PANDORA

PANDORA A/S
Havneholmen 17-19 | DK-1561 Copenhagen V | Denmark
Tel. +45 3672 0044
www.pandoragroup.com
CVR: 28 50 51 16

No. 463
COMPANY ANNOUNCEMENT
9 August 2018

INTERIM REPORT SECOND QUARTER 2018

PANDORA INCREASES REVENUE WITH 4% IN LOCAL CURRENCY, EBITDA MARGIN WAS 31.1%

PANDORA reports revenue growth in local currency of 4% for Q2 2018, and 8% adjusted for a positive one-off of DKK 200 million in Q2 2017 related to a change in return policy in the US. The EBITDA margin for the quarter was 31.1% (33.4% in Q2 2017).

Q2 2018 represented the first full quarter with collections from PANDORA's new design team. While the new products contributed positively to the total like-for-like sales-out growth[1], which improved to -1% in Q2 2018 from -5% in Q1 2018. The results for the second quarter also indicate that the transformation presented at the Capital Markets Day in January will take longer than initially expected. New rings, earrings, neckwear and bracelets delivered growth as expected, but the new charms are not fueling the reignition of charms revenue as anticipated. Additionally, reduction of inventories in the wholesale channel is challenging the revenue outlook for the full year 2018. This combined with weaker than anticipated total like-for-like sales-out growth in July and increasing manufacturing costs led PANDORA to change its financial guidance for 2018 on 6 August 2018.

FINANCIAL HIGHLIGHTS

- Group revenue was DKK 4,819 million in Q2 2018 and increased 4% in local currency
- Total like-for-like sales-out growth was -1% (-5% in Q1 2018)
- Revenue from PANDORA owned retail increased 43% in local currency
  - Retail like-for-like sales-out[1] growth was 3% (0% in Q1 2018)
  - Revenue from the eSTORE increased 54% in local currency and was 9% of revenue
- Revenue from wholesale decreased 27% in local currency
- Gross margin was 75.5% in Q2 2018 (Q2 2017: 73.9%)
- EBITDA was DKK 1,496 million in Q2 2018 (Q2 2017: DKK 1,611 million), corresponding to an EBITDA margin of 31.1% (Q2 2017: 33.4%)
- Free cash flow was DKK 1,149 million in Q2 2018 (Q2 2017: DKK 556 million)
- In Q2 2018, PANDORA returned DKK 1,091 million to shareholders in share buybacks
- On 23 August 2018, PANDORA will pay out an interim dividend of DKK 9 per share

Commenting on the results, Anders Colding Friis, CEO of PANDORA, said:
"We improved the underlying business since the first quarter. However, Q2 2018 came in below our expectations. This was mainly a consequence of a weaker than expected development in the Charms category as well as the development in wholesale, which was impacted by a reduction of inventory in the channel.

---

[1] "Total like-for-like sales-out" and "Retail like-for-like sales-out" are alternative performance measures not defined by IFRS, refer to note 1

We still believe in our strategy towards 2022, but we have realised that we have been too optimistic on the speed of the impact from new products. Most categories have seen good support from the new collections, but the new products have not lifted the Charms category. We are taking the right strategic initiatives, but the transition will take longer than expected.

To support our strategy, we are optimising costs. This includes further alignment of the organisation to fit our long-term ambitions as well stronger impact from the already ongoing procurement programme."

TOTAL LIKE-FOR-LIKE IMPROVEMENT OFFSET BY INVENTORY REDUCTIONS AT STORE LEVEL

The total like-for-like sales-out growth improved to -1% in Q2 2018 (from -5% in Q1 2018) due to improved performance in both franchise and PANDORA owned concept stores. Retail like-for-like sales-out increased 3% (0% in Q1 2018), and the eSTORE continued the strong trend and increased 54% in local currency.

Even though the total like-for-like performance improved, it did not fully materialise in the reported revenue growth as franchise partners reduced inventory levels in the quarter versus both Q1 2018 and Q2 2017. In combination with the one-off impact of DKK 200 million related to the change in return policies in the US in Q2 2017, this reduced revenue growth in the quarter significantly.

In Q2 2018, other points of sale (wholesale), which represented 16% of revenue for the quarter, decreased 23% in local currency driven by a combination of weaker sales-out performance and inventory reduction. Performance in other points of sale is challenged as the channel is mainly dependent on charms and does not distribute new concepts like PANDORA Shine.

In the quarter, PANDORA grew total like-for-like sales-out with 3% in the US and revenue in China increased 29% in local currency with total like-for-like sales-out growth of 1%. This indicates a positive impact from the Company's actions in these two important markets. Italy revenue decreased -7% in local currency, partly driven by a total like-for-like sales-out growth of -7%. Additionally, inventory reductions and weak performance in other points of sale impacted performance in Italy.

NEW PRODUCT COLLECTIONS WELL RECEIVED - CHARMS DEVELOPMENT WEAKER THAN EXPECTED

An important part of PANDORA's strategy is to innovate the product portfolio. PANDORA has over the past years demonstrated the ability to grow Rings, Earrings and Neckwear, three categories, which represents around 80% of the global jewellery market. PANDORA has been growing the three categories with a compound annual growth rate of 28% over the last 5 years. These categories now make up 27% of revenue (23% in Q2 2017). In the quarter, new products in Rings, Earrings and Neckwear continued to strengthen PANDORA's position in the categories and delivered 17% total like-for-like sales-out growth compared with new products launched in 2017. Q2 2018 was the first full quarter with sales out of PANDORA Shine, which has been well received by consumers. It now represents 5% of sales out in concept stores and eSTORE. PANDORA Rose continued to perform well increasing 75% for the quarter and together with PANDORA Shine represented 20% of sales-out in the quarter.

Consumers have responded positively to the new designs in the wristwear category, where revenue from Bracelets grew 11% in local currency, and new bracelets launched in 2018 delivered 30% total like-for-like sales-out growth compared with bracelets launched in 2017. While new bracelets are positively received, revenue in charms did not pick up with the new designs. Consumers continue to be attracted by the charms/bracelet concept, but wear less charms on their bracelet, and consequently buy less charms. This trend drives a continued growth of charm-carrying bracelets, while revenue from the Charms category decreases. Charms revenue decreased -7% in local currency in the quarter (-3% after adjusting for one-off related to return reserve provision change in Q2 2017 – impact is approximately 4 percentage points on all categories). PANDORA is committed to lead and innovate the wristwear category and will launch new wristwear platforms as part of the 2022 strategy. The first of these platforms, PANDORA Reflexions, a new charms/bracelet concept, will be launched in October 2018.

FINANCIAL GUIDANCE 2018

On Monday 6 August, PANDORA adjusted the 2018 financial guidance for 2018 based on the results for Q2 2018 as well as weaker than anticipated total like-for-like sales-out growth in July.

The expected revenue growth for 2018 was adjusted to 4-7% local currency growth from previously 7-10%. Furthermore, PANDORA expects to add around 50 more concept stores in 2018 and additional forward integrations amounting to around DKK 400 million or approximately 2 percentage points revenue growth.

The change in revenue guidance is driven by three things. Firstly, new charms have not fueled a reignition of the category as anticipated. Secondly, an expected further negative impact from change of inventory levels in the wholesale channel. Thirdly, a soft performance in the wholesale channel, especially in other points of sale.

The lower than expected revenue will impact the EBITDA margin negatively. A higher share of plated products, at a lower gross margin, further impacts the margin. Finally, the new products to be launched in 2018 are more time consuming to produce than expected. Mitigating actions are being pursued, but the higher production time has around 1 percentage point negative impact on the gross margin compared to previous expectations for 2018. The EBITDA margin expectation for 2018 is consequently approximately 32%.

As a consequence of the lower revenue growth and the higher production costs, PANDORA has strengthened the ongoing procurement program, and now expects additional savings of DKK 200 million annually from 2019. In addition, the organisational realignment announced on 7 August 2018 is expected to reduce operating expenses with around DKK 150 million from 2019.

FINANCIAL GUIDANCE 2018

	2018 New guidance (as announced on 6 August)	2018 Previous guidance	2017 Actual
Revenue, DKK billion/ local currency growth	4-7%	7-10%	22.8
EBITDA margin	Approx. 32%	Approx. 35%	37.3%
CAPEX, % of revenue	Approx. 5%	Approx. 5%	6.1%

GUIDANCE ASSUMPTIONS

PANDORA expects to add around net 250 concept stores (previously around 200) 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 expects a full year impact on revenue of around DKK 1.4 billion (previously DKK 1.0 billion) from the full year effect of acquisitions made during 2017 as well as acquisitions in 2018.

PANDORA expects revenue growth in Q3 2018 to be below the guided range. This is mainly due to an expected further negative impact from change of inventory levels in the wholesale channel as well as the significant increase in the share of revenue from PANDORA owned retail. As retail revenue is more skewed towards Q4 (at the expense of Q3), compared with wholesale revenue, this will affect the seasonality of revenue in the second half.

Furthermore, the EBITDA margin in Q3 2018 is expected to be below the full year expectations due to the expected low revenue growth and an expected one-off cost of around DKK 50 million related to severance payments.

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 (compared with previously expected 4 percentage points lower).

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 83
UK (International): +44 (0) 203 194 0544
US: +1 855 269 2604

FINANCIAL CALENDAR 2018

21 August 2018	Ex-dividend date
23 August 2018	Payment date
6 November 2018	Interim Report for Q3/9M 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 2,500 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 26,500 people worldwide of whom more than 13,200 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).

CONTACT
For more information, please contact:

INVESTOR RELATIONS
Magnus Thorstholm Jensen
Vice President, Head of Investor Relations
+45 7219 5739
mtje@pandora.net

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

Brian Granberg
Investor Relations Officer
+45 7219 5344
brgr@pandora.net

CORPORATE COMMUNICATIONS
Johan Melchior
Director External Relations, Corporate Communications & Sustainability
+45 4060 1415
jome@pandora.net

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

PANDORA

FINANCIAL HIGHLIGHTS

DKK million	Q2 2018	Q2 2017[4]	H1 2018	H1 2017[4]	FY 2017[4]
Consolidated income statement					
Revenue	4,819	4,825	9,934	9,984	22,781
Gross profit	3,638	3,567	7,514	7,348	16,966
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,496	1,611	3,163	3,490	8,505
Operating profit (EBIT)	1,266	1,450	2,707	3,166	7,784
Net financials	81	-63	117	-57	-117
Net profit for the period	1,044	1,095	2,203	2,456	5,768
Consolidated balance sheet					
Total assets	17,584	15,307	17,584	15,307	17,428
Invested capital	12,607	10,262	12,607	10,262	11,439
Operating working capital	3,134	2,914	3,134	2,914	2,988
Net interest-bearing debt (NIBD)	6,190	3,943	6,190	3,943	4,855
Equity	6,260	6,242	6,260	6,242	6,514
Consolidated cash flow statement					
Net increase/decrease in cash	101	-46	-158	-303	133
Free cash flow	1,149	556	1,588	1,738	5,294
Cash conversion, %	*90.8%*	*38.3%*	*58.7%*	*54.9%*	*68.0%*
Growth ratios					
Revenue growth, %	*0%*	*12%*	*-1%*	*10%*	*12%*
Revenue growth, local currency, %	*4%*	*12%*	*5%*	*10%*	*15%*
Gross profit growth, %	*2%*	*9%*	*2%*	*8%*	*11%*
EBITDA growth, %	*-7%*	*0%*	*-9%*	*4%*	*7%*
EBIT growth, %	*-13%*	*-3%*	*-14%*	*1%*	*5%*
Net profit growth, %	*-5%*	*-10%*	*-10%*	*-3%*	*-4%*
Margins					
Gross margin, %	*75.5%*	*73.9%*	*75.6%*	*73.6%*	*74.5%*
EBITDA margin, %	*31.1%*	*33.4%*	*31.8%*	*35.0%*	*37.3%*
EBIT margin, %	*26.3%*	*30.1%*	*27.2%*	*31.7%*	*34.2%*
Other ratios					
Effective tax rate, %	*22.5%*	*21.1%*	*22.0%*	*21.0%*	*24.8%*
Equity ratio, %	*35.6%*	*40.8%*	*35.6%*	*40.8%*	*37.4%*
NIBD to EBITDA	0.8x	0.5x	0.8x	0.5x	0.6x
Return on invested capital (ROIC)[1], %	*58.1%*	*72.5%*	*58.1%*	*72.5%*	*68.0%*
Share information					
Dividend per share[2], DKK	-	-	-	-	9.00
Quarterly dividend per share[3], DKK	9.0	9.0	9.0	18.0	27.00
Total payout ratio (incl. share buyback), %	*104.6%*	*132.3%*	*104.9%*	*113.2%*	*99.1%*
Earnings per share, basic, DKK	9.6	9.8	20.2	22.0	52.0
Earnings per share, diluted, DKK	9.6	9.8	20.2	21.9	51.8
Share price at end of period, DKK	445.8	607.5	445.8	607.5	675.5
Other key figures					
Capital expenditure (CAPEX)	296	296	540	506	1,388
Capital expenditure, tangible assets (CAPEX)	197	209	358	348	946
Store network, total number of points of sale	7,782	7,725	7,782	7,725	7,794
Store network, total number of concept stores	2,548	2,266	2,548	2,266	2,446
Average number of full-time employees	23,036	20,065	23,185	19,780	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.

STRATEGIC UPDATE

During Q2 2018, PANDORA continued to make good progress in the strategic pillars.

INNOVATE AFFORDABLE JEWELLERY

A cornerstone in PANDORA's five-year strategy is to innovate the product portfolio across all categories. In the second quarter, PANDORA launched the Mother's Day and the High Summer collections, which both included several innovative and inspiring products. The two collections consisted of around 220 new products including 14 PANDORA Shine products and 29 PANDORA Rose products. Bracelets launched as part of the new collections performed well in the quarter, as did the other categories, supporting PANDORA's strategy to strengthen Rings, Earrings and Necklaces & Pendants. However, Charms launched as part of the new collections has not changed the momentum in the category. Total like-for-like sales-out growth in Q2 2018 was 2% for all collections launched in 2018 compared with the same collections last year.

To support the Charms and Bracelet categories, PANDORA will in October 2018 launch the new charms/bracelet concept PANDORA Reflexions. Reflexions is an innovative flat bracelet in precious metals, which carries interchangeable charms. During 2018, PANDORA will launch around 60 Reflexions products, which will be simultaneously launched in all regions across all concept stores and the eSTORE. The new Reflexions concept is a stand-alone concept (the charms from the Moments and the ESSENSE collections do not fit the bracelets from Reflexions).

PANDORA Shine saw a good performance and is already 5% of sell-out. Besides delivering newness towards the end-consumer, PANDORA Shine also drives the growth in the other categories as it drives traffic to the stores and is designed across all categories.

AGILE MANUFACTURING

In June 2018, PANDORA started to plate jewellery internally for commercial purposes. Earlier, PANDORA has been fully dependent on third party suppliers to plate the Company's products. The new set-up will increase speed and agility as well as being more cost efficient.

Following the establishment of two new crafting facilities in Lamphun and Gemopolis (Triple A), PANDORA has now reduced the lead time in the new factories to a maximum of 4 weeks. Roughly two thirds of PANDORA's own production is currently at the two new facilities.

WINNING IN OMNI-CHANNEL RETAIL

To increase control with the brand, PANDORA continued to expand its retail network and added 114 owned concept stores in the quarter. In June, PANDORA acquired the distribution in Ireland adding 24 PANDORA owned concept stores. Furthermore, PANDORA acquired 50 concept stores from franchisees, mainly located in the UK and the US.

In Q3 2018, PANDORA will launch a number of new capabilities in the US eSTORE, including buying online and returning in store, ability to view inventory in concept stores online and to buy in store and get the items shipped to home.

DIGITALISED BRAND EXPERIENCE

During Q2 2018, PANDORA launched the ability for consumers to link directly from Instagram to the eSTORE in selected markets. Together with increasing engagement and reach on PANDORA social media channels, this strengthens PANDORA's digital position and provides consumers a more seamless shopping experience.

FINANCIAL PERFORMANCE

REVENUE

Total revenue for Q2 2018 was DKK 4,819 million, an increase of 4% in local currency compared with Q2 2017 (reported revenue in DKK was unchanged compared with Q2 2017). Organic growth[2] was -2% in local currency (or an increase of 2% adjusted for the positive one-off of DKK 200 million in Q2 2017). Revenue for the quarter included a net impact of DKK 280 million from the acquisition of stores and distributors.

REVENUE PER SALES CHANNEL

DKK million	Q2 2018	Q2 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	H1 2018	H1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
PANDORA owned retail*	2,765	2,002	*38%*	*43%*	*57%*	5,357	3,967	*35%*	*41%*	*54%*
Wholesale	1,733	2,489	*-30%*	*-27%*	*36%*	3,911	5,212	*-25%*	*-20%*	*39%*
Third-party distribution	321	334	*-4%*	*-1%*	*7%*	666	805	*-17%*	*-14%*	*7%*
Total revenue	**4,819**	**4,825**	***0%***	***4%***	***100%***	**9,934**	**9,984**	***-1%***	***5%***	***100%***

*Including revenue from PANDORA eSTOREs

PANDORA OWNED RETAIL

Revenue from PANDORA owned retail was DKK 2,765 million in Q2 2018, an increase of 43% in local currency compared with Q2 2017.

PANDORA OWNED RETAIL REVENUE

DKK million	Q2 2018	Q2 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	H1 2018	H1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
PANDORA owned concept stores	2,614	1,882	*39%*	*44%*	*54%*	5,059	3,725	*36%*	*42%*	*51%*
- Hereof eSTOREs	*447*	*298*	*50%*	*54%*	*9%*	885	602	*47%*	*53%*	*9%*
Other points of sale (retail)	151	120	*26%*	*28%*	*3%*	298	242	*23%*	*26%*	*3%*
Total PANDORA owned retail revenue	**2,765**	**2,002**	***38%***	***43%***	***57%***	**5,357**	**3,967**	***35%***	***41%***	***54%***

Revenue from PANDORA owned concept stores (incl. PANDORA eSTOREs) was DKK 2,614 million in Q2 2018, an increase of 44% in local currency compared with Q2 2017. Growth was driven by network expansion of 23%, acquisition of stores of 18% and retail like-for-like growth in PANDORA owned concept stores of 3%, driven by the new products and the PANDORA eSTOREs.

Revenue from PANDORA eSTOREs increased 54% in local currency to DKK 447 million in Q2 2018 corresponding to 9% of total revenue (6% in Q2 2017), with a strong performance across all major markets. PANDORA currently has eSTOREs in 20 countries globally.

WHOLESALE

Revenue from PANDORA's wholesale channel was DKK 1,733 million, a decrease of 27% in local currency compared with Q2 2017. Revenue from wholesale was impacted by a positive one-off of DKK 200 million in Q2 2017 related to a change in return policy in the US. Adjusting for the one-off, revenue from wholesale declined 21% in local currency.

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

WHOLESALE REVENUE

DKK million	Q2 2018	Q2 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	H1 2018	H1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
Franchise concept stores	984	1,478	*-33%*	*-30%*	*20%*	2,210	2,970	*-26%*	*-20%*	*22%*
Other points of sale (wholesale)	749	1,011	*-26%*	*-23%*	*16%*	1,701	2,242	*-24%*	*-20%*	*17%*
Total wholesale revenue	**1,733**	**2,489**	***-30%***	***-27%***	***36%***	**3,911**	**5,212**	***-25%***	***-20%***	***39%***

Revenue from franchise concept stores decreased 30% in local currency compared with Q2 2017. Growth for the quarter was negatively impacted by the one-off in Q2 2017 related to a change in return policy in the US (of which around DKK 120 million was related to concept stores). Furthermore, the quarter included a negative impact of DKK 103 million from PANDORA's acquisition of franchise stores. Adjusted for the acquisitions and the one-off in Q2 2017, revenue from franchise concept stores decreased 16% in local currency. The underlying development in revenue from franchise concept stores was driven by a reduction of in-store inventory across regions as well as a negative sales-out growth leading to less replenishment orders.

Revenue from other points of sale in the wholesale channel decreased 23% in local currency compared with Q2 2017. The decrease was mainly due to a negative development in the US and Italy, which was driven by a reduction of in-store inventories as well as closures of other points of sale in the two countries, as part of PANDORA's strategy to strengthen the network. Furthermore, other points of sale were impacted by the one-off in Q2 2017 related to a change in return policy in the US (of which around DKK 80 million was related to other points of sale).

THIRD-PARTY DISTRIBUTORS

Revenue from third-party distributors was DKK 321 million, a decrease of 1% in local currency compared with Q2 2017. The decrease was due to PANDORA's acquisition of the distribution in Spain, Belgium and South Africa in Q2 and Q3 2017. Excluding revenue from Spain, Belgium and South Africa, revenue from third-party distributors increased 22%.

DISTRIBUTION NETWORK

PANDORA added net 282 concept stores in the last 12 months, bringing the global concept store network to 2,548.

STORE NETWORK

Number of points of sale	Q2 2018	Q1 2018	Q2 2017	Growth Q2 2018 /Q1 2018	Growth Q2 2018 /Q2 2017
Concept stores	**2,548**	**2,485**	**2,266**	**63**	**282**
- hereof PANDORA owned	1,136	1,022	711	114	425
- hereof franchise owned	918	958	981	-40	-63
- hereof third-party distribution	494	505	574	-11	-80
Other points of sale	**5,234**	**5,233**	**5,459**	**1**	**-225**

Breakdown of other points of sale by channel (Note 12) and concept store network development for selected markets (Note 13) available in appendix.

In Q2 2018, PANDORA added a net of 114 PANDORA owned concept stores. The increase was mainly driven by store openings in China (18) and in the US (5) as well as the acquisition of 50 franchise concept stores and 24 concept stores from PANDORA's former Irish distributor.

The number of franchise concept stores decreased by 40 in Q2 2018, mainly due to PANDORA's acquisition of 50 franchise stores in the quarter.

At the end of Q2 2018, PANDORA had 5,234 other points of sale. In the last 12 months, PANDORA closed 225 other points of sale, mainly in EMEA.

REVENUE BY REGION

In Q2 2018, 46% of revenue was generated in EMEA (43% in Q2 2017), 30% in Americas (35% in Q2 2017) and 24% in Asia Pacific (22% in Q2 2017).

REVENUE BY REGION

DKK million	Q2 2018	Q2 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	H1 2018	H1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
EMEA	2,213	2,067	*7%*	*8%*	*46%*	4,747	4,265	*11%*	*12%*	*48%*
Americas	1,464	1,686	*-13%*	*-6%*	*30%*	2,886	3,379	*-15%*	*-5%*	*29%*
Asia Pacific	1,142	1,072	*7%*	*11%*	*24%*	2,301	2,340	*-2%*	*6%*	*23%*
Total revenue	**4,819**	**4,825**	***0%***	***4%***	***100%***	**9,934**	**9,984**	***-1%***	***5%***	***100%***

Please refer to note 3 for revenue in selected markets

EMEA

Revenue in EMEA was DKK 2,213 million in Q2 2018, an increase of 8% in local currency compared with Q2 2017. Revenue in EMEA was supported by a positive eSTORE development and around DKK 210 million from acquisition of stores, including around DKK 100 million related to the acquisition of PANDORA's Spanish distributor.

Revenue in EMEA was impacted by a decrease in revenue from Charms, which resulted in a weaker performance in the UK and in Italy. The two markets decreased revenue with 7% in local currency and delivered a total like-for-like sales-out growth of -1% and -7%, respectively. France remains impacted from the ongoing transition towards being perceived as an affordable jewellery brand, as well as a weak performance in Charms, and revenue was flat compared with the same quarter last year and total like-for-like sales-out growth was -4%. Finally, revenue in Germany was unchanged compared with the same quarter last year, driven by 6% total like-for-like sales-out growth offset by a negative development in the wholesale channel.

Growth in EMEA was supported by the addition of 114 new concept stores in the last 12 months partially offset by the closure of 132 other points of sale.

AMERICAS

Revenue in Americas was DKK 1,464 million in Q2 2018, a decrease of 6% in local currency compared with Q2 2017. The decrease was due to a positive one-off of around DKK 200 million in the same quarter last year related to a change in return policies in the US. Adjusted for the one-off, revenue from Americas increased 6% in local currency.

Revenue from the US was DKK 1,039 million, a decrease of 12% in local currency. Adjusted for the positive one-off of around DKK 200 million in Q2 2017 related to a change in return policy, revenue in the US increased 4%. The increase was driven by a better underlying performance, with total like-for-like sales-out growth of 3% for the quarter. Tailwind from acquisitions and store openings in the US were offset by the negative performance in the other points of sale network.

ASIA PACIFIC
Revenue in Asia Pacific was DKK 1,142 million in Q2 2018, an increase of 11% in local currency compared with Q2 2017.

Revenue growth in Asia Pacific was mainly driven by China (29% increase in local currency), supported by the addition of 55 new concept stores during the last 12 months as well as a positive total like-for-like sales-out growth of 1%. Growth in China has improved compared with the first quarter of the year, with several new initiatives proving successful, including improved in-store execution as well as a higher marketing spend. Furthermore, in July 2018, PANDORA adjusted prices downwards in China on average with 15% to curb grey market trading.

Revenue from Australia decreased 15% in local currency driven by a total like-for-like sales-out growth of -15%. Australia continues to be challenged by the decline in revenue from Chinese consumers as well as a weakness in the Charms category.

REVENUE BY PRODUCT CATEGORY

REVENUE BY PRODUCT CATEGORY

DKK million	Q2 2018	Q2 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*	H1 2018	H1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
Charms	2,561	2,847	*-10%*	*-7%*	*53%*	5,415	5,823	*-7%*	*-2%*	*55%*
Bracelets	933	877	*6%*	*11%*	*19%*	1,824	1,750	*4%*	*10%*	*18%*
Rings	634	582	*9%*	*14%*	*13%*	1,370	1,335	*3%*	*9%*	*14%*
Earrings	300	257	*17%*	*21%*	*6%*	609	542	*12%*	*18%*	*6%*
Necklaces & Pendants	391	262	*49%*	*56%*	*8%*	716	534	*34%*	*42%*	*7%*
Total revenue	**4,819**	**4,825**	***0%***	***4%***	***100%***	**9,934**	**9,984**	***-1%***	***5%***	***100%***

Revenue from Charms decreased 7% in local currency compared with Q2 2017 (or a decrease of 3% adjusted for the positive one-off in Q2 2017 – impact is approximately 4 percentage points on all categories). 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 11% in local currency compared with Q2 2017. The increase was supported by the introduction of several new bracelets throughout the last 12 months, including 16 new bracelets launched in Q2 2018.

Revenue from other product categories increased in combination 25% in local currency compared with Q2 2017 with Rings, Earrings and Necklaces & Pendants increasing 14%, 21% and 56%, respectively, in local currency. Growth was driven by the introduction of several new designs in the three categories throughout 2018.

COST OF SALES AND GROSS PROFIT

Gross profit in Q2 2018 was DKK 3,638 million (Q2 2017: DKK 3,567 million) corresponding to a gross margin of 75.5% compared with 73.9% in Q2 2017.

COST OF SALES AND GROSS PROFIT

DKK million	Q2 2018	Q2 2017	*Growth*	*Share of revenue Q2 2018*	*Share of revenue Q2 2017*	H1 2018	H1 2017	*Growth*	*Share of revenue H1 2018*	*Share of revenue H1 2017*
Revenue	4,819	4,825	*0%*	*100.0%*	*100.0%*	9,934	9,984	*-1%*	*100.0%*	*100.0%*
Cost of sales	-1,181	-1,258	*-6%*	*24.5%*	*26.1%*	-2,420	-2,636	*-8%*	*24.4%*	*26.4%*
Gross profit	**3,638**	**3,567**	***2%***	***75.5%***	***73.9%***	**7,514**	**7,348**	***2%***	***75.6%***	***73.6%***

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

The change in gross margin compared with Q2 2017 was mainly driven by the increasing share of revenue from PANDORA owned retail, partially offset by the change in product and metal mix mainly related to an increasing share of revenue from the PANDORA Rose and the PANDORA Shine collection as well as higher production time on new products. The latter is expected to increase sequentially throughout 2018, as the new products become an increasing part of revenue

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been roughly unchanged (i.e. approximately 76%) based on the average gold (USD 1,311/oz) and silver (USD 16.52/oz) market prices in Q2 2018. A 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

OPERATING EXPENSES

Total operating expenses for the quarter were DKK 2,372 million, equivalent to an OPEX ratio of 49.2% (43.9% in Q2 2017).

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q2 2018	Q2 2017	*Growth*	*Share of revenue Q2 2018*	*Share of revenue Q2 2017*	H1 2018	H1 2017	*Growth*	*Share of revenue H1 2018*	*Share of revenue H1 2017*
Sales and distribution expenses	-1,376	-1,057	*30%*	*28.6%*	*21.9%*	-2,749	-2,141	*28%*	*27.7%*	*21.4%*
Marketing expenses	-454	-480	*-5%*	*9.4%*	*9.9%*	-939	-927	*1%*	*9.5%*	*9.3%*
Administrative expenses	-542	-580	*-7%*	*11.2%*	*12.0%*	-1,119	-1,114	*0%*	*11.3%*	*11.2%*
Total operating expenses	**-2,372**	**-2,117**	***12%***	***49.2%***	***43.9%***	**-4,807**	**-4,182**	***15%***	***48.4%***	***41.9%***

The higher sales and distribution expenses are mainly a consequence of PANDORA's strategy of increasing the share of PANDORA owned retail. Retail revenue represented 57% of revenue for the quarter (42% in Q2 2017). At the end of Q2 2018, PANDORA operated 1,136 owned concept stores (711 at the end of Q2 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 9.4% of revenue (9.9% in Q2 2017). Administrative expenses as a percentage of revenue were 11.2% (12.0% in Q2 2017).

EBITDA

EBITDA was DKK 1,496 million in Q2 2018, corresponding to an EBITDA margin of 31.1% (33.4% in Q2 2017).

GROUP EBITDA

DKK million	Q2 2018	Q2 2017	*Growth*	*EBITDA margin Q2 2018*	*EBITDA margin Q2 2017*	H1 2018	H1 2017	*Growth*	*EBITDA margin H1 2018*	*EBITDA margin H1 2017*
EMEA	600	683	*-12%*	*27.1%*	*33.0%*	1,442	1,503	*-4%*	*30.4%*	*35.2%*
Americas	505	546	*-8%*	*34.5%*	*32.4%*	883	1,067	*-17%*	*30.6%*	*31.6%*
Asia Pacific	391	382	*2%*	*34.2%*	*35.6%*	838	920	*-9%*	*36.4%*	*39.3%*
Total EBITDA	**1,496**	**1,611**	***-7%***	***31.1%***	***33.4%***	**3,163**	**3,490**	***-9%***	***31.8%***	***35.0%***

The EBITDA margin in EMEA decreased by 5.9 percentage points compared with Q2 2017, to 27.1%. The decrease was driven by lower revenue, including the impact on revenue and margin from the decline in inventories in the wholesale channel. Furthermore, the margin for the quarter was impacted by inventories taken over at wholesale prices in connection with acquisition of stores, as well as the increase in PANDORA owned retail in the region.

Americas' EBITDA margin increased by 2.1 percentage points compared with Q2 2017, to 34.5%. The increase was among others due to costs savings related to the ongoing procurement programme.

The EBITDA margin in Asia Pacific decreased by 1.4 percentage points compared with Q2 2017, to 34.2%. The decrease was among others driven by product mix as well as the lower revenue in Australia.

EBIT

EBIT for Q2 2018 was DKK 1,266 million, a decrease of 13% compared with Q2 2017, resulting in an EBIT margin of 26.3% for Q2 2018 (30.1% in Q2 2017).

NET FINANCIALS

In Q2 2018, net financials amounted to a gain of DKK 81 million (loss of DKK 63 million in Q2 2017).

INCOME TAX EXPENSES

Income tax expenses were DKK 303 million in Q2 2018. The effective tax rate in Q2 2018 was 22.5% (21.1% in Q2 2017).

NET PROFIT

Net profit in Q2 2018 was DKK 1,044 million (DKK 1,095 million in Q2 2017).

BALANCE SHEET AND CASH FLOW

In Q2 2018, PANDORA generated a free cash flow of DKK 1,149 million (DKK 556 million in Q2 2017). The increase compared with Q2 2017 was mainly driven by favorable movements in operating working capital.

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q2 2018 was 13.8% of the last twelve months' revenue (13.7% in Q2 2017).

At the end of Q2 2018, inventory decreased to 13.5% of the last twelve months' revenue (14.3% in Q2 2017). Trade receivables at the end of Q2 2018 corresponded to 5.9% of the last twelve months' revenue (5.8% in Q2 2017), while days sales outstanding (DSO)[3] were 59 days (39 days

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

in Q2 2017 and 66 days in Q1 2018). The increase compared with Q2 2017 was mainly due to an increase of receivables related to PANDORA's retail revenue and an increase in overdue trade receivables. Furthermore, trade receivables were impacted by the acquisition of PANDORA's Spanish distributor in September 2017.

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

Share of preceding 12 months' revenue	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Inventory	13.5%	12.4%	12.0%	14.8%	14.3%
Trade receivables	5.9%	8.1%	8.6%	10.4%	5.8%
Trade payables	-5.6%	-5.9%	-7.4%	-6.3%	-6.3%
Total	**13.8%**	**14.6%**	**13.1%**	**19.0%**	**13.7%**

At the end of Q2 2018, sales return and warranty provisions corresponded to around 3% of the last twelve months' rolling revenue, compared with 3% for Q1 2018 and 4% for Q2 2017.

CAPEX was DKK 296 million in Q2 2018 (DKK 296 million in Q2 2017). CAPEX was mainly related to IT, the opening of PANDORA owned stores and the crafting facilities in Thailand. In Q2 2018, CAPEX represented 6% of revenue (6% in Q2 2017).

Net interest-bearing debt (NIBD) at the end of Q2 2018 was DKK 6,190 million (DKK 3,943 million in Q2 2017) corresponding to a NIBD to EBITDA ratio of 0.8x of the last twelve months rolling EBITDA (0.5x in Q2 2017).

OTHER IMPORTANT EVENTS IN Q2 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 Q2 2018, a total of 1,840,845 shares were bought back, corresponding to a transaction value of DKK 1,091 million. As of 30 June 2018, PANDORA held a total of 2,606,598 treasury shares, corresponding to 2.3% of the share capital.

EVENTS AFTER THE REPORTING PERIOD

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 will take up the position 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.

CHANGE TO FINANCIAL GUIDANCE FOR 2018

On 6 August, the Board of Directors of PANDORA decided to adjust the financial guidance for 2018. For 2018, PANDORA now expects revenue to increase 4-7% in local currency and an EBITDA margin of approximately 32%.

DEVELOPMENT IN H1 2018

REVENUE

Total revenue increased by 5% in local currency to DKK 9,934 million in H1 2018 compared with H1 2017.

The geographical distribution of revenue in H1 2018 was 48% for EMEA (43% in H1 2017), 29% for Americas (34% in H1 2017) and 23% for Asia Pacific (23% in H1 2017).

COSTS

Gross profit was DKK 7,514 million in H1 2018 (DKK 7,348 million in H1 2017), resulting in a gross margin of 75.6% in H1 2018 (73.6% in H1 2017).

Sales and distribution and marketing expenses increased to DKK 3,688 million in H1 2018 (DKK 3,068 million in H1 2017), corresponding to 37.1% of revenue in H1 2018 (30.7% in H1 2017). Administrative expenses amounted to DKK 1,119 million in H1 2018 (DKK 1,114 million in H1 2017), representing 11.3% of revenue in H1 2018 (11.2% in H1 2017).

EBITDA

EBITDA for H1 2018 decreased by 9% to DKK 3,163 million resulting in an EBITDA margin of 31.8% in H1 2018 (35.0% in H1 2017).

Regional EBITDA margins for H1 2018 were 30.4% in EMEA (35.2% in H1 2017), 30.6% in Americas (31.6% in H1 2017) and 36.4% in Asia Pacific (39.3% in H1 2017).

EBIT

EBIT for H1 2018 was DKK 2,707 million – a decrease of 14% compared with H1 2017, resulting in an EBIT margin of 27.2% in H1 2018 (31.7% in H1 2017).

NET FINANCIALS

Net financials amounted to a gain of DKK 117 million in H1 2018 versus a loss of DKK 57 million in H1 2017.

INCOME TAX EXPENSES

Income tax expenses were DKK 621 million in H1 2018 (DKK 653 million in H1 2017), implying an effective tax rate for the Group of 22.0% for H1 2018 (21.0% in H1 2017).

NET PROFIT

Net profit in H1 2018 was DKK 2,203 million (DKK 2,456 million in H1 2017).

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
Revenue	3,4	4,819	4,825	9,934	9,984	22,781
Cost of sales		-1,181	-1,258	-2,420	-2,636	-5,815
Gross profit		**3,638**	**3,567**	**7,514**	**7,348**	**16,966**
Sales, distribution and marketing expenses		-1,830	-1,537	-3,688	-3,068	-7,045
Administrative expenses		-542	-580	-1,119	-1,114	-2,137
Operating profit		**1,266**	**1,450**	**2,707**	**3,166**	**7,784**
Finance income		189	37	304	68	198
Finance costs		-108	-100	-187	-125	-315
Profit before tax		**1,347**	**1,387**	**2,824**	**3,109**	**7,667**
Income tax expense		-303	-292	-621	-653	-1,899
Net profit for the period		**1,044**	**1,095**	**2,203**	**2,456**	**5,768**
Earnings per share, basic, DKK		9.6	9.8	20.2	22.0	52.0
Earnings per share, diluted, DKK		9.6	9.8	20.2	21.9	51.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
Net profit for the period	**1,044**	**1,095**	**2,203**	**2,456**	**5,768**
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	-21	-293	-88	-291	-343
Fair value adjustment of hedging instruments	-123	-115	-77	84	109
Tax on other comprehensive income, hedging instruments, income/expense	27	-10	17	-20	-25
Items that may be reclassified to profit/loss for the period, net of tax	**-117**	**-418**	**-148**	**-227**	**-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	**-117**	**-418**	**-148**	**-227**	**-261**
Total comprehensive income for the period	**927**	**677**	**2,055**	**2,229**	**5,507**

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2018 30 June	2017 30 June [1]	2017 31 December[1]
ASSETS				
Goodwill	9	3,919	2,771	3,522
Brand		1,057	1,057	1,057
Distribution network		139	169	154
Distribution rights		1,099	1,054	1,153
Other intangible assets		1,190	943	1,113
Total intangible assets		**7,404**	**5,994**	**6,999**
Property, plant and equipment		2,480	1,893	2,324
Deferred tax assets		954	909	884
Other financial assets		312	269	289
Total non-current assets		**11,150**	**9,065**	**10,496**
Inventories		3,068	3,021	2,729
Right of return assets		124	171	188
Derivative financial instruments		170	310	153
Trade receivables		1,337	1,232	1,954
Income tax receivable		143	159	143
Other receivables		777	778	772
Cash		815	571	993
Total current assets		**6,434**	**6,242**	**6,932**
Total assets		**17,584**	**15,307**	**17,428**
EQUITY AND LIABILITIES				
Share capital		110	113	113
Treasury shares		-1,505	-1,049	-1,999
Reserves		774	954	922
Dividend proposed		967	1,000	987
Retained earnings		5,914	5,224	6,491
Total equity		**6,260**	**6,242**	**6,514**
Provisions		192	122	150
Loans and borrowings		6,030	3,958	5,283
Deferred tax liabilities		516	444	501
Other payables		200	385	481
Total non-current liabilities		**6,938**	**4,909**	**6,415**
Provisions		19	67	47
Refund liability		627	845	791
Contract liabilities[2]		58	59	64
Loans and borrowings		509	237	164
Derivative financial instruments		233	321	143
Trade payables		1,271	1,339	1,695
Income tax payable		609	651	572
Other payables		1,060	637	1,023
Total current liabilities		**4,386**	**4,156**	**4,499**
Total liabilities		**11,324**	**9,065**	**10,914**
Total equity and liabilities		**17,584**	**15,307**	**17,428**

[1] Numbers are changed to reflect the effect from adoption of IFRS 15.
[2] Contract liabilities comprise prepayments from customers DKK 11 million and other contract liabilities DKK 47 (30 June 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	**-**	**-**	**-**	**-**	**-**	**2,203**	**2,203**
Exchange rate adjustments of investments in subsidiaries	-	-	-88	-	-	-	-88
Fair value adjustment of hedging instruments	-	-	-	-77	-	-	-77
Tax on other comprehensive income	-	-	-	17	-	-	17
Other comprehensive income, net of tax	**-**	**-**	**-88**	**-60**	**-**	**-**	**-148**
Total comprehensive income for the period	**-**	**-**	**-88**	**-60**	**-**	**2,203**	**2,055**
Fair value adjustment of obligation to acquire non-controlling interests	-	-	-	-	-	-31	-31
Share-based payments	-	-	-	-	-	46	46
Share-based payments (exercised)	-	105	-	-	-	-105	-
Share-based payments (tax)	-	-	-	-	-	-13	-13
Purchase of treasury shares	-	-1,325	-	-	-	-	-1,325
Reduction of share capital	-3	1,714	-	-	-	-1,711	-
Dividend paid	-	-	-	-	-987	1	-986
Dividend proposed	-	-	-	-	967	-967	-
Equity at 30 June	**110**	**-1,505**	**824**	**-50**	**967**	**5,914**	**6,260**
2017							
Equity at 1 January	117	-4,334	1,255	-74	1,007	8,823	6,794
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**2,456**	**2,456**
Exchange rate adjustments of investments in subsidiaries	-	-	-291	-	-	-	-291
Fair value adjustment of hedging instruments	-	-	-	84	-	-	84
Tax on other comprehensive income	-	-	-	-20	-	-	-20
Other comprehensive income, net of tax	**-**	**-**	**-291**	**64**	**-**	**-**	**-227**
Total comprehensive income for the period	**-**	**-**	**-291**	**64**	**-**	**2,456**	**2,229**
Fair value adjustment of obligation to acquire non-controlling interests	-	-	-	-	-	-13	-13
Share-based payments	-	-	-	-	-	34	34
Share-based payments (exercised)	-	217	-	-	-	-216	1
Share-based payments (tax)	-	-	-	-	-	-22	-22
Purchase of treasury shares	-	-771	-	-	-	-	-771
Reduction of share capital	-4	3,839	-	-	-	-3,835	-
Dividend paid	-	-	-	-	-2,013	3	-2,010
Dividend proposed	-	-	-	-	2,006	-2,006	-
Equity at 30 June	**113**	**-1,049**	**964**	**-10**	**1,000**	**5,224**	**6,242**

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Q2 2018	Q2 2017[1]	H1 2018	H1 2017[1]	FY 2017[1]
Profit before tax	1,347	1,387	2,824	3,109	7,667
Finance income	-189	-37	-304	-68	-198
Finance costs	108	100	187	125	315
Depreciation, amortisation and impairment losses	230	161	456	324	721
Share-based payments	17	20	46	34	66
Change in inventories	-39	-294	-134	-384	145
Change in trade and other receivables and right of return assets	565	259	632	276	-237
Change in trade and other payables, other liabilities, refund liabilities and contract liabilities	-288	-405	-808	-707	-166
Other non-cash adjustments	-219	-131	-102	35	102
Interest etc. received	-	-	1	1	3
Interest etc. paid	-11	-10	-24	-20	-44
Income taxes paid	-90	-257	-638	-533	-1,768
Cash flows from operating activities, net	**1,431**	**793**	**2,136**	**2,192**	**6,606**
Acquisitions of subsidiaries and activities, net of cash acquired	-403	-144	-502	-439	-1,843
Purchase of intangible assets	-109	-76	-199	-144	-427
Purchase of property, plant and equipment	-183	-163	-360	-311	-890
Change in other non-current assets	-2	-9	-19	-28	-48
Proceeds from sale of property, plant and equipment	1	1	7	10	12
Cash flows from investing activities, net	**-696**	**-391**	**-1,073**	**-912**	**-3,196**
Dividend paid	-	-1,003	-986	-2,010	-3,995
Purchase of treasury shares	-1,091	-446	-1,324	-769	-1,721
Proceeds from loans and borrowings	457	1,002	1,090	1,391	4,981
Repayment of loans and borrowings	-	-1	-1	-195	-2,542
Cash flows from financing activities, net	**-634**	**-448**	**-1,221**	**-1,583**	**-3,277**
Net increase/decrease in cash	**101**	**-46**	**-158**	**-303**	**133**
Cash at beginning of period[2]	723	646	993	897	897
Exchange gains/losses on cash	-9	-29	-20	-23	-37
Net increase/decrease in cash	101	-46	-158	-303	133
Cash at end of period[2]	**815**	**571**	**815**	**571**	**993**
Cash flows from operating activities, net	1,431	793	2,136	2,192	6,606
- Interests etc. received	-	-	-1	-1	-3
- Interests etc. paid	11	10	24	20	44
Cash flows from investing activities	-696	-391	-1,073	-912	-3,196
- Acquisitions of subsidiaries and activities, net of cash acquired	403	144	502	439	1,843
Free cash flow	**1,149**	**556**	**1,588**	**1,738**	**5,294**
Unutilised credit facilities	2,148	4,056	2,148	4,056	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.

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 half 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:

	31 December 2017			30 June 2017		
DKK million	Previously reported	IFRS 15 effect	Restated	Previously reported	IFRS 15 effect	Restated
ASSETS						
Current Assets						
Right of return assets	-	188	188	-	171	171
TOTAL ASSETS	**17,240**	**188**	**17,428**	**15,136**	**171**	**15,307**
EQUITY AND LIABILITIES						
Current liabilities						
Provisions	649	-602	47	740	-673	67
Refund liabilities	-	790	790	-	845	845
Contract liabilities	-	64	64	-	59	59
Trade payables	1,706	-11	1,695	1,352	-13	1,339
Other payables	1,077	-53	1,024	684	-47	637
TOTAL EQUITY AND LIABILITIES	**17,240**	**188**	**17,428**	**15,136**	**171**	**15,307**

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 project for IFRS 16 continued during the second quarter of 2018 and is proceeding according to plan. PANDORA continues to assess the impact of the new standard on the consolidated financial statements. As of the date of approval of the condensed consolidated interim financial statements there are no changes to the expectations set out in the Annual Report for 2017, in which information of the expected impact from the implementation of the standard is available.

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.

PANDORA

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 sale channels reference is made to the Management Review.

SEGMENT INFORMATION

DKK million	EMEA	Americas	Asia Pacific	Total Group
Q2 2018				
External revenue	2,213	1,464	1,142	4,819
Segment profit (EBITDA)	600	505	391	1,496
Segment profit margin (EBITDA margin)	*27.1%*	*34.5%*	*34.2%*	*31.1%*
Depreciation, amortisation and impairment losses				-230
Consolidated operating profit (EBIT)				**1,266**
Q2 2017				
External revenue	2,067	1,686	1,072	4,825
Segment profit (EBITDA)	683	546	382	1,611
Segment profit margin (EBITDA margin)	*33.0%*	*32.4%*	*35.6%*	*33.4%*
Depreciation, amortisation and impairment losses				-161
Consolidated operating profit (EBIT)				**1,450**
H1 2018				
External revenue	4,747	2,886	2,301	9,934
Segment profit (EBITDA)	1,442	883	838	3,163
Segment profit margin (EBITDA margin)	*30.4%*	*30.6%*	*36.4%*	*31.8%*
Depreciation, amortisation and impairment losses				-456
Consolidated operating profit (EBIT)				**2,707**
H1 2017				
External revenue	4,265	3,379	2,340	9,984
Segment profit (EBITDA)	1,503	1,067	920	3,490
Segment profit margin (EBITDA margin)	*35.2%*	*31.6%*	*39.3%*	*35.0%*
Depreciation, amortisation and impairment losses				-324
Consolidated operating profit (EBIT)				**3,166**

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

DKK million	Q2 2018	Q2 2017	*Growth in DKK*	*Growth in local currency*	H1 2018	H1 2017	*Growth in DKK*	*Growth in local currency*
UK	414	453	*-9%*	*-7%*	948	1,000	*-5%*	*-3%*
Italy	494	530	*-7%*	*-7%*	1,100	1,061	*4%*	*3%*
France	281	282	*0%*	*0%*	557	530	*5%*	*5%*
Germany	213	214	*0%*	*0%*	447	422	*6%*	*6%*
US	1,039	1,273	*-18%*	*-12%*	2,057	2,547	*-19%*	*-10%*
Australia	293	368	*-20%*	*-15%*	604	728	*-17%*	*-9%*
China	464	362	*28%*	*29%*	931	789	*18%*	*22%*

NOTE 4 – Revenue

REVENUE BY SALES CHANNEL

DKK million	Q2 2018	Q2 2017	H1 2018	H1 2017
PANDORA owned retail*	2,765	2,002	5,357	3,967
Wholesale	1,733	2,489	3,911	5,212
Third-party distribution	321	334	666	805
Total revenue	**4,819**	**4,825**	**9,934**	**9,984**

*Including revenue from PANDORA eSTOREs

REVENUE BY REGION

DKK million	Q2 2018	Q2 2017	H1 2018	H1 2017
EMEA	2,213	2,067	4,747	4,265
Americas	1,464	1,686	2,886	3,379
Asia Pacific	1,142	1,072	2,301	2,340
Total revenue	**4,819**	**4,825**	**9,934**	**9,984**

REVENUE BY PRODUCT CATEGORY AND TIMING OF RECOGNITION

DKK million	Q2 2018	Q2 2017	H1 2018	H1 2017
Charms	2,561	2,847	5,415	5,823
Bracelets	933	877	1,824	1,750
Rings	634	582	1,370	1,335
Earrings	300	257	609	542
Necklaces & Pendants	391	262	716	534
Total revenue	**4,819**	**4,825**	**9,934**	**9,984**
Goods transferred at a point in time	4,797	4,795	9,890	9,926
Services transferred over time	22	30	44	58
Total revenue	**4,819**	**4,825**	**9,934**	**9,984**

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 – 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 67 stores in the period 1 January – 30 June 2018 (42 concept stores in UK, 15 in US, 5 in South Africa, 4 in Canada, and 1 in Australia) in 14 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 570 million. Based on the purchase price allocations, goodwill was DKK 384. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to PANDORA owned retail.

Of the goodwill acquired, DKK 59 million is deductible for income tax purposes.

Costs relating to the acquisitions was DKK 3 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 June 2018 was DKK 104 million and DKK 5 million respectively.

Had all acquisitions in 2018 taken place on 1 January 2018, Group revenue and net earnings for the period 1 January – 30 June 2018 would have been approximately DKK 10.1 billion and DKK 2.2 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.

Acquisitions

DKK million	Total 2018	Total 2017
Distribution rights	-	131
Other intangible assets	8	17
Property, plant and equipment	55	152
Other non-current receivables	-	6
Receivables	16	111
Inventories	160	470
Cash	4	10
Assets acquired	**243**	**897**
Non-current liabilities	9	17
Payables	34	94
Other current liabilities	14	35
Liabilities assumed	**57**	**146**
Total identifiable net assets acquired	**186**	**751**
Goodwill arising on the acquisitions	384	1,109
Purchase consideration	**570**	**1,860**
Cash movements on acquisitions:		
Prepaid, previous year[1]	-	-1
Consideration transferred regarding previous years[2]	2	-
Deferred payment (including earn-out)[3]	-70	-6
Cash acquired	-4	-10
Net cash flows on acquisition for the period	**498**	**1,843**
Prepayments, Acquisitions	4	-
Net cash flow on acquisitions	**502**	**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 Q2 2018 and acquisition of the distributor in Ireland in June 2018, DKK 70 million.

Acquisitions in 2017

City Time S.L.

On 28 September 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 12 stores after the reporting period (5 concept stores in Australia, 3 in France, 2 in the UK, 1 in Italy and 1 in New Zealand). The total purchase price was DKK 76 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 47 million, of which DKK 31 million is expected to be deductible for income tax purposes.

NOTE 9 – Goodwill

DKK million	30 June 2018	31 December 2017
Cost at 1 January	3,522	2,571
Acquisition of subsidiaries and activities in the period	384	1,109
Exchange rate adjustments	13	-158
Cost at the end of the period	**3,919**	**3,522**

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

NOTE 10 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2017. Compared with Q1 2018, leasing commitments increased by DKK 89 million in Q2 2018 to DKK 3,459 million at the end of Q2 2018.

NOTE 11 – 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 12 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q2 2018	Q1 2018	Q2 2017	Growth Q2 2018 / Q1 2018	Growth Q2 2018 /Q2 2017
Other points of sale (retail)	158	149	99	9	59
Other points of sale (wholesale)	4,408	4,416	4,115	-8	293
Other points of sale (third-party)	668	668	1,245	-	-577
Other points of sale, total	**5,234**	**5,233**	**5,459**	**1**	**-225**

NOTE 13 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q2 2018	**Number of concept stores Q1 2018**	**Number of concept stores Q2 2017**	***Growth Q2 2018 /Q1 2018***	***Growth Q2 2018 /Q2 2017***	***Number of O&O Q2 2018***	***Growth O&O stores Q2 2018 /Q1 2018***	***Growth O&O stores Q2 2018 /Q2 2017***
UK	233	233	230	-	3	78	33	56
Russia	200	200	209	-	-9	-	-	-
Germany	152	152	154	-	-2	143	-	2
Italy	119	116	88	3	31	73	3	34
France	101	98	76	3	25	50	3	23
Spain	75	72	62	3	13	60	3	60
Poland	48	47	46	1	2	37	1	17
South Africa	29	29	36	-	-7	27	5	27
Ireland	29	29	30	-	-1	24	24	24
Belgium	25	25	25	-	-	13	-	-
Portugal	24	24	23	-	1	-	-	-
Ukraine	24	23	23	1	1	-	-	-
Netherlands	24	23	22	1	2	24	1	2
United Arab Emirates	21	21	19	-	2	21	-	2
Turkey	21	19	15	2	6	21	2	6
Romania	20	20	15	-	5	12	-	3
Czech Republic	19	19	17	-	2	10	-	-
Israel	17	17	17	-	-	-	-	-
Greece	15	14	13	1	2	-	-	-
Austria	14	14	13	-	1	9	-	2
Denmark	14	14	14	-	-	14	-	-
Saudi Arabia	12	10	8	2	4	-	-	-
Sweden	11	10	8	1	3	11	1	3
Rest of EMEA	135	128	105	7	30	18	1	3
EMEA	**1,382**	**1,357**	**1,268**	**25**	**114**	**645**	**77**	**264**
US	388	380	359	8	29	134	17	64
Brazil	98	98	92	-	6	58	-	5
Canada	78	77	78	1	-	15	1	9
Mexico	47	44	20	3	27	21	2	21
Caribbean	26	26	24	-	2	-	-	-
Rest of Americas	47	45	32	2	15	3	-	3
Americas	**684**	**670**	**605**	**14**	**79**	**231**	**20**	**102**
China	189	171	134	18	55	183	18	50
Australia	124	124	115	-	9	27	-	8
Philippines	32	28	17	4	15	-	-	-
Malaysia	31	29	29	2	2	-	-	-
Hong Kong	28	30	27	-2	1	23	-2	-
New Zealand	16	16	15	-	1	6	-	1
Singapore	15	15	14	-	1	11	-	-
Thailand	15	14	11	1	4	-	-	-
Rest of Asia Pacific	32	31	31	1	1	10	1	-
Asia Pacific	**482**	**458**	**393**	**24**	**89**	**260**	**17**	**59**
All markets	**2,548**	**2,485**	**2,266**	**63**	**282**	**1,136**	**114**	**425**

*Includes markets with 10 or more concept stores as of end Q2 2018.

NOTE 14 – 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 Q2 2018*	Hedged Q3 2018	Hedged Q4 2018	Hedged Q1 2019	Hedged Q2 2019
Gold price	*1,278*	1,313	1,278	1,321	1,289
Silver price	*17.16*	17.22	16.71	17.03	16.84
Commodity hedge ratio (target), %	*Realised*	90-100%	70-90%	50-70%	30-50%

NOTE 15 – Subsequent events

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

QUARTERLY OVERVIEW

DKK million	Q2 2018	Q1 2018	Q4 2017[2]	Q3 2017[2]	Q2 2017[2]
Consolidated income statement					
Revenue	4,819	5,115	7,603	5,194	4,825
Gross profit	3,638	3,876	5,765	3,853	3,567
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,496	1,667	3,050	1,965	1,611
Operating profit (EBIT)	1,266	1,441	2,818	1,800	1,450
Net financials	81	36	11	-71	-63
Net profit for the period	1,044	1,159	1,946	1,366	1,095
Consolidated balance sheet					
Total assets	17,584	17,214	17,428	17,722	15,307
Invested capital	12,607	12,212	11,439	12,069	10,262
Operating working capital	3,134	3,311	2,988	4,138	2,914
Net interest-bearing debt (NIBD)	6,190	5,776	4,855	6,123	3,943
Equity	6,260	6,413	6,514	5,896	6,242
Consolidated cash flow statement					
Net increase/decrease in cash	101	-259	356	80	-46
Free cash flow	1,149	439	2,919	637	556
Cash conversion, %	*90.8%*	*30.5%*	*103.6%*	*35.4%*	*38.3%*
Growth ratios					
Revenue growth, %	*0%*	*-1%*	*15%*	*13%*	*12%*
Revenue growth, local currency, %	*4%*	*6%*	*20%*	*16%*	*12%*
Gross profit growth, %	*2%*	*3%*	*16%*	*11%*	*9%*
EBITDA growth, %	*-7%*	*-11%*	*13%*	*7%*	*0%*
EBIT growth, %	*-13%*	*-16%*	*10%*	*5%*	*-3%*
Net profit growth, %	*-5%*	*-15%*	*-7%*	*-3%*	*-10%*
Margins					
Gross margin, %	*75.5%*	*75.8%*	*75.8%*	*74.2%*	*73.9%*
EBITDA margin, %	*31.1%*	*32.6%*	*40.1%*	*37.8%*	*33.4%*
EBIT margin, %	*26.3%*	*28.2%*	*37.1%*	*34.7%*	*30.1%*
Other ratios					
Effective tax rate, %	*22.5%*	*21.5%*	*31.2%*	*21.0%*	*21.1%*
Equity ratio, %	*35.6%*	*37.3%*	*37.4%*	*33.3%*	*40.8%*
NIBD to EBITDA[1]	0.8x	0.7x	0.6x	0.7x	0.5x
Return on invested capital (ROIC), %[1]	*58.1%*	*61.5%*	*68.0%*	*62.3%*	*72.5%*
Other key figures					
Capital expenditure (CAPEX)	296	244	502	380	296
Capital expenditure, tangible assets (CAPEX)	197	161	357	241	209
Store network, total number of points of sale	7,782	7,718	7,794	7,707	7,725
Store network, total number of concept stores	2,548	2,485	2,446	2,328	2,266
Average number of full-time employees	23,036	23,334	22,925	21,215	20,065

[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.

PANDORA

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 June 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 June 2018, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 June 2018.

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, 9 August 2018

EXECUTIVE MANAGEMENT

Anders Colding Friis *Chief Executive 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.