

**New allocation model**

Effective 1 December 2018, a new allocation model has been implemented in relation to the allocation of costs to functions.

The changes occurs as a result of the ongoing transformation of the business and distribution setup to ensure that the allocation is reflecting Bang & Olufsen as of today. The change in the allocation model results in the consolidated financial statements providing more reliable and relevant information on Bang & Olufsen's financial performance.

The implementation impacts the allocation between production costs, development costs, distribution and marketing cost and administration costs. The allocation has no impact on the operating result (EBIT).

For the implementation of the new allocation model, the retrospective approach has been applied with no cumulative effects recognised in retained earnings as of 1 June 2017. The year-to-date and comparison periods have been restated.

This fact book is displaying historical figures for Q1-Q2 2018/19 and Q1-Q4 2017/18 only. The historical figures have been displayed in the new reporting format to enable comparison with new figures when reported.

**P/L cost allocation per function**

	<b>2018/19 - New model</b>			<b>2018/19 - Old model</b>			<b>2018/19 - changes</b>		
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>
Production costs	(318)	(463)	(361)	(338)	(480)	(378)	(20)	(17)	(17)
Gross Profit	283	446	349	263	429	332	(20)	(17)	(17)
Development costs	(80)	(79)	(78)	(78)	(76)	(73)	2	3	5
Distribution and marketing costs	(189)	(239)	(207)	(175)	(223)	(180)	13	16	27
Administration costs	(33)	(38)	(34)	(28)	(40)	(48)	4	(2)	(14)
<b>EBIT</b>	<b>5</b>	<b>90</b>	<b>30</b>	<b>5</b>	<b>90</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gross Margin	47.0%	49.1%	49.2%	43.8%	47.2%	46.7%	3.3%	1.9%	2.4%

**P/L cost allocation per function**

	<b>2018/19 - New model</b>			<b>2018/19 - Old model</b>			<b>2018/19 - changes</b>		
	<b>3M</b>	<b>6M</b>	<b>9M</b>	<b>3M</b>	<b>6M</b>	<b>9M</b>	<b>3M</b>	<b>6M</b>	<b>9M</b>
Production costs	(318)	(781)	(1,142)	(338)	(818)	(1,196)	(20)	(37)	(54)
Gross Profit	283	729	1,078	263	692	1,024	(20)	(37)	(54)
Development costs	(80)	(159)	(237)	(78)	(154)	(227)	2	5	10
Distribution and marketing costs	(189)	(427)	(635)	(175)	(398)	(579)	13	29	56
Administration costs	(33)	(70)	(105)	(28)	(68)	(117)	4	2	(12)
<b>EBIT</b>	<b>5</b>	<b>95</b>	<b>125</b>	<b>5</b>	<b>95</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gross Margin	47.0%	48.3%	48.6%	43.8%	45.8%	46.1%	3.2%	2.4%	2.4%

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**P/L cost allocation per function**

	<b>2017/18 - New model</b>				<b>2017/18 - Old model</b>				<b>2017/18 - changes</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Production costs	(338)	(566)	(481)	(467)	(356)	(588)	(510)	(487)	(18)	(22)	(29)	(20)
Gross Profit	254	433	384	363	236	411	355	342	(18)	(22)	(29)	(20)
Development costs	(118)	(120)	(100)	(73)	(114)	(118)	(98)	(71)	4	2	2	2
Distribution and marketing costs	(170)	(215)	(202)	(201)	(162)	(201)	(182)	(190)	8	14	20	11
Administration costs	(30)	(33)	(32)	(34)	(25)	(27)	(26)	(26)	5	6	6	8
<b>EBIT</b>	<b>(65)</b>	<b>83</b>	<b>49</b>	<b>55</b>	<b>(65)</b>	<b>83</b>	<b>49</b>	<b>55</b>	-	-	-	-
Gross Margin	42.9%	43.4%	44.4%	43.8%	39.9%	41.2%	41.0%	41.3%	3.0%	2.2%	3.3%	2.6%

**P/L cost allocation per function**

	<b>2017/18 YTD - New model</b>				<b>2017/18 YTD - Old model</b>				<b>2017/18 - changes</b>			
	<b>3M</b>	<b>6M</b>	<b>9M</b>	<b>12M</b>	<b>3M</b>	<b>6M</b>	<b>9M</b>	<b>12M</b>	<b>3M</b>	<b>6M</b>	<b>9M</b>	<b>12M</b>
Production costs	(338)	(904)	(1,385)	(1,852)	(356)	(944)	(1,454)	(1,941)	(18)	(40)	(69)	(89)
Gross Profit	254	687	1,071	1,434	236	647	1,002	1,344	(18)	(40)	(69)	(89)
Development costs	(118)	(238)	(338)	(411)	(114)	(232)	(330)	(401)	4	6	8	10
Distribution and marketing costs	(170)	(385)	(588)	(789)	(162)	(363)	(545)	(735)	8	22	42	53
Administration costs	(30)	(64)	(96)	(130)	(25)	(52)	(78)	(104)	5	11	17	25
<b>EBIT</b>	<b>(65)</b>	<b>18</b>	<b>67</b>	<b>122</b>	<b>(65)</b>	<b>18</b>	<b>67</b>	<b>122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gross Margin	42.9%	43.2%	43.6%	43.6%	39.9%	40.7%	40.8%	40.9%	3.0%	2.5%	2.8%	2.7%

**Gross Margin by region**

	<b>2018/19 - New model</b>		<b>2018/19 - Old model</b>		<b>2018/19 - Changes</b>	
	<b>Q1</b>	<b>Q2</b>	<b>Q1</b>	<b>Q2</b>	<b>Q1</b>	<b>Q2</b>
EMEA	44.1%	47.3%	38.2%	45.2%	5.9%	2.1%
Americas	43.1%	51.0%	41.0%	49.2%	2.1%	1.8%
ASIA	41.9%	43.1%	38.2%	41.8%	3.7%	1.3%
OTHER	90.4%	89.9%	93.3%	90.9%	-2.9%	-1.0%
<b>All</b>	<b>47.0%</b>	<b>49.1%</b>	<b>43.8%</b>	<b>47.2%</b>	<b>3.2%</b>	<b>1.9%</b>

**Gross Margin by region**

	<b>2018/19 - New model</b>		<b>2018/19 - Old model</b>		<b>2018/19 - Changes</b>	
	<b>3M</b>	<b>6M</b>	<b>3M</b>	<b>6M</b>	<b>3M</b>	<b>6M</b>
EMEA	44.1%	46.2%	38.2%	42.6%	5.9%	3.6%
Americas	43.1%	48.1%	41.0%	46.1%	2.1%	2.0%
ASIA	41.9%	42.5%	38.2%	40.5%	3.7%	2.0%
OTHER	90.4%	90.1%	93.3%	92.2%	-2.9%	-2.1%
<b>All</b>	<b>47.0%</b>	<b>48.3%</b>	<b>43.8%</b>	<b>45.8%</b>	<b>3.2%</b>	<b>2.5%</b>