

Bang & Olufsen has a vision - a raison d'être. Inherent in the vision is a belief that we can make a difference. For others than ourselves.

The vision provides a set of guiding principles for all our employees. It is dynamically expressed in our working methods and in the way we deal with others. It boldly manifests itself in all our communication - and achieves its ultimate expression through our products.

The vision is rooted in our values.

Poetry.

Like a piece of poetry, Bang & Olufsen's products are always open to interpretation.

Created to stimulate curiosity, the senses, the intellect.

Created to surprise, to astonish and to please.

Excellence.

We strive to create quality which goes far beyond what is expected. Our products must do more than function impeccably. They must reflect an attitude to quality.

Synthesis.

The synthesis arises out of a dialogue between technology and emotion, between professionalism and personality, between engineer and designer.

Contrast and constructive criticism generate valid solutions. Compromise means emasculation.

The synthesis is the coming together of diverse talents that have the courage and the skills to stand up for their convictions.

Our vision will now be expressed in a new business model.

A model which ensures that we exploit the potential for growth in a world where digital technology and the growth of the internet combine to create new and changing perspectives.

A model which enables us to make full use of our unique core competencies within concept development/design, image, sound and operation as well as of our knowledge of human needs in an age of rapid and constantly moving technological advances.

A model which creates transparency and business focus at all levels.

A model that provides a firm foundation for exploiting our position as a strong international brand.

We have named this new business model:

BANG & OLUFSEN UNITED

United because we renew and enhance attention on the brand.

United because the vision encompasses all business areas, old and new.

United because all business areas are founded on the joint core competencies, old and new.

This means that focus will be on customer-related functions. That all activities must support and enhance our brand identity.

Across the world - and in the very best locations - our B1 shops stand out like beacons for the brand, signalling a company which, boldly and uncompromisingly, creates products for discerning consumers.

Consumers who, in the years to come, can choose freely between visiting the dealer's physical shop or his virtual shop on the internet. And who, from both of them, can secure products and services which make his/her daily life just that little bit easier, more fun or, simply, different.

Laying the foundation for quality and efficiency in our business, Break Point paved the way for the new business model back in 1992. The distribution strategy of 1995 created a world-class dealer network. The brand marketing strategy of 1999 added the communication channels.

Now in year 2000 - as we celebrate our 75th anniversary - all these dimensions come together in Bang & Olufsen United.

A new business model does not only call for visionary investments. It also requires a new corporate structure. In consequence, the future Bang & Olufsen structure will look like this:

Bang & Olufsen a/s will develop and strengthen the brand - in close partnership with Idealand (product concepts), StoryLab (communication concepts) and New Tech (the technology function). Bang & Olufsen a/s will also comprise group staff functions such as HR, IT and PR as well as law, finance and quality assurance.

Bang & Olufsen AudioVisual a/s will focus on development and sales of Bang & Olufsen A/V products and on global distribution development, including the new retail initiatives in the US. Over the coming years, the audio/video business will continue to account for the predominant share of Bang & Olufsen's turnover and earnings.

Bang & Olufsen Multimedia a/s will ensure the ongoing development of the company's general internet competencies. As a first step, DKK 40 million will be invested in multimedia activities.

Bang & Olufsen Telecom a/s will develop telephony concepts for electronic communication in the home.

Bang & Olufsen Medicom a/s will develop its concept competencies in close collaboration with existing and new partners.

Bang & Olufsen New Business a/s comprises three business areas: development of the acoustics business, the continued development and commercialisation of ICEpower and the development of car entertainment systems for the automotive industry.

Bang & Olufsen Operations a/s will handle all production, logistics and purchasing.

With Bang & Olufsen United the company will leave its jubilee year in a stronger position. We are entering an inconstant future with a strong and simplified focus. We intend to turn the technological confusion into simple, valuable choices for customers who look for attitudes, integrity and exciting stories - besides, of course, quality.

Report and accounts 1999 / 2000

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Announcements to the Copenhagen Stock Exchange during the 1999/00 Financial Year

The Annual General Meeting of September 24 approved a dividend of DKK 5.00 (nom. DKK 10). The AGM also renewed its authorisation for the company to acquire 10 per cent of the company's share capital within 18 months from the date of the AGM.

Jørgen Worning and Torsten Rasmussen were re-elected to the Board of Directors. Peter Skak Olufsen was re-elected Chairman with Jørgen Worning as Deputy Chairman.

Pursuant to an amendment of legislation, the Annual General Meeting approved the insertion of the following clause in the Articles of Association, paragraph 5:

"The company's register of shareholders will be maintained by Den Danske Bank, Holmens Kanal 2-12, 1092 Copenhagen K".

Reduced expectations

At the beginning of November, Bang & Olufsen downgraded its expectations for the year's result. The announcement to the Copenhagen Stock Exchange included the following:

Turnover for the first six months in line with last year's – earnings significantly lower.

Declining sales in the three largest markets mean lower expectations for the full year.

USA and the UK have growth rates of 20 per cent. Telephone sales achieve 40 per cent growth.

Investment levels are being maintained and we continue to follow the distribution and communication strategies developed to strengthen Bang & Olufsen's position as a global quality and design brand.

Regarding the expectations for the second half year we stated:

The result for the year will greatly depend on sales during our peak season, November and December, and on whether Danish sales remain at their current low levels. However, partly due to the launch of several new products, we expect the 2nd half year to be above the level of the first six months.

Executive vice president resigns

On January 6 Bang & Olufsen informed the Copenhagen Stock Exchange that Executive vice president Jørgen Purup was leaving the company for personal reasons. Until a successor is appointed, Jørgen Purup's responsibilities will be assumed by President & CEO Anders Knutsen.

The outlook is for a significantly better second half year.

This is one of the key messages of the half-year accounts which were submitted to the Copenhagen Stock Exchange on January 26.

The statement of accounts for the half year concluded that turnover and earnings have recovered significantly in Denmark and Switzerland while Germany continues to fail to meet expectations. For Bang & Olufsen Holding as a whole, turnover and profit for the second half year are expected to show a significant improvement on the first half year as well as on the same period last year.

In particular, growth will derive from the audio/video business where the launch of new products and improved distribution will result in increased turnover, said the statement.

For Bang & Olufsen Telecom a/s turnover as well as earnings are expected to be somewhat lower in the second half year - primarily because of rising development costs. Expectations for Telecom for the year as a whole are for a turnover of DKK 330-340 million and profits of around DKK 40 million.

Bang & Olufsen Medicom a/s is expected to remain unchanged compared to the first half year.

Regarding the Group, the Stock Exchange Announcement stated that turnover would be in the region of DKK 3,600 million, i.e. 6 per cent up on the previous year. The result is expected to be in the region of DKK 310-340 million.

The main figures in the half year announcement point to a result significantly below expectations. The announcement included the following:

The ordinary result was lower than expected at the start of the year – DKK 133 million against the previous half year's DKK 206 million. Turnover increased by DKK 21 million to DKK 1,800 million.

Operating profit fell by 23 per cent from DKK 191 million to DKK 147 million.

The Stock Exchange was informed that, for the year as a whole, the ordinary result was expected to be in the range of DKK 310-340 million.

In the three large markets, Denmark, Germany and Switzerland, turnover fell by DKK 94 million, while the three markets with the strongest growth showed a combined growth of DKK 89 million.

Finally, the Stock Exchange was informed that turnover for dedicated Bang & Olufsen shops grew by 13 per cent, while turnover in multibrand shops fell by 10 per cent.

Quarterly report showed improvement

On April 13, Bang & Olufsen issued a quarterly report for the first time.

It was announced that the outlook for the second half year is significantly better than for the first half year. Compared to the first half year, all markets except Germany are showing growth.

For the first three quarters of 1999/2000, turnover in Bang & Olufsen Holding a/s was DKK 2,781 million against DKK 2,632 million for the same period the previous year. This represented an increase of DKK 149 million, i.e. 6 per cent. Compared to the same period last year, operating profit was marginally lower, declining from DKK 274 million to DKK 269 million.

For both Bang & Olufsen Telecom a/s and Bang & Olufsen Medicom a/s turnover and result met expectations.

The Quarterly Report concluded that, based on the development in the third quarter and the expectations for the fourth quarter, the group will achieve a turnover in the region of DKK 3,600 million, or 6 per cent more than last year, and an ordinary result in the region of DKK 310-340 million.

The Annual General Meeting

will be held on Friday, September 22, 2000 at 4.30 pm on Struer Gymnasium.

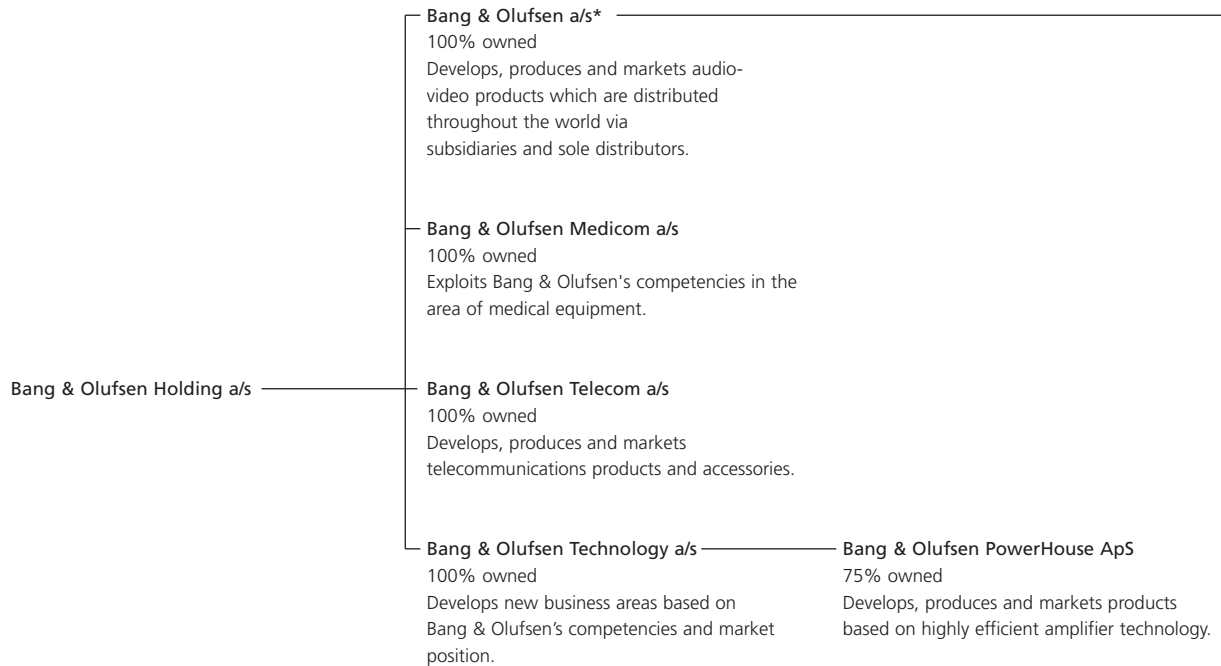
The Environment Report

is available from the Information Department on tel: + 45 96 84 11 22.

Address etc.

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

The Structure of the Group



* All companies in Bang & Olufsen a/s are 100% owned

** A division in Bang & Olufsen a/s

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

Dormant companies have not been included.

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

Rudolf-Diesel-Strasse 8, 82205 Gilching.

Director: Thomas Kristensen

Bang & Olufsen France S.A.

141 rue Jules Guesde, 92300 Levallois-Perret

Director: Elisabeth Sandager

Bang & Olufsen United Kingdom Ltd.

Unit 630, Wharfdale Road, Winnersh Triangle, Winnersh, Wokingham, Berkshire RG41 5TP

Director: Derek Mottershead

Region Nord**

Kalvebod Brygge 43, 1560 Copenhagen V

Director: Peter Eckhardt

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

Heide 9, 1780 Wemmel

Director: Daniel Balzer

Bang & Olufsen Italia S.p.A.

Via Meravigli 2, 20123 Milano

Director: Francesco Canale

Bang & Olufsen AG

Grindelstrasse 15, 8303 Bassersdorf, Switzerland

Director: Heinz Müller

Bang & Olufsen Espana S.A.

Avenida de Europa 2, Parque Empresarial La Moraleja, 28100 Alcobendas (Madrid)

Director: Alberto De Lucio

Bang & Olufsen Ges.m.b.H.

Hietzinger Kai 137a, 1130 Wien, Austria

Director: Gernot Timmermann

Bang & Olufsen Expansion Markets***

Hippokrateslaan 16, Building Alma Square 4th floor, 1932 Sint Stevens woluwe, Belgium

Director: Manel Adell

Bang & Olufsen America Inc.

1200 Business Center Drive, Mt. Prospect, Ill. 60056

Director: Ole Bek

Bang & Olufsen Finance a/s

Peter Bangs Vej 15, 7600 Struer

Director: Peter Thostrup

To promote and support the distribution of products marketed under the Bang & Olufsen brand name.

Bang & Olufsen Danmark a/s**

Peter Bangs Vej 15, 7600 Struer

Director: Erik Wamberg

Bang & Olufsen AS

Øvre Torggate 18, 3007 Drammen, Norway.

Director: Bengt Bengtson

Bang & Olufsen Svenska AB

Gullbergs Strandgata 4, 401 24 Göteborg

Director: Bengt Bengtson

Bang & Olufsen Japan K. K.

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

Minato-Ku, Tokyo 105-0014

Director: Lars Myrup

Bang & Olufsen Asia Pte Ltd

23, Ubi Road 4, 5th floor,

Olympia Industrial Building, Singapore 408620

Director: Koh Yong Chuan

The Board of Directors and Board of Management

Company	Board of Directors	Board of Management
Bang & Olufsen Holding a/s Struer. Company no. 41257911	Peter Skak Olufsen (Chairman) Jørgen Worning (Deputy Chairman) Lars Brorsen Joe Davies* Jan Gesmar-Larsen Peter Leschly Torsten Erik Rasmussen Jan Henning Simonsen* Garry Merrild Vestergaard*	Anders Knutsen (President & CEO) Carl Henrik Jeppesen Peter Thostrup
Bang & Olufsen a/s Struer. (100% owned) Company no. 14344403	Peter Skak Olufsen (Chairman) Jørgen Worning (Deputy Chairman) Peter Leschly	Anders Knutsen (President & CEO) Carl Henrik Jeppesen Peter Thostrup
Bang & Olufsen Telecom a/s Struer. (100% owned) Company no. 24062112	Anders Knutsen (Chairman) Carl Henrik Jeppesen Peter Thostrup	Peter Pasgaard
Bang & Olufsen Medicom a/s Struer. (100% owned) Company no. 24053415	Anders Knutsen (Chairman) Carl Henrik Jeppesen Peter Thostrup	Henrik Kagenow
Bang & Olufsen Technology a/s Struer. (100% owned) Company no. 25051637	Peter Thostrup (Chairman) Carl Henrik Jeppesen Peter Pasgaard	Carl Henrik Jeppesen
Bang & Olufsen PowerHouse ApS Copenhagen. (75% owned) Company no. 25053591	Carl Henrik Jeppesen (Chairman) Henrik Kagenow Karsten Nielsen Poul Søjberg	Poul Søjberg
Bang & Olufsen Finance a/s Struer. (100% owned) Company no. 14344373	Anders Knutsen (Chairman) Carl Henrik Jeppesen Peter Thostrup	Peter Thostrup

* Elected by the employees

Main Banker for all companies
Den Danske Bank

Auditors for all companies
PricewaterhouseCoopers; DELOITTE & TOUCHE, State-Authorised Public Accounting Company

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

Peter Skak Olufsen

A/S Fiil-Sø
Hunsballe Frø A/S
A/S Jydsk Landvinding
Hollo Frø A/S
Plantningsselskabet "Steen Blicher" A/S
Jyllands-Posten A/S

Jørgen Worning

Bryggerigruppen A/S
Chr. Hansens Laboratorium A/S
Ejendomsaktieselskabet af 3/9 1930
Incentive A/S
Nuuk Imeq A/S
Dansk Data Elektronik A/S

Peter Leschly

Cimbria A/S
Jernstøberiet Dania A/S
Metallic A/S
Sahva A/S
Team Hyldahl A/S
Tinglev Elementfabrik A/S
Trelleborg Hadsten A/S
KPC-Holding A/S
Multicept A/S
SDC DanDisc a/s
Agramkow A/S
ALO Danmark A/S
Dansk Formpladeindustri A/S
DPL Invest A/S
Feltwave A/S
FORCE Electronics A/S
JKE Design A/S

Torsten E. Rasmussen

Bruhn Holding Aps
Coloplast A/S
JAI A/S
Morgan Management Aps
InWear Group A/S
Best Buy Group A/S
Uni-Chains A/S
Variant Systemet International A/S
Vest-Wood A/S
Vestas Wind Systems A/S
DTF Serviceselskab A/S
A/S Det Østasiatiske Kompagni
TK Development A/S
Corebit A/S
CPD Invest A/S
Amadeus Invest A/S

Anders Knutsen

Ericsson DiAx A/S
Danisco A/S
Topdanmark A/S
SAS Danmark A/S

Carl Henrik Jeppesen

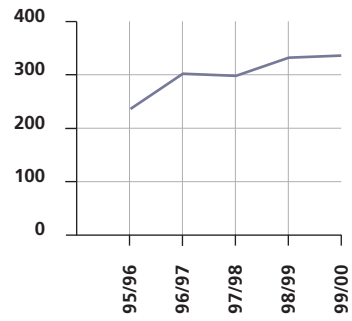
A/S Hygæa-Tinbye
Jensen's Bøfhus A/S

Peter Thostrup

Osteometer Biotech A/S

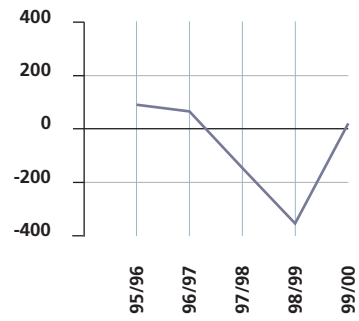
Operating profit

DKK million



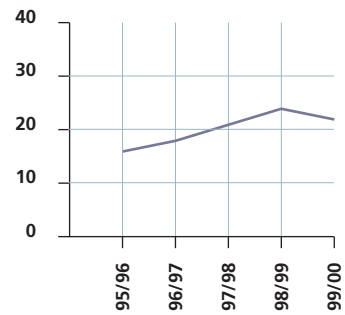
Cash flow

DKK million



Return on equity

%



Main and Key Figures

The Group (DKK million)	1995/96	1996/97	1997/98	1998/99	1999/00
Result					
Net turnover	2,711	3,008	3,117	3,380	3,722
Turnover on foreign markets as percentage of above	75	77	77	76	79
Operating profit	237	303	299	333	337
Result from ordinary operations before tax	267	321	340	348	317
Ordinary result after tax	168	216	232	253	222
Extraordinary result after tax	3	0	75	(63)	20
Result for the year	171	216	308	190	243
Result after tax and minority interests	135	170	308	190	243
Balance sheet					
Total assets	1,889	2,127	2,074	1,895	2,144
Share capital	127	127	133	134	134
Equity capital at year end	872	1,014	1,163	981	1,058
Minority interests	197	244	-	-	0
Cash flow for the year					
	89	64	(148)	(356)	19
Employment					
No. of employees at year end	2,495	2,395	2,615	2,668	2,679
Key figures					
Profit ratio %	9	10	10	10	9
Rate of return %	18	22	20	20	17
Return on equity %	16	18	21	24	22
Current ratio	2.6	2.8	2.3	1.7	1.9
Equity ratio %	46	48	56	52	49
Earnings per share (nominal DKK 10)	10	13	17	20	18
Intrinsic value (nominal DKK 10)	69	80	87	77	85
Quoted share price on 31 May	200	395	441	462	283
Price / earnings	20	30	26	23	16
Quoted share price / intrinsic value	2.9	4.9	5.1	6.0	3.3
Dividend per share (nominal DKK 10)	1.5	2.5	7.5	5.0	6.0

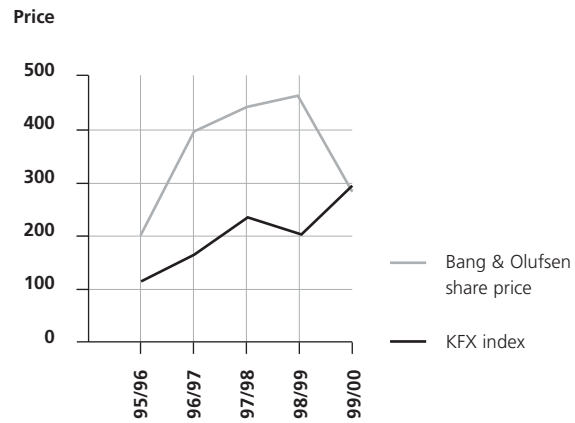
Parentheses denote negative figures

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

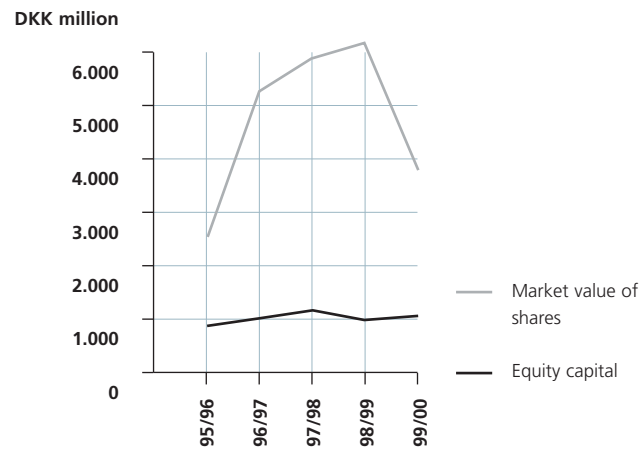
The key figures are as follows:

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

The development in quoted share price for Bang & Olufsen ordinary shares compared to the KFX index as at 31 May



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



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

The Shareholders

The Bang & Olufsen shares

The price of Bang & Olufsen Holding's ordinary shares fell from 462 to 283 during the financial year, a fall of approx. 39%. Over the same period, the Copenhagen Stock Exchange KFX index increased by approx. 44% while the market value of Bang & Olufsen Holding a/s' ordinary shares fell from DKK 5,643 million to DKK 3,471 million.

The company has approx. 10,000 registered shareholders. These account for approx. 72% of the share capital.

Copenhagen Stock Exchange's KFX index

During the financial year, Bang & Olufsen Holding a/s' ordinary shares were removed from Copenhagen Stock Exchange's KFX index. The shares are, however, currently among the 25 most traded shares.

Dividend policy

The Group's dividend policy aims at paying one third of the annual profits after tax as dividend. Without compromising the prudent financial approach, the Board of Directors is of the opinion that our current economic strength allows for a recommendation to be put before the Annual General Meeting that a dividend of DKK 80.4 million be paid out for the financial year 1999/00. This corresponds to a dividend of DKK 6 per nom. DKK 10 share.

Own shares

As at May 31, 2000 Bang & Olufsen Holding a/s holds own shares of nom. DKK 9,112,660. This corresponds to approx. 7% of the share capital. Furthermore, an options programme for the Board of Management and a number of senior managers has been set up. The options pool totals approx. 200,000 shares which can be exercised during the period 2002-2008.

Staff shares

In connection with the issue of staff shares in the past year, approx. 71% of staff subscribed to 30,257 shares.

List of shareholders in accordance with Danish Company Law § 28B

Shareholders holding at least 5% of the share capital:

Lønmodtagernes Dyrtdisfond, Vendersgade 28, 1363 Copenhagen K.
ATP, Kongens Vænge 8, 3400 Hillerød.
Unidanmark A/S, Torvegade 2, 1786 Copenhagen V.

Shares held by members of the Board of Management

As at May 31, 2000 members of the Board of Management of Bang & Olufsen Holding a/s own nominally DKK 277,900 ordinary shares (multiple voting shares) and nominally DKK 30,550 ordinary shares.

Annual General Meeting and payment of dividend

The Annual General Meeting will take place at 4.30 pm on Friday, September 22, 2000 at Struer Gymnasium. Payment of dividend is expected to take place on Thursday, September 28, 2000.

The share capital consists of:

Ordinary shares	
(multiple voting shares): 1,147,500 of DKK 10	DKK 11,475,000
Ordinary shares: 12,244,746 of DKK 10	DKK 122,447,460
Total	<u>DKK 133,922,460</u>

Circulating shares:

Issued shares	13,392,246
- Less own ordinary shares	<u>(911,266)</u>
Total	<u>12,480,980</u>

Average circulating shares 12,629,000

Key figures

	1995/96	1996/97	1997/98	1998/99	1999/00
Share capital DKK million	127	127	133	134	134
Earnings per share (nom. DKK 10)	10	13	17	20	18
Intrinsic value (nom. DKK 10)	69	80	87	77	85
Quoted share price at May 31	200	395	441	462	283
Dividend per share (nom. DKK 10)	1.5	2.5	7.5	5.0	6.0

For the financial year 1999/00, turnover in Bang & Olufsen Holding a/s totalled DKK 3,722 million compared to DKK 3,380 million the previous year. This represents an increase of 10 per cent, i.e. DKK 342 million. In contrast to last year, turnover includes retail sales from primarily our own shops in the US of approx. DKK 30 million.

Operating profit totalled DKK 337 million, the best result in the Group's history.

The ordinary result before tax, which declined by 9 per cent from DKK 348 million to DKK 317 million, is not in line with the expectations expressed at the beginning of the financial year. As the result for the first half-year fell significantly below expectations, the second half-year, which proved to be the group's best ever, was unable to offset it. The result is, however, in accordance with expectations for a pre-tax result between DKK 310 and 340 million, as envisaged in both the half-year report and in the report for the first three quarters of the financial year.

For the past two years, Bang & Olufsen has used its excess liquidity to acquire own shares for a total of DKK 398 million and to pay dividend totalling DKK 167 million. This has meant that the financial items for the year are negative by DKK 23 million. For the preceding financial year, net financial items were positive, i.e. DKK 8 million.

Compared to the Group's 5 year plan, we have met our objectives for growth in turnover, the opening of new B1 shops and product launches. However, the objective of 15 per cent growth in earnings has not been met. This is owing to the fact that, during the year, the Group decided to strengthen developments in all three business areas. In addition, we invested in a new subsidiary in Japan, set up PowerHouse and established own retail activities in the US.

The Group's gross profit increased from 38.7 per cent to 39.5 per cent on the year largely owing to markedly improved contribution margin ratios for Bang & Olufsen Telecom a/s and Bang & Olufsen Medicom a/s.

With regard to the audio/video business, expectations were met in the majority of markets in respect of both growth in turnover and earnings resulting in growth rates of around 20 per cent. This positive development, however, did not compensate for the lack of growth in three important markets, Germany, Denmark and Switzerland.

Distribution and marketing costs rose by DKK 88 million, i.e. 14 per cent, mainly because turnover and thereby operating costs from Bang & Olufsen's own shops are now included in the consolidated figures at DKK 33 million. The rest of the increase is attributable to greater international focus on enhancing the Group's brand as expressed through the advertising campaign "A Life Less Ordinary", stronger marketing efforts in the North American and UK markets (where the strength of the dollar and British pound has meant significantly higher costs in DKK) as well as the formation of the new subsidiary in Japan. Together with the Retail System which will be described later, these investments will, however, contribute to fulfilling the Group's long term objectives for growth.

Product development costs increased by DKK 54 million, corresponding to 21 per cent. Measured in money terms, the development of audio/video products accounted for the most significant investment, while in relative terms the largest investments took place in Bang & Olufsen Telecom a/s and Bang & Olufsen Medicom a/s. These investments will result in the launch of new products in the next financial year.

The ordinary result after tax totalled DKK 222 million against DKK 253 million the previous year.

The result for the year after extraordinary items (sale of Baan shares) was DKK 243 million against DKK 190 million the year before.

During the year under review, the balance sheet increased by DKK 249 million, from DKK 1,895 million to 2,144 million. The rise is owing to a marked increase in sales in the fourth quarter with a subsequent increase in receivables. Sales in the fourth quarter rose by DKK 193 million, from DKK 748 million in the preceding year to DKK 941 million.

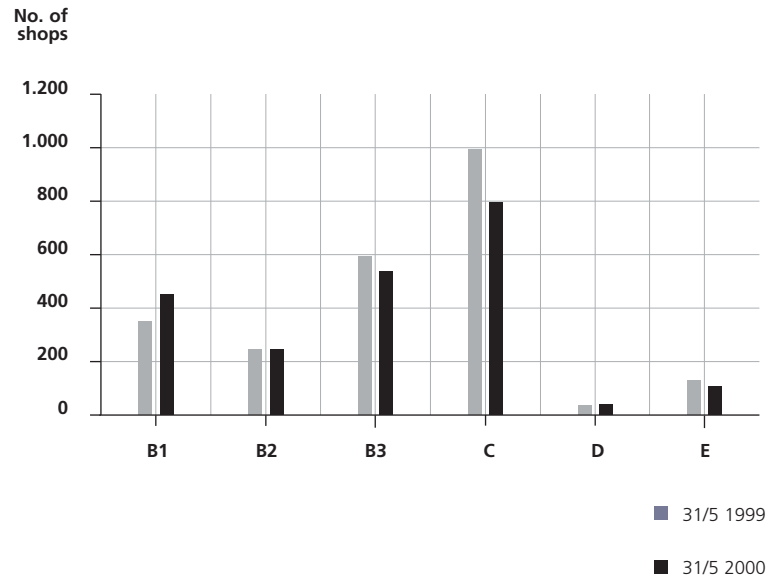
Tangible fixed assets increased by DKK 121 million to DKK 847 million primarily owing to investments in the plastics factory and in Bang & Olufsen Medicom's new building.

At the close of the financial year, stocks accounted for DKK 584 million against DKK 583 million the previous year. Seen on the backdrop of the higher turnover during the financial year, this represents a significant improvement.

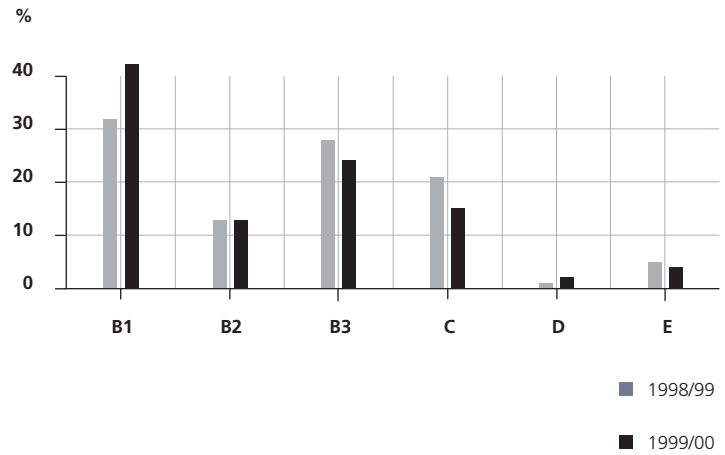
The year's total cash flow was DKK 19 million. The Group's cash flow from operational activities totalled DKK 245 million against the previous year's 298 million. The most important change concerns the financial items in the form of increased finance costs and paid corporation tax. The requirement for liquidity for investment purposes was DKK 266 million compared to last year's DKK 231 million, primarily due to the company's investment in the new Medicom factory. During the year, a long-term loan of DKK 200 million was raised. Shareholder-related items – purchase of own shares and paid dividend – totalled DKK 151 million.

Following the suggested dividend payment of DKK 80 million, equity accounts for DKK 1,058 million against last year's DKK 981 million.

Number of shops per segment



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



Turnover in Bang & Olufsen a/s was DKK 3,428 million, an increase of DKK 297 million or 9 per cent. Significant growth was achieved in the US, UK, Italy, Spain, Holland and in the Expansion Markets which all showed growth of around 20 per cent. With 17 and 15 per cent respectively Sweden and France also achieved fair growth.

Development in Denmark shows the expected fall. In Switzerland and Germany, an unsatisfactory development is due to delays in the implementation of Bang & Olufsen's distribution strategy.

To support the growth strategy, Bang & Olufsen changed its marketing strategy during the financial year, switching from locally managed product advertising to centrally controlled international brand marketing. "A Life Less Ordinary" was thus implemented in many versions in 126 leading European magazines. The campaign has helped to emphasise Bang & Olufsen's values and thus strengthen the position and the image which are essential pre-requisites for increased awareness and stronger growth. The campaign will continue over the next financial year when its content will be renewed.

During the year, a Nordic head office and a central support centre were established in Copenhagen for Norway, Sweden, Finland and Denmark. The four countries each form their own sales district with focus on shop development and dealer support. This is expected to generate considerable rationalisation benefits.

Definitions of shop segments

- B1 Concept shops which are dedicated retailers of Bang & Olufsen products
- B2 Shops with a turnover of at least 50 per cent of Bang & Olufsen products
- B3 Shops with a turnover of at least 25 per cent of Bang & Olufsen products
- C Shops whose purchases from Bang & Olufsen exceed DKK 500,000 per year
- D Bang & Olufsen "shop in shop" in department stores
- E Stores within retail chains whose purchase exceed DKK 500,000 per year

Development in the largest markets

Germany

Bang & Olufsen recorded a fall in turnover of just under 5 per cent, to DKK 594 million. However, the German market is showing some encouraging signs. Compared to the year's first three quarters when turnover was 12 per cent down on the corresponding period last year, the final quarter showed satisfactory progress.

During the year, 20 new B1 shops were opened, bringing the total of B1 shops in Germany to 47. These shops now account for 23 per cent of the total turnover, compared to 12 per cent last year.

During the last half year, 50 shop-in-shop solutions in existing multibrand shops were established. The next financial year will see the opening of a further 100 shop-in-shop solutions as well as 20 B1 shops.

Denmark

In Denmark, the audio/video market as a whole declined for the second year in succession, showing an overall fall of 14 per cent. Bang & Olufsen's turnover fell by approx. 6 per cent to DKK 546 million, i.e. significantly less than for the market as a whole. This is satisfactory especially in view of Bang & Olufsen's market share of 25-30 per cent in Denmark. An improvement over the first three quarters when turnover declined by 8 per cent compared to the preceding year has taken place.

There are now 27 B1 shops in Denmark.

UK

The UK is now Bang & Olufsen's third largest market. During the financial year, turnover increased by 23 per cent to DKK 433 million, with advances in all types of shops. This is the third consecutive year that the UK has recorded growth of around 20 per cent. 14 new B1 shops opened during the financial year, bringing the total to 47.

Switzerland

Turnover in Switzerland fell by almost 5 per cent to DKK 276 million over the year. Compared to the year's first three quarters, when the fall was approximately 8 per cent, this is a marked improvement. The number of multibrand shops was reduced by 26 to 188, while the number of B1 shops increased by 6 to 14.

Holland

Turnover in Holland increased by 19 per cent to DKK 258 million. This highly satisfactory increase is attributable to the establishment of 10 new B1 shops, bringing the total to 20 B1 shops, and shop-in-shop solutions in the existing 150 multibrand shops.

Italy

Turnover increased by 21 per cent to DKK 201 million. A marked improvement has been recorded both in comparison to the first half year when growth was 1 per cent and in relation to the three first quarters when an increase of 10 per cent was achieved compared to the same period the year before. 8 new B1 shops were opened in Italy, bringing the total to 28. B1 shops now account for 46 per cent of the total turnover in the 131 shops which sell Bang & Olufsen products.

France

Turnover in France increased 15 per cent to DKK 177 million. The 34 B1 shops now account for 67 per cent of the turnover.

USA

During the year, the US and Canadian markets were merged and will henceforth constitute one market: North America. Turnover increased by 23 per cent to almost DKK 200 million which is highly satisfactory, not least as the partnerships with 24 multibrand shops in the US were terminated during the year. Now we only operate through B1 shops in the US (a total of 36) and the intention is to serve the US market exclusively through this type of shop.

Bang & Olufsen has decided to actively enter the retail trade in the North American market and to run its own shops or enter into joint ventures as main shareholder. Over the next 5 years, 25 new B1 shops are expected to be opened per year.

Expansion Markets

Turnover increased by approx. 20 per cent from DKK 139 million to DKK 173 million. 21 new B1 shops were established, including some in new markets through local partners. A wholly owned sales company was established in Japan in order to better exploit the potential in this market.

Spain

Spain is the only European country exclusively served by B1 shops. This year the number increased by 10 to 65. During the financial year, turnover increased by 21 per cent to DKK 135 million. For the third year running, Spain recorded a 20 per cent growth in turnover.

Sweden

Despite the fact that co-operation with 18 multibrand shops ceased during the year, turnover rose by 17 per cent to DKK 122 million.

Distribution Development

Over the past three years, Bang & Olufsen has opened 302 new B1 shops. Although the target for the past financial year was to open 100 new B1 shops, 126 B1 shops were, in fact, opened, bringing the total to 451 B1 shops of which 335 are in Europe, 36 in the US and Canada and 80 in Expansion Markets. During the year, turnover in B1 shops increased on average by 16 per cent compared to the previous year and now accounts for 42 per cent of the total turnover against 32 per cent the previous year. The turnover in multibrand shops fell by 2 per cent compared to the year before.

The development during the year thus confirms Bang & Olufsen's distribution strategy. In markets with relatively few multibrand shops, the opening of dedicated Bang & Olufsen shops (B1) has resulted in significant growth from year one. However, in the large established markets, Germany, Switzerland and Denmark, a reorganisation of the very large number of multibrand shops proved necessary before it was possible to persuade enough new dealers to invest in B1 shops.

As at May 31, 2000 Bang & Olufsen sold its products in 2,172 shops across the world compared to 2,348 the previous year.

During the year, Bang & Olufsen set up an internet-based Retail System which, over the next two years, will link all dealers to the corporate headquarters in Struer. The system will not only mean administrative efficiencies in connection with on-line order processing, but will also result in a far closer dialogue between the individual shops and Bang & Olufsen. This will also provide greater opportunities to service customers.

As at May 31, approximately 100 dealers were linked to the system. The experience from this has been highly encouraging and the process continues.

Products

During the year, Bang & Olufsen a/s launched 5 new products:

Sales of BeoLab 1, the new flagship in the active loudspeaker portfolio, have developed particularly satisfactorily in all markets. The product has also been very positively received in the hi-fi media.

BeoVision 1, the new 25" TV, has set a new precedent for simple operation and can be positioned in five different ways. Sales have been slightly below expectations, but BeoVision 1 is nevertheless expected to meet its long-term sales targets.

Avant 28" without built-in video was launched in the European market and sales proceed as expected.

BeoVision Avant should have been launched in the North American market towards the close of the financial year. However, the launch will now be in August 2000. The introduction of Avant will add an important product to our platform in the US where significant growth potential exists in that customers will be able to buy both audio and video equipment from Bang & Olufsen.

BeoCom 6000 was adapted for the US market in a new version introduced in September 1999. Sales have developed very satisfactorily and have significantly contributed to the positive development in the US. Of the 20 shops with the biggest telephone sales, 18 are American.

Bang & Olufsen Telecom achieved a turnover of DKK 306 million. This represents an increase of DKK 38 million, or 14 per cent.

The result before tax was DKK 31 million, DKK 9 million less than envisaged in the half-year report, but nevertheless an increase of 78 per cent compared to last year. The unfulfilled expectations were due to the fact that the very high US sales of BeoCom 6000 in the first half year were not followed up by corresponding growth in the second half year because it has taken longer than expected to grow sales via alternative channels. Sales have also been lower than expected in Germany and Switzerland.

Product development costs for Bang & Olufsen Telecom a/s increased from DKK 27 million to DKK 39 million during the year, i.e. 48 per cent. The increase is attributable to the ongoing development of the cordless product range, the development of ISDN products and 2 line sets for the US. These products will all be launched during the financial year 2000/01.

77 per cent of the turnover in Bang & Olufsen Telecom a/s derives from Bang & Olufsen dealers and 23 per cent from other channels, primarily telephone operators. Bang & Olufsen Telecom will maintain this strategy which, during the new financial year, will be supplemented by e-based sales of telephones in the US. This will not give rise to conflicts with established shops in that all dealers throughout the world will be given access to their own virtual shop on the internet.

The positive development in Bang & Olufsen Medicom continues. Turnover rose by DKK 22 million to DKK 199 million during the financial year – a growth of 12 per cent.

The result before tax shows an advance of DKK 2 million, i.e. 7 per cent, from DKK 28 million to DKK 30 million. Last year's accounts comprised Ericsson Diax A/S with DKK 8 million against DKK 3 million this year, which underlines that earnings in Medicom are in line with expectations.

Growth in both turnover and earnings, which reflect current expectations, is owing to the continued expansion of production for Novo Nordisk as well as a positive development in earnings from product development for pharmaceutical and diagnostic partners.

During the autumn, a new automatic assembly line will be put into service and the company will be centralising all its activities in a new building which is expected to be commissioned at the end of this calendar year.

During the year, Bang & Olufsen Technology primarily concentrated on three areas: audio/video products for professional use in partnership with Quadriga Worldwide Ltd., the commercialisation of our patents within the field of amplifier technology (ICEpower) and cooperation with Visteon Automotive System regarding the development of sound systems for cars.

The first AV products were supplied to international hotel chains and congress centres.

The first sound systems for cars will be presented at the car show in Paris in the autumn and the first contract with a car manufacturer is expected to be signed during the coming financial year.

During the financial year, the ICEpower activities were spun off into Bang & Olufsen PowerHouse ApS, a subsidiary of Bang & Olufsen Technology a/s.

ICEpower technology will not only be used in our own products, but is expected to be sold to producers the world over – also outside the loudspeaker segment. Initiatives within this new business area have been implemented.

The activities in partnership with Quadriga Worldwide Ltd. are profitable. As was foreseen in the budget, this, however, is not yet the case with the investments in ICEpower and the development of sound systems for cars.

Overall Bang & Olufsen Technology a/s achieved a small profit.

The new financial year 2000/2001

Audio/video products

During the next half year Bang & Olufsen will launch three new products: BeoCenter 1, DVD 1 and BeoSound 1. Within their respective areas, all three products are examples of Bang & Olufsen's core competencies.

BeoCenter 1 combines audio/video in one product comprising TV, DVD, CD and Radio and has a built-in satellite receiver option. BeoCenter 1, a further development of BeoVision 1 launched in the past financial year, can be positioned in five different ways and will be launched in October.

The first stand-alone DVD player from Bang & Olufsen, DVD 1 can play DVD video, Video-CD and CD-Audio. DVD 1 will be launched during October and November.

BeoSound 1, a new portable audio system, will be launched in November. The product, which combines CD, radio and active loudspeakers – with several different positioning options – makes BeoSound 1 a unique experience.

Telephone systems

During the coming financial year, Bang & Olufsen Telecom's new launches will include a new cordless telephone, BeoCom 2 and an ISDN telephone. BeoCom 2 has a sculptural design and a completely new visual identity. It neither looks like nor sounds like other telephones – but has its own powerful and bold form of expression.

Medico products

In collaboration with a new partner, Bang & Olufsen will soon be launching a new diagnostic product based on technology developed by Bang & Olufsen Medicom. The product exploits Bang & Olufsen's unique competencies within the acoustics area. The product is expected to contribute to turnover with effect from the second half of the coming financial year.

During the autumn, the company expects to announce a new venture with a pharmaceutical partner.

Organisation and Management

On May 31, 2002, President, CEO, Anders Knutsen will resign from Bang & Olufsen after 27 years with the company. For the past 16 years, Anders Knutsen has been a member of the Board of Management, including 11 years as President, CEO.

In connection with his 50th birthday three years ago, Anders Knutsen informed the company's Chairman that he expected to continue as President, CEO for a further five years. Subsequently, in September 1999, Anders Knutsen informed the Board of Directors of his wish to leave his position within three years. The Board has opted for full openness with regard to the decision, partly due to the Stock Exchange ethical rules and partly because potential applicants to senior posts in Bang & Olufsen are entitled to know the conditions.

The Board is taking steps to appoint a successor to Anders Knutsen and expects a smooth transfer. Bang & Olufsen, which has been transformed from a product-driven to a vision-driven company, can offer the next President, CEO a position with exciting challenges.

With effect from September 1, 2000, Bang & Olufsen has appointed Ann-Charlott Fischer as director for sales and distribution.

Options Programme

B&O has agreed an option programme for the Board of Management and a number of senior managers within the Group. The programme comprises three pools where the strike periods are August 2002 to October 2006, August 2003 to October 2007 and August 2004 to October 2008.

The strike price for the first pool is 270 while the two other strike prices are fixed as the average of the quoted price for the 10 trading days which follow the publication of the annual accounts in August 2000 and August 2001. The options pool totals approx. 200,000 shares.

New structure in the Bang & Olufsen Group

During the new financial year, Bang & Olufsen will introduce a new business model, Bang & Olufsen United, which incorporates a new corporate structure. The new model will partly ensure optimum exploitation of the considerable growth potential and partly create greater transparency within the group.

Expectations for the financial year 2000/2001

Distribution development

The present distribution strategy will be maintained. During the year, Bang & Olufsen expects to meet the stated goal of 100 new B1 shops. By the end of the year there will be approximately 550 shops of this type, which has shown significant growth in turnover over the past three years. A significant number of the current multibrand shops are expected to be upgraded during the year through shop-in-shop solutions. Agreements with a limited number of smaller multibrand shops are expected to be terminated. In total, Bang & Olufsen expects to sell through approximately 2,100 shops across the world.

Product launches

The objective of launching new products every year will be met through the introduction of BeoCenter 1, DVD 1, BeoSound 1 and a new telephone.

Expected result

Excluding the planned investments in new activities, the ordinary result before tax for the financial year 2000/01 is expected to develop as follows:

Growth in turnover and earnings will primarily take place during the second half year as most of the product launches will be in the latter part of the first half year or early in the second half year.

For the first quarter a minor loss in line with last year is expected – not least in view of the fact that Bang & Olufsen traditionally incurs a small loss during the first quarter.

For the full financial year, turnover is expected to grow by approximately 10 per cent with earnings in the region of DKK 360 million. From this figure, increased development costs of DKK 50 million in new activities should be deducted. Therefore, the ordinary result before tax will largely remain unchanged compared to the 1999/00 financial year.

Profit & Loss Account
10 per cent increase in turnover

During 1999/00 the Group's turnover increased by DKK 342 million to DKK 3,722 million, a rise of 10 per cent.

Bang & Olufsen a/s, Bang & Olufsen Medicom a/s and Bang & Olufsen Telecom a/s all achieved increased turnover.

Turnover for video products increased by 1 per cent and for audio products by 13 per cent. The largest percentage increase, however, occurred in respect of telephone sales which increased by 32 per cent for the Group as a whole. The increased turnover has meant audio and video products' share of the turnover now accounts for 44 and 36 per cent respectively against last year's 43 and 39 per cent. Other products' share of the turnover increased from 18 to 20 per cent.

The main increases in turnover for Bang & Olufsen a/s, calculated in local currencies, were achieved in UK (23 per cent), USA (23 per cent), Italy (21 per cent), Spain (21 per cent) Holland (19 per cent) and Sweden (17 per cent). Turnover in Germany, Switzerland and Denmark fell between 5-6 per cent.

Gross profit increased by 0.8 percentage points

Gross profit for Bang & Olufsen Holding a/s increased by 0.8 percentage points to 39.5 per cent. The largest percentage increases were achieved by Bang & Olufsen Telecom a/s with 9 percentage points and Bang & Olufsen Medicom a/s with almost 5 percentage points.

The increase in Bang & Olufsen Telecom a/s is primarily attributable to rising sales of BeoCom 6000, while the increase for Bang & Olufsen Medicom a/s is owing to an increased extent of development work for third party. Gross profit for Bang & Olufsen a/s was maintained compared to 1998/99.

Costs share of turnover

In 1999/00, costs for product development, distribution, marketing and administration increased by DKK 155 million or 16 per cent. In relation to turnover, these costs constitute 31 per cent against 29 per cent in 1998/99.

Distribution and marketing costs rose by DKK 88 million, or 14 per cent. The increase is due to marketing initiatives such as the campaign, "A Life Less Ordinary", the setting up of a new subsidiary in Japan and investments in a new Retail system. The Retail system is an internet-based IT system which gives all dealers direct access to Bang & Olufsen a/s.

Product development costs rose by DKK 54 million corresponding to 21 per cent. Costs were incurred in connection with, for example, the development of BeoVision Avant for the American market, BeoVision 1, the continued development of cordless telephones, ISDN products and 2 line telephones for the US market.

Other operating income has fallen

The fall in other operating income from DKK 7.7 million to DKK 3.2 million is due to a fall in profit contribution from Ericsson Diax A/S. The 1999/00 financial year will mark the end of Ericsson Diax A/S' profit contribution.

Result of ordinary operations in associated companies

At the start of the financial year, Bang & Olufsen a/s purchased one third of the company John Bjerrum Nielsen A/S. The effect on the result is just under DKK 3 million before tax. In connection with the purchase consolidated goodwill of DKK 13,5 million has been depreciated directly over the equity capital.

Net financing income declined

Net financing income fell by DKK 31 million, of which approx. DKK 7 million derives from exchange rate fluctuations and DKK 13 million from interest on loans and lower liquid funds during the financial year. In addition, last year's financing income included a capital gain on bonds of DKK 7 million.

Increased tax rate

The tax rate for the year rose from 27 to 30 per cent. The increase can primarily be attributed to the subsidiaries abroad which have used up their carry-forward losses.

Of the charged tax of DKK 95 million, DKK 73 million relates to the Bang & Olufsen a/s Group while DKK 22 million has been charged within other parts of the Bang & Olufsen Holding a/s Group.

Extraordinary income

The extraordinary income of DKK 20 million relates to the sale of the company's Baan shares. The revenue should be seen in continuation of the DKK 75 million taken as income in 1997/98 and the DKK 63 million charged in 1998/99.

As at May 31, 2000 the company holds no more Baan shares.

Minority share

The item is new in relation to last year and relates to the 25 per cent minority share in Bang & Olufsen PowerHouse ApS.

Balance Sheet

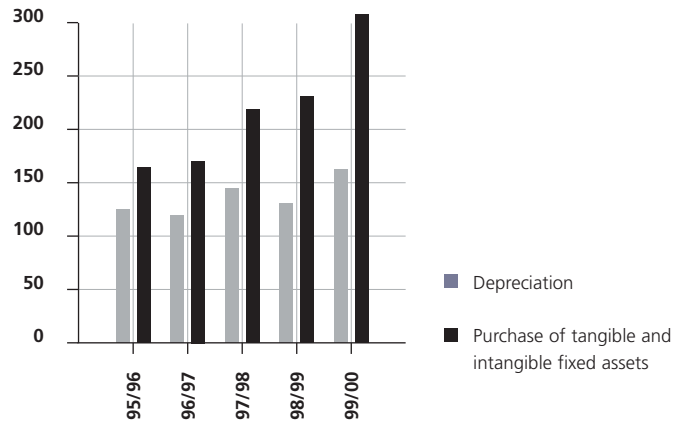
Fixed assets

Fixed assets increased by DKK 134 million, corresponding to 17 per cent.

The rise derives primarily from tangible fixed assets which increased by DKK 121 million. The increase is largely due to investments in a new building for Bang & Olufsen Medicom a/s and the expansion of Bang & Olufsen a/s' plastics factory. In addition, investments in production remain at a high level.

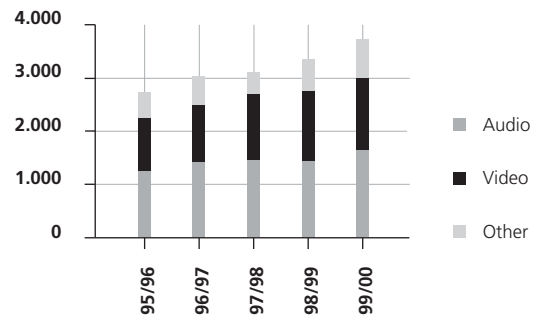
Purchase of tangible and intangible fixed assets and depreciation

DKK million

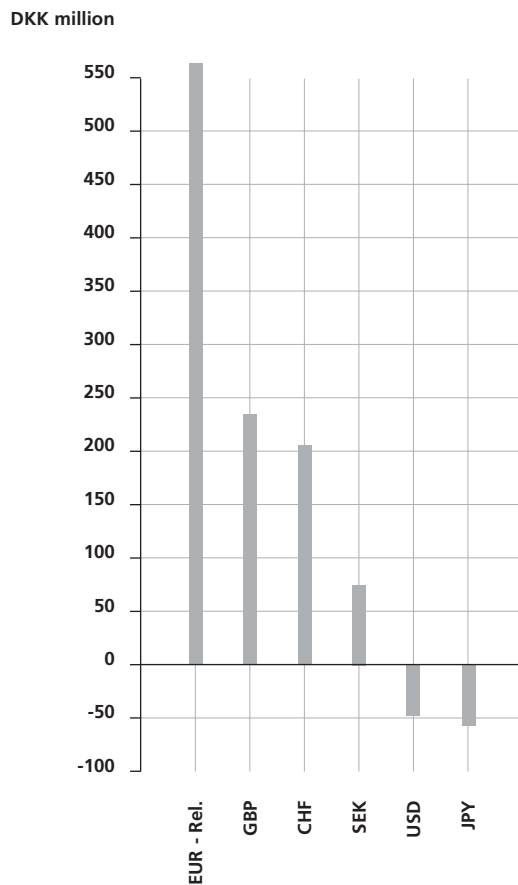


Turnover by product groups

DKK million



The year's net flow in key currencies



Current assets

Current assets increased by DKK 115 million, i.e. 10 per cent.

The rise is primarily attributable to an increase in receivables from sale of goods as turnover in the fourth quarter amounted to DKK 941 million against DKK 748 million the preceding year. With regard to trade debtors, the Group carries the prime risk. In countries serviced by sole importers, the Group's receivables are in part secured by NCM EKR Credit Insurance.

Despite increased sales in the fourth quarter, stocks are unchanged compared to 1998/99. In contrast to last year, the inventory of finished goods has been broken down into finished goods and spare parts. Finished goods are products for resale, exhibition products, advertising material, products rented out and shop equipment. The most important spare parts for product repair are typically stored for 8-12 years after production has ceased. Comparative figures have been adjusted accordingly.

On the balance sheet date, liquid funds had increased by DKK 12 million on the preceding year. Excess liquidity is placed as deposits on the money market or in bonds.

The desired risk profile on placements means that the operating result is not significantly affected by interest rate changes.

Cash Flow Statement

The Group has a positive cash flow of DKK 19 million in the year under review against a negative cash flow of DKK 356 million in 1998/99.

The year's cash flow was adversely affected by DKK 151 million as the result of shareholder-related transactions in the form of dividend payments of DKK 67 million and purchase of own shares of DKK 84 million.

Cash flow from operations fell by DKK 53 million primarily due to increased interest and tax payments. Cash flow from operations before financial items is unchanged compared to 1998/99

Cash flow from investments decreased by DKK 35 million. This is primarily due to increased investments in tangible fixed assets.

Moreover, the year's positive cash flow has been affected by a long-term loan of DKK 200 million taken up during the year.

Currency exposure

The Group's turnover abroad accounts for 79 per cent. As it is the Group's purchasing policy to match purchases with sales in the same currency, this figure is not expressive of the exchange risks. The Group has an ongoing net inflow in all Western European currencies. The most important exposure in currency outflow is the US dollar and the Japanese yen. Foreign currency risks are centrally controlled and the company seeks to cover its positions in full or in part via forward contracts. The company establishes commercial positions only.

Struer, August 17, 2000

Board of Management

Anders Knutsen (President and CEO)

Carl Henrik Jeppesen

Peter Thostrup

Board of Directors

Peter Skak Olufsen (Chairman)

Lars Brorsen

Jan Gesmar-Larsen

Torsten Erik Rasmussen

Garry Merrild Vestergaard

Jørgen Worning (Deputy Chairman)

Joe D. Davies

Peter Leschly

Jan Henning Simonsen

Auditors' Report

We have audited the Consolidated Financial Statements and the Annual Financial Statements for 1999/00 for Bang & Olufsen Holding a/s prepared by the Management.

Audit work performed

In accordance with generally accepted auditing principles we planned and performed the audit to obtain reasonable assurance as to whether the Financial Statements are free from material errors or omissions. Based on an assessment of materiality and risk our audit includes examining evidence supporting the amounts and other disclosures in the Financial Statements. We have assessed the accounting principles used and estimates made by

Management as well as evaluated the adequacy of the presentation of information in the Financial Statements.

The audit did not give rise to any qualifications.

Conclusion

In our opinion the Consolidated Financial Statements and the Annual Financial Statement have been properly prepared in accordance with the accounting provisions of the legislation, and give a true and fair view of the financial position of the Group and the parent company, the assets and liabilities as well as the result of the operations.

Struer, August 17, 2000

PricewaterhouseCoopers

Jørgen Dissing,
State-authorized public accountant

Jesper Lund
State-authorized public accountant

DELOITTE & TOUCHE

State-authorized public accounting company

Erik Holst Jørgensen
State-authorized public accountant

Anders O. Gjelstrup
State-authorized public accountant

Accounting Principles

Basic principles

The Consolidated Statements of the Group and the Financial Statements of Bang & Olufsen Holding A/S conform with the Annual Accounts Act, accounting guidelines, generally recognized accounting principles, and the requirements of the Copenhagen Stock Exchange concerning the presentation of accounts for listed companies.

The accounting principles are unchanged from the previous year.

Compared to last year, the inventory of finished goods has been broken down into spare parts and finished goods. The comparative figures for 1998/99 have been adjusted accordingly.

Group accounts Consolidation

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

The Group accounts have been prepared on the basis of the audited accounts of the parent company and its subsidiaries and, using the past-equity principle, as an aggregation of similar items from the accounts of the individual companies. In the process of consolidation, intra-group income and expenses, shareholdings, outstandings and unrealised profits have been eliminated.

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

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

The consolidated goodwill is made up at the date of acquisition as the difference between the acquisition price and the intrinsic value of the acquired company established according to the Group's accounting principles. Consolidated goodwill is depreciated directly over the equity capital.

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

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

Foreign exchange

Payments outstanding and debts

Payments outstanding and debts in foreign currency have been booked at the exchange rates prevailing on the balance sheet date or at the applicable forward rate. Unrealised and realised currency gains and losses are included in the Profit and Loss Account under financing income and costs.

Incorporation of accounts of foreign subsidiaries

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

Financial instruments

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

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

Profit and Loss Account Net turnover

This comprises invoiced sales less returned products and sales rebates. Sales revenue is booked at the time of dispatch of the goods.

Production costs

Production costs comprise stock consumption and costs, including salaries and depreciation which are incurred for the purpose of achieving the net turnover for the year.

Product development costs

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

Distribution and marketing costs

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

Administration costs

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

Result in subsidiaries and associated companies

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

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

Depreciation

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

Improvements and rights to leasehold property are depreciated on a straight-line basis over the same period as the lease, although a maximum of 10 years.

Patents are depreciated on a straight-line basis over the expected lifetime, although a maximum of 10 years.

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

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

Land and buildings	
- Land	none
- Buildings	40 years
- Interior refurbishment / Special installation	10 years
Plant and machinery	
- Single purpose production tools	4 years
- Other plant and machinery	10 years
Other equipment	3 - 10 years

Leasing

Rent paid on leases is charged in the year in which it is paid. The leasing liabilities are stated in the Notes.

Financial items

Include interest, cash discounts, realised and unrealised foreign exchange adjustments, and realised revaluations and unrealised losses on securities.

Tax

Tax is charged, in part, on the basis of the year's anticipated tax liability on taxable earnings and, in part, on the change in deferred tax liabilities on current assets for which provision is made in the Balance Sheet.

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

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

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

Balance Sheet

Intangible fixed assets

Improvements and rights to leasehold property include the establishment of prime-site shops, and the refurbishment of office and warehouse premises in subsidiaries. These are valued at cost less depreciation to date.

Patents are valued at cost less depreciation to date.

Tangible fixed assets

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

Property abroad is valued at cost less depreciation to date.

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

Financial fixed assets

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

Shares in associated companies are valued in the Balance Sheet of the Group and the parent company following the equity method, in accordance with the latest published annual accounts or periodic accounts.

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

Stocks

Booked at purchase price/cost using the FIFO principle, or at the net realization value, if this is lower.

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

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

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

Debtors

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

Own shares

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

Securities

Listed securities are booked at purchase price or market price on the closing date if this is lower.

Unlisted securities are booked at purchase price unless special circumstances demand depreciation.

Deferred taxation

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

Other provisions

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

Cash Flow Statement

The presentation of the Consolidated Cash Flow Statement follows the indirect method, based on Bang & Olufsen Holding's share in the year's result.

The Cash Flow Statement shows the Group's cash flow for the year, the year's change in liquid assets and Group's liquid assets at the beginning and end of the year.

Cash flow from operational activities

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

Cash flow from investment activities

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

Cash flow from financing activities

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

Liquid assets

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

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

Profit and Loss Account

Bang & Olufsen Holding a/s		Group		Parent Company	
		1999/00	1998/99	1999/00	1998/99
(DKK million)					
Notes ...					
1 ...	Net turnover	3,722.4	3,380.2	-	-
2 + 3 ...	Production costs	<u>(2,250.4)</u>	<u>(2,071.8)</u>	-	-
	Gross profit	1,472.0	1,308.4	-	-
2 + 3 ...	Product development costs	(308.3)	(253.9)	-	-
2 + 3 ...	Distribution and marketing costs	(712.4)	(624.3)	-	-
2 + 3 ...	Administration costs, etc.	(117.4)	(104.9)	(4.6)	(4.8)
4 ...	Other operating income, net	<u>3.2</u>	<u>7.7</u>	-	15.1
	Operating profit	337.1	333.0	(4.6)	10.3
5 ...	Result from ordinary operations in subsidiaries	-	-	316.2	335.8
	Result from ordinary operations in associated companies	2.6	6.4	-	6.4
6 ...	Financing income	89.8	50.6	7.3	2.0
7 ...	Financing costs	<u>(112.7)</u>	<u>(42.5)</u>	<u>(1.3)</u>	<u>(7.0)</u>
	Net financing income	<u>(22.9)</u>	<u>8.1</u>	<u>6.0</u>	<u>(5.0)</u>
	Result from ordinary operations before tax	316.8	347.5	317.6	347.5
8 ...	Tax on ordinary result	<u>(94.6)</u>	<u>(94.1)</u>	<u>(94.6)</u>	<u>(94.1)</u>
	Ordinary result after tax	222.2	253.4	223.0	253.4
9 ...	Extraordinary costs/income	<u>20.4</u>	<u>(63.0)</u>	<u>20.4</u>	<u>(63.0)</u>
	Extraordinary result after tax	20.4	(63.0)	20.4	(63.0)
	Result for the year	242.6	190.4	243.4	190.4
	Of which minority share	<u>0.8</u>	-	-	-
	Bang & Olufsen Holding a/s' share of the result for the year	243.4	190.4	243.4	190.4

It is recommended that the result for the year be allocated as follows:

Dividend	80.4
Reserve for net revaluation according to intrinsic value method	126.3
Retained earnings	<u>36.7</u>
	<u>243.4</u>

Parantheses denote negative figures or amounts to be deducted.

Notes: see pages 51 - 60

Assets

		Bang & Olufsen Holding a/s		Parent Company	
		Group		Parent Company	
(DKK million)		31/5 00	31/5 99	31/5 00	31/5 99
Notes ...					
	Intangible fixed assets				
10 ...	Leasehold improvements and rights	37.4	15.1	-	-
11 ...	Patent	1.0	-	-	-
	Total intangible fixed assets	<u>38.4</u>	<u>15.1</u>	<u>-</u>	<u>-</u>
	Tangible fixed assets				
12 ...	Land and buildings	261.5	217.9	-	-
13 ...	Plant and machinery	298.2	259.8	-	-
14 ...	Other equipment	116.7	99.3	-	-
15 ...	Prepayments for tangible fixed assets and plant & equipment in progress	170.6	149.2	-	-
	Total tangible fixed assets	<u>847.0</u>	<u>726.2</u>	<u>-</u>	<u>-</u>
	Financial fixed assets				
16 ...	Investment in subsidiaries	-	-	898.6	773.9
17 ...	Investment in associated company	5.5	0.0	-	0.0
18 ...	Other debtors	41.9	57.2	-	-
	Total financial fixed assets	<u>47.4</u>	<u>57.2</u>	<u>898.6</u>	<u>773.9</u>
	Total fixed assets	<u>932.8</u>	<u>798.5</u>	<u>898.6</u>	<u>773.9</u>
	Stocks				
	Raw materials	224.8	232.8	-	-
	Work in progress	42.5	41.7	-	-
	Spare parts	119.3	124.1	-	-
	Finished goods	197.5	183.9	-	-
	Total stock	<u>584.1</u>	<u>582.5</u>	<u>-</u>	<u>-</u>
	Debtors				
	Trade debtors	453.3	330.5	-	-
	Amounts owed by subsidiaries	-	-	210.7	223.8
	Dividend owed by subsidiaries	-	-	95.0	106.0
19 ...	Other debtors	37.4	44.7	0.3	-
	Accruals	6.3	8.4	0.1	0.1
	Total debtors	<u>497.0</u>	<u>383.6</u>	<u>306.1</u>	<u>329.9</u>
	Securities				
20 ...	Own shares	-	-	-	-
	Other securities	-	12.6	-	12.6
	Total securities	<u>-</u>	<u>12.6</u>	<u>-</u>	<u>12.6</u>
	Liquid funds	<u>130.1</u>	<u>117.8</u>	<u>0.2</u>	<u>0.2</u>
	Total current assets	<u>1,211.2</u>	<u>1,096.5</u>	<u>306.3</u>	<u>342.7</u>
	Total assets	<u>2,144.0</u>	<u>1,895.0</u>	<u>1,204.9</u>	<u>1,116.6</u>

Liabilities

		Group		Parent Company	
		31/5 00	31/5 99	31/5 00	31/5 99
Bang & Olufsen Holding a/s					
(DKK million)					
Notes ...					
21 ...	Equity capital				
	Share capital	133.9	133.6	133.9	133.6
	Premium on share issue	2.1	1.1	2.1	1.1
	Reserves for net revaluation using intrinsic value method	-	-	136.5	16.8
	Retained earnings	<u>922.0</u>	<u>846.0</u>	<u>785.5</u>	<u>829.2</u>
	Total equity capital	<u>1,058.0</u>	<u>980.7</u>	<u>1,058.0</u>	<u>980.7</u>
	Minority interests	<u>0.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Provisions				
	Deferred tax	50.4	50.8	-	-
22 ...	Other provisions	<u>37.4</u>	<u>37.7</u>	<u>-</u>	<u>-</u>
	Total provisions	<u>87.8</u>	<u>88.5</u>	<u>-</u>	<u>-</u>
23 ...	Long-term liabilities				
	Mortgage loans	169.9	184.2	-	-
	Loans from banks, etc.	<u>200.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total long-term liabilities	<u>369.9</u>	<u>184.2</u>	<u>-</u>	<u>-</u>
	Short-term liabilities				
	Mortgage loans	13.5	13.4	-	-
	Loans from banks, etc.	8.2	14.7	-	-
	Trade creditors	231.6	237.3	-	-
	Advance payments from customers	-	1.1	-	-
	Liabilities to associated company	2.1	-	-	-
	Corporation tax	6.5	18.3	3.1	0.2
	Other creditors	286.0	288.0	63.4	68.9
	Accruals	-	2.0	-	-
	Dividend for the financial year	<u>80.4</u>	<u>66.8</u>	<u>80.4</u>	<u>66.8</u>
	Total short-term liabilities	<u>628.3</u>	<u>641.6</u>	<u>146.9</u>	<u>135.9</u>
	Total liabilities	<u>998.2</u>	<u>825.8</u>	<u>146.9</u>	<u>135.9</u>
	Total liabilities and equity capital	<u>2,144.0</u>	<u>1,895.0</u>	<u>1,204.9</u>	<u>1,116.6</u>
27 ...	Contingent liabilities and supplementary information				
28 ...	Financial items				

Notes: see pages 51 - 60

Consolidated Cash Flow Statement

Bang & Olufsen Holding a/s, the Group

	(DKK million)	1999/00	1998/99
Notes ...			
		243.4	190.4
		162.4	131.4
24 ...	Adjustments	91.6	133.7
25 ...	Change in working capital	<u>(123.7)</u>	<u>(78.6)</u>
	Cash flow from operations before financial items	373.7	376.9
	Interest received, etc.	89.8	50.6
	Interest paid, etc.	<u>(112.7)</u>	<u>(42.5)</u>
	Cash flow from ordinary operations	350.8	385.0
	Corporation tax paid	<u>(106.2)</u>	<u>(87.1)</u>
	Cash flow from operational activities	<u>244.6</u>	<u>297.9</u>
	Purchase of intangible fixed assets	(28.2)	(6.7)
	Purchase of tangible fixed assets	(279.9)	(225.3)
	Purchase of financial fixed assets	(17.0)	-
	Change in financial debtors	15.3	(27.7)
	Sale of shares	33.0	22.8
	Sale of fixed assets	<u>11.1</u>	<u>5.7</u>
	Cash flow from investment activities	<u>(265.7)</u>	<u>(231.2)</u>
	New long-term debt	200.0	-
	Reduction in long-term liabilities	(14.2)	(13.8)
	Sale/purchase of own shares	(84.3)	(313.8)
	Proceeds from capital increase and dividend from own shares	5.2	4.8
	Dividend paid	<u>(66.8)</u>	<u>(100.0)</u>
	Cash flow from financing activities	<u>39.9</u>	<u>(422.8)</u>
	Change in liquid funds – Cash flow for the year	18.8	(356.1)
	Liquid funds, 1 June	<u>103.1</u>	<u>459.2</u>
26 ...	Liquid funds, 31 May	<u>121.9</u>	<u>103.1</u>

Outgoings given in parentheses.

Notes: see pages 51 - 60

Notes	Group		Parent Company	
	1999/00	1998/99	1999/00	1998/99
(DKK million)				
Notes ...				
1 ... Net turnover				
Net turnover in main markets				
Denmark	786.2	815.5	-	-
Germany	596.0	627.5	-	-
United Kingdom	449.2	330.7	-	-
Switzerland	276.4	287.0	-	-
Rest of Europe	1,224.6	1,063.5	-	-
Rest of world	390.0	256.0	-	-
	<u>3,722.4</u>	<u>3,380.2</u>	<u>-</u>	<u>-</u>
Exports as percentage of turnover	<u>78.9</u>	<u>75.9</u>	<u>-</u>	<u>-</u>
2 ... Employees				
Wages, salaries, fees	733.6	689.5	-	-
Pension	21.0	19.7	-	-
Other statutory contributions, e.g. health service	22.0	21.4	-	-
	<u>776.6</u>	<u>730.6</u>	<u>-</u>	<u>-</u>
Apart from the Board of Management, the parent company has no employees.				
Remuneration on Group basis to the Board of Management in parent company	<u>12.3</u>	<u>10.9</u>	<u>-</u>	<u>-</u>
Bonus (incl. in above)	<u>2.9</u>	<u>3.1</u>	<u>-</u>	<u>-</u>
Bonus for the Board of Management has been earned in the previous financial year.				
Remuneration including bonus to departing directors are included until the time of their departure.				
Emoluments to the Board of Directors in parent company	<u>-</u>	<u>-</u>	<u>1.7</u>	<u>1.7</u>
Average no. of full-time employees:				
Denmark	2,453	2,358	-	-
Abroad	330	296	-	-
	<u>2,783</u>	<u>2,654</u>	<u>-</u>	<u>-</u>
3 ... Depreciation				
Depreciation for the year is included in the following items:				
Production costs	96.8	91.1	-	-
Product development costs	30.8	15.4	-	-
Distribution and marketing costs	24.1	20.2	-	-
Administration costs	10.7	4.7	-	-
	<u>162.4</u>	<u>131.4</u>	<u>-</u>	<u>-</u>

Parantheses denote negative figures or amounts to be deducted.

Notes ...	(DKK million)	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
4 ...	Other operating income, net				
	Share of profits from Bang & Olufsen Telecom a/s	-	-	-	5.7
	Share of profits from Bang & Olufsen Medicom a/s	-	-	-	9.4
	Share of profits from Ericsson Diax A/S	3.2	7.7	-	-
		<u>3.2</u>	<u>7.7</u>	<u>-</u>	<u>15.1</u>
5 ...	Result from ordinary operations in subsidiaries				
	Subsidiaries' result before tax	-	-	318.1	338.8
	Change in unrealised consolidated gross profit	-	-	(1.9)	(3.0)
	Income from investment in subsidiaries	-	-	<u>316.2</u>	<u>335.8</u>
	The subsidiaries' result before tax can be apportioned as follows:				
	Subsidiaries showing a profit	-	-	318.1	338.8
	Subsidiaries showing a loss	-	-	-	-
		<u>-</u>	<u>-</u>	<u>318.1</u>	<u>338.8</u>
6 ...	Financing income				
	Interest from affiliated companies	-	-	7.0	1.5
	Currency gains	75.6	17.5	-	-
	Capital gains from bonds	-	7.3	-	-
	Cash discounts	7.0	10.1	-	-
	Other interest received	7.2	15.7	0.3	0.5
		<u>89.8</u>	<u>50.6</u>	<u>7.3</u>	<u>2.0</u>
7 ...	Financing costs				
	Interest on bank loans	4.7	7.4	-	5.1
	Interest on mortgage loans	15.0	12.0	-	-
	Currency losses	79.9	14.9	-	-
	Cash discounts	2.2	2.1	-	-
	Interest paid to affiliated companies	-	-	-	1.1
	Other interest paid	10.9	6.1	1.3	0.8
		<u>112.7</u>	<u>42.5</u>	<u>1.3</u>	<u>7.0</u>

Notes ...	(DKK million)	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
8 ...	Tax				
	In the profit and loss account tax has been accounted for:				
	Parent company:				
	- Current tax	0.4	1.6	0.4	1.6
	- Change in deferred tax	(0.3)	-	(0.3)	-
	- Adjustment previous year, current and deferred tax	(0.3)	-	(0.3)	-
	Total for parent company	<u>(0.2)</u>	<u>1.6</u>	<u>(0.2)</u>	<u>1.6</u>
	Subsidiaries and associated companies:				
	- Current tax	95.6	86.9	95.6	86.9
	- Change in deferred tax	(0.1)	3.1	(0.1)	3.1
	- Adjustment previous year, current and deferred tax	(0.7)	4.8	(0.7)	4.8
	- Adjustment deferred tax resulting from changed tax rate	-	(2.3)	-	(2.3)
	Total for subsidiaries and associated companies	<u>94.8</u>	<u>92.5</u>	<u>94.8</u>	<u>92.5</u>
	Tax on result for the year	<u>94.6</u>	<u>94.1</u>	<u>94.6</u>	<u>94.1</u>
	Corporation tax paid in the parent company including tax paid on an instalment basis amounted to DKK 20.5 million				
9 ...	Extraordinary costs/income				
	Booked profit from sale of Baan shares	<u>20.4</u>	<u>(63.0)</u>	<u>20.4</u>	<u>(63.0)</u>
		<u>20.4</u>	<u>(63.0)</u>	<u>20.4</u>	<u>(63.0)</u>
10 ...	Leasehold improvements and rights				
	Cost, 1 June	55.8	50.6	-	-
	Exchange adjustment, opening	1.4	0.5	-	-
	Reclassification	1.4	5.6	-	-
	Additions in the year	27.1	6.7	-	-
	Transferred to use	-	0.5	-	-
	Disposals in the year	(4.7)	(8.1)	-	-
	Cost, 31 May	<u>81.0</u>	<u>55.8</u>	<u>-</u>	<u>-</u>
	Acc. depreciation, 1 June	40.7	34.6	-	-
	Exchange adjustment, opening	-	0.6	-	-
	Reclassification	(3.8)	4.4	-	-
	Depreciation for the year	9.4	6.5	-	-
	Adjustment for depreciation on assets sold	(2.7)	(5.4)	-	-
	Acc. depreciation, 31 May	<u>43.6</u>	<u>40.7</u>	<u>-</u>	<u>-</u>
	Net book value, 31 May	<u>37.4</u>	<u>15.1</u>	<u>-</u>	<u>-</u>

Parantheses denote negative figures or amounts to be deducted.

	Group		Parent company	
	1999/00	1998/99	1999/00	1998/99
(DKK million)				
Notes ...				
11 ... Patent				
Cost, 1 June	-	-	-	-
Additions in the year	1.1	-	-	-
Cost, 31 May	<u>1.1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Acc. depreciation, 1 June	-	-	-	-
Depreciation for the year	0.1	-	-	-
Acc. depreciation, 31 May	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value, 31 May	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
12 ... Land and buildings				
Cost, 1 June	355.6	274.4	-	-
Exchange adjustment, opening	0.5	0.6	-	-
Reclassification	5.5	(5.4)	-	-
Additions in the year	16.9	10.6	-	-
Transferred to use	42.5	80.5	-	-
Disposals in the year	-	(5.1)	-	-
Cost, 31 May	<u>421.0</u>	<u>355.6</u>	<u>-</u>	<u>-</u>
Acc. depreciation, 1 June	137.7	129.9	-	-
Exchange adjustment, opening	0.1	0.2	-	-
Reclassification	5.1	(4.5)	-	-
Depreciation for the year	16.6	13.6	-	-
Adjustment for depreciation on assets sold	-	(1.5)	-	-
Acc. depreciation, 31 May	<u>159.5</u>	<u>137.7</u>	<u>-</u>	<u>-</u>
Net book value, 31 May	<u>261.5</u>	<u>217.9</u>	<u>-</u>	<u>-</u>
Value of property in Denmark (cash value) regarding most recent official valuation is DKK 252.2 million				
Cost price of property abroad is DKK 29.3 million				
13 ... Plant and machinery				
Cost, 1 June	973.9	917.4	-	-
Additions in the year	75.9	38.8	-	-
Transferred to use	61.9	33.0	-	-
Disposals in the year	(17.5)	(15.3)	-	-
Cost, 31 May	<u>1,094.2</u>	<u>973.9</u>	<u>-</u>	<u>-</u>
Acc. depreciation, 1 June	714.1	647.7	-	-
Depreciation for the year	97.6	80.2	-	-
Adjustment for depreciation on assets sold	(15.7)	(13.8)	-	-
Acc. depreciation, 31 May	<u>796.0</u>	<u>714.1</u>	<u>-</u>	<u>-</u>
Net book value, 31 May	<u>298.2</u>	<u>259.8</u>	<u>-</u>	<u>-</u>

Notes ...	(DKK million)	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
14 ...	Other equipment				
	Cost, 1 June	306.3	272.6	-	-
	Exchange adjustment, opening	1.7	0.5	-	-
	Reclassification	2.0	(0.2)	-	-
	Additions in the year	61.0	37.0	-	-
	Transferred to use	0.3	14.0	-	-
	Disposals in the year	<u>(25.0)</u>	<u>(17.6)</u>	-	-
	Cost, 31 May	<u>346.3</u>	<u>306.3</u>	-	-
	Acc. depreciation, 1 June	207.0	191.4	-	-
	Exchange adjustment, opening	1.1	0.2	-	-
	Reclassification	0.6	0.1	-	-
	Depreciation for the year	38.7	31.1	-	-
	Adjustment for depreciation on assets sold	<u>(17.8)</u>	<u>(15.8)</u>	-	-
	Acc. depreciation, 31 May	<u>229.6</u>	<u>207.0</u>	-	-
	Net book value, 31 May	<u>116.7</u>	<u>99.3</u>	-	-
15 ...	Prepayments for tangible fixed assets and plant & equipment in progress				
	Cost, 1 June	149.2	138.3	-	-
	Additions in the year	127.3	140.1	-	-
	Transferred to use	(104.7)	(128.0)	-	-
	Disposals in the year	<u>(1.2)</u>	<u>(1.2)</u>	-	-
	Cost, 31 May	<u>170.6</u>	<u>149.2</u>	-	-
16 ...	Investment in subsidiaries				
	Cost, 1 June	-	-	757.1	1.075.1
	Purchase/formation of new companies	-	-	5.0	-
	Capital decrease	-	-	-	(318.0)
	Balance, 31 May	<u>-</u>	<u>-</u>	<u>762.1</u>	<u>757.1</u>
	Value adjustment				
	Balance, 1 June	-	-	16.8	(126.0)
	Exchange adjustment, opening	-	-	9.0	3.3
	Equity capital adjustments	-	-	(15.6)	-
	Change in unrealised consolidated gross profit	-	-	(1.9)	(3.0)
	Net result for the year after tax	-	-	223.2	248.5
	Dividend (incl. in above)	-	-	<u>(95.0)</u>	<u>(106.0)</u>
	Balance, 31 May	<u>-</u>	<u>-</u>	<u>136.5</u>	<u>16.8</u>
	Net book value, 31 May	<u>-</u>	<u>-</u>	<u>898.6</u>	<u>773.9</u>

Parantheses denote negative figures or amounts to be deducted.

	Group		Parent company	
	1999/00	1998/99	1999/00	1998/99
(DKK million)				
Notes ...				
17 ... Investment in associated company				
Cost, 1 June	-	14.7	-	11.4
Additions in the year	17.0	-	-	-
Disposals in the year	-	(14.7)	-	(11.4)
Cost, 31 May	<u>17.0</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>
Value adjustment				
Balance, 1 June	-	3.9	-	7.2
Adjustment for depreciation on the year's disposals	-	(8.1)	-	(11.4)
Depreciation of consolidated goodwill	(13.5)	-	-	-
Net result for the year	<u>2.0</u>	<u>4.2</u>	<u>-</u>	<u>4.2</u>
Balance, 31 May	<u>(11.5)</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>
Net book value, 31 May	<u>5.5</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>
18 ... Other debtors				
Balance, 1 June	57.2	29.5	-	-
Exchange adjustment, opening	3.2	0.1	-	-
Additions in the year	12.7	28.5	-	-
Disposals in the year	(31.2)	(0.9)	-	-
Balance, 31 May	<u>41.9</u>	<u>57.2</u>	<u>-</u>	<u>-</u>
19 ... Other debtors				
Of other debtors the following amounts fall due for payment after 1 year	<u>1.5</u>	<u>1.3</u>	<u>-</u>	<u>-</u>
20 ... Own shares				
Balance, 1 June	-	-	-	-
Additions	84.3	313.8	84.3	313.8
Disposals	-	-	-	-
Net movement for the year transferred to equity capital	<u>(84.3)</u>	<u>(313.8)</u>	<u>(84.3)</u>	<u>(313.8)</u>
Balance, 31 May	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	No. of shares	Nom. DKK million	% age of capital	
Holding, 1 June	666,750	6.7	5.0	
Additions	244,516	2.4	1.8	
Holding, 31 May	<u>911,266</u>	<u>9.1</u>	<u>6.8</u>	

An options programme for the Board of Management and a number of senior managers has been set up. The options pool totals approx. 200,000 shares and can be exercised in the period 2002-2008.

Notes ... 21 ...	(DKK million)	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
	Equity capital				
	Share capital				
	Balance, 1 June	133.6	133.4	133.6	133.4
	Capital increase	0.3	0.2	0.3	0.2
	Balance, 31 May	<u>133.9</u>	<u>133.6</u>	<u>133.9</u>	<u>133.6</u>
	Premium on share issue				
	Balance, 1 June	1.1	0.0	1.1	0.0
	Premium on capital increase	1.0	-	1.0	1.1
	Transferred to retained earnings	-	1.1	-	-
	Balance, 31 May	<u>2.1</u>	<u>1.1</u>	<u>2.1</u>	<u>1.1</u>
	Reserves for net appreciation using intrinsic value method				
	Balance, 1 June	-	-	16.8	0.0
	Exchange rate adjustment of investments in subsidiaries	-	-	9.0	3.3
	Equity capital adjustments in subsidiaries	-	-	(15.6)	-
	Transferred to retained earnings	-	-	126.3	13.5
	Balance, 31 May	<u>-</u>	<u>-</u>	<u>136.5</u>	<u>16.8</u>
	Retained earnings				
	Balance, 1 June	846.0	1,029.4	829.2	1,029.4
	Exchange rate adjustment of investment in subsidiaries	9.0	3.3	-	-
	Equity capital adjustments in subsidiaries	(15.6)	-	-	-
	Writedown own shares	(84.3)	(313.8)	(84.3)	(313.8)
	Dividend own shares	3.9	3.5	3.9	3.5
	Retained earnings	163.0	123.6	36.7	110.1
	Balance, 31 May	<u>922.0</u>	<u>846.0</u>	<u>785.5</u>	<u>829.2</u>
	Total equity capital				
	Balance, 1 June	980.7	1,162.8	980.7	1,162.8
	Exchange rate adjustment of investment in subsidiaries	9.0	3.3	9.0	3.3
	Equity capital adjustments in subsidiaries	(15.6)	-	(15.6)	-
	Capital increase	1.3	1.3	1.3	1.3
	Writedown own shares	(84.3)	(313.8)	(84.3)	(313.8)
	Dividend own shares	3.9	3.5	3.9	3.5
	Retained earnings	163.0	123.6	163.0	123.6
	Balance, 31 May	<u>1,058.0</u>	<u>980.7</u>	<u>1,058.0</u>	<u>980.7</u>
	The share capital consists of:				
	Ordinary shares				
	(multiple voting shares): 1,147,500 of DKK 10		DKK 11,475,000		
	Ordinary shares: 12,244,746 of DKK 10		DKK 122,447,460		
			<u>DKK 133,922,460</u>		

Parantheses denote negative figures or amounts to be deducted.

	Group		Parent company	
	1999/00	1998/99	1999/00	1998/99
(DKK million)				
Notes ...				
22 ... Other provisions				
Distribution and market development	-	7.0	-	-
Guarantee obligations	32.4	26.3	-	-
Pension commitments	5.0	4.4	-	-
	<u>37.4</u>	<u>37.7</u>	<u>-</u>	<u>-</u>
23 ... Long-term liabilities				
Of the long-term liabilities shown in the balance sheet the following amounts fall due after 5 years.				
Mortgage loans	<u>206.6</u>	<u>127.1</u>	<u>-</u>	<u>-</u>
24 ... Adjustments				
Change in other provisions	(0.3)	(17.6)	-	-
Interest earned, etc.	(89.8)	(50.6)	-	-
Interest paid, etc.	112.7	42.5	-	-
Share in associated company's result before tax	(2.6)	(6.4)	-	-
Loss on sale of fixed assets	0.1	3.9	-	-
Extraordinary item	(20.4)	63.0	-	-
Tax on result for the year	94.6	94.1	-	-
Minority interests	(0.8)	-	-	-
Various adjustments	(1.9)	4.8	-	-
	<u>91.6</u>	<u>133.7</u>	<u>-</u>	<u>-</u>
25 ... Change in working capital				
Change in debtors	(113.4)	(33.5)	-	-
Change in stocks	(1.6)	(114.2)	-	-
Change in trade creditors, etc.	(8.7)	69.1	-	-
	<u>(123.7)</u>	<u>(78.6)</u>	<u>-</u>	<u>-</u>
26 ... Liquid funds				
Cash funds	130.1	117.8	-	-
Short-term loans from banks	(8.2)	(14.7)	-	-
	<u>121.9</u>	<u>103.1</u>	<u>-</u>	<u>-</u>

Notes ...	(DKK million)	Group		Parent company	
		1999/00	1998/99	1999/00	1998/99
27 ...	Contingent liabilities and supplementary information				
a ...	Leasing liabilities etc				
	Total payments, 31 May	<u>34.6</u>	<u>45.5</u>	<u>-</u>	<u>-</u>
	1st year's payments amount to	<u>18.2</u>	<u>28.1</u>	<u>-</u>	<u>-</u>
	In connection with the establishment of shops in previous accounting years, the Group has entered into a number of long-term rental agreements. The agreements include conditions concerning the right to sub-let. Next year's rent will amount to approx.	<u>23.0</u>	<u>15.0</u>	<u>-</u>	<u>-</u>
b ...	Guarantees				
	Guarantees issued by the Group	<u>9.8</u>	<u>9.1</u>	<u>-</u>	<u>-</u>
	No guarantee is expected to incur any loss. No guarantees are issued on behalf of subsidiaries.				
c ...	Letters of Intent				
	Bang & Olufsen a/s has issued Letters of Intent to the foreign subsidiaries' bank connections for	<u>92.2</u>	<u>90.6</u>	<u>-</u>	<u>-</u>
	Bank debts as at 31 May	<u>0.0</u>	<u>0.0</u>	<u>-</u>	<u>-</u>
d ...	Auditors' fees				
	Total fees to Price WaterhouseCoopers and Price WaterhouseCoopers firms abroad amount to:				
	Audit	2.7	2.6	0.1	0.1
	Other services	<u>2.2</u>	<u>1.7</u>	<u>-</u>	<u>-</u>
		<u>4.9</u>	<u>4.3</u>	<u>0.1</u>	<u>0.1</u>
	Total fees to DELOITTE & TOUCHE amount to:				
	Audit	0.6	0.7	-	0.1
	Other services	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>0.9</u>	<u>0.7</u>	<u>-</u>	<u>0.1</u>
e ...	Joint taxation				
	The Danish companies in the Group which are taxed in common, share liability for the tax on the total taxable income.				
f ...	VAT and other public taxes				
	The Danish companies in the Group share common registration and share liability for the above.				
g ...	Security for mortgage debt				
	Security of DKK 183.4 million has been given in land and buildings for a mortgage debt of DKK 294.1 million. Other tangible fixed assets attached hereto are included in the security. The book value of land and buildings is DKK 248.0 million.				

Parantheses denote negative figures or amounts to be deducted.

(DKK million)

Notes ...

28 ... **Financial items**

Monetary items * in foreign currency in the Balance Sheet, 31 May 2000

Group

Currency	Assets	Debt	Net
EUR-related	297.0	126.0	171.0
GBP	81.0	35.9	45.1
SEK	26.5	6.6	19.9
CHF	16.8	11.9	4.9
JPY	10.1	9.2	0.9
USD	34.4	27.7	6.7
Other	16.2	8.0	8.2

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

Hedging

The following forward contracts are held, May 31, 2000

Group

Currency sold	Amount DKK	Amount at exchange rate 31 May	Unrealised loss	Included in P&L account	Maturity
CHF	<u>47.4</u>	<u>47.5</u>	<u>0.1</u>	<u>-</u>	July-August 2000

Summary of Accounts

Profit and Loss Account (DKK million)	Bang & Olufsen Holding a/s Group		Bang & Olufsen a/s Group	
	1999/00	1998/99	1999/00	1998/99
Net turnover	3,722.4	3,380.2	3,427.8	3,131.2
Production costs	(2,250.4)	(2,071.8)	(2,107.5)	(1,926.4)
Product development costs	(308.3)	(253.9)	(242.0)	(206.7)
Distribution and marketing costs	(712.4)	(624.3)	(700.7)	(616.0)
Administration costs, etc.	(117.4)	(104.9)	(94.4)	(85.1)
Other operating income/costs, net	3.2	7.7	-	-
Result from investment in associated companies	2.6	6.4	2.6	-
Financing income, net	<u>(22.9)</u>	<u>8.1</u>	<u>(31.8)</u>	<u>11.5</u>
Result from ordinary operations	316.8	347.5	254.0	308.5
Tax on ordinary result	<u>(94.6)</u>	<u>(94.1)</u>	<u>(72.5)</u>	<u>(80.6)</u>
Ordinary result after tax	222.2	253.4	<u>181.5</u>	<u>227.9</u>
Extraordinary costs/income	<u>20.4</u>	<u>(63.0)</u>		
Result for the year	<u>242.6</u>	<u>190.4</u>		
Of which minority share	<u>0.8</u>	<u>-</u>		
Bang & Olufsen Holding a/s' share of result for the year	<u>243.4</u>	<u>190.4</u>		
Balance Sheet (DKK million)	31/5 00	31/5 99	31/5 00	31/5 99
Assets				
Fixed assets	932.8	798.5	833.7	757.0
Stocks	584.1	582.5	540.0	532.6
Debtors	497.0	383.6	481.7	342.5
Securities	-	12.6	-	-
Liquid funds	<u>130.1</u>	<u>117.8</u>	<u>126.4</u>	<u>117.2</u>
Total assets	<u>2,144.0</u>	<u>1,895.0</u>	<u>1,981.8</u>	<u>1,749.3</u>
Liabilities				
Equity capital	1,058.0	980.7	786.4	686.6
Provisions	87.8	88.5	86.0	86.3
Long-term liabilities	369.9	184.2	369.9	184.2
Short-term liabilities	<u>628.3</u>	<u>641.6</u>	<u>739.5</u>	<u>792.2</u>
Total liabilities	<u>2,144.0</u>	<u>1,895.0</u>	<u>1,981.8</u>	<u>1,749.3</u>

Profit and Loss Account (DKK million)	Bang & Olufsen Telecom a/s		Bang & Olufsen Medicom a/s	
	1999/00	1998/99	1999/00	1998/99
Net turnover	306.0	268.3	199.2	177.4
Production costs	(227.1)	(215.5)	(130.0)	(123.6)
Product development costs	(39.4)	(26.6)	(26.9)	(20.5)
Distribution and marketing costs	(7.6)	(4.8)	(3.2)	(3.4)
Administration costs	(6.4)	(5.5)	(9.8)	(9.5)
Other operating income/costs, net	0.0	(5.7)	3.2	(1.7)
Financing income, net	<u>5.0</u>	<u>1.3</u>	<u>(2.3)</u>	<u>0.1</u>
Result from ordinary operations	30.5	11.5	30.2	18.8
Tax on ordinary result	<u>(9.9)</u>	<u>(3.7)</u>	<u>(10.0)</u>	<u>(6.0)</u>
Result for the year	<u>20.6</u>	<u>7.8</u>	<u>20.2</u>	<u>12.8</u>
Balance Sheet (DKK million)				
	31/5 00	31/5 99	31/5 00	31/5 99
Assets				
Fixed assets	27.6	24.4	70.4	17.2
Stocks	27.0	32.8	28.1	26.1
Debtors	44.5	19.8	44.2	43.8
Liquid funds	<u>-</u>	<u>-</u>	<u>0.4</u>	<u>0.4</u>
Total assets	<u>99.1</u>	<u>77.0</u>	<u>143.1</u>	<u>87.5</u>
Liabilities				
Equity capital	49.9	49.3	67.3	47.1
Provisions	1.4	0.6	1.1	1.7
Other short-term liabilities	<u>47.8</u>	<u>27.1</u>	<u>74.7</u>	<u>38.7</u>
Total liabilities	<u>99.1</u>	<u>77.0</u>	<u>143.1</u>	<u>87.5</u>

Parantheses denote negative figures or amounts to be deducted.

