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SELSKABSMEDDELELSE

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DELÅRSRAPPORT - 4. KVARTAL 2018

PANDORA LEVERER PÅ DE FINANSIELLE FORVENTNINGER OG PÅBEGYNDER TO-ÅRIG TRANSFORMATION FOR AT 'REIGNITE A PASSION FOR PANDORA' – OMKOSTNINGER REDUCERES MED DKK 1,2 MIA.

Pandora annoncerer i dag de næste faser af Programme NOW, som følger de vigtige ændringer, der blev gennemført i 2018 med en ny midlertidig ledelse og en re-fokusering af netværksstrategien.

En grundig analyse af de udfordringer, som Pandora står overfor, har vist, at: Brandet har en høj genkendelsesgrad, men mangler klar positionering; Pandora kan forbedre dets relevans blandt forbrugerne og tilbyde dem en mere inspirerende shopping-oplevelse; Pandora har mulighed for at bygge på sin unikke produktportefølje og opnå bedre effekt i markedet. Disse udfordringer er nogle, selskabet selv kan gøre noget ved, og ved at adressere dem med beslutsomhed kan Pandora på mellemlangt sigt vende tilbage til positiv vækst i det direkte sammenlignelige salg og fortsætte med at levere den bedste lønsomhed i branchen. Med Programme NOW iværksættes den nødvendige transformation af selskabet, herunder den ændrede netværksstrategi, som blev annonceret i november 2018, betydelige investeringer til at 'Reignite a Passion for Pandora', et nødvendigt kommercielt reset, omkostningsbesparelser på DKK 1,2 mia. og en ny global-lokal måde at drive forretningen på.

En vigtig del af Programme NOW handler om 'Reignite a Passion for Pandora' baseret på selskabets fortsat stærke fundament og position som verdens bedst kendte smykkebrand. Pandora vil tilføre ny energi til brandet samt inspirere og tiltrække flere kunder, der har en passion for at samle og bære Pandora smykker.

FINANSIELLE HØJDEPUNKTER

- Pandora leverede et resultat, der var i tråd med selskabets seneste finansielle forventninger for 2018 ved 3% total omsætningsvækst i lokal valuta (DKK 22,8 mia. i omsætning) og 32,5% EBITDA-margin
- Det totale direkte sammenlignelige salg var i 2018 på -4%, mens det var -7% i det fjerde kvartal. Udviklingen understreger behovet for Programme NOW
- I 4. kvartal 2018 var EBITDA-marginen 35,7% og i den høje ende af det forventede interval, understøttet af allerede iværksatte omkostningsbesparelser, som gennemføres under Programme NOW
- I 2018 generede Pandora den bedste cash conversion siden 2014 og distribuerede DKK 5,9 mia. til aktionærerne – det svarer til omkring 20% af den aktuelle markedsværdi
- Pandora vil fremover give finansielle forventninger til organisk vækst og EBIT-margin. Pandora forventer, at den organiske vækst vil blive mellem -3% og -7% i 2019, hvilket inkluderer en negativ engangseffekt på 3-5 procentpoint fra det kommercielle reset. Forventningerne til EBIT-marginen før omstrukturingsomkostninger er 26%-28%, hvilket

svarer til 30,5%-32,5% EBITDA-margin før den nye regnskabsmæssige effekt fra IFRS 16. Omstruktureringsomkostninger i 2019 forventes at være op til DKK 1,5 mia.

- Pandora returnerer DKK 4 mia. til aktionærerne i 2019.

“Med Programme NOW igangsætter vi øjeblikkelige og stærke initiativer som svar på de skuffende resultater i 2018. Vi er overbeviste om, at denne omfattende transformation af selskabet vil tilføre ny energi til Pandora, få os tilbage til bæredygtig vækst og understøtte vores høje indtjening”, siger driftsdirektør Jeremy Schwartz.

“Vi er tilfredse med at have returneret DKK 5,9 mia. tilbage til vores aktionærer i 2018, og vi vil også i 2019 udbetale store beløb til aktionærerne. Det er også positivt, at vi har identificeret muligheder for betydelige omkostningsbesparelser på DKK 1,2 mia., som kan finansiere vores vækstinitiativer og bidrage til vores lønsomhed.”, siger finansdirektør Anders Boyer.

UDVALGTE FINANSIELLE RESULTATER FOR 2018 (1. JANUAR – 31. DECEMBER 2018)

DKK mio.	Q4 2018	Q4 2017	FY 2018	FY 2017
Omsætning	7.890	7.603	22.806	22.781
Omsætningsvækst, % lokal valuta	3%	20%	3%	15%
Totale direkte sammenlignelige salg, %	-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%

OPDATERING PÅ PROGRAMME NOW

I løbet af andet halvår 2018 har Pandora gennemført en grundig analyse af de udfordringer, som virksomheden står overfor. Analysen har identificeret fire vigtige udfordringer, som, når de rettes, giver mulighed for at genoprette langsigtet bæredygtig vækst.

1. **Uklart brand udtryk:** Pandoras brand nyder godt af en høj genkendelsesgrad indenfor smykkeindustrien, men mangler en skarp identitet og et brand-promise, som begejstrer den moderne forbruger. Kundeoplevelsen i konceptbutikkerne og på Pandoras eSTORE kan forbedres betydeligt og dermed forstærke forbrugernes engagement i brandet.
2. **For få initiativer til at samle på charms:** Til trods for Pandoras fokus på at introducere nye produkter, har markedsføring, visuel merchandising og eksekvering i detailledet ikke givet nuværende og nye kunder tilstrækkelig tilskyndelse til at købe, bære og samle flere armbånd og charms, som er kerneprodukterne i Pandoras sortiment.
3. **For kraftigt push:** Stigende kampagneaktivitet har udvandet brandet og medført, at forbrugerne venter på den næste kampagne i stedet for at købe til fuld pris. Derudover har de mange nye produktlanceringer, kombineret med en umoden merchandising-proces, ført til en ustruktureret sortiment-præsentation i butikkerne og et stadigt større varelager.
4. **Mangelfuld eksekvering:** En decentral organisationsstruktur har udfordret sammenhængen mellem den overordnede globale retning og den lokale eksekvering. Dette har resulteret i langsom eksekvering i forbindelse med bl.a. opgradering af merchandising, omni-channel, butiksdesign og loyalitetsprogrammer.

Programme NOW er en omfattende to-årsplan, som skal adressere disse udfordringer og sikre en langsigtet bæredygtig vækst. Som det første skridt i programmet annoncerede Pandora i november 2018 en ændring af netværksstrategien, som indebærer betydeligt færre opkøb af

grossistbutikker og færre butiksåbninger. Ændringen af den strategiske retning er gennemført som planlagt, og der er ikke underskrevet nye overtagelsesaftaler i 4. kvartal 2018.

De næste fire skridt i Programme NOW er beskrevet nedenfor:

1: Kommercielt reset

Pandora vil sætte fokus på push-effekten via et kommercielt reset for at reducere antallet af ikke-værdiskabende tilbudskampagner betydeligt og forbedre varelagerne i grossistnetværket.

Kampagner: For at beskytte den langsigtede brandværdi, øge fuldprissalg over tid og skabe et kommercielt miljø som er fremmende for nye innovations- og markedsføringsinitiativer, reducerer Pandora kampagneaktiviteten og antallet af tilbudskampagner mellem de store gave- og detail-kampagneperioder. Tilbudskampagner i de store og relevante gaveperioder bevares. Dette vil give en sundere og mere bæredygtig omsætning på langt sigt, men vil have en kortsigtet negativ effekt på omsætningsvæksten.

- Pandora forventer, at den organiske vækst og det direkte sammenlignelige salg vil blive negativt påvirket i 2019 med 2-4 procentpoint. Dette er en engangseffekt, som vil bringe omsætningen til et lavere, men mere bæredygtigt niveau.

Lagerbeholdning i grossistnetværket. Pandora vil hjælpe med at nedbringe antallet af langsomt-sælgende varer på lager og påbegynde tilbagekøb af lagre på udvalgte markeder.

Derudover ændrer Pandora størrelsen af New Product Introductions (NPI) indsalgspakker. Dette vil øge fokus på salget ud af butikkerne, reducere antallet af langsomt-sælgende varer samt mindske den samlede lagerbeholdning. Den ændrede størrelse af NPI indsalgspakkerne vil øjeblikkeligt komme grossistpartnerne til gode, da det frigiver likviditet og nedsætter risikoen for at opbygge overskydende lagerbeholdninger, samtidigt med at det giver Pandora mulighed for at reagere hurtigere og genopfylde varelagerne baseret på faktisk kundeefterspørgsel.

- Tilbagekøb af varelagre forventes i 2019 at påvirke den rapporterede EBIT-margin negativt med omkring 2 procentpoint. Denne ekstraordinære omkostning vil blive inkluderet direkte i vareforbrug og vil blive rapporteret som en omstrukturingsomkostning.
- Den ændrede størrelse af NPI indsalgspakker forventes i 2019 at påvirke den organiske vækst negativt med omkring 1 procentpoint. Dette er en engangseffekt i 2019.

2: Reignite a Passion for Pandora

Selvom Pandora med succes har opbygget det bedst kendte brand i smykkeindustrien, er der behov for mere klarhed i vores brandudtryk for at tilføre ny energi til brandet og inspirere kunderne til at fortsætte med at samle på charms. Det kræver en positiv revolution af brandet, "Reignite a Passion for Pandora", og en ændret balance mellem kommercielle tiltag (kampagner etc.) og efterspørgsel i markedet. Kort sagt vil Pandora øge investeringerne og ambitionsniveauet på tværs af alle elementer i forbrugeroplevelsen.

Historisk set har Pandora haft fokus på produktet. Men selvom nye produkter stadig er en meget vigtig del af opskriften for vækst, så kan dette ikke stå alene. Pandora har i 2019 planlagt yderligere investeringer på DKK 0,5 mia. i driftsomkostninger og omkring DKK 0,2 mia. i CAPEX.

Denne ekstra investering vil forbedre centrale elementer i kundeoplevelsen lige fra produkt til butik og markedsføring. Pandora vil lancere følgende initiativer i 2019:

- **Brand:** Et nyt brand-promise og en ny visuel identitet er under udvikling. Mod slutningen af 2019 vil det resultere i en ny, anderledes og moderniseret kampagneplatform for alle kanaler, som vil appellere til forbrugere på tværs af generationer.
- **Produkt:** Et nyt armbåndskoncept vil blive lanceret i 2019 for at gøre fjerde kvartal "bigger and better". Færre kampagneaktiviteter vil give mere tid og plads til, at de nye kollektioner bliver mere synlige for forbrugere i butikkerne. Vi lancerer ligeledes en online 'bracelet builder', som gør det mere spændende at købe, bære og samle armbånd og charms.
- **Medie- og kanaleksekvering:** Pandoras markedsføringsomkostninger bliver øget betydeligt for at øge trafikken til butikkerne og for at imødekomme den dæmpede aktivitet, vi forventer som følge af det kommercielle reset. Pandoras sociale medieplatform vil få et ansigtsløft med øget fokus på at skabe inspirerende indhold og gøre det nemmere at foretage køb.
- **Butiksoplevelse:** Et nyt butikskoncept er under udarbejdelse og vil blive testet i udvalgte butikker inden udgangen af 2019.
- **eSTORE og omni-channel:** Betydelige forbedringer af den eksisterende eSTORE er under udvikling, herunder enklere navigation samt mere inspirerende produktbeskrivelser og -billeder. Derudover vil en komplet ansigtsløftning af Pandoras eSTORE forbedre kundernes digitale engagement med brandet. Omni-channel elementer, som allerede er blevet testet i USA, vil gradvist blive rullet ud på tværs af både Pandora-ejede konceptbutikker og franchisebutikker.

3: Omkostningsbesparelser

For at finansiere vores vækstinitiativer og understøtte lønsomheden vil Pandora gennemføre besparelser med en run-rate på DKK 1,2 mia. fra slutningen af 2020. Pandora planlægger omkostningsbesparelser på samlet omkring DKK 0,6 mia. i driftsomkostninger og vareforbrug for kalenderåret 2019. Disse omkostningsbesparelser kommer oveni de DKK 0,35 mia. i omkostningsbesparelser, som blev kommunikeret i forbindelse med virksomhedens kvartalsmeddelelse for andet kvartal 2018.

Der er fundet omkostningsbesparelser på tværs af virksomheden. Blandt de større poster er vareforbrug, IT, omkostninger i Pandora-ejede konceptbutikker samt administrative omkostninger.

4: Implementering af nye arbejdsmåder

Vi har analyseret vores organisationsstruktur, hvordan og hvor beslutninger tages, samt i hvilke områder vi kan forbedre vores kapacitet for at styrke virksomhedens udvikling bedst muligt. Dette vil fortsætte som en løbende proces, men følgende fire ændringer vil give en øjeblikkelig og væsentlig forbedring:

- **Chief Creative & Brand Officer vil lede en samlet Produkt & Marketing organisation:** For at gennemføre 'Reignite a Passion for Pandora' og give en stærk kundeoplevelse på tværs af markeder og kanaler samler Pandora sine aktiviteter indenfor design og branding. Stephen Fairchild, Chief Creative & Brand Officer, får det fulde ansvar for det

globale brand-udtryk og -eksekvering på tværs af kanaler. Dette er et vigtigt skridt mod en skarpere global-til-lokal eksekvering, hvor lokale markeder eksekverer optimalt ud fra globale retningslinjer.

- **Global merchandising funktion:** Pandora opretter en ny global *end-to-end* merchandising funktion, som skal sikre et optimeret udvalg og varelager i butikkerne. Målet er at understøtte øget salg af produkter til fuld pris, forbedret lagerstyring samt øget trafik til butikkerne. En ny Senior Vice President for Global Merchandising er blevet ansat.
- **En global trading kalender:** Pandora vil fra 2019 operere med en global-til-lokal kundeorienteret trading kalender, der vil rumme både produktlanceringer, kampagner, lokale helligdage og mærkedage. Pandora vil ikke længere fokusere indsatsen omkring 7-10 "drops" eller produktlanceringer men i stedet sætte fokus på 14 "trading events", hvor produkt, kampagne og lokale events bliver fremhævet.
- **Performance management:** Pandora ændrer performance management systemer, hvilket omfatter timing af business reviews, globalisering af virksomhedens interne rapportering og data samt en tilpasning af incitamentsprogrammer for at skabe bedre sammenhæng mellem disse programmer og værdiskabelsen for vores aktionærer.

Eksekvering: Omstrukturingsomkostninger på op til DKK 2,5 mia. i 2019 og 2020

Pandora forventer op til DKK 2,5 mia. i omstrukturingsomkostninger i 2019 og 2020, hvoraf op til DKK 1,5 mia. vil blive indregnet i 2019. Størstedelen af omkostningerne vil være cash-baserede.

- Hovedparten af omstrukturingsomkostningerne relaterer sig til tilbagekøb af varelager, omkostninger relateret til en række kommercielle omstruktureringer med henblik på at udvikle og implementere en "brand disruption" samt konsulentomkostninger. Yderligere detaljer vedrørende de kommercielle initiativer vil blive kommunikeret i forbindelse med delårsrapporten for 1. kvartal 2019.
- Udover omstrukturingsomkostningerne vil omsætning og indtjening blive midlertidigt negativt påvirket i 2019 som følge af det kommercielle reset.

FINANSIELLE FORVENTNINGER FOR 2019

2019 er et transitionsår for Pandora og de finansielle resultater vil blive påvirket betydeligt af tiltagene i Programme NOW.

PARAMETRE I FINANSIELLE FORVENTNINGER ÆNDRES TIL ORGANISK VÆKST OG EBIT-MARGIN

For at styrke performance management og bedre afspejle, hvor værdien skabes for vores aktionærer, ændrer Pandora omsætningsparameter fra total omsætningsvækst i lokal valuta til organisk omsætningsvækst¹ (eksklusiv opkøb af butikker samt akquisitioner). Pandora ændrer også parameter for indtjening til EBIT-margin (fra EBITDA-margin) for at skærpe fokus på brugen af kapital samt minimere udsvingene relateret til den nye regnskabsstandard for leasing forpligtelser (IFRS 16), som er trådt i kraft den 1. januar 2019. Som konsekvens af IFRS 16 vil EBIT-marginen fremadrettet som tommelfingerregel være omkring 0,3 procentpoint højere, mens EBITDA-marginen vil være omkring 4,5 procentpoint højere.

¹ Organisk vækst er en alternativ finansiell KPI, som ikke er defineret af IFRS, se note 1.1 i Årsrapporten 2018.

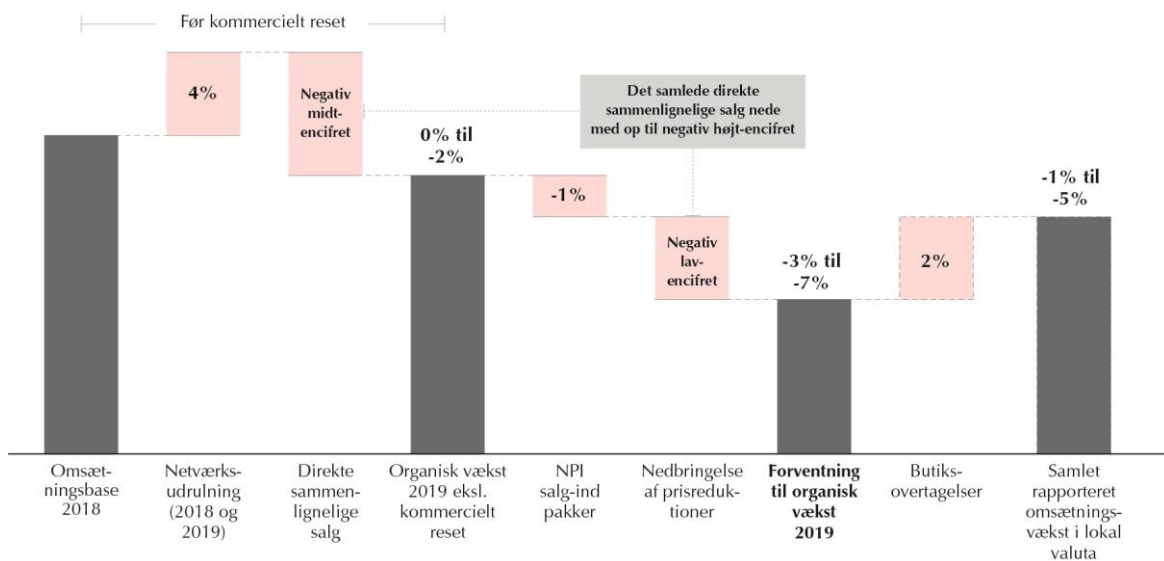
FINANSIELLE FORVENTNINGER TIL 2019

- Organisk omsætningsvækst forventes at blive mellem -3% og -7%, hvilket inkluderer en negativ engangspåvirkning på 3-5 procentpoint fra den kombinerede effekt af reducerede indsalgs-pakker (1 procentpoint) og beslutningen om at reducere antallet af kampagneaktiviteter (2-4 procentpoint).
- EBIT-marginen forventes at blive mellem 26%-28%, eksklusiv omstrukturingsomkostninger på op til DKK 1,5 mia. relateret til Programme NOW. Til sammenligning svarer dette til en EBITDA-margin – før IFRS 16 indvirkningen – på 30,5%-32,5%. Inklusiv omstrukturingsomkostningerne er den forventede EBIT-margin i 2019 20%-22%.

	2019 Forventninger	2018		Q3 2018	Q2 2018	2018
		Forventningsudviklingen	FY 2018 Realiseret	Tidligere forventninger	Tidligere forventninger	Tidligere forventninger
Organisk omsætningsvækst, %	-3% til -7%	Total omsætningsvækst (lokal valuta)	3%	2-4%	4-7%	7-10%
		EBITDA-margin, %	32,5%	32%	32%	35%
EBIT-margin ekskl. omstrukturingsomkostninger, %	26%-28%	EBIT-margin, %	28,2%	NA	NA	NA
		Anlægsinvesteringer, ca. andel af omsætningen	5%	5%	5%	5%

BYGGEBLOKKE TIL HELÅRSFORVENTNINGERNE I 2019

FORVENTNINGER TIL ORGANISK VÆKST

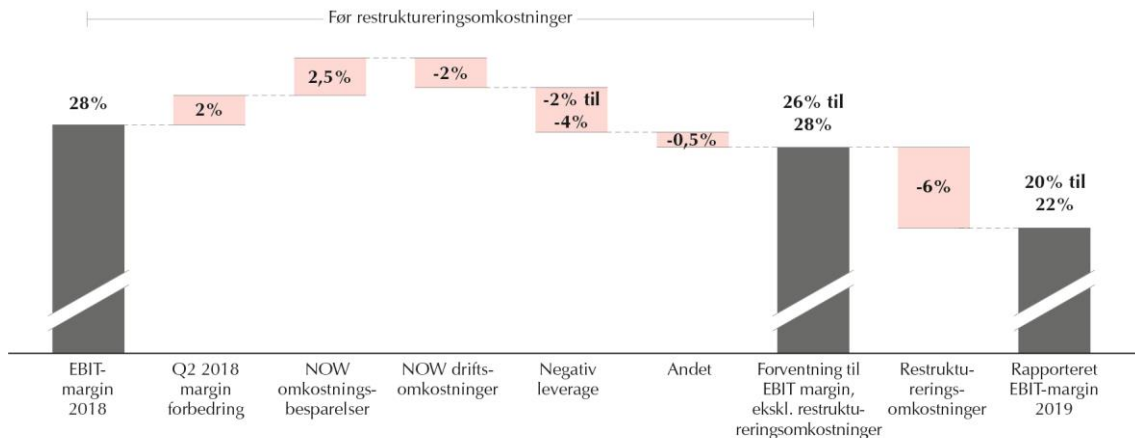


Pandora forventer at udvide butiksnetværket med netto ca. 75 konceptbutikker i 2019. Butiksåbningerne vil hovedsageligt være i Latinamerika og Kina. Udvidelsen af butiksnetværket forventes at bidrage med omkring 4 procentpoint til den organiske vækst.

Opkøb af butikker – som ikke er inkluderet i organisk vækst – påvirker den totale omsætningsvækst positivt med omkring 2 procentpoint, hvilket primært inkluderer butiksopkøb underskrevet i 2018 samt Taiwan. Den samlede totale omsætningsvækst i lokal valuta forventes derfor at blive i intervallet -1% til -5%.

Væksten i det totale direkte sammenlignelige salg forventes at blive negativ midt-encifret før effekten fra det kommercielle reset. Det er forventet, at initiativerne i Programme NOW primært påvirker det totale sammenlignelige salg fra slutningen af 2019 og fremadrettet. Eksklusiv effekten fra det kommercielle reset forventes organisk vækst at blive -2% til 0%. NPI indsalgs-pakker vil påvirke den organiske vækst med omkring -1 procentpoint, mens reduktionen af kampagneaktiviteter påvirker det totale direkte sammenlignelige salg samt den organiske vækst negativt med 2-4 procentpoint. I 2019 kan det rapporterede totale direkte sammenlignelige salg derfor blive negativ højt-encifret.

FORVENTNINGER TIL EBIT-MARGIN – BYGGEBLOKKE



Diagrammet herover viser de vigtigste byggeklodser for udviklingen i EBIT-marginen i 2019. Dertil gives følgende forklaring:

- I forbindelse med delårsrapporten for 2. kvartal 2018 nævnte Pandora, at det var muligt at forbedre marginen med 3 procentpoint som følge af bl.a. færre butiksopkøb, mindre lagerreduktion i grossistnetværket, omkostningsbesparelser osv. Dette er stadig gældende, bortset fra, at det forventes, at lagerreduktionen i grossistnetværket fortsætter, hvorfor marginforøgelsen fra disse faktorer kun er 2 procentpoint i 2019.
- "Andet" inkluderer margin-indvirkning fra bl.a. længere produktionstid på nye produkter, inflation osv.
- Omstruktureringsomkostningerne på omkring 6 procentpoint (op til DKK 1,5 mia.) i 2019 består af:
 - Lagertilbagekøb i grossistnetværket på udvalgte markeder vil påvirke EBIT-marginen negativt med omkring 2 procentpoint.
 - Omkring 4 procentpoint vil skyldes eksekveringen af programmet og reduktion af omkostninger. Størstedelen af omstruktureringsomkostningerne vil blive bogført som driftsomkostninger.

Anlægsinvesteringerne for året forventes at blive DKK 1,2-1,5 mia. Dette inkluderer investeringer i både Pandora-ejede butikker, IT og fortsat optimering af virksomhedens produktionsfaciliteter i Thailand. Anlægsinvesteringer direkte relateret til Programme NOW forventes at blive omkring DKK 200 mio. og relaterer sig primært til investeringer i onlinehandel, omni-channel-muligheder samt kommercielle projekter i forbindelse med 'Reignite a Passion for Pandora'.

Den effektive skatteprocent i 2019 forventes at blive i intervallet 22%-23%.

Med de nuværende valutakurser i forhold til den danske krone forventes væksten for helåret i danske kroner at blive omkring 0-1 procentpoint højere end i lokal valuta.

FINANSIELLE AMBITIONER PÅ MELLEMLANGT SIGT

Som et resultat af Programme NOW annulleres de finansielle mål samt de tilhørende delmål, som blev kommunikeret i forbindelse med kapitalmarkedsdagen den 16. januar 2018.

På mellemlangt sigt er Pandoras ambition at levere langtidsholdbar, positiv organisk vækst og lønsomhed på det bedste niveau i branchen. Organisk vækst vil være drevet af lav- til midt-encifret vækst i det direkte sammenlignelige salg kombineret med en fortsat kontrolleret udvidelse af butiksværet i underpenetrerede områder.

ÆNDRING AF KAPITALSTRUKTURSPOLITIK SOM FØLGE AF IFRS 16

Med implementeringen af IFRS 16 vil alle leasingaftaler (for eksempel husleje) blive klassificeret som gæld. Som følge heraf øges Pandoras nettorentebærende gæld med cirka DKK 4,2 mia. Ydermere vil leasingomkostninger, som førhen var klassificeret som driftsomkostninger, nu blive klassificeret som afskrivninger. Dette vil øge EBITDA med omkring DKK 1 mia.

Nettorentebærende gæld set i forhold til EBITDA vil stige med omtrent 0,5 gange. Selskabets kapitalstruktur ændres fra en målsætning om nettorentebærende gæld svarende til 0 - 1 gange EBITDA til i stedet 0,5 til 1,5 gange EBITDA for at afspejle implementeringen af IFRS 16.

PROGRAMME NOWS PÅVIRKNING PÅ KAPITALSTRUKTURSPOLITIKKEN

Under Programme NOW vil Pandora fortsætte med at generere betydelige frie pengestrømme og udbetale al overskydende kapital til aktionærene. Regnskabstallene vil blive markant påvirket af omstrukturingsomkostninger i løbet af transitionsperioden. Da disse kun vil være af midlertidig karakter, vil Pandora se på gældsætningsgraden eksklusive omstrukturingsomkostninger, når det skal afgøres hvor meget kapital, der skal distribueres til aktionærene. Pandora forventer derfor midlertidigt at overstige den øvre ende af den rapporterede gældsætningsgrad i 2019.

SAMLET UDLODNING PÅ DKK 4 MIA. TIL AKTIONÆRER I 2019

For 2019 foreslår bestyrelsen, at der returneres samlet DKK 4 mia. til aktionærene svarende til omkring 13% af Selskabets aktuelle markedsværdi.

Pandoras udlovningspolitik er at udlatte et stabilt til stigende ordinært udbytte, og at returnere al overskydende kapital gennem aktietilbagekøb. Dette blev annonceret i forbindelse med årsrapporten 2016. I tråd hermed foreslår bestyrelsen, at der udbetales udbytte svarende til DKK 18 per aktie (DKK 1,8 mia.) og tilbagekøbes egne aktier for et beløb på op til DKK 2,2 mia.

DKK mia., årlig forpligtelse	Helåret 2019 Foreslået	Helåret 2018 Realiseret	Helåret 2017 Realiseret	Helåret 2016 Realiseret
Udbytte (Ordinær + halvårlig)	1,8	1,9	4,0	1,5
Nominelt udbytte per aktie, DKK	18	18	36	13
Aktietilbagekøbsprogram	2,2	4,0	1,8	4,0
Samlet udlodning	4,0	5,9	5,8	5,5

UDBYTTE - FASTHOLDT PÅ DKK 18 PER AKTIE FOR 2019

I 2018 udbetalte Pandora et ordinært udbytte på DKK 9 per aktie samt et halvårligt udbytte på

DKK 9 per aktie i forbindelse med regnskabet for første halvår. Pandora udbetalte samlet DKK 18 per aktie (DKK 1,9 mia.) i 2018.

På baggrund af resultaterne for 2018 foreslår bestyrelsen, at der udbetales udbytte på DKK 1,8 mia. i 2019. Dette inkluderer et ordinært udbytte på DKK 9 per aktie samt et yderligere halvårligt udbytte på DKK 9 per aktie i forbindelse med resultatet for første halvår 2019.

AKTIETILBAGEKØBSPROGRAM PÅ DKK 4 MIA. FOR 2018

I forbindelse med årsrapporten for 2017 offentliggjorde Pandora planer om at tilbagekøbe egne aktier for et beløb på op til DKK 4,0 mia. i et aktietilbagekøbsprogram fra den 14. marts 2018 til 13. marts 2019. I 2018 blev der tilbagekøbt 7.437.025 egne aktier, svarende til en transaktionsværdi på DKK 3,2 mia. Formålet med programmet er, at nedbringe Pandoras aktiekapital og opfylde de forpligtelser, der måtte opstå i forbindelse med aktieoptionsprogrammer for Selskabets medarbejdere. På den ordinære generalforsamling i 2019 vil bestyrelsen foreslå en nedsættelse af Selskabets aktiekapital med et nominelt beløb på DKK 10.029.003 gennem annullering af 10.029.003 egne aktier a DKK 1, svarende til 9,1% af Selskabets samlede aktiekapital.

AKTIETILBAGEKØBSPROGRAM PÅ DKK 2,2 MIA. FORESLÅET FOR 2019

Bestyrelsen foreslår at lancere et nyt aktietilbagekøbsprogram i 2019, hvor Selskabet vil tilbagekøbe egne aktier for et beløb på op til DKK 2,2 mia. De aktier, der opkøbes som led i programmet vil, ligesom forrige år, primært blive anvendt til at nedbringe Selskabets aktiekapital samt opfylde de forpligtelser, der måtte opstå i forbindelse med aktieoptionsprogrammer for Selskabets medarbejdere. Aktietilbagekøbsprogrammet vil løbe fra den ordinære generalforsamling (13. marts 2019) til senest den 19. marts 2020.

TELEFONKONFERENCE

Der afholdes i dag kl. 11.00 en telefonkonference for investorer og finansanalytikere, som kan følges på www.pandoragroup.com. Den tilhørende præsentation vil være tilgængelig på hjemmesiden en time inden telekonferencen.

Investorer og analytikere bedes benytte følgende telefonnumre:

Danmark: 35 44 55 83

Storbritannien (internationalt): +44 0 203 194 0544

USA: +1 855 269 2604

OM PANDORA

PANDORA designer, fremstiller og markedsfører håndforarbejdede og moderne smykker af høj kvalitet til tilgængelige priser. PANDORAs smykker sælges i mere end 100 lande fordelt på seks kontinenter via mere end 7.700 forhandlere, herunder mere end 2.700 konceptbutikker.

PANDORA blev stiftet i 1982 og har hovedkontor i København. PANDORA beskæftiger på verdensplan over 29.000 medarbejdere, hvoraf flere end 14.000 arbejder i Thailand, hvor virksomheden fremstiller sine smykker. PANDORA er noteret på Nasdaq Copenhagen. I 2018 udgjorde PANDORAs samlede omsætning DKK 22,8 mia. (ca. EUR 3,1 mia.).

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Bemærk: Som annonceret i delårsrapport for 3. kvartal 2018, vil delårsrapporter og årsrapporter ikke længere blive offentliggjort på dansk. Delårsrapporten på de følgende sider er derfor kun tilgængelig på engelsk

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

Number of points of sale	Q4 2018	Q3 2018	Q4 2017	Growth	Growth
				Q4 2018 /Q3 2018	Q4 2018 /Q4 2017
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.