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COMPANY ANNOUNCEMENT

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INTERIM REPORT FOURTH QUARTER 2018

PANDORA DELIVERS ON GUIDANCE AND ENTERS TWO-YEAR TRANSFORMATION TO REIGNITE A PASSION FOR PANDORA – COSTS TO BE REDUCED BY DKK 1.2 BILLION

Pandora today announces the next steps of Programme NOW, following the important changes in 2018 with a new joint interim leadership team and a refocusing of the network strategy.

A thorough analysis of the challenges facing the company has found that: the brand has high awareness, but lacks a clear positioning; Pandora can improve its relevance to consumers and better deliver on their demands for an inspiring shopping experience; Pandora has an opportunity to leverage its unique product assortment for more impact. These challenges are within the control of the company and by addressing these issues with determination, Pandora can return to positive like-for-like growth in the medium term and continue to deliver industry-leading margins. Programme NOW will deliver the transformation required, including the change of the network expansion strategy as announced in November 2018, significant investments to “Reignite a Passion for Pandora”, a necessary commercial reset, DKK 1.2 billion in cost reductions, and a new global-local operating model.

A key part of Programme NOW will be to Reignite a Passion for Pandora, building on our strong fundamentals and Pandora’s unique position as the world’s biggest jewellery brand. Pandora will infuse new energy to the brand, and inspire and attract more people with a passion to collect and wear Pandora jewellery.

FINANCIAL HIGHLIGHTS

- Pandora delivered within its latest 2018 full year guidance with 3% total revenue growth in local currency (DKK 22.8 billion revenue) and a 32.5% EBITDA margin
- In 2018, total like-for-like sales-out growth was -4% and was down -7% in Q4 2018, underlining the need for Programme NOW
- In Q4 2018, the EBITDA margin was 35.7% and at the high end of the expected range, supported by the initial cost reduction initiatives undertaken through Programme NOW
- In 2018, Pandora generated the highest cash conversion since 2014 and returned DKK 5.9 billion to shareholders in 2018 – equivalent to around 20% of the current market cap
- PANDORA changes its guidance metrics from 2019 to focus on organic growth and EBIT margin. Pandora expects organic growth in 2019 to be -3% to -7% including a one-off negative impact of 3 to 5 percentage points related to the commercial reset. The EBIT margin guidance, before restructuring costs, is 26%-28%, corresponding to a 30.5%-32.5% EBITDA margin excluding the accounting impact from IFRS 16. Restructuring costs are expected to be up to DKK 1.5 billion in 2019
- Pandora will return DKK 4 billion to shareholders in 2019

“Through Programme NOW, we are taking immediate and forceful action to address the disappointing aspects of our financial performance in 2018. We are confident that this company-wide business transformation will reignite Pandora, restore sustainable growth and support our industry-leading margins.” says Jeremy Schwartz, COO.

“We are pleased to have returned DKK 5.9 billion to shareholders in 2018, and we will continue to return significant cash to shareholders in 2019. It is also encouraging that we have identified significant cost saving opportunities of DKK 1.2 billion that will fund our growth initiatives and support our margins.” says Anders Boyer, CFO.

SELECTED FINANCIAL HIGHLIGHTS FOR 2018 (1 JANUARY - 31 DECEMBER 2018)

| DKK million | Q4 2018 | Q4 2017 | FY 2018 | FY 2017 |
|----------------------------------|---------|---------|---------|---------|
| Revenue | 7,890 | 7,603 | 22,806 | 22,781 |
| Revenue growth, % local currency | 3% | 20% | 3% | 15% |
| Total like-for-like, % | -7% | 2% | -4% | 0% |
| EBITDA | 2,813 | 3,050 | 7,421 | 8,505 |
| EBITDA margin, % | 35.7% | 40.1% | 32.5% | 37.3% |
| EBIT margin, % | 32.0% | 37.1% | 28.2% | 34.2% |
| Cash conversion, % | 115.2% | 103.6% | 86.4% | 68.0% |

UPDATE ON PROGRAMME NOW

During H2 2018, Pandora carried out a thorough analysis of the challenges facing the company. The diagnosis points to four key issues which, when corrected, holds the potential to restore long-term sustainable growth:

- 1. Blurred brand experience:** the Pandora brand benefits from high industry awareness, but lacks a sharp brand identity and promise that is exciting for today’s consumer. The concept store and eSTORE experience can be significantly enhanced to drive consumers to engage with the brand
- 2. Weak initiatives on charms collecting:** in spite of the recent focus on new products, the marketing, visual merchandising and retail execution have not provided new and existing consumers sufficiently strong incentives to buy, wear and collect multiple bracelets and charms, which is the backbone of Pandora’s offering
- 3. Over push:** increased promotional activity has diluted the brand equity and led consumers to wait for the next promotion instead of buying at full price. Additionally, the increase of new product introductions coupled with an immature merchandising process has led to a cluttered assortment presentation in the stores and a further build-up of inventory
- 4. Executional inconsistency:** decentralised structures have compromised execution excellence between global direction and local execution and led to a slow upgrading of for example merchandising, omnichannel, store design and loyalty programmes

Programme NOW is a comprehensive two-year roadmap designed to respond to the above challenges and to support sustainable long-term growth. As a first step in the programme, Pandora announced a change in its network expansion strategy in November 2018 by significantly reducing franchise acquisitions and new store openings. The change of strategic direction has been successfully executed and no new acquisition deals were signed in Q4 2018.

The next four steps for Programme NOW are described below.

1: Commercial reset

Pandora will address the 'push effect' through a commercial reset to significantly reduce non-value added promotions and improve the level and ageing of inventories at wholesale partners.

Promotions. To protect long-term brand equity, increase full-price sell-out over time, and create the commercial environment that allows our innovation and new marketing initiatives to thrive, we will reduce promotional activities between the major gifting-retail-promotional periods. The big and relevant gifting promotional periods will remain. This will lead to healthier and more sustainable revenue for the long-term but will have a short-term negative revenue impact.

- Pandora expects organic growth and like-for-like to be negatively impacted in 2019 by 2-4 percentage points. This is a one-time impact resetting revenue to a lower but sustainable level

Wholesale inventories. Pandora will support the reduction of slow-moving stock and initiate an inventory buyback programme in selected markets.

Furthermore, to strengthen the focus on sell-out and reduce slow-moving stock and overall stock levels, Pandora changes the size of the New Product Introductions (NPI) sell-in packages. The changed NPI sell-in packages will benefit franchise partners from day one as it frees up cash and limits the risk of building excess inventory, while allowing Pandora to respond faster and replenish in line with actual consumer demand.

- The inventory buyback programme is expected to negatively impact the reported EBIT margin by around 2 percentage points in 2019. The extraordinary cost for this effort will be included directly in cost of sales and will be reported as a restructuring cost
- Reduced NPI sell-in packages is expected to negatively impact organic revenue growth in 2019 by around 1 percentage point. This is a one-time impact in 2019

2: Reignite a Passion for Pandora

While Pandora has successfully built the best known brand in the jewellery industry, there is a need to clarify the brand expression to reignite the traction and heat of the brand, and inspire further desire for charm collecting. This requires a positive brand disruption, Reignite a Passion for Pandora, and a change in the balance between commercial push (promotions etc.) and consumer pull driven demand. In short, Pandora will materially change the investment and ambition level of all elements of the consumer experience.

The historical DNA of Pandora is focused on the product. While products remain a highly important component of the growth recipe, they cannot stand alone. In 2019, Pandora has planned for additional investments of DKK 0.5 billion in OPEX and around DKK 0.2 billion in CAPEX. The incremental spend will be focused on improving key elements in the consumer experience from product to store and marketing. In 2019, Pandora will launch the following initiatives:

- **Brand:** A new brand promise and visual identity are under development. From late 2019 this will be unfolded in a new, different and modernised campaign platform for all touchpoints that will appeal across generations of consumers

- **Product:** In 2019, a new bracelet platform will be launched to support making Q4 bigger and better. Reducing the promotional level will provide more time and space for new collections to be visible to consumers in stores, and an online bracelet builder will be made to recruit more customers to buy, wear and collect more bracelets and charms
- **Media and channel execution:** Pandora will increase marketing spend significantly to increase traffic and mitigate the temporary drag expected from the commercial reset. Pandora's social media channels will undergo a facelift with an increased focus on inspirational and shoppable content
- **Store experience:** A new store concept is under development and will be piloted in selected stores before year-end 2019
- **eSTORE and omnichannel:** Substantial improvements of the existing eSTORE are being developed including better navigation, more inspirational product descriptions and imagery. Furthermore, a complete facelift of the eSTORE will transform the perception and way consumers engage with the brand digitally. Some omnichannel elements have already been piloted in the US and these will be progressively rolled out across both owned and operated and franchise stores

3: Reduce costs

To fund the growth initiatives and support profitability a total of DKK 1.2 billion annual costs will be eliminated as a run rate by the end of 2020. Pandora targets cost reductions of around DKK 0.6 billion OPEX and cost of sales in the calendar year 2019. These cost reductions come on top of the DKK 0.35 billion cost reductions communicated in connection with the Q2 2018 announcement.

Cost reduction opportunities have been identified across the company. Among the larger cost reduction areas are cost of sales, IT, costs in own concept stores and administrative expenses.

4: Implement new ways of working

Pandora has evaluated its organisational design and operating model, how and where decisions are made, how the company operates, and in which areas to lift capabilities to match the organisational design to meet the business needs. This work will be ongoing, but the following four immediate elements will make an impactful change:

- **Chief Creative & Brand Officer to lead combined Product & Marketing organisation.** To support 'Reignite a Passion for Pandora', and provide one holistic strong customer experience across markets and channels, Pandora will combine its creative and brand efforts. Stephen Fairchild, Chief Creative & Brand Officer, will have full responsibility for the global brand expression and execution across all touchpoints. A forceful shift to a sharper global-to-local execution where local markets execute excellently on a global lead
- **Global merchandising function.** Pandora is setting up a global end-to-end merchandising function to optimise the assortment and inventory in stores to aid full price sell-out, improve inventory management and increase traffic to stores through improved visual merchandising. A new Senior Vice President, Global Merchandising, has been recruited.
- **One global trading calendar.** Beginning 2019, Pandora will operate with one global-to-local consumer-centric trading calendar, seamlessly accommodating both product

launches, promotions, local holidays and celebrations. Pandora will no longer focus its efforts around 7-10 'drops' or product launches, but rather 14 trading events where the product, promotions and local events are amplified in their own right

- **Performance management.** Pandora is changing its performance management routines including business review cadence, globalising its standard reporting and data, and aligning incentive programmes to shareholder value creation

Execution: Total restructuring costs of up to DKK 2.5 billion over the period 2019 and 2020

Pandora expects up to DKK 2.5 billion in restructuring costs during 2019 and 2020 of which up to DKK 1.5 billion will be expensed in 2019. The majority of the restructuring costs will be cash based.

- The largest components of the restructuring costs are the inventory buyback programme, expenses related to cost reductions, costs associated with a range of commercial restructurings to develop and implement the 'brand disruption' and the use of consultants. Further details of the commercial initiatives will be communicated in connection with the Q1 2019 announcement
- In addition to the restructuring costs, revenue and earnings will be temporarily negatively impacted in 2019 by the commercial reset

FINANCIAL OUTLOOK FOR 2019

2019 will be a transition year for Pandora, and the financial outlook will be significantly impacted by the actions taken in Programme NOW.

CHANGING GUIDANCE METRICS TO ORGANIC GROWTH AND EBIT MARGIN

To strengthen performance management and better reflect where shareholder value is created, Pandora changes its revenue guidance metric from total revenue growth in local currency to organic revenue growth¹ (which excludes all impacts from forward integration and M&A activities). Pandora will also change its profitability metric to EBIT margin (from EBITDA margin) thereby sharpening the focus on cash allocation and minimising fluctuations related to the new accounting standard for leases (IFRS 16) which is effective from 1 January 2019. As a rule of thumb, the EBIT margin will be around 0.3 percentage points higher going forward while the EBITDA margin will be around 4.5 percentage points higher due to IFRS 16.

FINANCIAL GUIDANCE FOR THE FULL YEAR OF 2019

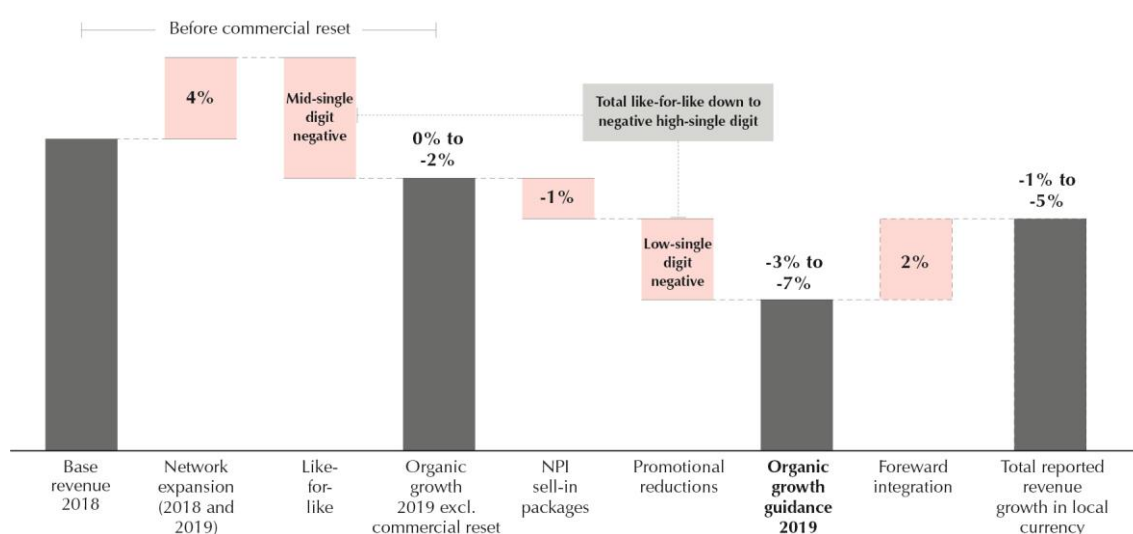
- Organic revenue growth is expected to be in the range from -3% to -7%, which includes negative one-offs of 3-5 percentage points from the combined impact of the reduced sell-in packages (1 percentage point) and the decision to reduce promotional activities (2-4 percentage points).
- The EBIT margin is expected to be between 26%-28% excluding restructuring costs of up to DKK 1.5 billion related to Programme NOW. For comparison, this corresponds to an EBITDA margin – before IFRS 16 impact – of 30.5%-32.5%. Including restructuring costs, the reported EBIT margin in 2019 is expected to be 20%-22%.

¹ Organic growth is an alternative financial measure not defined by IFRS, see note 1.1 in the Annual Report 2018

| | 2019 Guidance | 2018 Guidance development | FY 2018 Actual | Q3 2018 Guidance | Q2 2018 Guidance | 2018 Guidance |
|---------------------------------------|------------------|---------------------------------------|-------------------|---------------------|---------------------|------------------|
| Organic revenue growth, % | -3% to -7% | Total revenue growth (local currency) | 3% | 2-4% | 4-7% | 7-10% |
| | | EBITDA margin, approximately % | 32.5% | 32% | 32% | 35% |
| EBIT margin excl. restructuring costs | 26%-28% | EBIT margin, % | 28.2% | NA | NA | NA |
| | | CAPEX, approximately % of revenue | 5% | 5% | 5% | 5% |

BUILDING BLOCKS TO FULL YEAR 2019 GUIDANCE

ORGANIC GROWTH GUIDANCE – BUILDING BLOCKS

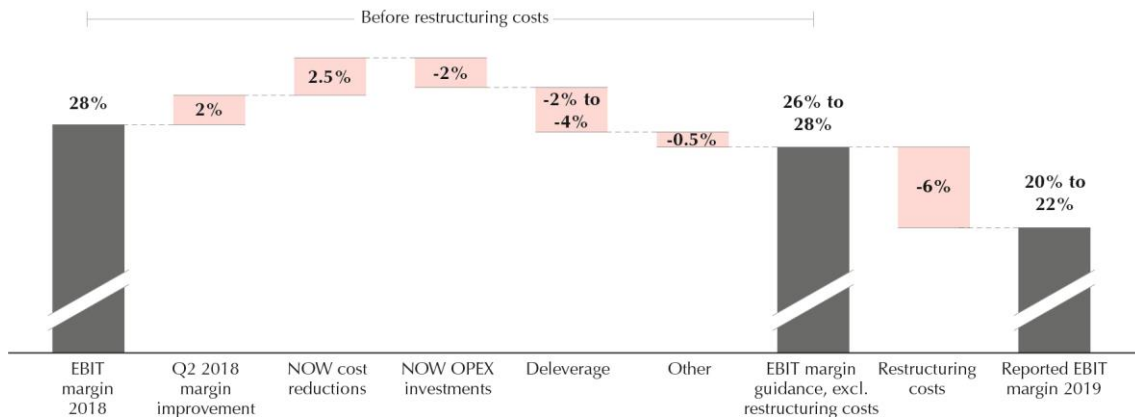


In 2019, Pandora expects to add around net 75 concept stores to the network. The store openings will mainly be in Latin America and China. The expansion of the network is expected to add around 4 percentage points of organic growth.

Forward integration – which is not included in organic growth – will positively impact total revenue growth by around 2 percentage points, which mainly includes acquisitions already completed in 2018, as well as Taiwan. Consequently total revenue growth in local currency is expected to be -1% to -5%.

Total like-for-like is expected to be negative mid-single digit before the impact from the commercial reset. It is expected that the initiatives in Programme NOW will mainly impact like-for-like from late 2019 and forward. Excluding the impact from the commercial reset, organic growth is expected to be between 0% and -2%. The NPI sell-in packages impact organic growth by around -1 percentage point while the reduction of promotions will impact total like-for-like and organic growth equally by negative 2-4 percentage points. In 2019, total reported like-for-like could therefore be down to negative high-single digit.

EBIT MARGIN GUIDANCE – BUILDING BLOCKS



The waterfall chart above outlines the most important building blocks of the EBIT margin development in 2019, supported by the following explanations:

- In connection with the Q2 2018 announcement, Pandora stated the opportunity to improve the margin by 3 percentage points due to among others less forward integration, lapping wholesale destocking, cost reductions etc. That is still the case, except that wholesale inventories are expected to destock further and thus the margin improvement in 2019 from these factors is only 2 percentage points
- “Other” includes margin impact from among others higher production time on new products, inflation etc.
- Restructuring costs of around 6 percentage points (up to DKK 1.5 billion) in 2019, consists of:
 - The wholesale inventory buyback programme for selected markets will be impacting the EBIT margin negatively by around 2 percentage points
 - Around 4 percentage points will be related to programme execution. The majority of the restructuring costs will be recognised as OPEX

CAPEX for the year is expected to be in the range of DKK 1.2-1.5 billion. This includes investments in both Pandora’s own distribution network, IT and continued optimisation of the company’s crafting facilities in Thailand. CAPEX directly related to Programme NOW is expected to be around DKK 200 million and relates primarily to the investments in e-commerce and omnichannel features as well as commercial projects related to Reigniting a Passion for Pandora.

The effective tax rate in 2019 is expected to be around 22%-23%.

Assuming current exchange rates versus the Danish Krone, growth reported in DKK is expected to be 0-1 percentage point higher than in local currency.

MID-TERM FINANCIAL ASPIRATIONS

All financial targets including all of the sub-components communicated in relation to the Capital Markets Day on 16 January 2018 are cancelled as a result of Programme NOW.

Pandora’s aspiration for the mid-term horizon is to deliver sustainable positive organic growth and industry-leading profitability. Organic growth will be driven by low- to mid-single digit total

like-for-like growth combined with a continued controlled expansion of the store network in less penetrated areas.

CAPITAL STRUCTURE POLICY ADJUSTED DUE TO IFRS 16

With the implementation of IFRS 16, fixed lease obligations (e.g. rent) will be classified as debt. Consequently, Pandora’s net interest-bearing debt increases by approximately DKK 4.2 billion. Furthermore, lease expenses previously recognised as OPEX will primarily be recognised as depreciations going forward. This will increase EBITDA by around DKK 1 billion.

The combined effect will increase the NIBD to EBITDA ratio by roughly 0.5. Reflecting the accounting impact of IFRS 16, the company’s capital structure policy will be adjusted accordingly from currently 0 to 1 times NIBD to EBITDA to 0.5 to 1.5 times.

EFFECT OF PROGRAMME NOW ON CAPITAL STRUCTURE POLICY

Pandora will continue to generate significant cash during Programme NOW and distribute excess cash to shareholders. During the transition, the financials will be impacted by significant restructuring costs. As these are of temporary nature only, Pandora is also looking at the leverage ratio excluding restructuring costs when determining the level of cash to be distributed to the shareholders. Based on the reported leverage ratio, Pandora expects to temporarily exceed the upper end of the capital structure interval in 2019.

CASH DISTRIBUTION OF DKK 4 BILLION TO SHAREHOLDERS IN 2019

For 2019, the Board of Directors proposes a total cash return to shareholders amounting to DKK 4 billion, which is around 13% of the company’s market cap based on the time of writing.

In line with the cash distribution policy announced with the Annual Report 2016 – a stable to growing nominal dividend and all excess cash to be distributed via share buybacks – the Board of Directors proposes a dividend of DKK 18 per share (DKK 1.8 billion) and a share buyback programme of up to DKK 2.2 billion.

| DKK billion, annual commitment | FY 2019 <i>Proposed</i> | FY 2018 <i>Actual</i> | FY 2017 <i>Actual</i> | FY 2016 <i>Actual</i> |
|---------------------------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Dividend (Ordinary + interim) | 1.8 | 1.9 | 4.0 | 1.5 |
| Nominal dividend per share, DKK | 18 | 18 | 36 | 13 |
| Share buy-back programme | 2.2 | 4.0 | 1.8 | 4.0 |
| Total cash return | 4.0 | 5.9 | 5.8 | 5.5 |

DIVIDEND – 2019 MAINTAINED AT DKK 18 PER SHARE

In 2018, Pandora paid out an ordinary dividend of DKK 9 per share and an interim dividend of DKK 9 per share in relation to the H1 2018 results. In total, Pandora paid out DKK 18 per share (DKK 1.9 billion) in 2018.

Based on the financial results in 2018, the Board of Directors proposes to return DKK 1.8 billion in dividend during 2019. This includes an ordinary dividend of DKK 9 per share and one additional interim dividend of DKK 9 per share in relation to the H1 2019 results.

2018 SHARE BUYBACK PROGRAMME OF DKK 4 BILLION

In connection with the Annual Report 2017, Pandora announced its intention to buy back own shares of up to DKK 4.0 billion in a share buyback programme from 14 March 2018 to 13 March 2019. In 2018, a total of 7,437,025 shares have been bought back, corresponding to a transaction value of DKK 3.2 billion. The purpose of the programme is to reduce Pandora’s

share capital and to meet obligations arising from employee incentive programmes. At the Annual General Meeting 2019, The Board of Directors will propose to reduce the company's share capital by a nominal amount of DKK 10,029,003 by cancellation of 10,029,003 own shares of DKK 1, equal to 9.1% of the company's total share capital.

2019 SHARE BUYBACK PROGRAMME OF DKK 2.2 BILLION PROPOSED

The Board of Directors proposes to launch a new share buyback programme in 2019, under which Pandora will buy back own shares to a maximum consideration of DKK 2.2 billion. The shares acquired during the programme will as in previous years primarily be used to reduce Pandora's share capital and to meet obligations arising from employee incentive programmes. The share buyback programme will run from the Annual General Meeting (13 March 2019) to 19 March 2020 at the latest.

CONFERENCE CALL

A conference call for investors and financial analysts will be held today at 11.00 CET and can be joined online at www.Pandoragroup.com. The presentation for the call will be available on the website one hour before the call.

The following numbers can be used by investors and analysts:

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ABOUT PANDORA

Pandora designs, manufactures and markets hand-finished and contemporary jewellery made from high-quality materials at affordable prices. Pandora jewellery is sold in more than 100 countries on six continents through more than 7,700 points of sale, including more than 2,700 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs more than 29,000 people worldwide of whom more than 14,000 are located in Thailand, where the Company manufactures its jewellery. Pandora is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2018, Pandora's total revenue was DKK 22.8 billion (approximately EUR 3.1 billion).

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FINANCIAL HIGHLIGHTS

| DKK million | Q4 2018 | Q4 2017 ¹ | FY 2018 | FY 2017 ¹ |
|---|---------|----------------------|---------|----------------------|
| Consolidated income statement | | | | |
| Revenue | 7,890 | 7,603 | 22,806 | 22,781 |
| Gross profit | 5,826 | 5,765 | 16,942 | 16,966 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 2,813 | 3,050 | 7,421 | 8,505 |
| Operating profit (EBIT) | 2,528 | 2,818 | 6,431 | 7,784 |
| Net financials | 10 | 11 | 151 | -117 |
| Net profit for the period | 1,891 | 1,946 | 5,045 | 5,768 |
| Consolidated balance sheet | | | | |
| Total assets | 19,244 | 17,428 | 19,244 | 17,428 |
| Invested capital ² | 12,071 | 11,369 | 12,071 | 11,369 |
| Operating working capital | 2,555 | 2,988 | 2,555 | 2,988 |
| Net interest-bearing debt (NIBD) ² | 5,652 | 4,855 | 5,652 | 4,855 |
| Equity | 6,419 | 6,514 | 6,419 | 6,514 |
| Consolidated cash flow statement | | | | |
| Cash flow related to mergers and acquisitions | -83 | -250 | -1,071 | -1,843 |
| Free cash flow | 2,911 | 2,919 | 5,558 | 5,294 |
| Cash conversion, % | 115.2% | 103.6% | 86.4% | 68.0% |
| Ratios | | | | |
| Revenue growth, % | 4% | 15% | 0% | 12% |
| Revenue growth, local currency, % | 3% | 20% | 3% | 15% |
| Total like-for-like sales out, % | -7% | 2% | -4% | 0% |
| Retail like-for-like sales out, % | -2% | 15% | 0% | 10% |
| Effective tax rate, % | 25.5% | 31.2% | 23.4% | 24.8% |
| Equity ratio, % | 33.4% | 37.4% | 33.4% | 37.4% |
| NIBD to EBITDA ² , x | 0.8x | 0.6x | 0.8x | 0.6x |
| Return on invested capital (ROIC) ² , % | 53.3% | 68.5% | 53.3% | 68.5% |
| Days sales outstanding | 50 | 47 | 50 | 47 |
| Margins | | | | |
| Gross margin, % | 73.8% | 75.8% | 74.3% | 74.5% |
| EBITDA margin, % | 35.7% | 40.1% | 32.5% | 37.3% |
| EBIT margin, % | 32.0% | 37.1% | 28.2% | 34.2% |
| Share information | | | | |
| Dividend per share ³ , DKK | 9.0 | 9.0 | 9.0 | 9.0 |
| Quarterly dividend per share ⁴ , DKK | - | - | 9.0 | 27.0 |
| Total payout ratio (incl. share buyback), % | 54.4% | 66.0% | 103.7% | 99.1% |
| Earnings per share, basic, DKK | 18.0 | 17.7 | 47.2 | 52.0 |
| Earnings per share, diluted, DKK | 17.9 | 17.6 | 47.0 | 51.8 |
| Share price at end of period, DKK | 265.3 | 675.5 | 265.3 | 675.5 |
| Other key figures | | | | |
| Capital expenditure (CAPEX) | 324 | 502 | 1,129 | 1,388 |
| Capital expenditure, tangible assets (CAPEX) | 227 | 357 | 753 | 946 |
| Store network, total number of concept stores | 2,705 | 2,446 | 2,705 | 2,446 |
| Average number of full-time employees | 25,775 | 22,925 | 24,030 | 20,904 |

¹ Numbers have been restated to reflect the adoption of IFRS 15.

² For 2017, Invested capital and NIBD have been restated due to immaterial reclassification. Consequently, NIBD to EBITDA and ROIC have been recalculated.

³ Proposed dividend per share for 2018.

⁴ Quarterly dividend per share for 2018, paid in 2018.

FINANCIAL PERFORMANCE

REVENUE

Total revenue for Q4 2018 was DKK 7,890 million, an increase of 3% in local currency compared with Q4 2017.

Q4 2018 REVENUE DEVELOPMENT

| DKK million | Q4 2018 | Q4 2017 | Organic growth | Forward integration | Local currency growth | Currency impact (%-p) | DKK growth |
|---------------------------------|--------------|--------------|----------------|---------------------|-----------------------|-----------------------|-------------|
| Pandora owned retail | 4,930 | 3,845 | 10% | 19% | 28% | - | 28% |
| - of which concept stores | 3,708 | 2,812 | 7% | 25% | 32% | - | 32% |
| - of which eSTOREs | 1,019 | 812 | 25% | 0% | 24% | 1 | 25% |
| - of which other points of sale | 203 | 221 | -9% | 0% | -9% | 1 | -8% |
| Wholesale | 2,669 | 3,438 | -13% | -10% | -23% | 1 | -22% |
| - of which concept stores | 1,614 | 2,119 | -8% | -16% | -25% | 1 | -24% |
| - of which other points of sale | 1,055 | 1,319 | -21% | 0% | -21% | 1 | -20% |
| Third-party distribution | 291 | 320 | 1% | -10% | -10% | 1 | -9% |
| Total revenue | 7,890 | 7,603 | -1% | 4% | 3% | 1 | 4% |

Organic growth² (excluding acquired growth) was -1% in local currency, impacted by a positive effect from net concept store openings which was more than offset by a negative total like-for-like growth of 7% and a negative impact from inventory movements in the wholesale network. Total like-for-like was negative for most of the key markets, driven by a general decline in traffic and a generally tough retail environment. As mentioned above, one of the key elements in Programme NOW is to Reignite a Passion for Pandora and thus increasing traffic to the stores. Revenue for the quarter included a net impact of DKK 329 million from the acquisition of stores and distributors.

REVENUE PER SALES CHANNEL

| DKK million | Q4 2018 | Q4 2017 | Growth in DKK | Growth in local currency | Share of revenue | FY 2018 | FY 2017 | Growth in DKK | Growth in local currency | Share of revenue |
|--------------------------|--------------|--------------|---------------|--------------------------|------------------|---------------|---------------|---------------|--------------------------|------------------|
| Pandora owned retail* | 4,930 | 3,845 | 28% | 28% | 63% | 12,895 | 9,782 | 32% | 35% | 57% |
| Wholesale | 2,669 | 3,438 | -22% | -23% | 34% | 8,633 | 11,470 | -25% | -23% | 38% |
| Third-party distribution | 291 | 320 | -9% | -10% | 4% | 1,278 | 1,529 | -16% | -15% | 6% |
| Total revenue | 7,890 | 7,603 | 4% | 3% | 100% | 22,806 | 22,781 | 0% | 3% | 100% |

*Including revenue from Pandora eSTOREs

PANDORA OWNED RETAIL

Revenue from Pandora owned retail was DKK 4,930 million in Q4 2018, an increase of 28% in local currency compared with Q4 2017. Revenue from Pandora owned retail included an impact of DKK 711 million from the acquisition of stores and distributors.

² "Organic growth" is an alternative performance measure not defined by IFRS, refer to note 1

PANDORA OWNED RETAIL REVENUE

| DKK million | Q4 2018 | Q4 2017 | Growth in DKK | Growth in local currency | Share of revenue | FY 2018 | FY 2017 | Growth in DKK | Growth in local currency | Share of revenue |
|---|--------------|--------------|---------------|--------------------------|------------------|---------------|--------------|---------------|--------------------------|------------------|
| Pandora owned concept stores | 4,727 | 3,624 | 30% | 31% | 60% | 12,269 | 9,214 | 33% | 36% | 54% |
| - of which eSTOREs | 1,019 | 812 | 25% | 24% | 13% | 2,304 | 1,678 | 37% | 39% | 10% |
| Other points of sale (retail) | 203 | 221 | -8% | -9% | 3% | 626 | 568 | 10% | 11% | 3% |
| Total Pandora owned retail revenue | 4,930 | 3,845 | 28% | 28% | 63% | 12,895 | 9,782 | 32% | 35% | 57% |

Revenue from Pandora owned concept stores (incl. Pandora eSTOREs) was DKK 4,727 million in Q4 2018, an increase of 31% in local currency compared with Q4 2017. Growth was driven by network expansion of 13%, acquisition of stores of 20% and partially offset by retail like-for-like growth in Pandora owned concept stores of -2%.

Revenue from Pandora eSTOREs increased 24% in local currency to DKK 1,019 million in Q4 2018 corresponding to 13% of total revenue (11% in Q4 2017), with a strong performance in China and Australia in particular. Pandora currently has eSTOREs in 20 countries globally. The eSTORE growth is driven by a continued strong trend of consumers increasingly browsing and buying online. Additionally, Pandora is currently investing in improving the customer experience and further integrating the physical network with the eSTOREs as part of Programme NOW.

WHOLESALE

Revenue from Pandora's wholesale channel was DKK 2,669 million, a decrease of 23% in local currency compared with Q4 2017. Revenue from wholesale included a negative net impact of DKK 349 million related to Pandora's acquisition of franchise stores.

The performance in the wholesale channel in the quarter was impacted by negative like-for-like and the change of inventory levels in the channels.

WHOLESALE REVENUE

| DKK million | Q4 2018 | Q4 2017 | Growth in DKK | Growth in local currency | Share of revenue | FY 2018 | FY 2017 | Growth in DKK | Growth in local currency | Share of revenue |
|----------------------------------|--------------|--------------|---------------|--------------------------|------------------|--------------|---------------|---------------|--------------------------|------------------|
| Franchise concept stores | 1,614 | 2,119 | -24% | -25% | 21% | 5,010 | 6,678 | -25% | -23% | 22% |
| Other points of sale (wholesale) | 1,055 | 1,319 | -20% | -21% | 13% | 3,623 | 4,792 | -24% | -23% | 16% |
| Total wholesale revenue | 2,669 | 3,438 | -22% | -23% | 34% | 8,633 | 11,470 | -25% | -23% | 38% |

Revenue from franchise concept stores decreased 25% in local currency compared with Q4 2017. Aside from the negative impact from the change in inventory levels in the stores, the reported revenue from franchise concept stores was impacted by negative sales-out growth leading to fewer replenishment orders and reluctant buying behavior.

Revenue from other points of sale in the wholesale channel decreased 21% in local currency compared with Q4 2017. The decrease was due to a negative development in most major markets, which was driven by changes in inventory levels at store level as well as closures of other points of sale as part of Pandora's strategy to strengthen the branded network.

THIRD-PARTY DISTRIBUTORS

Revenue from third-party distributors generated 4% of revenue or DKK 291 million, a decrease of 10% in local currency compared with Q4 2017. Revenue from third-party distributors included a negative net impact of DKK 33 million related to Pandora's acquisition of distributors in Ireland.

DISTRIBUTION NETWORK

Pandora added net 259 concept stores during the last 12 months and now has a total of 2,705 concept stores.

STORE NETWORK

| | Q4 2018 | Q3 2018 | Q4 2017 | Growth Q4 2018 /Q3 2018 | Growth Q4 2018 /Q4 2017 |
|-------------------------------------|--------------|--------------|--------------|-------------------------------|-------------------------------|
| Number of points of sale | | | | | |
| Concept stores | 2,705 | 2,614 | 2,446 | 91 | 259 |
| - of which Pandora owned | 1,340 | 1,266 | 974 | 74 | 366 |
| - of which franchise owned | 849 | 850 | 969 | -1 | -120 |
| - of which third-party distribution | 516 | 498 | 503 | 18 | 13 |
| Other points of sale | 5,023 | 5,158 | 5,348 | -135 | -325 |

Breakdown of other points of sale by channel (Note 13) and concept store network development for selected markets (Note 14) available in appendix.

In Q4 2018, Pandora added net 74 Pandora owned concept stores. The increase was driven by the acquisition of 6 franchise concept stores and net openings of 68 concept stores.

The number of franchise concept stores decreased by 1 in Q4 2018.

At the end of Q4 2018, Pandora had 5,023 other points of sale. In the last 12 months, Pandora closed net 325 other points of sale, mainly in EMEA and the Americas region.

REVENUE BY REGION

In Q4 2018, 51% of revenue was generated in EMEA (53% in Q4 2017), 32% in Americas (29% in Q4 2017) and 17% in Asia Pacific (18% in Q4 2017).

REVENUE BY REGION

| DKK million | Q4 2018 | Q4 2017 | Organic growth | Growth in local currency | Share of revenue | FY 2018 | FY 2017 | Organic growth | Growth in local currency | Share of revenue |
|----------------------|--------------|--------------|-------------------|--------------------------------|---------------------|---------------|---------------|-------------------|--------------------------------|---------------------|
| EMEA | 4,039 | 4,012 | -5% | 1% | 51% | 11,190 | 10,832 | -4% | 4% | 49% |
| Americas | 2,490 | 2,205 | 8% | 11% | 32% | 6,807 | 7,111 | -4% | 0% | 30% |
| Asia Pacific | 1,361 | 1,386 | -2% | -1% | 17% | 4,809 | 4,838 | 2% | 4% | 21% |
| Total revenue | 7,890 | 7,603 | -1% | 3% | 100% | 22,806 | 22,781 | -2% | 3% | 100% |

See note 3 for revenue in selected markets

EMEA

Revenue in EMEA was DKK 4,039 million in Q4 2018, an increase of 1% in local currency compared with Q4 2017. Revenue in EMEA was supported by a positive eSTORE development and net DKK 237 million from acquisition of stores. Additionally, revenue was positively impacted by the addition of net 117 new concept stores in the last 12 months partly offset by the closure of 119 other points of sale.

Revenue in EMEA was significantly impacted by a change in inventory levels in the wholesale channel and a negative development in total like-for-like growth in the four key markets UK, Italy, Germany and France at -8%, -13%, -1% and -17% respectively. The four key markets in EMEA experienced the same trends with declining traffic and a generally tough and competitive

retail environment.

AMERICAS

Revenue in Americas was DKK 2,490 million in Q4 2018, an increase of 11% in local currency compared with Q4 2017. Revenue in Americas was positively impacted by net DKK 75 million from acquisition of stores and a strong development in Latin America.

The US generated revenue of DKK 1,818 million, an increase of 7% in local currency compared with Q4 2017. Timing of shipments positively impacted the US by DKK 175 million as the Christmas collection was launched normally in 2018, while it was shipped earlier in 2017. Following two strong quarters with a positive underlying performance, total like-for-like ended slightly negative at -1% in Q4 2018 driven by a strong eSTORE performance offset by negative like-for-like in the physical stores. The retail environment in especially malls continue to be challenged due to declining footfall.

ASIA PACIFIC

Revenue in Asia Pacific was DKK 1,361 million in Q4 2018, a decrease of 1% in local currency compared with Q4 2017.

The development in Asia Pacific was driven by China (33% increase in local currency), supported by the addition of 55 new concept stores during the last 12 months and a sequentially improving underlying momentum over the last four quarters. In Q4 2018, total like-for-like was 4%, helped by the price reduction of 15% implemented during Q3 2018. Online performed well, driven by the partnership with Tmall.com and an increased H2 2018 marketing spend in China.

Revenue from Australia decreased 13% in local currency driven by a total like-for-like sales-out growth of -16%. The underlying performance in Australia continues to be challenged by the decline in revenue from Chinese consumers as well as a generally tough retail environment for branded jewellery.

REVENUE BY PRODUCT CATEGORY

Across categories, Pandora's new product concepts performed well in the quarter, with Pandora Rose increasing to 17% of total sales-out (from 13% in Q4 2017) and Pandaro Shine already contributing 4% of sales-out following the launch in March 2018.

In October, Pandora launched Reflexions which was the first new Charms Bracelet concept since 2013. During the quarter, consumer demand for specific sizes outpaced the forecast, which led to a few sizes being out of stock during the quarter. Reflexions still generated around 6% of total sell-out in Q4, contributing significantly to the growth in the Bracelets category.

However, when looking across all new products launched in 2018, they have not changed momentum in the quarter. New products had 0% like-for-like in Q4 2018 compared with last year's launches.

REVENUE BY PRODUCT CATEGORY

| DKK million | Q4 2018 | Q4 2017 | Growth in DKK | Growth in local currency | Share of revenue | FY 2018 | FY 2017 | Growth in DKK | Growth in local currency | Share of revenue |
|----------------------|--------------|--------------|---------------|--------------------------|------------------|---------------|---------------|---------------|--------------------------|------------------|
| Charms | 4,081 | 4,205 | -3% | -3% | 52% | 12,126 | 12,920 | -6% | -4% | 53% |
| Bracelets | 1,584 | 1,338 | 18% | 18% | 20% | 4,393 | 3,965 | 11% | 13% | 19% |
| Rings | 1,078 | 1,037 | 4% | 4% | 14% | 3,168 | 3,161 | 0% | 3% | 14% |
| Earrings | 573 | 523 | 10% | 10% | 7% | 1,486 | 1,418 | 5% | 7% | 7% |
| Necklaces & Pendants | 574 | 500 | 15% | 14% | 7% | 1,633 | 1,317 | 24% | 27% | 7% |
| Total revenue | 7,890 | 7,603 | 4% | 3% | 100% | 22,806 | 22,781 | 0% | 3% | 100% |

Revenue from Charms decreased 3% in local currency compared with Q4 2017.

Revenue from Bracelets continued to develop strongly and increased 18% in local currency compared with Q4 2017. The increase was supported by the introduction of the three Reflexions bracelets on top of 11 other new bracelets released throughout the last 12 months. Bracelets is the fastest growing category and continues to be in high demand amongst consumers.

Revenue from Necklaces & Pendants increased 14% in local currency driven by 65 new product introductions during 2018. Revenue from Rings and Earrings increased 4% and 10% in local currency, respectively.

COST OF SALES AND GROSS PROFIT

Gross profit in Q4 2018 was DKK 5,826 million (DKK 5,765 million in Q4 2017) corresponding to a gross margin of 73.8% compared with 75.8% in Q4 2017.

COST OF SALES AND GROSS PROFIT

| DKK million | Q4 2018 | Q4 2017 | Growth | Share of revenue Q4 2018 | Share of revenue Q4 2017 | FY 2018 | FY 2017 | Growth | Share of revenue FY 2018 | Share of revenue FY 2017 |
|---------------------|--------------|--------------|-----------|--------------------------|--------------------------|---------------|---------------|-----------|--------------------------|--------------------------|
| Revenue | 7,890 | 7,603 | 4% | 100.0% | 100.0% | 22,806 | 22,781 | 0% | 100.0% | 100.0% |
| Cost of sales | -2,064 | -1,838 | 12% | 26.2% | 24.2% | -5,864 | -5,815 | 1% | 25.7% | 25.5% |
| Gross profit | 5,826 | 5,765 | 1% | 73.8% | 75.8% | 16,942 | 16,966 | 0% | 74.3% | 74.5% |

See note 14 for details related to Pandora's commodity hedging policy

The gross margin compared with Q4 2017 was positively impacted by the increasing share of revenue from Pandora owned retail which in the quarter accounted for 63% of revenue. However, the higher retail share was more than offset by the higher production time on new products and the change in product and metal mix mainly related to the increasing share of revenue from the Pandora Rose and the Pandora Shine collection.

OPERATING EXPENSES

Total operating expenses for the quarter were DKK 3,298 million, equivalent to an OPEX ratio of 41.8% (38.8% in Q4 2017).

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

| DKK million | Q4 2018 | Q4 2017 | Growth | Share of | Share of | FY 2018 | FY 2017 | Growth | Share of | Share of |
|---------------------------------|---------------|---------------|------------|--------------|--------------|----------------|---------------|------------|--------------|--------------|
| | | | | revenue | revenue | | | | revenue | revenue |
| | | | | Q4 2018 | Q4 2017 | | | | FY 2018 | FY 2017 |
| Sales and distribution | -1,846 | -1,592 | 16% | 23.4% | 20.9% | -6,080 | -4,810 | 26% | 26.7% | 21.1% |
| Marketing expenses | -772 | -838 | -8% | 9.8% | 11.0% | -2,142 | -2,235 | -4% | 9.4% | 9.8% |
| Administrative expenses | -680 | -517 | 32% | 8.6% | 6.8% | -2,289 | -2,137 | 7% | 10.0% | 9.4% |
| Total operating expenses | -3,298 | -2,947 | 12% | 41.8% | 38.8% | -10,511 | -9,182 | 14% | 46.1% | 40.3% |

Sales and distribution expenses increased 16%, mainly driven by the increasing share of Pandora owned retail. Retail revenue represented 63% of revenue for the quarter (51% in Q4 2017). At the end of Q4 2018, Pandora operated 1,340 owned concept stores (974 at the end of Q4 2017).

Marketing expenses were 9.8% of revenue (11.0% in Q4 2017). The decrease in marketing costs was mainly driven by a consolidation of the media agencies used (from 17 to two holding groups) and a renegotiation of the terms. The consumer facing activities were on par with Q4 2017.

Administrative expenses as a percentage of revenue were 8.6% (6.8% in Q4 2017). Administrative expenses increased 32% in the quarter, driven by a general increase in provisions as well as consultancy costs for Programme NOW.

EBITDA

EBITDA was DKK 2,813 million in Q4 2018, corresponding to an EBITDA margin of 35.7% (40.1% in Q4 2017).

Across regions the EBITDA margin was impacted by the negative total like-for-like as well as the changes in inventory level at wholesale.

REGIONAL EBITDA

| DKK million | Q4 2018 | Q4 2017 | Growth | EBITDA | EBITDA | FY 2018 | FY 2017 | Growth | EBITDA | EBITDA |
|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|
| | | | | margin | margin | | | | margin | margin |
| | | | | Q4 2018 | Q4 2017 | | | | FY 2018 | FY 2017 |
| EMEA | 1,595 | 1,718 | -7% | 39.5% | 42.8% | 3,778 | 4,288 | -12% | 33.8% | 39.6% |
| Americas | 774 | 772 | 0% | 31.1% | 35.0% | 2,022 | 2,313 | -13% | 29.7% | 32.5% |
| Asia Pacific | 444 | 560 | -21% | 32.6% | 40.4% | 1,621 | 1,904 | -15% | 33.7% | 39.4% |
| Group | 2,813 | 3,050 | -8% | 35.7% | 40.1% | 7,421 | 8,505 | -13% | 32.5% | 37.3% |

EBIT

EBIT for Q4 2018 was DKK 2,528 million, a decrease of 10% compared with Q4 2017, resulting in an EBIT margin of 32.0% for Q4 2018 (37.1% in Q4 2017).

NET FINANCIALS

In Q4 2018, net financials amounted to a gain of DKK 10 million (gain of DKK 11 million in Q4 2017).

INCOME TAX EXPENSES

Income tax expenses were DKK 647 million in Q4 2018. The effective tax rate in Q4 2018 was 25.5% (31.2% in Q4 2017). The effective tax rate was unusually high in Q4 2017 due to changes

to the US tax reform as well as the repatriation of dividend related to Pandora Production Co. Ltd. in Thailand.

NET PROFIT

Net profit in Q4 2018 was DKK 1,891 million (DKK 1,946 million in Q4 2017).

BALANCE SHEET AND CASH FLOW

In 2018, Pandora delivered a cash conversion of 86%, up from 68% in 2017. The cash conversion was among others driven by a renegotiation of the supplier payment terms and a stabilisation of the days sales outstanding (DSO)³. In Q4 2018, Pandora generated a free cash flow of DKK 2,911 million on par with the same quarter last year (DKK 2,919 million in Q4 2017).

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q4 2018 was 11.2% of the last twelve months' revenue (13.1% in Q4 2017).

At the end of Q4 2018, inventory increased to 13.8% of the last twelve months' revenue (12.0% in Q4 2017). The higher inventory levels compared with last year are primarily driven by the increasing number of Pandora owned stores as well as an increase in the average cost price per unit on stock. As part of Programme NOW, the ambition is to reduce inventories by taking a global approach to the management hereof.

As a result of a significant additional focus on trade receivables, DSO end 2018 at 50 days in line with the level seen in Q4 2017 (47 days) and down from 68 days in Q3 2018. Wholesale DSO was 40 days and also on par with the same quarter last year. Trade receivables at the end of Q4 2018 corresponded to 7.2% of the last twelve months' revenue (8.6% in Q4 2017). Trade payables increased to -9.9% of revenue (-7.4% in Q4 2017).

OPERATING WORKING CAPITAL AS A SHARE OF THE LAST 12 MONTHS' REVENUE

| Share of preceding 12 months' revenue | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Inventories | 13.8% | 16.6% | 13.5% | 12.4% | 12.0% |
| Trade receivables | 7.2% | 8.0% | 5.9% | 8.1% | 8.6% |
| Trade payables | -9.9% | -8.2% | -5.6% | -5.9% | -7.4% |
| Total | 11.2% | 16.4% | 13.8% | 14.6% | 13.1% |

At the end of Q4 2018, sales return and warranty provisions corresponded to around 4% of the last twelve months' rolling revenue, compared with 3% for Q3 2018 and 4% for Q4 2017.

CAPEX was DKK 324 million in Q4 2018 (DKK 502 million in Q4 2017). CAPEX was mainly related to IT, the opening of Pandora owned stores and the crafting facilities in Thailand. In Q4 2018, CAPEX represented 4% of revenue (7% in Q4 2017).

Net interest-bearing debt (NIBD) at the end of Q4 2018 was DKK 5,652 million (DKK 4,855 million in Q4 2017) corresponding to a NIBD to EBITDA ratio of 0.8x of the last twelve months rolling EBITDA (0.6x in Q4 2017).

³ "Days sales outstanding" is an alternative performance measure not defined by IFRS, refer to note 1

OTHER IMPORTANT EVENTS IN Q4 2018

SHARE BUYBACK PROGRAMME FOR 2018

On 6 February 2018, in connection with the Annual Report 2017, Pandora announced a share buyback programme under which Pandora expects to buy back own shares to a maximum consideration of DKK 4.0 billion. The programme will end no later than 13 March 2019.

During Q4 2018, a total of 2,898,557 shares were bought back, corresponding to a transaction value of DKK 1,031 million. As of 31 December 2018, Pandora held a total of 7,825,553 treasury shares, corresponding to 7.1% of the share capital.

PANDORA PROPOSES NEW CANDIDATES TO THE BOARD OF DIRECTORS

On 20 December 2018, The Board proposed Ms. Isabelle Parize and Sir John Peace as new board members to complement the Board with expertise from luxury retail and global consumer facing companies.

EVENTS AFTER THE REPORTING PERIOD

Taking over Taiwan distribution

On 1 January 2019, Pandora acquired the distribution in Taiwan in an asset deal from the previous distributor Carrera Corporation as the distribution agreement ended. The acquisition comprised inventory and non-current assets relating to five concept stores and 13 shop-in-shop. Further Pandora acquired 5 stores in Italy. See note 3.3 for more information.

Pandora acquires the remaining shares from the Chinese distributor

On 8 January 2019, Pandora acquired the remaining 25% of the shares in the Chinese entity from the previous Chinese distributor Oracle for DKK 286 million equal to the liability recognised, see note 4.4. Pandora now owns 100% of the shares.

DEVELOPMENT IN FY 2018

REVENUE

Total revenue increased by 3% in local currency to DKK 22,806 million in 2018 compared with 2017.

The geographical distribution of revenue in 2018 was 49% for EMEA (48% in 2017), 30% for Americas (31% in 2017) and 21% for Asia Pacific (21% in 2017).

COSTS

Gross profit was DKK 16,942 million in 2018 (DKK 16,966 million in 2017), resulting in a gross margin of 74.3% in 2018 (74.5% in 2017).

Sales and distribution and marketing expenses increased to DKK 8,222 million in 2018 (DKK 7,045 million in 2017), corresponding to 36.1% of revenue in 2018 (30.9% in 2017). Administrative expenses amounted to DKK 2,289 million in 2018 (DKK 2,137 million in 2017), representing 10.0% of revenue in 2018 (9.4% in 2017).

EBITDA

EBITDA for 2018 decreased by 13% to DKK 7,421 million resulting in an EBITDA margin of 32.5% in 2018 (37.3% in 2017).

Regional EBITDA margins for 2018 were 33.8% in EMEA (39.6% in 2017), 29.7% in Americas (32.5% in 2017) and 33.7% in Asia Pacific (39.4% in 2017).

EBIT

EBIT for 2018 was DKK 6,431 million – a decrease of 17% compared with 2017, resulting in an EBIT margin of 28.2% in 2018 (34.2% in 2017).

NET FINANCIALS

Net financials amounted to a gain of DKK 151 million in 2018 versus a loss of DKK 117 million in 2017.

INCOME TAX EXPENSES

Income tax expenses were DKK 1,537 million in 2018 (DKK 1,899 million in 2017), implying an effective tax rate for the Group of 23.4% for 2018 (24.8% in 2017).

NET PROFIT

Net profit in 2018 was DKK 5,045 million (DKK 5,768 million in 2017).

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

| DKK million | Notes | Q4 2018 | Q4 2017 | FY 2018 | FY 2017 |
|--|-------|--------------|--------------|---------------|---------------|
| Revenue | 3,4 | 7,890 | 7,603 | 22,806 | 22,781 |
| Cost of sales | | -2,064 | -1,838 | -5,864 | -5,815 |
| Gross profit | | 5,826 | 5,765 | 16,942 | 16,966 |
| Sales, distribution and marketing expenses | | -2,618 | -2,430 | -8,222 | -7,045 |
| Administrative expenses | | -680 | -517 | -2,289 | -2,137 |
| Operating profit | | 2,528 | 2,818 | 6,431 | 7,784 |
| Finance income | | 138 | 113 | 533 | 198 |
| Finance costs | | -128 | -102 | -382 | -315 |
| Profit before tax | | 2,538 | 2,829 | 6,582 | 7,667 |
| Income tax expense | | -647 | -883 | -1,537 | -1,899 |
| Net profit for the period | | 1,891 | 1,946 | 5,045 | 5,768 |
| Earnings per share, basic, DKK | | 18.0 | 17.7 | 47.2 | 52.0 |
| Earnings per share, diluted, DKK | | 17.9 | 17.6 | 47.0 | 51.8 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| DKK million | Q4 2018 | Q4 2017 | FY 2018 | FY 2017 |
|---|--------------|--------------|--------------|--------------|
| Net profit for the period | 1,891 | 1,946 | 5,045 | 5,768 |
| Other comprehensive income: | | | | |
| Items that may be reclassified to profit/loss for the period | | | | |
| Exchange rate adjustments of investments in subsidiaries | 60 | 45 | 1 | -343 |
| Fair value adjustment of hedging instruments | 159 | -4 | 56 | 109 |
| Tax on other comprehensive income, hedging instruments, income/expense | -35 | 1 | -12 | -25 |
| Items that may be reclassified to profit/loss for the period, net of tax | 184 | 42 | 45 | -259 |
| Items not to be reclassified to profit/loss for the period | | | | |
| Actuarial gain/loss on defined benefit plans, net of tax | 12 | -2 | 12 | -2 |
| Items not to be reclassified to profit/loss for the period, net of tax | 12 | -2 | 12 | -2 |
| Other comprehensive income, net of tax | 196 | 40 | 57 | -261 |
| Total comprehensive income for the period | 2,087 | 1,986 | 5,102 | 5,507 |

CONSOLIDATED BALANCE SHEET

| DKK million | Notes | 2018 31 December | 2017 31 December ¹ |
|--------------------------------------|-------|---------------------|----------------------------------|
| ASSETS | | | |
| Goodwill | 10 | 4,278 | 3,522 |
| Brand | | 1,057 | 1,057 |
| Distribution network | | 124 | 154 |
| Distribution rights | | 1,047 | 1,153 |
| Other intangible assets | | 1,272 | 1,113 |
| Total intangible assets | | 7,778 | 6,999 |
| Property, plant and equipment | | 2,634 | 2,324 |
| Deferred tax assets | | 1,050 | 884 |
| Other financial assets | | 323 | 289 |
| Total non-current assets | | 11,785 | 10,496 |
| Inventories | | 3,158 | 2,729 |
| Trade receivables | 8 | 1,650 | 1,954 |
| Right-of-return assets | | 94 | 188 |
| Derivative financial instruments | 6,7 | 162 | 153 |
| Income tax receivable | | 86 | 143 |
| Other receivables | | 922 | 772 |
| Cash | | 1,387 | 993 |
| Total current assets | | 7,459 | 6,932 |
| Total assets | | 19,244 | 17,428 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 110 | 113 |
| Treasury shares | | -3,469 | -1,999 |
| Reserves | | 967 | 922 |
| Dividend proposed | | 920 | 987 |
| Retained earnings | | 7,891 | 6,491 |
| Total equity | | 6,419 | 6,514 |
| Provisions | | 279 | 150 |
| Loans and borrowings | | 6,421 | 5,283 |
| Deferred tax liabilities | | 461 | 501 |
| Other payables | | 172 | 481 |
| Total non-current liabilities | | 7,333 | 6,415 |
| Provisions | | 28 | 47 |
| Refund liabilities | | 869 | 791 |
| Contract liabilities | | 66 | 64 |
| Loans and borrowings | | 248 | 164 |
| Derivative financial instruments | 6,7 | 83 | 143 |
| Trade payables | | 2,253 | 1,695 |
| Income tax payable | | 543 | 572 |
| Other payables | | 1,402 | 1,023 |
| Total current liabilities | | 5,492 | 4,499 |
| Total liabilities | | 12,825 | 10,914 |
| Total equity and liabilities | | 19,244 | 17,428 |

¹ Figures have been restated to reflect the adoption of IFRS 15.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| DKK million | Share capital | Treasury shares | Translation reserve | Hedging reserve | Dividend proposed | Retained earnings | Total equity |
|---|---------------|-----------------|---------------------|-----------------|-------------------|-------------------|--------------|
| 2018 | | | | | | | |
| Equity at 1 January | 113 | -1,999 | 912 | 10 | 987 | 6,491 | 6,514 |
| Net profit for the period | - | - | - | - | - | 5,045 | 5,045 |
| Exchange rate adjustments of investments in subsidiaries | - | - | 1 | - | - | - | 1 |
| Fair value adjustments of hedging instruments | - | - | - | 56 | - | - | 56 |
| Actuarial gain/loss | - | - | - | - | - | 12 | 12 |
| Tax on other comprehensive income | - | - | - | -12 | - | - | -12 |
| Other comprehensive income, net of tax | - | - | 1 | 44 | - | 12 | 57 |
| Total comprehensive income for the period | - | - | 1 | 44 | - | 5,057 | 5,102 |
| Fair value adjustments of obligation to acquire non-controlling interests | - | - | - | - | - | 77 | 77 |
| Share-based payments | - | - | - | - | - | -31 | -31 |
| Share-based payments (exercised) | - | 105 | - | - | - | -105 | - |
| Share-based payments (tax) | - | - | - | - | - | -11 | -11 |
| Purchase of treasury shares | - | -3,289 | - | - | - | - | -3,289 |
| Reduction of share capital | -3 | 1,714 | - | - | - | -1,711 | - |
| Dividend paid | - | - | - | - | -1,954 | 11 | -1,943 |
| Dividend proposed | - | - | - | - | 1,887 | -1,887 | - |
| Equity at 31 December | 110 | -3,469 | 913 | 54 | 920 | 7,891 | 6,419 |
| 2017 | | | | | | | |
| Equity at 1 January | 117 | -4,334 | 1,255 | -74 | 1,007 | 8,823 | 6,794 |
| Net profit for the period | - | - | - | - | - | 5,768 | 5,768 |
| Exchange rate adjustments of investments in subsidiaries | - | - | -343 | - | - | - | -343 |
| Fair value adjustments of hedging instruments | - | - | - | 109 | - | - | 109 |
| Actuarial gain/loss | - | - | - | - | - | -2 | -2 |
| Tax on other comprehensive income | - | - | - | -25 | - | - | -25 |
| Other comprehensive income, net of tax | - | - | -343 | 84 | - | -2 | -261 |
| Total comprehensive income for the period | - | - | -343 | 84 | - | 5,766 | 5,507 |
| Fair value adjustments of obligation to acquire non-controlling interests | - | - | - | - | - | -126 | -126 |
| Share-based payments | - | - | - | - | - | 66 | 66 |
| Share-based payments (exercised) | - | 217 | - | - | - | -215 | 2 |
| Share-based payments (tax) | - | - | - | - | - | -13 | -13 |
| Purchase of treasury shares | - | -1,721 | - | - | - | - | -1,721 |
| Reduction of share capital | -4 | 3,839 | - | - | - | -3,835 | - |
| Dividend paid | - | - | - | - | -4,004 | 9 | -3,995 |
| Dividend proposed | - | - | - | - | 3,984 | -3,984 | - |
| Equity at 31 December | 113 | -1,999 | 912 | 10 | 987 | 6,491 | 6,514 |

CONSOLIDATED STATEMENT OF CASH FLOW

| DKK million | Q4 2018 | Q4 2017 ¹ | FY 2018 | FY 2017 ¹ |
|--|---------------|----------------------|---------------|----------------------|
| Profit before tax | 2,538 | 2,829 | 6,582 | 7,667 |
| Finance income | -138 | -113 | -533 | -198 |
| Finance costs | 128 | 102 | 382 | 315 |
| Depreciation and amortisation | 285 | 232 | 990 | 721 |
| Share-based payments | -10 | 16 | -31 | 66 |
| Change in inventories | 638 | 519 | -18 | 145 |
| Change in receivables | 169 | 441 | 224 | -237 |
| Change in payables and other liabilities | 381 | 513 | 762 | -166 |
| Other non-cash adjustments | 160 | 66 | 59 | 102 |
| Interest etc. received | 2 | 1 | 4 | 3 |
| Interest etc. paid | -11 | -11 | -58 | -44 |
| Income taxes paid | -983 | -1,170 | -1,739 | -1,768 |
| Cash flows from operating activities, net | 3,159 | 3,425 | 6,624 | 6,606 |
| Acquisitions of subsidiaries and activities, net of cash acquired | -83 | -250 | -1,071 | -1,843 |
| Purchase of intangible assets | -85 | -139 | -380 | -427 |
| Purchase of property, plant and equipment | -176 | -375 | -727 | -890 |
| Change in other non-current assets | -1 | -2 | -23 | -48 |
| Proceeds from sale of property, plant and equipment | 5 | 0 | 10 | 12 |
| Cash flows from investing activities, net | -340 | -766 | -2,191 | -3,196 |
| Dividend paid | - | -987 | -1,943 | -3,995 |
| Purchase of treasury shares | -1,031 | -300 | -3,289 | -1,721 |
| Proceeds from loans and borrowings | 902 | 1,188 | 4,413 | 4,981 |
| Repayment of loans and borrowings | -2,164 | -2,204 | -3,191 | -2,542 |
| Cash flows from financing activities, net | -2,293 | -2,303 | -4,010 | -3,277 |
| Net increase/decrease in cash | 526 | 356 | 423 | 133 |
| Cash at beginning of period ² | 858 | 642 | 993 | 897 |
| Exchange gains/losses on cash | 3 | -5 | -29 | -37 |
| Net increase/decrease in cash | 526 | 356 | 423 | 133 |
| Cash at end of period² | 1,387 | 993 | 1,387 | 993 |
| Cash flows from operating activities, net | 3,159 | 3,425 | 6,624 | 6,606 |
| - Interests etc. received | -2 | -1 | -4 | -3 |
| - Interests etc. paid | 11 | 11 | 58 | 44 |
| Cash flows from investing activities, net | -340 | -766 | -2,191 | -3,196 |
| - Acquisition of subsidiaries and activities, net of cash acquired | 83 | 250 | 1,071 | 1,843 |
| Free cash flow | 2,911 | 2,919 | 5,558 | 5,294 |
| Unutilised credit facilities | 1,833 | 3,085 | 1,833 | 3,085 |

The above cannot be derived directly from the income statement and the balance sheet.

¹ Figures have been restated to reflect the adoption of IFRS 15.

² Cash comprises cash at bank and in hand.

NOTES

NOTE 1 – Accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union and consistent with the accounting policies set out in the Annual Report 2018.

Furthermore, the condensed consolidated interim financial statements and Management's review are prepared in accordance with additional requirements in the Danish Financial Statements Act.

Pandora presents financial measures in the interim report that are not defined according to IFRS. Pandora believes that these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies might calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered a replacement for measures defined under IFRS. For definitions of other alternative performance measures used by Pandora which are not defined by IFRS, refer to note 5.6 in the consolidated financial statement in the Annual Report 2018.

New standards, interpretations and amendments adopted by Pandora

Pandora has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2018. Except for the implementation of IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers described below, the implementation of new or amended standards and interpretations has not had any material impact on Pandora's Annual Report in 2018.

Effect of IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes the previous revenue standards (IAS 11 Construction Contracts and IAS 18 Revenue) and related interpretations and established a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which Pandora expects to be entitled in exchange for transferring goods or services to the customer.

Compared with the previous standards, the following material items in IFRS 15 are relevant for Pandora:

- In general, revenue is recognised when control is transferred to the customer. This can be either at a point in time or over time. However, when the sales transaction includes variable consideration such as return rights, trade discounts and volume rebates, IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. In 2018 and 2017, no material variable consideration that should be deferred was identified.
- Furthermore, IFRS 15 requires Pandora to present refund liability and an asset for the right to recover products from the customer separately in the balance sheet.

Pandora adopted the new standard using the full retrospective method of adoption.

The new standard had no material impact on the recognition and measurement of revenue for the year, but several new disclosures have been added in note 4 Revenue from contracts with customers. The effect of adopting the standard is presented in the table below.

Aside from the reclassifications following the implementation of IFRS 15, the adoption has had no material impact on the statement of cash flows and no impact on basic and diluted EPS.

Table 1.1: Effect from implementation of IFRS 15:

| DKK million | 1 January 2017 | | | 31 December 2017 | | |
|-------------------------------------|---------------------|----------------|---------------|---------------------|----------------|---------------|
| | Previously reported | IFRS 15 effect | Restated | Previously reported | IFRS 15 effect | Restated |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Right-of-return assets | - | 236 | 236 | - | 188 | 188 |
| TOTAL ASSETS | 15,085 | 236 | 15,321 | 17,240 | 188 | 17,428 |
| EQUITY AND LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Provisions | 1,004 | -911 | 93 | 649 | -602 | 47 |
| Refund liabilities | - | 1,147 | 1,147 | - | 791 | 791 |
| Contract liabilities | - | 47 | 47 | - | 64 | 64 |
| Trade payables | 1,622 | -2 | 1,620 | 1,706 | -11 | 1,695 |
| Other payables | 964 | -45 | 919 | 1,077 | -54 | 1,023 |
| TOTAL EQUITY AND LIABILITIES | 15,085 | 236 | 15,321 | 17,240 | 188 | 17,428 |

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, which changes the classification, measurement and impairment of financial assets, and introduces new rules for hedge accounting.

IFRS 9 requires Pandora to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Pandora applied the simplified method upon adoption of IFRS 9 on 1 January 2018 and records lifetime expected losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historically low realised loss on loans and trade receivables, the adoption of the new standard did not have a material impact on Pandoras consolidated financial statements and therefore no effect on retained earnings at 1 January 2018. In 2017 Pandora reported impairment on receivables based on the incurred loss model, IAS 39.

No other elements from the adoption of the standard have affected recognition and measurement, but new disclosures have been implemented.

Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 Leases is effective for the annual reporting period beginning 1 January 2019, and Pandora has not early adopted the standard. The standard materially changes the accounting for operating leases as it requires lessees to recognise all operating leases – with a few exemptions – on the balance sheet as assets with a corresponding lease liability.

Pandora will apply the simplified transition approach without restating comparative figures when adopting the standard on 1 January 2019.

Pandora has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The material part of Pandora's leases relates to stores. The term of leases used for calculating right-of-use assets and lease liabilities has been based on analysis of the lease term, including options to extend the lease where Pandora is reasonably certain to extend. Of leases related to stores and offices, approximately 23% include extension options and approximately 75% are expected to be exercised. At the reporting date, Pandora had non-cancellable operating lease commitments of DKK 3,843 million, of which, approximately DKK 10-15 million are either short-term leases or low-value leases.

Pandora will recognise right-of-use assets of approximately DKK 4.5 billion and lease liabilities of approximately DKK 4.2 billion on 1 January 2019. Overall, invested capital will increase by DKK 4.2 million. The impact from the implementation of the standard is affecting the EBITDA margin by an increase of approximately 4.5% points as the classification of fixed lease expenses will change from currently operating expenses in the income statement, to depreciation of the right-of-use asset and interest related to the liability. The implementation will only have a very marginal but positive impact on EBIT margin, approximately 0.3%.

In 2018, around 30% of the lease payments recognised in the income statement were variable rent and this will continue to be presented as rent costs included in EBITDA. Aside from EBITDA, IFRS 16 will also impact the balance sheet and balance sheet-related ratios such as ROIC and NIBD due to the recognition of the lease asset and lease liability.

As lessee, Pandora will be required to separately recognise interest expenses on the lease liability and depreciation expenses on the right-of-use asset. Further, Pandora will also be required to account for lease modifications such as changes to the lease term as well as changes to the future lease payments resulting from a change in an index or rate used to determine those payments. The amount of the re-measurement will be recognised as an adjustment to the lease liability and right-of-use asset.

The measured discounted value of lease liabilities is calculated applying incremental borrowing rates, which average around 3-4%.

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on Pandora's Annual Report.

NOTE 2 – Significant accounting estimates and judgements

In preparing the interim financial report, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of Pandora's assets and liabilities.

All significant accounting estimates and judgements are consistent with the description in the Annual Report 2018. Refer to the descriptions in the individual notes to the consolidated financial statement in the Annual Report 2018.

NOTE 3 – Segment information

Pandora's activities are segmented based on geographical areas in accordance with the management reporting structure. The operating segments of the Group are divided into 3 operating segments: EMEA, Americas and Asia Pacific. Each operating segment comprises wholesale, retail and e-commerce business activities relating to the distribution and sale of Pandora products.

The Group operates with two performance measures with EBITDA as the primary performance measure and EBIT as the secondary performance measure. Management monitors the segment profit of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured as EBITDA, corresponding to 'operating profit' in the consolidated financial statements before depreciation, amortisation and impairment losses in respect of non-current assets.

For information on revenue from the different products and sales channels reference is made to note 4.

SEGMENT INFORMATION

| DKK million | EMEA | Americas | Asia Pacific | Total Group |
|--|--------|----------|--------------|--------------|
| Q4 2018 | | | | |
| Total revenue | 4,039 | 2,490 | 1,361 | 7,890 |
| Segment profit (EBITDA) | 1,595 | 774 | 444 | 2,813 |
| Segment profit margin (EBITDA margin) | 39.5% | 31.1% | 32.6% | 35.7% |
| Depreciation, amortisation and impairment losses | | | | -285 |
| Consolidated operating profit (EBIT) | | | | 2,528 |
| Q4 2017 | | | | |
| Total revenue | 4,012 | 2,205 | 1,386 | 7,603 |
| Segment profit (EBITDA) | 1,718 | 772 | 560 | 3,050 |
| Segment profit margin (EBITDA margin) | 42.8% | 35.0% | 40.4% | 40.1% |
| Depreciation, amortisation and impairment losses | | | | -232 |
| Consolidated operating profit (EBIT) | | | | 2,818 |
| FY 2018 | | | | |
| Total revenue | 11,190 | 6,807 | 4,809 | 22,806 |
| Segment profit (EBITDA) | 3,778 | 2,022 | 1,621 | 7,421 |
| Segment profit margin (EBITDA margin) | 33.8% | 29.7% | 33.7% | 32.5% |
| Depreciation, amortisation and impairment losses | | | | -990 |
| Consolidated operating profit (EBIT) | | | | 6,431 |
| FY 2017 | | | | |
| Total revenue | 10,832 | 7,111 | 4,838 | 22,781 |
| Segment profit (EBITDA) | 4,288 | 2,313 | 1,904 | 8,505 |
| Segment profit margin (EBITDA margin) | 39.6% | 32.5% | 39.4% | 37.3% |
| Depreciation, amortisation and impairment losses | | | | -721 |
| Consolidated operating profit (EBIT) | | | | 7,784 |

REVENUE DEVELOPMENT IN PANDORA'S 7 LARGEST MARKETS (BASED ON FY 2018 REVENUE)

| DKK million | Q4 2018 | Q4 2017 | Growth in DKK | Growth in local currency | FY 2018 | FY 2017 | Growth in DKK | Growth in local currency |
|-------------|---------|---------|---------------|--------------------------|---------|---------|---------------|--------------------------|
| UK | 1,217 | 1,101 | 11% | 11% | 2,746 | 2,809 | -2% | -2% |
| Italy | 716 | 825 | -13% | -13% | 2,461 | 2,602 | -5% | -6% |
| France | 486 | 535 | -9% | -10% | 1,253 | 1,272 | -1% | -2% |
| Germany | 390 | 407 | -4% | -4% | 1,041 | 1,065 | -2% | -2% |
| US | 1,818 | 1,632 | 11% | 7% | 4,880 | 5,297 | -8% | -5% |
| Australia | 498 | 590 | -16% | -13% | 1,361 | 1,647 | -17% | -12% |
| China | 511 | 389 | 31% | 33% | 1,969 | 1,592 | 24% | 26% |

NOTE 4 – Revenue from contracts with customers

REVENUE BY SALES CHANNEL

| DKK million | Q4 2018 | Q4 2017 | FY 2018 | FY 2017 |
|--------------------------|--------------|--------------|---------------|---------------|
| Pandora owned retail* | 4,930 | 3,845 | 12,895 | 9,782 |
| Wholesale | 2,669 | 3,438 | 8,633 | 11,470 |
| Third-party distribution | 291 | 320 | 1,278 | 1,529 |
| Total revenue | 7,890 | 7,603 | 22,806 | 22,781 |

*Including revenue from Pandora eSTOREs

REVENUE BY REGION

| DKK million | Q4 2018 | Q4 2017 | FY 2018 | FY 2017 |
|----------------------|--------------|--------------|---------------|---------------|
| EMEA | 4,039 | 4,012 | 11,190 | 10,832 |
| Americas | 2,490 | 2,205 | 6,807 | 7,111 |
| Asia Pacific | 1,361 | 1,386 | 4,809 | 4,838 |
| Total revenue | 7,890 | 7,603 | 22,806 | 22,781 |

REVENUE BY PRODUCT CATEGORY

| DKK million | Q4 2018 | Q4 2017 | FY 2018 | FY 2017 |
|----------------------------------|--------------|--------------|---------------|---------------|
| Charms | 4,081 | 4,205 | 12,126 | 12,920 |
| Bracelets | 1,584 | 1,338 | 4,393 | 3,965 |
| Rings | 1,078 | 1,037 | 3,168 | 3,161 |
| Earrings | 573 | 523 | 1,486 | 1,418 |
| Necklaces & Pendants | 574 | 500 | 1,633 | 1,317 |
| Total revenue¹ | 7,890 | 7,603 | 22,806 | 22,781 |

| | | | | |
|--------------------------------------|--------------|--------------|---------------|---------------|
| Goods transferred at a point in time | 7,856 | 7,562 | 22,707 | 22,660 |
| Services transferred over time | 34 | 41 | 99 | 121 |
| Total revenue | 7,890 | 7,603 | 22,806 | 22,781 |

¹ Figures include franchise fees etc., which are allocated to the product categories. Q4 2018 DKK 36 million, Q4 2017 DKK 44 million, FY 2018 DKK 103 million, and FY 2017 DKK 130 million.

Revenue by category of Pandora products is not materially different between segments. Product offerings are also similar between segments. Local products not sold globally make up less than 5% of total sales. The use of sales channels for the distribution of Pandora jewellery depend on the underlying market maturity and varies within the segments but is consistent when viewed between segments.

NOTE 5 – Seasonality of operations

Due to the seasonal nature of the jewellery business, higher revenue is historically realised in the second half of the year.

NOTE 6 – Financial risks

Pandora's overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rate, are unchanged compared with the disclosures in note 4.4 in the consolidated financial statement in the Annual Report 2018.

NOTE 7 – Derivative financial instruments

Derivative financial instruments are measured at fair value and in accordance with level 2 in the fair value hierarchy (IFRS 7). Put options related to non-controlling interests are measured in accordance with level 3 in the fair value hierarchy (non-observable data) based on projected revenue derived from approved budgets.

See note 4.5 to the consolidated financial statement in the Annual Report 2018.

NOTE 8 – Trade receivables

| DKK million | 2018 31 December | 2017 31 December |
|---|---------------------|---------------------|
| Receivables related to third-party distribution and wholesale | 1,301 | 1,679 |
| Receivables related to retail revenue sales | 349 | 275 |
| Total trade receivables | 1,650 | 1,954 |

NOTE 9 – Business combinations

Acquisitions in 2018

On 1 June 2018, Pandora acquired 95% of the shares in PAN Jewelry Holding, which held the rights to distribute Pandora jewellery in Ireland and the territory of Northern Ireland, from BJ FitzPatrick Holdings Ltd. as the distribution agreement ended. The acquisition comprised inventory and non-current assets relating to 24 concept stores and one shop-in-shop. The purchase price was DKK 146 million of which DKK 124 million was paid in cash. 10% of the purchase price, DKK 15 million, was deferred for 15 months. A simultaneous put/call option for the remaining 5% of the shares, DKK 7 million, will be exercised in the period 6 February – 31 March 2019. None of the goodwill is deductible for income tax purposes.

Pandora further acquired 145 stores in the period 1 January – 31 December 2018 (87 concept stores in the UK, 27 in the US, 12 in Canada, 8 in Australia, 5 in South Africa, 4 in France, and 1 in Italy and Brazil respectively) in 30 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price for the acquisitions made during 2018 was DKK 1,108 million. Based on the purchase price allocations, goodwill was DKK 739 million. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to Pandora owned retail.

Of the goodwill acquired, DKK 157 million is deductible for income tax purposes.

Costs relating to the acquisitions was DKK 11 million and is recognised as operating expenses in the income statement.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2018 was DKK 1.0 billion and DKK 0.3 billion, respectively.

Had all acquisitions in 2018 taken place on 1 January 2018, Group revenue and net earnings for the period 1 January – 31 December 2018 would have been approximately DKK 23.2 billion and DKK 5.2 billion.

Due to the continued activity related to stores and small business acquisitions there will, at any given time, be purchase price allocations that have not been finalised at the time of reporting. Outstanding items in these are considered immaterial.

Acquisitions

| DKK million | Total 2018 | Total 2017 |
|--|---------------|---------------|
| Distribution rights | - | 131 |
| Other intangible assets | 26 | 17 |
| Property, plant and equipment | 109 | 152 |
| Other non-current receivables | 2 | 6 |
| Trade receivables and other receivables | 38 | 111 |
| Inventories | 302 | 470 |
| Cash | 4 | 10 |
| Assets acquired | 481 | 897 |
| Non-current liabilities | 23 | 17 |
| Payables | 31 | 94 |
| Other current liabilities | 58 | 35 |
| Liabilities assumed | 112 | 146 |
| Total identifiable net assets acquired | 369 | 751 |
| Goodwill arising on the acquisitions | 739 | 1,109 |
| Purchase consideration | 1,108 | 1,860 |
| Cash movements on acquisitions: | | |
| Prepaid, previous year ¹ | - | -1 |
| Consideration transferred regarding previous years | 2 | - |
| Deferred payment (including earn-out) ² | -35 | -6 |
| Cash acquired | -4 | -10 |
| Net cash flow on acquisitions | 1,071 | 1,843 |

¹ Prepayment in 2017 relates to the acquisition of a store in Australia on 4 January 2017. The amount paid in 2016 was DKK 1 million.

² For 2017, the deferred payment is related to store acquisitions in Italy in September and South Africa in December, DKK 6 million. For 2018, the deferred payment relates to the acquisition of the distributor in Ireland, DKK 22 million, and store acquisitions in UK and Italy.

Acquisitions in 2017

City Time S.L.

On 28 September 2017 Pandora acquired 100% of the share capital in City Time S.L. in Spain. The purchase price, DKK 786 million (EUR 106 million), was finally agreed between the parties and paid in December 2017. With this acquisition Pandora has gained full control of the distribution in Spain, Gibraltar and Andorra. In addition, Pandora has added 50 concept stores and 14 shop-in-shops to its retail chain.

Besides assets and liabilities mainly related to the stores, Pandora reacquired the exclusive distribution rights to the above markets. The value of the distribution rights was calculated at DKK 131 million based on the Multi-Period Excess Earnings model and is amortised over their useful life of 1.25 years.

Acquired gross contractual receivables totalled DKK 105 million and consisted of trade receivables of DKK 99 million, including a write-down of DKK 3 million, and prepayments of DKK 6 million. The net receivables acquired, DKK 105 million, are considered to be stated at fair value and are expected to be collected.

Acquisition costs were DKK 3 million and are recognised as operating expenses in the income statement.

Goodwill, DKK 464 million, mainly consists of know-how, future growth expectations and the effect of converting the acquired business from wholesale to Pandora owned retail. None of the goodwill acquired is deductible for income tax purposes.

Contribution to Group revenue and net earnings for the period 28 September – 31 December 2017 was DKK 270 million and DKK 119 million, respectively.

Other acquisitions in 2017

On 30 June 2017, Pandora acquired the distribution in Belgium and Luxembourg when the previous distribution agreement with Gielen Trading BVBA ended. The acquisition comprised inventory and non-

current assets relating to 13 concept stores and 3 shop-in-shops. On 3 July 2017, Pandora acquired the distribution in South Africa, Mauritius, Namibia, Zambia, Zimbabwe and Réunion from Scandinavian Brand House following the expiry of the distribution agreement on 30 June 2017. The acquisition comprised inventory and non-current assets relating to the addition of 16 concept stores and 18 shop-in-shops to Pandoras retail business.

Pandora further acquired 121 stores in the period 1 January – 31 December 2017 (50 concept stores in the US, 23 in the UK, 13 in Poland, 8 in Canada, 6 in New Zealand, 6 in Italy, 6 in Australia, 5 in South Africa and 4 in Germany) in 25 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price was DKK 1,074 million. Based on the purchase price allocations, goodwill was DKK 645 million (Belgium DKK 87 million and South Africa DKK 84 million). Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to Pandora owned retail. Costs relating to the acquisition of the distributors in Belgium, South Africa and the stores was DKK 3 million and is recognised as operating expenses in the income statement.

Of the goodwill acquired, DKK 527 million is deductible for income tax purposes.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2017 was DKK 0.9 billion and DKK 0.2 billion respectively.

Had all acquisitions in 2017 taken place on 1 January 2017, Group revenue and net earnings for the period 1 January – 31 December 2017 would have been approximately DKK 23.4 billion and DKK 5.9 billion respectively.

Due to the continued activity related to stores and small business acquisitions there will, at any given time, be purchase price allocations that have not been finalised at the time of reporting. Outstanding items in these are considered immaterial.

Acquisitions after the reporting period

On 1 January 2019, Pandora acquired the distribution in Taiwan in an asset deal from the previous distributor, Carrera Corporation, as the distribution agreement ended. The acquisition comprised inventories and non-current assets relating to five concept stores and 13 shop-in-shops. The purchase price was DKK 96 million of which DKK 7 million was paid in cash. DKK 7 million, was deferred 6 months. Goodwill from the acquisition based on the preliminary purchase price allocation is DKK 52 million. All goodwill is expected to be deductible for income tax purposes. Goodwill mainly consists of know-how, future growth expectations and the effect of converting the acquired business from distribution to Pandora owned retail.

Pandora further acquired five stores in Italy after the reporting period in two business combinations. The total purchase price was DKK 20 million. Assets acquired are mainly non-current assets relating to the stores and inventories. Due to the timing between acquisition dates and the announcement of the financial statements, it has not been possible to finalise the purchase price allocations. Expected goodwill from the acquisitions, based on the preliminary purchase price allocation, was DKK 3 million, which is expected to be deductible in full for income tax purposes.

NOTE 10 – Goodwill

| DKK million | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Cost at 1 January | 3,522 | 2,571 |
| Acquisition of subsidiaries and activities in the period | 739 | 1,109 |
| Exchange rate adjustments | 17 | -158 |
| Cost at the end of the period | 4,278 | 3,522 |

Impairment testing of goodwill was performed in Q4 2018. There was no indications of impairment at the end of 2018.

NOTE 11 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2018. Compared with Q3 2018, leasing commitments increased by DKK 129 million in Q4 2018 to DKK 3,843 million at the end of Q4 2018.

NOTE 12 – Related parties

Related parties with significant interests

Other related parties of Pandora with significant influence include the Board and the Executive Management of this company and their close family members. Related parties also include companies in which the persons have control or significant interests.

Transactions with related parties

Pandora did not enter any significant transactions with members of the Board or the Executive Management, except for compensation and benefits received because of their membership of the Board, employment with Pandora or shareholdings in Pandora.

NOTE 13 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

| | Q4 2018 | Q3 2018 | Q4 2017 | Growth Q4 2018 / Q3 2018 | Growth Q4 2018 /Q4 2017 |
|------------------------------------|--------------|--------------|--------------|--------------------------------|-------------------------------|
| Other points of sale (retail) | 183 | 157 | 150 | 26 | 33 |
| Other points of sale (wholesale) | 4,158 | 4,329 | 4,550 | -171 | -392 |
| Other points of sale (third-party) | 682 | 672 | 648 | 10 | 34 |
| Other points of sale, total | 5,023 | 5,158 | 5,348 | -135 | -325 |

NOTE 14 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

| | <i>Total concept stores</i> | | | | | <i>O&O concept stores</i> | | |
|----------------------|---|---|---|-------------------------------|-------------------------------|-------------------------------|--|--|
| | Number of concept stores Q4 2018 | Number of concept stores Q3 2018 | Number of concept stores Q4 2017 | Growth Q4 2018 /Q3 2018 | Growth Q4 2018 /Q4 2017 | Number of O&O Q4 2018 | Growth O&O stores Q4 2018 /Q3 2018 | Growth O&O stores Q4 2018 /Q4 2017 |
| UK | 236 | 233 | 234 | 3 | 2 | 126 | 5 | 89 |
| Russia | 201 | 200 | 201 | 1 | - | - | - | - |
| Germany | 153 | 154 | 154 | -1 | -1 | 145 | - | - |
| Italy | 138 | 126 | 112 | 12 | 26 | 93 | 12 | 27 |
| France | 120 | 109 | 95 | 11 | 25 | 73 | 12 | 29 |
| Spain | 84 | 77 | 69 | 7 | 15 | 69 | 7 | 15 |
| Ireland | 29 | 29 | 30 | - | -1 | 24 | - | 24 |
| Poland | 50 | 49 | 47 | 1 | 3 | 39 | 1 | 3 |
| South Africa | 31 | 30 | 29 | 1 | 2 | 29 | 1 | 7 |
| Belgium | 27 | 25 | 25 | 2 | 2 | 15 | 2 | 2 |
| Turkey | 27 | 22 | 19 | 5 | 8 | 27 | 5 | 8 |
| Netherlands | 26 | 25 | 23 | 1 | 3 | 26 | 1 | 3 |
| Portugal | 26 | 24 | 24 | 2 | 2 | - | - | - |
| Ukraine | 24 | 24 | 23 | - | 1 | - | - | - |
| Romania | 22 | 21 | 19 | 1 | 3 | 12 | - | -1 |
| United Arab Emirates | 20 | 21 | 21 | -1 | -1 | 20 | -1 | 1 |
| Czech Republic | 19 | 19 | 19 | - | - | 10 | - | - |
| Israel | 17 | 17 | 17 | - | - | - | - | - |
| Greece | 15 | 15 | 14 | - | 1 | - | - | - |
| Austria | 15 | 15 | 14 | - | 1 | 10 | - | 2 |
| Denmark | 14 | 14 | 14 | - | - | 14 | - | - |
| Saudi Arabia | 12 | 12 | 10 | - | 2 | - | - | - |
| Sweden | 12 | 11 | 10 | 1 | 2 | 12 | 1 | 2 |
| Nigeria | 10 | 8 | 8 | 2 | 2 | - | - | - |
| Rest of EMEA | 136 | 128 | 116 | 8 | 20 | 18 | - | 2 |
| EMEA | 1,464 | 1,408 | 1,347 | 56 | 117 | 762 | 46 | 213 |
| US | 397 | 392 | 382 | 5 | 15 | 154 | 5 | 40 |
| Brazil | 98 | 99 | 98 | -1 | - | 59 | - | 1 |
| Canada | 80 | 79 | 77 | 1 | 3 | 23 | - | 13 |
| Mexico | 66 | 53 | 34 | 13 | 32 | 40 | 13 | 30 |
| Caribbean | 27 | 27 | 25 | - | 2 | - | - | - |
| Rest of Americas | 56 | 54 | 41 | 2 | 15 | 9 | 1 | 6 |
| Americas | 724 | 704 | 657 | 20 | 67 | 285 | 19 | 90 |
| China | 210 | 203 | 155 | 7 | 55 | 203 | 7 | 52 |
| Australia | 127 | 124 | 123 | 3 | 4 | 36 | 2 | 10 |
| Philippines | 35 | 34 | 26 | 1 | 9 | - | - | - |
| Malaysia | 31 | 31 | 30 | - | 1 | - | - | - |
| Hong Kong | 30 | 30 | 30 | - | - | 25 | - | - |
| New Zealand | 17 | 17 | 16 | - | 1 | 8 | - | 2 |
| Thailand | 17 | 16 | 14 | 1 | 3 | - | - | - |
| Singapore | 15 | 15 | 15 | - | - | 11 | - | - |
| Rest of Asia Pacific | 35 | 32 | 33 | 3 | 2 | 10 | - | -1 |
| Asia-Pacific | 517 | 502 | 442 | 15 | 75 | 293 | 9 | 63 |
| All market | 2,705 | 2,614 | 2,446 | 91 | 259 | 1,340 | 74 | 366 |

*Includes markets with 10 or more concept stores as of end Q4 2018.

NOTE 15 – Commodity hedging

It is Pandora’s policy to hedge 70% of the Group’s expected consumption, based on a rolling 12-months production plan.

HEDGED AND REALISED PURCHASE PRICES

| USD / OZ | Realised in Q4 2018 | Hedged Q1 2019 | Hedged Q2 2019 | Hedged Q3 2019 | Hedged Q4 2019 |
|-----------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|
| Gold price | 1,272 | 1,308 | 1,244 | 1,233 | 1,283 |
| Silver price | 15.87 | 16.36 | 15.84 | 14.98 | 15.29 |
| Commodity hedge ratio (target), % | Realised | 90-100% | 70-90% | 50-70% | 30-50% |

To increase certainty and visibility on the profitability for 2019, Pandora has decided to hedge 100% of expected silver related costs for 2019. The targeted hedge ratios are unchanged except for silver in 2019.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 74.8% based on the average gold (USD 1,227/oz) and silver (USD 14.54/oz) market prices in Q4 2018. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

NOTE 16 – Subsequent events

Other than as described in “Events after the reporting period” in Management review, Pandora is not aware of events after 31 December 2018, which are expected to materially impact the Group’s financial position.

QUARTERLY OVERVIEW

| DKK million | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 ¹ |
|---|---------|---------|---------|---------|----------------------|
| Consolidated income statement | | | | | |
| Revenue | 7,890 | 4,982 | 4,819 | 5,115 | 7,603 |
| Gross profit | 5,826 | 3,602 | 3,638 | 3,876 | 5,765 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 2,813 | 1,445 | 1,496 | 1,667 | 3,050 |
| Operating profit (EBIT) | 2,528 | 1,196 | 1,266 | 1,441 | 2,818 |
| Net financials | 10 | 24 | 81 | 36 | 11 |
| Net profit for the period | 1,891 | 951 | 1,044 | 1,159 | 1,946 |
| Consolidated balance sheet | | | | | |
| Total assets | 19,244 | 19,530 | 17,584 | 17,214 | 17,428 |
| Invested capital ³ | 12,071 | 12,802 | 12,451 | 12,189 | 11,369 |
| Operating working capital | 2,555 | 3,696 | 3,134 | 3,311 | 2,988 |
| Net interest-bearing debt (NIBD) ³ | 5,652 | 7,535 | 6,190 | 5,776 | 4,855 |
| Equity | 6,419 | 5,267 | 6,260 | 6,413 | 6,514 |
| Consolidated cash flow statement | | | | | |
| Cash flow related to mergers and acquisitions | -83 | -486 | -403 | -99 | -250 |
| Free cash flow | 2,911 | 1,059 | 1,149 | 439 | 2,919 |
| Cash conversion, % | 115.2% | 88.5% | 90.8% | 30.5% | 103.6% |
| Growth ratios | | | | | |
| Revenue growth, % | 4% | -4% | 0% | -1% | 15% |
| Revenue growth, local currency, % | 3% | -3% | 4% | 6% | 20% |
| Total like-for-like sales out, % | -7% | -3% | -1% | -5% | 2% |
| Retail like-for-like sales out, % | -2% | 1% | 3% | 0% | 15% |
| Effective tax rate, % | 25.5% | 22.0% | 22.5% | 21.5% | 31.2% |
| Equity ratio, % | 33.4% | 27.0% | 35.6% | 37.3% | 37.4% |
| NIBD to EBITDA ^{2,3} , x | 0.8x | 1.0x | 0.8x | 0.7x | 0.6x |
| Return on invested capital (ROIC) ^{2,3} , % | 53.3% | 52.5% | 58.8% | 61.6% | 68.5% |
| Days sales outstanding | 50 | 68 | 59 | 66 | 47 |
| Margins | | | | | |
| Gross margin, % | 73.8% | 72.3% | 75.5% | 75.8% | 75.8% |
| EBITDA margin, % | 35.7% | 29.0% | 31.1% | 32.6% | 40.1% |
| EBIT margin, % | 32.0% | 24.0% | 26.3% | 28.2% | 37.1% |
| Other key figures | | | | | |
| Capital expenditure (CAPEX) | 324 | 265 | 296 | 244 | 502 |
| Capital expenditure, tangible assets (CAPEX) | 227 | 168 | 197 | 161 | 357 |
| Store network, total number of concept stores | 2,705 | 2,614 | 2,548 | 2,485 | 2,446 |
| Average number of full-time employees | 25,775 | 23,973 | 23,036 | 23,334 | 22,925 |

¹ Figures have been restated to reflect the adoption of IFRS 15.

² Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.

³ For 2017, Invested capital and NIBD have been restated due to immaterial reclassifications. Consequently, NIBD to EBITDA and ROIC have been recalculated.

MANAGEMENT STATEMENT

The Board and the Executive Management have reviewed and approved the interim report of Pandora A/S for the period 1 January – 31 December 2018.

The interim financial statement, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and additional requirements in the Danish Financial Statements Act.

It is our opinion that the interim financial statement give a true and fair view of the financial position for the Pandora Group at 31 December 2018 and the results of the Pandora Group's operations and cash flow for the period 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair view of the development in the Group's activities and financial matters, results of operations, cash flows and the financial position as well as a description of material risks and uncertainties that the Group face.

Copenhagen, 5 February 2019

EXECUTIVE MANAGEMENT

Jeremy Schwartz
Chief Operating Officer

Anders Boyer
Chief Financial Officer

BOARD

Peder Tuborgh
Chairman

Christian Frigast
Deputy Chairman

Andrea Alvey

Birgitta Stymne Göransson

Bjørn Gulden

Per Bank

Ronica Wang

Disclaimer

Certain statements in this company announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as our future results of operations; our financial condition; our working capital, cash flows and capital expenditures; and our business strategy, plans and objectives for future operations and events, including those relating to our on-going operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities; and

Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; our plans or objectives for future operations or products, including our ability to introduce new jewellery and non-jewellery products; our ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the United States, Australia, Germany, the United Kingdom and other markets in which we operate; the protection and strengthening of our intellectual property, including patents and trademarks; the future adequacy of our current warehousing, logistics and information technology operations; changes in Danish, E.U., Thai or other laws and regulation or any interpretation thereof, applicable to our business; increases to our effective tax rate or other harm to our business as a result of governmental review of our transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced in this company announcement.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

We do not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law or the rules of Nasdaq Copenhagen. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this company announcement.