Company Announcement No. 603

Interim Financial Report Q2 2020

17 August 2020

PANDORA

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Company reg. no.: 2850 5116

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Disney x Pandora collection

The Pandora Ocean series

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Our Equity Story

Pandora is a cross-generational brand with unmatched recognition that gives a voice to people's loves. Our jewellery is crafted and hand-finished 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.

Encoding sales recovery since April

- The future retail environment continues to be subject to significant uncertainty

Highlights

- Sales recovery during Q2 led to -39% sell-out growth and positive EBIT before restructuring costs
- Strong free cash flow in Q2 (DKK 943 million incl. lease payments). NIBD/EBITDA at 1.1
- Sell-out growth has continued to improve since April to around -10% in Q3 quarter-to-date
- The retail environment continues to be subject to uncertainty due to the COVID-19 development. Sell-out growth improvement has stalled in Q3 following new surges in COVID-19

Since the outset of the COVID-19 outbreak, Pandora has initiated forceful initiatives to manage through the crisis in a socially responsible way. The initiatives have led to a very robust liquidity position, protected profitability as revenue declined and created a strong sales recovery throughout Q2 2020. During the re-opening phase, consumer interaction with the brand has been encouraging with continued positive response to Pandora’s commercial initiatives unfolded and executed in continuation of the brand relaunch on 29 August 2019. The global sell-out growth gradually improved since April to around -10% in Q3 quarter-to-date. However, the recent surges in COVID-19 and new, local lockdowns in August are impacting consumer behaviour and has stalled the improvement in sell-out.

Pandora continues to consider the future macroeconomic environment and COVID-19 development as highly uncertain. Based on the assumption that there will be no new major lockdowns, a continued positive development in the number of open stores and no material deterioration of the macroeconomic environment, Pandora today reinstates its 2020 financial guidance. The continued local spikes in incident rates and inherent commercial impact from social distancing are expected to continue to negatively impact revenue in the second half of the year. Pandora expects organic growth to be -14% to -20% in 2020. The full-year EBIT-margin is expected to be between 16% and 19%.

Alexander Lacik, President and CEO of Pandora, says:
“Q2 2020 will not be forgotten anytime soon. COVID-19 has changed our societies and challenged global brands around the world. The pandemic may leave a lasting effect on consumer behaviour, our ways of working and use of technology. Pandora’s business model has proven its resilience during the crisis, and our consumers have continued to engage actively with the brand despite closed stores. I am proud of how our employees have been coping with the challenges while at the same time finding creative ways to identify opportunities in times of change.”

Financial overview (excl. restructuring costs)

	Q2 2020	Q2 2019	H1 2020	H1 2019
Sell-out growth incl. temporarily closed stores, %	*-39%*	*-10%*	*-28%*	*-10%*
Like-for-like (excl. closed stores), %	*8%*	*-10%*	*-4%*	*-10%*
Organic growth, %	*-38%*	*-7%*	*-26%*	*-9%*
Revenue, DKK million	2,876	4,693	7,048	9,497
EBIT margin, %	*1.1%*	*22.9%*	*9.5%*	*22.7%*

FINANCIAL HIGHLIGHTS

DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019	*FY 2020 guidance*
Key financial highlights						
Organic growth, %	*-38%*	*-7%*	*-26%*	*-9%*	***-8%***	***-14% to -20%***
Sell-out growth incl. temporarily closed stores, %	*-39%*	*-10%*	*-28%*	*-10%*	*-8%*	
Total like-for-like sales out, %[1]	*8%*	*-10%*	*-4%*	*-10%*	*-8%[1]*	
Revenue growth, local currency, %	*-38%*	*-4%*	*-26%*	*-6%*	*-6%*	
Gross margin excl. restructuring costs, %	*74.9%*	*76.1%*	*76.4%*	*76.0%*	*77.4%*	
EBIT excl. restructuring costs	33	1,075	671	2,157	5,854	
EBIT margin excl. restructuring costs, %	***1.1%***	***22.9%***	***9.5%***	***22.7%***	***26.8%***	***16% to 19%***
Operating working capital, % of last 12 months revenue	*2.8%*	*9.4%*	*2.8%*	*9.4%*	*3.1%*	
Capital expenditure (CAPEX)	121	206	250	384	822	
Capital expenditure, property, plant and equipment (CAPEX)	100	151	194	260	556	
Free cash flow incl. lease payments[2]	943	1,145	671	1,556	5,075	
Cash conversion incl. lease payments[2], %	*N/A*	*150%*	*12684%*	*90%*	*133%*	
Dividend per share, DKK	-	-	-	-	9.0	
Quarterly dividend per share, DKK	-	9.0	-	9.0	9.0	
Earnings per share, basic, DKK	-2.1	5.4	-2.1	13.3	30.3	
Earnings per share, diluted, DKK	-2.1	5.3	-2.1	13.2	30.1	
Ratios						
Effective tax rate, %	*22.5%*	*22.5%*	*22.5%*	*22.5%*	*23.1%*	
Equity ratio, %	*29%*	*26%*	*29%*	*26%*	*24%*	
NIBD to EBITDA excl. restructuring costs, x	1.1	1.4	1.1	1.4	1.1	
Return on invested capital (ROIC), %	*16%*	*33%*	*16%*	*33%*	*27%*	
Total pay-out ratio (incl. share buyback)[3], %	-	*106%*	*N/A*	*177%*	*147%*	
Other financial highlights						
Consolidated income statement						
Revenue	2,876	4,693	7,048	9,497	21,868	
Gross profit	2,099	3,503	5,242	7,123	15,903	
Gross margin, %	*73.0%*	*74.6%*	*74.4%*	*75.0%*	*72.7%*	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	325	1,290	1,058	2,765	6,148	
EBITDA margin, %	*11.3%*	*27.5%*	*15.0%*	*29.1%*	*28.1%*	
Operating profit (EBIT)	-198	764	5	1,724	3,829	
EBIT margin, %	*-6.9%*	*16.3%*	*0.1%*	*18.2%*	*17.5%*	
Net financials	-28	-86	-262	-17	1	
Net profit for the period	-175	526	-199	1,323	2,945	
Consolidated balance sheet						
Total assets	18,859	21,533	18,859	21,533	21,571	
Invested capital	12,864	16,289	12,864	16,289	14,268	
Operating working capital	535	2,101	535	2,101	684	
Net interest-bearing debt (NIBD)	7,391	10,761	7,391	10,761	9,019	
Equity	5,473	5,528	5,473	5,528	5,249	

[1] Like-for-like is calculated excluding stores that have been temporarily closed

[2] Free cash flow deviates from Free cash flow in the cash flow statement as it includes lease payments (i.e. excluding IFRS 16)

[3] Excluding sale of Treasury shares amounting to DKK 1.8 billion in Q2 2020

Social responsibility

Pandora has prioritised a safe environment for employees and consumers both during the lockdown and through the re-opening phase. During the lock-down, Pandora has as a general principle protected the salaries of store staff during store closures and guaranteed 75% salary to all employees being periodically sent home from the production facilities in Thailand. The broad leadership of Pandora (from Vice President level and above) received 20% reduced salary in May and June. Pandora also decided to cancel the annual salary adjustment for all employees.

Pandora is actively managing safety and social distancing in the re-opened stores while strictly adhering to local government guidelines and restrictions. The store staff have improved transaction efficiency and minimised consumer browsing while prioritizing a clean environment related to both the store and the jewellery. Pandora is developing global best practice solutions to accommodate social distancing, which will continue to represent a social and commercial challenge, especially in the upcoming peak trading periods in Q4.

As part of Pandora's long-term partnership with UNICEF, Pandora has agreed to support UNICEF's "Reimagine" campaign to respond, recover and reimagine a world currently besieged by COVID-19. Focusing on the most vulnerable children – such as those affected by poverty, exclusion or family violence – UNICEF is working to stop the disease spreading further and mitigate the knock-on effects on children and lay the groundwork for building back a better world. Pandora has donated USD 1 million by matching donations made in the campaign. In the first activation event, the family of Bob Marley has reimagined the song "One love", which was released on 17 July 2020.

Status of re-opening of the physical network

Throughout Q2 2020 and during July, the re-opening of physical stores developed positively despite spikes in infection rates and risk of new lockdowns. By the end of July, around 90% of concept stores were open including the majority of stores in the seven key markets. In the first weeks of August, the number of temporarily closed stores increased slightly.

Pandora has been able to be a first-mover in the store re-opening phase as employees' jobs and salaries were protected in the lockdown period. Pandora has kept its experienced store staff, and they have quickly returned to stores and managed the necessary operational adjustments required to accommodate guidelines for social distancing while ensuring safety and an excellent consumer experience. Many re-opened stores are also operating based on reduced opening hours, which continues to affect the sell-out in the physical stores.

Concept stores re-opening status (approximately)

	Total number of concept stores	Market start of re-opening	*Concept stores temporarily closed on 31 May 2020*	*Concept stores temporarily closed on 30 June 2020*	*Concept stores temporarily closed on 31 July 2020*
UK	216	15 June 2020	*100%*	*15%*	*5%*
Italy	146	18 May 2020	*0%*	*0%*	*0%*
France	121	11 May 2020	*15%*	*0%*	*0%*
Germany	138	23 April 2020	*0%*	*0%*	*0%*
US	403	4 May 2020	*45%*	*15%*	*10%*
Australia	123	N/A	*5%*	*0%*	*0%*
China	236	2 March 2020	*0%*	*0%*	*0%*
Other	1,331		*70%*	*25%*	*15%*
Total	**2,714**		**~50%**	**~15%**	**~10%**

Consumer trends in the re-opening phase

Pandora consumers have generally shown a solid and robust engagement with the brand both in physical stores and online through the re-opening phase. All markets are showing different characteristics when re-opening but all of the seven key markets experienced a gradual improvement in traffic into physical stores until early August, where surges of incidents stalled the improvement. The current level of traffic into physical stores is still well below the pre-COVID-19 level. The lower traffic is partly offset by a materially higher conversion rate across all markets.

The online stores continue to perform better than before the global lockdown based on both increased traffic and a higher conversion rate. Pandora is securing additional online capacity to be able to cope with continued significant growth also in the peak trading periods of Q4 2020.

Across markets, there is no clear indications of a lasting COVID-19 impact on the average basket characteristics. The product category mix, units per transaction and average selling price (ASP) are all developing well in line with the trends observed in January and February of 2020 where units per transaction were roughly unchanged compared to the year before and ASP decreased slightly due to the increased focus on affordability.

COVID-19 initiatives and financial implications

Pandora initiated measures to protect profitability and cash in the early phase of the lockdown period. In the re-opening phase, consumers showed positive engagement with the brand, and Pandora decided to invest strongly in media and marketing. There have been significant opportunities for the brand to visibly stand out but also opportunities to gain discounts on media cost, among others by being one of few retail brands investing opportunistically in TV campaigns in a number of countries.

Total OPEX decreased 15% compared to Q2 2019. Government subsidies amounted to approximately DKK 110 million in the quarter (resulting in lower OPEX).

The manufacturing setup in Thailand has been largely unaffected by COVID-19 with a stable supply chain. During May and June, Pandora decided to send factory workers on leave every second week to manage inventory and balance supply and demand. The adjustment of production volumes led to non-recurring costs (Cost of sales) of around DKK 80 million in Q2 2020.

Inventory levels in stores and at distribution centres have been actively managed and are currently at a satisfactory level. The elevated uncertainty related to the consumer demand in the second half of 2020 creates uncertainty about the required level of production and inventory. Furthermore, the continued spikes in COVID-19 cases also create risks of disruption in the supply chain. Combined with the fact that Pandora wants to avoid the stock-out experienced during peak trading in Q4 2019, it has been decided to increase inventories and lift production to a level anticipated to exceed demand in the second half of 2020. The limited seasonality of Pandora's products reduces the risk of extraordinary and material write-downs.

Pandora has also worked closely with wholesale partners to ensure a continued strong partnership. Pandora's trade receivables developed favourably in Q2 2020.

The balance sheet and liquidity is considered very healthy following the debt refinancing and sale of Treasury shares executed in May 2020. Driven by the robust cash flow generation in Q2 2020, the leverage ratio (NIBD/EBITDA before restructuring costs) ended at 1.1x by the end of June, which is in line with the capital structure policy. Pandora thereby has ample headroom to the bank loan covenant at 4.25x. The available committed loan facilities amounted to more than DKK 7 billion by the end of Q2 2020.

Committed loan facilities (end of June 2020)

	Amount (DKK million)	**Maturity date**	***Drawn amount (DKK million)***
Revolving Credit Facilities	7,500	May 2022	*250*
Club Deal	2,981	December 2021	*2,981*
Bilateral term-loans	1,622	December 2020	*1,622*
Total	**12,103**		***4,853***

UPDATE ON PROGRAMME NOW

Programme NOW was initiated at the end of 2018 and has created positive initial results – creating the foundation for a healthier and more efficient company. The commercial initiatives in the programme led to a clear positive consumer response before the disruption caused by COVID-19. The programme is now in its second stage with the first three important milestones achieved and concluded with success – 1) the brand re-launch conducted on 29 August 2019, 2) the Commercial Reset initative (reduction of promotions, inventory and design variations) and 3) the transformational strategic reorganisation, which was implemented in April 2020.

The strategic reorganisation and the new operating model without a regional layer has already had a positive impact on decision-making and coordination across the value chain. The global Executive Leadership Team is now in place with strong and experienced profiles, which are required to make Pandora a world-class brand-builder and a world-class retailer.

As part of the reorganisation, Pandora has created a structure where two Global Business Units are responsible for product performance from market research to sales. Note 3 in this Interim Financial Report (segment information) has been changed to reflect the new operational structure.

In the next stage of Programme NOW, Pandora will continue to focus on initiatives aiming at returning the company to growth combined with cost initiatives allowing the company to fund investments in the topline. Some of the initiatives from the first stage in Programme NOW are now embedded into the day-to-day operations while others continue to be embedded as part of the programme. There are still significant opportunities to professionalise the company further.

Key focus areas in the second stage of Programme NOW

Turnaround objectives	Brand Relevance	Data-driven growth and personalisation
		Win in China
	Brand Access	Omnichannel capabilities
		New store concept
	Cost Reset	Cost Reset continuation

Brand Relevance – Building on the improved brand momentum

Early in the quarter when the majority of the physical stores were closed, Pandora reduced its traditional media efforts to a minimum and significantly increased its digital marketing spend. The brand momentum and positive development across key retail metrics have been managed throughout the lockdown period, and Pandora has decided to increase its media spending early in the re-opening phase to build further on the positive brand momentum.

Pandora's product introductions for 2020 have not been materially affected by the COVID-19 outbreak. In Q2, new product launches were introduced almost as planned and performed well, spearheaded by the Mother's Day collection launched in late April. The launch of the "Blue ocean" collection planned for late May was made an "online exclusive" launch to create perceived scarcity of the products without compromising materially on offline sales early in the re-opening phase. In early Q3 2020, Pandora has launched new Pandora ME products and new Harry Potter design variations to build on the successes from 2019. In August, a new product partnership with Lucasfilm to launch a capsule collection of Star Wars–inspired jewellery was also announced.

Pandora is progressing well on an initiative focused on creating “Data-driven growth” by using customer data to better target the right customers with the right message across channels. The initiative includes a significantly better understanding of consumer characteristics and uses data to customize and tailor marketing content to the individual customer. The initiative has yielded early encouraging results, especially in the US.

Brand Access – Online initiatives paying off

Last year’s implementation of the new design and updated backend of the online store has improved the consumer journey and proved to be reliable during the second quarter. The online stores in the largest markets have been extremely well visited, and consumers are spending more time on the new site. As a consequence of the strong online growth and continued skewed traffic towards the online channel in the future, Pandora is expanding its distribution capacity ahead of the peak trading season.

The roll-out of omnichannel capabilities in the US has continued despite of COVID-19. Currently, omnichannel capabilities such as “buy in-store, ship to home” and “click-and-collect” have been implemented in more than 250 concept stores.

Pandora is re-evaluating the new physical store concept and the optimal consumer journey in physical stores. The initial design and visual expression receive positive consumer feedback but the operational setup will be further improved to optimise performance.

Cost Reset – Cost savings target within reach

During the quarter, the key focus has been on protecting cash and profitability through short-term cost saving initiatives such as rent negotiations and management of CAPEX and working capital. Despite focus on short-term initiatives, Pandora confirms the cost saving run-rate target by the end of 2020 of DKK 1.4 billion announced in the beginning of the year.

QUARTERLY OVERVIEW OF PROGRAMME NOW RESTRUCTURING COSTS

DKK million	Q2 2020 reported	Restructuring costs	Q2 2020 excl. restructuring costs	Q2 2019 reported	Restructuring costs	Q2 2019 excl. restructuring costs
Revenue	2,876	-	2,876	4,693	-	4,693
Cost of sales	-778	-56	-722	-1,190	-67	-1,123
Gross profit	**2,099**	**-56**	**2,155**	**3,503**	**-67**	**3,570**
Sales and distribution expenses	-1,274	-34	-1,240	-1,481	-12	-1,468
Marketing expenses	-473	-9	-464	-591	-53	-537
Administrative expenses	-550	-132	-418	-668	-178	-490
Operating profit (EBIT)	**-198**	**-231**	**33**	**764**	**-310**	**1,075**

YEAR-TO-DATE OVERVIEW OF PROGRAMME NOW RESTRUCTURING COSTS

DKK million	H1 2020 reported	Restructuring costs	H1 2020 excl. restructuring costs	H1 2019 reported	Restructuring costs	H1 2019 excl. restructuring costs
Revenue	7,048	-	7,048	9,497	-	9,497
Cost of sales	-1,805	-142	-1,663	-2,374	-92	-2,282
Gross profit	**5,242**	**-142**	**5,385**	**7,123**	**-92**	**7,215**
Sales and distribution expenses	-2,945	-111	-2,834	-3,034	-15	-3,019
Marketing expenses	-1,056	-22	-1,034	-1,077	-56	-1,021
Administrative expenses	-1,236	-391	-845	-1,289	-270	-1,018
Operating profit (EBIT)	**5**	**-666**	**671**	**1,724**	**-433**	**2,157**

The restructuring costs incurred in the quarter relates to cost reduction projects, consultancy expenses and costs related to the strategic reorganisation.

ENCOURAGING SALES RECOVERY IN THE EARLY PART OF THE RE-OPENING PHASE

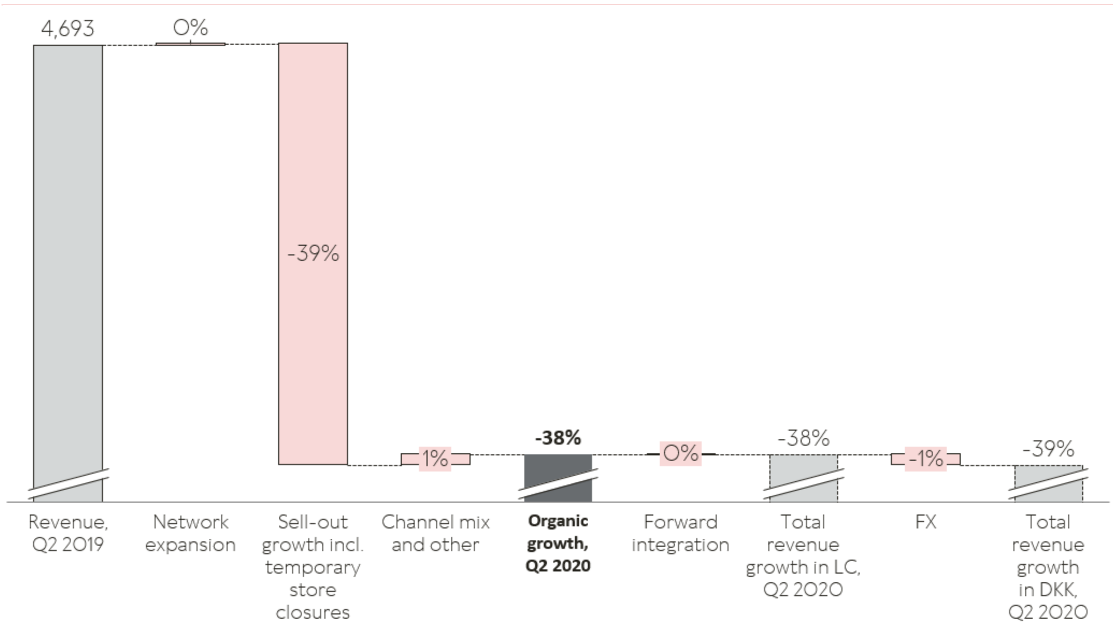
The lockdowns and re-opening patterns for each market made the performance by market diverse. Markets, where the online channel comprises a larger part of the business (such as UK and US), naturally performed better during lockdowns while the timing and guidelines for re-opening of the different markets also had an impact.

Pandora has been able to move consumers from offline to online during the periods of closed physical stores. Digital marketing was kept at a high level and helped drive online revenue growth of 176% in Q2 2020. As the physical stores have re-opened, Pandora has observed a negative correlation between traffic online and traffic into physical stores but the online store continues to perform better than before COVID-19. The momentum of the online store has been supported by commercial initiatives, among others the launch of an online-exclusive product collection.

In the new operational structure, Moments, Charms and Collaborations generated revenue of DKK 2,012 million comprising a larger share of business in Q2 2020 compared with Q2 2019. The development reflects solid performance of bracelets and collaborations including Disney and Harry Potter. Sell-out growth of charms was in line with the whole business (~-39% sell-out growth). In Q2 2020, Pandora launched two product collections with focus on collectability and affordability. The Mother's Day collection was launched early in the quarter and also included 9 Disney Animal design variations. The Blue Ocean collection was decided to be launched as an "online exclusive" collection for the first time in Pandora's history. The collection was a clear contributor to the online growth. Newness (products launched in 2020) comprised just above 20% of revenue and the sell-out growth for newness was better than for the base products.

The move of a relative larger part of sell-out from Wholesale to online is positively impacting organic growth compared to sell-out growth as Pandora benefits from the higher ASP in online sales. This channel shift was the main component driving the 1pp contribution to organic growth seen in the chart below.

REVENUE GROWTH COMPOSITION



REVIEW OF REVENUE BY CHANNEL

The Pandora owned concept stores generally generated better Sell-out growth than partners' concept stores, which is mainly a result of the geographical locations of the stores.

The traditional like-for-like definition (Like-for-like sales-out) excludes temporary closed stores. The online channel therefore comprise a large share of the Like-for-like sales out KPI and contributing to the +8% like-for-like growth.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q2 2020	Q2 2019	*Sell-out growth incl. temporarily closed stores*	*Like-for-like sales-out[1]*	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**2,480**	**3,121**	***-18%***	***28%***	***-20%***	***-20%***	***86%***
- of which concept stores	*924*	*2,403*	-	-	*-61%*	*-61%*	*32%*
- of which online stores	*1,487*	*543*	-	-	*176%*	*176%*	*52%*
- of which other points of sale	*68*	*175*	-	-	*-62%*	*-61%*	*2%*
Wholesale	**365**	**1,359**	***-73%***	***-41%***	***-73%***	***-73%***	***13%***
- of which concept stores	*126*	*797*	-	-	*-84%*	*-84%*	*4%*
- of which other points of sale	*239*	*562*	-	-	*-57%*	*-57%*	*8%*
Third-party distribution	**32**	**214**	***-73%***	***-41%***	***-85%***	***-85%***	***1%***
Total revenue	**2,876**	**4,693**	***-39%***	***8%***	***-38%***	***-38%***	***100%***

[1] Like-for-like and sell-out growth for wholesale and third-party distribution is based on consolidated estimation

YEAR-TO-DATE REVENUE DEVELOPMENT BY CHANNEL

DKK million	H1 2020	H1 2019	*Sell-out growth incl. temporarily closed stores*	*Like-for-like sales-out[1]*	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**5,102**	**6,182**	***-17%***	***6%***	***-18%***	***-17%***	***72%***
- of which concept stores	*2,760*	*4,807*	-		*-43%*	*-42%*	*39%*
- of which online stores	*2,109*	*1,020*	-		*107%*	*107%*	*30%*
- of which other points of sale	*234*	*356*	-		*-39%*	*-35%*	*3%*
Wholesale	**1,693**	**2,862**	***-46%***	***-21%***	***-41%***	***-41%***	***24%***
- of which concept stores	*891*	*1,651*	-		*-45%*	*-47%*	*13%*
- of which other points of sale	*802*	*1,211*	-		*-34%*	*-34%*	*11%*
Third-party distribution	**252**	**453**	***-46%***	***-21%***	***-45%***	***-45%***	***4%***
Total revenue	**7,048**	**9,497**	***-28%***	***-4%***	***-26%***	***-26%***	***100%***

[1] Like-for-like for wholesale and third-party distribution is based on consolidated estimation

REVIEW OF NETWORK DEVELOPMENT

In Q2 2020, the total number of concept stores decreased by 32. The period with lockdowns of retail stores has been used to execute on already planned permanent store closures. During the first two quarters of 2020, a total of net 56 stores have been closed, mainly in Germany, the UK and the Nordics.

Number of points of sale	Q2 2020	Q1 2020	Q2 2019	Growth Q2 2020 /Q1 2020	Growth Q2 2020 /Q2 2019
Concept stores	**2,714**	**2,746**	**2,731**	**-32**	**-17**
- of which Pandora owned	1,373	1,382	1,380	-9	-7
- of which franchise owned	828	845	834	-17	-6
- of which third-party distribution	513	519	517	-6	-4
Other points of sale	**4,539**	**4,593**	**4,778**	**-54**	**-239**

REVIEW OF REVENUE BY KEY MARKETS

The *US market* was characterised by a staggered re-opening across states and consequently with diverse sell-out growth in physical stores. The online growth was very strong and triple-digit for the quarter. Despite the staggered re-opening and subsequent spikes in infection rates, the performance in physical stores improved throughout the quarter with June being materially better than April.

The *UK market* was the last of the key markets to re-open with physical stores entirely closed until mid-June. UK performed better than the group average, driven by the large online business, which generated triple-digit growth rates in all months throughout the quarter. The organic growth was -11% as a result of the -25% sell-out growth but positively impacted by the sell-out skew towards online revenue. The traffic into physical stores appear to be recovering but clearly lagging behind the trend seen in markets that have been open longer.

The performance in the *Chinese market* was characterised by continued unsatisfactory traffic into physical stores, which was the driver of the -24% total sell-out growth in Q2 2020. The online channel grew double-digit based on very solid performance in June and particularly around the important trading period 618 (in the week of 18 June), where Pandora was the best performing brand online across all jewellery brands. The general consumer confidence appears to be recovering in China, and Pandora's new management team is now launching the first initiatives visible for consumers under the targeted brand transformation in China.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	Q2 2020	Q2 2019	*Sell-out growth incl. temporarily closed stores*	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	409	466	*-25%*	*101%*	*-11%*	*-11%*	*14%*
Italy	261	505	*-45%*	*26%*	*-48%*	*-48%*	*9%*
France	197	248	*-17%*	*36%*	*-21%*	*-21%*	*7%*
Germany	185	196	*-10%*	*14%*	*-6%*	*-6%*	*6%*
US	687	1,039	*-35%*	*27%*	*-35%*	*-35%*	*24%*
Australia	167	247	*-33%*	*-19%*	*-30%*	*-30%*	*6%*
China	378	507	*-24%*	*-24%*	*-24%*	*-24%*	*13%*
Total top-7 markets	**2,283**	**3,207**	-	-	-	-	***79%***
Total revenue	**2,876**	**4,693**	***-39%***	***8%***	***-38%***	***-38%***	***100%***

YEAR-TO-DATE REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	H1 2020	H1 2019	*Sell-out growth incl. temporarily closed stores*	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	999	1,045	*-16%*	*32%*	*-5%*	*-5%*	*14%*
Italy	713	947	*-28%*	*11%*	*-25%*	*-25%*	*10%*
France	437	473	*-11%*	*18%*	*-8%*	*-8%*	*6%*
Germany	364	384	*-7%*	*9%*	*-5%*	*-5%*	*5%*
US	1,622	2,016	*-23%*	*8%*	*-22%*	*-22%*	*23%*
Australia	359	484	*-24%*	*-16%*	*-23%*	*-23%*	*5%*
China	590	1,055	*-45%*	*-42%*	*-43%*	*-43%*	*8%*
Total top-7 markets	**5,084**	**6,405**	-	-	-	-	***72%***
Total revenue	**7,048**	**9,497**	***-28%***	***-4%***	***-26%***	***-26%***	***100%***

PROFITABILITY

POSITIVE EBIT DESPITE SIGNIFICANT COVID-19 IMPACT ON REVENUE

The EBIT margin excluding restructuring costs was 1.1% in Q2 2020 (DKK 33 million) corresponding to almost 22pp decrease from 22.9% in Q2 2019. The decline is mainly a result of the material COVID-19 impact on revenue.

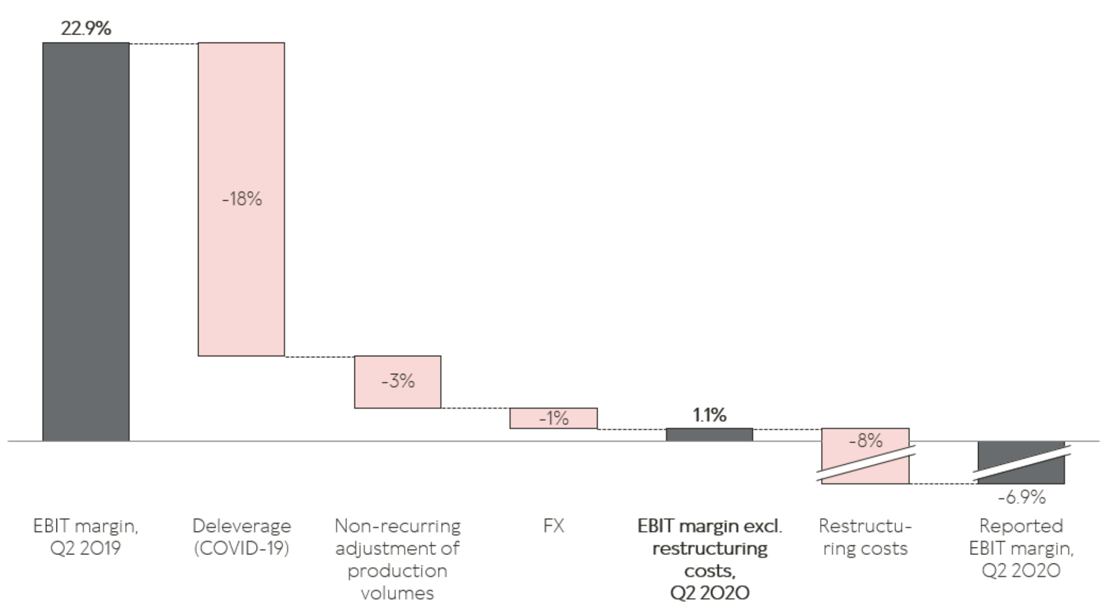
While Pandora decided not to lay off employees as a consequence of COVID-19, cost saving measures implemented early in the quarter brought down operational expenses by DKK 373 million or 15% compared to Q2 2019. Government subsidies amounted to approximately DKK 110 million in the quarter. Rent concessions have been recognized in the profit and loss statement in Q2 2020 amounting to DKK 52 million under Sales and Distribution expenses (see details in Note 11).

Pandora decided to increase its media investments as markets re-opened despite of initial suppressed revenue development. The marketing investments thereby amounted to 16.1% of revenue in the quarter, which is materially higher than the 11.4% realised in Q2 2019.

The foreign exchange development had a negative impact on the EBIT margin of around -1pp in the quarter, mainly due to the appreciation of the THB against the Danish krone. The weakening of other currencies such as AUD, GBP and USD also had a small negative impact on the EBIT margin. The loss on EBIT from foreign exchange was partly offset by hedging gains recognized under financial items.

The total restructuring costs for the quarter were DKK 231 million of which DKK 56 million impacted cost of sales and DKK 175 million impacted operating expenses.

EBIT-MARGIN DEVELOPMENT



CONTINUED STRONG UNDERLYING GROSS MARGIN

The gross margin excluding restructuring costs decreased around 1pp to 74.9% in Q2 2020 and thereby proved its resilience in periods of material revenue decline. The decrease was mainly driven by non-recurring costs of approx. DKK 80 million related to the temporary adjustment of production volumes. The adjustment was implemented through periodic closures of Pandora's facilities in Thailand during which Pandora decided to pay salary to all employees.

COST OF SALES AND GROSS PROFIT

DKK million	Q2 2020	Q2 2019	*Growth*	*Share of revenue Q2 2020*	*Share of revenue Q2 2019*	H1 2020	H1 2019	*Growth*	*Share of revenue H1 2020*	*Share of revenue H1 2019*
Revenue	2,876	4,693	*-39%*	*100.0%*	*100.0%*	7,048	9,497	*-26%*	*100.0%*	*100.0%*
Cost of sales	-722	-1,123	*-36%*	*25.1%*	*23.9%*	-1,663	-2,282	*-27%*	*23.6%*	*24.0%*
Gross profit excl. restructuring costs	**2,155**	**3,570**	***-40%***	***74.9%***	***76.1%***	**5,385**	**7,215**	***-25%***	***76.4%***	***76.0%***
Restructuring costs	-56	-67	*-16%*	*1.9%*	*1.4%*	-142	-92	*55%*	*2.0%*	*1.0%*
Total gross profit incl. restructuring costs	**2,099**	**3,503**	***-40%***	***73.0%***	***74.6%***	**5,242**	**7,123**	***-26%***	***74.4%***	***75.0%***

OPERATING EXPENSES

Total operating expenses excluding restructuring costs decreased to DKK 2,122 million in Q2 2020, from DKK 2,495 million in Q2 2019. The 15% decrease was driven by lower costs across categories. However, as a result of the strategic re-organisation announced earlier in the year, around DKK 70 million have been re-allocated from Administrative expenses to Sales and distribution in Q2 2020 compared to Q2 2019. The reported numbers therefore reflect an underlying stable development of Administrative expenses and around 20% decrease of Sales & Distribution expenses.

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q2 2020	Q2 2019	*Growth*	*Share of revenue Q2 2020*	*Share of revenue Q2 2019*	H1 2020	H1 2019	*Growth*	*Share of revenue H1 2020*	*Share of revenue H1 2019*
Sales and distribution expenses	-1,240	-1,468	*-16%*	*43.1%*	*31.3%*	-2,834	-3,019	*-6%*	*40.2%*	*31.8%*
Marketing expenses	-464	-537	*-14%*	*16.1%*	*11.4%*	-1,034	-1,021	*1%*	*14.7%*	*10.7%*
Administrative expenses	-418	-490	*-15%*	*14.5%*	*10.4%*	-845	-1,018	*-17%*	*12.0%*	*10.7%*
Total operating expenses excl. restructuring costs	**-2,122**	**-2,495**	***-15%***	***73.8%***	***53.2%***	**-4,714**	**-5,058**	***-7%***	***66.9%***	***53.3%***
Restructuring costs	-175	-244	*-28%*	*6.1%*	*5.2%*	-524	-341	*53%*	*7.4%*	*3.6%*
Total operating expenses incl. restructuring costs	**-2,297**	**-2,739**	***-16%***	***79.9%***	***58.4%***	**-5,237**	**-5,399**	***-3%***	***74.3%***	***56.8%***

STRONG CASHFLOW GENERATION REFLECTING THE RESILIENT BUSINESS MODEL

Free cash flow was strong in Q2 2020 and ended at DKK 943 million adjusted for IFRS 16 (including committed leases). The strong cash flow was driven by strict cash management measures and supported by a return of excess tax paid in 2019 leading to tax cash inflow of DKK 356 million in the quarter. CAPEX was kept at a moderate level amounting to DKK 121 million, which is 41% lower compared with last year, primarily driven by limited store openings and store refurbishments due to COVID-19.

The operating working capital ended at an exceptionally low level in the second quarter at 2.8% of revenue. The driver of the working capital improvement is mainly a reduction of receivables, partly due to the reduction of sales. Inventories were managed actively during the quarter leading to an absolute decrease of inventory and a limited increase as a percentage of sales.

For the remainder of the year, Pandora still expects an increase in inventories and a decrease of payables, which constitutes a drag on the cash conversion in H2 2020 as previously communicated.

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

Share of preceding 12 months' revenue	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Inventories	11.6%	10.1%	9.8%	13.0%	11.7%
Trade receivables	3.1%	5.1%	7.5%	5.8%	5.0%
Trade payables	-11.9%	-11.0%	-14.2%	-10.2%	-7.3%
Total	**2.8%**	**4.2%**	**3.1%**	**8.6%**	**9.4%**

NIBD to EBITDA excl. restructuring costs ended at 1.1x, which is well-below the covenant threshold (4.25x) and within the capital structure policy.

On 5 May, Pandora initiated an accelerated book-building for the sale of 8 million treasury shares. The accelerated book building was carried out on the same day generating approximately DKK 1.8 billion in gross proceeds strengthening Pandora’s financial flexibility cf. company announcement number 594. The offering was oversubscribed by more than seven times. The total amount of shares outstanding is 100 million, and Pandora currently holds around 0.3 million treasury shares.

PANDORA REINSTATES FINANCIAL GUIDANCE FOR 2020

Pandora continues to consider the macroeconomic environment and future COVID-19 development as highly uncertain. Despite the elevated uncertainty and in adherence with the governance rules for companies listed on Nasdaq OMX Copenhagen, Pandora today reinstates financial guidance for 2020 based on the following.

Assumptions behind reinstated financial guidance

- There will be no new material lockdowns
  - There may be some local lockdowns (not nationwide) of physical stores as currently experienced in Victoria, Australia
- The number of open stores will gradually improve from 90% by the end of July to around 100% by the end of Q3 2020
- No material deterioration of the general macroeconomic environment and consumer spending
- Social distancing requirements will have a negative impact on revenue, mainly in Q4 2020

Reinstated financial guidance for 2020

- Organic growth: -14% to -20% (pre COVID-19 guidance: "-3% to -6%")
- EBIT margin: 16% to 19% (pre COVID-19 guidance: "Above 23%")

The guidance implies an organic growth in the second half of 2020 of between -5% to -15%. The total sell-out growth for 2020 is expected to be roughly equal to the organic growth.

During H1 2020, Pandora has closed net 56 stores and expects the number of stores to be roughly unchanged by the end of 2020 compared to the current level - implying around 50 net closures in 2020. This compares to previously expected 25-50 net closures.

The expected CAPEX for 2020 is reduced from previously DKK 0.7 billion to DKK 0.6 billion mainly reflecting lower investments in stores due to the temporary store closures. The expectations for restructuring costs and the effective tax rate are unchanged at around DKK 1 billion and 22-23%, respectively.

Raw materials and foreign exchange exposure

The recent surge in silver and gold prices will negatively impact Cost of sales of Pandora once the hedging contracts expire. Pandora has hedged 70% of the next 12 months' expected use of silver and gold in the production. The impact on Cost of sales typically occurs 2-4 months after the use in production (once the products are sold to the customer).

Due to the hedging practice, the recent surge in silver and gold prices will not have any material impact on the financial results in 2020.

FOREIGN EXCHANGE ASSUMPTIONS AND IMPLICATIONS

	Average 2019	17 August 2020	
	FX Rates	FX Rates	2020 Y-Y financial impact
USD/DKK	**6.669**	**6.283**	
THB/DKK	**0.215**	**0.201**	
GBP/DKK	**8.517**	**8.217**	
CNY/DKK	**0.966**	**0.905**	
AUD/DKK	**4.636**	**4.517**	
REVENUE (DKKm)			**-475 to -525**
EBIT (DKKm)			**~ -350**
EBIT margin			**-1.4pp**

OTHER IMPORTANT EVENTS IN Q2 2020 AND AFTER THE REPORTING PERIOD

On 2 June 2020, Pandora announced that the company will stop using newly mined silver and gold in its jewellery by 2025 and only buy from recycled sources. Today, 71% of the silver and gold in Pandora's jewellery comes from recycled sources. Shifting completely to recycled silver and gold will reduce CO2 emissions, water usage and other environmental impacts, because recycling of metals use less resources than mining new metals. The carbon emissions from sourcing of recycled silver are one third compared to mined silver, while recycling of gold emits approximately 600 times less carbon than mining new gold, according to life cycle assessments.

Jeerasage Puranasamriddhi (Khun Aussie) has been appointed new Chief Supply Officer. The responsibility for supply and distribution will move from Group Operations to the commercial operations under Chief Commercial Officer Martino Pessina to ensure a strong connection between supply, distribution and consumer demand.

On 6 August 2020, Pandora announced its collaboration with Lucasfilm to launch a capsule collection of Star Wars–inspired jewellery. Debuting on 1 October, Pandora will release a highly-anticipated line, including a bracelet, charms, and a collector's item featuring beloved Star Wars characters and symbols.

FINANCIAL CALENDAR 2020

This financial calendar below lists the expected dates of publication of financial announcements.

03 November 2020	Interim Financial Report for the third quarter/first nine months of 2020

YEAR-TO-DATE DEVELOPMENT

REVENUE

Total revenue decreased by 26% in local currency to DKK 7,048 million in H1 2020 compared with H1 2019. Organic growth was negative 26% driven COVID-19.

GROSS PROFIT AND COSTS

Reported gross profit was DKK 5,242 million in H1 2020 (DKK 7,123 million in H1 2019), resulting in a gross margin of 74.4% in H1 2020 including restructuring costs (75.0% in H1 2019). Gross profit excluding restructuring costs ended at DKK 5,385 million in H1 2020 (DKK 7,215 million in H1 2019) with a corresponding gross margin excluding restructuring costs of 76.4% (76.0% in H1 2019). The increasing gross margin excluding restructuring costs is driven by efficiency gains at the production facilities as part of Programme NOW.

Sales and distribution and marketing expenses excluding restructuring costs decreased to DKK 2,834 million in H1 2020 (DKK 3,019 million in H1 2019), corresponding to 40.2% of revenue in H1 2020 (31.8% in H1 2019). The decrease is the result of cost reductions implemented during the COVID-19 pandemic and Programme NOW.

Administrative expenses excluding restructuring cost decreased to DKK 845 million in H1 2020 compared with DKK 1,018 million in H1 2019, corresponding to 12.0% of revenue in H1 2020 (10.7% in H1 2019). The decrease mainly reflects the re-allocation of approximately DKK 185 million from Administrative expenses to Sales and distribution. Rent concessions have been recognized in the profit and loss statement in Q2 under Sales and Distribution expenses (see details in Note 11).

EBIT

EBIT excluding restructuring costs for H1 2020 was DKK 671 million – a decrease of 69% compared with H1 2019, resulting in an EBIT margin of 9.5% in H1 2020 (22.7% in H1 2019). In H1 2020 EBIT including restructuring costs was DKK 5 million (DKK 1,724 million in H1 2019) corresponding to an EBIT margin of 0.1% (18.2% in H1 2019).

NET FINANCIALS

Net financials amounted to a loss of DKK 262 million in H1 2020 versus a loss of DKK 17 million in H1 2019.

INCOME TAX EXPENSES

Income tax expenses were positive DKK 58 million in H1 2020 (DKK 384 million expense in H1 2019), implying an effective tax rate for the Group of 22.5% for H1 2020 (22.5% in H1 2019).

NET PROFIT

Net profit in H1 2020 was a loss of DKK 199 million (DKK 1,323 million profit in H1 2019).

CONTACT

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: 448 014 67#

Link to webcast: https://pandora.eventcdn.net/2020q2/

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 7,300 points of sale, including more than 2,700 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs around 28,000 people worldwide of whom more than 12,300 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	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Revenue	3,4	2,876	4,693	7,048	9,497	21,868
Cost of sales		-778	-1,190	-1,805	-2,374	-5,966
Gross profit		**2,099**	**3,503**	**5,242**	**7,123**	**15,903**
Sales, distribution and marketing expenses		-1,747	-2,071	-4,001	-4,110	-9,305
Administrative expenses		-550	-668	-1,236	-1,289	-2,770
Operating profit		**-198**	**764**	**5**	**1,724**	**3,829**
Finance income		53	22	71	153	351
Finance costs		-81	-107	-332	-170	-351
Profit before tax		**-226**	**679**	**-256**	**1,707**	**3,829**
Income tax expense		51	-153	58	-384	-884
Net profit for the period		**-175**	**526**	**-199**	**1,323**	**2,945**
Earnings per share, basic, DKK		-2.1	5.4	-2.1	13.3	30.3
Earnings per share, diluted, DKK		-2.1	5.3	-2.1	13.2	30.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Net profit for the period	**-175**	**526**	**-199**	**1,323**	**2,945**
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	-1	-44	-218	82	226
Fair value adjustment of hedging instruments	263	161	84	52	1
Tax on other comprehensive income, hedging instruments, income/expense	-57	-35	-14	-11	-27
Items that may be reclassified to profit/loss for the period, net of tax	**205**	**82**	**-148**	**123**	**200**
Items not to be reclassified to profit/loss for the period					
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-	-	-
Items not to be reclassified to profit/loss for the period, net of tax	**-**	**-**	**-**	**-**	**-**
Other comprehensive income, net of tax	**205**	**82**	**-148**	**123**	**200**
Total comprehensive income for the period	**30**	**608**	**-347**	**1,446**	**3,145**

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2020 30 June	2019 30 June	2019 31 December
ASSETS				
Goodwill	10	4,343	4,351	4,416
Brand		1,057	1,057	1,057
Distribution network		79	109	94
Distribution rights		1,047	1,047	1,047
Other intangible assets		737	995	831
Total intangible assets		**7,263**	**7,560**	**7,445**
Property, plant and equipment		2,333	2,655	2,585
Right-of-use assets	11	3,286	4,274	4,010
Deferred tax assets		914	969	675
Other financial assets		272	313	290
Total non-current assets		**14,067**	**15,771**	**15,006**
Inventories		2,250	2,609	2,137
Trade receivables	8	602	1,124	1,643
Right-of-return assets		60	62	73
Derivative financial instruments	6,7	194	187	187
Income tax receivable		141	158	467
Other receivables		718	732	1,004
Cash		826	890	1,054
Total current assets		**4,792**	**5,763**	**6,565**
Total assets		**18,859**	**21,533**	**21,571**
EQUITY AND LIABILITIES				
Share capital		100	100	100
Treasury shares		-98	-459	-1,964
Reserves		1,020	1,090	1,167
Dividend proposed		-	874	836
Retained earnings		4,452	3,923	5,110
Total equity		**5,473**	**5,528**	**5,249**
Provisions		289	274	278
Loans and borrowings	11	5,475	6,456	7,962
Deferred tax liabilities		383	420	235
Other payables		1	4	1
Total non-current liabilities		**6,148**	**7,154**	**8,476**
Provisions		38	30	53
Refund liabilities		629	624	753
Contract liabilities		63	63	71
Loans and borrowings	11	2,743	5,095	2,069
Derivative financial instruments	6,7	82	59	115
Trade payables		2,316	1,632	3,095
Income tax payable		444	451	438
Other payables		923	897	1,250
Total current liabilities		**7,238**	**8,851**	**7,846**
Total liabilities		**13,386**	**16,005**	**16,322**
Total equity and liabilities		**18,859**	**21,533**	**21,571**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging reserve	Dividend proposed	Retained earnings	Total equity
2020	**100**	**-1,964**	**1,112**	**54**	**836**	**5,110**	**5,249**
Equity at 1 January							
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-199**	**-199**
Exchange rate adjustments of investments in subsidiaries	-	-	-218	-	-	-	-218
Fair value adjustments of hedging instruments	-	-	-	84	-	-	84
Tax on other comprehensive income	-	-	5	-19	-	-	-14
Other comprehensive income, net of tax	**-**	**-**	**-213**	**65**	**-**	**-**	**-148**
Total comprehensive income for the period	**-**	**-**	**-213**	**65**	**-**	**-199**	**-347**
Share-based payments	-	-	-	-	-	45	45
Share-based payments (exercised)	-	9	-	-	-	-9	-
Share-based payments (tax)	-	-	-	-	-	2	2
Purchase of treasury shares		-431	-	-	-	-	-431
Sale of treasury shares	-	2,288	-	-	-	-509	1,778
Dividend paid	-	-	-	-	-836	11	-825
Equity at 30 June	**100**	**-98**	**899**	**120**	**-**	**4,452**	**5,473**
2019							
Equity at 1 January	**110**	**-3,469**	**913**	**54**	**920**	**7,891**	**6,419**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**1,323**	**1,323**
Exchange rate adjustments of investments in subsidiaries	-	-	82	-	-	-	82
Fair value adjustments of hedging instruments	-	-	-	52	-	-	52
Tax on other comprehensive income	-	-	-	-11	-	-	-11
Other comprehensive income, net of tax	**-**	**-**	**82**	**41**	**-**	**-**	**123**
Total comprehensive income for the period	**-**	**-**	**82**	**41**	**-**	**1,323**	**1,446**
Fair value adjustments of obligation to acquire non-controlling interests	-	-	-	-	-	18	18
Share-based payments	-	-	-	-	-	-17	-17
Share-based payments (exercised)	-	13	-	-	-	-13	-
Share-based payments (tax)	-	-	-	-	-	8	8
Purchase of treasury shares	-	-1,448	-	-	-	-	-1,448
Reduction of share capital	-10	4,446	-	-	-	-4,436	-
Dividend paid	-	-	-	-	-920	24	-896
Dividend proposed	-	-	-	-	874	-874	-
Equity at 30 June	**100**	**-459**	**996**	**94**	**874**	**3,923**	**5,528**

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Profit before tax		-226	679	-256	1,707	3,829
Finance income		-53	-22	-71	-153	-351
Finance costs		81	107	332	170	351
Depreciation and amortisation		523	526	1,053	1,041	2,319
Share-based payments		27	7	45	8	20
Change in inventories		-144	450	-282	699	1,284
Change in receivables		520	117	1,216	706	-65
Change in payables and other liabilities		68	-298	-812	-1,229	808
Other non-cash adjustments		-21	165	-273	18	-20
Interest etc. received		1	1	2	2	13
Interest etc. paid		-51	-44	-97	-95	-178
Income taxes paid		356	-148	280	-512	-1,233
Cash flows from operating activities, net		**1,082**	**1,540**	**1,137**	**2,362**	**6,775**
Acquisitions of subsidiaries and activities, net of cash acquired	9	-1	-7	-5	-142	-148
Purchase of intangible assets		-28	-56	-62	-136	-272
Purchase of property, plant and equipment		-80	-113	-163	-278	-540
Change in other non-current assets		10	1	9	37	66
Proceeds from sale of property, plant and equipment		1	4	-1	13	18
Cash flows from investing activities, net		**-98**	**-172**	**-222**	**-506**	**-877**
Acquisitions of non-controlling interests		-42	-	-42	-254	-311
Dividend paid		-	-	-826	-896	-1,756
Purchase of treasury shares		-	-557	-431	-1,448	-2,583
Sale of treasury shares		1,778	-	1,778	-	-
Proceeds from loans and borrowings		2,981	1,968	5,857	4,048	5,626
Repayment of loans and borrowings		-5,315	-2,431	-7,100	-3,282	-6,088
Repayment of lease commitments		-92	-273	-345	-535	-1,138
Cash flows from financing activities, net		**-689**	**-1,293**	**-1,108**	**-2,369**	**-6,250**
Net increase/decrease in cash		**295**	**75**	**-193**	**-513**	**-352**
Cash at beginning of period[1]		537	819	1,054	1,387	1,387
Exchange gains/losses on cash		-5	-4	-34	15	19
Net increase/decrease in cash		295	75	-193	-513	-352
Cash at end of period[1]		**826**	**890**	**826**	**890**	**1,054**
Cash flows from operating activities, net		1,082	1,540	1,137	2,362	6,775
- Interests etc. received		-1	-1	-2	-2	-13
- Interests etc. paid		51	44	97	95	178
Cash flows from investing activities, net		-98	-172	-222	-506	-877
- Acquisition of subsidiaries and activities, net of cash acquired		1	7	5	142	148
Free cash flow incl. IFRS 16 (excluding repayment of lease commitments)		**1,035**	**1,418**	**1,015**	**2,091**	**6,213**
Unutilised credit facilities (30 June 2020)		**7,884**	**5,058**	**7,884**	**5,058**	**3,061**

[1] 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 except for Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases, which has been implemented by the Group before the amendment has been finally endorsed by the EU (see below under "New standards, interpretations and amendments adopted by Pandora".

The accounting policies applied are consistent with the accounting policies set out in the Annual Report 2019, except for accounting policies related to:

- Operating segments, as described in note 3
- Government Grants, which are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a deduction in reporting the related costs, for which it is intended to compensate, and as these costs are expensed.
- Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases, as described in note 11

Furthermore, the condensed consolidated interim financial statements and Management's review are prepared in accordance with additional disclosure 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.

After the strategic reorganisation announced on 4 March 2020, the cost of certain functions in the markets previously recognised under Administrative expenses is reclassified to Sales & Distribution expenses. This change has been applied prospectively from 1 January 2020 and the comparative figures have not been restated. The impact of the change in Q2 2020 was approximately DKK 70 million.

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. Apart from the 'Sell-out growth' which is defined as like-for-like but not adjusting for temporarily closed stores, for the 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 beginning on 1 January 2020. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the quarter apart from the amendment in IFRS 16. Pandora decided to apply the practical expedient issued by IASB for all contracts with rent concessions occurring as a direct consequence of COVID-19 and where it meets all conditions of the practical expedient. The effect of the amendment and its impact on financial statements is presented in note 11.

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.

Due to the COVID-19 outbreak, Pandora has assessed the value of intangible assets and property, plant and equipment. Due to the change of operating segments, an impairment test was carried out in Q2 2020. No impairment was identified and the impairment is still considered to include sufficient headroom. As there is limited visibility on the future COVID-19 development, Pandora will continue assessing the value of the assets including the terms of the leasing contracts and any government grants. Pandora has also considered the recoverability of accounts receivable and the inventory value and has not identified any impairment write down.

For information on liquidity risk, please refer to note 6.

NOTE 3 – Segment information

As part of Pandora's strategic reorganisation, the reportable segments have been reorganised as of Q2 2020 in two Global Business Units; Moments, Charms and Collaborations and Style, New pillar development and upstream innovation. The regional layer has been eliminated and the markets are now grouped into 10 clusters. Two Global Business Units are responsible for the end-to-end performance of products. One Global Business Unit will have the responsibility mainly for the core products including Moments, charms and collaborations whereas the other Global Business Unit will drive the newer product categories and innovations. The comparative figures for 2019 were restated to reflect the new segments.

The two operating segments includes all channels relating to the distribution and sale of Pandora products.

Both 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.

Management monitors the profitability of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured as gross profit as presented in the table below.

The Programme NOW restructuring costs of DKK 231 million in Q2 2020 includes costs due to the Strategic reorganisation disclosed in March 2020 of DKK 0.1 billion, Cost reset projects of DKK 0.1 billion and consultancy expenses of 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	Moments, Charms and Collaborations	Style, New pillar development and upstream innovation	Group
Q2 2020			
Revenue	2,012	865	**2,876**
Cost of sales	-556	-222	**-778**
Gross profit	**1,456**	**643**	**2,099**
Operating expenses			-2,297
Consolidated operating profit (EBIT)			**-198**
Profit margin (EBIT margin)			***-6.9%***
Restructuring costs			-231
Profit margin (EBIT margin) excl. restructuring costs			***1.1%***
Q2 2019			
Revenue	3,339	1,354	**4,693**
Cost of sales	-859	-331	**-1,190**
Gross profit	**2,480**	**1,023**	**3,503**
Operating expenses			-2,739
Consolidated operating profit (EBIT)			**764**
Profit margin (EBIT margin)			***16.3%***
Restructuring costs			-310
Profit margin (EBIT margin) excl. restructuring costs			***22.9%***

H1 2020			
Revenue	4,841	2,206	**7,048**
Cost of sales	-1,256	-550	**-1,805**
Gross profit	**3,586**	**1,657**	**5,242**
Operating expenses			-5,237
Consolidated operating profit (EBIT)			**5**
Profit margin (EBIT margin)			***0.1%***
Restructuring costs			-666
Profit margin (EBIT margin) excl. restructuring costs			***9.5%***
H1 2019			
Revenue	6,577	2,920	**9,497**
Cost of sales	-1,669	-705	**-2,374**
Gross profit	**4,908**	**2,215**	**7,123**
Operating expenses			-5,399
Consolidated operating profit (EBIT)			**1,724**
Profit margin (EBIT margin)			***18.2%***
Restructuring costs			-433
Profit margin (EBIT margin) excl. restructuring costs			***22.7%***

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q2 2020	Q2 2019	*Growth in local currency*	H1 2020	H1 2019	*Growth in local currency*	FY 2019
UK	409	466	*-11%*	999	1,045	*-5%*	2,861
Italy	261	505	*-48%*	713	947	*-25%*	2,272
France	197	248	*-21%*	437	473	*-8%*	1,169
Germany	185	196	*-6%*	364	384	*-5%*	963
US	687	1,039	*-35%*	1,622	2,016	*-22%*	4,677
Australia	167	247	*-30%*	359	484	*-23%*	1,118
China	378	507	*-24%*	590	1,055	*-43%*	1,970

NOTE 4 – Revenue from contracts with customers

REVENUE BY CHANNEL

DKK million	Q2 2020	Q2 2019	*Growth in local currency*	H1 2020	H1 2019	*Growth in local currency*	FY 2019
Pandora owned retail*	2,480	3,121	*-20%*	5,102	6,182	*-17%*	14,181
Wholesale	365	1,359	*-73%*	1,693	2,862	*-41%*	6,725
Third-party distribution	32	214	*-85%*	252	453	*-45%*	962
Total revenue	**2,876**	**4,693**	***-38%***	**7,048**	**9,497**	***-26%***	**21,868**

*Including revenue from Pandora online stores

REVENUE BY PRODUCT CATEGORY

DKK million	Q2 2020	Q2 2019	*Growth in local currency*	H1 2020	H1 2019	*Growth in local currency*	FY 2019
Charms	1,524	2,545	*-40%*	3,648	4,978	*-27%*	11,395
Bracelets	537	912	*-41%*	1,336	1,806	*-26%*	4,216
Rings	407	597	*-31%*	1,070	1,359	*-21%*	3,113
Earrings	189	304	*-37%*	459	639	*-28%*	1,487
Necklaces & Pendants	219	336	*-34%*	534	715	*-25%*	1,658
Total revenue[1]	**2,876**	**4,693**	***-38%***	**7,048**	**9,497**	***-26%***	**21,868**
Goods transferred at a point in time	2,868	4,677		7,023	9,467		21,799
Services transferred over time	8	16		25	30		70
Total revenue	**2,876**	**4,693**		**7,048**	**9,497**		**21,868**

[1] Figures include franchise fees etc., which are allocated to the product categories. Q2 2020 DKK 36 million, Q2 2019 DKK 16 million and FY 2019 DKK 87 million.

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 described in the disclosures in note 4.4 in the consolidated financial statement in the Annual Report 2019.

COVID-19 has had an effect on the risk exposure, and Pandora will be materially impacted if the pandemic continues for an extended period.

The increased liquidity risk stemming from the lower profitability due to temporary closed physical stores has been mitigated by the establishment of a new Club Deal of DKK 3 billion and the sale of 8 million Treasury shares in May 2020. An overview of the current committed facilities can be seen below.

Current outstanding committed loan facilities (end of June 2020)

	Amount (DKK million)	Maturity date	*Drawn amount (DKK million)*
Revolving Credit Facilities	7,500	May 2022	*250*
Club Deal	2,981	December 2021	*2,981*
Bilateral term-loans	1,622	December 2020	*1,622*
Total	**12,103**		***4,853***

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	2020 30 June	2019 30 June
Receivables related to third-party distribution and wholesale	393	702
Receivables related to retail revenue sales	209	422
Total trade receivables	**602**	**1,124**

NOTE 9 – Business combinations

No acquisitions took place in Q2 2020.

The deferred payment for the 2019 store acquisitions in Mexico (DKK 5 million) was paid in 2020.

Acquisitions after the reporting period

On August 1, one store was acquired in Germany. The purchase price (including inventory) was DKK 0.4 million.

NOTE 10 – Goodwill

DKK million	30 June 2020	30 June 2019
Cost at 1 January	4,416	4,278
Acquisition of subsidiaries and activities in the period	-	59
Exchange rate adjustments	-73	14
Cost at the end of the period	**4,343**	**4,351**

Impairment testing of goodwill was performed in Q2 2020 after the change in the operating segments in Pandora. All the assumptions used are as described in the Annual Report 2019. As of Q2, no impairment was identified.

The calculations of the recoverable amounts of CGUs or groups of CGUs are based on the following key assumptions: Discount rates reflect the current market assessment of the risks specific to each CGU or group of CGUs. The Group discount rates have been estimated based on a weighted average cost of capital for Pandora. The rates have also been adjusted to reflect the market assessment of any risk specific to each group of CGUs. The EBIT figures used in the impairment test are based on a high level estimate for 2021 based on expected current year performance in order to reflect the risk and uncertainty caused by COVID-19.

The 2% growth rate applied is an estimate of the expected average inflation in the forecast and terminal period. As such no real growth is applied to the terminal period when calculating the recoverable amounts.

NOTE 11 – Assets and liabilities related to leases

Amounts recognised in the balance sheet.

RIGHT-OF-USE-ASSETS

DKK million	30 June 2020
Property	3,256
IT	2
Cars	16
Other	12
Total right-of-use assets	**3,286**

Out of the total decrease of DKK 0.7 billion in right-of-use-assets in the period 1 January – 30 June 2020, the DKK 0.6 billion relates to depreciation and currency exchange movement. The net decrease in DKK 0.1 billion is related to the reassessment of the extension options in Q1 (DKK -0.3 billion) and renewals of lease contracts (DKK 0.2 billion).

LEASE LIABILITIES

DKK million	30 June 2020
Non-current	2,244
Current	1,003
Total lease liabilities	**3,246**

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 JUNE

DKK million	1 January – 30 June 2020
Property	537
IT	1
Cars	6
Other	3
Total depreciation on right-of-use assets for the period	**546**

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 30 June 2020
Interest income from sub-leases	-
Interest expense	-46
Total interest for the period	**-46**

Costs recognised in the period for short term and low value leases were DKK 20 million. Expenses are recognised on a straight line basis.

Total cash outflow relating to leases was DKK 484 million for the period. This comprises of fixed lease payments in scope of IFRS 16 in amount of DKK 345 million, variable lease payments in amount of DKK 75 million, interest paid in amount of DKK 44 million and short term and low value leases in amount of DKK 20 million. Variable leases and short term and low value leases are not included in the lease liabilities.

Due to the COVID-19 the repayment of the fixed leases is deferred by approximately DKK 117 million. In addition Pandora has received rent concessions from the landlords in amount of DKK 52 million.

Amendment to IFRS 16 Leases

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment has not yet been endorsed by the EU but a non-rejection note was issued on July 8 meaning therefore that EU approval is expected solely to be a formality. As a practical expedient, a lessee may elect not to assess whether a COVID-19 pandemic-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 pandemic-related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- There is no substantive change to other terms and conditions of the lease.

Pandora decided to apply the practical expedient for all contracts with rent concessions occurring as direct consequence of COVID-19 and where it meets all conditions of the practical expedient.

As a result, rent concessions have been recognized in the profit and loss statement in Q2 2020 amounting to DKK 52 million under Sales and Distribution expenses.

DKK 117 million rent was deferred meaning that rent payments are postponed as per agreements with landlords. Overall financing cash flow is positively impacted by DKK 169 million due to rent relief and rent deferrals.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2019.

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

	Q2 2020	Q1 2020	Q2 2019	Growth Q2 2020 / Q1 2020	Growth Q2 2020 /Q2 2019
Other points of sale (retail)	227	225	188	2	39
Other points of sale (wholesale)	3,706	3,746	3,928	-40	-222
Other points of sale (third-party)	606	622	662	-16	-56
Other points of sale, total	**4,539**	**4,593**	**4,778**	**-54**	**-239**

NOTE 15 – STORE NETWORK, CONCEPT STORE DEVELOPMENT[1]

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q2 2020	Number of concept stores Q1 2020	Number of concept stores Q2 2019	*Growth Q2 2020 /Q1 2020*	*Growth Q2 2020 /Q2 2019*	Number of concept stores O&O Q2 2020	*Growth O&O stores Q2 2020 /Q1 2020*	*Growth O&O stores Q2 2020 /Q2 2019*
UK	216	222	233	*-6*	*-17*	127	*1*	*-*
Italy	146	146	146	*-*	*-*	107	*-*	*2*
France	121	121	121	*-*	*-*	77	*-*	*2*
Germany	138	141	151	*-3*	*-13*	133	*-2*	*-12*
US	403	403	395	*-*	*8*	156	*-*	*3*
Australia	123	126	128	*-3*	*-5*	38	*-*	*-1*
China	236	238	227	*-2*	*9*	225	*-2*	*7*
All markets	**2,714**	**2,746**	**2,731**	***-32***	***-17***	**1,373**	***-9***	***-7***

[1]Includes 7 key markets measured on revenue for FY 2019. All markets with 10 or more concept stores can be found in the Excel appendix uploaded on www.pandora.net

PANDORA

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. The below table illustrates the timing of the use of the silver for production, i.e. excluding the time lag effect from inventory to Cost of sales (when the product is sold). The time-lag from use in production to impact on Cost of sales is usually 2-4 months.

HEDGED AND REALISED PURCHASE PRICES (AT USE OF THE SILVER AND GOLD FOR PRODUCTION)

USD / OZ	*Realised in Q2 2020*	Hedged Q3 2020	Hedged Q4 2020	Hedged Q1 2021	Hedged Q2 2021
Gold price	*1,428*	1,546	1,571	1,635	1,744
Silver price	*15.34*	17.54	16.27	18.08	17.74
Commodity hedge ratio (target), %	*Realised*	70-100%	70-90%	50-70%	30-50%

Pandora has also opportunistically hedged additional silver during the COVID-19 pandemic where the silver prices were very low. As this was an opportunistic approach in addition to the hedging policy, Pandora terminated the position at a gain of DKK 49 million which will impact Cost Of Sales, mainly in H1 2021. This gain is not reflected in the hedging purchase prices in the table above.

NOTE 17 – Subsequent events

Other than as described in "Other events" in the Management review, Pandora is not aware of events after 30 June 2020, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Key financial highlights					
Organic growth, %	***-38%***	***-14%***	***-1%***	***-14%***	***-7%***
Sell-out growth incl. temporarily closed stores	*-39%*	*-17%*	*-5%*	*-11%*	*-10%*
Total like-for-like sales out, %[1]	*8%*	*-11%*	*-4%*[1]	*-10%*[1]	*-10%*
Revenue growth, local currency, %	*-38%*	*-14%*	*-1%*	*-13%*	*-4%*
Gross margin excl. restructuring costs, %	*74.9%*	*77.4%*	*78.4%*	*78.6%*	*76.1%*
EBIT excl. restructuring costs	33	638	2,806	891	1,075
EBIT margin excl. restructuring costs, %	***1.1%***	***15.3%***	***35.3%***	***20.2%***	***22.9%***
Operating working capital, % of last 12 months revenue	*2.8%*	*4.2%*	*3.1%*	*8.6%*	*9.4%*
Capital expenditure (CAPEX)	121	129	184	254	206
Capital expenditure, property, plant and equipment (CAPEX)	100	94	143	154	151
Free cash flow incl. lease payments[2]	943	-272	2,760	758	1,145
Cash conversion incl. lease payments[2], %	*N/A*	*-134%*	*120%*	*N/A*	*150%*
Ratios					
Effective tax rate, %	*22.5%*	*22.5%*	*23.5%*	*22.5%*	*22.5%*
Equity ratio, %	*29%*	*19%*	*24%*	*19%*	*26%*
NIBD to EBITDA excl. restructuring costs[3], x	1.1	1.3	1.1	1.5	1.4
Return on invested capital (ROIC)[3], %	*16%*	*22%*	*27%*	*26%*	*33%*
Total payout ratio (incl. share buyback) [4], %	-	*N/A*	*34%*	*N/A*	*106%*
Other financial highlights					
Consolidated income statement					
Revenue	2,876	4,172	7,956	4,415	4,693
Gross profit	2,099	3,144	6,032	2,747	3,503
Gross margin, %	*73.0%*	*75.4%*	*75.8%*	*62.2%*	*74.6%*
Earnings before interests, tax, depreciations and amortisations (EBITDA)	325	733	2,862	520	1,290
EBITDA margin, %	*11.3%*	*17.6%*	*36.0%*	*11.8%*	*27.5%*
Operating profit (EBIT)	-198	204	2,302	-198	764
EBIT margin, %	*-6.9%*	*4.9%*	*28.9%*	*-4.5%*	*16.3%*
Net financials	-28	-234	-27	44	-86
Net profit for the period	-175	-24	1,741	-119	526
Consolidated balance sheet					
Total assets	18,859	19,529	21,571	21,968	21,533
Invested capital	12,864	13,810	14,268	15,571	16,289
Operating working capital	535	899	684	1,869	2,101
Net interest-bearing debt (NIBD)	7,391	10,178	9,019	11,333	10,761
Equity	5,473	3,632	5,249	4,237	5,528

[1] Like-for-like is calculated excluding stores that have been temporarily closed. Like-for-like in Q3 2019 and Q4 2019 excluding Hong Kong SAR due to the extraordinary turmoil in the market.

[2] Free cash flow deviates from Free cash flow in the cash flow statement as it includes lease payments (i.e. excluding IFRS 16)

[3] Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.

[4] Excluding sale of Treasury shares amounting to DKK 1.8 billion in Q2 2020

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 June 2020. 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, except for Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases, which has been implemented by the Group before the amendment has been endorsed by the EU (see note 11).

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 June 2020 and the results of the Pandora Group's operations and cash flow for the period 1 January – 30 June 2020.

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, 17 August 2020

EXECUTIVE MANAGEMENT

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

BOARD

Peter A. Ruzicka *Chair*	Christian Frigast *Deputy Chair*	
Andrea Alvey	Birgitta Stymne Göransson	Isabelle Parize
Marianne Kirkegaard	Ronica Wang	Catherine Spindler

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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