PANDORA

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INTERIM REPORT THIRD QUARTER 2018

PANDORA REDUCES FULL YEAR EXPECTATIONS AND LAUNCHES PROGRAMME 'NOW'

The third quarter of 2018 was unsatisfactory and Group revenue decreased 3% in local currency due to timing of shipments, change of inventory levels in the wholesale channel and negative total like-for-like. Due to the unsatisfactory Q3 2018 performance, a lower than expected tailwind from forward integration as well as a weak start to the fourth quarter, full year revenue growth is now expected to be 2-4% in local currency (previously 4-7%), while the EBITDA margin guidance is unchanged at around 32%.

Following a health check of the business, PANDORA has launched Programme NOW. As a first step in the programme, acquisitions of franchisees will be significantly reduced. PANDORA will also open fewer stores focusing on selected key markets with white space areas. Programme NOW will focus on pursuing cost opportunities, reducing working capital, reigniting sustainable like-for-like driven revenue growth and lifting PANDORA to the next level of maturity, operating as a much more unified global company.

The Board of Directors of PANDORA continues the search for a new CEO and new non-executive board members and is encouraged by the progress of the searches.

FINANCIAL HIGHLIGHTS

- In Q3 2018, group revenue decreased 3% in local currency
    - Total like-for-like sales-out growth was -3% (-1% in Q2 2018 and -3% in H1 2018)
- Revenue from PANDORA owned retail increased 34% in local currency of which 33 percentage points is related to forward integration and new store openings
    - Retail like-for-like sales-out growth was 1% (3% in Q2 2018)
    - Revenue from the eSTORE increased 52% in local currency and was 8% of revenue, up from 5% in Q3 2017
- Revenue from wholesale decreased 27% in local currency
    - The wholesale channel was significantly impacted by timing of shipments and change of inventory levels in the channel
- Gross margin was 72.3% in Q3 2018 (74.2% in Q3 2017)
- EBITDA was DKK 1,445 million in Q3 2018 (DKK 1,965 million in Q3 2017), corresponding to an EBITDA margin of 29.0% (37.8% in Q3 2017)
    - The lower EBITDA margin was driven by several one-off factors, including timing of shipments and change of inventory levels in the wholesale channel
- Free cash flow was DKK 1,059 million in Q3 2018 (DKK 637 million in Q3 2017)
    - The increase compared with Q3 2017 was mainly driven by fluctuations in operating working capital
- In Q3 2018, PANDORA returned DKK 0.9 billion to shareholders in share buybacks and

DKK 1 billion in dividends
- Full year revenue growth is expected to be 2-4% in local currency. The EBITDA margin guidance is unchanged
- As a consequence of initiatives related to Programme NOW, PANDORA cancels the long-term revenue growth ambitions of 7-10%, while the long-term EBITDA margin target of around 35% is being reviewed

Commenting on the results, Anders Boyer, CFO of PANDORA, said:
"The third quarter results were unsatisfactory and we adjust our full year guidance. We have reviewed our business and decided to launch a forceful programme with the aim to materially reduce costs across the company to free up resources to invest in sustainable like-for-like growth. At the same time, we have to lift PANDORA to the next level of maturity operating as a more unified global company. We have taken the first major step in the programme today by changing our network expansion plan. We have confidence in a strong future for PANDORA and will use 2018 and 2019 to re-set the business."

STRATEGIC UPDATE
The new leadership of PANDORA has undertaken a health check of the business. PANDORA continues to have a strong and superior business model including a leading brand position, global retail footprint, excellent creative and innovation capabilities, and an unrivalled production set-up with high craftmanship, low cost and flexibility.

But the health check also shows that there is a need to change how PANDORA operates and that there are significant unexploited opportunities to improve efficiency. Looking ahead, PANDORA is moving into its next phase of maturity.

Against this backdrop, the following priorities have been identified:

- There is a need to redirect strategic focus towards driving like-for-like growth rather than total growth. There is also a need to pursue further initiatives to drive like-for-like growth

- Continued success requires more disciplined execution in all parts of the value chain as well as much closer coordination across the company. This implies for example a different cost efficiency and capital allocation mindset and a significant change in retail execution excellence

In order to act swiftly on these conclusions, PANDORA has commenced Programme NOW.

FIRST STEP IN PROGRAMME NOW: ADJUSTMENT OF NETWORK EXPANSION PLAN
As a first step in the programme, PANDORA is adjusting its network expansion plans. With negative like-for-like growth in the physical stores, acquisitions of franchise stores are becoming less attractive. Furthermore, with significant growth in the eSTORE, PANDORA will focus on developing omni-channel in well-developed markets and open fewer new stores, focusing on markets with white space.

- Acquisitions
  - A few selected franchisees may still be acquired. For example, if the stores are of strategic/tactical importance; and if financials and multiples meet strict criteria
  - Consequently, incremental revenue from forward integration is expected to be significantly lower than the previously communicated DKK 500-1,000 million annually
- Store openings
  - New stores opened are very profitable
  - The majority of future store openings will take place in a few selected markets with white space. These markets include among others China, India and Latin America
  - Net store openings during 2018-2022 are expected to be lower than the current guidance of 1,000 stores in total (of which around 250 stores are still expected to be opened in 2018). The number of net store openings will also be impacted by more store closings going forward as the eSTORE grows
  - PANDORA will guide on the expected number of store openings on a year by year basis going forward
- The revised network expansion strategy has impacted the expected FY 2018 tailwind from forward integration from DKK 1.4 billion to DKK 1.2 billion, equivalent to 1 percentage point of growth for FY 2018. In 2019, acquisitions made in 2018 and stores opened during 2018 are expected to generate additional revenue of close to DKK 1 billion.

NEXT STEPS IN PROGRAMME NOW

- **Cost reductions**: PANDORA has made an initial review of all cost categories and identified significant opportunities to reduce costs in several categories. It is also possible to reduce costs by acting more as one globally unified company. These cost reductions are in addition to the DKK ~350 million in annual cost savings announced in August 2018. The cost reduction potential will be quantified in connection with the full year announcement in February 2019
- **Like-for-like growth**: Investigation into further initiatives to support like-for-like growth are currently conducted. The initiatives include enhanced marketing, personalisation, digital and eCommerce capabilities as well as improving the consumer experience in the physical stores. Early analysis also shows that product promotions and mark-downs have a role, but can be reduced through a structured, data-driven approach with little or no impact on long-term profitable growth
- **One global company**: PANDORA needs to revisit how and where decisions are made, how the company operates and lift capabilities in a number of important areas.

Programme NOW will be further developed, and PANDORA will provide a detailed update in connection with the full year announcement in February 2019.

Programme NOW is not expected to impact PANDORA's ability to be highly cash generative and return significant cash to the Company's shareholders.

LONG-TERM REVENUE AND EBITDA TARGETS

At the Capital Markets Day in January 2018, PANDORA presented an ambition to grow revenue annually by 7-10% in local currency and maintain an EBITDA margin of around 35% in the years 2018-2022.

As a consequence of the reduction in acquisitions and network expansion, PANDORA sees a lower but more sustainable growth going forward driven by a) low to mid-single digit like-for-like in the mid-term, b) concept store openings in selected key markets and c) potentially selected franchise store acquisitions.

In 2019 and potentially into 2020, growth is expected to be impacted by a planned reduction of promotions and mark-downs as well as a continued reduction of inventories in the wholesale channel. The planned reduction of promotions and mark-downs is expected to have a negative impact on both revenue and total like-for-like in the short term, while it is expected to be margin neutral on group level.

In connection with the Q2 2018 announcement in August, PANDORA stated that a 35% EBITDA margin is attainable assuming positive total like-for-like growth. Since August, further significant margin supporting initiatives have been identified but it has also become clear that like-for-like growth remains under pressure and further investments in driving like-for-like growth are necessary. Additional analysis of the cost reduction potential and the required investments to drive sustainable like-for-like are necessary and as part hereof PANDORA is reviewing the ambition to reach an annual EBITDA margin of 35% during 2019-2022.

Financial guidance for 2019 will be provided in connection with the full year announcement in February 2019.

FINANCIAL GUIDANCE 2018

PANDORA adjusts full year revenue growth expectations to 2-4% in local currency (from previously guided 4-7%). The adjustment is as a result of three factors. 1) The weaker than expected development in Q3 2018, which was mainly driven by changes in inventory levels in the wholesale channel. 2) A difficult start to the fourth quarter with total like-for-like growth in October well below 9M 2018, which delivered -3%. 3) The adjustment of the network expansion plans outlined above, will have an impact on revenue already in 2018. PANDORA now expects a full year impact on revenue of around DKK 1.2 billion in 2018 (previously around DKK 1.4 billion) from forward integration.

The EBITDA margin is still expected to be approximately 32%, due to the already implemented cost savings as well as a very strong cost focus across markets and functions.

FINANCIAL GUIDANCE 2018

	2018 New guidance	2018 Previous guidance	2017 Actual
Revenue, local currency growth	2-4%	4-7%	15%
EBITDA margin	Approx. 32%	Approx. 32%	37.3%
CAPEX, % of revenue	Approx. 5%	Approx. 5%	6.1%

GUIDANCE ASSUMPTIONS

PANDORA still expects to add around net 250 concept stores during 2018 of which roughly 50% are expected to be opened in EMEA, 25% in Americas and 25% in Asia Pacific. PANDORA expects two-thirds of the concept store openings to be PANDORA owned stores. Furthermore, PANDORA now expects a full year impact on revenue of around DKK 1.2 billion (previously around DKK 1.4 billion) from the full year effect from forward integration.

Assuming current exchange rates versus the Danish Krone, full year growth reported in DKK is expected to be around 2 percentage points lower than in local currency.

Expectations are based on the foreign exchange rates at the time of the announcement.

CONFERENCE CALL
A conference call for investors and financial analysts will be held today at 11.00 CET 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 83
UK (International): +44 (0) 203 194 0544
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LANGUAGE OF PANDORA'S FINANCIAL REPORTING
Going forward, the Annual reports as well as interim financial announcements will only be provided in English. This will start from the Annual Report 2018.

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 7,700 points of sale, including more than 2,600 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 27,700 people worldwide of whom more than 14,000 are located in Thailand, where the Company manufactures its jewellery. PANDORA is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2017, PANDORA's total revenue was DKK 22.8 billion (approximately EUR 3.1 billion).

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FINANCIAL HIGHLIGHTS

DKK million	Q3 2018	Q3 2017[4]	9M 2018	9M 2017[4]	FY 2017[4]
Consolidated income statement					
Revenue	4,982	5,194	14,916	15,178	22,781
Gross profit	3,602	3,853	11,116	11,201	16,966
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,445	1,965	4,608	5,455	8,505
Operating profit (EBIT)	1,196	1,800	3,903	4,966	7,784
Net financials	24	-71	141	-128	-117
Net profit for the period	951	1,366	3,154	3,822	5,768
Consolidated balance sheet					
Total assets	19,530	17,722	19,530	17,722	17,428
Invested capital	12,992	12,069	12,992	12,069	11,439
Operating working capital	3,696	4,138	3,696	4,138	2,988
Net interest-bearing debt (NIBD)	7,535	6,123	7,535	6,123	4,855
Equity	5,267	5,896	5,267	5,896	6,514
Consolidated cash flow statement					
Net increase/decrease in cash	55	80	-103	-223	133
Free cash flow	1,059	637	2,647	2,375	5,294
Cash conversion, %	*88.5%*	*35.4%*	*67.8%*	*47.8%*	*68.0%*
Growth ratios					
Revenue growth, %	*-4%*	*13%*	*-2%*	*11%*	*12%*
Revenue growth, local currency, %	*-3%*	*16%*	*2%*	*12%*	*15%*
Gross profit growth, %	*-7%*	*11%*	*-1%*	*9%*	*11%*
EBITDA growth, %	*-26%*	*7%*	*-16%*	*5%*	*7%*
EBIT growth, %	*-34%*	*5%*	*-21%*	*2%*	*5%*
Net profit growth, %	*-30%*	*-3%*	*-17%*	*-3%*	*-4%*
Margins					
Gross margin, %	*72.3%*	*74.2%*	*74.5%*	*73.8%*	*74.5%*
EBITDA margin, %	*29.0%*	*37.8%*	*30.9%*	*35.9%*	*37.3%*
EBIT margin, %	*24.0%*	*34.7%*	*26.2%*	*32.7%*	*34.2%*
Other ratios					
Effective tax rate, %	*22.0%*	*21.0%*	*22.0%*	*21.0%*	*24.8%*
Equity ratio, %	*27.0%*	*33.3%*	*27.0%*	*33.3%*	*37.4%*
NIBD to EBITDA	1.0x	0.7x	1.0x	0.7x	0.6x
Return on invested capital (ROIC)[1], %	*51.7%*	*62.3%*	*51.7%*	*62.3%*	*68.0%*
Share information					
Dividend per share[2], DKK	-	-	-	-	9.00
Quarterly dividend per share[3], DKK	-	9.0	9.0	27.0	27.00
Total payout ratio (incl. share buyback), %	*198.8%*	*120.8%*	*133.3%*	*115.9%*	*99.1%*
Earnings per share, basic, DKK	9.0	12.3	29.2	34.3	52.0
Earnings per share, diluted, DKK	8.9	12.3	29.1	34.2	51.8
Share price at end of period, DKK	401.1	621.5	401.1	621.5	675.5
Other key figures					
Capital expenditure (CAPEX)	265	380	805	886	1,388
Capital expenditure, tangible assets (CAPEX)	168	241	526	589	946
Store network, total number of points of sale	7,772	7,707	7,772	7,707	7,794
Store network, total number of concept stores	2,614	2,328	2,614	2,328	2,446
Average number of full-time employees	23,973	21,215	23,448	20,231	20,904

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

[2] Dividend per share for 2018.

[3] Quarterly dividend per share for 2018, paid in 2018.

[4] Numbers are changed to reflect the effect from adoption of IFRS 15.

FINANCIAL PERFORMANCE

REVENUE

Total revenue for Q3 2018 was DKK 4,982 million, a decrease of 3% in local currency compared with Q3 2017. Organic growth[1] (excluding acquired growth) was -7% in local currency, impacted by a positive effect from concept store openings which was more than offset by a negative total like-for-like growth of 3%[2] and a negative impact from timing of shipments and inventory movements in the wholesale network. Revenue for the quarter included a net impact of DKK 212 million from the acquisition of stores and distributors.

REVENUE PER SALES CHANNEL

DKK million	Q3 2018	Q3 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	9M 2018	9M 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
PANDORA owned retail*	2,608	1,970	*32%*	*34%*	*52%*	7,965	5,937	*34%*	*39%*	*53%*
Wholesale	2,053	2,820	*-27%*	*-27%*	*41%*	5,964	8,032	*-26%*	*-23%*	*40%*
Third-party distribution	321	404	*-21%*	*-21%*	*6%*	987	1,209	*-18%*	*-16%*	*7%*
Total revenue	**4,982**	**5,194**	***-4%***	***-3%***	***100%***	**14,916**	**15,178**	***-2%***	***2%***	***100%***

*Including revenue from PANDORA eSTOREs

PANDORA OWNED RETAIL

Revenue from PANDORA owned retail was DKK 2,608 million in Q3 2018, an increase of 34% in local currency compared with Q3 2017. Revenue from PANDORA owned retail included an impact of DKK 370 million from the acquisition of stores and distributors.

PANDORA OWNED RETAIL REVENUE

DKK million	Q3 2018	Q3 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	9M 2018	9M 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
PANDORA owned concept stores	2,483	1,865	*33%*	*35%*	*50%*	7,542	5,590	*35%*	*40%*	*51%*
- Hereof eSTOREs	*400*	*264*	*52%*	*52%*	*8%*	1,285	866	*48%*	*53%*	*9%*
Other points of sale (retail)	125	105	*19%*	*20%*	*3%*	423	347	*22%*	*24%*	*3%*
Total PANDORA owned retail revenue	**2,608**	**1,970**	***32%***	***34%***	***52%***	**7,965**	**5,937**	***34%***	***39%***	***53%***

Revenue from PANDORA owned concept stores (incl. PANDORA eSTOREs) was DKK 2,483 million in Q3 2018, an increase of 35% in local currency compared with Q3 2017. Growth was driven by network expansion of 14%, acquisition of stores of 19% and retail like-for-like growth in PANDORA owned concept stores of 1%, driven by the PANDORA eSTOREs.

Revenue from PANDORA eSTOREs increased 52% in local currency to DKK 400 million in Q3 2018 corresponding to 8% of total revenue (5% in Q3 2017), with a strong performance across all major markets. PANDORA currently has eSTOREs in 20 countries globally. The eSTORE growth is driven by a continued strong trend of consumers increasingly browsing and buying online. Additionally, PANDORA is currently investing in improving the customer experience and further integrate the physical network with the eSTOREs.

[1] "Organic growth" is an alternative performance measure not defined by IFRS, refer to note 1

[2] Total like-for-like development: Q1 2017: -2%, Q2 2017: 1%, Q3 2017: -2%, Q4: 2017 2%, FY 2017: 0%

WHOLESALE

Revenue from PANDORA's wholesale channel was DKK 2,053 million, a decrease of 27% in local currency compared with Q3 2017. Revenue from wholesale included a negative net impact of DKK 95 million related to PANDORA's acquisition of franchise stores and distributors.

The performance in the wholesale channel in the quarter was negatively impacted by timing of shipments and a change of inventory levels in the channel.

WHOLESALE REVENUE

DKK million	Q3 2018	Q3 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	9M 2018	9M 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
Franchise concept stores	1,186	1,589	*-25%*	*-25%*	*24%*	3,396	4,559	*-26%*	*-22%*	*35%*
Other points of sale (wholesale)	867	1,231	*-30%*	*-30%*	*17%*	2,568	3,473	*-26%*	*-24%*	*17%*
Total wholesale revenue	**2,053**	**2,820**	***-27%***	***-27%***	***41%***	**5,964**	**8,032**	***-26%***	***-23%***	***40%***

Revenue from franchise concept stores decreased 25% in local currency compared with Q3 2017. The quarter included a negative impact of DKK 95 million from PANDORA's acquisition of franchise concept stores. Aside from the negative impact from timing of shipments and change in inventory levels in the stores, the reported revenue from franchise concept stores was impacted by negative sales-out growth leading to less replenishment orders.

Revenue from other points of sale in the wholesale channel decreased 30% in local currency compared with Q3 2017. The decrease was due to a negative development in most major markets, which was driven by timing of shipments, change in inventory levels at store level as well as closures of other points of sale as part of PANDORA's strategy to strengthen the network.

THIRD-PARTY DISTRIBUTORS

Revenue from third-party distributors was DKK 321 million, a decrease of 21% in local currency compared with Q3 2017. Revenue from third party distributors included a negative net impact of DKK 63 million related to PANDORA's acquisition of distributors in Spain and Ireland.

DISTRIBUTION NETWORK

PANDORA added net 286 concept stores in the last 12 months, bringing the global concept store network to 2,614.

STORE NETWORK

Number of points of sale	Q3 2018	Q2 2018	Q3 2017	Growth Q3 2018 /Q2 2018	Growth Q3 2018 /Q3 2017
Concept stores	**2,614**	**2,548**	**2,328**	**66**	**286**
- hereof PANDORA owned	1,266	1,136	865	130	401
- hereof franchise owned	850	918	971	-68	-121
- hereof third-party distribution	498	494	492	4	6
Other points of sale	**5,158**	**5,234**	**5,379**	**-76**	**-221**

Breakdown of other points of sale by channel (Note 13) and concept store network development for selected markets (Note 14) available in appendix.

In Q3 2018, PANDORA added net 130 PANDORA owned concept stores. The increase was mainly driven by the acquisition of 73 franchise concept stores.

The number of franchise concept stores decreased by 68 in Q3 2018, mainly due to PANDORA's acquisition of 73 franchise stores in the quarter.

At the end of Q3 2018, PANDORA had 5,158 other points of sale. In the last 12 months, PANDORA closed 221 other points of sale, mainly in EMEA.

REVENUE BY REGION

In Q3 2018, 48% of revenue was generated in EMEA (49% in Q3 2017), 29% in Americas (29% in Q3 2017) and 23% in Asia Pacific (21% in Q3 2017).

REVENUE BY REGION

DKK million	Q3 2018	Q3 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	9M 2018	9M 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
EMEA	2,404	2,555	*-6%*	*-5%*	*48%*	7,151	6,820	*5%*	*6%*	*48%*
Americas	1,431	1,527	*-6%*	*-6%*	*29%*	4,317	4,906	*-12%*	*-5%*	*29%*
Asia Pacific	1,147	1,112	*3%*	*5%*	*23%*	3,448	3,452	*0%*	*5%*	*23%*
Total revenue	**4,982**	**5,194**	***-4%***	***-3%***	***100%***	**14,916**	**15,178**	***-2%***	***2%***	**100%**

Please refer to note 3 for revenue in selected markets

EMEA

Revenue in EMEA was DKK 2,404 million in Q3 2018, a decrease of 5% in local currency compared with Q3 2017. Revenue in EMEA was supported by a positive eSTORE development and net DKK 169 million from acquisition of stores, including DKK 76 million related to the acquisition of PANDORA's Spanish distributor. Additionally, revenue was positively impacted by the addition of net 114 new concept stores in the last 12 months partially offset by the closure of 62 other points of sale.

Revenue in EMEA was significantly impacted by timing of shipments and change in inventory levels in the wholesale channel, but also a negative development in total like-for-like growth in the UK, Italy and France at -5%, -7% and -16% respectively. Germany continued the positive momentum and delivered total like-for-like growth of 3%, while reported growth decreased 14% due to timing of shipments.

AMERICAS

Revenue in Americas was DKK 1,431 million in Q3 2018, a decrease of 6% in local currency compared with Q3 2017. Revenue in Americas was impacted positively by net DKK 31 million from acquisition of stores, while Q3 2017 was negatively impacted by roughly DKK 50 million as a consequence of hurricanes in the region.

The US generated revenue of DKK 1,005 million, a decrease of 12% in local currency compared with Q3 2017. Total like-for-like sales-out growth was 4% driven by the eSTORE, which however, was more than offset by a negative performance in the other points of sale network as well as the decision to ship the Christmas collection already in Q3 in 2017. This year the Christmas collection will be shipped in Q4.

ASIA PACIFIC

Revenue in Asia Pacific was DKK 1,147 million in Q3 2018, an increase of 5% in local currency compared with Q3 2017.

Revenue growth in Asia Pacific was mainly driven by China (28% increase in local currency), supported by the addition of 60 new concept stores during the last 12 months as well as a positive total like-for-like sales-out growth of 1%.

Revenue from Australia decreased 16% in local currency driven by a total like-for-like sales-out growth of -7% and a general destocking of inventories at the wholesale level. The underlying performance in Australia continues to be challenged by the decline in revenue from Chinese consumers.

REVENUE BY PRODUCT CATEGORY

Across categories, PANDORA's new product concepts performed well in the quarter, with PANDORA Rose increasing to 17% of total sales-out (from 11% in Q3 2017) and PANDORA Shine already contributing 4% of sales-out following the launch in March 2018. Furthermore, PANDORA Reflexions was launched in October and has been very well received by the consumers.

However, when looking across all new products launched in 2018, they have not meaningfully changed momentum in the quarter. New products had flat like-for-like in Q3 2018 compared with last year's launches, with Charms delivering -4% like-for-like growth (compared with -10% in Q2 2018) and Bracelets -3%, while other categories grew like-for-like with 11% compared with last year's launches. PANDORA addresses the challenge of flat like-for-like in new products as part of Programme NOW.

REVENUE BY PRODUCT CATEGORY

DKK million	Q3 2018	Q3 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	9M 2018	9M 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
Charms	2,630	2,892	-9%	-9%	53%	8,045	8,715	-8%	-4%	54%
Bracelets	985	877	12%	13%	20%	2,809	2,627	7%	11%	19%
Rings	720	789	-9%	-8%	14%	2,090	2,124	-2%	2%	14%
Earrings	304	353	-14%	-13%	6%	913	895	2%	6%	6%
Necklaces & Pendants	343	283	21%	23%	7%	1,059	817	30%	35%	7%
Total revenue	**4,982**	**5,194**	**-4%**	**-3%**	**100%**	**14,916**	**15,178**	**-2%**	**2%**	**100%**

All product categories were impacted significantly and negatively by timing of shipments and change in inventory levels in the wholesale channel.

Revenue from Charms decreased 9% in local currency compared with Q3 2017. The Charms category remains challenging due to the changing demand pattern for PANDORA Moments, where consumers typically wear fewer charms on the same bracelet.

Revenue from Bracelets increased 13% in local currency compared with Q3 2017. The increase was supported by the introductions of several new bracelets throughout the last 12 months, including 12 new bracelets launched in Q3 2018.

Revenue from Necklaces & Pendants increased 23% in local currency driven by new product introduction during 2018. Revenue from Rings and Earrings decreased 8% and 13% in local currency, respectively.

COST OF SALES AND GROSS PROFIT

Gross profit in Q3 2018 was DKK 3,602 million (DKK 3,853 million in Q3 2017) corresponding to a gross margin of 72.3% compared with 74.2% in Q3 2017.

COST OF SALES AND GROSS PROFIT

DKK million	Q3 2018	Q3 2017	*Growth*	*Share of revenue Q3 2018*	*Share of revenue Q3 2017*	9M 2018	9M 2017	*Growth*	*Share of revenue 9M 2018*	*Share of revenue 9M 2017*
Revenue	4,982	5,194	*-4%*	*100.0%*	*100.0%*	14,916	15,178	*-2%*	*100.0%*	*100.0%*
Cost of sales	-1,380	-1,341	*3%*	*27.7%*	*25.8%*	-3,800	-3,977	*-4%*	*25.5%*	*26.2%*
Gross profit	**3,602**	**3,853**	***-7%***	***72.3%***	***74.2%***	**11,116**	**11,201**	***-1%***	***74.5%***	***73.8%***

Refer to Note 14 for details related to PANDORA's commodity hedging policy

The gross margin compared with Q3 2017 was positively impacted by the increasing share of revenue from PANDORA owned retail, however more than offset by the higher production time on new products and the change in product and metal mix mainly related to the increasing share of revenue from the PANDORA Rose and the PANDORA Shine collection. Furthermore, the gross margin was negatively impacted by the effect of the acquisition of concept stores where initial inventory in the stores was acquired at wholesale prices (-1.6 percentage point impact on the gross margin in the quarter compared with -1.1 percentage point in Q3 2017).

OPERATING EXPENSES

Total operating expenses for the quarter were DKK 2,406 million, equivalent to an OPEX ratio of 48.3% (39.5% in Q3 2017).

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q3 2018	Q3 2017	*Growth*	*Share of revenue Q3 2018*	*Share of revenue Q3 2017*	9M 2018	9M 2017	*Growth*	*Share of revenue 9M 2018*	*Share of revenue 9M 2017*
Sales and distribution expenses	-1,485	-1,077	*38%*	*29.8%*	*20.7%*	-4,234	-3,218	*32%*	*28.4%*	*21.2%*
Marketing expenses	-431	-470	*-8%*	*8.7%*	*9.0%*	-1,370	-1,397	*-2%*	*9.2%*	*9.2%*
Administrative expenses	-490	-506	*-3%*	*9.8%*	*9.7%*	-1,609	-1,620	*-1%*	*10.8%*	*10.7%*
Total operating expenses	**-2,406**	**-2,053**	***17%***	***48.3%***	***39.5%***	**-7,213**	**-6,235**	***16%***	***48.4%***	***41.1%***

Higher sales and distribution expenses were mainly due to the increasing share of PANDORA owned retail. Retail revenue represented 52% of revenue for the quarter (38% in Q3 2017). At the end of Q3 2018, PANDORA operated 1,266 owned concept stores (865 at the end of Q3 2017). Furthermore, sales and distribution costs were negatively impacted by around 1 percentage point compared with the same quarter last year from an increase in depreciation and amortisation mainly related to acquisitions.

Marketing expenses were 8.7% of revenue (9.0% in Q3 2017). The decrease in marketing costs was mainly driven by a consolidation of the media agencies used (from 17 to two holding groups) and renegotiation of the terms.

Administrative expenses as a percentage of revenue were 9.8% (9.7% in Q3 2017). Administrative expenses were negatively impacted by around DKK 100 million in severance pay related to organisational changes, of which DKK 36 million is related to the departure of PANDORA's former CEO. Furthermore, administrative expenses were positively impacted with around DKK 100 million related to reversal of provisions regarding incentive pay no longer expected to be paid.

EBITDA

EBITDA was DKK 1,445 million in Q3 2018, corresponding to an EBITDA margin of 29.0% (37.8% in Q3 2017).

Across regions the EBITDA margin was impacted by the weak revenue development, including the impact from destocking and timing of shipments in the wholesale channel and a negative like-for-like growth. Furthermore, margins for the quarter were impacted by inventories taken over at wholesale prices in connection with acquisition of stores. Finally, all regions were impacted by metal mix as well as longer production time on newer products.

GROUP EBITDA

DKK million	Q3 2018	Q3 2017	*Growth*	*EBITDA margin Q3 2018*	*EBITDA margin Q3 2017*	9M 2018	9M 2017	*Growth*	*EBITDA margin 9M 2018*	*EBITDA margin 9M 2017*
EMEA	741	1,067	*-31%*	*30.8%*	*41.8%*	2,183	2,570	*-15%*	*30.5%*	*37.7%*
Americas	365	474	*-23%*	*25.5%*	*31.0%*	1,248	1,541	*-19%*	*28.9%*	*31.4%*
Asia Pacific	339	424	*-20%*	*29.6%*	*38.1%*	1,177	1,344	*-12%*	*34.1%*	*38.9%*
Total EBITDA	**1,445**	**1,965**	***-26%***	***29.0%***	***37.8%***	**4,608**	**5,455**	***-16%***	***30.9%***	***35.9%***

EBIT
EBIT for Q3 2018 was DKK 1,196 million, a decrease of 34% compared with Q3 2017, resulting in an EBIT margin of 24.0% for Q3 2018 (34.7% in Q3 2017).

NET FINANCIALS
In Q3 2018, net financials amounted to a gain of DKK 24 million (loss of DKK 71 million in Q3 2017).

INCOME TAX EXPENSES
Income tax expenses were DKK 269 million in Q3 2018. The effective tax rate in Q3 2018 was 22.0% (21.0% in Q3 2017). The effective tax rate was negatively impacted by a DKK 106 million reversal of the deferred tax asset related to the transfer of assets from Kasi Group that the Supreme Court of Denmark on 4 October 2018 has ruled as tax exempt. This impact was set off by variations to the effective tax rate related to normal business transactions.

NET PROFIT
Net profit in Q3 2018 was DKK 951 million (DKK 1,366 million in Q3 2017).

BALANCE SHEET AND CASH FLOW
In Q3 2018, PANDORA generated a free cash flow of DKK 1,059 million (DKK 637 million in Q3 2017). The increase compared with Q3 2017 was mainly driven by fluctuations in operating working capital.

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q3 2018 was 16.4% of the last twelve months' revenue (19.0% in Q3 2017).

At the end of Q3 2018, inventory increased to 16.6% of the last twelve months' revenue (14.8% in Q3 2017). The higher inventory levels are primarily driven by the increasing number of PANDORA owned stores as well as an increase in the average cost price per unit on stock. Having said that, there is a potential to reduce inventories by taking a global approach to management hereof. Trade receivables at the end of Q3 2018 corresponded to 8.0% of the last twelve months' revenue (10.4% in Q3 2017), while days sales outstanding (DSO)[3] were 68 days (63 days in Q3 2017 and 59 days in Q2 2018). The increase in DSO compared with Q3 2017 was

[3] "Days sales outstanding" is an alternative performance measure not defined by IFRS, refer to note 1

mainly due to an increase of receivables related to PANDORA's retail revenue, challenges in Americas in connection with implementation of a new ERP system and an increase in overdue trade receivables. PANDORA expects DSO to decrease in Q4 2018. Trade payables increased to -8.2% of revenue (-5.6% in Q3 2017). The increase was among other driven by a successful effort to increase payment terms with suppliers.

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

Share of preceding 12 months' revenue	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Inventory	16.6%	13.5%	12.4%	12.0%	14.8%
Trade receivables	8.0%	5.9%	8.1%	8.6%	10.4%
Trade payables	-8.2%	-5.6%	-5.9%	-7.4%	-6.3%
Total	**16.4%**	**13.8%**	**14.6%**	**13.1%**	**19.0%**

At the end of Q3 2018, sales return and warranty provisions corresponded to around 3% of the last twelve months' rolling revenue, compared with 3% for Q2 2018 and 4% for Q3 2017.

CAPEX was DKK 265 million in Q3 2018 (DKK 380 million in Q3 2017). CAPEX was mainly related to IT, the opening of PANDORA owned stores and the crafting facilities in Thailand. In Q3 2018, CAPEX represented 5% of revenue (7% in Q3 2017).

Net interest-bearing debt (NIBD) at the end of Q3 2018 was DKK 7,535 million (DKK 6,123 million in Q3 2017) corresponding to a NIBD to EBITDA ratio of 1.0x of the last twelve months rolling EBITDA (0.7x in Q3 2017).

OTHER IMPORTANT EVENTS IN Q3 2018

SHARE BUYBACK PROGRAMME FOR 2018

On 6 February 2018, in connection with the Annual Report 2017, PANDORA announced a share buyback programme under which PANDORA expects to buy back own shares to a maximum consideration of DKK 4.0 billion. The programme will end no later than 13 March 2019.

During Q3 2018, a total of 2,320,398 shares were bought back, corresponding to a transaction value of DKK 933 million. As of 30 September 2018, PANDORA held a total of 4,926,996 treasury shares, corresponding to 4.5% of the share capital.

ORGANISATIONAL CHANGE

On 1 August 2018, Anders Boyer, former Board Member in PANDORA, succeeded Peter Vekslund as CFO of PANDORA.

On 13 August 2018, Sid Keswani began as President of PANDORA Americas. Sid Keswani comes from a position as CEO of Fiesta Mart, a Texas based grocery store chain. Sid Keswani's career spans more than 20 years in the retail industry, including 19 years at the retailer, Target Corporation.

On 1 September 2018, CEO Anders Colding Friis stepped down as CEO of PANDORA. Also, on 1 September 2018, Jeremy Schwartz, former CEO of the Body Shop, joined PANDORA as COO. PANDORA's new CFO, Anders Boyer, and COO, Jeremy Schwartz, are currently jointly responsible for managing PANDORA until an appointment of a new CEO.

CHANGE TO FINANCIAL GUIDANCE FOR 2018

On 6 August, the Board of PANDORA decided to adjust the financial guidance for 2018. At that point in time, PANDORA expected revenue to increase 4-7% in local currency and an EBITDA margin of approximately 32%.

DEVELOPMENT IN 9M 2018

REVENUE

Total revenue increased by 2% in local currency to DKK 14,916 million in 9M 2018 compared with 9M 2017.

The geographical distribution of revenue in 9M 2018 was 48% for EMEA (45% in 9M 2017), 29% for Americas (32% in 9M 2017) and 23% for Asia Pacific (23% in 9M 2017).

COSTS

Gross profit was DKK 11,116 million in 9M 2018 (DKK 11,201 million in 9M 2017), resulting in a gross margin of 74.5% in 9M 2018 (73.8% in 9M 2017).

Sales and distribution and marketing expenses increased to DKK 5,604 million in 9M 2018 (DKK 4,615 million in 9M 2017), corresponding to 37.6% of revenue in 9M 2018 (30.4% in 9M 2017). Administrative expenses amounted to DKK 1,609 million in 9M 2018 (DKK 1,620 million in 9M 2017), representing 10.8% of revenue in 9M 2018 (10.7% in 9M 2017).

EBITDA

EBITDA for 9M 2018 decreased by 16% to DKK 4,608 million resulting in an EBITDA margin of 30.9% in 9M 2018 (35.9% in 9M 2017).

Regional EBITDA margins for 9M 2018 were 30.5% in EMEA (37.7% in 9M 2017), 28.9% in Americas (31.4% in 9M 2017) and 34.1% in Asia Pacific (38.9% in 9M 2017).

EBIT

EBIT for 9M 2018 was DKK 3,903 million – a decrease of 21% compared with 9M 2017, resulting in an EBIT margin of 26.2% in 9M 2018 (32.7% in 9M 2017).

NET FINANCIALS

Net financials amounted to a gain of DKK 141 million in 9M 2018 versus a loss of DKK 128 million in 9M 2017.

INCOME TAX EXPENSES

Income tax expenses were DKK 890 million in 9M 2018 (DKK 1,016 million in 9M 2017), implying an effective tax rate for the Group of 22.0% for 9M 2018 (21.0% in 9M 2017).

NET PROFIT

Net profit in 9M 2018 was DKK 3,154 million (DKK 3,822 million in 9M 2017).

PANDORA

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Revenue	3,4	4,982	5,194	14,916	15,178	22,781
Cost of sales		-1,380	-1,341	-3,800	-3,977	-5,815
Gross profit		**3,602**	**3,853**	**11,116**	**11,201**	**16,966**
Sales, distribution and marketing expenses		-1,916	-1,547	-5,604	-4,615	-7,045
Administrative expenses		-490	-506	-1,609	-1,620	-2,137
Operating profit		**1,196**	**1,800**	**3,903**	**4,966**	**7,784**
Finance income		91	17	395	85	198
Finance costs		-67	-88	-254	-213	-315
Profit before tax		**1,220**	**1,729**	**4,044**	**4,838**	**7,667**
Income tax expense		-269	-363	-890	-1,016	-1,899
Net profit for the period		**951**	**1,366**	**3,154**	**3,822**	**5,768**
Earnings per share, basic, DKK		9.0	12.3	29.2	34.3	52.0
Earnings per share, diluted, DKK		8.9	12.3	29.1	34.2	51.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q3 2018	Q3 2017	9M 2018	9M 2017	FY 2017
Net profit for the period	**951**	**1,366**	**3,154**	**3,822**	**5,768**
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	29	-97	-59	-388	-343
Fair value adjustment of hedging instruments	-26	29	-103	113	109
Tax on other comprehensive income, hedging instruments, income/expense	6	-6	23	-26	-25
Items that may be reclassified to profit/loss for the period, net of tax	**9**	**-74**	**-139**	**-301**	**-259**
Items not to be reclassified to profit/loss for the period					
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-	-	-2
Items not to be reclassified to profit/loss for the period, net of tax	-	-	-	-	**-2**
Other comprehensive income, net of tax	**9**	**-74**	**-139**	**-301**	**-261**
Total comprehensive income for the period	**960**	**1,292**	**3,015**	**3,521**	**5,507**

PANDORA

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2018 30 September	2017 30 September [1]	2017 31 December[1]
ASSETS				
Goodwill	10	4,255	3,442	3,522
Brand		1,057	1,057	1,057
Distribution network		131	161	154
Distribution rights		1,073	1,182	1,153
Other intangible assets		1,247	1,035	1,113
Total intangible assets		**7,763**	**6,877**	**6,999**
Property, plant and equipment		2,563	2,089	2,324
Deferred tax assets		1,151	949	884
Other financial assets		319	288	289
Total non-current assets		**11,796**	**10,203**	**10,496**
Inventories		3,737	3,232	2,729
Right of return assets		145	171	188
Derivative financial instruments	6,7	200	278	153
Trade receivables	8	1,806	2,268	1,954
Income tax receivable		166	111	143
Other receivables		822	817	772
Cash		858	642	993
Total current assets		**7,734**	**7,519**	**6,932**
Total assets		**19,530**	**17,722**	**17,428**
EQUITY AND LIABILITIES				
Share capital		110	113	113
Treasury shares		-2,440	-1,701	-1,999
Reserves		783	880	922
Dividend proposed		-	991	987
Retained earnings		6,814	5,613	6,491
Total equity		**5,267**	**5,896**	**6,514**
Provisions		207	134	150
Loans and borrowings		5,005	6,408	5,283
Deferred tax liabilities		532	417	501
Other payables		211	383	481
Total non-current liabilities		**5,955**	**7,342**	**6,415**
Provisions		31	56	47
Refund liability		754	848	791
Contract liabilities[2]		59	59	64
Loans and borrowings		2,926	42	164
Derivative financial instruments	6,7	289	260	143
Trade payables		1,847	1,362	1,695
Income tax payable		976	983	572
Other payables		1,426	874	1,023
Total current liabilities		**8,308**	**4,484**	**4,499**
Total liabilities		**14,263**	**11,826**	**10,914**
Total equity and liabilities		**19,530**	**17,722**	**17,428**

[1] Numbers are changed to reflect the effect from adoption of IFRS 15.

[2] Contract liabilities comprise prepayments from customers DKK 10 million and other contract liabilities DKK 49 million (30 September 2017, DKK 13 million and DKK 46 million, respectively, and 31 December 2017, DKK 11 million and DKK 53 million, respectively).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedge reserve	Dividend proposed	Retained earnings	Total equity
2018							
Equity at 1 January	113	-1,999	912	10	987	6,491	6,514
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**3,154**	**3,154**
Exchange rate adjustments of investments in subsidiaries	-	-	-59	-	-	-	-59
Fair value adjustment 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 adjustment 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**
2017							
Equity at 1 January	117	-4,334	1,255	-74	1,007	8,823	6,794
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**3,822**	**3,822**
Exchange rate adjustments of investments in subsidiaries	-	-	-388	-	-	-	-388
Fair value adjustment of hedging instruments	-	-	-	113	-	-	113
Tax on other comprehensive income	-	-	-	-26	-	-	-26
Other comprehensive income, net of tax	**-**	**-**	**-388**	**87**	**-**	**-**	**-301**
Total comprehensive income for the period	**-**	**-**	**-388**	**87**	**-**	**3,822**	**3,521**
Fair value adjustment of obligation to acquire non-controlling interests	-	-	-	-	-	-20	-20
Share-based payments	-	-	-	-	-	50	50
Share-based payments (exercised)	-	217	-	-	-	-215	2
Share-based payments (tax)	-	-	-	-	-	-20	-20
Purchase of treasury shares	-	-1,423	-	-	-	-	-1,423
Reduction of share capital	-4	3,839	-	-	-	-3,835	-
Dividend paid	-	-	-	-	-3,013	5	-3,008
Dividend proposed	-	-	-	-	2,997	-2,997	-
Equity at 30 September	**113**	**-1,701**	**867**	**13**	**991**	**5,613**	**5,896**

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Q3 2018	Q3 2017[1]	9M 2018	9M 2017[1]	FY 2017[1]
Profit before tax	1,220	1,729	4,044	4,838	7,667
Finance income	-91	-17	-395	-85	-198
Finance costs	67	88	254	213	315
Depreciation, amortisation and impairment losses	249	165	705	489	721
Share-based payments[3]	-67	16	-21	50	66
Change in inventories	-522	10	-656	-374	145
Change in trade and other receivables and right of return assets	-577	-954	55	-678	-237
Change in trade and other payables, other liabilities, refund liabilities and contract liabilities	1,189	28	381	-679	-166
Other non-cash adjustments	1	1	-101	36	102
Interest etc. received	1	1	2	2	3
Interest etc. paid	-23	-13	-47	-33	-44
Income taxes paid	-118	-65	-756	-598	-1,768
Cash flows from operating activities, net	**1,329**	**989**	**3,465**	**3,181**	**6,606**
Acquisitions of subsidiaries and activities, net of cash acquired	-486	-1,154	-988	-1,593	-1,843
Purchase of intangible assets	-96	-144	-295	-288	-427
Purchase of property, plant and equipment	-191	-204	-551	-515	-890
Change in other non-current assets	-3	-18	-22	-46	-48
Proceeds from sale of property, plant and equipment	-2	2	5	12	12
Cash flows from investing activities, net	**-778**	**-1,518**	**-1,851**	**-2,430**	**-3,196**
Dividend paid	-957	-998	-1,943	-3,008	-3,995
Purchase of treasury shares	-934	-652	-2,258	-1,421	-1,721
Proceeds from loans and borrowings	2,421	2,402	3,511	3,793	4,981
Repayment of loans and borrowings	-1,026	-143	-1,027	-338	-2,542
Cash flows from financing activities, net	**-496**	**609**	**-1,717**	**-974**	**-3,277**
Net increase/decrease in cash	**55**	**80**	**-103**	**-223**	**133**
Cash at beginning of period[2]	815	571	993	897	897
Exchange gains/losses on cash	-12	-9	-32	-32	-37
Net increase/decrease in cash	55	80	-103	-223	133
Cash at end of period[2]	**858**	**642**	**858**	**642**	**993**
Cash flows from operating activities, net	1,329	989	3,465	3,181	6,606
- Interests etc. received	-1	-1	-2	-2	-3
- Interests etc. paid	23	13	47	33	44
Cash flows from investing activities	-778	-1,518	-1,851	-2,430	-3,196
- Acquisitions of subsidiaries and activities, net of cash acquired	486	1,154	988	1,593	1,843
Free cash flow	**1,059**	**637**	**2,647**	**2,375**	**5,294**
Unutilised credit facilities	3,138	1,825	3,138	1,825	3,085

The above cannot be derived directly from the income statement and the balance sheet.
[1] Numbers are changed to reflect the effect from adoption of IFRS 15.
[2] Cash comprises cash at bank and in hand.
[3] Net income from the reversal of cost relating to incentive programs, where shares are not expected to vest, are deducted from profit before tax as it has no impact on cash flows for the period.

NOTES

NOTE 1 – Accounting policies
The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union and consistent with the accounting policies set out in the Annual Report 2017 of PANDORA, except for the adoption of new standards effective as of 1 January 2018 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.

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 5.5 in the consolidated financial statement in the Annual Report 2017.

"Total like-for-like sales-out" includes concept stores across all channels and the eSTOREs operated for more than 12 months. With the additional measure of "total like-for-like sales-out", the previously reported "like-for-like sales-out" has been renamed to "retail like-for-like sales-out" which includes PANDORA owned concept stores and eSTOREs that have been operated by PANDORA for more than 12 months.

New standards, interpretations and amendments adopted by PANDORA
As of 1 January 2018, PANDORA has applied IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers. The effect of these changes is disclosed below.

Several other amendments and interpretations also apply for the first time in 2018. None of these have an impact on the recognition or measurement in the condensed consolidated interim financial statements.

Effect from IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes the previous revenue standards (IAS 11 Construction Contracts and IAS 18 Revenue) and related interpretations and established a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which PANDORA expects to be entitled in exchange for transferring goods or services to the customer.

Compared with the previous standards, the following material items in IFRS 15 are relevant for PANDORA:

- In general, revenue is recognised when the control is transferred to the customer. This can be either at a point in time or over time. However, when the sales transaction includes variable consideration such as return rights, trade discounts and volume rebates, IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. No material variable consideration has been identified during the first nine months of 2018 and as of 1 January 2018, which is to be deferred.
- Furthermore, IFRS 15 require PANDORA to present the sales return provision and an asset for the right to recover products from the customer separately in the statement of financial position.

PANDORA adopted the new standard using the full retrospective method of adoption.

The new standard had no material impact on the recognition and measurement of revenue. The effect of adopting the standard is presented in the table below.

Table 1.1: Effect from implementation of IFRS 15:

DKK million	31 December 2017 Previously reported	IFRS 15 effect	Restated	30 September 2017 Previously reported	IFRS 15 effect	Restated
ASSETS						
Current Assets						
Right of return assets	-	188	188	-	171	171
TOTAL ASSETS	**17,240**	**188**	**17,428**	**17,551**	**171**	**17,722**
EQUITY AND LIABILITIES						
Current liabilities						
Provisions	649	-602	47	733	-677	56
Refund liabilities	-	790	790	-	848	848
Contract liabilities	-	64	64	-	58	58
Trade payables	1,706	-11	1,695	1,375	-13	1,362
Other payables	1,077	-53	1,024	920	-45	875
TOTAL EQUITY AND LIABILITIES	**17,240**	**188**	**17,428**	**17,551**	**171**	**17,722**

The adoption has had no material impact on the statement of cash flows and no impact on basic and diluted EPS.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39, which changes the classification, measurement and impairment of financial assets, and introduces new rules for hedge accounting.

IFRS 9 requires PANDORA to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. PANDORA applied the simplified method upon adoption of IFRS 9 on 1 January 2018 and record lifetime expected losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historical low realised loss on loans and trade receivables, the adoption of the new standard did not have a material impact on PANDORA's condensed consolidated interim financial statements and therefore no effect on retained earnings at 1 January 2018.

Further, no other elements from the adoption of the standard has affected recognition and measurement.

Standards issued but not yet effective
IFRS 16 Leases is effective for the annual reporting period beginning January 1, 2019, and PANDORA has not early adopted the standard. The standard materially changes the accounting for operational leases as the standard requires lessees to recognise all operational leases – with few exemptions – on the balance sheet as assets with a corresponding liability. Further the classification of leasing costs will change from operational costs in the income statement today, to depreciation of the right of use asset and interests related to the liability.

The implementation project for IFRS 16 is proceeding according to plan. PANDORA has preliminarily assessed the impact of the new standard on the consolidated financial statements. As of 30 September, PANDORA has non-cancellable operating lease commitments of DKK 3,714 million. Of these approximately DKK 30 million is still expected to be recognised on a straight-line basis in operating costs, as these are either short term leases or low value leases.

The material part of lease contracts relates to stores. For these, the length of the leasing contracts used for calculating the right of use assets and liabilities, is determined by an internal store rating, which ensures extensions are applied to relevant stores only. Of the leasing contracts approximately 20% include extension options, which PANDORA will apply depending on rating for a total length of up to 8-10 years. Based on this, PANDORA expects to recognise right of use assets in the range of DKK 4.3-4.4 billion on 1

January 2019 and liabilities of approximately DKK 4.4 billion. In connection with the measurement of the discounted value of the lease liability PANDORA has applied incremental borrowing rates which averages around 3-4 %.

The expected impact from the implementation of the standard is an increase of the EBITDA-margin of approximately 4%-points.

PANDORA will apply the simplified transition approach without restating comparative figures when adopting the standard on 1 January 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 2017. Refer to the descriptions in the individual notes to the consolidated financial statement in the Annual Report 2017.

NOTE 3 – Segment information

PANDORA's activities are segmented based on geographical areas in accordance with the management reporting structure. The operating segments of the Group are divided into 3 operating segments: EMEA, Americas and Asia Pacific. Each operating segment comprises wholesale, retail and e-commerce business activities relating to the distribution and sale of PANDORA products.

The Group operates with two performance measures with EBITDA as the primary performance measure and EBIT as the secondary performance measure. Management monitors the segment profit of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured as EBITDA, corresponding to 'operating profit' in the consolidated financial statements before depreciation, amortisation and impairment losses in respect of non-current assets. EBIT as a performance measure is only measured at Group level.

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 2018				
External revenue	2,404	1,431	1,147	4,982
Segment profit (EBITDA)	741	365	339	1,445
Segment profit margin (EBITDA margin)	*30.8%*	*25.5%*	*29.6%*	*29.0%*
Depreciation, amortisation and impairment losses				-249
Consolidated operating profit (EBIT)				**1,196**
Q3 2017				
External revenue	2,555	1,527	1,112	5,194
Segment profit (EBITDA)	1,067	474	424	1,965
Segment profit margin (EBITDA margin)	*41.8%*	*31.0%*	*38.1%*	*37.8%*
Depreciation, amortisation and impairment losses				-165
Consolidated operating profit (EBIT)				**1,800**
9M 2018				
External revenue	7,151	4,317	3,448	14,916
Segment profit (EBITDA)	2,183	1,248	1,177	4,608
Segment profit margin (EBITDA margin)	*30.5%*	*28.9%*	*34.1%*	*30.9%*
Depreciation, amortisation and impairment losses				-705
Consolidated operating profit (EBIT)				**3,903**
9M 2017				
External revenue	6,820	4,906	3,452	15,178
Segment profit (EBITDA)	2,570	1,541	1,344	5,455
Segment profit margin (EBITDA margin)	*37.7%*	*31.4%*	*38.9%*	*35.9%*
Depreciation, amortisation and impairment losses				-489
Consolidated operating profit (EBIT)				**4,966**

REVENUE DEVELOPMENT IN PANDORA'S 7 LARGEST MARKETS (BASED ON FY 2017 REVENUE)

DKK million	Q3 2018	Q3 2017	*Growth in DKK*	*Growth in local currency*	9M 2018	9M 2017	*Growth in DKK*	*Growth in local currency*
UK	581	708	*-18%*	*-19%*	1,529	1,708	*-10%*	*-10%*
Italy	645	716	*-10%*	*-10%*	1,745	1,777	*-2%*	*-2%*
France	210	207	*1%*	*1%*	767	737	*4%*	*4%*
Germany	204	236	*-14%*	*-14%*	651	658	*-1%*	*-1%*
US	1,005	1,118	*-10%*	*-12%*	3,062	3,665	*-16%*	*-11%*
Australia	259	329	*-21%*	*-16%*	863	1,057	*-18%*	*-11%*
China	527	414	*27%*	*28%*	1,458	1,203	*21%*	*24%*

NOTE 4 – Revenue

REVENUE BY SALES CHANNEL

DKK million	Q3 2018	Q3 2017	9M 2018	9M 2017
PANDORA owned retail*	2,608	1,970	7,965	5,937
Wholesale	2,053	2,820	5,964	8,032
Third-party distribution	321	404	987	1,209
Total revenue	**4,982**	**5,194**	**14,916**	**15,178**

*Including revenue from PANDORA eSTOREs

REVENUE BY REGION

DKK million	Q3 2018	Q3 2017	9M 2018	9M 2017
EMEA	2,404	2,555	7,151	6,820
Americas	1,431	1,527	4,317	4,906
Asia Pacific	1,147	1,112	3,448	3,452
Total revenue	**4,982**	**5,194**	**14,916**	**15,178**

REVENUE BY PRODUCT CATEGORY AND TIMING OF RECOGNITION

DKK million	Q3 2018	Q3 2017	9M 2018	9M 2017
Charms	2,630	2,892	8,045	8,715
Bracelets	985	877	2,809	2,627
Rings	720	789	2,090	2,124
Earrings	304	353	913	895
Necklaces & Pendants	343	283	1,059	817
Total revenue	**4,982**	**5,194**	**14,916**	**15,178**
Goods transferred at a point in time	4,961	5,172	14,851	15,098
Services transferred over time	21	22	65	80
Total revenue	**4,982**	**5,194**	**14,916**	**15,178**

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 only approx. 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 2017.

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.

Refer to note 4.5 to the consolidated financial statement in the Annual Report 2017.

NOTE 8 – Trade receivables

DKK million	2018 30 September	2017 30 September	2017 31 December
Receivables related to 3rd party distributors and wholesale	1,581	2,094	1,679
Receivables related to retail revenue	225	174	275
Total receivables	**1,806**	**2,268**	**1,954**

NOTE 9 – Business combinations

Acquisitions in 2018

On 1 June 2018, PANDORA acquired 95% of the shares in PAN Jewelry holding, which holds the rights to distribute PANDORA Jewellery in Ireland and the territory of Northern Ireland, from BJ FitzPatrick Holdings Ltd. as the distribution agreement ended. The acquisition comprised inventory and non-current assets relating to 24 concept stores and one shop-in-shop. The purchase price was DKK 147 million of which DKK 125 million was paid in cash. 10% of the purchase price, DKK 15 million, was deferred 15 months. A simultaneous put/call option for the remaining 5% of the shares, DKK 7 million, will be exercised in the period 6 February 2019 – 31 March 2019.

PANDORA further acquired 140 stores in the period 1 January – 30 September 2018 (85 concept stores in UK, 25 in US, 12 in Canada, 7 in Australia, 5 in South Africa, 3 in France, and 1 in Italy and Brazil respectively) in 27 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 1,085 million. Based on the purchase price allocations, goodwill was DKK 711 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 151 million is deductible for income tax purposes.

Costs relating to the acquisitions was DKK 4 million and is recognised as operating expenses in the income statement.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 30 September 2018 was DKK 324 million and DKK 19 million respectively.

Had all acquisitions in 2018 taken place on 1 January 2018, Group revenue and net earnings for the period 1 January – 30 September 2018 would have been approximately DKK 15.3 billion and DKK 3.2 billion.

Due to the continued activity related to stores and small business acquisitions there will, at any given time, be purchase price allocations that have not been finalised at the time of reporting. Outstanding items in these are considered immaterial.

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Acquisitions

DKK million	Total 2018	Total 2017
Distribution rights	-	131
Other intangible assets	21	17
Property, plant and equipment	104	152
Other non-current receivables	2	6
Receivables	19	111
Inventories	296	470
Cash	4	10
Assets acquired	**446**	**897**
Non-current liabilities	17	17
Payables	35	94
Other current liabilities	20	35
Liabilities assumed	**72**	**146**
Total identifiable net assets acquired	**374**	**751**
Goodwill arising on the acquisitions	711	1,109
Purchase consideration	**1,085**	**1,860**
Cash movements on acquisitions:		
Prepaid, previous year[1]	-	-1
Consideration transferred regarding previous years[2]	2	-
Deferred payment (including earn-out)[3]	-95	-6
Cash acquired	-4	-10
Net cash flows on acquisition for the period	**988**	**1,843**
Prepayments, Acquisitions	-	-
Net cash flow on acquisitions	**988**	**1,843**

[1] Prepayment in 2016 relates to the acquisition of a store in Australia 4 January 2017. The amount paid was DKK 1 million.
[2] The consideration transferred in 2018 was the final payment regarding acquired stores in South Africa in 2017, DKK 2 million.
[3] The deferred payment is related to store acquisitions in Italy in September 2017, store acquisitions in UK in Q3 2018 and acquisition of the distributor in Ireland in June 2018, DKK 95 million.

Acquisitions in 2017

City Time S.L.

On 28 September 2017 PANDORA acquired 100% of the share capital in City Time S.L. in Spain. The purchase price, DKK 786 million (EUR 106 million), was finally agreed between the parties and paid in December 2017. With this acquisition PANDORA has gained full control of the distribution in Spain, Gibraltar and Andorra. In addition, PANDORA has added 50 concept stores and 14 shop-in-shops to its retail chain.

Besides assets and liabilities mainly related to the stores, PANDORA reacquired the exclusive distribution rights to the above markets. The value of the distribution rights was calculated at DKK 131 million based on the Multi-Period Excess Earnings model and is amortised over their useful life of 1.25 years.

Acquired gross contractual receivables totalled DKK 105 million and consisted of trade receivables of DKK 99 million, including a write-down of DKK 3 million, and prepayments of DKK 6 million. The net receivables acquired, DKK 105 million, are considered to be stated at fair value and are expected to be collected.

Acquisition costs were DKK 3 million and are recognised as operating expenses in the income statement.

Goodwill, DKK 464 million, mainly consists of know-how, future growth expectations and the effect of converting the acquired business from wholesale to PANDORA owned retail. None of the goodwill acquired is deductible for income tax purposes.

Contribution to Group revenue and net earnings for the period 28 September – 31 December 2017 was DKK 270 million and DKK 119 million respectively.

Other acquisitions in 2017
On 30 June 2017, PANDORA acquired the distribution in Belgium and Luxembourg when the previous distribution agreement with Gielen Trading BVBA ended. The acquisition comprised inventory and non-current assets relating to 13 concept stores and 3 shop-in-shops. On 3 July 2017, PANDORA acquired the distribution in South Africa, Mauritius, Namibia, Zambia, Zimbabwe and Réunion from Scandinavian Brand House following the expiry of the distribution agreement on 30 June 2017. The acquisition comprised inventory and non-current assets relating to the addition of 16 concept stores and 18 shop-in-shops to PANDORAs retail business.

PANDORA further acquired 121 stores in the period 1 January – 31 December 2017 (50 concept stores in the US, 23 in the UK, 13 in Poland, 8 in Canada, 6 in New Zealand, 6 in Italy, 6 in Australia, 5 in South Africa and 4 in Germany) in 25 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price was DKK 1,074 million. Based on the purchase price allocations, goodwill was DKK 645 million (Belgium DKK 87 million and South Africa DKK 84 million). Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to PANDORA owned retail. Costs relating to the acquisition of the distributors in Belgium, South Africa and the stores was DKK 3 million and is recognised as operating expenses in the income statement.

Of the goodwill acquired, DKK 527 million is deductible for income tax purposes.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2017 was DKK 921 million and DKK 238 million respectively.

Had all acquisitions in 2017 taken place on 1 January 2017, Group revenue and net earnings for the period 1 January – 31 December 2017 would have been approximately DKK 23.4 billion and DKK 5.9 billion respectively.

Due to the continued activity related to stores and small business acquisitions there will, at any given time, be purchase price allocations that have not been finalised at the time of reporting. Outstanding items in these are considered immaterial.

Acquisitions after the reporting period
PANDORA acquired 4 stores after the reporting period (2 concept stores in the US and 2 in the UK). The total purchase price was DKK 21 million. Assets acquired are mainly non-current assets relating to the stores and inventory. Due to the timing between acquisition dates and the announcement of the financial statements, it has not been possible to finalise the purchase price allocations. Expected goodwill from the acquisitions, based on the preliminary purchase price allocation, was DKK 7 million, of which DKK 3 million is expected to be deductible for income tax purposes.

NOTE 10 – Goodwill

DKK million	30 September 2018	31 December 2017
Cost at 1 January	3,522	2,571
Acquisition of subsidiaries and activities in the period	711	1,109
Exchange rate adjustments	22	-158
Cost at the end of the period	**4,255**	**3,522**

Impairment testing of goodwill is performed in Q4. As of 30 September 2018, there are no indications of impairment.

NOTE 11 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2017. Compared with Q2 2018, leasing commitments increased by DKK 255 million in Q3 2018 to DKK 3,714 million at the end of Q3 2018.

NOTE 12 – Related parties

Related parties with significant interests

Other related parties of PANDORA with significant influence include the Board and the Executive Management of this company and their close family members. Related parties also include companies in which the persons have control or significant interests.

Transactions with related parties

PANDORA did not enter any significant transactions with members of the Board or the Executive Management, except for compensation and benefits received because of their membership of the Board, employment with PANDORA or shareholdings in PANDORA.

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NOTE 13 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q3 2018	Q2 2018	Q3 2017	Growth Q3 2018 / Q2 2018	Growth Q3 2018 /Q3 2017
Other points of sale (retail)	157	158	130	-1	27
Other points of sale (wholesale)	4,329	4,408	4,593	-79	-264
Other points of sale (third-party)	672	668	656	4	16
Other points of sale, total	**5,158**	**5,234**	**5,379**	**-76**	**-221**

NOTE 14 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	Total concept stores					***O&O concept stores***		
	Number of concept stores Q3 2018	**Number of concept stores Q2 2018**	**Number of concept stores Q3 2017**	***Growth Q3 2018 /Q2 2018***	***Growth Q3 2018 /Q3 2017***	***Number of O&O Q3 2018***	***Growth O&O stores Q3 2018 /Q2 2018***	***Growth O&O stores Q3 2018 /Q3 2017***
UK	233	233	233	-	-	121	43	98
Russia	200	200	206	-	-6	-	-	-
Germany	154	152	153	2	1	145	2	5
Italy	126	119	98	7	28	81	8	28
France	109	101	80	8	29	61	11	31
Spain	77	75	63	2	14	62	2	12
Poland	49	48	45	1	4	38	1	4
South Africa	30	29	29	1	1	28	1	9
Ireland	29	29	30	-	-1	24	-	24
Belgium	25	25	25	-	-	13	-	-
Netherlands	25	24	23	1	2	25	1	2
Portugal	24	24	23	-	1	-	-	-
Ukraine	24	24	23	-	1	-	-	-
Turkey	22	21	15	1	7	22	1	7
United Arab Emirates	21	21	20	-	1	21	-	1
Romania	21	20	16	1	5	12	-	2
Czech Republic	19	19	19	-	-	10	-	-
Israel	17	17	17	-	-	-	-	-
Greece	15	15	13	-	2	-	-	-
Austria	15	14	14	1	1	10	1	2
Denmark	14	14	14	-	-	14	-	-
Saudi Arabia	12	12	9	-	3	-	-	-
Sweden	11	11	8	-	3	11	-	3
Rest of EMEA	136	135	118	1	18	18	-	3
EMEA	**1,408**	**1,382**	**1,294**	**26**	**114**	**716**	**71**	**231**
US	392	388	363	4	29	149	15	50
Brazil	99	98	95	1	4	59	1	3
Canada	79	78	77	1	2	23	8	13
Mexico	53	47	25	6	28	27	6	25
Caribbean	27	26	24	1	3	-	-	-
Rest of Americas	54	47	34	7	20	8	5	8
Americas	**704**	**684**	**618**	**20**	**86**	**266**	**35**	**99**
China	203	189	143	14	60	196	13	57
Australia	124	124	120	-	4	34	7	12
Philippines	34	32	22	2	12	-	-	-
Malaysia	31	31	28	-	3	-	-	-
Hong Kong	30	28	29	2	1	25	2	1
New Zealand	17	16	16	1	1	8	2	2
Thailand	16	15	12	1	4	-	-	-
Singapore	15	15	14	-	1	11	-	-
Rest of Asia Pacific	32	32	32	-	-	10	-	-1
Asia Pacific	**502**	**482**	**416**	**20**	**86**	**284**	**24**	**71**
All markets	**2,614**	**2,548**	**2,328**	**66**	**286**	**1,266**	**130**	**401**

*Includes markets with 10 or more concept stores as of end Q3 2018.

NOTE 15 – Commodity hedging

It is PANDORA's policy to hedge 70% of the Group's expected consumption, based on a rolling 12-months production plan.

HEDGED AND REALISED PURCHASE PRICES

USD / OZ	*Realised in Q3 2018*	Hedged Q4 2018	Hedged Q1 2019	Hedged Q2 2019	Hedged Q3 2019
Gold price	*1,315*	1,275	1,276	1,238	1,210
Silver price	*16.25*	16.35	16.76	15.60	14.96
Commodity hedge ratio (target), %	*Realised*	90-100%	70-90%	50-70%	30-50%

To increase certainty and visibility on the profitability for 2019, PANDORA has decided to hedge 100% of expected silver related costs for 2019. The targeted hedge ratios are unchanged except for silver in 2019.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin for Q3 2018 would have been approximately 73,3% based on the average gold (USD 1,213/oz) and silver (USD 15.02/oz) market prices in Q3 2018. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

NOTE 16 – Subsequent events

Other than as described in "Events after the reporting period" in Management review, PANDORA is not aware of events after 30 September 2018, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q3 2018	Q2 2018	Q1 2018	Q4 2017[2]	Q3 2017[2]
Consolidated income statement					
Revenue	4,982	4,819	5,115	7,603	5,194
Gross profit	3,602	3,638	3,876	5,765	3,853
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,445	1,496	1,667	3,050	1,965
Operating profit (EBIT)	1,196	1,266	1,441	2,818	1,800
Net financials	24	81	36	11	-71
Net profit for the period	951	1,044	1,159	1,946	1,366
Consolidated balance sheet					
Total assets	19,530	17,584	17,214	17,428	17,722
Invested capital	12,992	12,607	12,212	11,439	12,069
Operating working capital	3,696	3,134	3,311	2,988	4,138
Net interest-bearing debt (NIBD)	7,535	6,190	5,776	4,855	6,123
Equity	5,267	6,260	6,413	6,514	5,896
Consolidated cash flow statement					
Net increase/decrease in cash	55	101	-259	356	80
Free cash flow	1,059	1,149	439	2,919	637
Cash conversion, %	*88.5%*	*90.8%*	*30.5%*	*103.6%*	*35.4%*
Growth ratios					
Revenue growth, %	*-4%*	*0%*	*-1%*	*15%*	*13%*
Revenue growth, local currency, %	*-3%*	*4%*	*6%*	*20%*	*16%*
Gross profit growth, %	*-7%*	*2%*	*3%*	*16%*	*11%*
EBITDA growth, %	*-26%*	*-7%*	*-11%*	*13%*	*7%*
EBIT growth, %	*-34%*	*-13%*	*-16%*	*10%*	*5%*
Net profit growth, %	*-30%*	*-5%*	*-15%*	*-7%*	*-3%*
Margins					
Gross margin, %	*72.3%*	*75.5%*	*75.8%*	*75.8%*	*74.2%*
EBITDA margin, %	*29.0%*	*31.1%*	*32.6%*	*40.1%*	*37.8%*
EBIT margin, %	*24.0%*	*26.3%*	*28.2%*	*37.1%*	*34.7%*
Other ratios					
Effective tax rate, %	*22.0%*	*22.5%*	*21.5%*	*31.2%*	*21.0%*
Equity ratio, %	*27.0%*	*35.6%*	*37.3%*	*37.4%*	*33.3%*
NIBD to EBITDA[1]	1.0x	0.8x	0.7x	0.6x	0.7x
Return on invested capital (ROIC), %[1]	*51.7%*	*58.1%*	*61.5%*	*68.0%*	*62.3%*
Other key figures					
Capital expenditure (CAPEX)	265	296	244	502	380
Capital expenditure, tangible assets (CAPEX)	168	197	161	357	241
Store network, total number of points of sale	7,772	7,782	7,718	7,794	7,707
Store network, total number of concept stores	2,614	2,548	2,485	2,446	2,328
Average number of full-time employees	23,973	23,036	23,334	22,925	21,215

[1] Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.
[2] Numbers are changed to reflect the effect from adoption of IFRS 15.

MANAGEMENT STATEMENT

The Board and the Executive Management have reviewed and approved the interim report of PANDORA A/S for the period 1 January – 30 September 2018.

The interim financial statement, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and additional requirements in the Danish Financial Statements Act.

In our opinion, the interim financial statement gives a true and fair view of the PANDORA Group's assets, liabilities and financial position at 30 September 2018, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 September2018.

Further, in our opinion the Management's review gives a true and fair view of the development in the Group's operations and financial matters, the result of the PANDORA Group for the period and the financial position and describes the significant risks and uncertainties pertaining to the Group.

Copenhagen, 6 November 2018

EXECUTIVE MANAGEMENT

Jeremy Schwartz
Chief Operating Officer

Anders Boyer
Chief Financial Officer

BOARD

Peder Tuborgh
Chairman

Christian Frigast
Deputy Chairman

Andrea Alvey

Birgitta Stymne Göransson

Bjørn Gulden

Per Bank

Ronica Wang

Disclaimer

Certain statements in this company announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as our future results of operations; our financial condition; our working capital, cash flows and capital expenditures; and our business strategy, plans and objectives for future operations and events, including those relating to our on-going operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities; and

Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; our plans or objectives for future operations or products, including our ability to introduce new jewellery and non-jewellery products; our ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the United States, Australia, Germany, the United Kingdom and other markets in which we operate; the protection and strengthening of our intellectual property, including patents and trademarks; the future adequacy of our current warehousing, logistics and information technology operations; changes in Danish, E.U., Thai or other laws and regulation or any interpretation thereof, applicable to our business; increases to our effective tax rate or other harm to our business as a result of governmental review of our transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced in this company announcement.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

We do not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law or the rules of Nasdaq Copenhagen. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this company announcement.