Company Announcement No. 560

Interim Financial Report Q3 2019

5 November 2019

PANDORA

Havneholmen 17-19 | DK-1561 Copenhagen V | Denmark | www.pandoragroup.com
Company reg. no.: 2850 5116

Contents

From Pre-Autumn 2019 (Drop 6)

From Autumn 2019 (Drop 7)

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.

Like-for-like improvement following the brand relaunch and cost saving target raised – Q3 performance burdened by the Commercial Reset

Q3 2019 Highlights

- Programme NOW is on track – Pandora has taken the first steps towards enhanced brand relevance, becoming more cost-efficient and creating a strengthened business platform through the Commercial Reset
- The underlying traffic trend supports the expectations of an improving performance during Q4 and a strong Christmas trading. Total like-for-like sales out growth (like-for-like) improved in most markets following the brand relaunch ending at -7% in October. Disappointing results in China impacted October like-for-like negatively by 2pp
- Q3 2019 was marked by the clean-up phase with deliberate promotional reduction. Like-for-like was -10% (adjusted for -1.0pp impact from Hong Kong SAR turmoil) with a record high gross margin of 78.6%. Cash generation remained strong
- Strong progress on the cost reduction programme - the cost savings target for 2019 is increased by DKK 50 million to DKK 650 million, and the 2020 run-rate target is increased by DKK 100 million to DKK 1.3 billion

On 29 August, Pandora initiated the brand relaunch – the first important milestone in the journey to strengthen Pandora's brand relevance among consumers. The early results of the initiatives are encouraging with positive consumer response to the new visual identity, online stores as well as the pilot concept stores.

The positive effect on like-for-like from the brand initiatives and the increased media spend was offset by a deliberate reduction of promotions. Q3 organic growth was -14%, impacted by change of payment terms in Italy compared to last year (shift of revenue from Q3 to Q4 2019) and continued clean-up of wholesale inventory through inventory reduction.

The financial guidance for 2019 is unchanged for like-for-like, and the EBIT margin guidance is narrowed towards the lower half of the previously guided range. To fully clean up inventories in the wholesale channel, sell-in to partners will temporarily be supressed. The 2019 organic growth is now expected to be "-7% to -9%". The EBIT margin is expected to be "26 - 27%" reflecting the change of the organic growth guidance and partly offset by additional cost reductions.

Alexander Lacik, President and CEO of Pandora, says:
"Q3 was an important milestone for Pandora. Our brand initiatives that started in late August receive good feedback from consumers, and the early positive indications are supporting our expectations for solid Christmas trading. We continue to believe that we will see an improvement in like-for-like in Q4 although the exact magnitude is clearly subject to uncertainty. Q3 financial results were marked by our deliberate Commercial Reset, and we will continue to make any necessary decisions that support the long-term health of Pandora".

Financial overview (excluding restructuring costs)

	Q3 2019	Q3 2018	9M 2019	9M 2018
Total like-for-like, %	*-10%*[1]	*-3%*	*-10%*[1]	*-3%*
Organic growth, %	*-14%*	*-7%*	*-11%*	*-3%*
Revenue, DKK million	4,415	4,982	13,912	14,916
EBIT margin, %	*20.2%*	*24.0%*	*21.9%*	*26.2%*

[1] *Total like-for-like excluding Hong Kong SAR in Q3 2019*

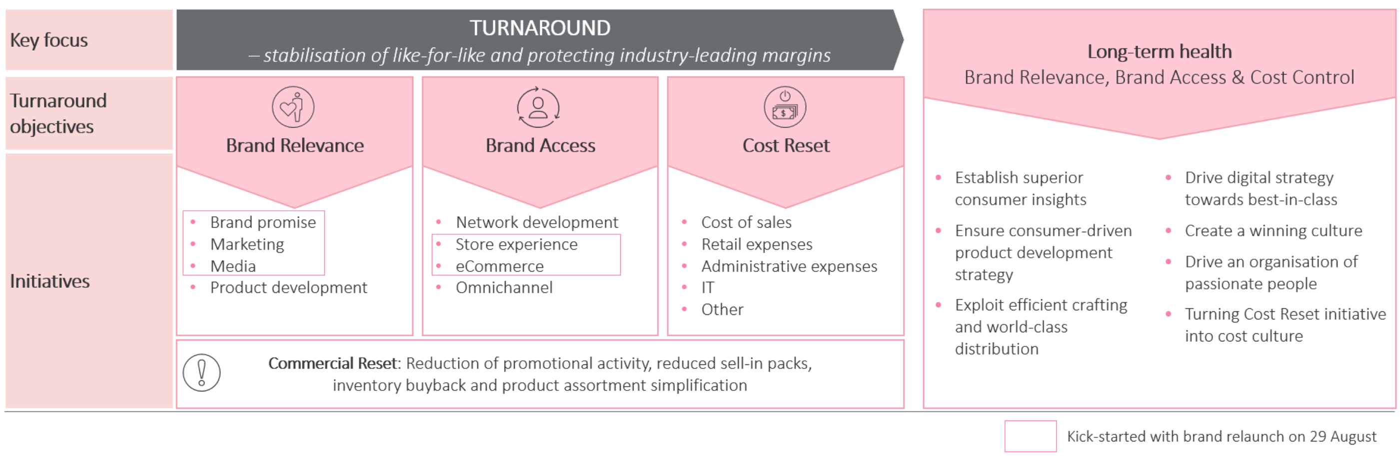
FINANCIAL HIGHLIGHTS – NOTE THAT COMPARISON FIGURES HAVE NOT BEEN RESTATED TO IFRS 16 (FOOTNOTE 1)

Q3 2019 (1 JULY- 30 SEPTEMBER 2019)

DKK million	Q3 2019	Q3 2018[1]	9M 2019	9M 2018[1]	*FY 2018*[1]	*FY 2019 guidance*
Key financial highlights						
Organic growth, %	***-14%***	***-7%***	***-11%***	***-3%***	***-2%***	***-7% to -9%***
Total like-for-like, %	*-10%*[3]	*-3%*	*-10%*[3]	*-3%*	*-4%*	
Revenue	4,415	4,982	13,912	14,916	22,806	
Revenue growth, % in local currency	*-13%*	*-3%*	*-8%*	*2%*	*3%*	
Gross profit excl. restructuring costs	3,469	3,602	10,683	11,116	16,942	
Gross margin excl. restructuring costs, %	*78.6%*	*72.3%*	*76.8%*	*74.5%*	*74.3%*	
EBIT excl. restructuring costs	891	1,196	3,048	3,903	6,431	
EBIT margin excl. restructuring costs, %	***20.2%***	***24.0%***	***21.9%***	***26.2%***	***28.2%***	***26 - 27%***
Free cash flow	1,070	1,059[1]	3,161	2,647[1]	5,558[1]	
Cash conversion, %	*N/A*	*88.5%*[1]	*207.1%*	*67.8%*[1]	*86.4%*[1]	
Operating working capital, % of last 12 months revenue	*8.6%*	*16.4%*	*8.6%*	*16.4%*	*11.2%*	
Capital expenditure (CAPEX)	254	265	638	805	1,129	
Capital expenditure, tangible assets (CAPEX)	154	168	413	526	753	
Dividend per share, DKK	-	-	-	-	9.0	
Quarterly dividend per share, DKK	-	-	9.0	9.0	9.0	
Earnings per share, basic, DKK	-1.1	9.0	12.2	29.2	47.2	
Earnings per share, diluted, DKK	-1.1	8.9	12.2	29.1	47.0	
Other financial highlights						
Consolidated income statement						
Revenue	4,415	4,982	13,912	14,916	22,806	
Gross profit	2,747	3,602	9,870	11,116	16,942	
Gross margin, %	*62.2%*	*72.3%*	*70.9%*	*74.5%*	*74.3%*	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	520	1,445[1]	3,285	4,608[1]	7,421[1]	
EBITDA margin, %	*11.8%*	*29.0%*[1]	*23.6%*	*30.9%*[1]	*32.5%*[1]	
Operating profit (EBIT)	-198	1,196	1,526	3,903	6,431	
EBIT margin, %	*-4.5%*	*24.0%*	*11.0%*	*26.2%*	*28.2%*	
Net financials	44	24	27	141	151	
Net profit for the period	-119	951	1,204	3,154	5,045	
Consolidated balance sheet						
Total assets	21,968	19,530[1]	21,968	19,530[1]	19,244[1]	
Invested capital	15,571	12,802[1]	15,571	12,802[1]	12,071[1]	
Operating working capital	1,869	3,696	1,869	3,696	2,555	
Net interest-bearing debt (NIBD)	11,333	7,535[1]	11,333	7,535[1]	5,652[1]	
Equity	4,237	5,267[1]	4,237	5,267[1]	6,419[1]	
Ratios						
Revenue growth, %	*-11%*	*-4%*	*-7%*	*-2%*	*0%*	
Effective tax rate, %	*22.5%*	*22.0%*	*22.5%*	*22.0%*	*23.4%*	
Equity ratio, %	*19.3%*	*27.0%*	*19.3%*	*27.0%*	*33.4%*	
NIBD to EBITDA[2], x	1.8x	1.0x[1]	1.8x	1.0x[1]	0.8x[1]	
Return on invested capital (ROIC), %	*26.0%*	*52.5%*[1]	*26.0%*	*52.5%*[1]	*53.3%*[1]	
Total pay-out ratio, %	*N/A*	*198.8%*	*310.5%*	*133.3%*	*103.7%*	

[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] For key figures using last twelve months of EBITDA/EBIT, figures have been recalculated to include nine months effect of the implementation of IFRS 16 on 2018 figures.
[3] Like-for-like excluding Hong Kong SAR in Q3 2019 due to the extraordinary turmoil in the market

STRUCTURE OF THE INITIATIVES OF PROGRAMME NOW



Brand Relevance - the start of a new era

The first step in the long-term strengthening of Pandora's brand relevance was initiated on 29 August - the date of Pandora's brand relaunch. The brand relaunch was kicked off by a successful PR event in Los Angeles that created solid attention and reach on social media. In key markets, Pandora was the most searched jewellery brand in the two weeks following the brand relaunch, Instagram followers increased by close to 100,000 and media exposure had a potential reach of 1 billion consumers and engagement of 6 million (sum of likes, comments, retweets and shares).

The increased media investments were initiated in mid-September and have led to an uptick in underlying performance (adjusted for promotional activity). In Q3, the media investments amounted to DKK 150 million across Pandora's top-10 markets excluding China. The return on media investment is still expected to be around 2 times the investment as an average across markets.

The O-carrier was launched as part of the Autumn collection on 29 August and has proved to be successful in expanding sale of charms and collectability to other carriers than bracelets. Since launch, the Units Per Transaction (UPT) has been higher for O-carrier transactions than for bracelet transactions as consumers purchase both necklaces and charms to complement the O-carrier.

On 3 October, Pandora Me (Drop 8) was launched as a compelling gifting collection that appears particularly appealing for the younger consumers making the collection a strong proposition for new Pandora customers. The collection is endorsed by actor and influencer, Millie Bobby Brown. In the first month after launch, the number of charms sold per bracelet has been higher for Pandora Me than for the Moments platform.

Leading up to World Children's day on 20 November, Pandora has launched the first products in the three-year partnership with UNICEF to empower and educate children and young people. Pandora and UNICEF will announce a range of initiatives as the partnership unfolds in the coming years.

The Christmas collection (Drop 9) was launched on 31 October. The drop has received the most positive focus group feedback of all drops in 2019. The collection is the first launch where the products, messaging, theme and marketing material is fully aligned to the new brand promise ("We give a voice to people's loves") and the new tag-line ("Something about you"). The exclusive Harry Potter collection (12 SKU's) and the Disney Frozen collection are also launched in Q4 2019.

The new product launches will be complemented by an increased focus on the base portfolio and base products. Despite limited internal focus on base products, the performance has been solid and initiatives related to activation of base products in certain markets, mainly Italy, have yielded encouraging results.

Brand Access – managing consumers' access in an evolving retail environment

The new online store was successfully launched globally on 29 August and included the new visual identity, cleaner visuals, better product imagery and redesign of listing and product pages to optimise navigation and speed. There was a significant underlying performance improvement offsetting the negative impact from less promotional activity (hiding of the Sales Tab). The reduced use of the Sales Tab meant that the full-price unit sales ratio increased by 12 percentage points in Q3 2019 compared to Q3 2018.

The new store concept has been rolled out in six locations (in Italy, the UK, China and the US). All stores are still considered pilots, and the concept is continuously adjusted before each opening. Initial results from Leicester and Birmingham in UK are encouraging and show positive impact on traffic and sales. Importantly, consumers spend more time in the new store format - with particularly strong response to the charms bar - indicating successful implementation of increased self-discovery and engagement. Five additional full-store refurbishments are planned for November and December.

Pandora is progressing towards introducing a fully digitalised loyalty programme to ensure a more personalised consumer experience and significantly enhance capture of relevant consumer data. A pilot will be tested for 3 weeks in November in Northern Germany. The initiative is part of the pool of collectability initiatives introduced following the brand relaunch.

Pandora is currently devising the future strategic framework for the network development including review of network ownership, network type, store density and the dynamics between online and offline consumer access. The strategic framework will be announced in February 2020 in connection with the Q4 financial report.

Cost Reset – cost savings target increased by DKK 100 million

The Cost Reset initiative is progressing strongly across all cost levers. Numerous initiatives are running ahead of schedule and additional cost reduction potential has been identified mainly related to cost of sales, IT and point-of-sale-materials. The 2019 cost savings target is increased by DKK 50 million to DKK 650 million, and the 2020 run-rate cost target is increased from DKK 1.2 billion to DKK 1.3 billion.

Commercial Reset – key milestones achieved in Q3

Q3 was an important milestone in the Commercial Reset as the reduction of the promotional activities were higher and had larger impact on like-for-like compared to previous quarters. The number of promotional days was reduced by more than 40% in Q3 2019 compared to approximately 30% in Q1 and Q2 of 2019. The full-year impact on like-for-like is still estimated to be negative 2-4pp while the Q3 impact was in the very high end of the range. In certain markets, including US and Germany, the effect is estimated to be above the range in Q3 2019.

Another important initiative related to the Commercial Reset is the cancellation of prolonged third quarter payment terms previously provided in Italy. The cancellation entails that Italian partners no longer purchase their main Q4 assortment in Q3, and Pandora has thereby shifted revenue of around DKK 150 million from Q3 to Q4 in 2019.

The inventory buyback programme has been very well received by wholesale partners and has been completed in most markets. The vast majority of restructuring costs are recognised in Q3 with cash effect in Q4 and early 2020. In North America, the broader inventory programme will be conducted following the end of season sale in early 2020. The product assortment simplification is progressing as planned and resulted in around DKK 200 million of restructuring costs in Q3.

OVERVIEW OF PROGRAMME NOW RESTRUCTURING COSTS

DKK million	Q3 2019 reported	Restructuring costs	Q3 2019 excl. restructuring costs	Q3 2018[1]	9M 2019 reported	Restructuring costs	9M 2019 excl. restructuring costs	9M 2018[1]
Revenue	4,415	-	4,415	4,982	13,912	-	13,912	14,916
Cost of sales	-1,668	721	-946	-1,380	-4,042	813	-3,228	-3,800
Gross profit	**2,747**	**721**	**3,469**	**3,602**	**9,870**	**813**	**10,683**	**11,116**
Sales, distribution and marketing expenses	-2,261	190	-2,071	-1,916	-6,372	261	-6,111	-5,604
Administrative expenses	-684	177	-507	-490	-1,973	448	-1,525	-1,609
Operating profit (EBIT)	**-198**	**1,089**	**891**	**1,196**	**1,526**	**1,522**	**3,048**	**3,903**

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

IMPROVEMENT OF LIKE-FOR-LIKE PERFORMANCE FOLLOWING BRAND RELAUNCH

In Q3 2019, Pandora's commercial performance was impacted by two main initiatives of the quarter - the brand relaunch and the reduction of promotional activity. The brand relaunch initiatives included both long-term brand building investments as well as direct media investments focusing on generating immediate traffic.

Activities related to the brand relaunch and media investments created an uptick in underlying performance. The improved performance after the brand relaunch was partly offset by weak traffic in the weeks where Pandora annualised significant promotions from Q3 2018. Like-for-like ended the quarter at -10% (excluding Hong Kong SAR) with an improvement in underlying performance towards the end of September and in October. The extraordinary turmoil in Hong Kong SAR has led to approximately -50% like-for-like in the market. Group like-for-like has been adjusted to have a true comparable measure as per the objective of the metric.

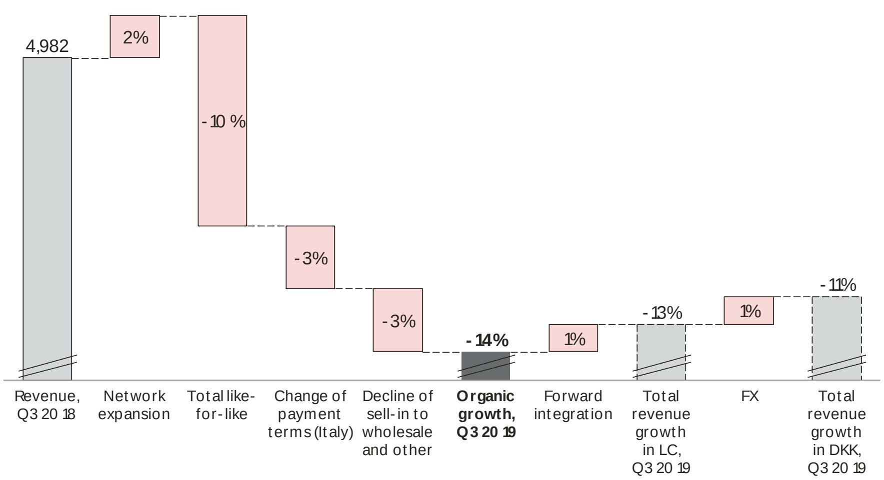
Organic growth was -14% (including Hong Kong SAR). Store openings contributed positively by 2pp, which was more than offset by change of payment terms in Italy of -3pp (revenue shifting between Q3 and Q4 2019) and a reduction of inventory among wholesale partners and other effects of (-3pp). The impact from the reduction of wholesale partners' inventories was higher than expected.

The macroeconomic environment deteriorated in the third quarter of 2019 and clearly impacted the global consumer demand in some of Pandora's markets such as the UK, the US, China and Hong Kong SAR.

In Q3 2019, Pandora launched the Pre-autumn collection and the Autumn collection (Drop 6 and Drop 7). The Pre-autumn launch comprised 57 Design Variations (DV's) with Lion King themed products being the clear top-sellers. The Autumn collection was launched on 29 August in connection with the brand relaunch and comprised 121 DVs, and it has been the best performing drop in 2019 with flat like-for-like. The performance of the drop is to a large extent driven by good performance of the O-carrier comprising around 10% of collection sales and also driving complementary sales of necklaces and charms.

REVENUE DEVELOPMENT COMPOSITION

DKK million, %-p growth



REVENUE BY CHANNELS

Pandora-owned retail revenue increased by 6% in local currency and thereby comprised 63% of the revenue. The growth was driven by network expansion and forward integration (majority being run-rate impact from 2018 expansions) partly offset by retail like-for-like of -8%. Like-for-like in the online stores (+12%) contributed positively. Online store revenue comprised 10% of the total revenue in the quarter – up from 8% in Q3 2018.

In Q3 2019, revenue was impacted by the intentional change of payment terms in Italy (revenue shifting from Q3 to Q4) and reduction of inventory among wholesale partners. It impacted wholesale revenue leading to organic growth of -31% in the wholesale channel.

Year-to-date 2019, organic growth in the wholesale channel is 13pp below like-for-like mainly due to the significant and deliberate reduction of inventory among wholesale partners - a non-recurring effect that represents a potential upside to Pandora's wholesale revenue and organic growth in 2020 when sell-in and sell-out converge.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q3 2019	Q3 2018	*Like-for-like sales-out*[1]	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**2,783**	**2,608**	***-8%***	***1%***	***6%***	***63%***
- of which concept stores	*2,168*	*2,083*		*-2%*	*3%*	*49%*
- of which online stores	*455*	*400*		*12%*	*12%*	*10%*
- of which other points of sale	*160*	*125*		*9%*	*26%*	*4%*
Wholesale	**1,383**	**2,053**	***-14%***	***-31%***	***-34%***	***31%***
- of which concept stores	*758*	*1,186*		*-33%*	*-38%*	*17%*
- of which other points of sale	*625*	*867*		*-30%*	*-30%*	*14%*
Third-party distribution	**249**	**321**	***-14%***	***-21%***	***-24%***	***6%***
Total revenue	**4,415**	**4,982**	***-10%***[2]	***-14%***	***-13%***	***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 2019

YEAR-TO-DATE REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q3 2019	Q3 2018	*Like-for-like sales-out*[1]	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**8,966**	**7,965**	***-8%***	***2%***	***11%***	***64%***
- of which concept stores	*6,975*	*6,257*		*-1%*	*10%*	*50%*
- of which online stores	*1,475*	*1,285*		*13%*	*13%*	*11%*
- of which other points of sale	*516*	*423*		*2%*	*20%*	*4%*
Wholesale	**4,245**	**5,964**	***-13%***	***-26%***	***-31%***	***31%***
- of which concept stores	*2,409*	*3,396*		*-22%*	*-31%*	*17%*
- of which other points of sale	*1,836*	*2,568*		*-30%*	*-30%*	*13%*
Third-party distribution	**701**	**987**	***-13%***	***-24%***	***-30%***	***5%***
Total revenue	**13,912**	**14,916**	***-10%***[2]	***-11%***	***-8%***	***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 2019

STORE NETWORK

The number of concept stores decreased by 10 in Q3 2019 reflecting closure of third-party distribution concept stores in Russia as well as initiation of the O&O store closures previously announced. The O&O store closures are low-performing stores in various markets including Germany and Denmark. Pandora continues to open stores in white space areas in markets such as China and Latin America.

Number of points of sale	Q3 2019	Q2 2019	Q3 2018	Growth Q3 2019 /Q2 2019	Growth Q3 2019 /Q3 2018
Concept stores	**2,721**	**2,731**	**2,614**	**-10**	**107**
- of which Pandora owned	1,379	1,380	1,266	-1	113
- of which franchise owned	833	834	850	-1	-17
- of which third-party distribution	509	517	498	-8	11
Other points of sale	**4,729**	**4,778**	**5,158**	**-49**	**-429**

REVENUE BY KEY MARKETS

As expected, like-for-like in the US market slowed down to -9% in Q3 mainly driven by a reduction of promotional activity. In the US, Pandora annualised three important promotions conducted in Q3 2018 (two events in July and one charm event in September), and the sales performance in the weeks against these promotions were highly supressed. Adjusting for the reduction of promotions, like-for-like was in line with the overall retail traffic development in the US. The organic growth was -18%, materially below like-for-like, which represents the ongoing and significant reduction of inventory among wholesale partners. The Q3 reduction in inventories was larger than expected.

The performance in China was disappointing with like-for-like of -16% despite continued double-digit growth in Tmall. The revenue development in the important trading period around Chinese Valentine's Day (7 August) was weak which had severe impact on the overall Q3 performance (trading period around Chinese Valentine's Day comprises around 32% of Q3 revenue). Generally, high-end luxury and fashion brands were significantly more active in this trading period in 2019 compared to previous years, and they captured a larger share of the consumer spend from mid-market players such as Pandora. As part of Programme NOW, Pandora has initiated a workstream called "Win-in-China" which will be the foundation for the upcoming commercial initiatives including brand positioning and media spend optimisation.

In the UK market, Pandora generated like-for-like of -10% in Q3 2019 with similar performance in the online store and the physical stores. This represents a performance improvement in the physical stores compared to both Q1 and Q2 despite a weakening retail environment in August and September as Brexit uncertainty impacted general consumer demand. Following the media investments in Q2, traffic into the physical stores in UK continued to develop well into Q3, indicating some halo effect. Q3 media investments were initiated mid-September 2019 with a similar spend as in Q2 2019. The growth in the UK online store deteriorated in Q3 compared to Q2 driven by less discounting – the share of revenue from the Sales Tab decreased from 29% in Q3 2018 to 11% in Q3 2019.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	Q3 2019	Q3 2018	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	522	581	*-10%*	*-13%*	*-9%*	*12%*
Italy	471	645	*-12%*	*-28%*	*-27%*	*11%*
France	202	210	*-11%*	*-5%*	*-4%*	*5%*
Germany	188	204	*-5%*	*-8%*	*-8%*	*4%*
US	868	1,005	*-9%*	*-18%*	*-18%*	*20%*
Australia	195	259	*-22%*	*-24%*	*-23%*	*4%*
China	491	527	*-16%*	*-8%*	*-8%*	*11%*
Total top-7 markets	**2,937**	**3,431**	-	-	-	***67%***
Total revenue	**4,415**	**4,982**	***-10%***[1]	***-14%***	***-13%***	***100%***

[1] Total like-for-like excluding Hong Kong SAR

YEAR-TO-DATE REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	9M 2019	9M 2018	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	1,567	1,529	*-11%*	*-7%*	*2%*	*11%*
Italy	1,418	1,745	*-15%*	*-20%*	*-19%*	*10%*
France	675	767	*-20%*	*-14%*	*-12%*	*5%*
Germany	573	651	*-9%*	*-12%*	*-12%*	*4%*
US	2,884	3,062	*-6%*	*-13%*	*-12%*	*21%*
Australia	679	863	*-19%*	*-22%*	*-20%*	*5%*
China	1,546	1,458	*-8%*	*5%*	*5%*	*11%*
Total top-7 markets	**9,342**	**10,075**	-	-		***67%***
Total revenue	**13,912**	**14,916**	***-10%***[1]	***-11%***	***-8%***	***100%***

[1] Total like-for-like excluding Hong Kong SAR

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.

PROFITABILITY

EBIT MARGIN IMPACTED BY DELEVERAGE FROM ORGANIC GROWTH

In Q3 2019, the EBIT margin excluding restructuring costs was 20.2%. This is below the level seen during the first two quarters of 2019 driven by the deliberate change of payment terms in Italy (shifting revenue to Q4 2019) and a non-recurring inventory reduction among wholesale partners. EBIT excluding restructuring costs was DKK 891 million (Q3 2018: DKK 1,196 million).

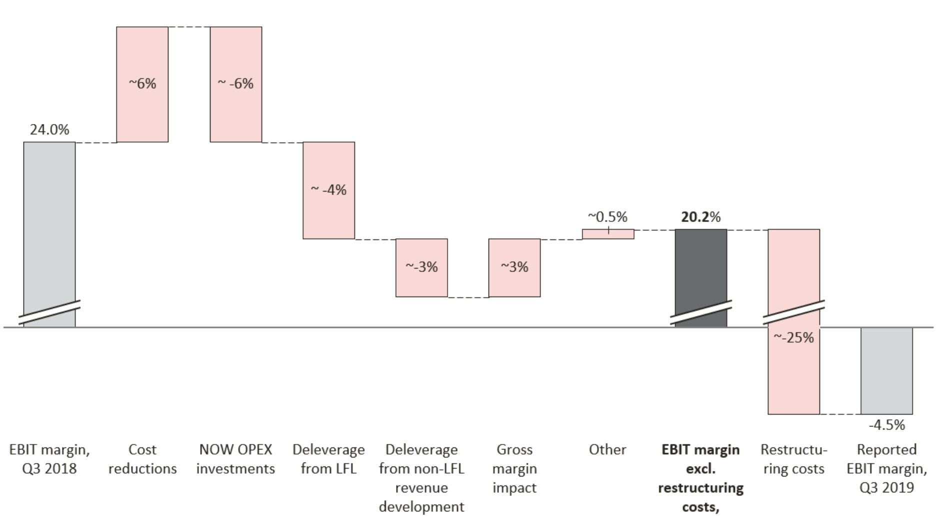
Cost reductions in the quarter amounted to approximately DKK 300 million partly coming from the cost savings announced in the Q2 2018 Interim Financial Report (DKK 100 million) and partly coming from Programme NOW (DKK 200 million). The cost savings had a positive impact on the EBIT margin of around 6pp.

Compared to Q3 2018, the EBIT margin declined by 4pp. The positive impact from cost reductions was more than offset by operational deleverage impacting the EBIT margin by around -7pp. The deleverage from negative like-for-like is estimated at -4pp and the deleverage from lower sell-in to wholesale partners (including Italian partners) impacted negatively by around 3pp on an isolated basis. Programme NOW investments, including increased marketing spend, had - as expected and as described in the Q2 2019 Interim Financial Report – a negative impact on the EBIT margin, which was around -6pp.

Restructuring costs amounted to DKK 1,089 million in the quarter and mainly included costs related to the inventory buyback programme and consultancy costs. DKK 721 million of the restructuring costs impacted cost of sales (mainly inventory buyback) while DKK 368 million impacted operating expenses.

EBIT-MARGIN DEVELOPMENT

DKK million, %-p growth



From 1 January 2019, Pandora adopted the new accounting standard IFRS 16 Leases, 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 Q3 2019, right-of-use assets was DKK 4.2 billion and lease liabilities amounted to DKK 4.0 billion.

RECORD HIGH GROSS MARGIN AND INCREASED COST REDUCTION TARGET

In Q3 2019, the gross margin once again improved to the highest level ever in a quarter reaching 78.6% excluding restructuring costs. The continued improvement is driven by strong progress on the cost programme, good productivity at the Thailand facilities, limited impact from write-off of acquired inventories as well as a continued higher share of retail. The gross margin increased by around 6pp compared to Q3 2018 also reflecting the gross margin headwind in H2 2018 following increased product complexity and extraordinary high standard time. The gross profit excluding restructuring costs in Q3 2019 was DKK 3,469 million (DKK 3,602 million in Q3 2018).

Cost of sales restructuring costs amounted to DKK 721 million in Q3 2019 with the majority of the costs relating to the inventory buyback and a smaller part related to the product assortment simplification announced in the Q2 2019 Interim Financial Report. The majority of the cost of sales restructuring costs had no cash impact in the quarter. The cash effect will be realised later in the year and early 2020 (related to the inventory buyback).

COST OF SALES AND GROSS PROFIT

DKK million	Q3 2019	Q3 2018	*Growth*	*Share of revenue Q3 2019*	*Share of revenue Q3 2018*	9M 2019	9M 2018	*Growth*	*Share of revenue 9M 2019*	*Share of revenue 9M 2018*
Revenue	4,415	4,982	*-11%*	*100.0%*	*100.0%*	13,912	14,916	*-7%*	*100.0%*	*100.0%*
Cost of sales	-946	-1,380	*-31%*	*21.4%*	*27.7%*	-3,228	-3,800	*-15%*	*23.2%*	*25.5%*
Gross profit excl. restructuring costs	**3,469**	**3,602**	***-4%***	***78.6%***	***72.3%***	**10,683**	**11,116**	***-4%***	***76.8%***	***74.5%***
Restructuring costs	-721	-	-	*16.3%*	-	-813	-	-	*5.8%*	-
Total gross profit incl. restructuring costs	**2,747**	**3,602**	***-24%***	***62.2%***	***72.3%***	**9,870**	**11,116**	***-11%***	***70.9%***	***74.5%***

OPERATING EXPENSES

Total operating expenses excluding restructuring costs increased by 7% to DKK 2,578 million. The increase is a reflection of a significant increase in marketing expenses due to the investments in both long-term brand-building initiatives (including the PR event in Los Angeles, new advertising content and the global influencer programme) as well as traffic generating investments (media spend). Sales and distribution expenses decreased by 7% in the quarter with cost reduction initiatives and downscaling of variable retail expenses more than offsetting the effect from a higher retail share of revenue. It is the first time in several years that this cost category declines year-over-year.

OPEX restructuring costs amounted to DKK 368 million and included among others consultancy fees and a non-cash balance sheet write-down of certain IT/online assets of DKK 175 million.

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q3 2019	Q3 2018	*Growth*	*Share of revenue Q3 2019*	*Share of revenue Q3 2018*	9M 2019	9M 2018	*Growth*	*Share of revenue 9M 2019*	*Share of revenue 9M 2018*
Sales and distribution expenses	-1,381	-1,485	*-7%*	*31.3%*	*29.8%*	-4,400	-4,234	*4%*	*31.6%*	*28.4%*
Marketing expenses	-690	-431	*60%*	*15.6%*	*8.7%*	-1,711	-1,370	*25%*	*12.3%*	*9.2%*
Administrative expenses	-507	-490	*3%*	*11.5%*	*9.8%*	-1,525	-1,609	*-5%*	*11.0%*	*10.8%*
Total operating expenses excl. restructuring costs	**-2,578**	**-2,406**	***7%***	***58.4%***	***48.3%***	**-7,635**	**-7,213**	***6%***	***54.9%***	***48.4%***
Restructuring costs	-368	-	-	*8.3%*	-	-709	-	-	*5.1%*	-
Total operating expenses incl. restructuring costs	**-2,945**	**-2,406**	***22%***	***66.7%***	***48.3%***	**-8,344**	**-7,213**	***16%***	***60.0%***	***48.4%***

CONTINUED SIGNIFICANT CASH FLOW GENERATION

The free cash flow was DKK 1,070 million in Q3 2019 positively impacted by the implementation of IFRS 16 as the cash paid for committed rent is no longer deducted from cash flow from operating activities. Adjusted for IFRS 16, the free cash flow was DKK 758 million in Q3 2019 (compared to DKK 1,059 million in Q3 2018). The cash flow was significant and positive despite negative reported EBIT as certain restructuring costs will not have cash effect before Q4 2019 (entailing a material Trade payables increase in Q3 2019). Cash flow was also supported by a 35% reduction in CAPEX compared to Q3 2018.

The operating working capital improved materially to a level of 8.6% of revenue (compared to 16.4% in Q3 2018). The improvement is driven both by inventories, trade payables and trade receivables. While the improvement is mostly a result of the initiatives taken as part of Programme NOW, one-off restructuring costs with long payment terms are also temporarily improving Trade payables.

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

Share of preceding 12 months' revenue	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Inventories	13.0%	11.7%	13.9%	13.8%	16.6%
Trade receivables	5.8%	5.0%	5.6%	7.2%	8.0%
Trade payables	-10.2%	-7.3%	-7.4%	-9.9%	-8.2%
Total	**8.6%**	**9.4%**	**12.1%**	**11.2%**	**16.4%**

Total assets amounted to DKK 21,968 million by the end of Q3 2019 compared to DKK 19,530 million at the end of Q3 2018. Right-of-use assets amounted to DKK 4,196 million implemented 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 Q3 2019, NIBD was DKK 11,333 million corresponding to a NIBD to EBITDA ratio of 1.5 times excluding restructuring costs (EBITDA recalculated as if IFRS 16 was in force throughout the period). Recognising lease contracts on the balance sheet increased total non-current assets by DKK 4.2 billion by the end of Q3 2019, recognised as Right-of-use assets.

2019 FINANCIAL GUIDANCE

Pandora has updated and narrowed the financial guidance to reflect the business development, and the expectations for the financial performance during the last months of the financial year.

	2019 Previous guidance	2019 New guidance
Organic revenue growth, %	-3% to -7%	-7% to -9%
EBIT margin excl. restructuring costs	26–28%	26–27%

The communicated expectations for like-for-like in 2019 of “down to negative high single-digit” is confirmed and requires as previously communicated a like-for-like improvement in Q4 compared to the first quarters of the year.

The organic growth for 2019 is expected to be “-7% to -9%” compared to previously “-3% to -7%”. The change is mainly a result of a lower effect from net store openings and a higher impact from the reduction of inventories in the wholesale channel (sell-in being below sell-out). It is a firm target – as part of the Commercial Reset – for Pandora to exit 2019 with clean inventories in the wholesale channel despite the burden on short-term results. The reduction of inventory in 2019 represent a revenue upside in 2020 as sell-in and sell-out converge.

The EBIT margin excluding restructuring costs is now expected to be “26-27%” in 2019 equivalent to the lower half of the previously guided “26-28%”. The narrowed EBIT margin expectation is a result of the change of the organic growth guidance offset by the positive effect from higher than expected cost reductions from Programme NOW and a continued strong gross margin.

Pandora still expects to open around net 50 concept stores in 2019, but the timing of the openings are more back-end loaded than initially expected. The expansion of the network is now expected to add around 3pp to organic growth (previously 4pp) while forward integration is expected to positively impact revenue growth by around 2pp.

CAPEX continues to be tightly managed and the guidance for the year is further reduced from “DKK 1.0 - 1.2 billion” to “around DKK 1.0 billion” (excluding IFRS 16 assets). The effective tax rate is now expected to be 23-24% for 2019 (previously 22-23%), which is mainly a result of a larger than planned decrease of inventories (impacting tax asset value). Restructuring costs are still expected to amount to up to DKK 2.0 billion.

The financial guidance continues to assume that Programme NOW will have a visible positive impact on like-for-like in Q4 and in particular in December (comprising ~70% of Q4 sell-out). Considering the early stage of the turnaround and the recent implementation of new commercial initiatives, the uncertainty related to the Christmas trading performance is naturally elevated.

The original guidance was based on foreign exchange (FX) rates at the time of the announcement of the Annual Report 2018 on 5 February 2019. Based on current updated FX rates, the EBIT margin will be further negatively impacted by -around 0.1pp compared to initial expectations.

	Average 2018	February 5, 2019		November 4, 2019	
	FX Rates	FX Rates	2019 Y-Y financial impact	FX Rates	2019 Y-Y financial impact
USD/DKK	6.317	6.535		6.696	
THB/DKK	0.195	0.209		0.222	
GBP/DKK	8.424	8.502		8.651	
CNY/DKK	0.954	0.970		0.953	
AUD/DKK	4.720	4.733		4.624	
REVENUE (DKKm)			~275		~350
EBIT (DKKm)			-125 to -150		-125 to -150
EBIT margin			-0.8pp		-0.9pp

OTHER IMPORTANT EVENTS IN Q3 2019 AND AFTER THE REPORTING PERIOD

On November 4, 2019, the Board of Directors announced the nomination of Peter Ruzicka as new member and chair of Pandora's Board of Directors, subject to election at an extraordinary general meeting to be held on 4 December 2019. The nomination follows Pandora's announcement on 13 March 2019 regarding preparations to identify a new chair, cf. company announcement no. 505.

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.

04 February 2020	Annual Report 2019
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

FIRST 9 MONTHS (YTD) DEVELOPMENT REVENUE

Total revenue decreased by 8% in local currency to DKK 13,912 million in YTD 2019 compared with YTD 2018. Organic growth was negative 11% mainly driven by negative like-for-like and reduction of inventory among wholesale partners. The geographical distribution of revenue in 9M 2019 was 47% for EMEA (48% in YTD 2018), 30% for Americas (29% in YTD 2018) and 23% for Asia Pacific (23% in YTD 2018).

COSTS

Reported gross profit was DKK 9,870 million in YTD 2019 (DKK 11,116 million in YTD 2018), resulting in a gross margin of 70.9% in YTD 2019 including restructuring costs (74.5% in YTD 2018). Gross profit excluding restructuring costs ended at DKK 10,683 million in YTD 2019 (DKK 11,116 million in YTD 2018) with a corresponding gross margin excluding restructuring costs of 76.8% (74.5% in YTD 2018). The increasing gross margin excluding restructuring costs is mainly driven by efficiency gains and cost reductions at the production facilities as part of Programme NOW.

Sales and distribution and marketing expenses excluding restructuring costs increased to DKK 6,111 million in YTD 2019 (DKK 5,604 million in YTD 2018), corresponding to 43.9% of revenue in YTD 2019 (37.6% in YTD 2018). The increase is predominantly a result of the store network expansion, forward integration and increase of marketing in relation to the brand relaunch.

Administrative expenses excluding restructuring cost decreased to DKK 1,525 million in YTD 2019 compared with DKK 1,609 million in YTD 2018, corresponding to 11.0% of revenue in YTD 2019 (10.8% in YTD 2018). The decrease is driven by the cost reduction initiatives as part of Programme NOW.

EBIT

EBIT excluding restructuring costs for YTD 2019 was DKK 3,048 million – a decrease of approximately 22% compared with YTD 2018, resulting in an EBIT margin of 21.9% in YTD 2019 (26.2% in YTD 2018). In YTD 2019 EBIT including restructuring costs was DKK 1,526 million (DKK 3,903 million in YTD 2018) corresponding to an EBIT margin of 11.0% (26.2% in YTD 2018).

NET FINANCIALS

Net financials amounted to a gain of DKK 27 million in YTD 2019 versus a gain of DKK 141 million in YTD 2018.

INCOME TAX EXPENSES

Income tax expenses were DKK 349 million in YTD 2019 (DKK 890 million in YTD 2018), implying an effective tax rate for the Group of 22.5% for YTD 2018 (22.0% in YTD 2018).

NET PROFIT

Net profit incl. restructuring costs in the first 9 months of 2019 was DKK 1,204 million (DKK 3,154 million in YTD 2018).

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: +1 631 91 31 422

Please use PIN: 374 77 663#

Link to webcast: https://pandora.eventcdn.net/2019q3/

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 25,000 people worldwide of whom more than 11,500 are located in Thailand, where the Company manufactures its jewellery. Pandora is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2018, Pandora's total revenue was DKK 22.8 billion (approximately EUR 3.1 billion).

For more information, please contact:

INVESTOR RELATIONS

Michael Bjergby
VP, Investor Relations, Tax & Treasury
+45 7219 5387
miby@pandora.net

Christian Møller
Investor Relations Officer
+45 7219 5361
chmo@pandora.net

CORPORATE COMMUNICATIONS

Mads Twomey-Madsen
VP, Corporate Communications & Sustainability
+45 2510 0403
madt@pandora.net

Johan Melchior
Director, External Relations
+45 4060 1415
jome@pandora.net

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q3 2019	Q3 2018[1]	9M 2019	9M 2018[1]	FY 2018[1]
Revenue	3,4	4,415	4,982	13,912	14,916	22,806
Cost of sales		-1,668	-1,380	-4,042	-3,800	-5,864
Gross profit		**2,747**	**3,602**	**9,870**	**11,116**	**16,942**
Sales, distribution and marketing expenses		-2,261	-1,916	-6,372	-5,604	-8,222
Administrative expenses		-684	-490	-1,973	-1,609	-2,289
Operating profit		**-198**	**1,196**	**1,526**	**3,903**	**6,431**
Finance income		128	91	281	395	533
Finance costs		-83	-67	-254	-254	-382
Profit before tax		**-154**	**1,220**	**1,553**	**4,044**	**6,582**
Income tax expense		35	-269	-349	-890	-1,537
Net profit for the period		**-119**	**951**	**1,204**	**3,154**	**5,045**
Earnings per share, basic, DKK		-1.1	9.0	12.2	29.2	47.2
Earnings per share, diluted, DKK		-1.1	8.9	12.2	29.1	47.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q3 2019	Q3 2018	9M 2019	9M 2018	FY 2018
Net profit for the period	**-119**	**951**	**1,204**	**3,154**	**5,045**
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	240	29	322	-59	1
Fair value adjustment of hedging instruments	-39	-26	13	-103	56
Tax on other comprehensive income, hedging instruments, income/expense	8	6	-3	23	-12
Items that may be reclassified to profit/loss for the period, net of tax	**209**	**9**	**332**	**-139**	**45**
Items not to be reclassified to profit/loss for the period					
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-	-	12
Items not to be reclassified to profit/loss for the period, net of tax	**-**	**-**	**-**	**-**	**12**
Other comprehensive income, net of tax	**209**	**9**	**332**	**-139**	**57**
Total comprehensive income for the period	**90**	**960**	**1,536**	**3,015**	**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.

PANDORA

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2019 30 September	2018 30 September[1]	2018 31 December[1]
ASSETS				
Goodwill	10	4,418	4,255	4,278
Brand		1,057	1,057	1,057
Distribution network		101	131	124
Distribution rights		1,047	1,073	1,047
Other intangible assets		864	1,247	1,272
Total intangible assets		**7,488**	**7,763**	**7,778**
Property, plant and equipment		2,670	2,563	2,634
Right-of-use assets	11	4,196	-	-
Deferred tax assets		1,033	1,151	1,050
Other financial assets		314	319	323
Total non-current assets		**15,700**	**11,796**	**11,785**
Inventories		2,835	3,737	3,158
Trade receivables	8	1,256	1,806	1,650
Right-of-return assets		58	145	94
Derivative financial instruments	6,7	313	200	162
Income tax receivable		117	166	86
Other receivables		822	822	922
Cash		866	858	1,387
Total current assets		**6,268**	**7,734**	**7,459**
Total assets		**21,968**	**19,530**	**19,244**
EQUITY AND LIABILITIES				
Share capital		100	110	110
Treasury shares		-1,364	-2,440	-3,469
Reserves		1,299	783	967
Dividend proposed		-	-	920
Retained earnings		4,203	6,814	7,891
Total equity		**4,237**	**5,267**	**6,419**
Provisions		245	207	279
Loans and borrowings	11	6,963	5,005	6,421
Deferred tax liabilities		359	532	461
Other payables		4	211	172
Total non-current liabilities		**7,571**	**5,955**	**7,333**
Provisions		37	31	28
Refund liabilities		622	754	869
Contract liabilities		60	59	66
Loans and borrowings	11	5,191	2,926	248
Derivative financial instruments	6,7	226	289	83
Trade payables		2,222	1,847	2,253
Income tax payable		404	976	543
Other payables		1,397	1,426	1,402
Total current liabilities		**10,159**	**8,308**	**5,492**
Total liabilities		**17,730**	**14,263**	**12,825**
Total equity and liabilities		**21,968**	**19,530**	**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	**-**	**-**	**-**	**-**	**-**	**1,204**	**1,204**
Exchange rate adjustments of investments in subsidiaries	-	-	322	-	-	-	322
Fair value adjustments of hedging instruments	-	-	-	13	-	-	13
Tax on other comprehensive income	-	-	-	-3	-	-	-3
Other comprehensive income, net of tax	**-**	**-**	**322**	**10**	**-**	**-**	**332**
Total comprehensive income for the period	**-**	**-**	**322**	**10**	**-**	**1,204**	**1,536**
Fair value adjustments of obligation to acquire non-controlling interests	-	-	-	-	-	17	17
Share-based payments	-	-	-	-	-	-11	-11
Share-based payments (exercised)	-	13	-	-	-	-13	-
Share-based payments (tax)	-	-	-	-	-	17	17
Purchase of treasury shares	-	-1,983	-	-	-	-	-1,983
Reduction of share capital	-10	4,075	-	-	-	-4,065	-
Dividend paid	-	-	-	-	-1,794	38	-1,756
Dividend proposed	-	-	-	-	874	-874	-
Equity at 30 September	**100**	**-1,364**	**1,235**	**64**	**-**	**4,203**	**4,237**
2018							
Equity at 1 January	**113**	**-1,999**	**912**	**10**	**987**	**6,491**	**6,514**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**3,154**	**3,154**
Exchange rate adjustments of investments in subsidiaries	-	-	-59	-	-	-	-59
Fair value adjustments of hedging instruments	-	-	-	-103	-	-	-103
Tax on other comprehensive income	-	-	-	23	-	-	23
Other comprehensive income, net of tax	**-**	**-**	**-59**	**-80**	**-**	**-**	**-139**
Total comprehensive income for the period	**-**	**-**	**-59**	**-80**	**-**	**3,154**	**3,015**
Fair value adjustments of obligation to acquire non-controlling interests	-	-	-	-	-	-20	-20
Share-based payments	-	-	-	-	-	-21	-21
Share-based payments (exercised)	-	105	-	-	-	-105	-
Share-based payments (tax)	-	-	-	-	-	-18	-18
Purchase of treasury shares	-	-2,260	-	-	-	-	-2,260
Reduction of share capital	-3	1,714	-	-	-	-1,711	-
Dividend paid	-	-	-	-	-1,954	11	-1,943
Dividend proposed	-	-	-	-	967	-967	-
Equity at 30 September	**110**	**-2,440**	**853**	**-70**	**-**	**6,814**	**5,267**

PANDORA

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q3 2019	Q3 2018[1]	9M 2019	9M 2018[1]	FY 2018[1]
Profit before tax		-154	1,220	1,553	4,044	6,582
Finance income		-128	-91	-281	-395	-533
Finance costs		83	67	254	254	382
Depreciation and amortisation		719	249	1,759	705	990
Share-based payments		6	-67	14	-21	-31
Change in inventories		-85	-522	614	-656	-18
Change in receivables		-312	-577	394	55	224
Change in payables and other liabilities		1,208	1,189	-21	381	762
Other non-cash adjustments		-18	1	-	-101	59
Interest etc. received		1	1	3	2	4
Interest etc. paid		-40	-23	-135	-47	-58
Income taxes paid		-72	-118	-584	-756	-1,739
Cash flows from operating activities, net		**1,209**	**1,329**	**3,571**	**3,465**	**6,624**
Acquisitions of subsidiaries and activities, net of cash acquired	9	-1	-486	-143	-988	-1,071
Purchase of intangible assets		-89	-96	-225	-295	-380
Purchase of property, plant and equipment		-97	-191	-375	-551	-727
Change in other non-current assets		5	-3	42	-22	-23
Proceeds from sale of property, plant and equipment		3	-2	16	5	10
Cash flows from investing activities, net		**-179**	**-778**	**-686**	**-1,851**	**-2,191**
Acquisitions of non-controlling interests		-56	-	-311	-	-
Dividend paid		-860	-957	-1,756	-1,943	-1,943
Purchase of treasury shares		-535	-934	-1,983	-2,258	-3,289
Proceeds from loans and borrowings		703	2,421	4,751	3,511	4,413
Repayment of loans and borrowings		-	-1,026	-3,282	-1,027	-3,191
Payment of lease commitments		-311	-	-846	-	-
Cash flows from financing activities, net		**-1,059**	**-496**	**-3,428**	**-1,717**	**-4,010**
Net increase/decrease in cash		**-30**	**55**	**-543**	**-103**	**423**
Cash at beginning of period[2]		890	815	1,387	993	993
Exchange gains/losses on cash		7	-12	22	-32	-29
Net increase/decrease in cash		-30	55	-543	-103	423
Cash at end of period[2]		**866**	**858**	**866**	**858**	**1,387**
Cash flows from operating activities, net		1,209	1,329	3,571	3,465	6,624
- Interests etc. received		-1	-1	-3	-2	-4
- Interests etc. paid		40	23	135	47	58
Cash flows from investing activities, net		-179	-778	-686	-1,851	-2,191
- Acquisition of subsidiaries and activities, net of cash acquired		1	486	143	988	1,071
Free cash flow		**1,070**	**1,059**	**3,161**	**2,647**	**5,558**
Unutilised credit facilities		**4,363**	**3,138**	**4,363**	**3,138**	**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 2018, except for the adoption of new standards effective as of 1 January 2019 as described below.

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 2018.

Additionally, 'EBIT excl. restructuring costs' relates to the initiatives of restoring our long-term sustainable growth and protect profitability, and mainly consists of costs related to inventory buy-back, optimisation of product portfolio and product quality, Brand re-launch, external consultants and IT transformation.

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 condensed consolidated interim financial statements.

Effect of 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 ends 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.

When reviewing the lease payments, only those related to lease components have been included if fixed or variable, but pending on an index or rate. Payments relating to services are not included in the right-of-use asset.

Payments related to short-term leases and leases of low-value assets continue to be recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise some IT-equipment and other office equipment.

When assessing the life of the leases, the Group considers the non-cancellable lease term and options to extend the lease where Pandora is reasonably certain to extend. Leases in Pandora mainly comprise stores, office buildings, cars, IT and other office equipment. Usual lease contracts on stores average 5 years with a 3-5 year option to extend in approximately 30% of the current contracts. The lease period of stores is assessed to be up to 10 years depending on an internal store rating considering the location, revenue and earnings. For office buildings the contract is usually 5 – 15 years. For other assets the life is equal to the non-cancellable lease period and extensions are not considered for these. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities are measured as the present value of the remaining lease payments, discounted using Pandoras incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3-4%. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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	Q3 2019 reported	Q3 2019 Acc. IAS 17	9M 2019 reported	9M 2019 Acc. IAS 17
Revenue	4,415	4,415	13,912	13,912
Cost of sales	-1,668	-1,668	-4,042	-4,042
Gross profit	**2,747**	**2,747**	**9,870**	**9,870**
Sales, distribution and marketing expenses	-2,261	-2,283	-6,372	-6,441
Administrative expenses	-684	-687	-1,973	-1,981
Operating profit	**-198**	**-223**	**1,526**	**1,447**
Finance income	128	127	281	280
Finance costs	-83	-58	-254	-174
Profit before tax	**-154**	**-154**	**1,553**	**1,553**
Income tax expense	35	35	-349	-349
Net profit for the period	**-119**	**-119**	**1,204**	**1,204**
Depreciation on right-of-use assets	-289	-	-838	-
EBITDA	520	206	3,285	2,369
EBITDA margin, %	11.8%	4.7%	23.6%	17%
EBIT	-198	-223	1,526	1,447
EBIT margin, %	-4.5%	-5.0%	11.0%	10.4%
Repayment of lease commitments	-311	-	-846	-
Free cash flow, adjusted for repayment of lease commitments	1,070	758	3,161	2,314
Invested capital	15,571	11,341	15,571	11,341
Return on invested capital (ROIC), %	26.0%	35.1%	26.0%	35.1%
Net interest-bearing debt (NIBD)	11,333	7,326	11,333	7,326
NIBD/EBITDA, x	1.8	1.4	1.8	1.4

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on Pandora's Annual Report 2019.

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.

With the implementation of the new lease standard described in note 1, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option when determining the lease term of stores and office buildings. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. No contracts were revised during Q3 2019.

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.

As announced in the Annual Report for 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.

As Programme NOW restructuring costs cannot be meaningfully allocated to the segments, the segment performance is measured and reported excluding restructuring costs. 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
Q3 2019				
Total revenue	2,133	1,320	962	4,415
Segment profit (EBIT) excl. restructuring costs	**467**	**265**	**159**	**891**
Segment profit margin (EBIT margin) excl. restructuring costs	***21.9%***	***20.1%***	***16.5%***	***20.2%***
Restructuring costs				-1,089
Consolidated operating profit (EBIT)				**-198**
Segment profit margin (EBIT margin)				***-4.5%***
Q3 2018				
Total revenue	2,404	1,431	1,147	4,982
Segment profit (EBIT) excl. restructuring costs	**606**	**303**	**287**	**1,196**
Segment profit margin (EBIT margin) excl. restructuring costs	***25.2%***	***21.2%***	***25.0%***	***24.0%***
Restructuring costs				-
Consolidated operating profit (EBIT)				**1,196**
Segment profit margin (EBIT margin)				***24.0%***
9M 2019				
Total revenue	6,529	4,234	3,149	13,912
Segment profit (EBIT) excl. restructuring costs	**1,437**	**989**	**622**	**3,048**
Segment profit margin (EBIT margin) excl. restructuring costs	***22.0%***	***23.4%***	***19.8%***	***21.9%***
Restructuring costs				-1,522
Consolidated operating profit (EBIT)				**1,526**
Segment profit margin (EBIT margin)				***11.0%***
9M 2018				
Total revenue	7,151	4,317	3,448	14,916
Segment profit (EBIT) excl. restructuring costs	**1,796**	**1,081**	**1,025**	**3,903**
Segment profit margin (EBIT margin) excl. restructuring costs	***25.1%***	***25.0%***	***29.7%***	***26.2%***
Restructuring costs				-
Consolidated operating profit (EBIT)				**3,903**
Segment profit margin (EBIT margin)				***26.2%***

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q3 2019	Q3 2018	*Growth in local currency*	9M 2019	9M 2018	*Growth in local currency*	FY 2018
UK	522	581	*-9%*	1,567	1,529	*2%*	2,746
Italy	471	645	*-27%*	1,418	1,745	*-19%*	2,461
France	202	210	*-4%*	675	767	*-12%*	1,253
Germany	188	204	*-8%*	573	651	*-12%*	1,041
US	868	1,005	*-18%*	2,884	3,062	*-12%*	4,880
Australia	195	259	*-23%*	679	863	*-20%*	1,361
China	491	527	*-8%*	1,546	1,458	*5%*	1,969

NOTE 4 – Revenue from contracts with customers

REVENUE BY CHANNELS

DKK million	Q3 2019	Q3 2018	*Growth in local currency*	9M 2019	9M 2018	*Growth in local currency*	FY 2018
Pandora owned retail*	2,783	2,608	*6%*	8,966	7,965	*11%*	12,895
Wholesale	1,383	2,053	*-34%*	4,245	5,964	*-31%*	8,633
Third-party distribution	249	321	*-24%*	701	987	*-30%*	1,278
Total revenue	**4,415**	**4,982**	***-13%***	**13,912**	**14,916**	***-8%***	**22,806**

*Including revenue from Pandora online stores

REVENUE BY REGION

DKK million	Q3 2019	Q3 2018	*Growth in local currency*	9M 2019	9M 2018	*Growth in local currency*	FY 2018
EMEA	2,133	2,404	*-11%*	6,529	7,151	*-9%*	11,190
Americas	1,320	1,431	*-11%*	4,234	4,317	*-7%*	6,807
Asia Pacific	962	1,147	*-17%*	3,149	3,448	*-10%*	4,809
Total revenue	**4,415**	**4,982**	***-13%***	**13,912**	**14,916**	***-8%***	**22,806**

REVENUE BY PRODUCT CATEGORY

DKK million	Q3 2019	Q3 2018	*Growth in local currency*	9M 2019	9M 2018	*Growth in local currency*	FY 2018
Charms	2,321	2,630	*-13%*	7,300	8,045	*-11%*	12,126
Bracelets	856	985	*-14%*	2,662	2,809	*-7%*	4,393
Rings	629	720	*-14%*	1,988	2,090	*-7%*	3,168
Earrings	286	304	*-7%*	925	913	*0%*	1,486
Necklaces & Pendants	323	343	*-8%*	1,038	1,059	*-4%*	1,633
Total revenue[1]	**4,415**	**4,982**	***-13%***	**13,912**	**14,916**	***-8%***	**22,806**
Goods transferred at a point in time	4,401	4,961		13,868	14,851		22,707
Services transferred over time	14	21		44	65		99
Total revenue	**4,415**	**4,982**		**13,912**	**14,916**		**22,806**

[1] Figures include franchise fees etc., which are allocated to the product categories. Q3 2019 24 DKK million, Q3 2018 DKK 21 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 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	2019 30 September	2018 30 September	2018 31 December
Receivables related to third-party distribution and wholesale	892	1,581	1,301
Receivables related to retail revenue sales	365	225	349
Total trade receivables	**1,256**	**1,806**	**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 five concept stores and 13 shop-in-shops. The purchase price including VAT was DKK 94 million of which DKK 89 million was paid in cash. DKK 5 million, was deferred 6 months and paid in July 2019. The purchase price without VAT is DKK 92 million. Goodwill from the acquisition based on the preliminary purchase price allocation 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 14 stores in the period 1 January – 30 September 2019 (eight concept stores in Italy, two in Australia, two in Germany and two SIS in Spain) in 7 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 – 30 September 2019 was DKK 134 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 – 30 September 2019 was DKK 0.1 billion and DKK 0.0 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 – 30 September 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	9M 2019	FY 2018
Other intangible assets	-	26
Property, plant and equipment	13	109
Other non-current receivables	-	2
Trade receivables and other receivables	-	38
Inventories	63	302
Cash	-	4
Assets acquired	**76**	**481**
Non-current liabilities	-	23
Payables	-	31
Other current liabilities	2	58
Liabilities assumed	**2**	**112**
Total identifiable net assets acquired	**74**	**369**
Goodwill arising on the acquisitions	59	739
Purchase consideration	**134**	**1,108**
Cash movements on acquisitions:		
Consideration transferred regarding previous years[1]	10	2
Deferred payment (including earn-out)[2]	-1	-35
Cash acquired	-	-4
Net cash flow on acquisitions	**143**	**1,071**

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

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 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, 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 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 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	30 September 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	81	17
Cost at the end of the period	**4,418**	**4,278**

Impairment testing of goodwill was performed in Q3 2019. As of Q3 2019 there are no indications of impairment.

NOTE 11 – Assets and liabilities related to leases

Amount recognised in the balance sheet.

RIGHT-OF-USE-ASSETS

DKK million	30 September 2019
Property	4,158
IT	1
Cars	20
Other	17
Total right-of-use assets	**4,196**

Additions of right-of-use assets in the period 1 January – 30 September 2019 was DKK 372 million.

LEASE LIABILITIES

DKK million	30 September 2019
Non-current	2,955
Current	1,052
Total lease liabilities	**4,007**

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 – 30 SEPTEMBER

DKK million	1 January – 30 September 2019
Property	823
IT	1
Cars	9
Other	5
Total depreciation on right-of-use assets for the period	**838**

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 30 September 2019
Interest income from sub-leases	1
Interest expense	-80
Total interest for the period	**-79**

Costs recognised in the period for short term and low value leases were DKK 22 million. Expenses are recognised on a straight line basis.

Expenses related to variable leases were DKK 266 million for the period. These are not included in the lease liability.

Total cash outflow relating to leases in scope of IFRS 16 was DKK 846 million for the period.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2018. Compared with Q2 2019, leasing commitments not in scope of IFRS 16 increased by DKK 4 million in Q3 2019 to DKK 9 million at the end of Q3 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.

NOTE 14 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q3 2019	Q2 2019	Q3 2018	Growth Q3 2019 / Q2 2019	Growth Q3 2019 /Q3 2018
Other points of sale (retail)	197	188	157	9	40
Other points of sale (wholesale)	3,899	3,928	4,329	-29	-430
Other points of sale (third-party)	633	662	672	-29	-39
Other points of sale, total	**4,729**	**4,778**	**5,158**	**-49**	**-429**

PANDORA

NOTE 15 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q3 2019	**Number of concept stores Q2 2019**	**Number of concept stores Q3 2018**	***Growth Q3 2019 /Q2 2019***	***Growth Q3 2019 /Q3 2018***	**Number of concept stores O&O Q3 2019**	***Growth O&O stores Q3 2019 /Q2 2019***	***Growth O&O stores Q3 2019 /Q3 2018***
UK	231	233	233	*-2*	*-2*	127	-	*6*
Italy	148	146	126	*2*	*22*	107	*2*	*26*
France	120	121	109	*-1*	*11*	75	-	*14*
Germany	148	151	154	*-3*	*-6*	142	*-3*	*-3*
US	396	395	392	*1*	*4*	154	*1*	*5*
Australia	127	128	124	*-1*	*3*	38	*-1*	*4*
China	234	227	203	*7*	*31*	223	*5*	*27*
All markets	**2,721**	**2,731**	**2,614**	***-10***	***107***	**1,379**	***-1***	***113***

*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 70% of the Group's expected consumption, based on a rolling 12-months production plan.

HEDGED AND REALISED PURCHASE PRICES

USD / OZ	*Realised in Q3 2019*	Hedged Q4 2019	Hedged Q1 2020	Hedged Q2 2020	Hedged Q3 2020
Gold price	*1,231*	1,316	1,361	1,445	1,498
Silver price	*15.26*	15.32	17.06	15.89	17.56
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 78.3% based on the average gold (USD 1,472/oz) and silver (USD 16.98/oz) market prices in Q3 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

Pandora is not aware of events after 30 September 2019, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1]	Q3 2018[1]
Key financial highlights					
Organic growth, %	***-14%***	***-7%***	***-12%***	***-1%***	***-7%***
Total like-for-like sales out, %	*-10%*[3]	*-10%*	*-10%*	*-7%*	*-3%*
Revenue	4,415	4,693	4,804	7,890	4,982
Revenue growth, local currency, %	*-13%*	*-4%*	*-8%*	*3%*	*-3%*
Gross profit excl. restructuring costs	3,469	3,570	3,645	5,826	3,602
Gross margin excl. restructuring costs, %	*78.6%*	*76.1%*	*75.9%*	*73.8%*	*72.3%*
EBIT excl. restructuring costs	891	1,075	1,083	2,528	1,196
EBIT margin excl. restructuring costs, %	***20.2%***	***22.9%***	***22.5%***	***32.0%***	***24.0%***
Free cash flow, DKK	1,070	1,418[1]	673	2,911[1]	1,059[1]
Cash conversion, %	*NA*	*185.5%*[1]	*70.1%*	*115.2%*[1]	*88.5%*[1]
Operating working capital, % of last 12 months revenue	*8.6%*	*9.4%*	*12.1%*	*11.2%*	*16.4%*
Capital expenditure (CAPEX), DKK million	254	206	178	324	265
Capital expenditure, tangible assets (CAPEX), DKK million	154	151	108	227	168
Other financial highlights					
Consolidated income statement					
Revenue	4,415	4,693	4,804	7,890	4,982
Gross profit	2,747	3,503	3,620	5,826	3,602
Gross margin, %	*62.2%*	*74.6%*	*75.4%*	*73.8%*	*72.3%*
Earnings before interests, tax, depreciations and amortisations (EBITDA)	520	1,290[1]	1,474	2,813[1]	1,445[1]
EBITDA margin, %	*11.8%*	*27.5%*[1]	*30.7%*	*35.7%*[1]	*29.0%*[1]
Operating profit (EBIT)	-198	764	960	2,528	1,196
EBIT margin, %	*-4.5%*	*16.3%*	*20.0%*	*32.0%*	*24.0%*
Net financials	44	-86	68	10	24
Net profit for the period	-119	526	797	1,891	951
Consolidated balance sheet					
Total assets	21,968	21,533[1]	22,408	19,244[1]	19,530[1]
Invested capital	15,571	16,289[1]	16,919	12,071[1]	12,802[1]
Operating working capital	1,869	2,101	2,712	2,555	3,696
Net interest-bearing debt (NIBD)	11,333	10,761[1]	11,450	5,652[1]	7,535[1]
Equity	4,237	5,528[1]	5,469	6,419[1]	5,267[1]
Ratios					
Revenue growth, %	*-11%*	*-3%*	*-6%*	*4%*	*-4%*
Effective tax rate, %	*22.5%*	*22.5%*	*22.5%*	*25.5%*	*22.0%*
Equity ratio, %	*19.3%*	*25.7%*	*24.4%*	*33.4%*	*27.0%*
NIBD to EBITDA[2], x	1.8x	1.4x[1]	1.4x	0.8x[1]	1.0x[1]
Return on invested capital (ROIC)[2], %	*26.0%*	*33.4%*[1]	*35.2%*	*53.3%*[1]	*52.5%*[1]
Total payout ratio (incl. share buyback), %	*N/A*	*105.9%*	*224.2%*	*54.4%*	*198.8%*

[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] Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.
[3] Like-for-like excluding Hong Kong SAR due to the extraordinary turmoil in the market.

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 – 30 September 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 30 September 2019 and the results of the Pandora Group's operations and cash flow for the period 1 January – 30 September 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, 5 November 2019

EXECUTIVE MANAGEMENT

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

BOARD

Peder Tuborgh *Chairman*	Christian Frigast *Deputy Chairman*	
Andrea Alvey	Birgitta Stymne Göransson	Isabelle Parize
Per Bank	Ronica Wang	Sir 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

Havneholmen 17-19 | DK-1561 Copenhagen V | Denmark
www.pandoragroup.com
Company reg. no.: 2850 5116