

The Group launched BeoLab 9 in the third quarter. With its advanced lens and amplifier technology, this new loudspeaker produces an extremely pure and powerful sound in a unique, compact design. BeoLab 9 has been particularly well received.

Three smaller products were launched in the third quarter in European markets: BeoVox 1, a loudspeaker designed for building in to walls or ceilings, the BeoLab 4 loudspeaker in a dedicated PC version and an updated, more powerful hard disc recorder, the HDR 2.

During the fourth quarter, the Group launched an audio version of BeoCenter 2. The product is especially targeted at customers who already have a TV with an integrated DVD player and, therefore, do not require this functionality.

Finally, Bang & Olufsen began rolling out the new TV family, BeoVision 8, with the smallest version – the 26 inch – launched.

Enterprise (sales to the hotel sector)

Turnover for Bang & Olufsen Enterprise, which comprises sales to hotels worldwide as well as construction projects primarily in the Middle East and Asia, totalled DKK 96 million for the 2006/07 financial year against DKK 55 million last year. Thus, the Group's sales to the hotel sector grew by DKK 41 million. To a considerable extent, turnover was driven by a large number of hotels in Europe and Asia installing Bang & Olufsen products.

During the financial year, Bang & Olufsen Enterprise signed a number of important sales contracts, which will materialise in subsequent years – among them a contract to supply products to more than 300 luxury homes in Dubai at the end of the 2007/08 financial year. As several contracts were signed with top-class hotels, Bang & Olufsen's products are now represented in more than 200 five-star hotels across the world. The synergy deriving from marketing, PR and events on a local scale between Bang & Olufsen's retail business and the leading hotels is particularly positive and offers significant potential for all parties.

Automotive

Turnover for Bang & Olufsen Automotive totalled DKK 87 million for the financial year against DKK 19 million on the previous year. This represents turnover growth of DKK 68 million.

The partnership with Audi was extended to include in total four Audi models. Bang & Olufsen Sound Systems were launched in the Audi R8 and Audi A5/S5 during the financial year, while the Audi A8/S8 was equipped with an even more advanced Bang & Olufsen Advanced Sound System. Over the coming months, car buyers will also be able to acquire the Bang & Olufsen Advanced Sound System for the Audi Q7.

Sales to end customers of Bang & Olufsen Advanced Sound System proceeded particularly satisfactorily. 15-20 per cent of Audi A8/S8 buyers opted to equip their car with the highly acclaimed sound system from Bang & Olufsen. The Bang & Olufsen Sound System for Audi R8 and the Audi A5/S5 was positively received by car customers.

Bang & Olufsen Automotive's involvement in new projects continues. Besides its endeavours to continue to expand the partnership with Audi, the Group signed a contract for the development and supply of the Bang & Olufsen Advanced Sound System with a European car manufacturer in the high end segment. The manufacturer's name will be announced towards the end of 2007.

The automotive area continues to be characterised by significant start-up costs, which, despite satisfactory sales – as expected – had a negative effect on the result of DKK 19 million.

Bang & Olufsen ICEpower a/s

During the year under review, turnover for Bang & Olufsen ICEpower increased from DKK 100 million to DKK 117 million. A significant proportion of the turnover derives from increased sales of standard amplifier modules and customised solutions for quality manufacturers in the global audio-market and increased royalties in connection with the sale of amplifier technology and acoustic solutions for major OEM partners, including Samsung. More than 90 per cent of the turnover for Bang & Olufsen ICEpower derives from external sales.

During the financial year, ICEpower launched a new concept with a stereo amplifier based on a platform designated ASX2. The new stereo amplifier will be supplemented by two more product variations in the same series in 2007/08. Investment continues in the development of new technology, and focus remains on attracting new, major customers.

Profits before tax totalled DKK 39 million against profits of DKK 30 million last year.

ASSOCIATED COMPANIES

Bang & Olufsen Medicom a/s

Bang & Olufsen Medicom a/s is included in the consolidated turnover for the first nine months at DKK 101 million. By comparison, turnover for the full 12 months of the 2005/06 financial year was DKK 197 million.

The result before tax is included at DKK 0.0 million for the 2006/07 financial year against DKK 12.7 million for 2005/06.

With effect from March 1, 2007, Bang & Olufsen a/s sold 65 per cent of the Group's shares in Bang & Olufsen Medicom a/s. Bang & Olufsen Medicom a/s' result for the fourth quarter is included under the item Associated Companies at 35 per cent of Bang & Olufsen Medicom's result in the fourth quarter.

EXPECTATIONS FOR THE 2007/08 FINANCIAL YEAR

1. Product portfolio
The year is expected to offer a range of products that will contribute to maintaining the right balance in the product mix. Of the product launches planned for 2007/08, the following should be mentioned:

During August, the new TV family, BeoVision 8, will be launched in the form of a 32 inch version to complement the 26 inch version, and will thus represent a new important concept in the shops. In terms of price, the BeoVision 8 family is expected to occupy the role previously filled by the MX family.

During the first quarter, a 40 inch version of the successful flat-screen TV, BeoVision 7, will be launched in the US market and for the first time in Korea and Japan.

The first quarter will see the launch of the DVD2, which is an integrated DVD recorder/player with an integrated hard disk.

Beo5, a new and highly flexible remote control device, will be launched in the second quarter. Beo5 can be used to operate any product combination and has a newly developed LCD colour display with a programmable touch screen. Together with Beo4, it will form the nucleus of Bang & Olufsen's operational philosophy for years to come. In terms of design, Beo5 breaks with all previous forms of remote control.

A newly developed, portable music concept will be introduced in the second quarter, which brings together high quality portable sound and telephony in a new way in terms of acoustics and operation.

The second quarter will see the launch of another portable product, BeoSound 6, a high quality MP3 music player with a very simple user interface.

A new audio concept will be launched in the second half year, which will set a new standard for the way people can enjoy music in their homes of the future. The concept is an important step in the direction of the new ways in which people will experience music in the converging digital world.

Through continued control of the product mix, Bang & Olufsen expects to maintain the contribution margin at the current level, as improvements to the mix will offset increases in raw material prices and wages.

2. Distribution development
During the 2006/07 financial year, Bang & Olufsen added 52 B1 shops to its distribution. The Group expects to maintain this positive development through a net addition of approx. 50 new B1 shops during 2007/08.

3. Automotive
In the new financial year, Bang & Olufsen expects to announce further contracts concerning the development and production of sound systems for more Audi models. Moreover, the Group will announce the name of a new partner at the end of 2007.

Overall, Automotive is expected to achieve a turnover of between DKK 140-160 million in 2007/08. The area will, however, have slightly less impact on the Group's result than in 2006/07. The timing for achieving profitability will depend on the pace at which new projects are initiated, as each project – besides building on a common technology platform – requires a certain investment in special development. On the backdrop of the successful launches of Bang & Olufsen Advanced Sound System and Bang & Olufsen Sound System it is expected that the automotive area will account for a substantial business within the next few years.

Expectations for the Group's result for 2007/08

For the 2007/08 financial year, expectations are for turnover growth of approx. 8 per cent, with turnover reaching DKK 4,700-4,800 million. The operating profit is expected to be in the region of DKK 560-590 million, while the profit before tax is expected to increase correspondingly to between DKK 540-570 million.

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 to acquire established retail networks. The draw on liquidity in individual financial years is characterised 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 net interest-bearing debts in a range between 0.25 and 2.00 times earnings before interest, depreciation, amortisation and tax (EBIDAT).

Surplus liquidity will be used for either dividend or purchase of own shares. The Groups dividend policy aims at distributing between one third and half of the profit after tax as dividend. On the basis of this goal and the company's strong financial position, the Board of Directors recommends to the Annual General Meeting that a dividend of DKK 20.00 per nominal DKK 10.00 share, a total of DKK 241.6 million, be paid. Furthermore that during the coming financial year, DKK 200 million will be used for the purchase of own shares.

GROWTH AND EARNINGS AMBITIONS UNTIL 2010

Two years ago, Bang & Olufsen declared its ambition of achieving a level of turnover of around DKK 6 billion in 2010 and an EBIT margin of at least 10 per cent.

Despite the disposal of the share majority in Medicom, the Group continues to aim to achieve its ambition of a turnover of DKK 6 billion during 2010. This is based on the following four elements:

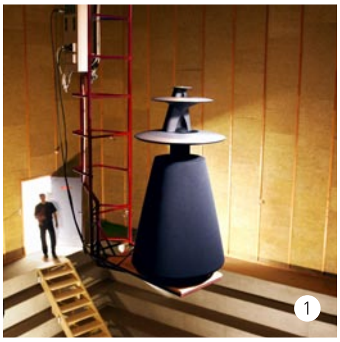
The ambition for the audio/video-business is to achieve a turnover of approx. DKK 5 billion, i.e. an increase of around DKK 1 billion from the current level, which equates to around 8 per cent yearly organic growth. The Group estimates that with a more even distribution development over the year, punctual product launches and without any significant cyclical-determined relapses in the larger, more mature markets, it will be possible to achieve the 8 per cent.

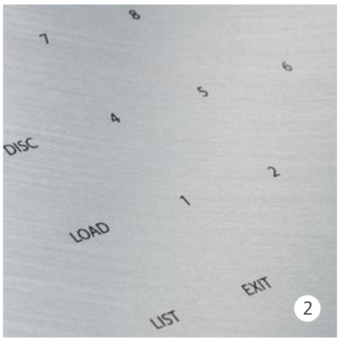
For Automotive the general objective is to achieve a turnover of DKK 300-500 million. Growth in turnover is driven by the number of car models that offer Bang & Olufsen sound systems as well as the number of car buyers who choose Bang & Olufsen's sound systems in the respective car models. The uncertainty primarily relates to the often significant time lapse from the signing of the contract to the point of delivery. This is characteristic of the car industry in general.

With regard to Enterprise, the ambition is to reach a turnover of at least DKK 250 million. Efforts over the past few years and growth in orders have demonstrated that the potential is there.

The ambition for ICEpower is to achieve a turnover of around DKK 200 million. The business model is not specifically geared to turnover growth as a significant part of the company's earnings derive from sales of technology rights on a royalty basis.

The previously announced ambition of achieving an EBIT margin of at least 10 per cent was met for the period's first two years. On the backdrop of the posted accounts, the ambition up to 2010 has been revised upwards to maintain the achieved relative profitability with an EBIT margin of at least 12 per cent during the remainder of the period.





1. The cube, used for acoustic measuring
2. Aluminium surface for BeoCenter 2
3. Assembling of loudspeakers, Automotive
4. Medicom, Struer
5. Assembling of sub-components
6. Anodisation
7. Workplace, Koprivnice
8. ICEpower, Lyngby
9. Production of BeoCom 1401, Koprivnice

KNOWLEDGE RESOURCES

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 pervades 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 IdeaFactory, which employs 30 highly qualified professionals from different backgrounds who continually develop new concepts. The employees maintain an ongoing dialogue with, and seek inspiration from, external sources, hereunder through direct contact with customers. The employees have, for example, access to Bang & Olufsen's customer database where customer feedback is collated and analysed. Product development also takes place in close collaboration with external designers, employees from other parts of the organisation, in particular the Development Department, and with external partners who provide valuable input for the process. When matured and approved, the concepts are 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 – most recently the BeoLab 9 loudspeaker.

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 Sausolito 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 most recent spin off from Bang & Olufsen's acoustic expertise is a unique in-car sound system, which has set new standards for sound in cars.

The continued development of Bang & Olufsen's skills is ensured 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.

Over the next one to two years, focus will also be on building development skills in acoustics projects at the newly established development unit in the Czech Republic. The first acoustic development project is already advancing well.

Picture competencies

Bang & Olufsen's picture competencies are founded upon 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 its competitors' 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.

Recent years have seen a radical transition from tube to flat LCD and plasma screens, where the use of the best displays ensures the ultimate picture quality. Only the most recent generation of high quality LCD and plasma screens are built into Bang & Olufsen's flat screen products. Moreover, a transition from analogue to digital picture processing has taken place. Bang & Olufsen has been preparing for this for quite some time, building up the competencies now used in the products.

The picture experience is also affected by the glass plate at the front of the LCD or plasma screen. This, too, is an area where Bang & Olufsen has accumulated considerable competence. Consequently, all 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 is expressed in the Vision Clear platform, which enhances picture quality for all types of video products.

Operation competencies

Operation competencies combine behavioural psychology, tactability, 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 of user-friendliness.

Since the mid-1980s, all controls have been integrated into one remote control, currently Beo4, a unique product that offers simple operations 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 regulate lighting, activate a projector, unroll the film screen and slide back the curtains. The same remote control and operating principles apply across all products.

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.

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/TS16949, a motor industry quality standard.

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

Global development

In future, part of the development and implementation work will be carried out outside Denmark. Bang & Olufsen has signed co-operation agreements with partners in, for instance, Estonia, Romania and India, who develop software for new products in close collaboration with the specialists in Struer. Moreover, the Group is in the process of establishing a small development centre in the Czech Republic with special focus on mechanical and acoustic competencies.

All idea and concept development activities will remain in Struer, 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 as the focal point of the Group's product development.

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 concerning 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", who is responsible for the research undertaken by PhD students and financed by Bang & Olufsen.

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

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.

Development centres

The development of audio/video and automotive products is based at Bang & Olufsen's central development department in Struer while ICEpower is located in Lyngby, close to Denmark's Technical University, north of Copenhagen. A development and innovation unit for software is sited at Alexandra Park in Århus, and works closely with Århus University. Over the next few years, a development group focusing on mechanics and acoustics will be established at the new factory in the Czech Republic. In this case, too, the intention is to exploit the opportunities provided by the proximity to the University of Ostrava.

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 February 2006, this targetted approach resulted in the establishment of the first production unit outside Denmark – Bang & Olufsen's new factory in Koprivnice in the Czech Republic.

The new factory is an important component in Bang & Olufsen's future, balanced production in that a range of more labour-intensive tasks will be undertaken here. 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. Struer, however, will continue to be the centre of the Group's innovation with regard to product development. Moreover, production in Struer will place stronger emphasis on the introduction of new products, especially 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.

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. Most recently, Bang & Olufsen once again achieved first place in areas such as quality and innovation in Denmark's largest image survey undertaken by the Danish Institute for Opinion Analysis in Copenhagen in co-operation with GCI Mannow. 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 at a cost of more than DKK 10 million. In excess of 300 production employees, for example, took part in the two-year "Skills Development in Production (KUP)" course. The programme focuses on personal resources, presentation technique, co-operation and TS16949 – 140 employees also attended a course in TS16949. Around 300 employees have also taken part in general internal training programmes.

In addition, 40 managers have completed project management courses, while five managers completed degrees such as MBAs or MMTs.

Over the past few years, Bang & Olufsen has directed considerable focus on competence development for managers and employees. Such efforts will continue. Consequently, in the new financial year, 26 managers from Struer and Bang & Olufsen's markets will embark on internal international management training.

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 will communicate openly about environmental issues and publish an annual environmental statement. We will comply, of course, with current legislation at all times.

We wish to contribute to a globally sustainable development and we 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 that they have low energy consumption.

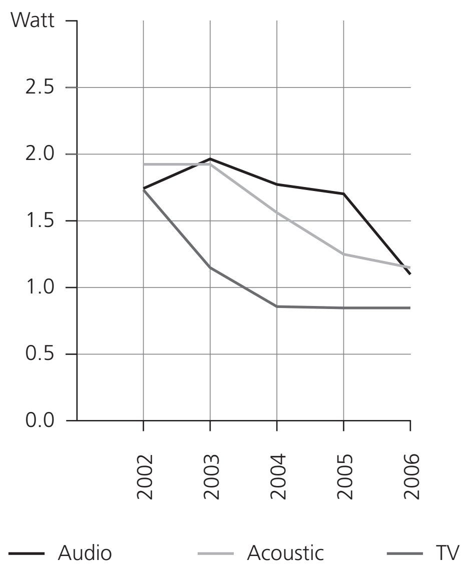
Disposal
Our aim is to provide product parts that are suitable for recycling, and that major parts can be identified when dismantled in order to ensure appropriate disposal and recycling.

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 analyses of our products, we know that the biggest environmental impact from Bang & Olufsen's products is energy consumption while in use at the customer's home. Consequently, it has been natural for us to focus our environmental efforts on the product environment area on reducing stand-by consumption since this is often regarded as a pure waste of energy.

Development of the average stand-by consumption:



Over the past five years, the average stand-by consumption has been declining. We will maintain focus on reducing stand-by consumption so that we can continue to be among the best in the industry. Bang & Olufsen has prioritised this area for many years, and, as is illustrated by the preceding graph, we have already achieved large reductions. This means that Bang & Olufsen keeps abreast of the latest EUP directive (1).

In December 2006, the EU Commission approved the new chemical regulation REACH (2). This imposes new demands concerning the approval and use of chemicals. In this respect, Bang & Olufsen is an active participant in the pre-project: *"The Consequences of REACH for electronic companies – Requirements for Downstream Use of Preparations and Production of Chemicals"*. We have decided to participate in this group in order to examine in detail the consequences this regulation has for Bang & Olufsen.

On the backdrop of REACH and the participation in the project, we have decided to initiate an internal chemical project under which the purchase and use of CMR (3) 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.

During the past year, efforts have been directed at the two EU directives, WEEE (4) and RoHS (5). WEEE introduced manufacturer responsibility for electrical and electronic waste. We have met this responsibility by joining collective, national collection schemes. The WEEE directive will be revised next year and we remain updated on the new requirements that can have an impact on our products.

RoHS prohibits the use of four heavy metals, including lead in soldering as well as two brominated flame retardants from July 2006. We have found alternatives to the traditional lead soldering and have ensured that all our suppliers can supply components that comply with the RoHS requirements. The two brominated flame retardants were phased out of our products at the beginning of the 90s.

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 (6)).

Bang & Olufsen prepares an annual statutory green account 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. A voluntary environmental review is also carried out, which details all environmental aspects relating to production at our factories, including consumption of raw materials, electricity, water, heat and waste volumes.

We also prepare a product-related environment review "To the last detail, a story about 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 as well as for automotive products for cars.

"To the last detail", the green accounts and the environmental review can be obtained from the Safety, Health & Environment Department on +45 96 84 10 69.

1. EUP is an abbreviation of the directive's English title Energy Using Products. 2005/32/EC. For the electronics industry, this primarily relates to the reduction of the products' energy consumption in the user phase at the customer.
2. REACH is an abbreviation of the directive's English title: Registration, Evaluation, Authorisation of Chemicals, directive no. 1907/2006 of December 18, 2006.
3. CMR: Carciogenic, Mutagenic or toxic Reproduction.
4. WEEE is an abbreviation of the directive's English title Waste of Electrical and Electronic Equipment 2002/96/EC. The directive determines manufacturer responsibility for the collection and reprocessing of end of life electronic products.
5. RoHS is an abbreviation of the directive's English title Restriction of use of certain Hazardous Substances 2002/95/EC. For the electronics industry, this primarily relates to the switch to lead-free soldering.
6. 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 Exchange Copenhagen, the company must consider these on the basis of the "comply or explain" principle.

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

1. 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. Annual General Meeting

The revised recommendations concerning notice of Annual General Meeting have been complied with. The Board has noted the recommendation concerning proxies given to the Board and will comply with the recommendation in respect of future AGMs so that, in future, proxies are valid for one AGM only and that shareholders can consider each item on the agenda separately.

3. Stakeholders

For many years, the Board has paid considerable attention to the company's relations with its stakeholders. One example is the company's annual environmental statement, which has been prepared since the 1995/96 financial year. Equally, social considerations 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 operate a formal policy for this area as the Board of Directors regularly monitors the Management Board's approach to these issues.

4. Disclosure and distribution of information

The company complies with the statutory regulations concerning publication of material information relevant to shareholders' and the financial markets' evaluation of the company, its activities and business objectives, strategies and results. The Board of Directors has approved policies aimed to ensure that the distribution of such information complies with statutory regulations. All announcements are issued in both Danish and English and, subsequently, posted on Bang & Olufsen's website, www.bang-olufsen.com

5. The Board of Directors' tasks and responsibilities

The Board of Directors has the 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.

The recommendations propose that all members of the Board of Directors stand for election each year. At Bang & Olufsen a/s, the two longest serving board members elected by the AGM stand for election in order to ensure continuity. In general, six to eight board meetings are held annually together with ad hoc meetings as required. Board members elected by the AGM are 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 concerning the number of other directorships board members may have. The deciding factor is the individual member's capacity, competence and contribution. The Board of Directors' rules of procedure lay down regulations concerning the tasks and responsibilities between the members of the Management Board and the Board of Directors.

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

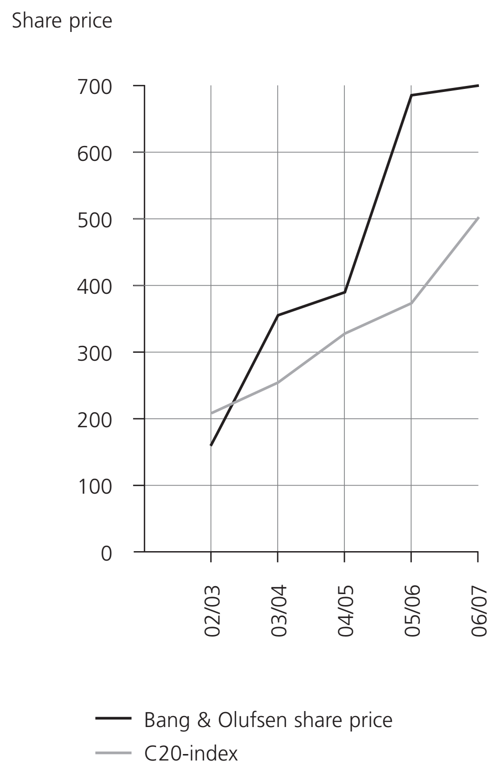
No information is provided on the remuneration of individuals. The Board of Directors believes the important factor is the overall remuneration and the related trends.

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.

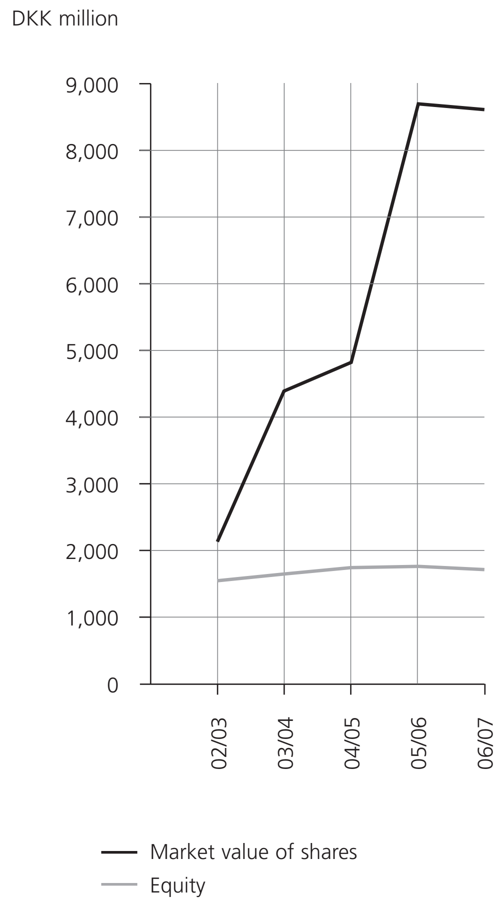
7. Shares owned by Members of the Board of Directors

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

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

SHAREHOLDER INFORMATION

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 be in conformity 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 the company's annual, half-year or quarterly reports or other publications of a financial nature.

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 May 31, 2007, 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 increased from 684 as at 31 May, 2006 to 698 as at 31 May 2007, which equals 14 points or an increase of approx. 2 per cent.

Between June 1, 2006 and 31 May, 2007, OMX The Nordic Exchange C20 index increased by approx. 34 per cent.

During the same period, the market value of Bang & Olufsen's B shares fell from DKK 7,750 million to DKK 7,675 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 consist of

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

Circulating shares:	
Issued shares	12,081,338
- own shares	(619,923)
Total as at 31 May, 2007	11,461,415
Average number of circulating shares	11,683,175

Own shares

As at May 31, 2007, Bang & Olufsen a/s' holding of own shares was valued at DKK 6,199,230 equating to approx. 5.13 per cent of the share capital.

Shares held by members of the Management Board

As at May 31, 2007, members of Bang & Olufsen a/s' Management Board held DKK 2,000 A shares (nominal) and DKK 6,100 B shares (nominal).

Shares held by the Board of Directors

As at May 31, 2007, members of Bang & Olufsen a/s' Board of Directors held DKK 275,400 A shares (nominal) and 250,990 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, 2007, 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 May 31, 2007, Bang & Olufsen a/s had approx. 20,200 registered shareholders corresponding to an ownership interest of approx. 74 per cent of the share capital. Approx. 96 per cent of these shareholders reside in Denmark.

Of the listed capital, approx. 65 per cent is placed in Denmark and approx. 8 per cent in the UK.

As at May 31, 2007, 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	2,632	2.18	12.05
Nordea Companies Danmark A/S, Torvegade 2, 1786 Copenhagen V	2,000	1.66	9.15
ATP, Kongens Vænge 8, 3400 Hillerød	13,158	10.89	6.02
Kirsten og Peter Bang a/s, c/o Lars Peter Bang, Duevej 1, 7600 Struer	1,154	0.96	5.28
Bang & Olufsen a/s, Peter Bangs Vej 15, 7600 Struer	6,199	5.13	2.84

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

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

The Company is headed by a Board of Directors which – besides any representatives elected by the Company's employees pursuant to the statutory provisions – consists of between 4 and 8 members elected by the general meeting. Of the directors elected at the general meeting, the 2 longest serving directors shall retire each year at the ordinary general meeting. Should more than 2 members have been in office for the same period of time, it shall be determined by lot who is to retire. No board member shall be elected to serve for any single period exceeding four years. Re-election may, however, take place.

All matters considered at the 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 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 general meeting. Should 2/3 of the share capital not be represented at the 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 general meeting, a new 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.

If a resolution on amendments to the articles of association has been proposed or accepted by the Board of Directors, it can however, be passed at one general meeting with a majority of 2/3 of both the votes cast and of the share capital carrying voting rights represented at the general meeting with no regards to the size of the represented share capital.

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 the so far unnamed car manufacturer as announced in Stock Exchange Announcement no. 06.13. As a consequence of these clauses, should a change of control of Bang & Olufsen take place, Audi and the so far unnamed manufacturer are entitled to terminate the contract between the parties.

The loan of initially DKK 74.5 million from Danske Bank to Bang & Olufsen s.r.o with a carrying amount of DKK 59.6 million as of 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.

The Company's Articles of Association state the following:

Until May 31, 2007, the Board of Directors is authorised, in one or more stages, to increase the company's B share capital by up to DKK 1,358,770 through the issue of shares offered to the employees of the Bang & Olufsen Group at a price corresponding to the current market price or lower, although not below the price of 10.5, and on terms to be decided by the company's Board of Directors.

Dividend policy

The Group's dividend policy aims at paying between one third and half of the result after tax as dividend. The Board of Directors proposes to the general meeting that DKK 20.00 per nominal DKK 10.00 share i.e. DKK 241.6 million be allocated.

Dividend payment

Dividend is expected to be paid on Thursday, 4 October, 2007.

The following share analysthouses 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
Gudme Raaschou Bank
Handelsbanken
Jyske Bank
Standard & Poors Equity Research (Nordea)
Oppenheim
Proactive Independent Ideas

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 2006 - MAY 2007

Financial statements:

21 August, 2006	Annual Report for the financial year 2005/06
6 October, 2006	Interim Report for the 1st quarter 2006/07
10 January, 2007	Half year report 2006/07
25 April, 2007	Interim Report for the 3rd quarter 2006/07

Other statements:

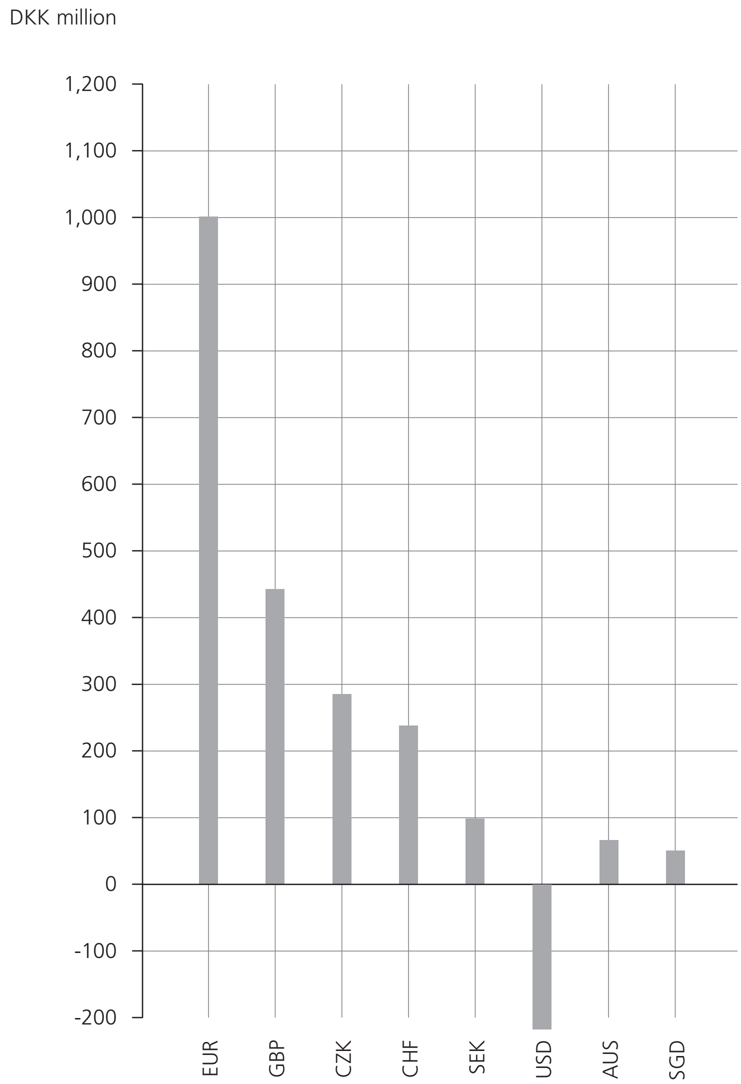
1 June, 2006	Financial calendar
8 September, 2006	Notice of Annual General Meeting
28 September, 2006	Resolutions at the Annual General Meeting
5 October, 2006	Allocation of share options
20 December, 2006	Sale of 65 % of the shares in Bang & Olufsen Medicom a/s
1 February, 2007	Capital reduction
21 February, 2007	Launch of three important products
26 February, 2007	B&O Sound System in new Audi A5 Coupe
26 February, 2007	B&O Sound System in Audi Q7
15 May, 2007	B&O Automotive agreement
18 May, 2007	B&O a/s owns 5 % own shares

Statements regarding insider trading:

23 August, 2006
23 August, 2006
18 September, 2006
6 October, 2006
10 October, 2006
13 October, 2006
27 October, 2006
16 January, 2007
30 April, 2007

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

The year's net flow in key currencies



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 a number of 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 just A/V products.

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

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

Suppliers

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

Employees

Bang & Olufsen wishes to retain its position as an exciting and attractive workplace in order to be able at any time to attract and retain highly qualified employees. 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 2006/07, 85 % (2005/06: 82 %) 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. Whenever necessary, forward contracts are used to cover the financial year's 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 appear in note 44.

Fluctuations in foreign exchange rates of 5 % for GBP, 5 % for CHF and 10 % for USD against DKK can be expected to impact on the Group's pre-tax result by 3 %, 2 % and 3 % respectively (2005/06: 5 %, 3 % and 4 % respectively). Historically, the GBP and USD rates have often moved in the same direction. For the Group, this means that the impact from these two main currencies has had an opposite effect on the Group's result, as the Group has net inflows in GBP and net outflows in USD.

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 196 million (2005/06: DKK DKK 502 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 % for 2006/07 would have impacted on the Group's result before tax by approx. DKK 1 million.

At year end, the Group's interest-bearing debt totalled DKK 276 million (2005/06: DKK 283 million) corresponding to 9.3 % of the balance sheet total (2005/06: 9.7 %).

The interest-bearing debt is of a medium-term nature. For further information, please see note 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 1,317 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 debtor insurance against outstanding debts.

Losses relating to receivables have been at a minimal level over the past five years.

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

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

Liquidity risk

The financial reserve is continually assessed and managed by the parent company's finance department. It is ensured that, at any given time, there is sufficient, flexible and unused assurance credit available provided by major, reputable financial institutions. On the basis of its financial reserve arrangements, the Group believes that there are no grounds 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)	2006/07	2005/06	2006/07	2005/06
4 ...	**Net turnover**	**4,375.7**	**4,225.2**	**966.7**	**914.1**
5 ...	Production costs	(2,338.0)	(2,281.1)	(463.8)	(387.3)
	Gross profit	**2,037.7**	**1,944.1**	**502.9**	**526.8**
5 ...	Development costs	(458.8)	(442.9)	(464.9)	(439.4)
5 ...	Distribution and marketing costs	(910.2)	(920.3)	-	-
5 ...	Administration costs etc.	(138.7)	(142.0)	(32.4)	(31.2)
	Operating profit	**530.0**	**438.9**	**5.6**	**56.2**
	Result from investments in associates after tax	(1.1)	(1.0)	-	-
	Impairment of investments in associates	-	-	-	(17.0)
	Gain on sale of shares in subsidiary	11.5	-	27.1	-
6 ...	Dividend	-	-	189.0	200.0
7 ...	Financial income	15.7	17.7	44.1	13.4
8 ...	Financial costs	(31.7)	(24.9)	(25.3)	(19.9)
	Financial items, net	(16.0)	(7.2)	18.8	(6.5)
	Result before tax	**524.4**	**430.7**	**240.5**	**232.7**
9 ...	Tax on result for the year	(151.9)	(134.7)	(13.5)	(10.1)
	Result for the year	**372.5**	**296.0**	**227.0**	**222.6**
	Attributable to:				
	Share holders of the parent company	367.4	294.0		
10 ...	Minority interests	5.1	2.0		
		372.5	296.0		
11 ...	**Earnings per share**				
	Earnings per share, DKK	31.4	24.8		
	Diluted earnings per share, DKK	31.4	24.7		
	Earnings per share from continuing operations, DKK	31.4	24.8		
	Diluted earnings per share from continuing operations, DKK	31.4	24.7		
	Proposed profit distribution:				
	Retained earnings			(14.6)	23.4
	Proposed dividend for the financial year			241.6	199.2
				227.0	222.6

The proposed dividend for 2006/07 corresponds to a dividend of DKK 20.00 per share (DKK 16.00 in 2005/06).

Parantheses denote negative figures or figures to be deducted. Notes: See pages 67 - 119

BALANCE SHEET
ASSETS

Notes ...	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 07	31/5 06	31/5 07	31/5 06
	Intangible assets				
	Goodwill	44.8	18.0	3.2	3.2
	Acquired rights	44.4	12.1	38.2	8.3
	Completed development projects	244.6	216.3	220.3	186.1
	Development projects in progress	116.2	109.8	108.4	100.4
12, 15 ...	Total intangible assets	450.0	356.2	370.1	298.0
	Tangible assets				
	Land and buildings	252.1	332.8	89.4	91.0
	Plant and machinery	203.8	200.7	9.8	11.2
	Other equipment	70.7	58.2	27.3	31.9
	Leasehold improvements	29.1	26.6	0.1	0.2
	Tangible assets in progress and prepayments for tangible assets	62.2	49.1	0.6	4.1
13 ...	Total tangible assets	617.9	667.4	127.2	138.4
14 ...	**Investment property**	56.4	0.7	78.4	87.4
	Financial assets				
16 ...	Investments in subsidiaries	-	-	722.6	728.2
17 ...	Investments in associates	15.8	6.0	2.0	-
18 ...	Deferred tax assets	21.2	28.8	-	-
19 ...	Other financial receivables	88.2	36.4	0.2	-
	Total financial receivables	125.2	71.2	724.8	728.2
	Total non-current assets	**1,249.5**	**1,095.5**	**1,300.5**	**1,252.0**
20 ...	**Inventories**	694.3	567.4	0.4	0.2
	Receivables				
21 ...	Trade receivables	743.2	655.1	-	-
22 ...	Receivables from subsidiaries	-	-	255.2	156.8
23 ...	Receivables from associates	1.8	-	1.8	-
24 ...	Income tax receivables	27.0	16.6	28.4	14.8
25 ...	Other receivables	30.0	51.4	3.3	12.6
	Prepayments	22.8	25.5	5.9	4.0
	Total receivables	824.8	748.6	294.6	188.2
	Cash	196.4	502.5	5.3	306.1
26 ...	**Non-current assets classified as held for sale**	-	1.1	-	-
	Total current assets	**1,715.5**	**1,819.6**	**300.3**	**494.5**
	Total assets	**2,965.0**	**2,915.1**	**1,600.8**	**1,746.5**

Notes: See pages 67 - 119

BALANCE SHEET
EQUITY AND LIABILITIES

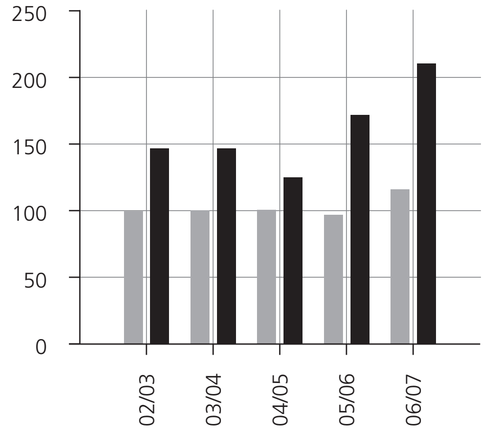
Notes	Bang & Olufsen a/s	Group		Parent company	
	(DKK million)	31/5 07	31/5 06	31/5 07	31/5 06
Notes ...					
	Equity				
27 ...	Share capital	120.8	124.5	120.8	124.5
	Share premium	14.6	14.6	14.6	14.6
	Translation reserve	(17.3)	(4.7)	-	-
	Reserve for cash flow hedges	0.1	-	0.1	-
28 ...	Retained earnings	1,557.7	1,603.6	1,055.2	1,256.0
	Equity attributable to shareholders of the parent company	1,675.9	1,738.0	1,190.7	1,395.1
29 ...	Minority interests	6.0	4.1	-	-
	Total equity	**1,681.9**	**1,742.1**	**1,190.7**	**1,395.1**
	Non-current liabilities				
30 ...	Pensions	9.7	15.5	-	-
31 ...	Deferred tax	67.8	63.7	79.6	62.7
32 ...	Provisions	97.0	91.9	4.3	4.6
33 ...	Mortgage loans	93.4	107.2	54.6	66.9
33 ...	Loans from banks etc.	97.1	129.7	37.5	62.5
34 ...	Other non-current liabilities	6.1	-	3.4	-
	Total non-current liabilities	371.1	408.0	179.4	196.7
	Current liabilities				
33 ...	Mortgage loans, short term part	14.0	13.8	12.4	12.5
33 ...	Loans from banks etc., short term part	32.4	32.5	25.0	25.0
33 ...	Other loans from banks	39.5	-	39.2	-
32 ...	Provisions	33.3	31.1	0.2	0.2
	Trade payables	216.4	196.3	34.7	29.0
35 ...	Income tax	122.3	78.3	-	-
36 ...	Other payables	356.2	361.4	119.2	88.0
	Deferred income	97.9	51.6	-	-
	Total current liabilities	912.0	765.0	230.7	154.7
	Total liabilities	**1,283.1**	**1,173.0**	**410.1**	**351.4**
	Total equity and liabilities	**2,965.0**	**2,915.1**	**1,600.8**	**1,746.5**

Parantheses denote negative figures or figures to be deducted. Notes: See pages 67 - 119

Purchase of intangible assets and amortisation

- Amortisation
- Purchase of intangible assets

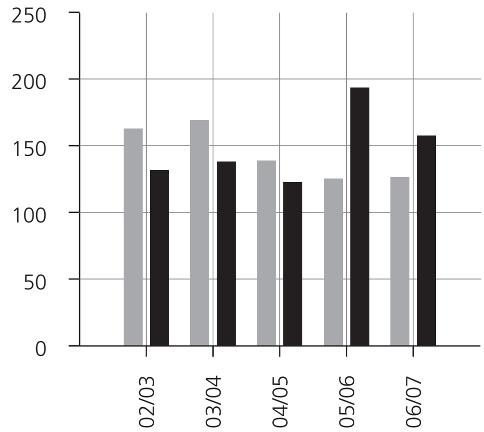
DKK million



Purchase of tangible assets and depreciation

- Depreciation
- Purchase of tangible assets

DKK million



CASH FLOW STATEMENT

Notes ...	Bang & Olufsen a/s (DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
	Result for the year	372.5	296.0	227.0	222.6
	Depreciations, amortisations and impairment losses	248.9	232.3	126.5	138.5
37 ...	Adjustments	162.6	162.1	(18.7)	30.1
38 ...	Change in working capital	(142.2)	(188.2)	(58.1)	(76.7)
	Interest received etc.	15.7	17.7	44.1	13.4
	Interest paid etc.	(31.7)	(24.9)	(25.3)	(19.9)
	Income tax paid	(105.0)	(100.4)	(10.3)	(43.6)
	Cash flow from operating activities	**520.8**	**394.6**	**285.2**	**264.4**
	Purchase of intangible non-current assets	(210.1)	(171.4)	(169.0)	(151.6)
	Purchase of tangible non-current assets	(157.6)	(185.2)	(8.0)	(23.5)
	Additions to investment property	-	-	(3.1)	(2.3)
	Sale of intangible non-current assets	0.7	-	-	-
	Sale of tangible non-current assets	9.8	13.5	(0.5)	0.3
	Disposals of investment property	-	-	1.0	-
39 ...	Acquisitions of activities	-	(27.7)	-	-
40 ...	Disposals of activities	32.7	-	32.7	-
	Change in financial receivables	(53.9)	(7.7)	(0.2)	-
	Cash flow from investment activities	**(378.4)**	**(378.5)**	**(147.1)**	**(177.1)**
	Proceeds from long-term loans	-	74.6	-	-
	Repayment of long-term loans	(46.3)	(38.8)	(37.4)	(37.3)
	Dividend paid	(200.2)	(149.0)	(199.2)	(149.0)
	Dividend, own shares	11.3	5.7	11.3	5.7
	Repurchase of own shares	(271.3)	(148.9)	(271.3)	(148.9)
	Subscription of employee shares	-	5.6	-	5.6
	Sale of own shares	18.5	5.3	18.5	5.3
	Cash flow from financing activities	**(488.0)**	**(245.5)**	**(478.1)**	**(318.6)**
	Change in cash and cash equivalents	**(345.6)**	**(229.4)**	**(340.0)**	**(231.3)**
	Cash and cash equivalents 1 June	502.5	731.9	306.1	537.4
41 ...	**Cash and cash equivalents 31 May**	**156.9**	**502.5**	**(33.9)**	**306.1**

Parentheses denote capital expenditure. Notes: See pages 67 - 119

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 2005	**124.1**	**9.4**	**-**	**-**	**1,617.0**	**-**	**1,750.5**
Accumulated effect at the beginning of the year from changes to accounting principles applied	-	-	1.1	-	(39.1)	2.1	(35.9)
Adjusted equity as at 1 June 2005	124.1	9.4	1.1	-	1,577.9	2.1	1,714.6
Equity and exchange rate adjustments in subsidiaries	-	-	(5.8)	-	(4.9)	-	(10.7)
Subscription of employee shares	-	-	-	-	11.5	-	11.5
Grant of share options	-	-	-	-	5.8	-	5.8
Tax of share options	-	-	-	-	6.2	-	6.2
Net income recognized directly in equity	-	-	(5.8)	-	18.6	-	12.8
Retained earnings	-	-	-	-	294.0	2.0	296.0
Total recognized income and expense for the period	-	-	(5.8)	-	312.6	2.0	308.8
Subscription of employee shares	0.4	5.2	-	-	-	-	5.6
Purchase of own shares	-	-	-	-	(148.9)	-	(148.9)
Sale of own shares	-	-	-	-	5.3	-	5.3
Dividend paid regarding 2004/05	-	-	-	-	(149.0)	-	(149.0)
Dividend, own shares	-	-	-	-	5.7	-	5.7
	0.4	5.2	-	-	(286.9)	-	(281.3)
Equity 31 May 2006	**124.5**	**14.6**	**(4.7)**	**-**	**1,603.6**	**4.1**	**1,742.1**

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 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	-	-	-	0.1	-	-	0.1
Employee shares	-	-	-	-	10.8	-	10.8
Grant of share options	-	-	-	-	0.4	-	0.4
Tax of share options	-	-	-	-	(0.4)	-	(0.4)
Net income recognized directly in equity	-	-	(12.6)	0.1	24.9	-	12.4
Retained earnings	-	-	-	-	367.4	5.1	372.5
Total recognized income and expense for the period	-	-	(12.6)	0.1	392.3	5.1	384.9
Capital reduction	(3.7)	-	-	-	3.7	-	-
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)	-	-	-	(438.2)	(3.2)	(445.1)
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, parent company

(DKK million)

	Share capital	Share premium	Reserve for net revaluation according to the equity method	Reserve for cash flow hedges	Retained earnings	Equity parent company
Equity 1 June 2005	**124.1**	**9.4**	**333.4**	**-**	**1,283.6**	**1,750.5**
Accumulated effect at the beginning of the year from changes to accounting principles applied	-	-	(333.4)	-	15.5	(317.9)
Adjusted equity as at 1 June 2005	124.1	9.4	-	-	1,299.1	1,432.6
Subscription of employee shares	-	-	-	-	11.5	11.5
Grant of share options	-	-	-	-	5.8	5.8
Tax regarding share options	-	-	-	-	6.2	6.2
Net income recognized directly in equity	-	-	-	-	23.5	23.5
Retained earnings	-	-	-	-	222.6	222.6
Total recognized income and expense for the period	-	-	-	-	246.1	246.1
Intragroup business combination	-	-	-	-	(2.3)	(2.3)
Subscription of employee shares	0.4	5.2	-	-	-	5.6
Purchase of own shares	-	-	-	-	(148.9)	(148.9)
Sale of own shares	-	-	-	-	5.3	5.3
Dividend paid regarding 2004/05	-	-	-	-	(149.0)	(149.0)
Dividend, own shares	-	-	-	-	5.7	5.7
	0.4	5.2	-	-	(289.2)	(283.6)
Equity 31 May 2006	**124.5**	**14.6**	**-**	**-**	**1,256.0**	**1,395.1**

Parantheses denote negative figures or figures to be deducted.

Bang & Olufsen a/s, parent company

(DKK million)

	Share capital	Share premium	Reserve for net revaluation according to the equity method	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 derivatives	-	-	-	0.1	-	0.1
Employee shares	-	-	-	-	10.8	10.8
Grant of share options	-	-	-	-	2.1	2.1
Tax of share options	-	-	-	-	(0.3)	(0.3)
Net income recognized directly in equity	-	-	-	0.1	12.6	12.7
Retained earnings	-	-	-	-	227.0	227.0
Total recognized income and expense for the period	-	-	-	0.1	239.6	239.7
Capital reduction	(3.7)	-	-	-	3.7	-
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)	-	-	-	(440.4)	(444.1)
Equity 31 May 2007	**120.8**	**14.6**	**-**	**0.1**	**1,055.2**	**1,190.7**

Specification of movements in share capital:	**2006/07**	**2005/06**	**2004/05**	**2003/04**	**2002/03**
Share capital at the beginning of the year	124.5	124.1	123.8	134.3	134.1
Capital increase	-	0.4	0.3	0.4	0.2
Capital reduction	(3.7)	-	-	(10.9)	-
Share capital at the end of the year	**120.8**	**124.5**	**124.1**	**123.8**	**134.3**

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 Copenhagen Stock Exchange. 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 effective dates as from financial periods beginning on or after 1 June 2006, have been applied in the preparation of the annual report. IFRS 7, Financial Instruments: Disclosures, which is effective for the financial years 2007/08, has also been used.

The application of new and amended Standards and Interpretations has not resulted in any changes of amounts in the annual report for 2006/07 or previous years. The Group's accounting principles applied are consequently unchanged from last year. 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, except from the additional disclosures required In connection with the application of IFRS 8, Operating Segments as from 2009/10.

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.

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

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.

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 judgments 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 that 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. Associates are consolidated in the item "Result from investments in associated companies 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 and, the goodwill, which is recognized in the opening balance sheet on the date of transition, 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, is 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 rebates 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 associated companies after tax".

Dividend

Dividend from subsidiaries and associated companies 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. When calculating net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount rate.

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 associated companies 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 an undistributable 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 provision is discounter 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, received and paid financial income and costs, paid income taxes 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 – Medicom in the period until the partly sale as at 1 March 2007.
· 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 activities.

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 associated companies. 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.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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 and contingent assets.

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.

NOTES TO THE PROFIT AND LOSS ACCOUNT

(DKK million)

Notes ...

3 ... **Segment-information**

	Branded business		Non-branded business	
	2006/07	2005/06	2006/07	2005/06
Primary segment - activities				
Net turnover	4,194.0	3,963.9	217.9	298.8
Internal turnover	(25.6)	(26.0)	(10.6)	(11.5)
External turnover	4,168.4	3,937.9	207.3	287.3
Gross profit	1,960.0	1,862.2	93.6	96.2
Depreciations and amortisations	(241.3)	(211.6)	(4.6)	(10.7)
Impairment losses recognized in the profit and loss account	(3.0)	(10.0)	-	-
Operating profit (EBIT)	488.8	397.8	41.2	41.1
Result from investments in associates	0.3	(1.0)	(1.4)	-
Result before tax				
Result for the year				
Non-current assets	1,238.2	1,048.0	27.8	78.9
Current assets	1,632.5	1,749.5	57.8	85.1
Total assets	2,870.7	2,797.5	85.6	164.0
Equity	1,810.1	1,818.6	65.2	80.3
Non-current liabilities	289.2	303.2	0.3	41.1
Current liabilities	771.4	675.7	20.1	42.6
Total equity and liabilities	2,870.7	2,797.5	85.6	164.0
Capital additions	359.2	357.9	8.5	7.3
Investments in associates	6.3	6.0	9.5	-
Average number of employees:				
Denmark	1,764	1,702	39	166
Abroad	597	616	3	1
	2,361	2,318	42	167

Parantheses denote negative figures or figures to be deducted.

	Unallocated items		Other/eliminations		Bang & Olufsen a/s Group	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
	-	-	(36.2)	(37.5)	4,375.7	4,225.2
	-	-	36.2	37.5	-	-
	-	-	-	-	4,375.7	4,225.2
	-	-	(15.9)	(14.3)	2,037.7	1,944.1
	-	-	-	-	(245.9)	(222.3)
	-	-	-	-	(3.0)	(10.0)
	-	-	-	-	530.0	438.9
	-	-	-	-	(1.1)	(1.0)
					524.4	430.7
					372.5	296.0
	35.0	28.8	(51.5)	(60.2)	1,249.5	1,095.5
	27.0	16.6	(1.8)	(31.6)	1,715.5	1,819.6
	62.0	45.4	(53.3)	(91.8)	2,965.0	2,915.1
	(141.9)	(96.6)	(51.5)	(60.2)	1,681.9	1,742.1
	81.6	63.7	-	-	371.1	408.0
	122.3	78.3	(1.8)	(31.6)	912.0	765.0
	62.0	45.4	(53.3)	(91.8)	2,965.0	2,915.1
	-	-	-	-	367.7	365.2
	-	-	-	-	15.8	6.0
	-	-	-	-	1,803	1,868
	-	-	-	-	600	617
	-	-	-	-	2,403	2,485

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	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Scandinavia	2,127.5	2,187.5	307.6	275.3	884.4	935.2
Central Europe	123.5	127.2	8.2	0.8	941.5	854.6
Rest of Europe	623.0	549.1	47.2	79.2	1,813.5	1,654.1
North America	33.5	40.8	3.5	2.4	271.3	303.1
Asia	43.2	6.4	1.2	7.5	378.0	334.2
Rest of the world	14.3	4.1	-	-	87.0	144.0
Total	2,965.0	2,915.1	367.7	365.2	4,375.7	4,225.2
Export share					85 %	82 %

	Group		Parent company	
(DKK million)	2006/07	2005/06	2006/07	2005/06
Notes ...				
4 ... **Net turnover**				
Geografical break down				
Denmark	661.5	742.2	966.7	914.1
Norway	73.0	65.2	-	-
Sweden	130.1	114.8	-	-
Finland	19.8	13.0	-	-
Scandinavia	884.4	935.2	966.7	914.1
Germany	592.3	505.2	-	-
Switzerland	281.1	276.9	-	-
Austria	68.1	72.5	-	-
Central Europe	941.5	854.6	-	-
The UK	570.2	549.9	-	-
France	211.3	202.7	-	-
Spain/Portugal	278.6	251.6	-	-
Italy	227.0	217.0	-	-
Belgium	107.7	95.6	-	-
Holland	271.8	291.3	-	-
Rest of Europe	146.9	46.0	-	-
Rest of Europe	1,813.5	1,654.1	-	-
USA	271.3	303.1	-	-
North America	271.3	303.1	-	-
Japan	68.6	67.7	-	-
Singapore	66.5	54.1	-	-
Rest of Asia	242.9	212.4	-	-
Asia	378.0	334.2	-	-
Middle East	63.1	39.6	-	-
Rest of the world	23.9	104.4	-	-
Rest of the world	87.0	144.0	-	-
Total	**4,375.7**	**4,225.2**	**966.7**	**914.1**
Break down by categories				
Sales of goods	4,318.2	4,173.6	-	-
Rendering of services	33.5	24.8	245.9	154.7
Royalty	23.0	26.8	642.8	681.8
Rental income from investment property	1.0	-	78.0	77.6
Total	**4,375.7**	**4,225.2**	**966.7**	**914.1**

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06

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:

	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Development costs				
Expensed development costs before capitalisation	493.5	510.8	507.1	503.2
Of which capitalised	(142.2)	(165.1)	(132.1)	(147.5)
Amortisations and impairment losses on development projects	107.5	97.2	89.9	83.7
Development costs recognized in the profit and loss account	458.8	442.9	464.9	439.4

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:

	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Production costs	0.8	0.8	4.1	5.5
Development costs	110.2	89.7	92.4	75.8
Distribution and marketing costs	0.9	1.4	-	-
Administration costs etc.	3.7	4.8	0.4	0.4
	115.6	96.7	96.9	81.7

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

	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Development costs	-	10.0	-	10.0
	-	10.0	-	10.0

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:

	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Production costs	101.1	95.3	17.9	12.1
Development costs	5.9	13.5	2.6	8.2
Distribution and marketing costs	10.4	13.8	-	-
Administration costs etc.	9.1	2.9	1.4	1.0
	126.5	125.5	21.9	21.3

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

	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
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.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Notes ...				
5 ... **Expences, further information (continued)**				
Investment property				
Depreciations of investment property are recognized in the following items in the profit and loss account:				
Production costs	3.7	0.1	6.3	6.9
Development costs	0.1	-	0.9	1.0
Administration costs etc.	-	-	0.5	0.6
	3.8	0.1	7.7	8.5
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	2.8	2.8	2.8	2.8
Remuneration to the Board of Management	7.5	6.9	7.5	6.9
Share-based payment	21.7	22.0	9.4	14.5
Wages, salaries and fees	823.0	791.3	271.2	252.0
Pensions	60.3	50.5	29.9	22.9
Other statutory contributions	35.9	42.3	2.5	4.8
	951.2	915.8	323.3	303.9
Average number of full-time employees:				
Denmark	1,803	1,868	708	671
Abroad	600	617	-	-
	2,403	2,485	708	671
Employee costs are recognized in the following items in the profit and loss account:				
Production costs	391.3	284.1	95.5	89.2
Development costs	225.1	270.0	217.3	204.5
Distribution and marketing costs	275.2	286.6	-	-
Administration costs etc.	59.6	75.1	10.5	10.2
	951.2	915.8	323.3	303.9

(DKK million)

Notes ...

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

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

Group

	2006/07			2005/06		
	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	2.8	7.5	5.1	2.8	6.9	4.7
Bonus	-	-	1.2	-	-	0.9
Pensions	-	-	0.6	-	-	0.4
Share-based payment	-	7.2	1.7	-	4.7	0.9
	2.8	14.7	8.6	2.8	11.6	6.9

Parent company

	2006/07			2005/06		
	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	2.8	7.5	2.6	2.8	6.9	2.4
Bonus	-	-	0.6	-	-	0.4
Pensions	-	-	0.3	-	-	0.2
Share-based payment	-	7.2	1.0	-	4.7	0.5
	2.8	14.7	4.5	2.8	11.6	3.5

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, 2007, the total pool of options totals 193,500 options, which can be exercised in the period 2007-2011. Exercise of the share options is dependent on the owner of the option still being in employment 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 Copenhagen Stock Exchange, 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 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 2005	93,000	29,688	122,688	323	August 2002 - August 2009
Exercised 2005/06	-	(5,076)	(5,076)	270	August 2002 - August 2006
Exercised 2005/06	(13,750)	(4,257)	(18,007)	305	August 2003 - August 2007
Exercised 2005/06	-	(2,647)	(2,647)	177	August 2004 - August 2008
Exercised 2005/06	(10,000)	-	(10,000)	201	August 2002 - August 2006
Allocated 2005/06	750	-	750	305	August 2003 - August 2007
Allocated 2005/06	70,000	15,500	85,500	*513	August 2007 - August 2010
Outstanding 31 May 2006	140,000	33,208	173,208	430	August 2003 - August 2010

As at 31 May, 2006, the share options are divided as follows:

Qualification period:					
Financial year 2002/03	-	1,236	1,236	305	August 2003 - August 2007
Financial year 2003/04	-	972	972	177	August 2004 - August 2008
Financial year 2004/05	70,000	15,500	85,500	*360	August 2006 - August 2009
Financial year 2005/06	70,000	15,500	85,500	*513	August 2007 - August 2010
Outstanding 31 May 2006	140,000	33,208	173,208	430	August 2003 - August 2010

Share options, Bang & Olufsen Group					
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

* 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 the period 23 August, 2006 to 30 April, 2007	620

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

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

	2006/07	2005/06
The following amounts regarding the share option programme have been recognized as part of the employee costs in the Group	9.1	5.8

The recognition according to the Black-Scholes model for determining the value of options is based on the following conditions:	2006/07	2005/06
Expected volatility	29.7 %	21.8 %
5 year risk-free interest rate	3.64 %	2.75 %

In 2006/07 and 2005/06 an average addition for the Bang & Olufsen a/s share of 2.50 % and 2.74 % 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 698 as at 31 May, 2007 the equity value totals DKK 24.3 million. The closing rate as at 31 May, 2006 was 684 corresponding to a calculated equity value of DKK 43.3 million.

(DKK million)

Notes ...

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

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, 2007, the pool of unexercised options totals 167,000 options, which can be exercised in the period 2007-2011.

Share options, Bang & Olufsen a/s	Board of Management	Other directors	Total number of shares	Exercise price per option	Exercise period
Outstanding 1 June 2005	93,000	14,328	107,328	331	August 2002 - August 2009
Exercised 2005/06	-	(2,329)	(2,329)	270	August 2002 - August 2006
Exercised 2005/06	(13,750)	(2,460)	(16,210)	305	August 2003 - August 2007
Exercised 2005/06	-	(1,567)	(1,567)	177	August 2004 - August 2008
Exercised 2005/06	(10,000)	-	(10,000)	201	August 2002 - August 2006
Allocated 2005/06	750	-	750	305	August 2003 - August 2007
Allocated 2005/06	70,000	7,000	77,000	*513	August 2007 - August 2010
Outstanding 31 May 2006	140,000	14,972	154,972	435	August 2004 - August 2010

As at 31 May, 2006, the share options are divided as follows:

Qualification period:					
Financial year 2003/04	-	972	972	177	August 2004 - August 2008
Financial year 2004/05	70,000	7,000	77,000	*360	August 2006 - August 2009
Financial year 2005/06	70,000	7,000	77,000	*513	August 2007 - August 2010
Outstanding 31 May 2006	140,000	14,972	154,972	435	August 2004 - August 2010

Share options, Bang & Olufsen a/s

Outstanding 1 June 2006	140,000	14,972	154,972	435	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	-	2,000	2,000	*525	August 2007 - August 2010
Allocated 2006/07	70,000	18,000	88,000	*615	August 2007 - August 2010
Outstanding 31 May 2007	140,000	27,000	167,000	572	August 2004 - August 2010

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

* 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 the period 23 August, 2006 to 30 April, 2007	616

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

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

	2006/07	2005/06
The following amounts regarding the share option programme have been recognized as part of the employee costs in the parent company:	8.2	5.2

The recognition according to the Black-Scholes model for determining the value of options is based on the following conditions:

	2006/07	2005/06
Expected volatility	29.7 %	21.8 %
5 year risk-free interest rate	3.64 %	2.8 %

In 2006/07 and 2005/06 an average addition for the Bang & Olufsen a/s share of 2.50 % and 2.74 % 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 698 as at 31 May, 2007 the equity value totals DKK 21.0 million. The closing rate as at 31 May, 2006 was 684 corresponding to a calculated equity value of DKK 38.6 million.

Employee shares, Group

The period 1 June 2006 to 31 May 2007:
In the fall of 2006 the employees in the Danish companies in the Bang & Olufsen Group were granted employe 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 calender year after the grant. Thus, the employee shares can not be sold or in other ways be at the employees disposal in 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. The fair value is calculated as of 21 August, which was the date of the grant. The fair value corresponds to the quotation for the shares on the grant date.

	2006/07
The discount element per employee share is DKK 609.00, which is recognized in the profit and loss account.	
The following amount regarding the employee shares has been recognized in the Group:	10.8

The period 1 June 2005 to 31 May 2006:
In the fall of 2005 the employees in the Dansih companies of the Bang & Olufsen Group were offered the opportunity of subscriping employee shares in Bang & Olufsen a/s. Each employee had the opportunity to subscribe to a number of employee shares based on senoirity.

The subscription price for the employee shares was DKK 150.00 per share. The employee shares are according to Danish legislation placed in closed depots until the end of the fifth calender year after the subscription. Thus, the employee shares can not be sold in other ways be at the employees disposal in the five years.

The employee shares were subscribed by capital increase.

(DKK million)

Notes ...

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

The employees in the Group subscribed 36,685 shares corresponding to 0.28 % of the share capital in Bang & Olufsen a/s. The subscribed employee shares had a weighted average fair value of DKK 449.00. The weighted average fair value was calculated based on the fair value of the employee shares on the date each employee accepted the Group's offer. The discount element per employee share was DKK 315.00, which was recognized in the profit and loss account.

The fair value was calculated on the basis of the Black-Scholes model for determining the value of options. The fact that the employees are entitled to receive dividend of the shares while the shares are in closed depots were taken into account when calculating the fair value.

The calculation of the fair value of the employees shares were based on the following conditions:	2005/06
Expected volatility	21.8 %
Risk-free interest rate	2.9 %

For 2005/06 an average dividend for the Bang & Olufsen a/s share for the previous five years 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.	2005/06
The following amount regarding the employee shares has been recognized in the Group:	11.5

Employee shares, parent company

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 amounts have been expensed regarding the employee shares:	4.1

The period 1 June 2005 to 31 May 2006:
The employees in Bang & Olufsen a/s subscribed 13,376 employee shares corresponding to 0.11 % of the share capital. The subscribed employee shares had a weighted average fair value of DKK 450.00. The weighted average fair value was calculated based on the fair value of the employee shares at the time each employee accepted the Group's offer. The discount element per employee share was DKK 330.00, which was recognized in the profit and loss account.

The fair value has been calculated on the basis of the Black-Scholes model for determining the value of options. The fact that the employee is entitled to receive dividend when the employee shares are in closed depots has been taken into account when calculating the fair value.

The calculations of the fair value of the employee shares were based on the following conditions:	2005/06
Expected volatility	21.8 %
Risk-free interest rate	2.9 %

For 2005/06 an average dividend for the Bang & Olufsen a/s share for the previous five years 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.	2005/06
The following amount regarding the employee shares have been recognized in the parent company:	4.4

Notes ...	(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
6 ...	**Dividend**				
	Dividend received from subsidiaries			189.0	200.0
7 ...	**Financial income**				
	Interest income from banks etc.	7.0	9.3	4.6	7.6
	Interest income from subsidiaries	-	-	9.9	2.1
	Exchange rate gains, net	-	-	29.1	2.0
	Other financial income	8.7	8.4	0.5	1.7
	Financial income	15.7	17.7	44.1	13.4
8 ...	**Financial costs**				
	Interest costs on mortgage loans	10.0	6.0	6.8	5.8
	Interest costs on bank loans etc.	6.4	6.7	4.2	4.5
	Interest costs to subsidiaries	-	-	12.1	7.7
	Exchange rate losses, net	7.6	9.5	-	-
	Other financial costs	7.7	2.7	2.2	1.9
	Financial costs	31.7	24.9	25.3	19.9
9 ...	**Tax on result for the year**				
	Parent company:				
	Current tax	(5.5)	(2.1)	(5.5)	(2.1)
	Change in deferred tax	16.0	13.8	16.0	13.8
	Adjustment to previous years, current tax	2.1	(3.6)	2.1	(3.6)
	Adjustment to previous years, deferred tax	0.9	2.0	0.9	2.0
	Total, parent company	13.5	10.1	13.5	10.1
	Subsidiaries:				
	Current tax	145.3	117.9	-	-
	Change in deferred tax	(5.9)	11.8	-	-
	Tax deducted at source, current year	2.2	-	-	-
	Adjustment to previous years, current tax	(3.1)	9.3	-	-
	Adjustment to previous years, deferred tax	(0.1)	(14.4)	-	-
	Total, subsidiaries	138.4	124.6	-	-
	Tax on result for the year, total	151.9	134.7	13.5	10.1
	Tax on result for the year is recognized as follows:				
	Tax recognized in the profit and loss account	151.9	134.7	13.5	10.1

Parantheses denote negative figures or figures to be deducted.

	Group		Parent company	
(DKK million)	2006/07	2005/06	2006/07	2005/06

Notes ...

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

Tax on result for the year can be detailed as follows:

	2006/07	2005/06	2006/07	2005/06
Calculated 28 % tax of result before tax	146.8	120.6	67.3	65.2
Tax effect of:				
Non-deductible costs and non-taxable income	(13.1)	0.5	(3.9)	(0.3)
Differing tax rate in foreign subsidiaries	12.3	13.8	-	-
Adjustment of tax relating to previous years	3.8	(4.4)	3.0	(1.6)
Non-capitalised tax losses	(0.1)	2.4	-	-
Foreign tax deducted at source	2.2	-	-	-
Non-taxable dividend from subsidiaries	-	-	(52.9)	(51.1)
Other	-	1.8		(2.1)
	151.9	134.7	13.5	10.1
Danish Income tax rate	28.0 %	28.0 %	28.0 %	28.0 %
Tax effect of:				
Non-deductible costs and non-taxable income	(2.5 %)	(0.1 %)	(1.6 %)	(0.1 %)
Differing tax rate in foreign subsidiaries	2.4 %	3.2 %	-	-
Adjustment of tax relating to previous years	0.7 %	(1.0 %)	1.2 %	(0.7 %)
Non-capitalised tax losses	-	0.6 %	-	-
Foreign tax deducted at source	0.4 %	-	-	-
Non-taxable dividend from subsidiaries	-	-	(22.0 %)	(22.0 %)
Other	-	0.5 %	-	(0.9 %)
The year's average effective tax rate	29.0 %	31.2 %	5.6 %	4.3 %

The weighted tax percentage equals 29.0 % (31.2 % in 2005/06). The decrease is primarily owing to a difference in the accounting and tax treatment of the gain on sale of shares in a subsidiary. Income tax paid in the parent company including tax paid on account amounts to DKK 81.1 million. The parent company pays current tax for jointly taxed Danish companies.

Parantheses denote negative figures or figures to be deducted.

Notes	(DKK million)	Group 2006/07	2005/06
10 ...	**Minority interests' share of result for the year**		
	Bang & Olufsen ICEpower a/s	2.9	2.0
	OÜ BO-Soft	2.2	-
	Minority interests' share of result for the year	5.1	2.0

Notes	(DKK million)	Group 2006/07	2005/06
11 ...	**Earnings per share**		
	Result for the year	372.5	296.0
	Minority interests' share of result for the year	(5.1)	(2.0)
	Result for the year attributable to the share holders	367.4	294.0
	Average number of shares	12,329,417	12,437,357
	Average number of own shares	(646,242)	(564,975)
	Average number of circulating shares	11,683,175	11,872,382
	Average number of dilutive share options outstanding	10,933	41,676
	Average number of circulating shares	11,694,108	11,914,058
	Earnings per share, DKK	31.4	24.8
	Diluted earnings per share, DKK	31.4	24.7
	Earnings per share from continuing operations, DKK	31.4	24.8
	Diluted earnings per share from continuing operations, DKK	31.4	24.7

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 2006/07 or 2005/06.

In the period until 1 August 2007 the average number of circulating shares is unchanged.

Parantheses denote negative figures or figures to be deducted.

NOTES TO THE BALANCE SHEET

(DKK million)

Notes ...

12 ... **Intangible assets**

Group	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost price 1 June, 2005	19.3	98.5	764.0	81.9	963.7
Amortisations and impairment losses 1 June, 2005	-	(84.2)	(587.7)	-	(671.9)
Carrying amount 1 June, 2005	19.3	14.3	176.3	81.9	291.8
Cost price 1 June, 2005	19.3	98.5	764.0	81.9	963.7
Exchange rate adjustment to year-end rate	(0.3)	(0.1)	-	-	(0.4)
Reclassification	(1.0)	1.0	-	-	-
Additions during the year	-	6.3	68.2	96.9	171.4
Disposals during the year	-	(1.1)	(49.5)	-	(50.6)
Completed development projects	-	-	69.0	(69.0)	-
Cost price 31 May, 2006	18.0	104.6	851.7	109.8	1,084.1
Amortisations and impairment losses 1 June, 2005	-	(84.2)	(587.7)	-	(671.9)
Exchange rate adjustment to year-end rate	-	0.1	-	-	0.1
Amortisations during the year	-	(9.5)	(87.2)	-	(96.7)
Reversed amortisations on disposals during the year	-	1.1	49.5	-	50.6
Impairment losses during the year	-	-	(10.0)	-	(10.0)
Amortisations and impairment losses 31 May, 2006	-	(92.5)	(635.4)	-	(727.9)
Carrying amount 31 May, 2006	18.0	12.1	216.3	109.8	356.2
Cost price 31 May, 2006	18.0	104.6	851.7	109.8	1,084.1
Amortisations and impairment losses 31 May, 2006	-	(92.5)	(635.4)	-	(727.9)
Carrying amount 31 May, 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
Exchange rate adjustment to year-end rate	-	-	-	-	-
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	1,101.2
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	1,101.2
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

The addition to goodwill relates 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, 2005	3.2	70.5	-	-	73.7
Amortisations and impairment losses 1 June, 2005	-	(60.1)	-	-	(60.1)
Carrying amount 1 June, 2005	3.2	10.4	-	-	13.6
Cost price 1 June, 2005	3.2	70.5	-	-	73.7
Additions during the year, intra-group	-	14.7	657.6	71.8	744.1
Additions during the year	-	4.1	54.1	93.4	151.6
Disposals during the year	-	-	(105.8)	-	(105.8)
Completed development projects	-	-	64.8	(64.8)	-
Cost price 31 May, 2006	3.2	89.3	670.7	100.4	863.6
Amortisations and impairment losses 1 June, 2005	-	(60.1)	-	-	(60.1)
Additions during the year, intra-group	-	(12.9)	(506.7)	-	(519.6)
Amortisations during the year	-	(8.0)	(73.7)	-	(81.7)
Reversed amortisations on disposals during the year	-	-	105.8	-	105.8
Impairment losses during the year	-	-	(10.0)	-	(10.0)
Amortisations and impairment losses 31 May, 2006	-	(81.0)	(484.6)	-	(565.6)
Carrying amount 31 May, 2006	3.2	8.3	186.1	100.4	298.0
Cost price 31 May, 2006	3.2	89.3	670.7	100.4	863.6
Amortisations and impairment losses 31 May, 2006	-	(81.0)	(484.6)	-	(565.6)
Carrying amount 31 May, 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

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, 2005	496.3	1,069.0	200.8	60.6	53.4	1,880.1
Depreciations and impairment losses 1 June, 2005	(213.8)	(867.5)	(151.1)	(30.7)	-	(1,263.1)
Carrying amount 1 June, 2005	282.5	201.5	49.7	29.9	53.4	617.0
Cost price 1 June, 2005	496.3	1,069.0	200.8	60.6	53.4	1,880.1
Correction to opening balance	-	-	-	(0.4)	-	(0.4)
Exchange rate adjustment to year-end rate	-	-	(0.1)	(1.1)	0.3	(0.9)
Transferred to non-current assets held for sale	(1.1)	-	-	-	-	(1.1)
Additions during the year	67.6	40.1	28.4	6.9	50.8	193.8
Completed assets	5.8	39.5	0.9	-	(46.2)	-
Disposals during the year	-	(99.7)	(9.7)	(5.5)	(9.2)	(124.1)
Cost price 31 May, 2006	568.6	1,048.9	220.3	60.5	49.1	1,947.4
Depreciations and impairment losses 1 June, 2005	(213.8)	(867.5)	(151.1)	(30.7)	-	(1,263.1)
Correction to opening balance	-	-	-	0.4	-	0.4
Exchange rate adjustment to year-end rate	0.1	-	0.3	0.5	-	0.9
Depreciations during the year	(22.1)	(76.9)	(20.0)	(6.5)	-	(125.5)
Reversed depreciations on disposals during the year	-	96.2	8.7	2.4	-	107.3
Depreciations and impairment losses 31 May, 2006	(235.8)	(848.2)	(162.1)	(33.9)	-	(1,280.0)
Carrying amount 31 May, 2006	332.8	200.7	58.2	26.6	49.1	667.4
Cost price 31 May, 2006	568.6	1,048.9	220.3	60.5	49.1	1,947.4
Depreciations and impairment losses 31 May, 2006	(235.8)	(848.2)	(162.1)	(33.9)	-	(1,280.0)
Carrying amount 31 May, 2006	332.8	200.7	58.2	26.6	49.1	667.4
Of which assets under finance leases	-	2.0	-	-	-	2.0

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, 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

Tangible assets in general

Neither in 2006/07 nor 2005/06 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 295.6 million (DKK 295.6 million in 2005/06). The cash value of property contains both land and buildings and investment property. The cost price for foreign property is DKK 99.5 million (DKK 108.6 million in 2005/06)

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, 2005	185.1	11.4	70.9	1.4	0.5	269.3
Depreciations and impairment losses 1 June, 2005	(87.1)	(4.4)	(58.3)	(0.9)	-	(150.7)
Carrying amount 1 June, 2005	98.0	7.0	12.6	0.5	0.5	118.6
Cost price 1 June, 2005	185.1	11.4	70.9	1.4	0.5	269.3
Reclassification	-	(4.1)	4.1	-	-	-
Additions during the year, intra-group	-	11.1	46.3	-	0.4	57.8
Additions during the year	1.1	3.3	15.0	-	4.1	23.5
Completed assets	-	0.8	-	-	(0.8)	-
Disposals during the year	-	(0.2)	(2.1)	-	(0.1)	(2.4)
Cost price 31 May, 2006	186.2	22.3	134.2	1.4	4.1	348.2
Depreciations and impairment losses 1 June, 2005	(87.1)	(4.4)	(58.3)	(0.9)	-	(150.7)
Reclassification	-	3.9	(3.9)	-	-	-
Additions during the year, intra-group	-	(8.9)	(31.0)	-	-	(39.9)
Depreciations during the year	(8.1)	(1.8)	(11.1)	(0.3)	-	(21.3)
Reversed depreciations on disposals during the year	-	0.1	2.0	-	-	2.1
Depreciations and impairment losses 31 May, 2006	(95.2)	(11.1)	(102.3)	(1.2)	-	(209.8)
Carrying amount 31 May, 2006	91.0	11.2	31.9	0.2	4.1	138.4
Cost price 31 May, 2006	186.2	22.3	134.2	1.4	4.1	348.2
Depreciations and impairment losses 31 May, 2006	(95.2)	(11.1)	(102.3)	(1.2)	-	(209.8)
Carrying amount 31 May, 2006	91.0	11.2	31.9	0.2	4.1	138.4
Of which assets under finance leases	-	0.1	-	-	-	0,1

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
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	-	-	-	-	-	-

Tangible assets in general

Neither in 2006/07 nor 2005/06 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 241.6 million (DKK 241.7 million in 2005/06). The cash value of property contains both land and buildings and investment property.

Assets under finance leases

The assets under finance leases consist solely of trucks 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)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Notes ...				
14 ... **Investment property**				
Cost price 1 June	1.3	1.3	196.2	193.9
Depreciations and impairment losses 1 June	(0.6)	(0.5)	(108.8)	(100.3)
Carrying amount 1 June	0.7	0.8	87.4	93.6
Cost price 1 June	1.3	1.3	196.2	193.9
Transferred to/from land and buildings	79.0	-	(13.9)	-
Additions during the year	-	-	3.1	2.3
Completed assets	-	-	0.7	-
Disposals during the year	-	-	(5.0)	-
Cost price 31 May	80.3	1.3	181.1	196.2
Depreciations and impairment losses 1 June	(0.6)	(0.5)	(108.8)	(100.3)
Transferred to/from land and buildings	(19.5)	-	9.8	-
Depreciations during the year	(3.8)	(0.1)	(7.7)	(8.5)
Reversed depreciations on disposals during the year	-	-	4.0	-
Depreciations and impairment losses 31 May	(23.9)	(0.6)	(102.7)	(108.8)
Carrying amount 31 May	56.4	0.7	78.4	87.4
Cost price 31 May	80.3	1.3	181.1	196.2
Depreciations and impairment losses 31 May	(23.9)	(0.6)	(102.7)	(108.8)
Carrying amount 31 May	56.4	0.7	78.4	87.4

The Group's investment property is a house that is used only for rental, and the property that is used by the associate 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 1.6 million have been received in the fourth quarter of 2006/07. In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 0.9 million.

The property is leased on a contract with a remaining duration of 48 months. According to the existing leases a rental income of DKK 6.2 million will be received in 2007/08.

Investment property, parent company
In 2006/07 DKK 42.8 million have been received in rental income from the investment property (DKK 47.1 million in 2005/06). In the same period the direct operating expenses regarding the investment property that generated rental income were DKK 20.8 million (DKK 23.0 million in 2005/06).

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 10.9 million in the 3 months that 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

In 2006/07 no impairment losses on completed development projects have been recognized. Due to the technological development, an impairment loss of DKK 10.0 million on completed development projects were recognized in 2005/06.

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

Parent company

In 2006/07 no impairment losses on completed development projects have been recognized. Due to the technological development, an impairment loss of DKK 10.0 million on completed development projects were recognized in 2005/06.

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

Tangible assets – impairment losses during the year

Group

In 2006/07 an impairment loss of DKK 3.0 million (DKK 0.0 million in 2005/06) has been recognized on tangible non-current assets.

The impairment loss has been recognized in connection with the purchase of 5 shops in Germany in May, 2007, so that the purchased assets are measured at expected sales price.

Financial assets – impairment losses during the year

Parent company

In 2006/07 no impairment losses on investments in associates have been recognized. In 2005/06 an impairment loss of DKK 17.0 million on investments in associates were recognized.

The investment in associates that was impaired, was the investment in John Bjerrum Nielsen A/S. The total impairment loss was recognized as impairment of investments in associates. The investments in associates are recognized as part of the Branded business segment.

The impairment loss was recognized due to the fact that the company had generated a loss in the last annual report and uncertainty as to whether future positive cash flows would be generated from the investment.

The determination of the recoverable amount of the investment was based on the estimated value in use of the investment. The value in use was calculated based on the expected future dividend payments from John Bjerrum Nielsen A/S, and a discount rate before tax of 10 %.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Notes ...				
16 ... **Investments in subsidiaries**				
Cost price 1 June			728.2	862.7
Additions during the year			-	-
Disposals during the year			(5.6)	(134.5)
Cost price 31 May			722.6	728.2

For a list of subsidiaries please refer to note 46.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
17 ... **Investments in associates**				
Cost price 1 June	17.0	17.0	-	17.0
Additions during the year, transferred investment	2.0	-	2.0	-
Impairment losses during the year	-	-	-	(17.0)
Cost price 31 May	19.0	17.0	2.0	-
Value adjustment 1 June	(11.0)	(10.0)	-	-
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	(1.1)	(1.0)	-	-
Value adjustment 31 May	(3.2)	(11.0)	-	-
Carrying amount 31 May	15.8	6.0	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 %	49.5	22.4	8.0	27.1	(3.9)	9.5	(1.4)
John Bjerrum Nielsen A/S, Bramming	33 %	45.0	26.1	10.0	18.9	0.9	6.3	0.3

For Bang & Olufsen Medicom a/s the result for the year comprises the three months where Bang & Olufsen Medicom a/s has been an associate in the Bang & Olufsen a/s Group. For John Bjerrum Nielsen A/S the result for the year comprises the result for twelwe months.

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

18 ... **Deferred tax assets**

Group	Non-current assets	Inven-tories	Receivables	Provisions	Unused tax losses	Other	Total
Deferred tax assets 1 June, 2005	14.3	(2.7)	3.8	22.8	6.2	-	44.4
Recognized in the profit and loss account	(7.1)	3.0	0.2	(12.0)	0.3	-	(15.6)
Deferred tax assets 31 May, 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
Parent company							
Deferred tax assets 1 June, 2005	5.0	(3.3)	-	2.3	-	-	4.0
Tranferred to deferred tax	(5.0)	3.3	-	(2.3)	-	-	(4.0)
Deferred tax assets 31 May, 2006	-	-	-	-	-	-	-
Recognized in the profit and loss account	-	-	-	-	-	-	-
Deferred tax assets 31 May, 2007	-	-	-	-	-	-	-

Deferred tax assets relate to the subsidiaries in Denmark, Holland, Norway, Germany, the UK, France, Italy, Spain and Singapore. Deferred tax assets have been calculated, based on local tax rates. Deferred tax assets relating to the subsidiaries in the US and the Australian subsidiary in New Zealand have not been recognized. The unrecognized deferred tax assets amounts to DKK 92.5 million (DKK 88.7 million in 2005/06). The basis for the unrecognized deferred tax assets is tax losses of DKK 237.3 million (DKK 224.6 million in 2005/06).

	Group		Parent company	
	2006/07	2005/06	2006/07	2005/06
19 ... **Other financial receivables**				
Other financial receivables (gross) 1 June	50.6	47.1	-	-
Exchange rate adjustment to year-end rate	(0.4)	(0.4)	-	-
Movements during the year	55.2	3.9	0.2	-
Other financial receivables (gross) 31 May	105.4	50.6	0.2	-
Write-down for expected losses 1 June	(14.2)	(18.4)	-	-
Exchange rate adjustment to year-end rate	0.1	0.2	-	-
Change in write-down during the year	(5.4)	3.9	-	-
Actual losses during the year	2.3	0.1	-	-
Write-down for expected losses 31 May	(17.2)	(14.2)	-	-
Other financial receivables (net) 31 May	88.2	36.4	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 fair value of other financial receivables in the Group amounts to DKK 87.8 million (DKK 33.9 million in 2005/06). The fair value has been calculated based on the present value of the future expected cash flow from the receivables.

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Notes ...				
20 ... **Inventories**				
Raw materials	147.2	161.1	-	-
Work in progress	40.4	48.3	-	-
Spare parts	142.3	121.8	-	-
Finished goods	364.4	236.2	0.4	0.2
Inventories 31 May	694.3	567.4	0.4	0.2
The following amounts of the carrying amount are expected to be realised after more than 12 months:				
Spare parts	75.9	54.6	-	-
Inventories 31 May	75.9	54.6	-	-

The reason, why a large part of the spare parts is expected to be realised after 12 months, is 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.

	Group 2006/07	Group 2005/06
Carrying amount of inventories carried at net realisable value	-	-
Stock consumption recognized as part of production costs during the year	1,870.4	1,925.2
Write-down of inventories recognized as part of production costs during the year	21.0	35.8
Reversal of write-down of inventories recognized as part of production costs during the year	14.8	14.9

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

21 ... **Trade receivables**

	Group 2006/07	Group 2005/06
Trade receivables (gross) 31 May	796.1	711.5
Write-down for expected losses 1 June	(56.4)	(53.5)
Exchange rate adjustment to year-end rate	0.8	-
Change in write-down during the year	(11.7)	(11.7)
Actual losses during the year	14.4	8.8
Write-down for expected losses 31 May	(52.9)	(56.4)
Trade receivables (net) 31 May	743.2	655.1

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 fair value of trade receivables in the Group amounts to DKK 743.2 million (DKK 655.1 million in 2005/06).
The carrying amount of receivables 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.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06

Notes ...

22 ... **Receivables from subsidiaries**

Receivables from subsidiaries (net) 31 May			255.2	156.8

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 255.2 million (DKK 156.8 million in 2004/05).
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**

Receivables from associates (net) 31 May	1.8	-	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 amounts to DKK 1.8 million (DKK 0.0 million in 2005/06). The carrying amount of receivables that fall due within 1 year is expected to be a reasonable approximation of the fair value.

24 ... **Income tax receivable**

Income tax receivable 1 June	16.6	22.6	14.8	-
Exchange rate adjustment to year-end rate	(0.1)	(0.8)	-	-
Adjustment previous years	(0.1)	(7.9)	(2.2)	(0.2)
The year’s current tax incl. jointly taxed subsidiaries	-	0.8	5.5	2.1
Corrections	-	0.6	-	-
Income tax paid during the year	17.0	1.3	10.3	75.1
Income tax refunded during the year	(1.6)	-	-	(31.5)
Transferred from Income tax	-	-	-	(30.7)
Transferred to Income tax	(4.8)	-	-	-
Income tax receivable 31 May	27.0	16.6	28.4	14.8

DKK 0.0 million of the income tax receivable in the Group are expected to be received after 1 year (DKK 0.0 million in 2005/06).
DKK 0.0 million of the income tax receivable in the parent company are expected to be received after 1 year (DKK 0.0 million in 2005/06).

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06

Notes ...

25 ... **Other receivables**

Value added tax receivable	3.5	16.4	-	10.0
Other receivables	26.5	35.0	3.3	2.6
Other receivables 31 May	30.0	51.4	3.3	12.6

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 30.0 million (DKK 51.4 million in 2005/06), while the fair value in the parent company amounts to DKK 3.3 million (DKK 12.6 million in 2005/06). The carrying amount of receivables that fall due within one year is expected to be a reasonable approximation of the fair value.

26 ... **Non-current assets classified as held for sale**

Non-current assets classified as held for sale consist of the following assets:				
Tangible assets	-	1.1		

The tangible asset that is classified as held for sale is part of the existing land in Bang & Olufsen Medicom a/s. The sale has taken place in the current financial year. The decision to sell the asset did not necessitate the recognition of impairment losses relating to the asset. The tangible asset is recognized as part of the non-branded business segment.

27 ... **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	11.2	10.8	11.2
10,995,795 ordinary shares of DKK 10.00	110.0	113.3	110.0	113.3
	120.8	124.5	120.8	124.5

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	1,119,910	1,119,910	1,119,910	1,119,910
Annulment of shares	(34,367)	-	(34,367)	-
Number of ordinary shares (multiple voting shares) 31 May	1,085,543	1,119,910	1,085,543	1,119,910
Number of ordinary shares 1 June	11,331,015	11,294,330	11,331,015	11,294,330
Annulment of shares	(335,220)	-	(335,220)	-
Subscription of employee shares	-	36,685	-	36,685
Number of ordinary shares 31 May	10,995,795	11,331,015	10,995,795	11,331,015

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06

Notes ...

27 ... **Share capital (continued)**

Number of own shares:				
Ordinary shares (multiple voting shares)	-	34,367	-	34,367
Ordinary shares	619,923	635,220	619,923	635,220
	619,923	669,587	619,923	669,587
Nominal value in DKK million	6.2	6.7	6.2	6.7
% of share capital, year-end	5.1	5.4	5.1	5.4

193,500 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	389,085	255,583	389,085	255,583
Nominal value in DKK million	3.9	2.6	3.9	2.6
% of share capital, year-end	3.2	2.1	3.2	2.1
Total acquisition sum DKK million	271.3	148.9	271.3	148.9

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	69,162	21,475	69,162	21,475
Nominal value in DKK million	0.7	0.2	0.7	0.2
% of share capital, year-end	0.6	0.2	0.6	0.2
Total acquisition sum DKK million	18.5	5.3	18.5	5.3

In 2006/07 69,162 own ordinary shares were used. Of these 51,429 were used for share based programmes and 17,733 have been granted as employee shares.

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.

28 ... **Retained earnings**

In the 2006/07 financial year DKK 199.2 million have been paid as dividend corresponding to DKK 16.00 per share (DKK 148.9 million corresponding to DKK 12.00 per share in 2005/06). On the Annual General Meeting 28 September 2007 a dividend for the financial year 2006/07 of DKK 241.6 million corresponding to DKK 20.00 per share will be proposed. The proposed dividend is not incorporated in the annual report.

29 ... **Minority interests**

	Group 2006/07	Group 2005/06
Balance 1 June	4.1	2.1
Minority interests' share of result for the year	5.1	(1.7)
Paid dividend	(1.0)	-
Transferred to other receivables	-	3.7
Option for minority interest	(2.2)	-
Balance 31 May	6.0	4.1

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

30 ... **Pensions**

Defined contribution plans:
In defined contribution plans Bang & Olufsen recognises the premium payments (e.g. a fixed amount or a fixed percentage of the salary) for independent insurance companies, which are responsible for the pension obligations in the profit and loss account. 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 65.5 million (DKK 47.2 million in 2005/06) have been recognized in the profit and loss account as costs related to defined contribution plans. In the parent company DKK 29.9 million (DKK 22.9 million in 2005/06) 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 8.6 million (DKK 14.3 million in 2005/06) 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 1.2 million (DKK 3.3 million in 2005/06) have been recognized in the profit and loss account regarding defined benefit plans. Added to this is the gain of DKK 6.5 million obtained in connection with the settlement of the defined benefit plan in Holland. In total, a net income of DKK 5.3 million is recognized in the Group financial statement regarding defined benefit plans.

	Group	
	2006/07	2005/06
Present value of defined benefit obligation	28.1	56.8
Fair value of the plan assets	(18.1)	(39.7)
Unrecognized actuarial gains and losses	(1.4)	(2.8)
Defined benefit plans 31 May, net	8.6	14.3
Of which included as part of the liabilities	9.7	15.5
Of which included as part of the assets	(1.1)	(1.2)
Development in the present value of the defined benefit obligation:		
Present value of the defined benefit obligation 1 June	56.8	20.6
Adjustment, beginning of the year due to business acquisition	-	33.0
Exchange rate adjustment to year-end rate	(0.4)	0.1
Contribution regarding the current year	0.8	2.4
Interest costs	1.0	2.3
Actuarial gains and losses	(0.2)	(1.4)
Settlement of defined benefit plan	(29.7)	-
Benefits paid	(0.2)	(0.2)
Present value of the defined benefit obligation 31 May	28.1	56.8
Defined benefit obligation from plans that are wholly unfunded	(4.0)	(3.9)
Defined benefit obligation from plans that are wholly or partly funded	24.1	52,9

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Notes ...				
30 ... **Pensions (continued)**				
Development in the fair value of the plan assets regarding defined benefit plans:				
Fair value of the plan assets 1 June	39.7	13.6		
Adjustment, beginning of the year due to business acquisition	-	26.6		
Exchange rate adjustment to year-end rate	(0.3)	0.1		
Expected return on plan assets	0.8	1.9		
Actuarial gains and losses	(0.8)	(4.9)		
Disposal of assets in connection with settlement of defined benefit plan	(21.7)	-		
Administration costs	-	(0.4)		
Benefits paid	(0.1)	(0.1)		
Contributions by the employer	0.5	2.9		
Present value of the plan assets 31 May	18.1	39.7		
Amounts recognized in the profit and loss account:				
Contribution regarding the current year	0.8	2.3		
Interest costs on the obligation	1.0	2.3		
Expected return on plan assets	(0.8)	(1.9)		
Recognized actuarial gains and losses	0.2	0.2		
Gain on settlement of defined benefit plan	(6.5)	-		
Administration costs	-	0.4		
Total amount recognized for defined benefit plans	(5.3)	3.3		
Total amount recognized for defined contribution plans	65.6	47.2	29.9	22.9
Total amounts recognized in the profit and loss account, cf. note 5	60.3	50.5	29.9	22.9
Actual return on plan assets regarding the defined benefit plans	-	(3.0)		

The defined benefit plan in Germany is partly funded in an independent pension fund. As at 31 May, 2007, the actuarially calculated net obligation is recognized in the Group's balance sheet at DKK 5.7 million (DKK 5.3 million in 2005/06). The net obligation is calculated as the present value of the future payments of DKK 12.8 million (DKK 12.1 million in 2005/06) less the fair value of the pension fund's assets DKK 7.1 million (DKK 6.8 million in 2005/06). The actuarial calculation is based on a calculation rate of 4.25 % p.a., an expected rate of salary increase of 2 % p.a. and an expected rate of return on plan assets of 4 % p.a. In the Group's profit and loss account the defined benefit plan is recognized as an expense of DKK 0.5 million (DKK 0.5 million in 2005/06).

The defined benefit plan in Norway is also partly funded in an independent pension fund. As at 31 May, 2007 the actuarially calculated net receivable is recognized in the Group's balance sheet at DKK 1.1 million (DKK 1.2 million in 2005/06). The net receivable is calculated as the fair value of the plan assets of DKK 7.7 million (DKK 7.7 million in 2005/06) less the present value of the future payments of DKK 7.8 million (DKK 7.6 million in 2005/06) and added unrecognized actuarial losses of DKK 1.2 million (DKK 1.1 million in 2005/06). The actuarial calculation is based on a calculation rate of 5 % p.a., an expected rate of salary increase of 3.0 % p.a. and an expected rate of return on plan assets of 6 % p.a. In the Group's profit and loss account the defined benefit plan is recognized as an expense of DKK 0.4 million (DKK 0.4 million in 2004/05).

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 ...

31 ... **Deferred tax**

Group	Non-current assets	Inven-tories	Receiv-ables	Provisions	Share based payment	Other	Total
Deferred tax 1 June, 2005	62.5	(0.5)	(0.1)	2.2	-	1.4	65.5
Recognized in the profit and loss account	15.3	2.5	(0.2)	(8.7)	(2.4)	(2.1)	4.4
Recognized directly in equity	-	-	-	-	(6.2)	-	(6.2)
Deferred tax 31 May, 2006	77.8	2.0	(0.3)	(6.5)	(8.6)	(0.7)	63.7
Recognized in the profit and loss account	0.8	-	-	-	-	-	0.8
Disposal of activity	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

Parent company	Non-current assets	Inven-tories	Receiv-ables	Provisions	Share based payment	Other	Total
Deferred tax 31 May, 2005	-	-	-	-	-	-	-
Transferred from deferred tax assets	(5.0)	3.3	-	(2.3)	-	-	(4.0)
Addition due to business combination	61.6	-	-	(2.1)	-	-	59.5
Effect of changes to accounting principles applied	-	(2.5)	-	-	-	-	(2.5)
Recognized in the profit and loss account	17.7	(0.7)	-	2.9	(2.4)	(1.6)	15.9
Recognized in the equity	-	-	-	-	(6.2)	-	(6.2)
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

Deferred tax has been calculated, using local tax rates.

32 ... **Provisions**

	Group 2006/07	Group 2005/06
Provisions for warranty 1 June	68.4	60.0
Exchange rate adjustment to year-end rate	(0.4)	(0.3)
Provisions during the year	62.9	50.5
Provisions used during the year	(46.7)	(40.3)
Provisions reversed during the year	(0.2)	(1.5)
Provisions reversed at sale of Bang & Olufsen Medicom a/s	(0.2)	-
Provisions for warranty 31 May	83.8	68.4
Provisions for fairness 1 June	34.1	41.4
Exchange rate adjustment to year-end rate	(0.3)	(0.2)
Provisions during the year	4.1	11.8
Provisions used during the year	(9.3)	(9.6)
Provisions reversed during the year	(3.8)	(7.8)
Change in the calculation of present value during the year	0.7	(1.5)
Provisions for fairness 31 May	25.5	34.1

Parantheses denote negative figures or figures to be deducted.

(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
Notes ...				
32 ... **Provisions (continued)**				
Provisions for jubilee benefits 1 June	15.2	13.1	4.8	1.6
Exchange rate adjustment to year-end rate	(0.1)	-	-	-
Provisions during the year	1.4	2.9	0.5	3.4
Provisions used during the year	(1.0)	(0.8)	(0.2)	(0.3)
Provisions reversed during the year	(2.9)	(0.5)	(0.8)	-
Provisions reversed at sale of Bang & Olufsen Medicom a/s	(0.5)	-	-	-
Change in the calculation of present value during the year	0.5	0.5	0.2	0.1
Provisions for jubilee benefits 31 May	12.6	15.2	4.5	4.8
Provision for other non-current obligations 1 June	5.3	-		
Provisions during the year	3.1	5.3		
Provision for other non-current obligations 31 May	8.4	5.3		
Provisions 31 May	130.3	123.0	4.5	4.8
The expected due date of the provisions for warranty obligations is as follows:				
Falls due within 1 year	24.3	20.0		
Falls due 1 - 5 years	59.5	40.4		
Falls due after 5 years	-	8.0		
Provisions for warranty obligations 31 May	83.8	68.4		
The expected due date of the provisions for fairness obligations is as follows:				
Falls due within 1 year	7.6	10.3		
Falls due 1 - 5 years	17.8	23.7		
Falls due after 5 years	0.1	0.1		
Provisions for fairness obligations 31 May	25.5	34.1		
The expected due date of the provisions for jubilee benefits is as follows:				
Falls due within 1 year	0.8	0.8	0.2	0.2
Falls due 1 - 5 years	3.5	4.2	1.4	1.7
Falls due after 5 years	8.3	10.2	2.9	2.9
Provisions for jubilee benefits 31 May	12.6	15.2	4.5	4.8
The expected due date of the provisions for other non-current obligations is as follows:				
Falls due within 1 year	0.6	-		
Falls due 1 - 5 years	7.3	5.3		
Falls due after 5 years	0.5	-		
Provisions for other non-current obligations 31 May	8.4	5.3		

Parantheses denote negative figures or figures to be deducted.

(DKK million)

Notes ...

32 ... **Provisions (continued)**

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 109.3 million (DKK 102.5 million in 2005/06) regarding expected warranty and fairness claims have been recognized. The provision is based on previous experience relating to the level of repair and returned goods.

The specification of the expected due date is based on previous experience regarding the timing of claims and returns, if any.

No reimbursements will be received regarding the provisions.

33 ... **Current and non-current financial liabilities**

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 5.9 - 6.4 %	29.4	44.1	-	44.1
Fixed rate loans, interest rate level 4.0 - 5.0 %	17.0	68.1	78.3	146.4
Other bank loans	39.5	-	-	-
Carrying amount 31 May, 2007	85.9	112.2	78.3	190.5
Fixed rate loans, interest rate level 5.9 - 6.4 %	29.4	73.4	-	73.4
Fixed rate loans, interest rate level 4.0 - 5.0 %	16.9	68.0	95.5	163.5
Carrying amount 31 May, 2006	46.3	141.4	95.5	236.9
Parent company				
Financial liabilities:				
Fixed rate loans, interest rate level 5.9 - 6.4 %	29.4	44.1	-	44.1
Fixed rate loans, interest rate level 4.0 - 5.0 %	8.0	32.0	16.0	48.0
Other bank loans	39.2	-	-	-
Carrying amount 31 May, 2007	76.6	76.1	16.0	92.1
Fixed rate loans, interest rate level 5.9 - 6.4 %	29.5	73.4	-	73.4
Fixed rate loans, interest rate level 4.0 - 5.0 %	8.0	32.0	24.0	56.0
Carrying amount 31 May, 2006	37.5	105.4	24.0	129.4

The fair value of the current and non-current financial liabilities in the Group amounts to DKK 274.6 million (DKK 281.9 million in 2005/06), while the fair value in the parent company amounts to DKK 168.7 million (DKK 166.9 million in 2005/06).
The present 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 (continued)**

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, 2007	0.4	0.2	0.6
Carrying amount 31 May, 2006	1.4	0.7	2.1
Parent company			
Carrying amount 31 May, 2007	-	-	-
Carrying amount 31 May, 2006	0.1	-	0.1

Neither in the Group nor in the parent company contingent leases have been recognized as an expense in 2006/07 or 2005/06.

None of the assets under finance leases have been subleased. Thus, at the balance sheet date, no non-cancellable subleases, from which sublease payments are received, exist - neither in the Group nor 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.

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

Group	Falls due 1 - 5 years	Falls due after 1 year, total
Accrued deposit	2.4	2.4
Other non-current liabilities	3.7	3.7
Carrying amount 31 May, 2007	6.1	6.1
Carrying amount 31 May, 2006	-	-
Parent company		
Other non-current liabilities	3.4	3.4
Carrying amount 31 May, 2007	3.4	3.4
Carrying amount 31 May, 2006	-	-

The fair value of other non-current liabilities in the Group amounts to DKK 4.9 million (DKK 0.0 million in 2005/06), while the fair value in the parent company amounts to DKK 2.7 million (DKK 0.0 million in 2005/06). The fair value is calculated as the present value of the expected future interest and capital repayments.

	Group		Parent company	
(DKK million)	2006/07	2005/06	2006/07	2005/06

Notes ...

35 ... **Income tax**

Accrued Income tax 1 June	78.3	72.0	-	30.7
Exchange rate adjustment to year-end rate	(0.1)	(0.1)	-	-
Tax deducted at source	-	3.9	-	-
Adjustment previous years	(3.1)	(11.3)	-	-
The year's current tax incl. jointly taxed subsidiaries	139.7	112.9	-	-
Income tax paid during the year	(87.4)	(130.7)	-	-
Other	(0.3)	-	-	-
Received income tax receivable	-	31.6	-	-
Transferred to income tax receivable	(4.8)	-	-	(30.7)
Accrued income tax 31 May	122.3	78.3	-	-

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 2005/06). 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 2005/06).

36 ... **Other payables**

Payroll-related items	118.3	125.9	37.0	38.6
Taxes and duties	48.0	72.1	33.7	-
Phantom shares	1.9	4.8	1.9	4.8
Other payables	188.0	158.6	46.6	44.6
Other payables 31 May	356.2	361.4	119.2	88.0

All other payables fall due within one year.

The fair value of other payables in the Group amounts to DKK 356.2 million (DKK 361.4 million in 2005/06), while the fair value in the parent company amounts to DKK 119.2 million (DKK 88.0 million in 2005/06). 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 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
37 ...	**Adjustments**				
	Change in provisions	4.5	10.2	(0.3)	(0.3)
	Financial income etc.	(15.7)	(17.7)	(44.1)	(13.4)
	Financial costs etc.	31.7	24.9	25.3	19.9
	Share in associates' result after tax	1.1	1.0	-	-
	Gain on sale of non-current assets	-	3.3	1.2	-
	Gain on disposal of activities	(11.5)	-	(27.1)	-
	Tax on result for the year	151.9	134.7	13.5	10.1
	Various adjustments	0.6	5.7	12.8	13.8
		162.6	162.1	(18.7)	30.1
38 ...	**Change in working capital**				
	Change in receivables	(93.2)	(122.0)	(94.8)	(62.6)
	Change in inventories	(131.4)	(112.8)	(0.2)	-
	Change in accounts payables etc.	82.4	46.6	36.9	(14.1)
		(142.2)	(188.2)	(58.1)	(76.7)
39 ...	**Acquisitions of activities**				
	Inventories	-	(24.9)	-	-
	Tangible non-current assets	-	(8.6)	-	-
	Deferred tax assets	-	(0.8)	-	-
	Prepayments	-	(0.1)	-	-
	Provisions	-	6.7	-	-
		-	(27.7)	-	-

In 2006/07 the company has acquired a development activity in Estonia. The effect of the acquisition is immaterial to the Group financial statement.

Notes ...	(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
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 and cash equivalents	196.4	502.5	5.3	306.1
	Other bank loans	(39.5)	-	(39.2)	-
	Cash and cash equivalents 31 May	156.9	502.5	(33.9)	306.1

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**	2006/07	2005/06	2006/07	2005/06
Statutory audit				
Deloitte	4.1	3.8	0.5	0.5
Fees to the auditors, elected at the Annual General Meeting	4.1	3.8	0.5	0.5
Other services				
Deloitte	1.3	0.9	0.4	0.2
Other services, total	1.3	0.9	0.4	0.2
Fees to the auditors, elected at the Annual General Meeting, total	5.4	4.7	0.9	0.7

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 difference 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. Non of the agreements cause limitations in the Group's or the parents company's rights of disposal.

Leasing commitments relating to plant and machinery etc.	35.4	32.9	18.8	18.7
Leasing commitments relating to establishment of shops	185.6	210.5	-	-
Leasing commitments relating to office and factory property	45.8	53.8	6.3	8.3
Total	266.8	297.2	25.1	27.0
Which can be specified as follows:				
for payment within 1 year	68.8	70.9	13.0	12.6
for payment between 1 and 5 years	159.1	181.6	12.1	14.4
for payment after 5 years	38.9	44.7	-	-
Total	266.8	297.2	25.1	27.0
Rental and leasing costs for the year	70.6	48.7	21.4	20.5
Of which minimum rent and lease payments	70.6	48.7	21.4	20.5
Expected future income from non-cancellable sublease agreements, total	6.6	-	-	-

Neither in the Group nor in the parent company contingent rents have been recognized in the profit and loss account in 2006/07 or 2005/06.

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 no non-cancellable lease agreements regarding operating leases, from which sublease payments are received, exist in the Group or the parent company.

Notes ...	(DKK million)	Group 2006/07	Group 2005/06	Parent company 2006/07	Parent company 2005/06
43 ...	**Contingent liabilities and other financial commitments (continued)**				
b ...	Guarantees				
	Total guarantees as at 31 May	18.0	18.9	2.6	2.7

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 foreign subsidiaries' bank connections for:			-	13.1
	Bank debt as at 31 May			0.0	0.0

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

d ... Joint taxation

The Danish companies in the Group are jointly taxed.

e ... VAT and other taxes

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

f ... Security for mortgage debt

Security of DKK 185.8 million (DKK 272.4 million as at 31 May, 2006) has been given in land and buildings for the Group's mortgage debt of DKK 236.9 million (DKK 283.2 million as at 31 May, 2006). Security of DKK 142 million (DKK 228.6 million as at 31 May, 2006) has been given in land and buildings and investment property for the parent company's mortgage debt of DKK 168.7 million (DKK 166.9 million as at 31 May, 2006). 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 building is DKK 221.1 million (DKK 258.7 million as at 31 May, 2006), while the carrying amount in the parent company is DKK 167.8 million (DKK 178.4 million as at 31 May, 2006). 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' mortage loan of DKK 41.6 million a statement has been made to Nykredit Realkredit a/s, that the loan can be called for, if a shareholder obtains controlling influence in Bang & Olufsen a/s.

The loan of initially DKK 74.5 million from Danske Bank to Bang & Olufsen s.r.o, with a carrying amount of DKK 59.6 million as of 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.

g ... 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 lawsuits, 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:

		2006/07			2005/06		
Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	500.3	178.1	322.2	504.7	113.5	391.2
	> 12 months	31.9	3.8	28.1	2.8	0.3	2.5
GBP	0-12 months	125.9	34.6	91.3	171.4	40.4	131.0
	> 12 months	44.7	-	44.7	-	-	-
SEK	0-12 months	48.5	11.7	36.8	28.4	4.7	23.7
JPY	0-12 months	16.2	2.3	13.9	22.6	3.2	19.4
	> 12 months	-	-	-	0.8	-	0.8
CHF	0-12 months	55.8	6.7	49.1	47.4	9.1	38.3
USD	0-12 months	96.2	51.5	44.7	56.1	48.4	7.7
	> 12 months	12.9	3.0	9.9	0.5	-	0.5
CZK	0-12 months	9.4	26.9	(17.5)	-	8.6	(8.6)
	> 12 months	3.2	59.6	(56.4)	-	8.6	(8.6)
SGD	0-12 months	33.1	4.8	28.3	24.0	5.5	18.5
	> 12 months	0.3	-	0.3	1.4	-	1.4
AUD	0-12 months	20.3	16.1	4.2	13.6	12.0	1.6
Other	0-12 months	23.5	5.7	17.8	20.1	5.3	14.8
	> 12 months	4.1	-	4.1	-	-	-

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

Currency	Payment/maturity	Assets	Liabilities	Net	Assets	Liabilities	Net
EUR	0-12 months	27.9	6.4	21.5	83.0	1.1	81.9
GBP	0-12 months	15.7	0.1	15.6	25.4	-	25.4
SEK	0-12 months	-	0.6	(0.6)	6.5	0.2	6.3
JPY	0-12 months	-	0.1	(0.1)	5.4	-	5.4
CHF	0-12 months	8.3	-	8.3	5.0	-	5.0
USD	0-12 months	4.5	1.9	2.6	5.5	1.3	4.2
CZK	0-12 months	1.7	-	1.7	-	-	-
SGD	0-12 months	5.7	-	5.7	-	-	-
AUD	0-12 months	0.2	-	0.2	4.2	-	4.2
Other	0-12 months	-	1.6	(1.6)	2.6	-	2.6

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

Hedging

There are no material forward contracts in the Group and the parent company as at 31 May, 2007 (DKK 0.1 million). There were no forward contracts in the Group and the parent company as at 31 May, 2006.

Parantheses denote negative figures or figures to be deducted.

(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 associates, 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, 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	**Group**		**Parent company**	
The transactions with the subsidiaries and the associates have included the following:	2006/07	2005/06	2006/07	2005/06
Purchase of raw materials from associates	47.9	41.8	-	-
Rendering of services from associates	0.6	-	-	-
Rendering of services and subsidies to associates	3.4	-	3.4	-
Rendering of services from subsidiaries	-	-	68.9	70.0
Rendering of services to subsidiaries	-	-	234.8	227.0
Royalty income from subsidiaries	-	-	642.8	681.8
Rental income from subsidiaries	-	-	78.0	77.6

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 of the outstanding balances is shown in notes 7 and 8. The terms of payment on the outstanding accounts regarding purchase of goods are end of 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 2006/07 or 2005/06.

Other transactions

Bang & Olufsen a/s has received DKK 189.0 million as dividend from the subsidiaries (DKK 200.0 million in 2005/06).
No dividend has been received from the associates in 2006/07 (DKK 0.0 million in 2005/06).

Bang & Olufsen a/s has guaranteed 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	39,050,000	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 %	
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.

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

Printing: datagraf a/s