Company Announcement No. 578

Interim Financial Report Q4 2019

4 February 2020

PANDORA
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From Holiday 2019

From Pandora Me collection

From Harry Potter x Pandora collection

Our Equity Story

Pandora is a cross-generational brand with unmatched recognition that gives a voice to people's loves. All of our jewellery is crafted to the highest ethical and environmental standards at our state-of-the-art crafting facilities in Thailand and made to inspire women to collect, create and combine genuine jewellery at affordable prices.

With business fundamentals intact and by executing on our turnaround roadmap, Programme NOW, Pandora will return to sustainable growth and maintain industry-leading margins. A strong cash generation and an attractive cash return will remain.

EXECUTIVE SUMMARY

Like-for-like improves following brand relaunch
- Turnaround initiatives continue

Q4 2019 Highlights

- Programme NOW delivers solid results – total like-for-like improved in Q4
- Three of the seven largest markets delivered positive like-for-like in Q4 - an important step forward
- The Q4 performance confirms that Programme NOW has positive impact on the underlying business – the turnaround continues in 2020

In Q4 2019, Programme NOW showed solid results as the growth momentum improved materially. Italy, France and Germany delivered positive like-for-like, and growth momentum in the US and the UK also improved. The momentum change substantiates the Programme NOW diagnosis and turnaround plan and demonstrates that Pandora is on the right path to return to sustainable growth.

Pandora has reviewed the network strategy and essentially confirms the direction previously communicated. Pandora will continue to open stores in white-space areas while adopting a more rigorous and systematic approach to the store network. Additionally, Pandora will step-change investments in the online channel while opportunistically considering use of additional online market-places.

In 2020, the turnaround initiatives will continue to create a much healthier foundation for long-term sustainable performance. Pandora expects the growth performance to improve from -8% like-for-like in 2019 to negative mid single-digit like-for-like in 2020. The like-for-like development in 2020 is a result of further reduction of promotional discounting activity, expected weak underlying performance in China and an underlying performance improvement in the majority of the other markets. Net store openings/closings and inventory changes are expected to have negligible impact on revenue. The organic growth is expected to be -3 to -6%. The EBIT margin excluding restructuring costs is expected to be above 23%. The financial guidance does not include any impact from the coronavirus.

Alexander Lacik, President and CEO of Pandora, says:
"With 2019 behind us, we have completed the first year of our 2-year turnaround. We have made significant changes in a very short time, and the results in Q4 give us confidence. Consumers are responding positively to our commercial initiatives. Like-for-like is improving, and we have built a healthier foundation for the business. In 2020, we will continue to invest significantly to drive the topline, strengthen our organisational capabilities and pursue further cost reductions to fund our growth initiatives. Our priority remains to do what is right for the company in the long-term."

Financial overview (excluding restructuring costs)

	Q4 2019	Q4 2018	FY 2019	FY 2018
Like-for-like[1], %	*-4%*	*-7%*	*-8%*	*-4%*
Organic growth, %	*-1%*	*-1%*	*-8%*	*-2%*
Revenue, DKK million	7,956	7,890	21,868	22,806
EBIT margin, %	*35.3%*	*32.0%*	*26.8%*	*28.2%*

[1]Like-for-like is adjusted for Hong Kong SAR in Q3 and Q4 to provide comparable figures

FINANCIAL HIGHLIGHTS – NOTE THAT COMPARISON FIGURES HAVE NOT BEEN RESTATED TO IFRS 16 (FOOTNOTE 1)

DKK million	Q4 2019	Q4 2018[1]	FY 2019	*FY 2018[1]*	*FY 2019 guidance*
Key financial highlights					
Organic growth, %	*-1%*	*-1%*	*-8%*	***-2%***	***-7% to -9%***
Total like-for-like sales out, %[2]	*-4%*	*-7%*	*-8%*	*-4%*	
Revenue growth, local currency, %	*-1%*	*3%*	*-6%*	*3%*	
Gross margin excl. restructuring costs, %	*78.4%*	*73.8%*	*77.4%*	*74.3%*	
EBIT excl. restructuring costs	2,806	2,528	5,854	6,431	
EBIT margin excl. restructuring costs, %	***35.3%***	***32.0%***	***26.8%***	***28.2%***	***26 - 27%***
Operating working capital, % of last 12 months revenue	*3.1%*	*11.2%*	*3.1%*	*11.2%*	
Capital expenditure (CAPEX)	184	324	822	1,129	
Capital expenditure, property, plant and equipment (CAPEX)	143	227	556	753	
Free cash flow incl. IFRS 16	3,052[1]	2,911[1]	6,213[1]	5,558[1]	
Cash conversion incl. IFRS 16, %	*133%*[1]	*115%*[1]	*162%*[1]	*86%*[1]	
Dividend per share, DKK	9.0	9.0	9.0	9.0	
Quarterly dividend per share, DKK	-	-	9.0	9.0	
Earnings per share, basic, DKK	18.0	18.0	30.3	47.2	
Earnings per share, diluted, DKK	18.0	17.9	30.1	47.0	
Ratios					
Effective tax rate, %	*23.5%*	*25.5%*	*23.1%*	*23.4%*	
Equity ratio, %	*24%*	*33%*	*24%*	*33%*	
NIBD to EBITDA, x	1.5[1]	0.8[1]	1.5[1]	0.8[1]	
Return on invested capital (ROIC), %	*27%*[1]	*53%*[1]	*27%*[1]	*53%*[1]	
Total pay-out ratio, %	*34%*	*54%*	*147%*	*104%*	
Other financial highlights					
Consolidated income statement					
Revenue	7,956	7,890	21,868	22,806	
Gross profit	6,032	5,826	15,903	16,942	
Gross margin, %	*75.8%*	*73.8%*	*72.7%*	*74.3%*	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,862[1]	2,813[1]	6,148[1]	7,421[1]	
EBITDA margin, %	*36.0%*[1]	*35.7%*[1]	*28.1%*[1]	*32.5%*[1]	
Operating profit (EBIT)	2,302	2,528	3,829	6,431	
EBIT margin, %	*28.9%*	*32.0%*	*17.5%*	*28.2%*	
Net financials	-27	10	1	151	
Net profit for the period	1,741	1,891	2,945	5,045	
Consolidated balance sheet					
Total assets	21,571[1]	19,244[1]	21,571[1]	19,244[1]	
Invested capital	14,268[1]	12,071[1]	14,268[1]	12,071[1]	
Operating working capital	684	2,555	684	2,555	
Net interest-bearing debt (NIBD)	9,019[1]	5,652[1]	9,019[1]	5,652[1]	
Equity	5,249[1]	6,419[1]	5,249[1]	6,419[1]	

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provides comparison figures according to the old standard.

[2] Like-for-like excluding Hong Kong SAR in Q3 and Q4 2019 due to the extraordinary turmoil in the market.

STRUCTURE OF THE INITIATIVES OF PROGRAMME NOW

Key focus	TURNAROUND *– stabilisation of like-for-like and protecting industry-leading margins*			Long-term health Brand Relevance, Brand Access & Cost Control
Turnaround objectives	Brand Relevance	Brand Access	Cost Reset	
Initiatives	• Brand promise • Marketing • Media • Product development	• Network development • Store experience • eCommerce • Omnichannel	• Cost of sales • Retail expenses • Administrative expenses • IT • Other	• Establish superior consumer insights • Ensure consumer-driven product development strategy • Exploit efficient crafting and world-class distribution • Drive digital strategy towards best-in-class • Create a winning culture • Drive an organisation of passionate people • Turning Cost Reset initiative into cost culture
	Commercial Reset: Reduction of promotional discounting activity, reduced sell-in packs, inventory buyback and product assortment simplification			

Brand Relevance – commercial initiatives improve traffic

The brand relaunch on 29 August 2019 propelled a number of commercial initiatives in Q4 as part of Programme NOW. These included more data-driven marketing content, increased media spend, collaborations and several successful product launches.

Increased media investment led to positive results across key metrics. Unaided advertisement recall, unaided awareness and consumers' engagement with the brand all increased significantly after the brand relaunch. Consumers' engagement measured by social media and google search data show a clear increase in nine out of the 10 markets where investments have been focused.

The product launches and collaborations executed in the second half of 2019 also proved successful, and demonstrated that innovation and product introductions can generate strong demand and consumer response. The Pandora O-Pendant – introduced as part of the Autumn launch (Drop 7) – continues to perform well and has driven complementary charms sales. The Harry Potter collection was launched on 28 November 2019 and is Pandora's fastest-selling collection ever (more than 725,000 units sold within the first month of launch). Pandora Me also generated significant unit growth and attracted new consumers to the brand. All of the product innovations enhance Pandora's distinct product position in the jewellery space based on self-expression and collectability of affordable genuine jewellery. The Charms category performed materially better in Q4 2019 (negative mid single-digit like-for-like decline) compared to the development in recent years.

On 17 December 2019, Carla Liuni was announced as new Chief Marketing Officer at Pandora. Carla Liuni has a unique profile with both FMCG and luxury experience, and she will be key in building a creative and data-driven foundation for Pandora's brand relevance, including the product development process.

Brand Access – new online store yields strong results

The new online store and omni-channel initiatives drove significant online like-for-like growth of 28% in Q4 2019, supported by a highly successful Black Friday trading period. The online stores in the US and UK generated strong double-digit growth while the online sales in China increased by a high single-digit percentage rate.

Additional omni-channel features have been implemented with Online View of Inventory, Endless Aisles ("Go In Store, Buy Online"), BORIS (Buy Online, Return In Store) and Click & Collect introduced in the US and China. The main omni-channel capabilities will be implemented in all seven key markets during 2020.

The pilot of the new physical store concept has been rolled out in 10 stores in the UK, the US, Italy and China. Consumer response is generally positive. Traffic into the new stores is indicatively favourable compared to the previous concept but further evaluation and operational improvements are required before global roll-out.

Pandora has completed the review of the network strategy. Please refer to page 6, "Programme NOW 2020" review.

Cost Reset – cost savings target increased again

The Programme NOW cost reduction programme continues to progress well and delivered savings of an estimated DKK 250 million in Q4 2019. The cost savings in the quarter were higher than targeted and led to total savings of DKK 675 million in 2019. The higher than expected savings predominantly stem from increased efficiency at the crafting facilities in Thailand as well as optimisation of retail expenses. The cost reduction target is increased again from DKK 1.3 billion to DKK 1.4 billion as run-rate by the end of 2020, corresponding to more than 6% of revenue.

Commercial Reset – inventory buyback programme finalised

The inventory buyback programme will be finalised in early 2020. Inventory levels at franchisees are generally at a sustainable level. The number of promotional discounting days was reduced by around 35% in Q4 2019, predominantly in October and November. The like-for-like impact in Q4 is estimated to be slightly negative and smaller than the impact in Q3 2019.

OVERVIEW OF PROGRAMME NOW RESTRUCTURING COSTS

DKK million	Q4 2019 reported	Restructuring costs	Q4 2019 excl. restructuring costs	Q4 2018[1]	FY 2019 reported	Restructuring costs	FY 2019 excl. restructuring costs	FY 2018[1]
Revenue	7,956	-	7,956	7,890	21,868	-	21,868	22,806
Cost of sales	-1,924	-203	-1,721	-2,064	-5,966	-1,016	-4,950	-5,864
Gross profit	**6,032**	**-203**	**6,235**	**5,826**	**15,903**	**-1,016**	**16,919**	**16,942**
Sales and distribution expenses	-1,881	-21	-1,860	-1,846	-6,457	-198	-6,259	-6,080
Marketing expenses	-1,052	-67	-985	-772	-2,847	-151	-2,696	-2,142
Administrative expenses	-797	-212	-585	-680	-2,770	-660	-2,110	-2,289
Operating profit (EBIT)	**2,302**	**-503**	**2,806**	**2,528**	**3,829**	**-2,025**	**5,854**	**6,431**

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provide comparison figures according to the old standard.

Programme NOW in 2020

Pandora enters 2020 with solid momentum on the Programme NOW initiatives. In 2020, the programme will be dual focused on exploiting the strong momentum of current initiatives as well as developing and executing new initiatives and concepts. Additionally, Pandora will continue to upgrade capabilities and execution power in a number of key functions.

Brand Relevance

Pandora will further enhance the brand equity by accelerating brand relaunch activities rooted in the new tagline "Something about you". Initiatives include further increase of media spending with tested and benchmarked content, and an increased number of brand collaborations including partnerships with celebrities, influencers and other organisations and brands – not least through re-activation of the most successful collaborations initiated in 2019. Other traffic-boosting marketing investments will be increased to a long-term supportive level to further strengthen the brand's appeal and relevance in the market.

Pandora will transform its data and analytics driven digital marketing model – driving consumer segmentation for optimal media targeting, disciplined re-targeting of visiting consumers, and roll-out of a global and digital loyalty programme.

In 2020, the structure of the product launches will be changed to strengthen consistency of Pandora's marketing messages and focus both on newness (launch of 450 new design variations) and the successful existing products across the portfolio. Consequently, Pandora will not structure its launches into drops, but will instead execute a consistent quarterly theme under which merchandising, marketing and product launches will be tailored and adopted to. All themes will be founded in "Something about you" with focus on self-expression and collectability.

The Q1 2020 theme is "Love and Commitment" with the trading around Valentine's day being particularly important. 134 new design variations will be launched throughout the quarter with 76 design variations already launched in January 2020. The January newness includes 12 different birthstone rings and new Chinese zodiac charms.

In parallel with the main product themes, Pandora is also celebrating the 20 year anniversary of the Pandora Moments platform by relaunching iconic and limited edition vintage charms engraved with "20 years" and the SKU number. In January 2020, the strawberry charm – the first charm ever created for the Moments platform – was relaunched.

Brand Access

Under the Brand Access objective, Pandora has reviewed the network strategy and essentially confirms the direction previously communicated. To enable the direction, Pandora will upgrade the internal network management capabilities and significantly invest to drive the online performance. To step-change the progress, a new Digital Hub is being established in Copenhagen where up to 80 additional digital and IT experts will be added to the team. The ambition is to significantly improve the digital experience on pandora.net and enable a stronger link to the physical concept stores through seamless omni-channel features. Pandora will also expand opportunistically to online market-places contingent on three fundamental requirements - 1) seamless brand shopping experience, 2) reasonable pricing mechanism and 3) consumer-data available for Pandora.

Pandora will continue opening new concept stores or other store formats in white space areas (mainly Latin America and China), and will adopt a more rigorous and systematic approach to its network management as part of the new network strategy. This will expectedly lead to more store closures and relocations than in the past.

Pandora will also strategically seek opportunities in the multi-brand channel to recruit new customers and improve top of mind awareness and brand penetration. Expansion will be made into high-quality brand supporting channels only. It will not necessarily lead to an increase in the number of multi-brand accounts, but rather in the quality of them.

From a store ownership perspective, Pandora will continue leveraging franchise partnerships as they remain an important part of the business model. Pandora will consider the ownership structure continuously with different strategies per market based on performance, operational set-up, competencies and potential scale to operate own stores.

Cost Reset and Commercial Reset

Cost reductions in 2020 will be executed largely by pursuing more complex cost levers than in 2019 through more cross value chain efforts with complexity reduction and operating model adjustments.

The Commercial Reset initiative is approaching conclusion as a global initiative. Inventory levels are considered healthy following the completion of a wholesale inventory buyback in the US in early 2020. During 2020, a further reduction of promotional discounting activity will be implemented. This will complete the Commercial Reset initiative that creates a healthier foundation for the company.

CLEAR GROWTH IMPROVEMENT IN Q4 2019

Following the brand relaunch in August, Pandora's performance improved in Q4 2019 to a like-for-like of -4% (excluding Hong Kong SAR). The media investments have been a key driver of the improvement with the most pronounced positive effect in the mature European markets. Italy and France have both developed from negative double-digit growth rates in Q1 2019 to positive growth in Q4 2019 – a significant change in trajectory. Germany also generated positive like-for-like in Q4 2019 and the like-for-like in the US and UK improved materially. The group performance was negatively impacted by disappointing development in China.

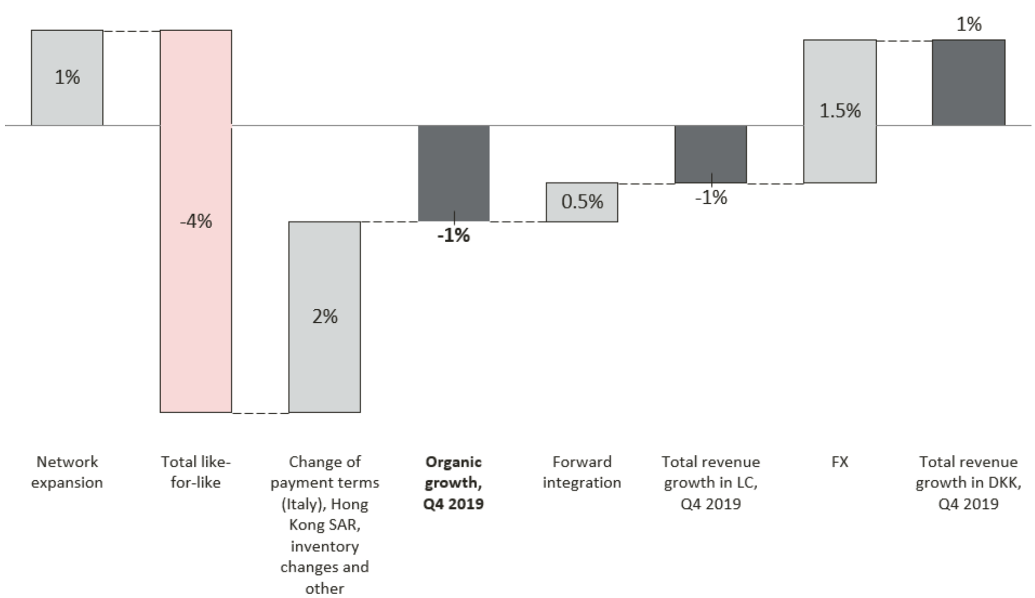
The commercial initiatives were founded in a solid string of product launches combined with increased focus on affordability, collectability and self-expression. The top-performers of Drop 7 (such as the O-Pendant) continued to perform well in Q4 of 2019 and Pandora ME (Drop 8) and the Christmas launch (Drop 9) including Harry Potter were also successful. The commercial initiatives led to a revenue increase in the Charms product category (with like-for-like improving to -6%) and 9% like-for-like growth in the Necklaces & Pendants category driven by the O-Pendant.

Organic growth was -1% in Q4 2019 positively impacted by higher sell-in to Italy following a change of payment terms and revenue shifting from Q3 to Q4, as previously communicated. Store network expansion impacted organic growth by 1pp.

During the quarter, Pandora experienced supply constraints originating from a change of production setup of plated products at the crafting facility in Thailand. Combined with peak demand throughout the Q4 season this led to some product constraints across markets, particularly in the UK and Australia. The supply constraint had some but not material negative impact on group like-for-like.

REVENUE GROWTH COMPOSITION

DKK million, %-p growth (approximately)



REVIEW OF REVENUE BY CHANNEL

Pandora-owned retail revenue increased by 4% in local currency and thereby comprised 66% of the revenue. The growth is a result of flat retail like-for-like (0%) and additions from network expansion and forward integration (including run-rate impact from 2018 expansions). Like-for-like in the online stores contributed positively with +28% like-for-like. Online store revenue comprised 16% of the total revenue in the quarter – the highest share of business ever.

In 2019, the organic growth in the wholesale channel was 8pp below like-for-like mainly due to the deliberate reduction of inventory among wholesale partners.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q4 2019	Q4 2018	*Like-for-like sales-out*[1,2]	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**5,216**	**4,930**	***0%***	***2%***	***4%***	***66%***
- of which concept stores	*3,644*	*3,708*		*-4%*	*-3%*	*46%*
- of which online stores	*1,307*	*1,019*		*25%*	*25%*	*16%*
- of which other points of sale	*264*	*203*		*4%*	*27%*	*3%*
Wholesale	**2,480**	**2,669**	***-10%***	***-7%***	***-9%***	***31%***
- of which concept stores	*1,434*	*1,614*		*-11%*	*-13%*	*18%*
- of which other points of sale	*1,046*	*1,055*		*-2%*	*-2%*	*13%*
Third-party distribution	**261**	**291**	***-10%***	***-7%***	***-12%***	***3%***
Total revenue	**7,956**	**7,890**	***-4%***	***-1%***	***-1%***	***100%***

[1] Like-for-like for wholesale and third-party distribution is based on consolidated estimation
[2] Total like-for-like excluding Hong Kong SAR in Q3 and Q4 of 2019

2019 REVENUE DEVELOPMENT BY CHANNEL

DKK million	FY 2019	FY 2018	*Like-for-like sales-out*[1,2]	*Organic Growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**14,181**	**12,895**	***-5%***	***2%***	***8%***	***65%***
- of which concept stores	*10,619*	*9,965*		*-2%*	*5%*	*49%*
- of which online stores	*2,782*	*2,304*		*18%*	*18%*	*13%*
- of which other points of sale	*780*	*626*		*2%*	*22%*	*4%*
Wholesale	**6,725**	**8,633**	***-12%***	***-20%***	***-24%***	***31%***
- of which concept stores	*3,843*	*5,010*		*-18%*	*-25%*	*18%*
- of which other points of sale	*2,882*	*3,623*		*-22%*	*-22%*	*13%*
Third-party distribution	**962**	**1,278**	***-12%***	***-20%***	***-26%***	***4%***
Total revenue	**21,868**	**22,806**	***-8%***	***-8%***	***-6%***	***100%***

[1] Like-for-like for wholesale and third-party distribution is based on consolidated estimation
[2] Total like-for-like excluding Hong Kong SAR in Q3 and Q4 of 2019

REVIEW OF NETWORK DEVELOPMENT

The number of concept stores increased by 49 in Q4 2019 of which approximately half are franchise concept store openings. The majority of the store openings occurred in Latin America. Pandora has opened net 65 stores in 2019.

Number of points of sale	Q4 2019	Q3 2019	Q4 2018	Growth Q4 2019 /Q3 2019	Growth Q4 2019 /Q4 2018
Concept stores	**2,770**	**2,721**	**2,705**	**49**	**65**
- of which Pandora owned	1,397	1,379	1,340	18	57
- of which franchise owned	856	833	849	23	7
- of which third-party distribution	517	509	516	8	1
Other points of sale	**4,657**	**4,729**	**5,023**	**-72**	**-366**

REVIEW OF REVENUE BY KEY MARKETS

In the US market, Pandora delivered a sequential improvement in like-for-like to -3% in Q4 2019 compared with -9% in Q3 2019. The improvement is based on strong Black Friday performance and a solid finish to December trading. The Q4 sequential improvement was driven by performance in the physical stores as online growth was double-digit and similar to Q3 2019. The conversion rate in the physical stores improved in the quarter driven by increased focus on affordability and strong product performance of the O-Pendant, Harry Potter and Timeless Elegance (part of Drop 9).

Pandora’s revenue in the UK market grew by 2% in local currency in Q4 2019, based on like-for-like of -3%. The sequential performance improvement was driven by strong double-digit online growth following a successful Black Friday trading period. The media investments in the UK focusing on self-expression and collectability strengthened the Charms category which performed materially better than in the first three quarters. Product constraints had a negative impact on the UK business in the quarter, also skewing the performance from offline to online.

The performance in the Chinese market is not satisfactory and continued to deteriorate in Q4 2019. China comprised only 5% of group revenue in the quarter. Traffic into physical stores declined by double-digit rates only partly offset by increased traffic online. Pandora’s brand position in China appears to be significantly fashion-driven. This is considered to be a partial explanation to the Chinese consumers’ lack of response to the brand relaunch initiatives, which are focused on emotion rather than fashion. Additionally, the competitive landscape for affordable jewellery is under pressure from aggressive promotional behaviour by high-end fashion brands in the large trading periods, mainly Single’s Day (11 November) in Q4.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	Q4 2019	Q4 2018	*Like-for-like sales-out*[1]	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	1,295	1,217	*-3%*	*2%*	*2%*	*16%*
Italy	854	716	*7%*	*17%*	*19%*	*11%*
France	494	486	*3%*	*2%*	*2%*	*6%*
Germany	390	390	*2%*	*0%*	*0%*	*5%*
US	1,792	1,818	*-3%*	*-4%*	*-4%*	*23%*
Australia	439	498	*-14%*	*-11%*	*-10%*	*6%*
China	424	511	*-22%*	*-18%*	*-18%*	*5%*
Total top-7 markets	**5,688**	**5,636**	**-**	-	-	***71%***
Total revenue	**7,956**	**7,890**	***-4%***	***-1%***	***-1%***	***100%***

[1] Total like-for-like excluding Hong Kong SAR in Q3 and Q4 of 2019

2019 REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	FY 2019	FY 2018	*Like-for-like sales-out*[1]	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	2,861	2,746	*-7%*	*-3%*	*2%*	*13%*
Italy	2,272	2,461	*-7%*	*-9%*	*-8%*	*10%*
France	1,169	1,253	*-11%*	*-8%*	*-7%*	*5%*
Germany	963	1,041	*-5%*	*-8%*	*-8%*	*4%*
US	4,677	4,880	*-5%*	*-10%*	*-9%*	*21%*
Australia	1,118	1,361	*-17%*	*-18%*	*-16%*	*5%*
China	1,970	1,969	*-11%*	*-1%*	*-1%*	*9%*
Total top-7 markets	**15,030**	**15,711**		-	-	***69%***
Total revenue	**21,868**	**22,806**	***-8%***	***-8%***	***-6%***	***100%***

[1] Total like-for-like excluding Hong Kong SAR in Q3 and Q4 of 2019

Revenue split by region is provided in Note 3, Segment information and by product category in Note 4, Revenue from contracts with customers of the Interim Financial Statements.

PANDORA

PROFITABILITY

STRONG PROFITABILITY LEADING TO INCREASE IN EBIT FOR THE FIRST TIME SINCE Q3 2017

In Q4 2019, the EBIT margin excluding restructuring costs was 35.3% corresponding to an increase of 3.3pp compared with Q4 2018. The profitability increase led to an increase in EBIT of 11% to DKK 2,806 million excluding restructuring costs.

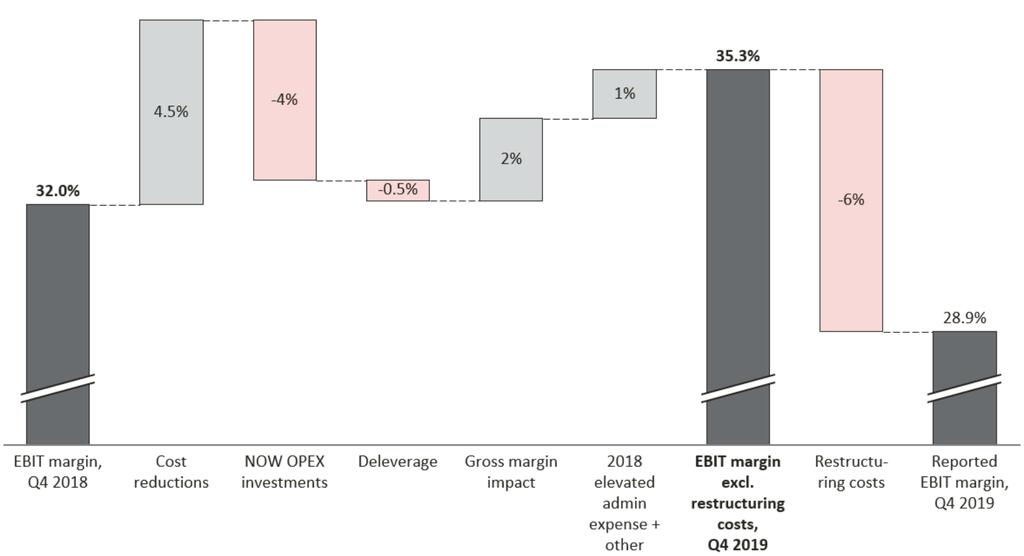
The positive margin development was driven by a gross margin improvement, partly a result of Programme NOW cost reductions (part of "Cost reductions" in the chart below) but also due to improved manufacturing efficiency in Thailand following headwind in the second half of 2018 ("Gross margin impact" in the chart below). Cost reductions in the quarter amounted to approximately DKK 350 million partly coming from the cost savings announced in the Q2 2018 Interim Financial Report (DKK 100 million) and partly coming from Programme NOW (DKK 250 million). The cost savings had a positive impact on the EBIT margin of around 4.5pp.

The deleverage impact on the EBIT margin was negligible in the quarter as the negative impact from like-for-like was roughly offset by the additional sell-in stemming from the shift in revenue between Q3 2019 and Q4 2019 in Italy.

Restructuring costs amounted to DKK 503 million in the quarter of which DKK 203 million impacted cost of sales and DKK 300 million impacted operating expenses.

EBIT-MARGIN DEVELOPMENT

%-p growth (approximately)



From 1 January 2019, Pandora adopted the new accounting standard IFRS 16, which changes the accounting for operational leasing contracts. Consequently, Pandora recognises most leasing contracts as right-of-use assets in the balance sheet as well as the corresponding lease liability. The impact on EBIT is immaterial. At the end of Q4 2019, right-of-use assets was DKK 4.0 billion and lease liabilities amounted to DKK 3.8 billion.

CONTINUED STRONG GROSS MARGIN DRIVING EBIT MARGIN IMPROVEMENT

In Q4 2019, the gross margin excluding restructuring costs ended at 78.4% and at a similar level to the record high gross margin in Q3 2019. Compared to Q4 2018, the gross margin increased by 4.6pp driven by strong progress on the cost programme, good productivity at the crafting facilities in Thailand, limited impact from write-off of acquired inventories as well as continued higher share of retail revenue. The gross profit excluding restructuring costs in Q4 2019 was DKK 6,235 million (DKK 5,826 million in Q4 2018).

Cost of sales restructuring costs amounted to DKK 203 million in Q4 2019 mainly related to the inventory buyback and the product assortment simplification. The cash effect for part of the inventory buyback is still outstanding and will be realised in early 2020.

COST OF SALES AND GROSS PROFIT

DKK million	Q4 2019	Q4 2018	*Growth*	*Share of revenue Q4 2019*	*Share of revenue Q4 2018*	FY 2019	FY 2018	*Growth*	*Share of revenue FY 2019*	*Share of revenue FY 2018*
Revenue	7,956	7,890	*1%*	*100.0%*	*100.0%*	21,868	22,806	*-4%*	*100.0%*	*100.0%*
Cost of sales	-1,721	-2,064	*-17%*	*21.6%*	*26.2%*	-4,950	-5,864	*-16%*	*22.6%*	*25.7%*
Gross profit excl. restructuring costs	**6,235**	**5,826**	***7%***	***78.4%***	***73.8%***	**16,919**	**16,942**	**-**	***77.4%***	***74.3%***
Restructuring costs	-203	-	-	*2.6%*	-	-1,016	-	-	*4.6%*	-
Total gross profit incl. restructuring costs	**6,032**	**5,826**	***4%***	***75.8%***	***73.8%***	**15,903**	**16,942**	***-6%***	***72.7%***	***74.3%***

OPERATING EXPENSES

Total operating expenses excluding restructuring costs increased by 4% to DKK 3,430 million as a result of additional marketing investments. Administrative expenses decreased by 14% driven mainly by non-recurring costs incurred in Q4 2018. Sales and distribution expenses increased by 1% impacted by store openings and partly offset by Programme NOW cost reductions.

OPEX restructuring costs amounted to DKK 300 million and included among others consultancy fees and costs related to Programme NOW cost savings.

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q4 2019	Q4 2018	*Growth*	*Share of revenue Q4 2019*	*Share of revenue Q4 2018*	FY 2019	FY 2018	*Growth*	*Share of revenue FY 2019*	*Share of revenue FY 2018*
Sales and distribution expenses	-1,860	-1,846	*1%*	*23.4%*	*23.4%*	-6,259	-6,080	*3%*	*28.6%*	*26.7%*
Marketing expenses	-985	-772	*28%*	*12.4%*	*9.8%*	-2,696	-2,142	*26%*	*12.3%*	*9.4%*
Administrative expenses	-585	-680	*-14%*	*7.4%*	*8.6%*	-2,110	-2,289	*-8%*	*9.6%*	*10.0%*
Total operating expenses excl. restructuring costs	**-3,430**	**-3,298**	***4%***	***43.1%***	***41.8%***	**-11,065**	**-10,511**	***5%***	***50.6%***	***46.1%***
Restructuring costs	-300	-	-	*3.8%*	-	-1,009	-	-	*4.6%*	-
Total operating expenses incl. restructuring costs	**-3,730**	**-3,298**	***13%***	***46.9%***	***41.8%***	**-12,074**	**-10,511**	***15%***	***55.2%***	***46.1%***

CONTINUED SIGNIFICANT CASH FLOW GENERATION

Cash conversion continued to be strong in Q4 at 133% (120% excluding IFRS 16) and the full year cash conversion ended at 162% (133% excluding IFRS 16). The strong cash conversion is driven by a very efficient CAPEX level and material and continued extraordinary improvements in working capital levels. The operating working capital ended at an extraordinary low level – 3.1% of revenue – and both trade payables and inventories were at levels which are not sustainable going forward. The inventory level ended lower than targeted following product supply constraints. Trade payables were elevated by restructuring costs (incl. the inventory buyback programme) where majority of cash is paid in early 2020.

The very low working capital level by the end of 2019 will constitute a drag on Pandora's cash generation in 2020 as inventories are expected to increase and trade payables expected to decrease.

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

Share of preceding 12 months' revenue	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Inventories	9.8%	13.0%	11.7%	13.9%	13.8%
Trade receivables	7.5%	5.8%	5.0%	5.6%	7.2%
Trade payables	-14.2%	-10.2%	-7.3%	-7.4%	-9.9%
Total	**3.1%**	**8.6%**	**9.4%**	**12.1%**	**11.2%**

In connection with the Annual Report 2018, Pandora announced its intention to repurchase own shares of up to DKK 2.2 billion through a share buyback programme. In 2019, a total of 6,645,636 shares have been bought back, corresponding to a transaction value of DKK 1.8 billion. The purpose of the programme is to reduce Pandora's share capital.

Total assets amounted to DKK 21.6 billion by the end of Q4 2019 compared to DKK 19.2 billion at the end of Q4 2018. Right-of-use assets amounted to DKK 4.0 billion implemented as per 1 January 2019 in accordance with IFRS 16. Further information regarding the implementation of IFRS 16 is available in Note 1 and Note 11.

As announced in the Annual Report 2018, Pandora has revisited the capital structure policy due to the implementation of the IFRS 16 accounting standard and adjusted the target for NIBD to be between 0.5 and 1.5 times EBITDA. At the end of Q4 2019, NIBD was DKK 9.0 billion corresponding to a NIBD to EBITDA ratio of 1.1 excluding restructuring costs.

2020 FINANCIAL GUIDANCE

In 2019, Pandora delivered the first encouraging results of the turnaround programme, Programme NOW. 2020 will be the second year of the programme where Pandora will continue executing on the comprehensive turnaround initiatives. The results confirm the strategic direction of the programme but - inherently as part of a comprehensive turnaround - performance is expected to be volatile.

In 2020, Pandora expects to improve the growth momentum compared to 2019. The main objective is to improve the top-line growth. In order to do this, Pandora will invest as required while at the same time taking further steps to create a healthier foundation for long-term success.

The financial guidance does not include any impact from the coronavirus in China. In recent weeks, the coronavirus has led to an unprecedented decline in consumer traffic in China and Hong Kong. Due to the unpredictable nature of the situation, the full-year impact cannot be reasonably estimated at this point in time. In 2019, China and Hong Kong combined accounted for 10% of revenue.

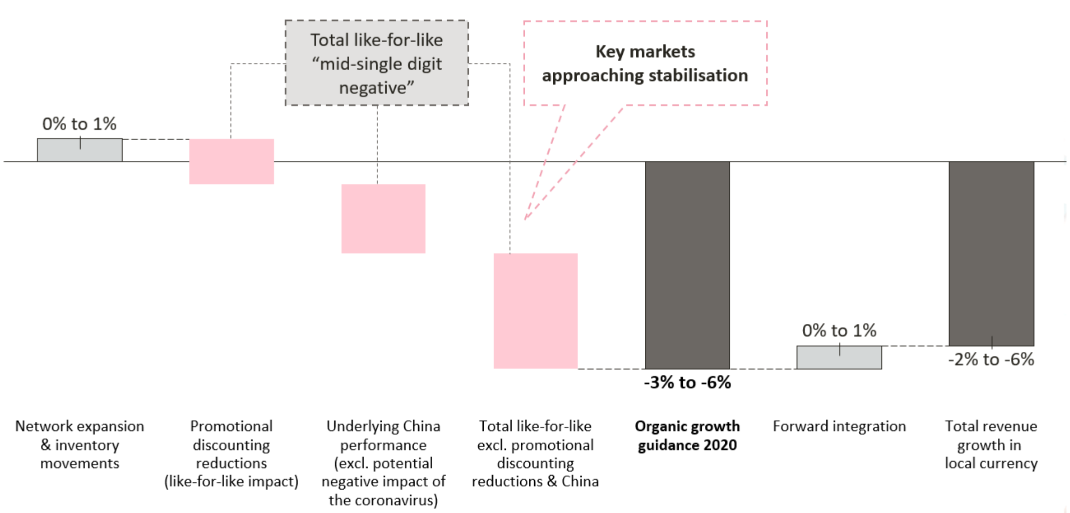
REVENUE GUIDANCE

Like-for-like is expected to be negative mid single-digit. The like-for-like is primarily driven by a further reduction of the promotional discounting activity and continued underlying weak performance in China (excluding additional negative impact from the coronavirus). An underlying improvement in most other markets is expected and - over the course of the year - some markets are expected to approach stabilisation.

Net store openings and net inventory changes in the wholesale channel are estimated to have negligible to slightly positive impact on revenue in 2020. The organic growth is consequently expected to be -3 to -6%, roughly in line with like-for-like.

2020 REVENUE GROWTH GUIDANCE

%-points, approximations



PANDORA

PROFITABILITY GUIDANCE

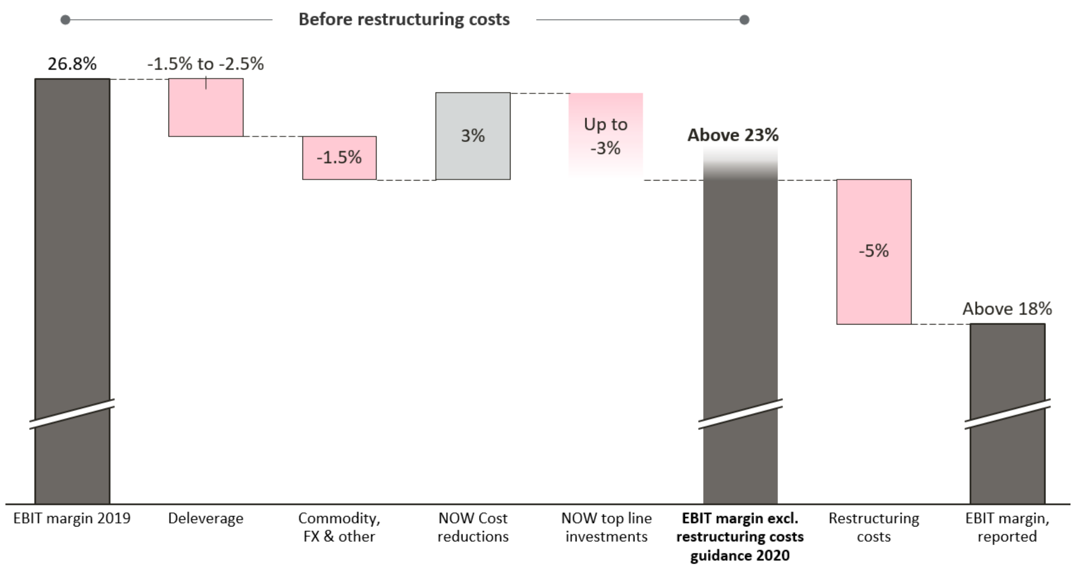
As previously communicated, the 2020 EBIT margin before restructuring costs is expected to decrease compared to 2019.

In 2020, the EBIT margin is expected to be above 23%, negatively impacted by higher raw material prices, a stronger THB against DKK and a deliberate decision to increase the investment level to drive the top-line. The continued cost reduction initiatives will impact the margin positively by 3pp while deleverage is expected to impact the margin negatively by 1.5 to 2.5pp based on negative mid single-digit like-for-like.

The quarterly phasing of the EBIT development is expected to be in line with 2019 with Q4 being by far the most profitable quarter of the year.

2020 EBIT MARGIN GUIDANCE

%-points, approximations



2020 FINANCIAL GUIDANCE – OVERVIEW AND OTHER PARAMETERS

	2020 guidance
Organic revenue growth, %	**-3% to -6%**
EBIT margin excl. restructuring costs	**Above 23%**

The restructuring costs related to Programme NOW are expected to amount to around DKK 1.1 billion compared to initial expectations of up to DKK 1 billion. The increase is mainly related to the expanded scope of the cost reset initiative under Programme NOW. The restructuring costs predominantly relate to consultancy costs and costs of implementing cost reduction initiatives such as the IT transformation and manufacturing efficiencies.

The number of concept stores is expected to be roughly stable in 2020. Pandora will be opening new concept stores or other store formats in white space areas (mainly Latin America and China) while at the same time closing stores with low profit margins and stores with a high expected cannibalisation on nearby stores.

The effective tax rate in 2020 is expected to be 22-23%. Assuming current exchange rates versus the Danish kroner, growth reported in DKK is expected to be 0-1pp higher than in local currency.

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

In 2020, Pandora will continue to generate solid positive cash flow. CAPEX for the year is expected to be in the range of DKK 1.0-1.2 billion. This includes investments in Pandora's physical stores, IT and continued optimisation of the crafting facilities in Thailand.

As a consequence of the expected cash generation and Pandora's capital structure policy, Pandora aims to distribute around DKK 3 billion to shareholders through dividend and share buybacks – even in a year with significant non-recurring restructuring costs. In order to accelerate the build-up of the future dividend capacity per share, Pandora will allocate a relatively larger share of the cash distribution towards share buybacks. The ordinary dividend of DKK 9 per share is maintained leaving around DKK 2.1 billion for share buybacks.

During 2020, the leverage is expected to temporarily exceed the threshold of the capital structure policy given the restructuring costs incurred and the inherent back-end loaded cash generation of Pandora.

MID-TERM FINANCIAL ASPIRATIONS

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.

FX ASSUMPTIONS AND IMPLICATIONS

	Average 2019	February 3, 2020	
	FX Rates	FX Rates	2020 Y-Y financial impact
USD/DKK	6.669	6.753	
THB/DKK	0.215	0.218	
GBP/DKK	8.517	8.815	
CNY/DKK	0.966	0.962	
AUD/DKK	4.636	4.523	
REVENUE (DKKm)			~ 125
EBIT (DKKm)			~ -150
EBIT margin			-0.8pp

OTHER IMPORTANT EVENTS IN Q4 2019 AND AFTER THE REPORTING PERIOD

On January 27, Pandora announced the establishment of a new Digital Hub employing around 80 employees in 2020. The dedicated group will be based at its Copenhagen headquarters to boost digital presence, omnichannel expertise and use of data. At the Digital Hub, employees will be tasked with the rapid evolution of Pandora's digital customer experience and driving sales through digital channels. The group will also strengthen Pandora's abilities to capture, analyse and apply customer data to enable better personalisation of the customer experience.

The outbreak of the coronavirus during January 2020 has led to forced closure of multiple stores in China and also led to unprecedented decline in consumer traffic in other stores. Revenue from Chinese consumers in other markets are also expected to be impacted. Due to the unpredictable nature of the situation, the full-year impact cannot be reasonably estimated at this point in time.

FINANCIAL CALENDAR 2020

This financial calendar below lists the expected dates of publication of financial announcements and the Annual General Meeting in the 2020 financial year for Pandora A/S.

11 March 2020	Annual General Meeting
05 May 2020	Interim Financial Report for the first quarter 2020
18 August 2020	Interim Financial Report for the second quarter/first six months 2020
03 November 2020	Interim Financial Report for the third quarter/first nine months 2020

2019 DEVELOPMENT

Total revenue for 2019 was DKK 21,868 million compared with DKK 22,806 million in 2018. Like-for-like was -8% in 2019 following improved performance in Q4 2019. Organic growth was -8% positively impacted by store openings and negatively impacted by inventory reduction among wholesale partners. Revenue for 2019 also included a positive net impact related to the acquisition of franchise concept stores and distributors.

Revenue from Pandora owned retail was DKK 14,181 million in 2019 and represented 65% of Group revenue. This was an increase of 8% in local currency based on like-for-like of -5%. Revenue from Pandora online stores increased by 18% in local currency following strong growth in Q4 2019. Wholesale like-for-like declined 12% in 2019.

Cost of sales and gross profit

Gross profit excluding restructuring costs in 2019 was DKK 16,919 million (DKK 16,942 million in 2018) corresponding to a gross margin of 77.4% compared with 74.3% in 2018. The gross margin increase was driven by cost reductions implemented as part of Programme NOW and improved production efficiency. Cost of sales excluding restructuring costs was reduced from DKK 5,864 million in 2018, to DKK 4,950 million in 2019.

Operating expenses

Total operating expenses excluding restructuring costs for 2019 were DKK 11,065 million, equivalent to an OPEX ratio of 50.6% compared to 46.1% in 2018. The OPEX increase was driven by deleverage and increased marketing investments.

Sales and distribution expenses increased to DKK 6,259 million in 2019, an increase of 3%. The increase was driven by an increased number of Pandora owned concept stores (1,397 stores in 2019 compared with 1,340 stores in 2018) from net store openings and forward integration.

Marketing expenses in 2019 were 12.3% of revenue, compared with 9.4% in 2018, corresponding to DKK 2,696 million in 2019 and DKK 2,142 million in 2018.

Administrative expenses were 9.6% of revenue in 2019, compared with 10.0% in 2018, and corresponded to DKK 2,110 million in 2019 and DKK 2,289 million in 2018. The decrease is mainly a result of the Cost Reset initiative under Programme NOW.

EBIT

EBIT excluding restructuring costs for 2019 was DKK 5,854 million, corresponding to an EBIT margin of 26.8%. In 2018, EBIT was DKK 6,431 million equivalent to an EBIT margin of 28.2%. The EBIT margin development was positively impacted by the Cost Reset initiative under Programme NOW but more than offset by deleverage and higher marketing investments.

CONFERENCE CALL

A conference call for investors and financial analysts will be held today at 11.00 CEST 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:
DK: +45 35 44 55 77
UK (International): +44 33 33 000 804
US: +1 855 85 70 686

Please use PIN: 536 350 05#

Link to webcast: https://pandora.eventcdn.net/2019fy/

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 7,400 points of sale, including more than 2,700 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs more than 24,000 people worldwide of whom more than 12,000 are located in Thailand, where the Company manufactures its jewellery. Pandora is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2019, Pandora's total revenue was DKK 21.9 billion.

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q4 2019	Q4 2018[1]	FY 2019	FY 2018[1]
Revenue	3,4	7,956	7,890	21,868	22,806
Cost of sales		-1,924	-2,064	-5,966	-5,864
Gross profit		**6,032**	**5,826**	**15,903**	**16,942**
Sales, distribution and marketing expenses		-2,933	-2,618	-9,305	-8,222
Administrative expenses		-797	-680	-2,770	-2,289
Operating profit		**2,302**	**2,528**	**3,829**	**6,431**
Finance income		70	138	351	533
Finance costs		-97	-128	-351	-382
Profit before tax		**2,276**	**2,538**	**3,829**	**6,582**
Income tax expense		-534	-647	-884	-1,537
Net profit for the period		**1,741**	**1,891**	**2,945**	**5,045**
Earnings per share, basic, DKK		18.0	18.0	30.3	47.2
Earnings per share, diluted, DKK		18.0	17.9	30.1	47.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q4 2019	Q4 2018	FY2019	FY 2018[1]
Net profit for the period	**1,741**	**1,891**	**2,945**	**5,045**
Other comprehensive income:				
Items that may be reclassified to profit/loss for the period				
Exchange rate adjustments of investments in subsidiaries	-96	60	226	1
Fair value adjustment of hedging instruments	-12	159	1	56
Tax on other comprehensive income, hedging instruments, income/expense	-24	-35	-27	-12
Items that may be reclassified to profit/loss for the period, net of tax	**-132**	**184**	**200**	**45**
Items not to be reclassified to profit/loss for the period				
Actuarial gain/loss on defined benefit plans, net of tax	-	12	-	12
Items not to be reclassified to profit/loss for the period, net of tax	**-**	**12**	**-**	**12**
Other comprehensive income, net of tax	**-132**	**196**	**200**	**57**
Total comprehensive income for the period	**1,609**	**2,087**	**3,145**	**5,102**

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provide comparison figures according to the old standard

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CONSOLIDATED BALANCE SHEET

DKK million	Notes	2019 31 December	2018 31 December[1]
ASSETS			
Goodwill	10	4,416	4,278
Brand		1,057	1,057
Distribution network		94	124
Distribution rights		1,047	1,047
Other intangible assets		831	1,272
Total intangible assets		**7,445**	**7,778**
Property, plant and equipment		2,585	2,634
Right-of-use assets	11	4,010	-
Deferred tax assets		675	1,050
Other financial assets		290	323
Total non-current assets		**15,006**	**11,785**
Inventories		2,137	3,158
Trade receivables	8	1,643	1,650
Right-of-return assets		73	94
Derivative financial instruments	6,7	187	162
Income tax receivable		467	86
Other receivables		1,004	922
Cash		1,054	1,387
Total current assets		**6,565**	**7,459**
Total assets		**21,571**	**19,244**
EQUITY AND LIABILITIES			
Share capital		100	110
Treasury shares		-1,964	-3,469
Reserves		1,167	967
Dividend proposed		836	920
Retained earnings		5,110	7,891
Total equity		**5,249**	**6,419**
Provisions		278	279
Loans and borrowings	11	7,962	6,421
Deferred tax liabilities		235	461
Other payables		1	172
Total non-current liabilities		**8,476**	**7,333**
Provisions		53	28
Refund liabilities		753	869
Contract liabilities		71	66
Loans and borrowings	11	2,069	248
Derivative financial instruments	6,7	115	83
Trade payables		3,095	2,253
Income tax payable		438	543
Other payables		1,250	1,402
Total current liabilities		**7,846**	**5,492**
Total liabilities		**16,322**	**12,825**
Total equity and liabilities		**21,571**	**19,244**

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provide comparison figures according to the old standard.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging reserve	Dividend proposed	Retained earnings	Total equity
2019							
Equity at 1 January	**110**	**-3,469**	**913**	**54**	**920**	**7,891**	**6,419**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**2,945**	**2,945**
Exchange rate adjustments of investments in subsidiaries	-	-	226	-	-	-	226
Fair value adjustments of hedging instruments	-	-	-	1	-	-	1
Tax on other comprehensive income	-	-	-27	-	-	-	-27
Other comprehensive income, net of tax	**-**	**-**	**199**	**1**	**-**	**-**	**200**
Total comprehensive income for the period	**-**	**-**	**199**	**1**	**-**	**2,945**	**3,145**
Fair value adjustments of obligation to acquire non-controlling interests	-	-	-	-	-	19	19
Share-based payments	-	-	-	-	-	-6	-6
Share-based payments (exercised)	-	13	-	-	-	-13	-
Share-based payments (tax)	-	-	-	-	-	11	11
Purchase of treasury shares	-	-2,583	-	-	-	-	-2,583
Reduction of share capital	-10	4,075	-	-	-	-4,065	-
Dividend paid	-	-	-	-	-1,794	38	-1,756
Dividend proposed	-	-	-	-	1,710	-1,710	-
Equity at 31 December	**100**	**-1,964**	**1,112**	**54**	**836**	**5,110**	**5,249**
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**

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CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q4 2019	Q4 2018[1]	FY 2019	FY 2018[1]
Profit before tax		2,276	2,538	3,829	6,582
Finance income		-70	-138	-351	-533
Finance costs		97	128	351	382
Depreciation and amortisation		560	285	2,319	990
Share-based payments		6	-10	20	-31
Change in inventories		670	638	1,284	-18
Change in receivables		-460	169	-65	224
Change in payables and other liabilities		829	381	808	762
Other non-cash adjustments		-20	160	-20	59
Interest etc. received		9	2	13	4
Interest etc. paid		-43	-11	-178	-58
Income taxes paid		-650	-983	-1,233	-1,739
Cash flows from operating activities, net		**3,204**	**3,159**	**6,775**	**6,624**
Acquisitions of subsidiaries and activities, net of cash acquired	9	-5	-83	-148	-1,071
Purchase of intangible assets		-47	-85	-272	-380
Purchase of property, plant and equipment		-164	-176	-540	-727
Change in other non-current assets		24	-1	66	-23
Proceeds from sale of property, plant and equipment		2	5	18	10
Cash flows from investing activities, net		**-192**	**-340**	**-877**	**-2,191**
Acquisitions of non-controlling interests		-	-	-311	-
Dividend paid		-	-	-1,756	-1,943
Purchase of treasury shares		-600	-1,031	-2,583	-3,289
Proceeds from loans and borrowings		875	902	5,626	4,413
Repayment of loans and borrowings		-2,805	-2,164	-6,088	-3,191
Repayment of lease commitments		-291	-	-1,138	-
Cash flows from financing activities, net		**-2,822**	**-2,293**	**-6,250**	**-4,010**
Net increase/decrease in cash		**191**	**526**	**-352**	**423**
Cash at beginning of period[2]		866	858	1,387	993
Exchange gains/losses on cash		-3	3	19	-29
Net increase/decrease in cash		191	526	-352	423
Cash at end of period[2]		**1,054**	**1,387**	**1,054**	**1,387**
Cash flows from operating activities, net		3,204	3,159	6,775	6,624
- Interests etc. received		-9	-2	-13	-4
- Interests etc. paid		43	11	178	58
Cash flows from investing activities, net		-192	-340	-877	-2,191
- Acquisition of subsidiaries and activities, net of cash acquired		5	83	148	1,071
Free cash flow incl. IFRS 16 (excluding repayment of lease commitments)		**3,052**	**2,911**	**6,213**	**5,558**
Unutilised credit facilities		**3,061**	**1,833**	**3,061**	**1,833**

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provide comparison figures according to the old standard.

[2] Cash comprises cash at bank and in hand.

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

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 2019.

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

Due to rounding, numbers presented throughout this report may not add up precisely to the totals and percentages may not precisely reflect the absolute figures.

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 2019.

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 2019. Except for the implementation of IFRS 16 Leases described below, the implementation of new or amended standards and interpretations has not had any material impact on Pandora's Annual Report in 2019.

IFRS 16 Leases

Pandora has implemented IFRS 16 Leases effective for the annual reporting period beginning 1 January 2019. Pandora has applied the simplified retrospective transition approach without restating comparative figures, which are still presented as previously required by IAS 17 and IFRIC 4.

Pandora has elected to use the following exemptions proposed by the standard:

- Not to reconsider if existing contracts are, or include, a lease
- Not to recognise lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value
- Apply only one discount rate for a group of similar lease assets

Pandora recognises all operating leases – with the few exemptions listed above – on the balance sheet as assets with a corresponding lease liability. The lease liability is equal to the discounted value of all future lease payments. The lease assets, right-of-use assets, corresponds to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

DKK million	Leases
Operating lease commitments as disclosed as at 31 December 2018	3,843
Discounted using the incremental borrowing rate	-345
Short term and low value leases, recognised on a straight line basis as an expense	-10
Lease payments relating to extension options that Pandora is reasonably certain to exercise	915
Lease liabilities reported as of 1 January 2019	**4,403**

Cash flows relating to the lease liability are presented as either interest payments under operating cash flow or repayment of debt under financing cash flow.

When recognising the right-of-use assets as part of the implementation, prepaid or accrued lease payments and key money paid to obtain a lease have been reclassified to the right-of-use asset. The effect on the balance sheet from the implementation is illustrated below.

Table 1.1: Effect from implementation of IFRS 16

DKK million	Reported 31 December 2018	IFRS 16 effect	Restated 1 January 2019
ASSETS			
Non-current assets			
Intangible assets	7,778	-245	7,533
Property, plant and equipment, including right-of-use assets	2,634	4,562	7,196
Other non-current assets	1,373	23	1,396
Total non-current assets	**11,785**	**4,340**	**16,125**
Current assets	7,459	-41	7,418
Total assets	**19,244**	**4,299**	**23,543**
EQUITY AND LIABILITIES			
Total equity	**6,419**	**-**	**6,419**
Non-current liabilities			
Loans and borrowings	6,421	3,322	9,743
Other non-current liabilities	912	-105	807
Total non-current liabilities	**7,333**	**3,217**	**10,550**
Current liabilities			
Loans and borrowings	248	1,082	1,330
Other current liabilities	5,244	-	5,244
Total current liabilities	**5,492**	**1,082**	**6,574**
Total equity and liabilities	**19,244**	**4,299**	**23,543**

Impact on reported key figures and comparison to previous reporting

Below is a short overview of the results for the period had the new leasing standard not been implemented as of 1 January 2019.

CONSOLIDATED INCOME STATEMENT

DKK million	Q4 2019 reported	Q4 2019 Acc. IAS 17	FY 2019 reported	FY 2019 Acc. IAS 17
Revenue	7,956	7,956	21,868	21,868
Cost of sales	-1,924	-1,924	-5,966	-5,966
Gross profit	**6,032**	**6,032**	**15,903**	**15,903**
Sales, distribution and marketing expenses	-2.933	-2,948	-9,305	-9,362
Administrative expenses	-797	-798	-2,770	-2,775
Operating profit	**2,302**	**2,286**	**3,829**	**3,766**
Finance income	70	70	351	350
Finance costs	-97	-71	-351	-245
Profit before tax	**2,276**	**2,285**	**3,829**	**3,871**
Income tax expense	-534	-534	-884	-884
Net profit for the period	**1,741**	**1,751**	**2,945**	**2,987**
Depreciation on right-of-use assets	-288	-	-1,125	-
EBITDA	2,862	2,559	6,148	4,960
EBITDA margin, %	36.0%	32.2%	28.1%	22.7%
EBIT	2,302	2,286	3,829	3,766
EBIT margin, %	28.9%	28.7%	17.5%	17.2%
Repayment of lease commitments	-291	-	-1,138	-
Free cash flow, adjusted for repayment of lease commitments	3,052	2,760	6,213	5,075
Invested capital	14,268	10,224	14,268	10,224
Return on invested capital (ROIC), %	27%	37%	27%	37%
Net interest-bearing debt (NIBD)	9,019	5,202	9,019	5,202
NIBD/EBITDA, x	1.5	1.0	1.5	1.0

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 2019. Refer to the descriptions in the individual notes to the consolidated financial statement in the Annual Report 2019.

NOTE 3 – Segment information

Pandora's activities are segmented on the basis of geographical areas consistent with the management reporting structure.

The operating activities of the Group are divided into three operating segments: EMEA, Americas and Asia Pacific, each segment represented by its own segment president on the Management Board. All three operating segments comprise wholesale, retail and e-commerce business activities relating to the distribution and sale of Pandora products.

All segments derive their revenue from the types of products shown in the product information. For information on revenue from the different products and sales channels reference is made to note 4.

As announced in the Annual Report 2018, the Group has chosen to measure performance going forward (from 1 January 2019) based on EBIT rather than EBITDA. 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 EBIT, corresponding to 'operating profit' in the consolidated financial statements after depreciation, amortisation and impairment losses in respect of non-current assets.

The Programme NOW restructuring costs of DKK 503 million in Q4 2019 mainly consist of Brand restructuring costs DKK 0.1 billion, Inventory buyback DKK 0.1 billion (writedown to remelt value of products bought back), product assortment simplification (product writedown to remelt value) DKK 0.1 billion and consultancy expenses DKK 0.1 billion. Further details on the restructuring costs are provided in the section "Update on Programme NOW". As Programme NOW restructuring costs cannot be meaningfully allocated to the segments, the segment performance is measured and reported excluding restructuring costs. Segment information is recognised and measured in accordance with IFRS.

SEGMENT INFORMATION

DKK million	EMEA	Americas	Asia Pacific	Group
Q4 2019				
Total revenue	4,211	2,539	1,207	7,956
Segment profit (EBIT) excl. restructuring costs	**1,656**	**869**	**281**	**2,806**
Segment profit margin (EBIT margin) excl. restructuring costs	***39.3%***	***34.2%***	***23.3%***	***35.3%***
Restructuring costs				-503
Consolidated operating profit (EBIT)				**2,302**
Operating profit margin (EBIT margin)				***28.9%***
Q4 2018				
Total revenue	4,039	2,490	1,361	7,890
Segment profit (EBIT) excl. restructuring costs	**1,439**	**704**	**385**	**2,528**
Segment profit margin (EBIT margin) excl. restructuring costs	***35.6%***	***28.3%***	***28.3%***	***32.0%***
Restructuring costs				-
Consolidated operating profit (EBIT)				**2,528**
Operating profit margin (EBIT margin)				***32.0%***
FY 2019				
Total revenue	10,740	6,772	4,356	21,868
Segment profit (EBIT) excl. restructuring costs	**3,093**	**1,858**	**903**	**5,854**
Segment profit margin (EBIT margin) excl. restructuring costs	***28.8%***	***27.4%***	***20.7%***	***26.8%***
Restructuring costs				-2,025
Consolidated operating profit (EBIT)				**3,829**
Operating profit margin (EBIT margin)				***17.5%***
FY 2018				
Total revenue	11,190	6,807	4,809	22,806
Segment profit (EBIT) excl. restructuring costs	**3,235**	**1,785**	**1,411**	**6,431**
Segment profit margin (EBIT margin) excl. restructuring costs	***28.9%***	***26.2%***	***29.3%***	***28.2%***
Restructuring costs				-
Consolidated operating profit (EBIT)				**6,431**
Operating profit margin (EBIT margin)				***28.2%***

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q4 2019	Q4 2018	*Growth in local currency*	FY 2019	FY 2018	*Growth in local currency*
UK	1,295	1,217	*2%*	2,861	2,746	*2%*
Italy	854	716	*19%*	2,272	2,461	*-8%*
France	494	486	*2%*	1,169	1,253	*-7%*
Germany	390	390	*0%*	963	1,041	*-8%*
US	1,792	1,818	*-4%*	4,677	4,880	*-9%*
Australia	439	498	*-10%*	1,118	1,361	*-16%*
China	424	511	*-18%*	1,970	1,969	*-1%*

NOTE 4 – Revenue from contracts with customers

REVENUE BY CHANNEL

DKK million	Q4 2019	Q4 2018	*Growth in local currency*	FY 2019	FY 2018	*Growth in local currency*
Pandora owned retail*	5,216	4,930	*4%*	14,181	12,895	*8%*
Wholesale	2,480	2,669	*-9%*	6,725	8,633	*-24%*
Third-party distribution	261	291	*-12%*	962	1,278	*-26%*
Total revenue	**7,956**	**7,890**	***-1%***	**21,868**	**22,806**	***-6%***

*Including revenue from Pandora online stores

REVENUE BY REGION

DKK million	Q4 2019	Q4 2018	*Growth in local currency*	FY 2019	FY 2018	*Growth in local currency*
EMEA	4,211	4,039	*3%*	10,740	11,190	*-4%*
Americas	2,539	2,490	*-1%*	6,772	6,807	*-5%*
Asia Pacific	1,207	1,361	*-12%*	4,356	4,809	*-11%*
Total revenue	**7,956**	**7,890**	***-1%***	**21,868**	**22,806**	***-6%***

REVENUE BY PRODUCT CATEGORY

DKK million	Q4 2019	Q4 2018	*Growth in local currency*	FY 2019	FY 2018	*Growth in local currency*
Charms	4,095	4,081	*-1%*	11,395	12,126	*-8%*
Bracelets	1,554	1,584	*-3%*	4,216	4,393	*-6%*
Rings	1,125	1,078	*3%*	3,113	3,168	*-4%*
Earrings	563	573	*-3%*	1,487	1,486	*-1%*
Necklaces & Pendants	620	574	*7%*	1,658	1,633	-
Total revenue[1]	**7,956**	**7,890**	***-1%***	**21,868**	**22,806**	***-6%***
Goods transferred at a point in time				21,799	22,707	
Services transferred over time				70	99	
Total revenue				**21,868**	**22,806**	

[1] Figures include franchise fees etc., which are allocated to the product categories. Q4 2019 DKK 30 million, Q4 2018 DKK 36 million. FY 2019 DKK 87 million and FY 2018 DKK 103 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 2019.

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 2019.

NOTE 8 – Trade receivables

DKK million	2019 31 December	2018 31 December
Receivables related to third-party distribution and wholesale	1,086	1,301
Receivables related to retail revenue sales	557	349
Total trade receivables	**1,643**	**1,650**

NOTE 9 – Business combinations

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 of inventories and non-current assets relating to 5 concept stores and 13 shop-in-shops. The purchase price including VAT was DKK 94 million. The purchase price without VAT is DKK 91 million. Goodwill from the acquisition is DKK 50 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 25 stores in the period 1 January – 31 December 2019 (8 concept stores in Italy, 2 in Australia, 2 in Germany, 4 shop-in-shops in Spain and 9 shop-in-shops in Mexico) in 8 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 acquisitions made in the period 1 January – 31 December 2019 was DKK 140 million. Based on the purchase price allocations, goodwill was DKK 59 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 59 million is deductible for income tax purposes. Costs relating to the acquisitions was DKK 2 million and are recognised as operating expenses in the income statement.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2019 was DKK 0.3 billion and DKK 0.1 billion respectively.

Had all acquisitions in 2019 taken place on 1 January 2019, impact on Group revenue and net earnings for the period 1 January – 31 December 2019 would have been immaterial.

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	FY 2019	FY 2018
Other intangible assets	1	26
Property, plant and equipment	13	109
Other non-current receivables	-	2
Trade receivables and other receivables	-	38
Inventories	70	302
Cash	-	4
Assets acquired	**84**	**481**
Non-current liabilities	-	23
Payables	-	31
Other current liabilities	2	58
Liabilities assumed	**2**	**112**
Total identifiable net assets acquired	**82**	**369**
Goodwill arising on the acquisitions	59	739
Purchase consideration	**140**	**1,108**
Cash movements on acquisitions:		
Consideration transferred regarding previous years[1]	12	2
Deferred payment (including earn-out)[2]	-5	-35
Cash acquired	-	-4
Net cash flow on acquisitions	**148**	**1,071**

[1] Consideration paid related to acquisitions in 2019 was final payment for acquired stores in the UK in the amount of DKK 10 million and in the US in the amount of DKK 2 million.
[2] For 2018, the deferred payment relates to the acquisition of the distributor in Ireland, DKK 22 million, and store acquisitions in the UK and Italy. For 2019, the deferred payment relates to the store acquisitions in Mexico.

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 of inventory and non-current assets relating to 24 concept stores and 1 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, has been 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 consisted 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 were DKK 11 million and are 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.

Acquisitions after the reporting period

No acquisitions took place after the reporting period.

NOTE 10 – Goodwill

DKK million	31 December 2019	31 December 2018
Cost at 1 January	4,278	3,522
Acquisition of subsidiaries and activities in the period	59	739
Exchange rate adjustments	80	17
Cost at the end of the period	**4,416**	**4,278**

Impairment testing of goodwill was performed in Q4 2019. As of Q4 2019 there are no indications of impairment.

NOTE 11 – Assets and liabilities related to leases

Amounts recognised in the balance sheet.

RIGHT-OF-USE-ASSETS

DKK million	31 December 2019
Property	3,972
IT	2
Cars	21
Other	16
Total right-of-use assets	**4,010**

Additions of right-of-use assets in the period 1 January – 31 December 2019 was DKK 522 million.

LEASE LIABILITIES

DKK million	31 December 2019
Non-current	2,804
Current	1,012
Total lease liabilities	**3,816**

Lease liabilities are recognised in loans and borrowings in the balance sheet.

Amounts recognised in the income statement

RECOGNISED DEPRECIATION ON RIGHT-OF-USE ASSETS CHARGED TO THE INCOME STATEMENT FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKK million	1 January – 31 December 2019
Property	1,105
IT	1
Cars	12
Other	7
Total depreciation on right-of-use assets for the period	**1,125**

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 31 December 2019
Interest income from sub-leases	1
Interest expense	-106
Total interest for the period	**-104**

Costs recognised in the period for short term and low value leases were DKK 30 million. Expenses are recognised on a straight line basis.

Total cash outflow relating to leases was DKK 1,643 million for the period. This comprises of fixed lease payments in scope of IFRS 16 in amount of DKK 1,138 million, variable lease payments in amount of DKK 371 million, interest paid in amount of DKK 104 million and short term and low value leases in amount of DKK 30 million. Variable leases and short term and low value leases are not included in the lease liabilities.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2019. Compared with Q3 2019, leasing commitments not in scope of IFRS 16 increased by DKK 3 million in Q4 2019 to DKK 12 million at the end of Q4 2019. All leases following the implementation of IFRS 16 (see note 1) are recognised in the balance sheet.

NOTE 13 – 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.

PANDORA

NOTE 14 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q4 2019	Q3 2019	Q4 2018	Growth Q4 2019 / Q3 2019	Growth Q4 2019 /Q4 2018
Other points of sale (retail)	207	197	183	10	24
Other points of sale (wholesale)	3,812	3,899	4,158	-87	-346
Other points of sale (third-party)	638	633	682	5	-44
Other points of sale, total	**4,657**	**4,729**	**5,023**	**-72**	**-366**

NOTE 15 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q4 2019	Number of concept stores Q3 2019	Number of concept stores Q4 2018	*Growth Q4 2019 /Q3 2019*	*Growth Q4 2019 /Q4 2018*	Number of concept stores O&O Q4 2019	*Growth O&O stores Q4 2019 /Q3 2019*	*Growth O&O stores Q4 2019 /Q4 2018*
UK	230	231	236	*-1*	*-6*	126	*-1*	-
Italy	148	148	138	-	*10*	107	-	*14*
France	122	120	120	*2*	*2*	77	*2*	*4*
Germany	146	148	153	*-2*	*-7*	140	*-2*	*-5*
US	402	396	397	*6*	*5*	158	*4*	*4*
Australia	128	127	127	*1*	*1*	39	*1*	*3*
China	237	234	210	*3*	*27*	226	*3*	*23*
All markets	**2,770**	**2,721**	**2,705**	***49***	***65***	**1,397**	***18***	***57***

*Includes 7 key markets measured on revenue for FY 2018. All markets with 10 or more concept stores can be found in the Excel appendix uploaded on www.pandora.net

NOTE 16 – Commodity hedging

It is Pandora's policy to hedge at least 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 2019*	Hedged Q1 2020	Hedged Q2 2020	Hedged Q3 2020	Hedged Q4 2020
Gold price	*1,387*	1,395	1,400	1,508	1,515
Silver price	*15.56*	17.07	16.69	18.22	17.96
Commodity hedge ratio (target), %	*Realised*	70-100%	70-90%	50-70%	30-50%

To increase certainty and visibility on the profitability for 2019, Pandora decided to hedge 100% of expected silver related costs for 2019.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 78.0% based on the average gold (USD 1,481/oz) and silver (USD 17.32/oz) market prices in Q4 2019. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

NOTE 17 – Subsequent events

Refer to the note 5.4 Events occurring after the reporting period in the Annual Report 2019.

QUARTERLY OVERVIEW

DKK million	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1]
Key financial highlights					
Organic growth, %	*-1%*	***-14%***	***-7%***	***-12%***	***-1%***
Total like-for-like sales out, %[2]	*-4%*[2]	*-10%*[2]	*-10%*	*-10%*	*-7%*
Revenue growth, local currency, %	*-1%*	*-13%*	*-4%*	*-8%*	*3%*
Gross margin excl. restructuring costs, %	*78.4%*	*78.6%*	*76.1%*	*75.9%*	*73.8%*
EBIT excl. restructuring costs	2,806	891	1,075	1,083	2,528
EBIT margin excl. restructuring costs, %	***35.3%***	***20.2%***	***22.9%***	***22.5%***	***32.0%***
Operating working capital, % of last 12 months revenue	*3.1%*	*8.6%*	*9.4%*	*12.1%*	*11.2%*
Capital expenditure (CAPEX)	184	254	206	178	324
Capital expenditure, property, plant and equipment (CAPEX)	143	154	151	108	227
Free cash flow incl. IFRS 16	3,052[1]	1,070[1]	1,418[1]	673[1]	2,911[1]
Cash conversion incl. IFRS 16, %	*133%*	*NA*	*186%*[1]	*70%*[1]	*115%*[1]
Ratios [3]					
Effective tax rate, %	*23.5%*	*22.5%*	*22.5%*	*22.5%*	*25.5%*
Equity ratio, %	*24%*	*19%*	*26%*	*24%*	*33%*
NIBD to EBITDA[1], x	1.5[1]	1.8[1]	1.4[1]	1.4[1]	0.8[1]
Return on invested capital (ROIC) [1], %	*27%*[1]	*26%*[1]	*33%*[1]	*35%*[1]	*53%*[1]
Total payout ratio (incl. share buyback), %	*34%*	*N/A*	*106%*	*224%*	*54%*
Other financial highlights					
Consolidated income statement					
Revenue	7,956	4,415	4,693	4,804	7,890
Gross profit	6,032	2,747	3,503	3,620	5,826
Gross margin, %	*75.8%*	*62.2%*	*74.6%*	*75.4%*	*73.8%*
Earnings before interests, tax, depreciations and amortisations (EBITDA) [1]	2,862[1]	520[1]	1,290[1]	1,474[1]	2,813[1]
EBITDA margin, %[1]	*36.0%*[1]	*11.8%*[1]	*27.5%*[1]	*30.7%*[1]	*35.7%*[1]
Operating profit (EBIT) [1]	2,302[1]	-198[1]	764[1]	960[1]	2,528[1]
EBIT margin, %[1]	*28.9%*[1]	*-4.5%*[1]	*16.3%*[1]	*20.0%*[1]	*32.0%*[1]
Net financials[1]	-27[1]	44[1]	-86[1]	68[1]	10[1]
Net profit for the period[1]	1,741[1]	-119[1]	526[1]	797[1]	1,891[1]
Consolidated balance sheet					
Total assets[1]	21,571[1]	21,968[1]	21,533[1]	22,408[1]	19,244[1]
Invested capital[1]	14,268	15,571[1]	16,289[1]	16,919[1]	12,071[1]
Operating working capital	684	1,869	2,101	2,712	2,555
Net interest-bearing debt (NIBD) [1]	9,019[1]	11,333[1]	10,761[1]	11,450[1]	5,652[1]
Equity	5,249	4,237	5,528	5,469	6,419

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provides comparison figures according to the old standard.
[2] Like-for-like excluding Hong Kong SAR due to the extraordinary turmoil in the market.
[3] Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.

MANAGEMENT STATEMENT

The Board and the Executive Management have reviewed and approved the interim financial report of Pandora A/S for the period 1 January – 31 December 2019.

The consolidated 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 consolidated interim financial statement gives a true and fair view of the financial position for the Pandora Group at 31 December 2019 and the results of the Pandora Group's operations and cash flow for the period 1 January – 31 December 2019.

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, 4 February 2020

EXECUTIVE MANAGEMENT

Alexander Lacik *Chief Executive Officer*	Anders Boyer *Chief Financial Officer*

BOARD

Peter A. Ruzicka *Chairman*	Christian Frigast *Deputy Chairman*	
Andrea Alvey	Birgitta Stymne Göransson	Isabelle Parize
Per Bank	Ronica Wang	John Peace

DISCLAIMER

This company announcement contains forward-looking statements, which include estimates of financial performance and targets. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors.

PANDORA

SOMETHING ABOUT YOU

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