PANDORA AIDE MEMOIRE Q2 2019

Revenue

- Full-year guidance: Organic growth of -3% to -7%
    - Like-for-like[1] "could be down by up to high single-digit negative"
        - Like-for-like is estimated to be impacted by -2 to -4pp from less promotional (discounting) activity
    - Impact from inventory and lower sell-in packs: -1pp
    - Impact from network expansion (mainly run-rate from 2018): +4pp

- Other factors impacting DKK revenue growth
    - Forward integration (mainly run-rate effect from 2018): +2pp
    - Foreign exchange development: 0-1pp

Quotes on organic growth phasing:

- "*I want to highlight that a number of the organic growth drivers are non-recurring of nature - not least the sell-in packs - and Q1 is expected to be the only quarter of the year where organic growth will be lower than like-for-like*" – Q1 2019 teleconference

- "*We expect organic growth in Q1 to be the lowest in 2019 as especially the negative revenue impact from the reduced sell-in packs and inventory changes will be less of a drag in the quarters to come*" – Q1 2019 teleconference

Quotes on like-for-like phasing:

- "*The guidance continues to assume that Programme NOW will have visible positive impact on the like-for-like in late 2019*" – Q1 2019 interim report

- "*LFL during 2019 would be worse before it gets better*" – Q1 2019 teleconference

- "*We are still seeing a like-for-like in April being below what we have guided for the full year so in line with what we saw in the first quarter, but again, yes, little impact still of all the top line initiatives that we are taking as part of Programme NOW"* – Q1 2019 teleconference

Other Revenue quotes:

- **"***Pandora still expects to add around net 75 concept stores to the network, although depending on the exact timing of the additional 50 store closures.*" – Q1 2019 interim report

[1] like-for-like definition: total sales-out growth for stores (Pandora-owned and franchisees) which have been operating for at least 12 months

Profitability

- Full-year guidance: 26-28% excl. restructuring costs

  <u>Quote on profitability phasing</u>

  - *"…the EBIT margin (excl. restructuring costs) is going to be skewed towards Q4 and both the Q2 and Q3 EBIT margin is expected to be below our Full-Year guidance."* – Q1 2019 teleconference
- NOTE: EBIT-margin in Q4 2018 was 6pp higher than average Q1-Q3 2018

Restructuring costs – Full-year guidance (From Q4 2018 announcement):

"*Restructuring costs of around 6 percentage points (up to DKK 1.5 billion) in 2019, consist of:*

- *The wholesale inventory buyback programme for selected markets will be impacting the EBIT margin negatively by around 2 percentage points*
- *Around 4 percentage points will be related to programme execution. The majority of the restructuring costs will be recognised as OPEX*"

The wholesale inventory buyback programme is expected to mainly impact Q3

Brand relaunch

<u>Quotes on Brand Relaunch:</u>

- *"On 28 August, Pandora is celebrating the start of its brand re-launch with an event in Los Angeles. The brand re-launch officially starts on 29 August with the launch of the Autumn collection complemented by a number of exciting commercial initiatives that will be rolled out globally across 2019"* – Press Release from 31 July 2019

- *"the core of Programme NOW is, as you know, exactly to address the traffic challenge through, among other things, significant marketing investments and the upcoming brand re-launch"* – Q1 2019 teleconference

- "*as you can see, in our EBIT margin bridge, we have not invested, reinvested a lot yet in Programme NOW but that building block in the diagram is basically zero and as we move into the later part of the year, we will start increasing especially our marketing spending significantly"* – Q1 2019 teleconference