BANG & OLUFSEN A/S GROUP

ANNUAL REPORT 2013/14

01 JUNE 2013 – 31 MAY 2014

BANG & OLUFSEN

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ABOUT BANG & OLUFSEN

The Bang & Olufsen Group designs and develops high-quality, innovative sound and picture solutions for its customers, whether they are in their home, driving their car, staying at a luxury hotel or are on the move, by combining design and technology in new and meaningful ways.

Bang & Olufsen was founded in Struer, Denmark, in 1925 by Peter Bang and Svend Olufsen, two innovative, young engineers devoted to high quality audio reproduction. Since then, the brand has become an icon of performance and design excellence through its longstanding craftsmanship tradition and the strongest possible commitment to high-tech research and development. Still at the forefront of domestic technology, Bang & Olufsen's current product range epitomizes seamless media experiences in the home as well as in the car and on the move.

At the end of the financial year, Bang & Olufsen employed 2,347 people while the company's products are currently sold in more than 70 countries across the world. Bang & Olufsen's shares are listed on NASDAQ OMX Copenhagen A/S.

Core competencies

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

Business areas

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

The B2C business area consists of the AV and the B&O PLAY segments. The AV business comprises audio and video products sold under the Bang & Olufsen brand in more than 700 stores. The B&O PLAY brand delivers stand-alone, portable products distributed through Bang & Olufsen's dedicated stores as well as through third party retailers and online.

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

LETTER TO OUR SHAREHOLDERS

2013/14 has been an eventful year for Bang & Olufsen, and a year where the company has demonstrated its leadership position within product innovation and design and the first indications of a successful turnaround emerged.

The 2013/14 financial year marks the last year of the first phase of the "Leaner, Faster, Stronger" strategy. Over the past three years, the company's product portfolio has undergone significant change. With a revitalized product portfolio under the Bang & Olufsen brand, the launch of an entirely new product portfolio under the B&O PLAY brand and multiple strong product introductions in the Automotive segment, the company now has the strongest product portfolio in many years.

Bang & Olufsen's retail network has also undergone significant change, with a focus on fewer, more productive stores in Europe, and with a solid foundation for growth established in China. B&O PLAY has built a significant presence in third party channels across the world as well as online. The commercial impact from this expansion is slowly but surely emerging.

At the same time, the Automotive business has continued on a growth trajectory and ICEpower has, after a couple of transition years, proven strong growth to high-end audio brands outside the Bang & Olufsen Group.

These and many other initiatives create a solid foundation for Bang & Olufsen to move to the second phase of the "Leaner, Faster, Stronger" strategy, where the main focus will be to create profitable growth over the next three years.

The revenue increased by 2 per cent in the 2013/14 financial year and the earnings before interest and tax (EBIT) were positive DKK 3 million against negative EBIT of DKK 187 million last year. The improved results were driven primarily by the moderate revenue growth and an improved gross margin combined with tight cost control.

New and innovative products

Bang & Olufsen launched a number of new and innovative products during 2013/14, which were well received by the market. Products were launched across all segments in the Group and all products build on Bang & Olufsen's unique competencies within acoustics, design and craftsmanship.

With the launch of the Immaculate Wireless Sound speaker range, a result of the strategic focus on "Acoustics as our Hero", Bang & Olufsen confirmed the company's leading position within high-end acoustics. All four wireless speakers launched in 2013/14 demonstrate Bang & Olufsen's ability to combine high quality acoustics with beautiful design. Especially the BeoLab 18, which builds on the design-heritage from the iconic BeoLab 8000 that sold more than 600,000 units since the launch in 1992, has received a tremendous amount of positive attention from media and customers, and has been a strong contributor to the growth in the second half of the year.

In May 2014, Bang & Olufsen launched the BeoVision Avant. The TV combines cutting edge technology and beautiful design. In addition, the BeoVision Avant is evidence of the company's strengthened and more efficient innovations process established over the past three years, which enables the company to deliver high-quality, innovative products with fully up-to-date technology at an attractive price-value proposition to its customers.

The retail network
After a period of significant change, 2013/14 was the year where the company's journey towards a retail network of fewer, more profitable stores started to pay off. The same-store-sales growth was 4 per cent for B1-shops and 2 per cent for shop-in-shops, indicating that the retail stores are slowly but surely starting to grow and thereby establishing a stronger foundation for delivering high quality experiences to our customers. To ensure that the strengthened retail network also delivers high quality customer service, a structured customer satisfaction index has been implemented and become an integrated part of the performance measurement internally in the company.

2013/14 was also the year where revenue through third party channels significantly increased. This was especially driven by strong demand for the BeoPlay H3 and H6 headphones, which were launched late in the 2012/13 financial year. At the end of the financial year, the B&O PLAY products were sold in more than 1,000 third party retail stores across the world, exposing a large amount of potential customers to Bang & Olufsen's unique capabilities within acoustics, design and craftsmanship.

Employees and organisation
Bang & Olufsen's employees are an essential part of the company's success and continued development. During the year, the company continued to take steps to build stronger competencies and processes and strengthen general management capabilities and establish a strong team of future managers. The determination to optimize the global footprint, and strengthen diversity in the team to reflect the future demands of the business, continues. At the end of the financial year, Bang & Olufsen had 2,347 employees worldwide.

Strengthening of management
Changes occurred to the Board of Directors and Executive Management during the year. At the Annual General Meeting in September, Alberto Torres stepped down from the Board and was replaced by Majken Schultz. Executive Vice President and CFO Henning Bejer Beck resigned from his position at Bang & Olufsen and was replaced by Anders Aakær Jensen who joined Bang & Olufsen on 1 August 2014. In addition, after the end of the financial year, Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will hereafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen and COO Stefan Persson.

Dividend
Based on the company's result and to ensure sufficient funds to support the strategic initiatives, the Board of Directors proposes to the Annual General Meeting that no dividend will be paid out for the 2013/14 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results justify it.

Capital increase
After the end of the reporting period Bang & Olufsen carried out a capital increase which generated net proceeds of DKK 250 million. The proceeds will be used to accelerate the growth plan in the second phase of the strategy.

The future
The 2014/15 financial year is the first year of the second phase in the "Leaner, Faster, Stronger" strategy. With many of the company's legacy issues fixed, the focus for the second phase of the strategy will be to grow Bang & Olufsen, and ensure that the company again becomes a profitable business, offering an attractive return to the shareholders.

Best regards,

Ole Andersen	Tue Mantoni
Chairman	President & CEO

BeoSound Essence

With BeoSound Essence one touch is all it takes to turn on the tunes and enjoy premium-quality dgitial music. It is a simple approach to accessing digital music possibilities whether they are in the cloud or on a smart phone or tablet.

KEY FIGURES

Bang & Olufsen a/s – Group (DKK million)	2013/14	2012/13*	2011/12	2010/11	2009/10
Income statement					
Revenue	2,864	2,814	3,008	2,867	2,762
Gross margin, %	42.8	38.9	40.4	40.3	39.4
Earnings before interest, taxes, depreciation, amortisation and capitalisation (EBITDAC)	86	(107)	99	48	6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	345	144	379	299	212
Earnings before interest and tax (EBIT)	3	(187)	122	60	(34)
Financial items, net	(29)	(25)	(16)	(20)	(9)
Earnings before tax (EBT)	(23)	(210)	104	40	(50)
Earnings after tax	(29)	(159)	73	28	(33)
Financial position:					
Total Assets	2,892	2,757	2,892	2,508	2,562
Share capital	393	393	362	362	362
Equity	1,604	1,640	1,626	1,538	1,496
Net interest-bearing debt	374	273	248	85	84
Net working capital	657	557	613	451	477
Cash flow:					
– from operating activities	184	127	225	320	218
– from investment activities	(285)	(328)	(380)	(318)	(178)
– acquisition of tangible assets	(82)	(84)	(121)	(96)	(83)
– free cash flow	(101)	(202)	(155)	2	40
– from financing activities	64	171	134	(100)	(44)
Cash flow for the period	(37)	(30)	(21)	(98)	(4)
Key figures:					
EBITDA-margin, %	12.0	5.1	12.3	10.4	7.7
EBIT-margin, %	0.1	(6.6)	4.1	2.1	(1.2)
NIBD/EBITDA ratio	1.1	1.9	0.7	0.3	0.4
Return on assets, %	0.1	(7.6)	5.2	2.8	(1.6)
Return on invested capital, excl. goodwill, %	14.7	2.4	17.4	13.3	6.3
Return on equity, %	(1.8)	(9.7)	4.6	1.8	(2.3)
Full time employees at the end of the period	2,347	2,036	2,106	2,008	2,046
Stock related key figures:					
Earnings per share (EPS), DKK	(1)	(4)	2	1	(1)
Earnings per share, diluted (EPS-D), DKK	(1)	(4)	2	1	(1)
Price/Earnings	(84)	(13)	30	96	(59)

For definitions refer to Section 5.8

** Restated where applicable (IAS 19, Note 1.1)*

Retail experience

A purpose-built shop with Bang & Olufsen's new store concept opened in the Main Square in Herning, Denmark on 31 January 2014.

FINANCIAL REVIEW

Bang & Olufsen realized revenue of DKK 2,864 million in the 2013/14 financial year, corresponding to an increase of 2 per cent. EBIT in the fourth quarter was DKK 64 million leading to an EBIT for the year of DKK 3 million. The developments in the year demonstrated that the strategic transformation efforts and focused investments in innovation are starting to pay off. The strong product portfolio and the much improved retail network represent a strong platform for future growth as the company embarks on the second phase of its strategy.

Revenue

Revenue in Bang & Olufsen Group was DKK 2,864 million in 2013/14, which is DKK 50 million higher than last year, corresponding to an increase of 2 per cent. During the course of the financial year, especially the AV segment showed clear signs that the strategic transformation efforts and focused investment in innovations are starting to pay off.

Bang & Olufsen launched new and innovative products across all business areas. The most significant launches being the new Immaculate Wireless Sound speaker range (IWS) launched in October 2013 and the BeoVision Avant launched at the end of the financial year.

During the financial year, Bang & Olufsen continued the journey towards a retail network of fewer, more profitable stores. In total Bang & Olufsen closed 152 B1/SiS stores and opened 44 stores, and thereby ensured a strengthening of the profitability per store. In addition the distribution has been significantly broadened by increasing the amount of third party distributors for the B&O PLAY brand, so the number of sales points now exceeds 1,000.

Gross margin

The Group's gross margin in the 2013/14 financial year was 42.8 per cent, compared to a gross margin of 38.9 per cent last year. The gross margin improved across all business areas driven by higher margins on new products in AV and B&O PLAY, but also due to a change in product mix across all business areas.

Capacity costs

The Group's capacity costs decreased by DKK 62 million from DKK 1,284 million last year to DKK 1,222 million. The capacity costs include net non-recurring costs of DKK 5 million in the financial year, compared to DKK 40 million in the last financial year. The net non-recurring costs, include a non-recurring gain of DKK 11 million relating to a sale and leaseback of the land and production facilities owned by Bang & Olufsen s.r.o. in the Czech Republic, which were sold at the end of the third quarter.

Distribution and marketing costs increased during the financial year by DKK 26 million from DKK 755 million to DKK 781 million. The costs have increased compared to the prior year due to increased marketing activities and take-over of the distribution in China.

Administrative expenses amounted to DKK 72 million, which was a decrease of DKK 14 million compared to last year. Administration expenses were positively affected by a non-recurring gain of DKK 11 million relating to the sale and leaseback in the Czech Republic mentioned above. Adjusted for this non-recurring item administration costs were slightly lower than in the 2012/13 financial year, which was due to general cost savings.

Capitalised development costs and carrying amount
(DKK million)

2013/14	B2C	B2B	Total
Capitalised, net	178	81	259
Carrying amount, net	471	253	724

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

Development costs recognized as an expense (incl. amortization and impairment losses) were DKK 370 million against DKK 442 million last year.

Incurred development costs before capitalization were DKK 390 million compared to DKK 476 million in the 2012/13 financial year.

The capitalized development costs were DKK 259 million in the financial year, compared to DKK 251 million last year, corresponding to a capitalization rate of 66 per cent compared to 53 per cent last year. The B2B business area accounted for DKK 81 million, of which Automotive projects accounted for DKK 73 million. The high level of capitalization is due to the completion and near-completion of a number of development projects for coming product launches.

Total amortization charges and impairment losses on development projects were DKK 238 million compared to DKK 217 million last year. The net effect of capitalization was positive DKK 21 million compared to a DKK 33 million last year.

Bang & Olufsen received reimbursements of DKK 7 million from the Automotive partners relating to development projects in the 2013/14 financial year against DKK 11 million last year. The reimbursements received were offset directly against intangible assets.

Earnings before interest and tax for the 2013/14 financial year were positive DKK 3 million against negative DKK 187 million last year.

Earnings before tax were negative DKK 23 million against negative DKK 210 million last year. The Group incurred financial items of net negative DKK 29 million compared to negative DKK 25 million last year, mainly due to an adverse effect from currency rate deviations.

Development in balance sheet items and cash flow
Free cash flow in the financial year 2013/14 was negative DKK 101 million against negative DKK 202 million in the 2012/13 financial year. The investment in intangible assets was DKK 311 million, of which the main part relates to development projects, compared to DKK 263 million last year. The investment in tangible assets was DKK 82 million compared to DKK 84 million last year.

Free cash flow was also positively affected by DKK 54 million relating to sale of tools developed for and sold to Automotive partners for recent product launches. In addition there was a non-recurring positive impact from DKK 79 million from the disposal of the land and production facilities owned by Bang & Olufsen s.r.o. in the Czech Republic.

At the end of the 2013/14 financial year the Group's net working capital was DKK 657 million compared to DKK 557 million at the end of the financial year 2012/13. The increase compared to last year is primarily caused by an increase in inventories and trade receivables and was only partly offset by an increase in payables. This is to a large extent due to the launch of the BeoVision Avant late in the fourth quarter.

The net interest-bearing debt increased to DKK 374 million against DKK 273 million at the end of the 2012/13 financial year. The increase compared to last year is primarily caused by higher net working capital, and the negative net earnings.

Group equity decreased from DKK 1,640 million to DKK 1,604 million which was due to the negative earnings after tax.

The Group equity ratio was 55 per cent at the end of the 2013/14 financial year against 59 per cent at the end of the 2012/13 financial year.

Subsequent events

Following the end of the reporting period Bang & Olufsen a/s carried out a capital increase through an accelerated book-building process (refer to company announcement 14.02 of 19 June 2014). The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and was subscribed for at a price per share of DKK 66. Bang & Olufsen received net proceeds of DKK 250 million. Following registration of the capital increase, the share capital of Bang & Olufsen amounts to a nominal value of DKK 431,974,780 divided into 43,197,478 shares of DKK 10 each. Bang & Olufsen will use the net proceeds to accelerate the execution of the Group's growth plan.

On 26 June 2014 Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will herafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen, who joined Bang & Olufsen on 1 August 2014, and COO Stefan Persson.

BUSINESS AREAS

Revenue 2013/14 (2012/13 within brackets)

B2C		B2B	
DKK 2,168m (DKK 2,181m)		DKK 715m (DKK 633m)	
AV	**B&O PLAY**	**AUTOMOTIVE**	**ICEPOWER**
DKK 1,633m (DKK 1,649m)	DKK 535m (DKK 532m)	DKK 613m (DKK 546m)	DKK 102m (DKK 87m)

B2C business area

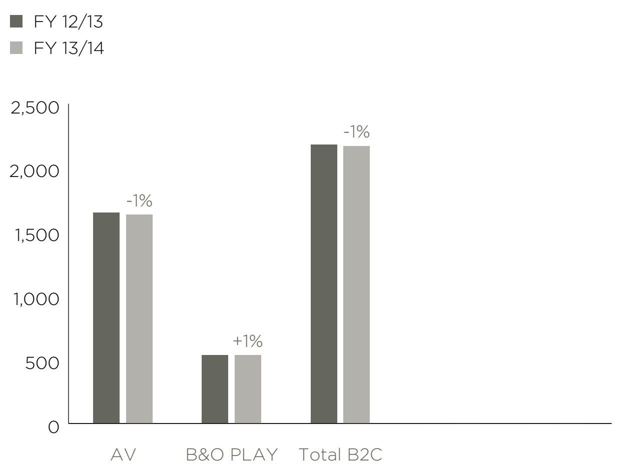
Revenue

In the 2013/14 financial year the B2C business area, consisting of the segments AV and B&O PLAY, generated a total revenue of DKK 2,168 million. Revenue declined 4 per cent during the first half of the financial year, but showed signs of positive momentum, especially in the AV segment, during the second half of the financial year, where B2C revenue increased by 3 per cent. In total the B2C revenue declined by 1 per cent compared to the last financial year.

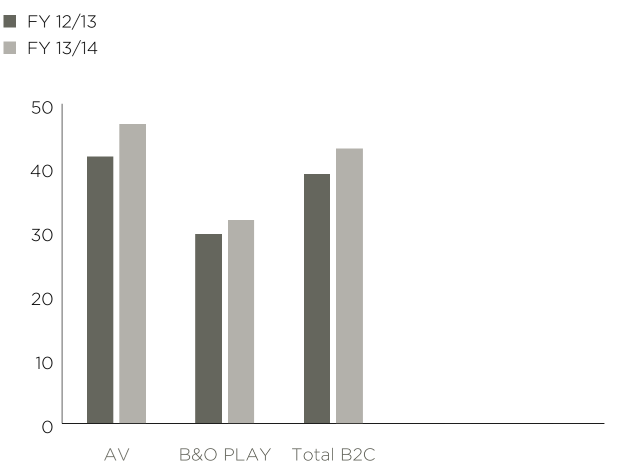
The AV segment generated revenue of DKK 1,633 million in the 2013/14 financial year against DKK 1,649 million last year, corresponding to a decline of 1 per cent. Products launched during the 2013/14 financial year, in particular the IWS speaker range, performed well and were key drivers of the positive momentum in the AV segment in the second half of the year.

During the 2013/14 financial year, B&O PLAY generated revenue of DKK 535 million against DKK 532 million

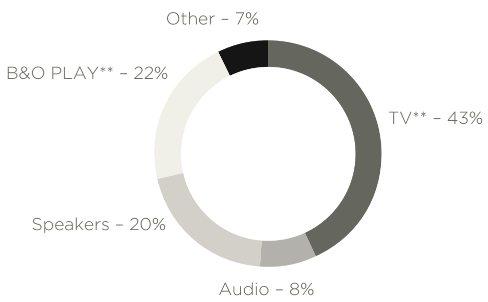
Revenue and growth by segment – B2C (DKK million)



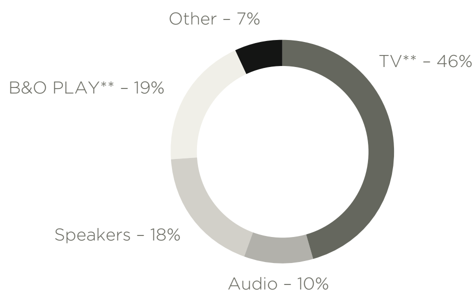
Gross margin by segment – B2C (%)



Share of revenue 2013/14 – B2C* (%)



Share of revenue 2012/13 – B2C* (%)



* *Based on B2C wholesale revenue*

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

last year. B&O PLAY showed strong growth through third party channels, which grew by 130 per cent compared to last financial year. This was driven in particular by the headphones, BeoPlay H3 and BeoPlay H6.

B&O PLAY sales through B1 stores and shop-in-shops declined by 16 per cent compared to the 2012/13 financial year.

Gross margin

The gross margin for the AV segment in the financial year was 46.8 per cent against a gross margin of 41.7 per cent in the last financial year. The gross margin increase was driven by a number of factors. Firstly, the new product launched have generally higher margin than the products they replace. Secondly, there has been a favourable shift in segment mix and product mix within the individual segments. As an example, the higher share of speaker sales has positively impacted the gross margin.

The gross margin for B&O PLAY in the 2013/14 financial year was 31.8 per cent against a gross margin of 29.6 per cent last year. The increase in gross margin was due to a change in the product mix, with headphones and audio systems comprising a higher share of the total B&O PLAY revenue.

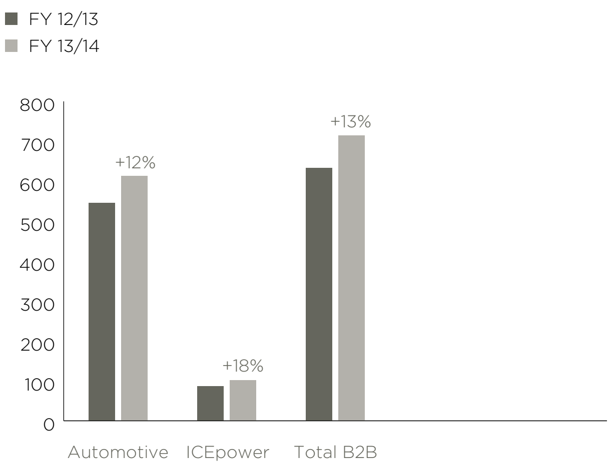
43 per cent of the B2C revenue was generated from the TV category (incl. BeoPlay V1) compared to 46 per cent in 2012/13. The BeoVision Avant was launched late in the financial year, and therefore had little impact on the overall TV sales for the financial year.

The share of revenue generated from the Audio category continued to decline, as the penetration of wireless streaming of music from online sources has reduced the demand for traditional audio systems. In April, Bang & Olufsen launched the BeoSound Essence, which has been well received, but due to the launch late in the year and the low absolute price point, it has not fully compensated for the decline in Audio revenue in the beginning of the financial year. Audio represented 8 per cent of B2C revenue in the 2013/14 financial year compared to 10 per cent last year.

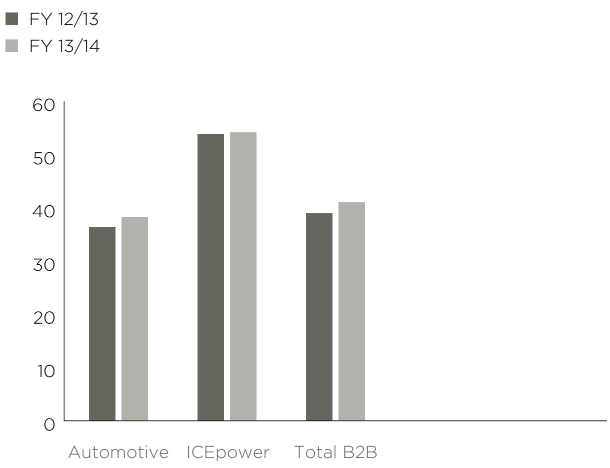
The share of revenue from speakers increased to 20 per cent of B2C revenue in 2013/14 from 18 per cent last year. The increase in the share of speakers is mainly driven by the speakers in the IWS speaker range, where especially the BeoLab 18 has been well received.

The share of revenue from B&O PLAY (excl. BeoPlay V1) increased to 22 per cent of B2C revenue from 19 per cent in 2012/13. Especially the BeoPlay A9 and the headphones H3 and H6 performed well during the financial year.

Revenue and growth by segment – B2B (DKK million)



Gross margin by segment – B2B (%)



B2B business area

Revenue

The B2B business area, consisting of the Automotive and ICEpower segments, generated revenue of DKK 715 million in the 2013/14 financial year compared to revenue of DKK 633 million last year. This corresponds to a growth of 13 per cent.

Automotive revenue was DKK 612 million in 2013/14 compared to DKK 546 million last financial year, corresponding to 12 per cent growth. Automotive hence continued to show solid growth driven by new car models launched as well as increased take-rates.

ICEpower also showed considerable growth compared to last year. Revenue was DKK 102 million in the financial year, compared to DKK 87 million in the 2012/13 financial year, corresponding to an increase of 18 per cent.

Internal revenue from ICEpower to Bang & Olufsen's other segments was DKK 13 million compared to DKK 11 million in the last financial year. ICEpower's investment in product innovation has enabled the company to grow its sales outside the Bang & Olufsen Group.

Gross margin

Automotive's gross margin in the 2013/14 financial year was 38.3 per cent, compared to a gross margin of 36.4 per cent last year. The improved gross margin was mainly driven by a changed product mix, with 2013/14 having a higher share revenue from premium audio systems than was the case in 2012/13.

ICEpower's gross margin in the 2013/14 financial year was 54.2 per cent, compared to a gross margin of 53.9 per cent last year.

RETAIL DEVELOPMENT

During the 2013/14 financial year, the focus on lifting the retail experience and creating a strong, sustainable retail network continued. Upgraded retail training programmes, innovative retail merchandising and marketing initiatives and an increased focus on the best and most productive stores contributed to an increase in sales per retailer and positive same-store-sales growth for the year.

Retail strategy

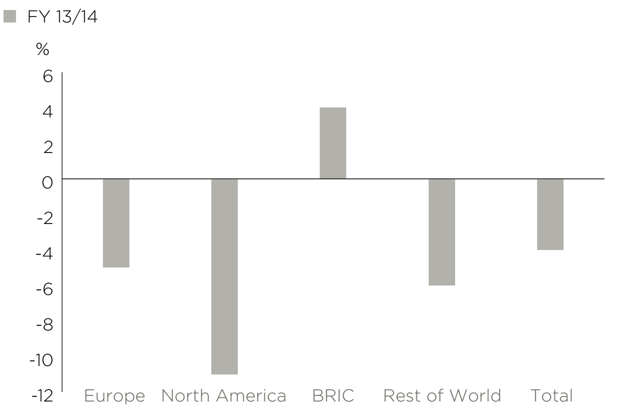
During the 2013/14 financial year, the work has continued to create a retail network of fewer, more profitable stores, which can invest in service, events, marketing, store design and other customer focused activities. The focus of the retail development work has therefore been on supporting the existing, strong stores in the retail network. In addition, the company has worked on attracting new, strong partners to areas with high potential, in particular in Europe. This has for example been done in collaboration with recruitment agencies across Europe and by participation in target group conferences such as ISE (Amsterdam, NL) and CEDIA (Denver, US).

During the year, the roll-out of the new store design has begun. The store design has a strong focus on emphasizing Bang & Olufsen's unique capabilities within acoustics, design and craftsmanship and is designed to create a truly unique shopping experience for Bang & Olufsen's customers.

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

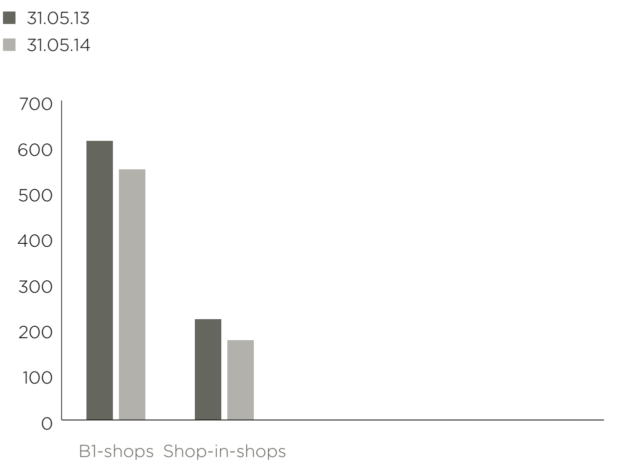
In addition to improving the company's own distribution it is a key focus area for Bang & Olufsen to increase the revenue through alternative distribution for the B&O PLAY brand. During the year, distribution agreements were signed with distributors throughout Europe and in key markets in Asia and North America.

Revenue growth by region (B2C) - excluding third party

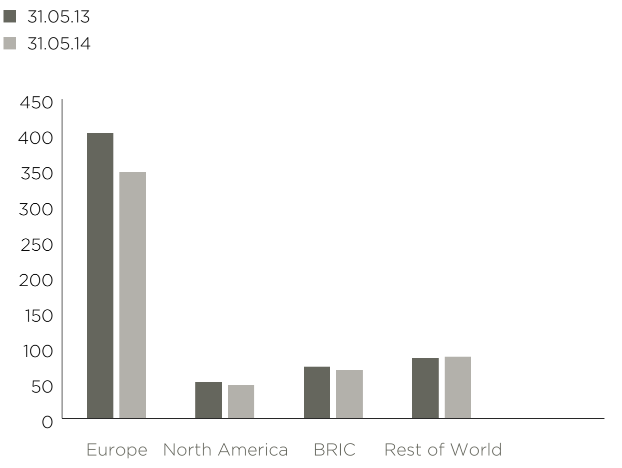


[1] Europe covers Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and United Kingdom.
[2] North America covers USA, Canada and Mexico.
[3] BRIC covers Brazil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

Number of B1-shops and shop-in-shops



B1-shops per region



B&O PLAY is now distributed in more than 1,000 third party retail stores across the world.

During the year, a new e-commerce platform has been introduced in the US so the Group now has active and consistent e-commerce platforms across Europe and the US, making it simple and easy for customers to shop B&O PLAY products online.

Development in Bang & Olufsen's revenue by region
During the 2013/14 financial year, the European region saw a decrease in revenue of DKK 66 million from DKK 1,405 million to DKK 1,339 million, corresponding to 4 per cent. The first half of the 2013/14 financial year, showed a decline in revenue of 18 per cent compared to last year. However, the second half of the financial year, showed growth in Europe of 10 per cent, which was driven by the launch of new and innovative products as well as a stabilization and an emerging strengthening of the retail network.

Revenue in North America decreased by DKK 20 million to DKK 160 million in the 2013/14 financial year. This corresponded to a decrease of 11 per cent compared to the 2012/13 financial year and was among other things due to store relocations, which are expected to result in increased revenue going forward.

BRIC revenue registered an increase of DKK 10 million, from DKK 297 million to DKK 307 million, or 4 per cent.

Revenue for the Rest of World decreased by DKK 15 million from DKK 241 million to DKK 226 million.

Revenue through third party channels was DKK 136 million compared to DKK 59 million last year, which was driven in particular by the headphones, BeoPlay H3 and BeoPlay H6.

Distribution development
During 2013/14 Bang & Olufsen continued to focus the distribution on fewer, more productive stores to enable the retail network to invest in service, events, marketing, store design and other customer focused activities, which will further strengthen the customer experience and ensure a stronger long-term growth for the retail network and Bang & Olufsen. At the end of May 2014, there were 549 B1 stores worldwide against 611 at the end of May 2013. The net movement

was a reduction of 62 stores, made up of 41 store openings and 103 store closures. The number of shop-in-shops, including the dedicated B&O PLAY stores operated by Sparkle Roll, were 175 stores worldwide at the end of May 2014 against 221 stores at the end of May 2013. The net movement was a reduction of 46 stores.

Revenue to Bang & Olufsen stores which have been in operation for more than 24 months increased by 4 per cent for B1 stores and 2 per cent for shop-in-shops.

There were 347 B1 stores in Europe at the end of May 2014, compared to 402 at the same time last year. The net movement was thus a reduction of 55 stores, made up of 16 store openings and 71 store closures.

There were 47 B1 stores in the North American region at the end of May 2014, compared to 51 at the same time last year. The net movement was thus a reduction of 4 stores, made up of 4 store openings and 8 store closures.

There were 68 B1 stores in the BRIC markets at the end of May 2014, compared to 73 at the same time last year. The net movement was thus a reduction of 5 stores, made up of 11 store openings, and 16 store closures. In the BRIC markets, there has been a significant churn in the network due to focus on building a network of more productive stores, in better locations.

At the end of the 2013/14 financial year, Sparkle Roll operated 32 dedicated B&O PLAY stores across China.

There were 87 B1 stores in the Rest of the world, compared to 85 at the same time last year. The net movement is thus an increase of 2 stores, made up of 10 store openings and 8 store closures.

INNOVATION

The launch of the award-winning wireless speaker portfolio and the BeoVision Avant confirmed Bang & Olufsen's innovation leadership position. The transformation of the R&D set-up towards a faster and more open and agile structure continued, positioning the company to continue to deliver world-class products and services to the market.

Bang & Olufsen launched many new products during the 2013/14 financial year which clearly demonstrated Bang & Olufsen's unique capabilities within acoustics, design and craftsmanship.

Bang & Olufsen launched the Immaculate Wireless Sound (IWS) speaker range, which accentuates Bang & Olufsen's strong technological and acoustical capabilities. The speakers have since they were launched, won numerous awards for their outstanding performance and excellent design. As an example, the BeoLab 18 won the "Best of Innovations" award in the category "High Performance Home Audio" at the Consumer Electronics Show (CES) in Las Vegas in January 2014.

Bang & Olufsen has committed to a newly-developed open standard promoted by WiSA, the Wireless Speaker and Audio Association. WiSA was formed to create an international standard for wireless audio technology and is the first standard to use the U-NII frequency band, offering up to 24 channels, which makes the system very robust. The WiSA standard facilitates up to a full 7.1 wireless surround sound configuration while playing an up to 96 kHz/24-bit uncompressed audio signal. The speakers offer extremely low latency, eliminating lip sync issues. All new Bang & Olufsen TV's are equipped with a WiSA compliant wireless surround sound transmitter allowing an easy set up by the customer. The WiSA standard ensures that the speakers also are compatible with non-Bang & Olufsen audio sources which are WiSA certified.

Bang & Olufsen also launched a new revolutionary TV, the BeoVision Avant 55-inch Ultra High Definition (UHD) TV. The TV accentuates Bang & Olufsen's high level of innovation. The BeoVision Avant has been conceived building on core Bang & Olufsen competences within acoustics, design and craftsmanship. The nicely orchestrated mechanical movements of speakers and stands make the Avant a perfect fit into the modern homes of our customers. At the same time, Bang & Olufsen has been able to deliver the BeoVision Avant at an attractive price positioning to the customer.

To ensure that TV and audio products continue to be up-to-date, Bang & Olufsen has made a commitment to its customers to provide regular feature and functionality enhancements through software updates. As an example, during the year, various software updates have been implemented for customers with TVs on Bang & Olufsen's latest platform (BeoPlay V1, BeoVision 11 and BeoVision 12 New Generation). These included upgrades with Spotify Connect, Deezer Music services and various other functionalities.

Over the last couple of years Bang & Olufsen has made significant investment to map out how people live with digital music and how music consumption has changed since the arrival of digital music and streaming services. As a result, BeoSound Essence was launched in April 2014, as a new sound system offering a simple and easy way to listen to music from all the music sources, be it in the cloud, on the NAS server, from an internet radio station or streaming from a smart phone or tablet.

Product launches in FY 2013/2014

Q1

BEOVISION 12 NEW GENERATION

August BeoVision 12-65 New Generation has a 65-inch plasma solution controlled by the new BeoSystem 4 video engine offering exceptional connectivity and complete control from a Bang & Olufsen remote or tablet. The TV set incorporates a full 7.1 surround sound module, a number of dedicated sound modes and the new innovative TrueImageTM technology which handles the up- or down-mixing of the signal to ensure optimal use of the surround sound set-up.

BEOPLAY A9 NORDIC SKY

August BeoPlay A9 Nordic Sky Edition is a new set of covers and legs for the wireless sound system BeoPlay A9 inspired by the light and the intensity of the long Scandinavian summer nights.

AUTOMOTIVE

June Bang & Olufsen launched the BeoSound Vanquish system as standard fitment in the new Aston Martin Vanquish Volante.
The system features thirteen active speakers and more than 1,000 watts of power.

Q2

IMMACULATE WIRELESS SOUND & WISA

Bang & Olufsen launched three new speakers under its Immaculate Wireless Sound concept in the second quarter of the 2013/14 financial year. Sound that is reproduced as the artist intended has long been a Bang & Olufsen hallmark. With Immaculate Wireless Sound, Bang & Olufsen brings this tradition of acoustic authenticity into the wireless age for the first time ever.

BEOLAB 17

October BeoLab 17 is Bang & Olufsen's first compact wireless speaker. The all-digital, active speaker utilizes the new WiSA standard which makes it possible to link wirelessly to any TV, Blu-ray player or set-top box with a WiSA-compliant transmitter – for example the updated BeoVision 11 television. BeoLab 17 offers a lot of placement options.

BEOLAB 19

October BeoLab 19 is the world's first subwoofer that is compliant with the new WiSA standard. Two custom-made 8" drivers, each paired with its own dedicated 160-watt class D amplifier, are placed back to back in separate enclosures to minimize interaction. Using what Bang & Olufsen calls the Acoustic Balance Principle, the drivers operate in-phase to coordinate equal-but-opposite forces and eliminate unwanted vibrations.

BEOLAB 18

November BeoLab 18 builds on the success of the brand's iconic column speakers, but reaches into the future with all-new components, a re-engineered digital sound engine, Bang & Olufsen's new acoustic lens tweeter and the new WiSA standard for high-end wireless. The most striking visual feature is its lamella front, available in black and white composite as well as oak. BeoLab 18 has won the International CES "Best of Innovations" award in the category "High Performance Home Audio" at the Consumer Electronics Show (CES) in Las Vegas in January 2014.

AUTOMOTIVE

September Bang & Olufsen launched the Bang & Olufsen Sound System for the new Audi A3 Cabriolet. The system features 13 active loudspeakers and delivers a total output of 625 watts.

Product launches in FY 2013/2014

Q3

FORM 2i
January The classic Form 2 headphones from B&O PLAY have been updated with microphone, 3-button remote and improved comfort and renamed Form 2i. Form 2i is an ultra-light on-ear headphone with an impressive stereo sound available in a total of 6 colors.

BEOLAB TRANSMITTER 1 AND BEOLAB RECEIVER 1
January The BeoLab Transmitter 1 and the BeoLab Receiver 1 are respectively a WiSA compatible transmitter and receiver which enable wireless connection between any Bang & Olufsen sound system or television and practically all Bang & Olufsen active speakers. The launch demonstrates Bang & Olufsen's commitment to ensure that existing customers can upgrade their equipment with new exciting technology and features.

ICEPOWER
January ICEpower introduced four new powerful amplifiers utilizing the latest ICEpower technology – ideal for active subwoofers, active speakers, stereo and surround amplifiers. 300ASC, 300AC and 700ASC are additions to the ICEpower ASC Series, and 700 ASX is a cost-effective solution with the same features as other ASX modules.

BEOLINK GATEWAY
February BeoLink Gateway was launched at the Integrated Systems Europe (ISE) in February. The BeoLink Gateway hardware and software connect Bang & Olufsen products to other home automation solutions.

Q4

BEOSOUND ESSENCE
April BeoSound Essence is a new audio system where one touch is all it takes to turn on the tunes and enjoy premium-quality digital music. It is a simple approach to accessing digital music possibilities, whether they are in the cloud or on a smart phone or tablet. BeoSound Essence makes music access as easy as turning on a light switch via its wireless sound wheel, that can be placed anywhere in the room. BeoSound Essence can be combined with any pair of Bang & Olufsen active speakers.

AUTOMOTIVE
April Bang & Olufsen announced new sound systems for Audi TT and Aston Martin V8 Vantage N430.

BEOVISION AVANT
May With the innovative BeoVision Avant, Bang & Olufsen redefines the television's place in the home. Sublime Ultra High Definition (4K) video performance and jaw-dropping acoustic authenticity are built in.

BEOLAB 20
May Bang & Olufsen's latest floor speaker, BeoLab 20, is built on the WiSA standard and produces breathtaking musical clarity in a cultivated demonstration of power and control.

LIVE FOR NOW™ limited edition capsule collection
May B&O PLAY teamed up with Pepsi® to create the LIVE FOR NOW™ limited edition capsule collection, a special line of headphones that combines the sport of football, the inspiration of art and the creativity of fashion.

BEOREMOTE 1
May The new BeoRemote One introduces the "MyButtons" feature which enables the user to create up to three personalised settings available at one simple touch. A setting can include channel, volume setting and even stand and directional positioning of the TV.

CORPORATE SOCIAL RESPONSIBILITY

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

Bang & Olufsen recognises the UN and ILO declarations regarding human rights, labour rights, environment and anti-corruption and has therefore chosen to structure the CSR work, including the CSR policy, in accordance with the UN Global Compact guidelines.

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

The CSR policy is supported by Bang & Olufsen's Code of Conduct, which contains the company's demands to suppliers within the CSR area. Through the Code of Conduct Bang & Olufsen demands suppliers to comply with the CSR demands in their own supply chains. External audits of the suppliers, as well as their sub-suppliers, are carried out when there is a concrete suspicion of breach of the Code of Conduct.

Bang & Olufsen's purchase department has prepared a set of guidelines: "Moral and ethics in the purchase department at Bang & Olufsen", which includes internal anti-corruption guidelines for e.g. gift exchange, negotiation principles and handling of conflicts of interest. The internal anti-corruption guidelines have been extended to include the sales organisation, which is especially relevant for new markets where Bang & Olufsen is currently expanding the business.

To support the guidelines, Bang & Olufsen has set up a whistle-blower function, which is an externally run hotline where the employees anonymously can report unethical behaviour.

Bang & Olufsen's CSR policy

The purpose of Bang & Olufsen's CSR policy is to state the guidelines for our corporate social responsibility activities within the framework of our business.

The policy is divided into four main issues: human rights, labour rights, environment and anti-corruption. Each issue has a maintained action plan to ensure continual improvement.

Bang & Olufsen aims to ensure compliance both within its own organization as well as for partners and suppliers.

Human Rights
Bang & Olufsen aims, in all matters within the Group's control, to support and respect the protection of internationally proclaimed human rights.

Employee Rights
Bang & Olufsen aims to show the greatest degree of social responsibility towards our employees. We do of course support the abolition of child labour and forced labour, and we condemn discrimination in employment and occupation.

Bang & Olufsen attaches great importance to freedom of association and recognizes the right to collective bargaining. We wish to be a tolerant workplace where each employee thrives and has the possibility to develop and create a good balance between leisure and work.

Anti-Corruption
Bang & Olufsen strongly dissociates itself from all kinds of corruption, including extortion and bribery.

Environment and Climate
Bang & Olufsen has an integrated thinking with regard to the environmental consequences our production and products have on our employees, customers and surroundings. We use the word "environment" broadly covering the disciplines of the work environment, the product environment and the external environment.

Bang & Olufsen, as an environmentally responsible company, aims to create sustainable products. The considerations involved in the operation, design, and longevity of our products must be in mutual balance with the environmental impact of production. Bang & Olufsen complies with existing legislation in the countries where we produce and sell our products.

More specifically we aim to focus on the areas where the right balance between effort and impact can be achieved:

- Improve the work environment and the health and safety conditions of our employees
- Prevent work related illnesses and/or injuries
- Improve and prevent negative environmental impact from our production and products including reduction of climate impact.

The CSR effort, objectives and results

A detailed description of Bang & Olufsen's CSR work and results in the 2013/14 financial year, as well as the activities and targets for the 2014/15 financial year, are available in Bang & Olufsen's statement for Corporate Social Responsibility (CSR), which is reported in accordance with the Financial Statements Act §99a. The statement is available in its entirety on the company's homepage http://www.bang-olufsen.com/CSR-report-2014-UK, and forms part of the management report in the Bang & Olufsen Annual Report for the 2013/14 financial year.

The work, objectives, and results are summarised in the first table below. Detailed comments and explanations on deviations to targets, can be found in the company's full statement on CSR by clicking on the above mentioned link.

In 2014/15 Bang & Olufsen will continue the work to improve the working environment and reduce the environmental impact of the Group's activities with a view to prevent industrial injuries and reduction of scrap and energy consumption. Independent supplier audits will continue with re-audits of the suppliers where deviations have been found in relation to Code of Conduct. Bang & Olufsen's CSR activities and target for the 2014/15 financial year are summarised in the second table below.

CSR activities, objectives and results for 2013/14 (refer to full report published on web for comments on deviations)

Policy area	Topic	Objective	Result 2013/14
General CSR Policy	Extension of the CSR policy to include reduction of climate impact	To include reduction on climate impact in the policy	Completed
General CSR policy	Extend the governance in the environment area to cover the entire Bang & Olufsen Group	Expand Environmental governance to cover CZ	Completed
Environment and Climate	Reduction in consumption of natural gas and electricity	Maintain 2012/13 energy objective measured in kWh/DKK total salary expense where the index must not exceed 0.35	0.34 Kwh/DKK total salary expense
Environment and Climate	Reduction in the frequency of work accidents per 1 million working hours	Frequency must not exceed 2	4.4
Environment and Climate	Reduction in hours of absence per 1,000 working hours due to work related accidents	Severity must not exceed 0.095	0.237
Environment and Climate	Reduction of scrap from production	Compliance with annual objective	The reduction of scrap was 1.9 per cent below target
General CSR policy	Continue Independent supplier audits	Compliance with Code of Conduct	No new high risk suppliers identified in the 2013/14 financial year
General CSR policy	Re-audits of the suppliers where deviations have been found in relation to Code of Conduct	Compliance with Code of Conduct	Follow-up on 2012/13 audits still ongoing and has not yet revealed any re-audit needs

CSR activities and objectives for 2014/15

Policy area	Topic	Objective
Human rights Labour	Independent supplier audits	Risk-assessment of supplier base to identify audit need. Conduct audits and follow-up accordingly
Environment	Reduction in the frequency of work accidents per 1 million working hours	Frequency must not exceed 2
	Reduction in hours of absence per 1,000 working hours due to work related accidents	Severity must not exceed 0.095
	Reduction of energy consumption (kWh/total salary expense)	<0.34
	Reduction of scrap	A reduction of 5% compared to the 2013/14 financial year
	Sustainable Design	Meet the increasing demand for sustainable products
	Prepare CZ-site for ISO 14001 and OHSAS 18001 certification	Gaps identified
Anti-corruption	Sharpen white collars' awareness of anti-corruption policy and -legislations	Training conducted for white collars in Procurement and Sales

THE BANG & OLUFSEN SHARE

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

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

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

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

For further details regarding the Investor Relations Policy on www.bang-olufsen.com/investors.

Investor meetings
Investor meetings and/or telephone conferences are held following the publication of each quarterly report to provide participants with the opportunity to address

The Bang & Olufsen share

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

	2013/14	2012/13
Closing price 31 May	62.5	56.0
Market value 31 May (DKK million)	2,454	2,199
Nominal share value (DKK)	392,704,350	392,704,350
Nominal value (DKK)	10	10
Issued shares	39,270,435	39,270,435
Own shares	77,369	102,021
Shares in circulation	39,168,414	39,168,414
Registered shareholders (approx.)	29,000	33,000
Hereof in Denmark (approx.)	28,000	32,000
Listed capital placed in Denmark*	47%	59%

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

The share and share capital

At the end of the financial year Bang & Olufsen had a share capital of DKK 392,704,350, which was made up of a single share class (39,270,435 shares of a nominal value of DKK 10 per share). Each share entitles the holder to one vote, and all shares carry the same rights. Bang & Olufsen a/s holds 77,369 own shares to cover the company's share option programme.

The Bang & Olufsen share price was DKK 62.5 per share on 31 May 2014 corresponding to an increase of 12 per cent for the financial year. The OMXC Mid Cap index increased 34 per cent in the same period. The average daily turnover of the Bang & Olufsen share was DKK 4,559,569 in the 2013/14 financial year compared to DKK 4,949,404 in 2012/13.

Analyst coverage

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

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

Dividend policy and capital structure

Based on the company's results and strategic challenges, the Board of Directors proposes to the General Meeting that no dividend be paid out for the 2013/14 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results justify it.

The chart below shows the development in share price from 1 June 2011 to 31 May 2014:

As at 31 May, 2014, the following individuals or legal entities hold 5 per cent or more of the company's capital or share capital's voting rights:

	Number of shares	Capital/ votes %
Delta Lloyd Asset Management N.V., Amstelplein 6, P.O. Box 1000, 1000 BA Amsterdam, the Netherlands	6,793,869	17.30
Arbejdsmarkedets Tillægspension, Kongens Vænge 8, 3400 Hillerød, Danmark	3,934,816	10.02
Sparkle Roll Holdings Ltd, 25/F, Office Tower 1, Henderson Center, No 18 Jianguomennei Avenue, Beijing 100005, P.R.of China	2,404,186	6.12

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

Capital increase
After the end of the reporting period Bang & Olufsen carried out a capital increase which generated net proceeds of DKK 250 million. The proceeds will be used to accelerate the growth plan in the second phase of the strategy.

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, e.g. announcements, annual reports, interim reports, the financial calendar and the company's history and a presentation of its products.

Financial calendar

Annual General Meetings

10 September 2014	Annual General Meeting 2013/14

Financial statements

2 October 2014	Interim report (1st quarter 2014/15)
15 January 2015	Interim report (2nd quarter 2014/15)
9 April 2015	Interim report (3rd quarter 2014/15)
13 August 2015	Annual report 2014/15
2 October 2015	Interim report (1st quarter 2015/16)

Contact
The company's Investor Relations function is responsible for maintaining an on-going dialogue with current and potential shareholders.

Investor Relations Manager
Claus Højmark Jensen
Phone: +45 9684 1251
Email: investors@bang-olufsen.dk

Annual General Meeting
Bang & Olufsen a/s' Annual General Meeting will be held on Wednesday 10 September 2014 at Struer Statsgymnasium, Jyllandsgade 2, DK-7600 Struer.

Company Announcements 2013/14

No	Date	Subject
1	20 June 2013	Bang & Olufsen a/s Financial Calendar 2013/14
2	16 August 2013	Annual Report 2012/13
3	28 August 2013	Annual General Meeting in Bang & Olufsen a/s
4	11 September 2013	Announcement of managerial staffs etc. trading with company shares
5	16 September 2013	Announcement of managerial staffs etc. trading with company shares
6	19 September 2013	Annual General Meeting in Bang & Olufsen a/s
7	20 September 2013	Grant of stock options
8	2 October 2013	Interim Report for the 1st quarter 2013/14
9	16 January 2014	Interim Report for the 1st half-year 2013/14
10	17 January 2014	Announcement of managerial staffs etc. trading with company shares
11	20 February 2014	CFO Henning Bejer Beck leaves Bang & Olufsen at the end of July 2014
12	20 February 2014	Announcement of managerial staffs etc. trading with company shares
13	11 April 2014	Interim Report for the 3rd quarter 2013/14
14	11 April 2014	Considerations of strengthening capital base
15	1 May 2014	Bang & Olufsen a/s appoints new Chief Financial Officer

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

STRATEGY & OUTLOOK

BEOVISION AVANT
The innovative BeoVision Avant fits perfectly into the modern homes, and provides wireless streaming of sound to the IWS speaker range.

BEOLAB 18
BeoLab 18 includes a re-engineered digital sound engine, Bang & Olufsen's new acoustic lens tweeter and the new standard for high-end wireless.

BEOLAB 19
The BeoLab 19 subwoofer includes a re-engineered digital sound engine, and the new standard for high-end wireless.

LEANER, FASTER, STRONGER – PHASE 2

The 2014/15 financial year is the first year in the second phase of the "Leaner, Faster, Stronger" strategy, where focus will be on profitable growth. During the first phase of the strategy a strong consumer focused foundation for growth has been built through increased innovation, an optimized retail network, and a leaner and more responsive supply-chain.

Moving to the second phase of the strategy

In the first phase of the "Leaner, Faster, Stronger" strategy, Bang & Olufsen has undergone significant change, with the goal of creating a strong foundation for growth. The product portfolio has been simplified and revitalized across all product categories. The speed and level of product innovation have been significantly increased. The retail network has been restructured with the aim of creating a network of fewer, more profitable stores. The complexity of Bang & Olufsen's organization has been reduced with the goal of creating a leaner, more agile organisation which has entailed relocation of production, restructuring of the sales and marketing organization and opening of a sourcing office in Singapore. In addition, significant effort has been made to broaden Bang & Olufsen's global presence, with special emphasis on creating a strong platform for growth in China. All this has been done while maintaining tight cost control across the company.

In the second phase of the "Leaner, Faster, Stronger" strategy, Bang & Olufsen will build on this foundation, and grow the company's revenue and profitability. Bang & Olufsen has developed six strategic focus areas for phase 2 of "Leaner, Faster, Stronger" of which some are clear continuations of the strategic must-win-battles from phase 1 of the strategy. Some of the strategic focus areas in phase 2 are new and some of the must-win battles from phase 1 have been completed and are therefore not carried forward into phase 2. The new strategic focus areas therefore reflect the strategic focus change from restructuring towards profitable growth.

Financial targets for the 2014/15 to 2016/17 strategy period

	Target
Revenue	> 10% CAGR with year-on-year growth increasing over the strategy period
EBIT margin	> 6% EBIT margin before special items reached within the strategy period
Cash flow	Generate a positive free cash flow during the strategy period
Dividend	The company will resume dividend payouts as soon as it is prudent to do so. The objective is that this will happen within the three year strategy period.

Long term potential

	Potential
Revenue	DKK 8-10 bn
EBIT margin	> 12%

Strategic Focus Areas in Phase 2 of the Strategy

1. Create truly outstanding Bang & Olufsen retail experiences

The initiatives to continuously lift the customer experience through strengthening the retail network will continue. The objective is to strengthen Bang & Olufsen's competitive advantage by creating a strong, profitable retail network taking care of all existing and prospective customers across all customer touch points from the first interest in the brand through the actual purchase and installation process to the long-term customer relationship.

Key initiatives include working with the current network of retailers on increased training, optimizing the sales process and in-store demonstration, improved store design, retail standards and visual merchandising, improved CRM and structured use of CSI (Customer Satisfaction Index). In addition focus will be on recruiting new partners to key high potential locations.

In Europe, the focus is on continuing the strengthening of the retail network and regain the position as the obvious choice for anyone interested in design and high quality AV solutions. In the US and BRIC, especially Greater China, the objective is to leverage the platform built in the last three years, and drive significant revenue growth.

2. Continue to build "sound as our hero"

A clear demonstration of Bang & Olufsen's unique capabilities within the field of sound and acoustics was the launch of the Immaculate Wireless Sound speaker range. In the next phase of the strategy, the emphasis on increasing the innovation height within sound and acoustics in AV, B&O PLAY, Automotive and ICEpower will continue.

The aim is to create products that deliver world-class acoustical performance and products that satisfy customers' increasing demand for convenience. The product focus is broader than just speakers and will, in addition to speakers, embrace the Audio and TV category and our B&O PLAY and Automotive segments. This focus will continue to guide the business end-to-end, including product, retail and marketing and will focus the execution, organizational focus and business processes.

3. Make TV a growth driver for the business

A new design-driven innovations process, focus on Bang & Olufsen's core competencies, technology partnerships and a clear vision to reposition Bang & Olufsen's TV range to deliver significantly better products at lower prices led to the launch of the BeoVision Avant. During the first phase of the strategy, the product portfolio has been significantly strengthened and simplified. The "doing fewer things better" approach is starting to bear fruit. The TV business is important for Bang & Olufsen's future success and the strategy in the next three years is to build a global leadership position in the premium segment with significantly higher volumes than have been achieved in the last few years. This will drive TV revenue and an increased activity level across the Group, especially Speaker sales.

4. Exploit B2B potential of the AV products and solutions

With a global recovery in the hotel and commercial projects market (e.g. high-end residential real estate projects), Bang & Olufsen will leverage the strengthened AV product portfolio and its brand and experience in the luxury hotel market to build a significant additional revenue stream from this segment. Investments will be made in organization and go-to-market activities. Focus will be on a handful of cities, where the hotel and commercial projects activity is focused.

5. Accelerate B&O PLAY through an increased number of product launches and expanded distribution

Since the launch of the B&O PLAY brand in January 2012, annual revenue has grown to more than DKK 500 million of which DKK 136 million come from third-party retailers. Iconic products such as the BeoPlay A9 and the BeoPlay H6 have been launched and the B&O PLAY brand has demonstrated a clear ability to attract new and younger customers to the Bang & Olufsen Group.

In the second phase of the strategy, starting already in the 2014/15 financial year, the pace of new product introductions will be significantly increased. This will include new products, variants and special editions. The focus will be on music products, especially headphones and portable speakers, and a number of new categories. B&O PLAY will continue to play an important role in the B1/SiS network as a traffic driver and an attractive supplement to the AV portfolio for new and existing customers. The third party distribution will be expanded and constitute a growing part of B&O PLAY's sales.

6. Continue growth momentum in Automotive

Automotive has delivered strong growth through increasing the number of car models with existing partners as well as increasing take-rates in the existing portfolio. In the second phase of the strategy, Automotive will continue to lift the innovation level across the portfolio and at the same time leverage the newly strengthened sales force to even better support the partners through their headquarters, local importers and individual retailers in key markets. The focus will be on existing partners, whilst new partnerships will only be investigated very carefully.

In summary, the restructuring focus of the six "must win battles" from "Leaner, Faster, Stronger – Phase 1" and the foundation that has been built will now be leveraged to create profitable growth in "Leaner, Faster, Stronger – Phase 2".

OUTLOOK FOR 2014/15

The 2014/15 financial year is the first year in the second phase of the "Leaner, Faster, Stronger" strategy. The key focus for the coming strategy period will be to ensure profitable growth for the company, based on the strong foundation of innovative products and a strengthened retail network, which was established in the first phase of the strategy. In 2014/15 emphasis will be on go-to-market activities, while maintaining a high level of product innovation.

The revenue growth in 2014/15 is expected to exceed 5 per cent and will be sensitive to the success of the many new products that will be launched during the coming year.

For the individual segments, the following is expected:

For the AV segment, focus will be on creating a sustainable growth momentum based on the revitalized product portfolio, e.g. the Immaculate Wireless Sound speaker family and the BeoVision Avant, and a number of key product launches during the year. The initiatives to continuously lift the customer experience through strengthening the retail network will continue. A stabilization in the number of B1/SiS retailers is expected and the growth will primarily come from increased sales per retailer. The B2B potential of the AV products and solutions will be exploited more strongly than previously through a focus on luxury hotels and commercial projects in key cities.

The B&O PLAY business will focus on accelerating new product launches as well as expanding third party retail distribution, while maintaining sales through the B1 network. In terms of year-on-year growth, the start of the year will be relatively weak and the finish will be strong due to the timing of new product launches in 2013/14 and 2014/15. B&O PLAY will contribute to the overall Group growth in the 2014/15 financial year.

Bang & Olufsen Automotive will continue to invest in new technologies and product innovation and step up efforts in sales and marketing to benefit its partners and their retailers and customers globally. Automotive is expected to continue the growth, albeit at a lower rate. In terms of year-on-year growth, the start of the year will be weak and the finish will be stronger.

ICEpower is expected to continue the stable growth by continuing to invest in product innovation, which in the last couple of years has enabled the company to build a strong customer portfolio of well-known, high-end audio brands.

The year-on-year growth in individual segments is expected to fluctuate over the course of the year depending on the timing of key product launches, seasonal campaign effects and the previous year's quarterly performance. In other words, some segments could decline in selected quarters, but all segments are expected to show growth for the full year.

The Group gross margin is highly sensitive to the change in sales mix between segments and the product mix changes within individual segments. Strong margins of newly launched products and a favorable segment and product mix will allow for a price-value repositioning of the TV portfolio, whilst maintaining overall Group gross margins at a level around that of the 2013/14 financial year.

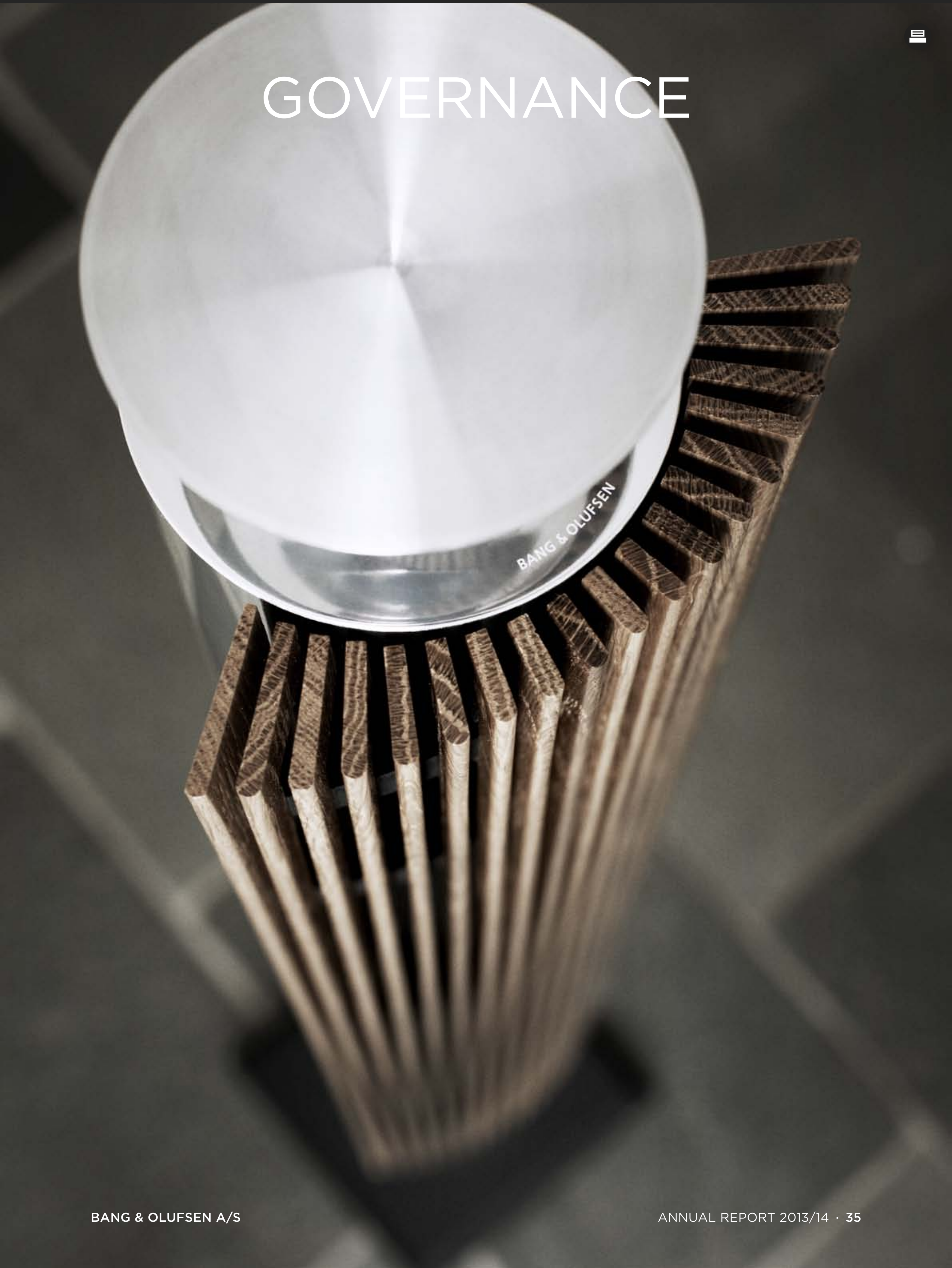
To ensure a stronger market penetration of newly launched products as well as upcoming launches, Bang & Olufsen expects to increase distribution and marketing costs in the 2014/15 financial year. This will be done while maintaining a high level of investment in product innovation.

Bang & Olufsen expects an increase in the Group EBIT margin compared to the last financial year.

Safe Harbour statement

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

GOVERNANCE



BOARD OF DIRECTORS

Ole Andersen (1956)

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

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

This member is considered independent
Number of shares in Bang & Olufsen a/s at the end of the year: 80,250 (2012/13; 80,250)

Jim Hagemann Snabe (1965)

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

Directorships
Board member in Danske Bank A/S, Siemens AG, Allianz SE and SAP SE

This member is considered independent
Number of shares in Bang & Olufsen a/s at the end of the year: 7,940 (2012/13; 6,300)

Jesper Jarlbæk (1956)

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

Directorships
Chairman of the Board in Advis A/S, Altius Invest A/S, Basico Consulting International ApS and 3 subsidiaries, Catacap Management ApS, European Composite Recycling Technology A/S, Frokost.DK ApS, Groupcare Holding A/S and a subsidiary, Jaws A/S, Sanderman Pte. Ltd (Singapore), ShowMe ApS, Spoing A/S and Valuemaker A/S
Board member in A-Solutions A/S, Earlbrook Holdings Ltd A/S, Polaris III Invest Fonden and Økonomiforum ApS
Managing Director of Earlbrook Holdings Ltd A/S, SCSK 2272 ApS and TIMPCO ApS

This member is considered independent
Number of shares in Bang & Olufsen a/s at the end of the year: 4,500 (2012/13; 1,500)

André Loesekrug-Pietri (1972)

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

Directorships
Director of A CAPITAL Group Limited, A CAPITAL Asia Limited and subsidiaries
Deputy Chairman of the Beijing International Financiers Club
Member of the World Economic Forum Global Agenda Council on Europe

This member is considered independent
Number of shares in Bang & Olufsen a/s at the end of the year: 5.195 (2012/13; 0)

Rolf Eriksen (1944)

Year of first appointment, 2008
Decorator

Directorships
Board member in Hennes & Mauritz A/S and Zebra A/S

This member is considered independent
Number of shares in Bang & Olufsen a/s at the end of the year:
4,585 (2012/13; 1,140)

Majken Schultz (1958)

Year of first appointment, 2013
M.Sc. Political Science
PhD Business Administration

Directorships
Board member in Danish Crown a/s, Danske Spil a/s and RealDania
Director of VCI Holdings Aps
Professor of Management at Copenhagen Business School, Academic partner, Reputation Institute and International Research Fellow, Oxford University

This member is considered independent
Number of shares in Bang & Olufsen a/s at the end of the year:
0 (2012/13; 0)

Knud Olesen (1952)

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

Number of shares in Bang & Olufsen a/s at the end of the year:
885 (2012/13; 885)

Jesper Olesen (1978)

Year of first appointment, 2007
Employee-elected
Engineering Worker

Number of shares in Bang & Olufsen a/s at the end of the year:
1,578 (2012/13; 1,578)

Per Østergaard Frederiksen (1971)

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

Number of shares in Bang & Olufsen a/s at the end of the year:
206 (2012/13; 206)

EXECUTIVE MANAGEMENT

Tue Mantoni (1975)

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

Directorships*)
None

Number of shares in Bang & Olufsen a/s at the end of the year:
73,267 (2012/13; 73,267)

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

Anders Aakær Jensen (1974)

Executive Vice President & CFO
Employed since 1 August 2014
Cand Oecon, Economics
IMD (International Institute for Management Development) - Business Programs

Directorships*)
None

Number of shares in Bang & Olufsen a/s at the end of the year:
0 (2012/13; 0)

CORPORATE GOVERNANCE

Bang & Olufsen follows all recommendations that are part of the Corporate Governance disclosure requirements applicable to companies listed on NASDAQ OMX Copenhagen.

Bang & Olufsen's Board of Directors and Executive Management constantly strive to ensure that the Group's management structure and control systems are appropriate and work satisfactorily. Internal procedures have been developed and are regularly updated in order to ensure active, reliable and profitable business management.

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

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

The Board of Directors of Bang & Olufsen a/s has prepared a report on corporate governance for the 2013/14 financial year, which has been incorporated into management's report. This report is available for review and download at www.bang-olufsen.com/investor/corporate-governance/uk. The report contains a description of Bang & Olufsen's approach to the "Recommendations for Corporate Governance" and a description of the management structure and the main elements of our internal control and risk management systems in connection with the company's presentation of the annual report.

Management structure

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

Board self-assessment

In 2013 the Board of Directors and Executive Management did an assessment of the work of the Chairman, competencies and composition of the Board, work practices and climate of cooperation, cooperation with Executive Management, assessment of the individual board members, and other selected focus areas. The answers were collated by an external consultant before being passed on to the Chairman. The result of the evaluation process was presented to and reviewed by the Board.

The result of the evaluation was positive and only a few areas of improvement were identified. The Board of Directors has throughout 2013/14 continuously worked with the areas of improvement.

The Board of Directors consists of the following members with the following functions:

	CHAIRMAN	DEPUTY CHAIRMAN	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	EMPLOYEE ELECTED
Ole Andersen	•			•	•	
Jim Hagemann Snabe		•		•	•	
Jesper Jarlbæk			•			
André Loesekrug-Pietri			•			
Rolf Eriksen						
Majken Schultz			•			
Knud Olesen						•
Jesper Olesen						•
Per Østergaard Frederiksen						•

For further information about the Board of Directors refer to the section 'Board of Directors' on pages 36-37.

Diversity

In April 2013 the Board of Directors adjusted the Company's objectives for the diversity of the members of the Board of Directors elected by the General Meeting in relation to gender in order to comply with new Danish legislation of objectives to increase the proportion of the underrepresented gender on the Board of Directors.

The new legislation requires the Board of Directors to decide on a policy to increase the proportion of the underrepresented gender in senior management positions. The Board of Directors believes that members should be chosen for their overall competences, and also recognizes the benefits of a diverse Board in respect of experience, culture and gender.

Currently one member, or 17 per cent of the Board of Directors, elected by the General Meeting is a woman. According to the objective with regard to gender diversity of the Board of Directors, the target is to have female representation on the Board of Directors at the latest by the Annual General Meeting 2017, and therefore this objective is already met. The Board of Directors will in 2014/15 evaluate the target setting for female representation.

The share of women in the senior management in the Bang & Olufsen Group has increased from 2.7 per cent on 31 May 2013 to 7.5 per cent on 31 May 2014. Senior management is defined as Executive Management, the Corporate Leadership Team and the Business Leadership Team. The total number of employees in this group at the end of May 2014 was 40 employees.

The Board of Directors has set out a policy to increase the proportion of women in senior management where the relevant action points are as follows:

- Secure at least one female candidate for vacancies arising in senior management
- Ensuring an appropriate level of female participants in the Bang & Olufsen Talent Programme

The goal is to have not less than 15 per cent female members at management level by May 2017.

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

The Company's Articles of Association state the following:

The Board of Directors is in the period until 31 May 2018 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price or at a discount to market price by way of cash contribution or otherwise. The capital increase shall be with preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

The Board of Directors is in the period until 31 May 2018 authorized at one or more times to decide to increase the company's share capital by up to a nominal value of DKK 39,270,435 by issuing new shares at market price by way of cash contribution or otherwise. The capital increase shall be without preemptive subscription rights for the company's existing shareholders. The new shares shall in all respects rank pari passu with the existing shares. The new shares shall be negotiable instruments, shall be issued to named holders and shall rank for dividends and other rights in the company from such time as is determined by the Board of Directors in its decision to increase the company's share capital pursuant to this section, although no more than one year after the date of registration.

By decision of 19 June 2014, the Board of Directors has fully exercised the authorisation in Article 4, section 5 by increase of the Company's share capital with nominal DKK 39,270,430 shares.

The Board of Directors may implement the necessary amendments to the Articles of Association in connection with changes to the capital structure in accordance with the above resolution.

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

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

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

The latest election of employees to the Board of Directors took place in June 2011 by means of a written, secret and direct vote. Employee-elected board members are elected for a four-year period and eligible employees are those who are of age and who on election day have been employed by the company for at least 12 months.

Should an employee-elected board member's employment be terminated, the employee in question will retire from the Board of Directors and be replaced by an elected substitute. An employee-elected board member has the same rights, obligations and responsibilities as the other board members.

Remuneration etc.

Bang & Olufsen's share option programme extends to a number of the Group's executive directors and managers. As at 31 May 2014 the total pool of options amount to 3.037.285 which can be exercised during the period 2014-2016 if certain criteria are met. For further details, please refer to note 4.7 and note 15 in the consolidated and the parent company financial statements respectively.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Strategic risks

Markets and competition

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

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

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

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

Customer relations

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

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

B&O PLAY products are also sold outside the dedicated Bang & Olufsen store network, through third party channels and e-com to reach the younger target group.

Compliance
As a global company, Bang & Olufsen is obliged to comply with the legislation and guidelines of the countries in which the Group operates. In the subsidiaries, management has extensive knowledge of local rules and on central level compliance is addressed in relation to products, production, finance, administration and CSR in order to assist the organization in complying with applicable rules, regulations, policies and standards.

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

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

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

Quality
Bang & Olufsen strives to improve the efficiency of the quality management system by preventive quality improvement activities to provide the customers with the best possible quality, innovation and craftmanship.

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

The ambition is to fulfil our quality objectives by having clear processes and controls as well as well-educated staff, recognized for their professional integrity and proactive and customer-oriented approach, at all levels.

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

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

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

Operational risks

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

Employees
Focus is on individual personal and career development which is secured through maintaining and creating interesting and challenging jobs throughout the Group to attract and retain highly qualified employees at all times.

Each year the Group therefore actively contributes to a range of training programmes for its employees.

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

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

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

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

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

Financial risks

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

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

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

For further information about the Group's management of financial risks, please refer to note 4.3 Financial Instruments in the Group financial statements.

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CONSOLIDATED INCOME STATEMENT 1 JUNE – 31 MAY

(DKK million)	Notes	2013/14	2012/13
Revenue	2.1	**2,863.8**	**2,813.9**
Production costs	2.2	(1,639.5)	(1,718.0)
Gross profit		**1,224.3**	**1,095.9**
Development costs	2.2, 2.3	(369.5)	(442.4)
Distribution and marketing costs	2.2	(780.5)	(754.7)
Administration costs	2.2	(71.9)	(85.9)
Operating profit (EBIT)		**2.5**	**(187.0)**
Share of result after tax in associated companies		3.2	1.3
Financial income	4.2	5.6	8.6
Financial expenses	4.2	(34.5)	(33.2)
Financial items, net		(28.9)	(24.6)
Earnings before tax (EBT)		**(23.2)**	**(210.4)**
Income tax	2.5	(5.8)	51.5
Earnings for the year		**(29.0)**	**(158.9)**
Earnings per share			
Earnings per share (EPS) and earnings per share from continuing operations, DKK	2.6	(0.7)	(4.3)
Diluted earnings per share (EPS-D) and diluted earnings per share from continuing operations, DKK	2.6	(0.7)	(4.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JUNE – 31 MAY

(DKK million)	Notes	2013/14	2012/13
Earnings for the year		**(29.0)**	**(158.9)**
Items that will be reclassified subsequently to the income statement:			
Exchange rate adjustment of investment in foreign subsidiaries		(9.6)	(3.0)
Change in fair value of derivative financial instruments used as cash flow hedges		(2.7)	(4.7)
Transfer to the income statement of fair value adjustments of derivative financial instruments used as cash flow hedges, realised cash flows:			
Transfer to revenue		1.7	(5.8)
Transfer to production costs		(2.9)	6.2
Income tax on items that will be reclassified to the income statement	2.5	1.0	1.1
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit plans		(0.1)	(0.5)
Income tax on items that will not be reclassified to the income statement	2.5	0.0	0.2
Other comprehensive income for the year, net of tax		**(12.6)**	**(6.5)**
Total comprehensive income for the year		**(41.7)**	**(165.5)**

CONSOLIDATED BALANCE SHEET AT 31 MAY

(DKK million)	Notes	31/5/14	31/5/13
Goodwill		63.5	51.9
Acquired rights		14.5	20.7
Completed development projects		406.2	484.7
Development projects in progress		317.6	178.2
Intangible assets	3.1	**801.8**	**735.5**
Land and buildings		114.7	198.2
Plant and machinery		123.5	155.6
Other equipment		26.8	24.4
Leasehold improvements		39.5	30.2
Tangible assets in course of construction and prepayments of tangible assets		29.8	67.5
Tangible assets	3.2	**334.3**	**475.9**
Investment property	3.3	**38.6**	**40.0**
Investments in associates		10.2	7.0
Other financial receivables	3.4	44.2	42.7
Financial assets		**54.4**	**49.7**
Deferred tax assets	2.5	**180.4**	**183.4**
Total non-current assets		**1,409.5**	**1,484.4**
Inventories	3.5.1	**666.2**	**572.1**
Trade receivables	3.5.2	537.4	443.9
Receivables from associates	5.4	1.9	1.8
Corporation tax receivable		21.3	23.8
Other receivables		65.8	41.7
Prepayments		69.5	43.2
Total receivables		**696.0**	**554.4**
Cash		**120.4**	**145.9**
Total current assets		**1,482.6**	**1,272.4**
Total assets		**2,892.1**	**2,756.8**

CONSOLIDATED BALANCE SHEET AT 31 MAY

(DKK million)	Notes	31/5/14	31/5/13
Share capital	4.5	392.7	392.7
Foreign currency translation reserve		12.4	22.1
Cash flow hedge reserve		0.0	3.0
Retained earnings	4.6	1,199.2	1,222.4
Total equity		**1,604.4**	**1,640.1**
Pensions	3.6	13.3	12.4
Deferred tax	2.5	7.7	13.8
Provisions	3.7	39.8	57.9
Mortgage loans	4.1.1	197.8	206.1
Other non-current liabilities		1.9	3.1
Total non-current liabilities		**260.5**	**293.3**
Mortgage loans	4.1.1	8.2	6.8
Loans from banks	4.1.2	220.0	150.0
Overdraft facilities		68.5	56.2
Provisions	3.7	28.8	39.4
Trade payables		434.0	295.3
Corporation tax payable		18.1	25.5
Other liabilities		215.8	226.9
Deferred income		33.9	23.1
Total current liabilities		**1,027.2**	**823.2**
Total liabilities		**1,287.8**	**1,116.7**
Total equity and liabilities		**2,892.1**	**2,756.8**

CONSOLIDATED CASH FLOW STATEMENT 1 JUNE – 31 MAY

(DKK million)	Notes	2013/14	2012/13
Earnings for the year		(29.0)	(158.9)
Amortisation, depreciation and impairment losses		342.1	331.9
Adjustments for non-cash items	5.1	(13.9)	(66.9)
Change in receivables		(141.2)	80.5
Change in inventories		(63.2)	92.8
Change in trade payables etc		127.1	(117.9)
Cash flow from operations		221.9	161.5
Interest received		5.6	8.6
Interest paid		(34.5)	(33.2)
Income tax paid		(9.5)	(9.7)
Cash flow from operating activities		**183.5**	**127.2**
Purchase of intangible non-current assets		(310.5)	(263.2)
Purchase of tangible non-current assets		(82.3)	(83.8)
Acquisition of activity	5.2	(41.0)	-
Sales of tangible non-current assets		142.7	4.8
Received reimbursements, intangible non-current assets		7.4	10.9
Change in financial receivables		(0.9)	2.7
Cash flow from investing activities		**(284.6)**	**(328.6)**
Free cash flow		**(101.1)**	**(201.5)**
Repayment of long-term loans		(6.8)	(6.6)
Proceeds from short-term borrowings		70.0	-
Capital increase		-	178.7
Purchase of own shares		-	(1.3)
Sale of own shares		1.2	0.5
Cash flow from financing activities		**64.4**	**171.2**
Change in cash and cash equivalents		**(36.7)**	**(30.3)**
Cash and cash equivalents 1 June		89.7	121.3
Exchange rate adjustment, cash and cash equivalents		(1.1)	(1.4)
Cash and cash equivalents 31 May		**51.9**	**89.7**
Cash and cash equivalents:			
Cash		120.4	145.9
Current overdraft facilities		(68.5)	(56.2)
Cash and cash equivalents 31 May		**51.9**	**89.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1 JUNE – 31 MAY

(DKK million)	Share capital	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total
Equity 1 June 2013	**392.7**	**22.1**	**3.0**	**1,222.4**	**1,640.1**
Earnings for the year	-	-	-	(29.0)	(29.0)
Other comprehensive income	-	(9.6)	(4.0)	(0.1)	(13.7)
Other comprehensive income, tax	-	-	1.0	0.0	1.0
Comprehensive income for the year	-	(9.6)	3.0	(29.1)	(41.7)
Grant of share options	-	-	-	4.2	4.2
Reversal of dividend	-	-	-	0.6	0.6
Sale of own shares	-	-	-	1.2	1.2
Equity 31 May 2014	**392.7**	**12.4**	**0.0**	**1,199.2**	**1,604.4**
Equity 1 June 2012	**362.4**	**25.1**	**6.2**	**1,232,2**	**1,626.0**
Restatement of opening equity (IAS 19)	-	-	-	(1.0)	(1.0)
Equity 1 June 2012 - adjusted	362.4	25.1	6.2	1,231.2	1,625.0
Earnings for the year	-	-	-	(158.9)	(158.9)
Other comprehensive income	-	(3.0)	(4.3)	(0.5)	(7.8)
Other comprehensive income, tax	-	-	1.1	0.2	1.3
Comprehensive income for the year	-	(3.0)	(3.2)	(159.3)	(165.5)
Capital increase	30.3	-	-	152.0	182.3
Costs relating to capital increase	-	-	-	(3.6)	(3.6)
Grant of share options	-	-	-	2.8	2.8
Purchase of own shares	-	-	-	(1.3)	(1.3)
Sale of own shares	-	-	-	0.5	0.5
Equity 31 May 2013	**392.7**	**22.1**	**3.0**	**1,222.4**	**1,640.1**

SECTION 1

BASIS OF REPORTING

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

1.1 BASIS OF REPORTING

Basic principles
The consolidated financial statements of the Bang & Olufsen Group and the financial statements for 2013/14 for Bang & Olufsen a/s have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

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

Assets are recognized in the balance sheet, when it is probable that future economic benefits resulting from a past event will flow to the Group. Liabilities are recognized in the balance sheet when it is probable that the Group will give up future economic benefits as a consequence of a legal or constructive obligation resulting from a past event. The value of the assets and liabilities should be able to be measured reliably.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention with the exception of derivatives which are measured at fair value.

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

The consolidated financial statements have been prepared on the basis of the financial statements of the parent company and its subsidiaries. The consolidated financial statements have been prepared by adding uniform items. The financial statements that are used for the consolidation are prepared in accordance with the Group's accounting principles. In the process of consolidation, intra-group income and expenses, intra-group accounts receivable and payable and dividend and profits and losses from transactions between the consolidated companies have been eliminated. In the consolidated financial statements the subsidiaries' items are recognised 100 %.

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

SECTION 1

BASIS OF REPORTING

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

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

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

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

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

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

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

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

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

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

SECTION 1

BASIS OF REPORTING

New or amended EU endorsed accounting standards
Bang & Olufsen has adopted all new, amended standards, revised accounting standards, and interpretations (IFRIC) as endorsed by the EU and and effective for the financial year 1 June 2013 – 31 May 2014.

In 2013/14 the following standards and amendments with relevance for Bang & Olufsen were brought into effect and implemented:

- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'
- Amendments to IAS 19 'Employee benefits'
- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
- IFRS 13 Fair Value Measurement

None of these have had a significant impact on recognition and measurement but they have led to further specifications in the notes and in the consolidated statement of comprehensive income. Only the changes to IAS 19 'Employee benefits' regarding pension obligations have had an effect on recognition and measurement. The implementation of IAS 19 'Employee benefits (amended 2011)' means that Bang & Olufsen no longer is using the corridor method for actuarial gains and losses. All changes to expected pension obligations and to the plan assets will be recognised in other comprehensive income. Previously the corridor method allowed delayed recognition of certain actuarial gains and losses. The comparative numbers for financial year 2012/13 have been restated, and accumulated actuarial gains and losses have been recognised directly in equity per 1 June 2012. The effect on the opening equity was negative DKK 1.0 million, the effect on result after tax and on total comprehensive income for the financial year 2012/13 was positive DKK 0.9 million and negative DKK 0.5 million respectively.

Bang & Olufsen has thoroughly considered the impact of the new IFRS standards and interpretations, and has concluded that other standards which are effective for the financial year 1 June 2013 – 31 May 2014 are either of no relevance to the Group, or exert no material impact on the financial statements for the current year.

IASB has issued a number of new standards, amendments to existing standards and bases for conclusions, which have not yet come into force, but which will become effective in the financial year 2014/15 or later. New and revised standards are expected to be implemented on the effective date as endorsed by the EU. Management is currently assessing the potential impact. It is Management's immediate assessment that the changes will not have any significant impact on recognition and measuring.

SECTION 1

BASIS OF REPORTING

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The critical accounting estimates and judgements are described under the sections to which they relate:

Accounting estimate/judgement	Note
Deferred tax assets	2.5
Development projects	3.1
Inventories	3.5.1
Trade receivables	3.5.2
Provision for warranty and fairness	3.7
Sale- and leaseback transaction	5.3

SECTION 2

RESULTS FOR THE YEAR

This section contains notes relating to earnings for the year including operating segments, development and staff costs and taxes for the year. A detailed description of the results for the year is given in the Financial Review on pages 9-11.

2.1 OPERATING SEGMENT INFORMATION

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

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

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

The Group's reportable segments are:

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

- Business to Business (B2B)
  – ICEpower
  – Automotive

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

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

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

SECTION 2

RESULTS FOR THE YEAR

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

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

The Group's geographical areas are:

- Europe
- North America
- BRIC
- Rest of World

BRIC includes Brazil, Russia, India and Greater China (Mainland China, Hong Kong, Korea and Taiwan).

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

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

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

	2013/14						
	Consumer business (B2C)		Business to business (B2B)				
	AV	B&O PLAY	Automotive	ICEpower	Un-allocated	Elimi-nation	Total
Net revenue	1,632.5	535.1	612.5	102.1	-	-	2,882.2
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	(5.9)	-	(5.9)
Internal revenue	-	-	-	(12.5)	-	-	(12.5)
Revenue, Group	**1,632.5**	**535.1**	**612.5**	**89.6**	**(5.9)**	**-**	**2,863.8**
Gross profit	764.2	170.2	234.7	55.3	-	-	1,224.3
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	-	-	-
Gross profit, Group	**764.2**	**170.2**	**234.7**	**55.3**	**-**	**-**	**1,224.3**
Gross margin-%	**46.8**	**31.8**	**38.3**	**54.2**	**-**	**-**	**42.8**
Amortisation, depreciation and impairment losses	(234.3)	(44.3)	(60.2)	(3.3)	-	-	(342.1)
Other non-allocated capacity costs	-	-	-	-	(879.8)	-	(879.8)
Share of result after tax in associated companies	-	-	-	-	3.2	-	3.2
Financial income	-	-	-	-	5.6	-	5.6
Financial expenses	-	-	-	-	(34.5)	-	(34.5)
Earnings before tax	**-**	**-**	**-**	**-**	**(905.5)**	**-**	**(23.2)**
Completed development projects	260.5	28.1	112.2	5.4	-	-	406.2
Development projects in progress	173.9	8.7	112.1	22.9	-	-	317.6
Total segment assets	434.3	36.8	224.4	28.3	-	-	723.8
Unallocated assets	-	-	-	-	2,168.3	-	2,168.3
Total assets, Group	**434.3**	**36.8**	**224.4**	**28.3**	**2,168.3**	**-**	**2,892.1**
Denmark	1,107	21	87	34	-	-	1,279
Rest of world	897	2	42	3	-	-	943
Average number of full-time employees, Group	**2,003**	**23**	**129**	**37**	**-**	**-**	**2,192**

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

2012/13	Consumer business (B2C)		Business to business (B2B)				
	AV	B&O PLAY	Automotive	ICEpower	Un-allocated	Elimi-nation	Total
Net revenue	1,648.9	532.3	545.7	86.8	-	-	2,813.7
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	11.6	-	11.6
Internal revenue	-	-	-	(11.4)	-	-	(11.4)
Revenue, Group	**1,648.9**	**532.3**	**545.7**	**75.4**	**11.6**	**-**	**2,813.9**
Gross profit	687.6	157.6	198.6	46.8	-	-	1,090.6
Effect of differences in exchange rates used in the internal management reporting	-	-	-	-	5.3	-	5.3
Gross profit, Group	**687.6**	**157.6**	**198.6**	**46.8**	**5.3**	**-**	**1,095.9**
Gross margin-%	**41.7**	**29.6**	**36.4**	**53.9**	**-**	**-**	**38.9**
Amortisation, depreciation and impairment losses	(235.9)	(34.9)	(45.5)	(15.6)	-	-	(331.9)
Other non-allocated capacity costs	-	-	-	-	(951.1)	-	(951.1)
Share of result after tax in associated companies	-	-	-	-	1.3	-	1.3
Financial income	-	-		-	9.7	(1.1)	8.6
Financial expenses	-	-		-	(34.4)	1.1	(33.2)
Earnings before tax	**-**	**-**	**-**	**-**	**-**	**-**	**(210.4)**
Completed development projects	268.8	56.5	157.3	2.1	-	-	484.7
Development projects in progress	102.6	3.4	53.3	18.9	-	-	178.2
Total segment assets	371.4	59.9	210.6	21.0	-	-	662.9
Unallocated assets	-	-	-	-	2,094.2	-	2,093.9
Total assets, Group	**371.4**	**59.9**	**210.6**	**21.0**	**2,094.2**	**-**	**2,756.8**
Average number of employees:							
Denmark	1,192	11	94	25	-	-	1,322
Rest of world	727	1	36	3	-	-	767
Average number of employees, Group	**1,919**	**12**	**130**	**28**	**-**	**-**	**2,089**

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.1 OPERATING SEGMENT INFORMATION (CONTINUED)

	Total non-current assets		Total revenue	
	2013/14	2012/13	2013/14	2012/13
Geographical information				
Consumer business (B2C)				
Europe	876.5	999.3	1,338.6	1,404.7
North America	7.6	5.1	160.2	180.4
BRIC	42.3	16.0	307.3	296.5
Rest of world	2.7	6.2	225.8	240.6
Total Bang & Olufsen distribution	929.1	1,026.6	2,031.9	2,122.2
B&O PLAY	-	-	135.7	59.0
Total 3rd party distribution and e-commerce	-	-	135.7	59.0
Total consumer business (B2C)	**929.1**	**1,026.6**	**2,167.6**	**2,181.2**
Business to business (B2B)				
Automotive	224.4	210.6	612.5	545.7
ICEpower	31.4	21.0	102.1	86.8
Total business to business (B2B)	**255.8**	**231.6**	**714.5**	**632.5**
Elimination of internal revenue	-	-	(12.5)	(11.4)
Exchange rate adjustments	-	-	(5.9)	11.6
Total	**1,184.9**	**1,258.2**	**2,863.8**	**2,813.9**
Denmark	1,107.5	1,107.2	272.2	253.7
Rest of world	77.4	151.0	2,591.6	2,560.2
Total	**1,184.9**	**1,258.2**	**2,863.8**	**2,813.9**

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

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

The Group's total revenue is almost exclusively derived from the sale of goods (99.9 per cent in 2013/14 and 99.9 per cent in 2012/13).

SECTION 2

RESULTS FOR THE YEAR

2.2 STAFF COSTS

(DKK million)	2013/14	2012/13
Wages and salaries etc.	719.8	733.5
Share-based payment	4.1	2.8
Pensions	47.5	55.7
Other social security costs	40.7	46.6
Total	**812.1**	**838.6**
Expensed as follows:		
Production costs	303.7	264.1
Development costs	207.5	236.4
Distribution- and marketing costs	249.7	262.3
Administration costs	51.1	75.8
Total	**812.1**	**838.6**
Average number of full-time employees	**2,192**	**2,089**

	2013/14			2012/13		
Whereof to:	Board	Executive Management	Other key employees	Board	Executive Management	Other key employees
Wages, salaries and fees	3.5	8.4	12.9	3.5	10.2	10.6
Pensions	-	-	1.3	-	-	0.8
Bonus	-	0.5	1.2	-	-	1.1
Total	3.5	8.9	15.4	3.5	10.2	12.5
Share-based payment	-	2.3	1.4	-	0.3	0.9
Total remuneration	**3.5**	**11.1**	**16.8**	**3.5**	**10.5**	**13.5**

In 2013/14 there were eight members of staff in the group ‘Other key employees’, which is unchanged from last year.

Specified as follows:	2013/14	2012/13
Remuneration of Executive Management:		
Tue Mantoni	7.7	4.8
Henning Bejer Beck	2.8	3.2
John Bennett-Therkildsen	0.6	2.5
Total	**11.1**	**10.5**

The value of the share-based payment expresses the group income statement effect of allocated share options. 24.652 share options have been exercised in the year with an average exercise price of DKK 47. The remaining options have not been, and may never be, exercised.

Refer to note 4.6 for further information about the Group’s share option programmes.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)	2013/14	2012/13

2.2 STAFF COSTS (CONTINUED)

Remuneration of the Board:		
Ole Andersen (chairman)	0.8	0.8
Jim Hagemann Snabe (deputy chairman)	0.6	0.5
Jesper Jarlbæk	0.4	0.4
André Loesekrug-Pietri	0.3	0.2
Rolf Eriksen	0.3	0.3
Majken Schultz (appointed 19.09.2013)	0.2	-
Knud Olesen	0.3	0.3
Jesper Olesen	0.3	0.3
Per Østergaard Frederiksen	0.3	0.3
Alberto Torres (resigned 19.09.2013)	0.1	0.4
Peter Skak Olufsen (resigned 21.09.2012)	-	0.1
Total	**3.5**	**3.5**

2.3 DEVELOPMENT COSTS

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

Incurred development costs before capitalization	390.3	475.8
Hereof capitalized	(259.1)	(250.8)
Incurred development costs after capitalization	131.2	225.0
Capitalization (%)	*66.4*	*52.7*
Total amortisation charges and impairment losses on development projects	238.3	217.4
Total	**369.5**	**442.4**

In addition to the above incurred development costs, there have been additions in the year of DKK 47.5 million to capitalized development costs ref note 3.1, relating to key components and technologies acquired from 3rd parties.

2.4 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

Statutory audit	2.1	1.9
Other assurance services	0.5	0.2
Tax services	0.4	1.1
Other services	0.8	0.4
Total	**3.8**	**3.5**

Ernst & Young were re-appointed as auditors at the Annual General Meeting on 19 September 2013.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.5 TAXATION

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

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

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

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

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

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

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

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

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

Critical accounting estimates and judgements
Deferred tax assets are recognised in the balance sheet at the value, the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be set-off against future positive taxable income. At each balance sheet date it is assessed, if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised. The deferred tax assets amount to DKK 180.4 million as at 31 May 2014 (DKK 183.1 million as at 31 May 2013).

SECTION 2

RESULTS FOR THE YEAR

(DKK million)	2013/14	2012/13

2.5 TAXATION (CONTINUED)

	2013/14	2012/13
Income statement and other comprehensive income		
Current tax charge/credit	(17.1)	(5.0)
Adjustment for prior periods, current tax	(0.5)	-
	(17.6)	(5.0)
Change in deferred tax	10.8	(44.8)
Adjustment of deferred tax, prior year	(8.0)	(2.8)
Adjustment from change in tax rate	19.6	-
	22.4	(47.6)
Total taxation charge in the income statement and OCI	**4.8**	**(52.6)**
Tax recognised in:		
Income statement	5.8	(51.5)
Other comprehensive income	(1.0)	(1.1)
Total	**4.8**	**(52.6)**

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

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

	2013/14		2012/13	
Tax calculated on earnings before tax	24.5%	(5.6)	25.0%	(52.9)
Non-deductible costs and non-taxable income	(7.8%)	1.8	(1.0%)	2.2
Deviating tax rates in foreign subsidiaries	(2.2%)	0.5	0.2%	(0.5)
Changes in tax rates	(84.8%)	19.6	(0.1%)	0.2
Adjustments to prior periods	34.3%	(8.0)	1.3%	(2.8)
Non-capitalised tax loss carry-forwards	7.9%	(1.8)	1.1%	(2.2)
Foreign withholding tax	0.5%	(0.1)	0.0%	-
Non-taxable dividends from subsidiaries	3.9%	(0.9)	0.3%	(0.6)
Other	(1.4%)	0.3	(2.3%)	5.1
Annual effective tax rate/taxation charge in income statement	**(25.1%)**	**5.8**	**24.5%**	**(51.5)**

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.5 TAXATION (CONTINUED)

Balance sheet

Deferred tax assets	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets 1 June 2012	10.7	10.7	11.2	29.6	67.0	10.7	139.9
Recognised in the income statement	64.7	1.6	(3.5)	(9.4)	(0.3)	(11.0)	42.1
Recognised in other comprehensive income	-	-	-	-	-	1.1	1.1
Deferred tax assets 31 May 2013	75.4	12.3	7.7	20.2	66.7	0.8	183.1
Changes in tax rates	(13.0)	(1.0)	-	(0.5)	(5.1)	-	(19.6)
Recognised in the income statement	36.3	0.3	1.4	(9.4)	(12.5)	0.8	16.9
Deferred tax assets 31 May 2014	**98.7**	**11.6**	**9.1**	**10.3**	**49.1**	**1.6**	**180.4**

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

In 2013/14 a deferred tax asset of gross DKK 37.3 million has been recognised in the jointly-taxed Danish companies based on tax loss carry-forwards, which can be indefinitely carried forward (2012/13; DKK 53.9 million). This deferred tax asset has been recognised on the basis of management's expectations of the Group's long-term earnings up to 5 years.

In 2013/14 tax assets of DKK 4.4 million have been reactivated regarding the US subsidiary (2012/13; DKK 6.4 million). The recognition is based on the expectations to future earnings in the US subsidiary. Unrecognised deferred tax assets amount to DKK 66.3 million (2012/13; DKK 72.2 million)

The basis for the unrecognised deferred tax assets includes tax losses of DKK 134.4 million (2012/13; DKK 142.2 million). The tax losses can be carried forward for a period of one to 20 years.

SECTION 2

RESULTS FOR THE YEAR

(DKK million)

2.5 TAXATION (CONTINUED)

Deferred tax	Non-current assets	Inventories	Receivables	Provisions	Tax loss carry forwards	Other	Total
Deferred tax 1 June 2012	8.7	(0.5)	-	7.2	-	-	15.4
Recognised in the income statement	5.4	0.1	(0.3)	(8.5)	(0.7)	2.4	(1.6)
Deferred tax 31 May 2013	14.1	(0.4)	(0.3)	(1.3)	(0.7)	2.4	13.8
Recognised in the income statement	(3.8)	-	(0.5)	0.3	0.7	(2.8)	(6.1)
Deferred tax 31 May 2014	**10.3**	**(0.4)**	**(0.8)**	**(1.0)**	**-**	**(0.4)**	**7.7**

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

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

2.6 EARNINGS PER SHARE

2013/14	Basic	Diluted
Earnings for the year	(29.0)	(29.0)
Weighted average number of shares in issue - million	39.2	39.2
Dilution due to share options	-	(0.0)
Total weighted average number of ordinary shares in issue - million	39.2	39.2
Earnings per ordinary share	(0.7)	(0.7)

2012/13	Basic	Diluted
Earnings for the year	(158.9)	(158.9)
Weighted average number of shares in issue - million	37.2	37.2
Dilution due to share options	-	0.1
Total weighted average number of ordinary shares in issue - million	37.2	37.2
Earnings per ordinary share	(4.3)	(4.3)

SECTION 3

OPERATING ASSETS AND LIABILITIES

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

3.1 INTANGIBLE ASSETS

Accounting policies

Asset class	Recognition	Valuation	Amortisation method	Estimated useful life
Goodwill	When recognising goodwill, the goodwill amount is allocated to those of the Group's activities that generate independent cash flows (cash-generating units). The definition of cash-generating units is in accordance with the managerial structure and the internal management accounting and reporting in the Group.	Goodwill is initially recognised and measured as the difference between on the one hand, the cost price of the acquired company, the value of minority interests in the acquired company and the acquisition-date fair value of previously held equity interests, and, on the other hand, the fair value of the acquired assets, liabilities and contingent liabilities.	N/A	Unlimited – tested for impairment annually.
Development projects (under construction)	Clearly defined and identifiable projects if probable that they can be marketed as new products in a potential market.	Measured at cost price. This comprises costs, including salaries and depreciation/amortisation that relate directly to the development projects, and which are necessary to complete the project from the time when the development project initially meets the criteria for recognition as an asset. Reimbursements and grants are deducted from the cost price.	N/A	N/A until completed – tested for impairment annually.
Development projects (completed)		Measured at cost price less accumulated amortisation and impairment losses.	Straight-line	2-6 years for completed development projects, or over remaining term of intellectual property right if less
Acquired rights	Software, key money and patents.	Measured at cost price less accumulated amortisation and impairment losses.	Straight-line	Over the shorter of the estimated useful life and the term of the contract.

SECTION 3

OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS (CONTINUED)

Critical accounting estimates and judgements
Development costs are capitalised only after technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the product is to be determined. Management has assessed that the amortisation period is usually 2-6 years. Management also makes assumptions when assessing the possible impairment of development projects. The applied principles are unchanged from the 2012/13 financial year. Development projects amount to DKK 723.8 million as at 31 May 2014 (DKK 662.9 million as at 31 May 2013). The main additions in the 2013/14 financial year are development projects relating to the Automotive P3 Platform and to the BeoVision Avant.

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

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

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

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

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

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

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.1 INTANGIBLE ASSETS (CONTINUED)

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost					
At 1 June 2012	50.6	164.0	924.3	338.9	1,477.8
Exchange rate adjustment to year-end rate	(0.2)	-	-	-	(0.2)
Additions in the year	4.1	2.9	75.9	180.3	263.2
Reimbursements received	-	-	-	(10.9)	(10.9)
Disposals in the year	-	-	(9.5)	(0.7)	(10.2)
Completed development projects	-	-	329.4	(329.4)	-
At 31 May 2013	54.5	166.9	1,320.1	178.2	1,719.7
Exchange rate adjustment to year-end rate	(0.1)	-	-	-	(0.1)
Additions in the year	11.9	4.2	73.2	233.4	322.7
Reimbursements received	-	-	-	(7.4)	(7.4)
Disposals in the year	(0.1)	(7.0)	(374.3)	-	(381.4)
Completed development projects	-	-	86.6	(86.6)	-
At 31 May 2014	**66.2**	**164.1**	**1,105.6**	**317.6**	**1,653.5**
Amortisation and impairment					
At 1 June 2012	(2.8)	(136.2)	(627.5)	-	(766.5)
Exchange rate adjustment to year-end rate	0.2	-	-	-	0.2
Amortisation during the year	-	(10.0)	(217.4)	-	(227.4)
Reversed amortisation on disposals	-	-	9.5	-	9.5
At 31 May 2013	(2.6)	(146.2)	(835.4)	-	(984.2)
Exchange rate adjustment to year-end rate	(0.1)	-	-	-	(0.1)
Amortisation during the year	-	(7.1)	(238.3)	-	(245.4)
Reversed amortisation on disposals	-	3.7	374.3	-	378.0
At 31 May 2014	**(2.7)**	**(149.6)**	**(669.4)**	**-**	**(851.7)**
Net book value					
At 31 May 2014	**63.5**	**14.5**	**406.2**	**317.6**	**801.8**
At 31 May 2013	51.9	20.7	484.7	178.2	735.5

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.1 INTANGIBLE ASSETS (CONTINUED)

Impairment losses during the year

Goodwill
The majority of the Group's goodwill (DKK 41.7 million) relates to the acquisition of the Dutch distribution in 2004/05. The goodwill is allocated to the cash-generating unit, which includes the activities in Holland. DKK 12.2 million relate to the take over of 20 shops from the previous master dealer Richcom in China. The goodwill is allocated to the cash-generating unit, which includes the activities in BRIC. The goodwill relates in its entirety to the business segment AV. No impairment losses have been recognised on cash-generating units which include goodwill in 2013/14 og 2012/13 in the Group.

The assessment of the recoverable amount of the cash-generating units which include goodwill is based on calculations of value in use, which is calculated based on expected future cash flows according to the "Leaner, Faster, Stronger" strategy and forecasts for the coming 2 financial years. The terminal value is determined on the assumption of a growth of 2.0 % (2012/13; 2.0%). The growth rate is not expected to exceed the long-term growth rate. A discount rate before tax of 10.0 % is used (7.6 % after tax) (2012/13; 10.0%/7.5%).

Development projects
No impairment losses have been recognised on development projects in the 2013/14 financial year (2012/13; DKK 0 million).

The assessment of the recoverable amount of the intangible assets excl. goodwill is based on calculations of value in use of the assets. The value in use is calculated based on expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 10.0 % (2012/13; 10.0 %).

	2013/14	2012/13
Amortisation and impairment losses		
Production costs	4.1	5.8
Development costs	239.2	218.8
Distribution- and marketing costs	1.9	2.5
Administration costs	0.2	0.3
Total	**245.4**	**227.4**

No impairment losses have been recognised in 2013/14 or 2012/13.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.2 TANGIBLE ASSETS

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

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

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

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

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

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

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

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.2 TANGIBLE ASSETS (CONTINUED)

Impairment

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

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

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

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

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

No impairment losses have been recognised in relation to tangible assets during 2013/14 or in 2012/13.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.2 TANGIBLE ASSETS (CONTINUED)

	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
Cost						
At 1 June 2012	479.9	1,176.0	204.3	69.3	96.8	2,026.3
Exchange rate adjustment to year-end rate	-	0.1	(2.0)	(2.3)	-	(4.2)
Additions in the year	2.0	40.5	5.3	20.8	16.0	83.8
Completed assets	0.9	43.4	-	0.2	(44.5)	-
Disposals in the year	-	(19.1)	(5.0)	(14.4)	(0.8)	(39.3)
At 31 May 2013	482.8	1,240.9	202.6	72.8	67.5	2,066.6
Exchange rate adjustment to year-end rate	(6.5)	(3.2)	(0.4)	(1.5)	-	(11.6)
Reclassification	-	-	0.3	(0.3)	-	-
Additions in the year	4.2	22.7	9.9	25.7	24.8	87.3
Completed assets	0.5	11.6	3.7	-	(15.8)	-
Disposals in the year	(99.4)	(21.7)	(8.4)	(16.9)	(46.7)	(193.1)
At 31 May 2014	**381.6**	**1,250.3**	**207.7**	**79.8**	**29.8**	**1,949.2**
Amortisation and impairment						
At 1 June 2012	(269.6)	(1,030.4)	(175.0)	(51.8)	-	(1,526.8)
Exchange rate adjustment to year-end rate	-	(0.1)	1.3	1.7	-	2.9
Depreciation during the year	(15.0)	(73.0)	(9.3)	(5.9)	-	(103.2)
Reversed depreciation on disposals	-	18.2	4.8	13.4	-	36.4
At 31 May 2013	(284.6)	(1,085.3)	(178.2)	(42.6)	-	(1,590.7)
Exchange rate adjustment to year-end rate	1.8	2.9	0.4	0.6	-	5.7
reclassification	-	-	(0.1)	0.1	-	-
Depreciation during the year	(12.7)	(64.9)	(9.5)	(12.7)	-	(99.8)
Reversed depreciation on disposals	28.6	20.5	6.5	14.3	-	69.9
At 31 May 2014	**(266.9)**	**(1,126.8)**	**(180.9)**	**(40.3)**	**-**	**(1,614.9)**
Net book value						
At 31 May 2014	**114.7**	**123.5**	**26.8**	**39.5**	**29.8**	**334.3**
At 31 May 2013	198.2	155.6	24.4	30.2	67.5	475.9
Hereof assets held under finance leases	-	-	0.4	-	-	0.4

There are no contractual obligations regarding purchase of tangible assets.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)	2013/14	2012/13

3.2 TANGIBLE ASSETS (CONTINUED)

Depreciation and impairment losses	2013/14	2012/13
Production costs	57.2	59.6
Development costs	12.9	14.9
Distribution- and marketing costs	27.2	25.9
Administration costs	2.5	2.8
Total	**99.8**	**103.2**

No impairment losses have been recognised in 2013/14 or 2012/13.

3.3 INVESTMENT PROPERTY

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

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

Cost	
At 1 June 2012	79.9
At 31 May 2013	79.9
At 31 May 2014	**79.9**
Depreciation and impairment	
At 1 June 2012	(38.6)
Depreciation during the year	(1.3)
At 31 May 2013	(39.9)
Depreciation during the year	(1.3)
At 31 May 2014	**(41.3)**
Net book value	
At 31 May 2014	**38.6**
At 31 May 2013	40.0

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

External rental income of DKK 2.3 million has been received from the investment property in 2013/14 (2012/13; DKK 2.0 million), and directly attributed operating expenses were DKK 1.6 million (2012/13; DKK 1.5 million).

The properties are leased on operating leases with a remaining duration of 12 months. According to the existing operating leases a rental income of DKK 2.3 million will be received in 2014/15.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.4 OTHER FINANCIAL RECEIVABLES

Cost	
At 1 June 2012	72.0
Exchange rate adjustment to year-end rate	(1.3)
Changes in the year	(15.9)
At 31 May 2013	54.8
Exchange rate adjustment to year-end rate	1.6
Changes in the year	1.9
At 31 May 2014	**54.5**
Impairment	
At 1 June 2012	(25.4)
Exchange rate adjustment to year-end rate	0.5
Impairment reversals/losses during the year	12.8
At 31 May 2013	(12.1)
Exchange rate adjustment to year-end rate	0.5
Impairment reversals/losses during the year	2.3
At 31 May 2014	**(10.3)**
Net book value	
At 31 May 2014	**44.2**
At 31 May 2013	42.7

The fair value of other financial receivables in the Group amounts to DKK 44.2 million (DKK 42.7 million in 2012/13). The fair value is calculated as the present value of the future expected cash flows from the receivables.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.5 WORKING CAPITAL

Accounting policies

Inventories

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

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

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

Receivables

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

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

Prepayments

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

Other financial liabilities

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

Deferred income

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

Critical accounting estimates and judgements

Trade receivables

Specific estimates of trade receivables are made on an assessment of the dealer's historical ability to pay and the current situation. The applied principles are unchanged from the 2012/13 financial year. The trade receivables amount to DKK 537.4 million as at 31 May 2014 (2012/13; DKK 443.9 million).

Inventories

A specific assessment of the need for write-downs for obsolescence of inventories is made based on an assessment of the future sales potential. During the assessment the expected technological developments and the expected service periods are taken into account. The applied principles are unchanged from the 2012/13 financial year. Inventories amount to DKK 666.2 million as at 31 May 2014 (2012/13; DKK 572.1 million).

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)	2013/14	2012/13

3.5 WORKING CAPITAL (CONTINUED)

3.5.1 Inventories

Raw materials	140.0	166.5
Work in progress	37.1	22.5
Spare parts	113.6	100.3
Finished goods	375.4	282.8
Total 31 May	**666.2**	**572.1**

It is Group policy that spare parts should be available for a number of years after sale of the product. Subsequently DKK 57.8 million (2012/13; DKK 50.1 million) is expected to be realised after more than 12 months.

Other disclosures:

Inventory movement recognised in production costs	1,303.5	1,391.7
Impairment of inventories recognised in production costs	12.9	29.8
Reversal of impairment of inventories recognised in production costs	2.8	1.2

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

3.5.2 Trade receivables

Trade receivables at 31 May (gross)	634.6	535.8
Impairment 1 June	(91.9)	(110.9)
Exchange rate adjustment to year-end rate	(0.2)	0.8
Change in impairment during the year	(7.3)	3.5
Actual losses during the year	2.2	14.7
Impairment 31 May	(97.2)	(91.9)
Trade receivables at 31 May (net)	**537.4**	**443.9**

All trade receivables fall due within one year.

Financial income of DKK 4.2 million (2012/13; DKK 6.8 million) has been recognised in the Group relating to impaired trade receivables.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.5 WORKING CAPITAL (CONTINUED)

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

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

	2013/14	2012/13
Maturity analysis:		
Amounts not due	461.1	364.7
Overdue up to 30 days	5.9	6.1
Overdue between 30 and 60 days	12.9	9.4
Overdue between 60 and 90 days	5.2	6.4
Overdue between 90 and 120 days	6.4	7.4
Overdue more than 120 days	45.9	49.8
Trade receivables at 31 May (net)	**537.4**	**443.9**

For further details about the credit risk associated with the trade receivables, refer to Note 4.3 Financial Instruments.

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.6 PENSIONS

Accounting policies
As employer, the Bang & Olufsen Group participates in pension plans according to normal practice in the countries in which the Group operates. There are two types of plans; defined contribution plans and defined benefit plans.

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

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

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

Changes in the assumptions mentioned above as well as differences between the expected and the realised return on plan assets cause actuarial gains and losses. Following the changes to IAS 19 ‘Employee benefits’ whereby the corridor method can no longer be used, all actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Previously, under the corridor method, actuarial gains and losses were recognised in the income statement only if the accumulated gains or losses exceeded the highest numerical value of 10 % of the defined benefit obligation or 10 % of the fair value of the plan assets as at the beginning of the financial year. The comparatives have been restated.

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

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)	2013/14	2012/13	2012/13 restated *)
3.6 PENSIONS (CONTINUED)			
Amounts recognised in the income statement:			
Defined contribution plans	45.6	53.1	53.1
Defined benefit plans	1.9	2.6	2.2
Total pension amount charged to the income statement	47.5	55.7	55.3
Amounts recognised in the balance sheet:			
Wholly unfunded defined benefit plans	3.6	3.3	3.3
Wholly or partly funded defined benefit plans	24.6	23.9	23.9
Present value of defined benefit obligation 31 May	28.2	27.2	27.2
Fair value of plan assets	(14.8)	(14.6)	(14.6)
Unrecognised actuarial (gains) and losses	-	(0.8)	-
Defined benefit plans obligation 31 May	13.4	11.8	12.6
Actual return on plan assets	0.2	0.5	0.5

**) restated following implementation of IAS 19 'Employee benefits (amended 2011)'*

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

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

	Germany		Norway	
	2013/14	2012/13	2013/14	2012/13
Actuarial assumptions:				
Calculation rate p.a.	3.0%	3.5%	4.0%	2.6%
Expected salary increase p.a.	1.5%	1.5%	3.75%	3.5%
Expected rate of return p.a.	3.0%	3.5%	4.0%	4.1%

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.6 PENSIONS (CONTINUED)

	2013/14	2012/13
Germany:		
Present value of future payments	18.1	17.5
Fair value of plan assets	(8.4)	(8.4)
Actuarially calculated net obligation	9.7	9.1
Norway:		
Present value of future payments	6.5	6.4
Fair value of plan assets	(6.4)	(6.2)
Actuarially calculated net receivable	0.1	0.2
Net obligation	9.8	9.3
Wholly unfunded defined benefit plans	3.6	3.3
Defined benefit plans 31 May, net	**13.4**	**12.6**

5 year overview:	2013/14	2012/13	2011/12	2010/11	2009/10
Present value of defined benefit obligation	28.2	27.2	26.2	23.8	22.3
Fair value of plan assets	(14.8)	(14.6)	(14.9)	(14.6)	(14.7)
Deficit, defined benefit plans	13.4	12.6	11.3	9.2	7.6
Experience-based adjustments of defined benefit obligation	1.2	1.4	1.7	0.6	1.0
Experience-based adjustments of plan assets for defined benefit plans	0.6	(0.0)	(0.1)	(0.4)	(0.6)

3.7 PROVISIONS

Accounting policies

Provisions comprise provisions for warranty, provisions for fairness and other provisions. Provisions for warranty are made to honor obligations to repair products within the warranty period, whereas provisions for fairness are made to enable discretionary goodwill repairs of products after the end of the warranty period.

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

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

SECTION 3

OPERATING ASSETS AND LIABILITIES

(DKK million)

3.7 PROVISIONS (CONTINUED)

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

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

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

Provisions for warranty and fairness of DKK 51.7 million have been recognised as at 31 May 2014 (2012/13; DKK 70.9 million) to cover expected warranty and fairness claims. The size and timing of the provisions are based on previous experience of the level and timing of repairs and returns. The principles are unchanged from the 2012/13 financial year. The decrease in the provision is due to a reduction in repair costs and a changed product mix within the warranty period. No reimbursements will be received from third parties to cover the provisions.

	Warranty and fairness	Employee anniversary benefits	Other obligations	Total
At 1 June 2012	115.6	8.1	17.3	141.0
Exchange rate adjustment to year-end rate	(1.3)	(0.0)	(0.6)	(1.9)
Provisions in the year	26.4	1.0	5.7	33.0
Provisions used in the year	(32.2)	(1.1)	(3.8)	(37.1)
Provisions reversed in the year	(37.6)	(0.0)	(0.2)	(37.8)
At 31 May 2013	70.9	8.0	18.4	97.3
Exchange rate adjustment to year-end rate	(0.4)	0.1	(0.4)	(0.7)
Provisions in the year	26.6	0.3	2.1	28.9
Provisions used in the year	(31.2)	(0.9)	(5.7)	(37.8)
Provisions reversed in the year	(14.2)	(4.5)	(0.4)	(19.2)
At 31 May 2014	**51.7**	**2.9**	**14.0**	**68.5**
Falls due 1-5 year	25.6	2.1	11.3	39.1
Falls due after 5 years	-	-	0.7	0.7
Non-current provisions	25.6	2.1	12.0	39.8
Falls due within one year	26.0	0.8	1.9	28.8
At 31 May 2014	**51.7**	**2.9**	**14.0**	**68.5**

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

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

4.1 MORTGAGE LOANS AND LOANS FROM BANKS

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

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

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

4.1.1 Mortgage loans

	Falls due within 1 year	Falls due 1-5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate 4.1%	2.0	9.1	18.3	27.3
Floating rate loans, interest rate level 0.5 - 1.0 %	6.2	25.2	145.3	170.5
Book value 31 May 2014	**8.2**	**34.3**	**163.5**	**197.8**
Fixed rate loans, interest rate 4.1 %	2.0	8.7	20.7	29.4
Floating rate loans, interest rate level 2.0 - 3.0 %	4.9	20.6	156.1	176.7
Book value 31 May 2013	6.8	29.3	176.8	206.1

The fair value of the Group's mortgage loans amounts to DKK 207.4 million (2012/13; DKK 216.4 million). All loans are in DKK.

4.1.2 Loans from banks

The Group has a current draw of DKK 220.0 million (2012/13; DKK 150.0 million) on a committed facility with Nordea. This is also the fair value. This is an ongoing line of credit.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.2 FINANCIAL ITEMS

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

	2013/14	2012/13
Interest income from banks	0.2	0.5
Other financial income	5.4	8.1
Financial income	5.6	8.6
Interest costs on bank loans etc	(8.4)	(8.6)
Interest costs on mortgage loans	(10.0)	(10.8)
Exhchange rate losses, net	(4.6)	(5.9)
Other financial costs	(11.5)	(7.9)
Financial costs	(34.5)	(33.2)

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

4.3 FINANCIAL INSTRUMENTS

Accounting policies

Financial assets

The Group classifies its financial assets into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables; or
- derivative instruments designated as hedges.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition.

Financial assets are recognised when the company becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash or a contractual right to receive cash or another financial asset.

Financial assets, or a portion of a financial asset, are derecognised when, and only when, the entity loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). Such control is lost if the entity realises the right to benefits specified in the contract, the rights expire, or the entity surrenders those rights.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets at fair value through profit or loss
Financial instruments are classified under this category if held for trading, or if designated at fair value through profit or loss at inception. A financial instrument is classified as held-for-trading if acquired or incurred principally for the purpose of selling it in the short term. Derivatives are also classified as held-for-trading unless they are designated as hedges. Financial instruments in this category are classified as current assets and liabilities. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the statement of comprehensive income during the period in which they arise. Financial derivative instruments in the balance sheet are classified in this category.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months from year-end, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, less impairments, using the effective interest rate method. Loans and receivables comprise the other non-current financial assets, trade and other financial receivables, amounts due by Group companies, cash restricted for use and cash and cash equivalents.

Financial liabilities

Financial liabilities are classified into the following categories:
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities at amortised cost
This category of financial liabilities comprises preference shares (liability component), borrowings, trade and other financial payables and amounts due to Group companies. These financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Accounting for derivative financial instruments and hedging activities
The Group's criteria for a derivative instrument to be designated as a hedging instrument require that:
- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecast that is the subject of the hedge must be highly probable.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

- a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income as financing costs/income, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortised in the statement of comprehensive income over the period to maturity.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The ineffective portion is recognised immediately in the statement of comprehensive income within financing costs. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial cost or other carrying amount of the asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of comprehensive income and classified as gains or losses in the same financial years during which the hedged firm commitment or forecast transaction affects the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the statement of comprehensive income. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserves in shareholders' equity are shown under non-distributable reserves in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within financing costs.

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value estimation

The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at year-end.

Financial instruments that are measured at fair value in the balance sheet are classified into the following levels of the fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly, as prices, or indirectly, derived from prices (level 2); and
- inputs for the assets or liabilities that are not based on observable market data, unobservable inputs (level 3).

Quoted market prices or dealer quotes for the specific or similar instruments are used for non-current debt. The fair values of non-current financial assets and deferred payables for disclosure purposes are estimated by discounting the future contractual cash flows at the interest rates available to the Group at year-end. Other techniques, such as options pricing models and estimated discounted value of future cash flows, are used to determine fair value of the remaining financial instruments.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group makes assumptions that are based on market conditions existing at each year-end.

The carrying values of the following financial assets and financial liabilities approximate their fair values:

- trade and other financial receivables;
- cash and cash equivalents;
- other non-current financial receivables;
- amounts due to Group companies;
- amounts due by Group companies;
- trade and other financial payables;
- current borrowings; and
- non-current borrowings.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

Additional balance sheet disclosures in accordance with IFRS 7 (Financial Instruments)

Categories of financial assets and liabilities

Carrying amount of financial instruments by measurement category under IAS 39

	2013/14		2012/13	
	Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments relating to hedging of forecasted future transactions included in other receivables	0.0	0.0	4.0	4.0
Financial assets held for trading	**0.0**	**0.0**	**4.0**	**4.0**
Other financial receivables	44.2	44.2	42.7	42.7
Trade receivables	537.4	537.4	443.9	443.9
Receivables from associates	1.9	1.9	1.8	1.8
Other receivables	65.8	65.8	41.7	41.7
Loans receivable and other receivables	**649.3**	**649.3**	**530.1**	**530.1**
Mortgage loans	206.0	207.4	212.9	216.4
Loans from banks	220.0	220.0	150.0	150.0
Overdraft facilities	68.5	68.5	56.2	56.2
Trade payables	434.0	434.0	295.3	295.3
Other liabilities	215.8	215.8	226.9	226.9
Financial liabilities valued at amortised cost	**1,144.3**	**1,145.7**	**941.3**	**944.8**

For financial assets and liabilities, the fair value is approximatly equal to the carrying amount.

Foreign exchange contracts are measured at fair value in the balance sheet. The fair value is based on observable market data and is part of level 2 in the fair value hierarchy and in the category financial assets and liabilites used as hedging instruments. The fair value is DKK 0.0 million (2012/13; DKK 4.0 million).

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange rate risk
In 2013/14 91 per cent of the Group's turnover was in foreign currency (2012/13; 91 per cent). Since part of the Group's purchasing policy is to match purchasing and sales currencies to the greatest possible extent, the figure does not express the Group's foreign exchange rate risk.

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

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

Besides the foreign exchange rate risk relating to current transactions, the Group's equity is affected by foreign exchange rate risks relating to the translation of the Group's foreign subsidiaries from local currencies to DKK.

Foreign exchange contracts
As at 31 May 2014 the Group has entered into foreign exchange forward contracts at a repurchase value of DKK 9.6 million (DKK 42.0 million as at 31 May 2013), with a fair value of DKK 0.0 million (DKK 4.0 million as at 31 May 2013).

Foreign exchange contracts, net sale (purchase)

	31 May 2014		31 May 2013	
	Contractual value	Fair value	Contractual value	Fair value
USD	(109.1)	-	(177.7)	2.5
GBP	-	-	42.2	0.3
CHF	108.0	-	136.5	1.7
Other	10.7	-	41.0	(0.5)
Total	**9.6**	**-**	**42.0**	**4.0**

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

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

	EBIT		Equity	
	2013/14	2012/13	2013/14	2012/13
USD	(12.7)	(13.1)	(9.5)	(9.9)
GBP	7.6	7.0	5.7	5.2
CHF	8.8	8.7	6.6	6.5
Other	(0.9)	5.3	0.1	4.1
Total	**2.8**	**7.9**	**2.9**	**5.9**

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

The Group interest-bearing assets mainly consist of liquid funds, which at the end of the financial year totalled DKK 120.4 million (2012/13; DKK 145.9 million). Liquid funds yield interest in the short-term money market. The interest rate risk is deemed to be insignificant in that a change in the interest rate level of 0.5 percentage points would have impacted the Group's earnings before tax by approx. DKK 0.8 million in 2013/14 (2012/13; DKK 1.7 million).

At the end of the financial year, the Group's interest-bearing debt totalled DKK 494.6 million (2012/13; DKK 419.1 million) corresponding to 17.1 per cent of the balance sheet total (2012/13; 15.2 per cent).

Of the interest-bearing debt DKK 163.5 million falls due after five years (2012/13; DKK 176.8 million). Further information is provided in note 4.1.

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

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

At the end of the financial year, the Group sells its products through 724 dealers worldwide. The Group is, therefore, exposed to a risk of losses on trade receivables.

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

In the 2013/14 financial year, DKK 2.2 million was expensed as losses on trade receivables (2012/13; DKK 14.7 million).

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

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.3 FINANCIAL INSTRUMENTS (CONTINUED)

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

Contractual maturity analysis for financial liabilities

	Less than one year	Between one and five years	More than five years	Total
2013/14				
Mortgage loans	-	59.9	218.3	278.2
Short-term bank loans	297.0	-	-	297.0
Trade payables	434.0	-	-	434.0
Total non-derivative financial liabilities	731.0	59.9	218.3	1,009.2
Total financial liabilities	**731.0**	**59.9**	**218.3**	**1,009.2**

	Less than one year	Between one and five years	More than five years	Total
2012/13				
Long-term bank loans	-	63.9	256.5	320.3
Short-term bank loans	224.1	-	-	224.1
Trade payables	295.3	-	-	295.3
Total non-derivative financial liabilities	519.4	63.9	256.5	839.8
Total financial liabilities	**519.4**	**63.9**	**256.5**	**839.8**

Specification of net interest-bearing debt

	2013/14	2012/13
Cash and cash equivalents	120.4	145.9
Bank loans, non-current liabilities	(197.8)	(206.1)
Bank loans, current liabilities	(296.7)	(213.0)
Total	**(374.1)**	**(273.2)**

Defaults or breaches on loans
No loan agreements have been defaulted or breached in 2013/14 or 2012/13.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.4 CAPITAL STRUCTURE

Based on the company's result and to have sufficient funds to support the strategic initiatives, the Board of Directors proposes to the General Meeting that no dividend be paid out for the 2013/14 financial year. It is the intention of the Board of Directors to resume dividend payments as soon as the financial results justify it.

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

4.5 SHARE CAPITAL

Accounting policies

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

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

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

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

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

Reserve for cash flow hedges
Reserve for cash flow hedges comprises accumulated changes in fair value of derivative financial instruments, which meets the conditions for hedging of future cash flows, where the hedged position has not yet been realised.

The changes in fair value are transferred to the profit and loss account, when the hedged positions are realised.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.5 SHARE CAPITAL (CONTINUED)

	Issued shares			
	Number		Nominal value (DKK mio)	
	2013/14	2012/13	2013/14	2012/13
1 June	39,270,435	36,244,014	392.7	362.4
Capital increase	-	3,026,421	-	30.3
31 May	**39,270,435**	**39,270,435**	**392.7**	**392.7**

The share capital consists of 39,270,435 shares with a nominal value of 10 DKK. Each share gives one vote. No shares have special rights. There are no limitations to transferability and no voting restrictions. All new shares issued as part of the capital increase in 2012/13 were subscribed for by Sparkle Roll Holdings Limited and A Capital Bravo Holding S.à.r.l at a market price of DKK 60.22 per share of DKK 10. The 3,026,421 new shares were issued without pre-emption rights for the company's existing shareholders.

	2013/14	2012/13	2011/12	2010/11	2009/10
Specification of movements in the share capital:					
Share capital	392.7	362.4	362.4	362.4	120.8
Capital increase	-	30.3	-	-	241.6
Share capital	392.7	392.7	362.4	362.4	362.4

Own shares

	Number		Nominal value (DKK mio)		% of share capital	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
1 June	102,021	95,207	1.0	1.0	0.3	0.3
Used in connection with allocation of employee shares	(24,652)	(8,727)	(0.3)	(0.1)	(0.1)	(0.0)
Acquired to cover employee share option programmes	-	15,541	-	0.2	0	0.0
31 May	**77,369**	**102,021**	**0.8**	**0.9**	**0.2**	**0.3**

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

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.6 COSTS RELATING TO CAPITAL INCREASE

There has been no capital increase in the financial year 2013/14.

On 19 July 2012 (company announcement no 12.06) it was announced that Bang & Olufsen had entered into a strategic partnership with Sparkle Roll Holdings Limited and and A Capital China Outbound Fund, FCP-SIF and A Capital Bravo Holding S.à.r.l. in order to further accelerate the growth of the Bang & Olufsen brand in China. As part of the strategic partnership Sparkle Roll and A Capital would subscribe for 6.63% and 1.72% of the existing share capital respectively at market price through a directed share issue.

The following costs were recognised directly in equity in relation to the capital increase in the financial year 2012/13:

	2013/14	2012/13
Legal fees	-	1.3
Consultancy fees	-	2.0
Issuance fees	-	0.3
Total	**-**	**3.6**

4.7 SHARE-BASED PAYMENT

Accounting policies

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

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

Share options have been granted on one occasion in the financial year 2013/14.

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.7 SHARE-BASED PAYMENT (CONTINUED)

Share-based payment
The Bang & Olufsen Group's share option programme extends to Executive Management and a number of key employees in the Group. As at 31 May 2014, the total pool of options amounted to 3,037,285 options, which can be exercised in the period 2014-2016. Vesting of the share options is dependent on the recipient of the option being employed during the vesting period.

There are no further vesting conditions for the options.

However, for the 833.334 options granted to the CEO (company announcement no. 10.16 and no. 13.07) there are certain demands regarding development in share price and EBITDA performance. This is also the case for the 535,550, 275,972 and 290,801 options which have been granted to Executive Management and a group of key employees (company announcements no 11.13, 12.17 and 13.07).

The share options can only be settled with shares. To a limited extent, Bang & Olufsen a/s has purchased own shares to cover the obligation for the outstanding options. The purchase of shares are recognised directly in equity. The holding of own shares totals 77,369 shares as at 31 May 2014 (2012/13; 102,021 shares).

	2013/14		2012/13	
	Number of options	Avg. exercise price per option (DKK)	Number of options	Avg. exercise price per option (DKK)
Outstanding at 1 June	2,882,254	82	2,561,457	83
Granted	1.022.962	81	344,929	81
Exercised	(24,652)	47	(8,727)	58
Expired	(562.490)	121	-	-
Forfeited	280.789	63	(15,405)	72
Outstanding 31 May	**3,037,285**	**77**	**2,882,254**	**82**

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.7 SHARE-BASED PAYMENT (CONTINUED)

Further information about the outstanding stock options:

	2013/14			2012/13		
	Number of options	Avg. exercise price per option (DKK)	Remaining term to maturity (months)	Number of options	Avg. exercise price per option (DKK)	Remaining term to maturity (months)
Outstanding programme 2007/08	0	-	0	126,443	302	2
Outstanding programme 2008/09	119,010	103	2	123,156	103	14
Outstanding programme 2009/10	72,446	58	14	75,355	58	26
Outstanding programme 2010/11	244,842	47	26	341,972	47	38
Outstanding programme 2010/11	0	-	0	416,666	69	3
Outstanding programme 2010/11	416,667	77	3	416,667	77	15
Outstanding programme 2010/11	416,667	86	15	416,667	86	27
Outstanding programme 2011/12	535,550	67	3	631,695	67	15
Outstanding programme 2012/13	275,972	81	15	333,631	81	27
Outstanding programme 2013/14	665,000	60	27	-	-	-
Outstanding programme 2013/14	290,801	55	27	-	-	-
Outstanding 31 May	**3,037,285**	**69**		**2,882,253**	**82**	

The value of the share-based payment expresses the group income statement effect of allocated share options. 24.652 share options have been exercised in the year with an average exercise price of DKK 47. The remaining options have not been, and may never be, exercised.

Staff costs recognized in the income statement in relation to share-based payments were DKK 4.2 million (2012/13; DKK 2.8 million).

SECTION 4

CAPITAL STRUCTURE AND FINANCING COSTS

(DKK million)

4.7 SHARE-BASED PAYMENT (CONTINUED)

	Options granted in 2013/14	Options granted in 2012/13
Weighted average fair value (DKK per option)	15.27	18
The expense recognition according to the Monte Carlo option pricing formula has been based on the following assumptions:		
Weighted average share price (DKK per option)	55	81
Expected volatility, first grant	40.0%	40.0 %
Risk-free interest rate, first grant	0.41%	0.15 %

In 2013/14 and 2012/13 an average dividend addition for the Bang & Olufsen a/s share of 0.00% has been used in the calculation.

The expected maturity is fixed to be the end of the vesting period.

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

SECTION 5

OTHER NOTES

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

5.1 NON-CASH ITEMS

Accounting policies

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

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

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

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

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

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

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

(DKK million)	2013/14	2012/13
Change in other liabilities	(29.0)	(39.0)
Financial income	(5.6)	(8.6)
Financial costs	34.5	33.2
Result of investments in associates after tax	(3.2)	(2.6)
Gain/loss on sale of non-current assets	(11.7)	(1.2)
Tax on earnings for the year	5.8	(51.8)
Other adjustments	(4.8)	3.1
Total adjustments	**(13.9)**	**(66.9)**

SECTION 5

OTHER NOTES

(DKK million)

5.2 BUSINESS COMBINATIONS

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

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

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

SECTION 5

OTHER NOTES

(DKK million)

5.2 BUSINESS COMBINATIONS (CONTINUED)

	2013/14
The assumed fair value of acquired assets and liabilities is as follows:	
Other equipment	2.4
Leasehold improvements	1.7
Tangible assets in course of construction and prepayments for tangible assets	0.9
Tangible assets	**5.0**
Total non-current assets	**5.0**
Order back-log	10.9
Inventories	20.1
Trade receivables	2.8
Cash at bank and in hand	1.1
Total current assets	**34.9**
Total assets	**39.9**
Provisions	3.3
Total non-current liabilities	**3.3**
Other liabilities	7.6
Total current liabilities	**7.6**
Total liabilities	**11.0**
Acquired net assets	**28.8**
The purchase price is as follows:	
Cash	41.0
Total purchase price	**41.0**
Goodwill	**12.2**

Richcom

On 1 June 2013 Bang & Olufsen took over 20 shops from the previous master dealer Richcom in China (including Beijing and Shanghai). This is expected to lead the way to further expansion and stronger control of the distribution in the Greater China region.

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

Revenue generated by the acquired shops was approximately DKK 17 million in the 2013/14 financial year but with a zero effect on EBIT. Purchase costs for the transaction amounted to approximately DKK 3.5 million and have been included in distribution- and marketing costs.

SECTION 5

OTHER NOTES

(DKK million)

5.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Accounting policies
A sale and leaseback transaction involves the sale of an asset and leaseback of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. When the lease is deemed to be an operating lease and the sale transaction is established at fair value, any gain or loss on the sales transaction is recognized in profit/loss immediately. The leaseback is recognized as other operating leases, cf. accounting policies for operating leases.

Critical accounting estimates and judgements
Sale and leaseback
Bang & Olufsen s.r.o. have entered a sale and leaseback agreement with Bidston Management s.r.o. on 14 February 2014.

The transaction includes all buildings and installations previously owned by Bang & Olufsen s.r.o. The net sales price is DKK 79 million which resulted in a profit on disposal of approximately DKK 11 million (included in administration costs).

The initial lease period is 15 years with annual lease payments of DKK 7.7 million. Bang & Olufsen has the right to extend the lease by five years for three consecutive periods.

Management have assessed the terms and conditions of the sale and leaseback transaction. Based on the contractual terms including the buy-back clause, the length of the lease period and the minimum lease payments compared to the market value, it has been assessed that the lease meets the criteria of an operating lease.

SECTION 5

OTHER NOTES

(DKK million)

5.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

	2013/14	2012/13
Leasing commitments:		
Plant and machinery etc.	30.2	40.9
Shops	201.3	190.4
Office and factory property	180.0	83.9
Total	**411.5**	**315.2**
Maturity:		
Due within 1 year	111.6	99.2
Due 1 - 5 years	207.2	194.9
Due after 5 years	92.7	21.1
Total	**411.5**	**315.2**
Rental and lease payments, net for the year	126.0	102.4
Minimum rental and lease payments	126.0	102.4

The Group has entered into a number of operating leases and rental agreements regarding plant and machinery, shops and other property. There is a big diversity in the length of the agreements. The longest agreement has a term term of 15 years.

All agreements contain conditions regarding renewal. The Group is entitled to determine, whether or not the agreements are renewed. None of the agreements impose restrictions in the Group's rights of disposal.

No contingent rental or lease payments have been recognised in the income statement in 2013/14 or 2012/13.

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

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

Guarantees		
Total guarantees as at 31 May	3.4	15.1

DKK 1.3 million (2012/13; DKK 1.3 million) of the guarantees relate to associated companies.

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

SECTION 5

OTHER NOTES

(DKK million)

5.3 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS (CONTINUED)

VAT and other taxes
The Danish companies in the Group are jointly registered and are jointly and severally liable for VAT and other taxes of a total of DKK 17.0 million (2012/13; DKK 10.8 million)

Mortgages and securities
Land and buildings and investment property have been mortgaged in the amount of DKK 265.0 million (2012/13; DKK 378.2 million) as security for DKK 206.1 million of the Group's mortgage and bank debt (2012/13; DKK 212.9).

Other tangible non-current assets relating to the land and buildings and investment property are included in the mortgages. The carrying amount of the Group's mortgaged land and buildings and investment property is DKK 147.3 million (2012/13; DKK 157.9 million). No intangible assets, financial assets or inventories are pledged as security for liabilities.

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

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

SECTION 5

OTHER NOTES

(DKK million)

5.4 RELATED PARTIES

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

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

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

Bang & Olufsen's share in subsidiaries and associated companies is shown in note 5.7.

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

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

Associated companies
The transactions with the associated companies have included the following:

	2013/14	2012/13
Purchase of raw materials	(27.7)	(12.5)
Purchase of services	-	(0.6)
Rental income	2.1	1.6
Rendering of services	0.0	1.3

The Group has a net receivable with associated companies of DKK 1,9 million (2012/13; DKK 1.8 million). The outstanding balances carry interest. Terms of payment on outstanding balances for purchase of goods are current month + 30 days. All receivables fall due within 1 year.

The fair value of the receivables are DKK 1.9 million (2012/13; DKK 1.8 million). The book value is expected to be a reasonable approximation of the fair value.

There are no securities regarding the outstanding balances. There has been no need for write-down of outstanding balances, and no actual losses have been incurred in 2013/14 and 2012/13.

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

SECTION 5

OTHER NOTES

(DKK million)

5.5 EVENTS AFTER THE BALANCE SHEET DATE

Following the end of the reporting period Bang & Olufsen a/s carried out a capital increase through an accelerated book-building process (refer to company announcement 14.02 of 19 June 2014). The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and was subscribed for at a price per share of DKK 66. Bang & Olufsen received net proceeds of DKK 250 million. Following registration of the capital increase, the share capital of Bang & Olufsen amounts to a nominal value of DKK 431,974,780 divided into 43,197,478 shares of DKK 10 each. Bang & Olufsen will use the net proceeds to accelerate the execution of the Group's growth plan.

On 26 June 2014 Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will hereafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen, who joined Bang & Olufsen on 1 August 2014, and COO Stefan Persson.

5.6 APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

At the Board meeting held on 13 August 2014 the Board of Directors have approved the publication of this Annual Report.

The Annual Report will be presented for adoption at the ordinary Annual General Meeting of Bang & Olufsen a/s on 10 September 2014.

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OTHER NOTES

(DKK million)

5.7 COMPANIES IN THE BANG & OLUFSEN GROUP

Company name	Domicile	Currency	Share capital local currency	Bang & Olufsen Group's share	Number of undisclosed subsidiaries
Bang & Olufsen a/s	Struer, DK	DKK	392,704,350		
Bang & Olufsen Operations a/s	Struer, DK	DKK	156,000,000	100 %	
Scandinavia					
Bang & Olufsen Danmark a/s	Struer, DK	DKK	3,000,000	100 %	
Bang & Olufsen AS	Oslo, N	NOK	3,000,000	100 %	
Bang & Olufsen Svenska AB	Stockholm, S	SEK	4,150,000	100 %	
Central Europe					
Bang & Olufsen Deutschland G.m.b.H.	München, D	EUR	1,022,584	100 %	
Bang & Olufsen AG	Bassersdorf, CH	CHF	200,000	100 %	
Bang & Olufsen Ges. m.b.H	Tulln, A	EUR	1,744,148	100 %	
United Kingdom/Benelux					
Bang & Olufsen United Kingdom Ltd.	Berkshire, GB	GBP	2,600,000	100 %	2
S.A. Bang & Olufsen Belgium N.V.	Dilbeek, B	EUR	942,000	100 %	
Bang & Olufsen b.v.	Naarden, NL	EUR	18,000	100 %	
Rest of Europe					
Bang & Olufsen France S.A.	Levallois-Perret, F	EUR	3,585,000	100 %	1
Bang & Olufsen España S.A.	Madrid, E	EUR	1,803,036	100 %	2
Bang & Olufsen Italia S.p.A.	Milano, I	EUR	774,000	100 %	
North America					
Bang & Olufsen America Inc.	Deerfield, IL, USA	USD	34,000,000	100 %	3
Asia					
Bang & Olufsen Asia Pte Ltd.	Singapore, SG	SGD	2	100 %	
Bang & Olufsen Wholesale Pty Ltd	Armadale, AUS	AUD	6,000,001	100 %	3
Bang & Olufsen Hong-Kong Pty Ltd	Hong Kong, HK	HKD	1,000,000	100 %	1
Bang & Olufsen Trading (Shanghai) Ltd	Shanghai, CN	RMB	67,000,000	100 %	
Middle East					
Bang & Olufsen Middle East FZ-LLC	Dubai, UAE	EUR	113,116	100 %	
Other					
Bang & Olufsen Expansion a/s	Struer, DK	DKK	7,000,000	100 %	
Bang & Olufsen s.r.o	Koprivnice, CZ	CZK	187,800,000	100 %	
B&O PLAY a/s	Struer, DK	DKK	7,500,000	100 %	
Bang & Olufsen ICEpower a/s	Lyngby Taarbæk, DK	DKK	1,939,750	100 %	
Bang & Olufsen OÜ	Tallin, EE	EEK	40,000	100 %	
Associated companies					
John Bjerrum Nielsen A/S	Bramming, DK	DKK	10,000,000	33 %	
Bang & Olufsen Medicom a/s	Struer, DK	DKK	11,920,918	33 %	

Dormant companies have not been included

SECTION 5

OTHER NOTES

(DKK million)

5.8 KEY FIGURE DEFINITIONS

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

EBITDAC
Earnings before interest, tax, depreciation, amortisation, impairment losses, capitalisation of development projects and result of investments in associates after tax. Additions relating to key components and technologies acquired from 3rd parties are not included.

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

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

EBITDA-margin, %
EBITDA x 100/Revenue

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

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

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

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

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

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

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

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

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BANG & OLUFSEN A/S – MANAGEMENT REPORT

Main activities
Bang & Olufsen a/s handles brand ownership and group staff functions as well as the development of Bang & Olufsen's AV products.

Revenue
Bang & Olufsen a/s generated revenue of DKK 451.9 million which is an increase of DKK 68 million compared to the 2012/13 financial year. The revenue is generated in Denmark and the increase compared to last year is attributable to royalty income from the 100% owned subsidiary Bang & Olufsen Operations a/s. The royalty income was DKK 375 million compared to DKK 300 million last year. The calculation method used is unchanged year-on-year, and the increase in royalty is therefore a result of a generally higher activity level.

Gross margin
The gross margin in Bang & Olufsen a/s in the financial year 2013/14 was 55.3 percent compared to 46.8 percent last year. The increase is due to the increase in royalty which has no associated cost of sales.

Capacity costs
Bang & Olufsen a/s's capacity costs decreased by DKK 116 million from DKK 629 million last year to DKK 513 million which was caused by a decrease across all functions due to general cost savings. Administrative expenses amounted to DKK 84 million compared to DKK 88 million. Development costs recognized as an expense, incl. amortization were DKK 341 million against DKK 427 million last year.

Earnings before interest and tax for the 2013/14 financial year were negative DKK 263 million against negative DKK 449 million last year.

Earnings before tax were negative DKK 278 million against negative DKK 466 million last year. Bang & Olufsen a/s incurred financial items of net negative DKK 18 million which was in line with the same period last year.

Development in balance sheet items and cash flow
Free cash flow in the financial year 2013/14 was negative DKK 75 million against negative DKK 216 million in the 2012/13 financial year. The improvement is due to improved earnings that, to a certain extent, have been offset by an increase in net working capital compared to the 2012/13 financial year.

At the end of the 2013/14 financial year Bang & Olufsen's net working capital was DKK 51 million compared to DKK 219 million at the end of the 2012/13 financial year. The decrease compared to last year is primarily caused by a decrease in net amount receivables from other group companies.

Net interest-bearing debt increased to DKK 442 million against DKK 368 million at the end of the 2012/13 financial year. The increase compared to last year is primarily caused by the negative net earnings.

Equity decreased from DKK 1,553 million to DKK 1,341 million which was due to the negative net earnings after tax.

Research and development
For information about Bang & Olufsen a/s's research and development activities, please refer to the section on Innovation as described on pages 19-21 of the Group Report.

CSR and Corporate Governance
For information on Bang & Olufsen a/s's work with CSR and Corporate Governance, please refer to pages 22-24 and pages 39-41 respectively in the Group Report.

Expectations to the future
Bang & Olufsen a/s is an integral part of the Group's overall operations and the expectations to the future are closely linked to the Outlook for the Group, as described on pages 33-34 of the Group Report.

Subsequent events
Following the end of the reporting period Bang & Olufsen a/s carried out a capital increase through an accelerated book-building process (refer to company announcement 14.02 of 19 June 2014). The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and was subscribed for at a price per share of DKK 66. Bang & Olufsen received net proceeds of DKK 250 million. Following registration of the capital increase, the share capital of Bang & Olufsen amounts to a nominal value of DKK 431,974,780 divided into 43,197,478 shares of DKK 10 each. Bang & Olufsen will use the net proceeds to accelerate the execution of the Group's growth plan.

On 26 June 2014 Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will herafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen, who joined Bang & Olufsen on 1 August 2014, and COO Stefan Persson.

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

(DKK million)	Notes	2013/14	2012/13
Revenue	3	**451.9**	**383.9**
Production costs	4	(202.0)	(204.2)
Gross profit		**249.9**	**179.7**
Development costs	4,5	(340.5)	(427.1)
Distribution and marketing costs	4	(88.7)	(113.9)
Administration costs	4	(83.8)	(88.0)
Operating profit (EBIT)		**(263.2)**	**(449.3)**
Dividend from subsidiaries		2.9	0.8
Financial income	6	18.5	19.2
Financial expenses	6	(36.0)	(36.6)
Financial items, net		(17.5)	(17.4)
Earnings before tax (EBT)		**(277.8)**	**(465.9)**
Income tax	7	59.9	115.0
Earnings for the year		**(218.0)**	**(350.8)**
Total comprehensive income for the year		**(218.0)**	**(350.8)**

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

(DKK million)	Notes	31/5/14	31/5/13
Goodwill		3.2	3.2
Acquired rights		13.3	19.9
Completed development projects		400.8	482.6
Development projects in progress		294.7	159.3
Intangible assets	8	**711.9**	**665.0**
Land and buildings		59.7	64.3
Plant and machinery		3.3	4.3
Other equipment		5.1	7.3
Leasehold improvements		1.2	1.3
Tangible assets in course of construction and prepayments of tangible assets		1.6	0.9
Tangible assets	9	**71.0**	**78.1**
Investment property	10	**87.6**	**93.6**
Investments in subsidiaries	12	726.1	726.8
Investments in associated companies		7.7	7.7
Other financial receivables		4.7	4.7
Financial assets		**738.5**	**739.2**
Deferred tax assets		**124.5**	**129.1**
Total non-current assets		**1,733.4**	**1,705.0**
Inventories		**0.3**	**0.3**
Receivables from subsidiaries	18	1,406.5	1,200.6
Corporation tax receivable		0.2	0.4
Other receivables		6.2	6.2
Prepayments		10.7	8.4
Total receivables		**1,423.7**	**1,215.6**
Cash		**52.6**	**50.8**
Total current assets		**1,476.6**	**1,266.7**
Total assets		**3,210.1**	**2,971.7**

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

(DKK million)	Notes	31/5/14	31/5/13
Share capital	13	392.7	392.7
Retained earnings	13	948.2	1,160.3
Total equity		**1,340.9**	**1,553.0**
Provisions		0.8	3.0
Mortgage loans	14	197.8	206.1
Total non-current liabilities		**198.7**	**209.1**
Mortgage loans	14	8.2	6.8
Loans from banks	14	220.0	150.0
Overdraft facilities		68.5	56.2
Provisions		0.4	0.3
Trade payables		56.7	65.9
Debt to subsidiaries	18	1,255.3	864.1
Corporation tax payable		-	0.1
Other liabilities		61.2	66.2
Total current liabilities		**1,670.5**	**1,209.6**
Total liabilities		**1,869.1**	**1,418.7**
Total equity and liabilities		**3,210.1**	**2,971.7**

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

(DKK million)	Notes	2013/14	2012/13
Earnings for the year		(218.0)	(350.8)
Amortisation, depreciation and impairment losses		259.5	232.7
Adjustments for non-cash items	16	28.2	(32.4)
Change in receivables		(208.3)	(675.0)
Change in trade payables etc		377.1	875.8
Cash flow from operations		**238.5**	**50.3**
Interest received		18.5	19.2
Interest paid		(36.0)	(36.7)
Income tax paid		0.1	(0.4)
Cash flow from operating activities		**221.0**	**32.4**
Purchase of intangible non-current assets		(299.7)	(250.6)
Purchase of tangible non-current assets		(5.4)	(6.6)
Purchase of investment property		(0.6)	(0.1)
Investment in subsidiary		0.7	-
Sales of tangible non-current assets		1.7	-
Received reimbursements, intangible non-current assets		7.4	10.9
Change in financial receivables		-	(1.7)
Cash flow from investing activities		**(295.9)**	**(248.1)**
Free cash flow		**(74.9)**	**(215.7)**
Repayment of long-term loans		(6.8)	(6.7)
Proceeds from short-term borrowings		70.0	-
Capital increase		-	178.7
Purchase of own shares		-	(1.3)
Sale of own shares		1.2	0.5
Cash flow from financing activities		**64.4**	**171.2**
Change in cash and cash equivalents		**(10.5)**	**(44.5)**
Cash and cash equivalents, 1 June		(5.4)	39.1
Cash and cash equivalents, 31 May		**(15.9)**	**(5.4)**
Cash and cash equivalents:			
Cash		52.6	50.8
Current overdraft facilities		(68.5)	(56.2)
Cash and cash equivalents 31 May		**(15.9)**	**(5.4)**

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

(DKK million)	Share capital	Retained earnings	Total
Equity 1 June 2013	**392.7**	**1,160.3**	**1,553.0**
Earnings for the year	-	(218.0)	(218.0)
Comprehensive income for the year	-	(218.0)	(218.0)
Grant of share options	-	4.7	4.7
Sale of own shares	-	1.2	1.2
Equity 31 May 2014	**392.7**	**948.2**	**1,340.9**
Equity 1 June 2012	**362.4**	**1,360.5**	**1,722.9**
Earnings for the year	-	(350.8)	(350.8)
Other comprehensive income, net of tax	-	-	-
Comprehensive income for the year	-	(350.8)	(350.8)
Capital increase	30.3	152.2	182.5
Costs relating to capital increase	-	(3.6)	(3.6)
Grant of share options	-	2.8	2.8
Purchase of own shares	-	(1.3)	(1.3)
Sale of own shares	-	0.5	0.5
Equity 31 May 2013	**392.7**	**1,160.3**	**1,553.0**

NOTES

(DKK million)

1 ACCOUNTING PRINCIPLES

The financial statements for 2013/14 for Bang & Olufsen a/s has been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and further Danish disclosure requirements for the presentation of financial statements for listed companies (class D entities) cf. the Statutory Order on Adoption of IFRS (the Danish announcement on Adoption of IFRS) issued in accordance with the Danish Financial Statements Act.

Accounting policies for the parent company are identical to accounting policies in the Bang & Olufsen Group financial statements, except for the items below. For a description of the accounting policies of the Group please refer to the consolidated financial statements on pages 53-55 and relevant notes.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured at cost. If the cost exceeds the investment's recoverable amount, the carrying amount is reduced to this lower amount. When selling investments in subsidiaries and associates gain or loss is calculated as the difference between the carrying amount of the sold investments and the fair value of the proceeds from the sale.

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

Investment property
Investment property is held to earn rental income or for capital appreciation. Investment property consist of a number of properties which are owned with the purpose of renting them to other Group companies, and the property that is partly used by the associated company Bang & Olufsen Medicom a/s. Investment property is measured at cost price with deduction of accumulated depreciation and impairment losses. Investment property is depreciated on a straight-line basis over 40 years.

NOTES

(DKK million)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The critical accounting estimates and judgements are described under the sections to which they relate:

Accounting estimate/judgement	Note
Deferred tax assets	7
Development projects	8

NOTES

(DKK million)	2013/14	2012/13
3 REVENUE		
Geographical split		
Denmark	451.9	380.7
Rest of World	-	3.3
Total	**451.9**	**383.9**
Functional split:		
Sale of goods	-	3.2
Sale of services	0.1	2.8
Royalty	375.0	300.0
Rental income	76.8	77.9
Total	**451.9**	**383.9**

4 STAFF COSTS

	2013/14	2012/13
Wages and salaries etc.	272.2	291.6
Share-based payment	2.8	1.1
Pensions	20.8	21.8
Other social security costs	2.0	2.7
Total	**297.7**	**317.2**
Expensed as follows:		
Production costs	84.3	77.8
Development costs	141.7	162.7
Distribution and marketing costs	36.9	43.4
Administration costs	34.8	33.4
Total	**297.7**	**317.2**
Average number of full-time employees	577	601

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

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

NOTES

(DKK million)	2013/14	2012/13

5 DEVELOPMENT COSTS

Incurred development costs before capitalization	354.0	470.4
Herof capitalized	(249.3)	(247.7)
Incurred development costs after capitalization	104.7	222.7
Capitalization (%)	*70.4*	*52.7*
Total amortisation charges and impairment losses on development projects	235.8	204.4
Total	**340.5**	**427.1**

In addition to the above incurred development costs, there have been additions in the year of DKK 47.5 million to capitalized development costs ref. note 8, relating to key components and technologies acquired from 3rd parties.

6 FINANCIAL ITEMS

Interest income from banks	-	1.2
Interest income from subsidiaries	17.0	18.0
Exchange rate gains, net	1.5	-
Financial income	**18.5**	**19.2**
Interest costs on bank loans	7.3	6.5
Interest costs on mortgage loans	10.0	10.8
Interest costs to subsidiaries	15.1	9.8
Exhchange rate losses, net	-	4.4
Other financial costs	3.6	5.1
Financial costs	**36.0**	**36.6**

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

NOTES

(DKK million)	2013/14	2012/13

7 TAXATION

Income statement and other comprehensive income

Adjustment to prior periods, current tax	0.1	0.6
	0.1	0.6
Change in deferred tax	(68.2)	(115.6)
Adjustment of deferred tax, prior periods	(0.7)	-
Adjustment from change in tax rate	9.0	-
	(59.8)	(115.6)
Total taxation charge in the income statement	**(59.8)**	**(115.0)**
Tax recognised in:		
Income statement	(59.8)	(115.0)
Total	**(59.8)**	**(115.0)**

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

	2013/14		2012/13	
Tax calculated on earnings before tax	24.5%	(68.1)	25.0%	(116.4)
Non-deductible costs and non-taxable income	(0.4%)	1.0	(0.2%)	1.0
Adjustments to prior periods	0.2%	(0.7)	(0.1%)	0.6
Change in tax rates	(3.2%)	9.0	-	-
Non-taxable dividends from subsidiaries	0.3%	(0.9)	0.0%	(0.2)
Other	0.1%	(0.1)	0.0%	-
Annual effective tax rate/taxation charge in income statement	21.5%	(59.8)	24.7%	(115.0)

Income tax paid including on-account payments for the jointly-taxed Danish companies amounts to DKK 0.1 million (2012/13; DKK 0.4 milliion)

NOTES

(DKK million)

7 TAXATION (CONTINUED)

Balance sheet

Critical accounting estimates and judgements
Deferred tax assets are recognised in the balance sheet at the value, the asset is expected to be realised at, either by set-off against deferred tax liabilities or as net tax assets to be set-off against future positive taxable income. At each balance sheet date it is assessed, if it is probable that sufficient taxable income will exist in the future, so that the deferred tax asset can be utilised. The deferred tax assets amount to DKK 124.5 million as at 31 May 2014 (2012/13; DKK 129.1 million).

	Non-current assets	Provisions	Tax loss carry-forwards	Other	Total
Deferred tax assets					
Deferred tax assets 1 June 2012	(12.8)	0.7	87.8	(0.2)	75.5
Recognised in the income statement	-	-	(62.0)	-	(62.0)
Recognised in other comprehensive income	21.1	0.2	94.3	-	115.6
Deferred tax assets 31 May 2013	8.3	0.9	120.1	(0.2)	129.1
Adjustment to joint taxation	33.6	-	(98.0)	-	(64.4)
Change in tax rates	(3.8)	(0.1)	(5.1)	-	(9.0)
Recognised in the income statement	(8.6)	-	77.2	0.2	68.8
Deferred tax assets 31 May 2014	**29.5**	**0.8**	**94.2**	**-**	**124.5**

In 2013/14 a deferred tax asset of gross DKK 94.2 million has been recognised in the jointly-taxed Danish companies based on tax loss carry-forwards, which can be indefinitely carried forward (2012/13; DKK 120.1 million). This deferred tax asset has been recognised on the basis of management's expectations of the parent company's and the Danish subsidiaries earnings up to 5 years.

NOTES

(DKK million)

8 INTANGIBLE ASSETS

Critical accounting estimates and judgements
Development costs are capitalised only after technical and commercial feasibility of the projects have been established. In connection with the capitalisation of development costs, the expected useful life of the product is to be determined. Management has assessed that the amortisation period is usually 2-6 years. The development projects amount to DKK 695.5 million as at 31 May 2014 (2012/13; DKK 641.9 million).

	Goodwill	Acquired rights	Completed development projects	Development projects in progress	Total
Cost					
At 1 June 2012	3.2	152.6	898.7	317.1	1,371.6
Additions in the year	-	2.9	75.7	172.0	250.6
Reimbursements received	-	-	-	(10.9)	(10.9)
Disposals in the year	-	-	(9.5)	-	(9.5)
Completed development projects	-	-	318.9	(318.9)	-
At 31 May 2013	3.2	155.5	1,283.8	159.3	1,601.8
Additions in the year	-	2.9	72.7	224.1	299.7
Reimbursements received	-	-	-	(7.4)	(7.4)
Disposals in the year	-	(3.5)	(374.3)	-	(377.8)
Completed development projects	-	-	81.3	(81.3)	-
At 31 May 2014	**3.2**	**154.9**	**1,063.5**	**294.7**	**1,516.3**
Amortisation and impairment					
At 1 June 2012	-	(125.9)	(606.3)	-	(732.2)
Amortisation during the year	-	(9.7)	(204.4)	-	(214.1)
Reversed amortisation on disposals	-	-	9.5	-	9.5
At 31 May 2013	-	(135.6)	(801.2)	-	(936.8)
Amortisation during the year	-	(6.8)	(235.8)	-	(242.6)
Reversed amortisation on disposals	-	0.8	374.3	-	375.1
At 31 May 2014	**-**	**(141.6)**	**(662.7)**	**-**	**(804.3)**
Net book value					
At 31 May 2014	**3.2**	**13.3**	**400.8**	**294.7**	**712.0**
At 31 May 2013	3.2	19.9	482.6	159.3	665.0

	2013/14	2012/13
Amortisation and impairment losses		
Production costs	3.2	3.4
Development costs	239.4	210.4
Adminstration costs etc.	-	0.3
Total	**242.6**	**214.1**

No impairment losses have been recognised in 2013/14 or 2012/13.

NOTES

(DKK million)

9 TANGIBLE ASSETS

	Land and buildings	Plant and machinery	Other equipment	Leasehold improve-ments	Tangible assets in course of construction	Total
Cost						
At 1 June 2012	180.0	24.0	128.6	1.0	1.7	335.3
Additions in the year	1.6	1.4	2.1	1.4	0.1	6.6
Completed assets	0.1	-	-	-	(0.9)	(0.8)
Disposals in the year	-	(0.1)	(0.8)	-	-	(0.9)
At 31 May 2013	181.7	25.3	129.9	2.4	0.9	340.2
Additions in the year	2.3	0.8	0.9	0.2	1.2	5.4
Completed assets	0.5	-	-	-	(0.5)	-
Disposals in the year	(2.6)	-	(1.3)	-	-	(3.9)
At 31 May 2014	**181.9**	**26.1**	**129.5**	**2.6**	**1.6**	**341.7**
Amortisation and impairment						
At 1 June 2012	(112.1)	(19.0)	(119.3)	(1.0)	-	(251.4)
Depreciation during the year	(5.3)	(2.1)	(4.0)	(0.1)	-	(11.5)
Reversed depreciation on disposals	-	0.1	0.7	-	-	0.8
At 31 May 2013	(117.4)	(21.0)	(122.6)	(1.1)	-	(262.1)
Depreciation during the year	(5.1)	(1.8)	(3.1)	(0.3)	-	(10.3)
Reversed depreciation on disposals	0.3	-	1.3	-	-	1.6
At 31 May 2014	**(122.2)**	**(22.8)**	**(124.4)**	**(1.4)**	**-**	**(270.8)**
Net book value						
At 31 May 2014	**59.7**	**3.3**	**5.1**	**1.2**	**1.6**	**70.9**
At 31 May 2013	64.3	4.3	7.3	1.3	0.9	78.1

There are no contratual obligations regarding purchase of tangible assets.

	2013/14	2012/13
Depreciation and impairment losses		
Production costs	3.4	4.0
Development costs	6.9	7.2
Administration costs etc.	-	0.3
Total	**10.3**	**11.5**

NOTES

(DKK million)

10 INVESTMENT PROPERTY

Cost	
At 1 June 2012	268.2
Additions	0.1
Disposals	0.8
At 31 May 2013	269.1
Additions	0.6
At 31 May 2014	**269.7**
Depreciation and impairment	
At 1 June 2012	(168.4)
Depreciation during the year	(7.1)
Reversed depreciation on disposals	-
At 31 May 2013	(175.5)
Depreciation during the year	(6.6)
At 31 May 2014	**(182.1)**
Net book value	
At 31 May 2014	**87.6**
At 31 May 2013	93.6

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

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

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

Rental income of DKK 53.5 million has been received from the investment property in 2013/14 (2012/13; DKK 56.3 million), and directly attributed operating expenses were DKK 29.1 million (2012/13; DKK 29.2 million).

Investment properties are let to the subsidiaries on operating leases with a lease term of 3 months. According to the existing operating leases rental income of DKK 12.9 million will be received in the 3 months which are included in the lease term of the operating leases.

NOTES

(DKK million)

11 IMPAIRMENT OF NON-CURRENT ASSETS

Intangible assets excl. goodwill – impairment losses during the year
No impairment losses have been recognised on development projects in 2013/14 or 2012/13.

The assessment of the recoverable amount of the intangible assets excl. goodwill is based on calculations of value in use of the assets. The value is calculated based on expected future cash flows from the assets based on the budgets approved by management over the expected lifetime of the assets, and a discount rate before tax of 10.0 % (7.6 % after tax) (2012/13; 10.0%/7.5%).

Goodwill
No impairment losses have been recognised on cash-generating units which include goodwill in 2013/14 og 2012/13 in the parent company.

Financial assets – impairment losses during the year
No impairment losses have been recognised on non-current financial assets in the parent company in 2013/14 or 2012/13.

12 INVESTMENTS IN SUBSIDIARIES

Cost	
At 1 June 2012	726.8
DIsposals	(0.7)
At 31 May 2013	726.1
At 31 May 2014	**726.1**

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

13 SHARE CAPITAL

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

NOTES

(DKK million)

14 MORTGAGE LOANS AND LOANS FROM BANKS

Mortgage loans

	Falls due within 1 year	Falls due 1-5 years	Falls due after 5 years	Falls due after 1 year, total
Fixed rate loans, interest rate 4.1%	2.0	9.0	18.3	27.3
Floating rate loans, interest rate level 0.5 - 1.0 %	6.2	25.2	145.3	170.5
Book value 31 May 2014	**8.2**	**34.2**	**163.6**	**197.8**
Fixed rate loans, interest rate 4.1 %	2.0	8.7	20.7	29.4
Floating rate loans, interest rate level 2.0 - 3.0 %	4.9	20.6	156.1	176.7
Book value 31 May 2013	6.8	29.3	176.8	206.1

The fair value of the parent company's mortgage loans amounts to DKK 207.4 million (2012/13; DKK 216.4 million). All loans are in DKK. The fair value is calculated as the present value of the expected future instalments and interest payments.

Loans from banks

The parent company has current draw of DKK 220.0 million (2012/13; DKK 150.0 million) on the committed facility with Nordea. This is also the fair value. This is an ongoing line of credit.

15 SHARE-BASED PAYMENT

The share option programmes described in note 4.7 to the consolidated financial statements are issued by Bang & Olufsen a/s. The value of the share options granted to employees in the parent company's subsidiaries is recognised in investments in subsidiaries. DKK 1.4 million of the total expense of DKK 4.8 million relates to subsidiaries (2012/13; DKK 1.8 million of DKK 2.8 million).

16 NON-CASH ITEMS

	2013/14	2012/13
Financial income	(18.5)	(19.2)
Financial costs	36.0	36.7
Gain/loss on sale of non-current assets	3.3	0.4
Tax on earnings for the year	(59.9)	(115.0)
Other adjustments	67.2	64.7
Total adjustments	**28.2**	**(32.4)**

NOTES

(DKK million)

17 FINANCIAL INSTRUMENTS

Additional balance sheet disclosures in accordance with IFRS 7 (Financial Instruments):

Carrying amount of financial instruments by measurement category under IAS 39

	2013/14		2012/13	
	Carrying value	Fair value	Carrying value	Fair value
Other financial receivables	4.7	4.7	4.7	4.7
Receivables from subsidiaries	1,406.5	1,406.5	1,200.6	1,200.6
Other receivables	6.2	6.2	6.4	6.4
Loans receivable and other receivables	**1,417.4**	**1,417.4**	**1,211.7**	**1,211.7**
Mortgage loans	206.1	207.4	212.9	216.4
Loans from banks	220.0	220.0	150.0	150.0
Overdraft facilities	68.5	68.5	56.2	56.2
Payables to subsidiaries	1,255.3	1,255.3	864.1	864.1
Trade payables	56.7	56.7	65.9	65.9
Other liabilities	61.2	61.2	66.3	66.3
Financial liabilities valued at amortised cost	**1,867.9**	**1,869.1**	**1,415.4**	**1,418.9**

No receivables in the parent company are overdue at 31 May 2014 (2012/13; DKK 0 million).

Refer to Note 4.3 Financial instruments in the consolidated financial statements for a description of the Group's management of financial risks.

Defaults or breaches on loans
No loan agreements have been defaulted or breached in 2013/14 or 2012/13.

NOTES

(DKK million)

18 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

	2013/14	2012/13
Leasing commitments:		
Plant and machinery etc.	42.9	27.4
Office and factory property	18.3	55.0
Total	**61.1**	**82.4**
Maturity:		
Due within 1 year	20.0	21.5
Due 1 - 5 years	41.2	57.7
Due after 5 years	-	3.2
Total	**61.1**	**82.4**
Rental and lease payments, net for the year	32.6	34.2
Minimum rental and lease payments	32.6	34.2

No contingent rental or lease payments have been recognised in the income statement in 2013/14 or 2012/13.

Guarantees

Total guarantees as at 31 May	1.3	19.6

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

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

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

NOTES

(DKK million)

19 RELATED PARTIES

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

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

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

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

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

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

Associated companies and subsidiaries
Transactions with subsidiaries (and their subsidiaries) and associated companies have included the following:

	2013/14	2012/13
Purchase of services - subsidiaries	92.2	82.1
Rental income - subsidiaries	74.9	76.2
Royalty income - subsidiaries	375.0	300.0
Purchase of services - associated companies	-	0.6
Rental income - associated companies	1.9	1.6

NOTES

(DKK million)

19 RELATED PARTIES (CONTINUED)

The parent company has a net receivable from subsidiaries of DKK 151.2 million at 31 May (2012/13; DKK 336.6 million). All receivables and payables with subsidiaries fall due within 1 year.

The fair value of the intercompany receivables and payables are DKK 1,406.5 million and DKK 1,255.3 million respectively (2012/13; DKK 1,200.6 million and DKK 864.1 million). The book value is a reasonable approximation of the fair value.

There has been no need for write-down of receivables from subsidiaries and no actual losses have been incurred in 2013/14 and 2012/13.

Other transactions
Bang & Olufsen a/s has received DKK 2.9 million in dividend from its subsidiaries (2012/13; DKK 0.8 million). No dividend has been received from its associated companies in 2013/14 or 2012/13.

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

No other transactions have taken place with related parties.

20 EVENTS AFTER THE BALANCE SHEET DATE

Following the end of the reporting period Bang & Olufsen a/s carried out a capital increase through an accelerated book-building process (refer to company announcement 14.02 of 19 June 2014). The capital increase represented 3,927,042 shares of a nominal value of DKK 10 each and was subscribed for at a price per share of DKK 66. Bang & Olufsen received net proceeds of DKK 250 million. Following registration of the capital increase, the share capital of Bang & Olufsen amounts to a nominal value of DKK 431,974,780 divided into 43,197,478 shares of DKK 10 each. Bang & Olufsen will use the net proceeds to accelerate the execution of the Group's growth plan.

On 26 June 2014 Bang & Olufsen announced the appointment of Stefan Persson as COO from 1 October 2014. Executive Management will hereafter consist of CEO Tue Mantoni, CFO Anders Aakær Jensen, who joined Bang & Olufsen on 1 August 2014, and COO Stefan Persson.

21 APPROVAL OF THE ANNUAL REPORT FOR PUBLICATION

At the Board meeting held on 13 August 2014 the Board of Directors have approved the publication of this Annual Report.

The Annual Report will be presented for adoption at the ordinary Annual General Meeting of Bang & Olufsen a/s on 10 September 2014.

STATEMENTS

MANAGEMENT'S STATEMENT

The Board of Directors and Executive Management have today considered and approved the annual report of Bang & Olufsen A/S for the financial year 1 June 2013 – 31 May 2014.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 May 2014 as well as of their financial performance and their cash flow for the financial year 1 June 2013 – 31 May 2014.

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

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

Struer, 13 August 2014

Executive Management:

Tue Mantoni
President & CEO

Anders Aakær Jensen
Executive Vice President & CFO

Board of Directors:

Ole Andersen
Chairman

Jim Hagemann Snabe
Deputy Chairman

Jesper Jarlbæk

André Loesekrug-Pietri

Rolf Eriksen

Majken Schultz

Knud Olesen

Jesper Olesen

Per Østergaard Frederiksen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bang & Olufsen a/s

Report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and parent company financial statements of Bang & Olufsen a/s for the financial year 1 June 2013 – 31 May 2014 which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including the accounting principles, for the Group as well as for the parent company. The consolidated financial statements and parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditor's responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 May 2014, and of the results of their operations and cash flows for the financial year 1 June 2013 – 31 May 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management report

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

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

Copenhagen, 13 August 2014

Ernst & Young
Godkendt Revisionspartnerselskab

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

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