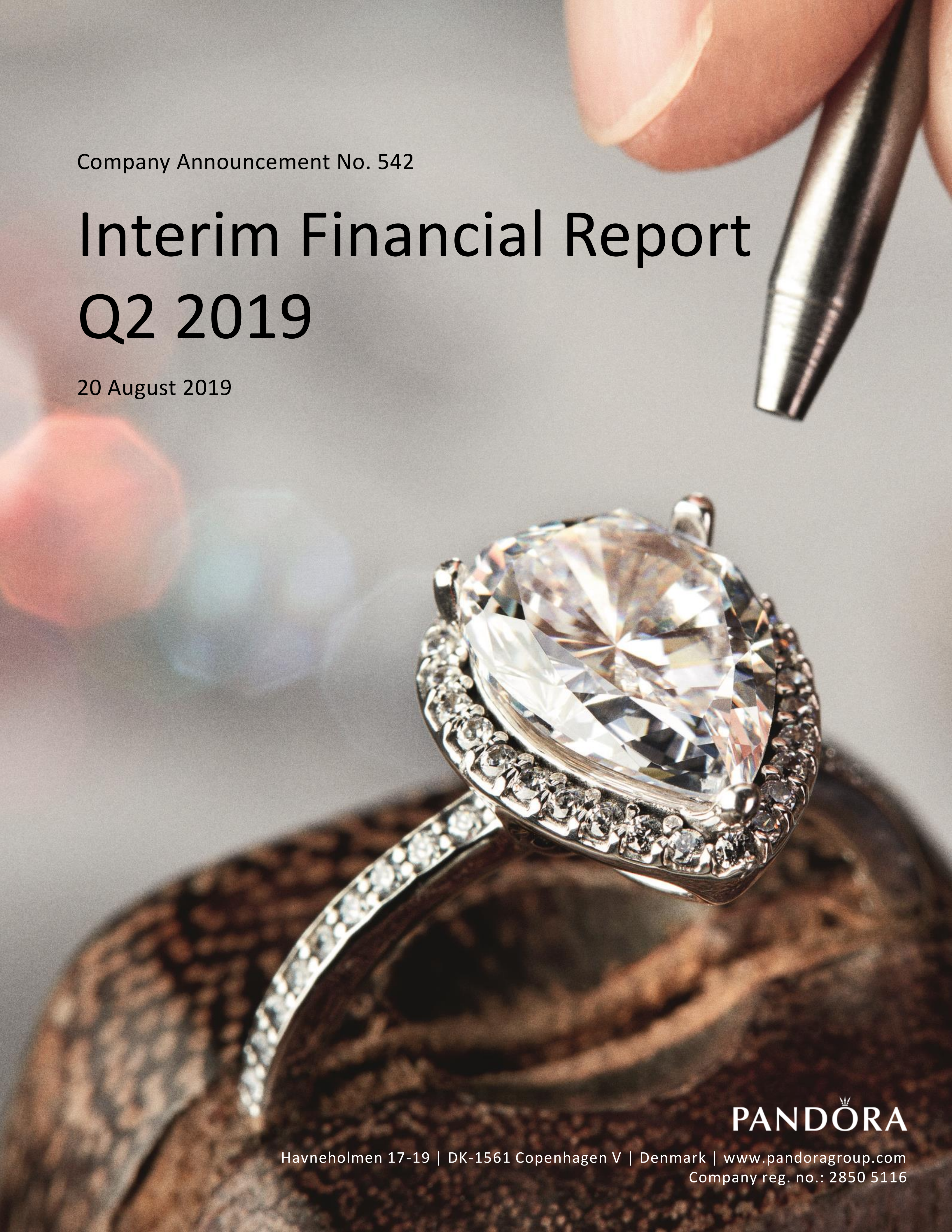
Company Announcement No. 542

Interim Financial Report Q2 2019

20 August 2019



PANDORA

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Company reg. no.: 2850 5116

Contents

From Mother's Day 2019 (Drop 4)

From High Summer 2019 (Drop 5)

Our Equity Story

Pandora is a cross-generational brand with unmatched recognition that gives a voice to people's loves. All of our jewellery is crafted to the highest ethical and environmental standards at our state-of-the-art crafting facilities in Thailand and made to inspire women to collect, create and combine genuine jewellery at affordable prices.

With business fundamentals intact and by executing on our turnaround roadmap, Programme NOW, Pandora will return to sustainable growth and maintain industry-leading margins. A strong cash generation and an attractive cash return will remain.

Programme NOW on track
– Brand relaunch to strengthen consumer relevance from 29 August

Q2 2019 Highlights

- As expected, the financial results continued to be weak and impacted by the Commercial Reset initiated as part of Programme NOW
- The 2019 financial guidance for organic growth and EBIT margin excluding restructuring costs is unchanged
- Early positive signs of the impact from Programme NOW is visible in the underlying gross margin, cost levels and cash generation
- Organic growth was -7% and total like-for-like sales-out growth (like-for-like) was -10% in Q2 2019 driven by decreasing traffic into the physical stores. Like-for-like in Online Stores accelerated to 22%
- Testing of increased marketing investments in Italy and the UK have shown a positive effect on traffic and an ability to drive profitable revenue growth. Consequently, it has been decided to significantly increase marketing investments for the rest of 2019

During Q2 2019, Pandora has progressed rapidly with the preparations of the brand relaunch on 29 August. The brand relaunch will be kick-started by a global PR event in Los Angeles on 28 August evolving around the new brand purpose "We give a voice to people's loves – Passions, People & Places". Following extensive consumer research, the new purpose is taking focus back to Pandora's core proposition of co-creation, self-expression and collecting. The new brand relaunch will refresh all consumer touchpoints to increase brand relevance. One of the cornerstones is a new store design that builds on discovery and collecting supported by new collaborations, celebrity endorsements, new products and the largest marketing boost in the company's history. Pandora will also launch new online stores and refresh its presence on marketplaces such as Tmall.

In Q2 2019, the cost reduction initiatives delivered results in line with plans with savings of DKK 200 million, of which DKK 125 million is related to Programme NOW initiatives. The cost reductions supported the gross margin, which reached the highest level ever at 76.1% excluding restructuring costs. The EBIT margin excluding restructuring costs was 22.9% which is an incremental improvement compared with Q1 despite lower revenue and additional marketing spending. The Commercial Reset initiatives, including fewer promotion days and reduced sell-in packages, progressed as planned. The wholesale inventory buyback programme has been initiated in Q3 2019, and Pandora has decided to conduct additional important restructuring initiatives to improve the structural health of the business. These initiatives will entail additional restructuring costs of around DKK 0.5 billion (see Financial Guidance on page 14 for further details).

Alexander Lacik, President and CEO of Pandora, says:
"Financial results in the second quarter of 2019 were in line with plans. In the quarter, we have progressed rapidly on a number of important commercial initiatives which we can soon reveal and showcase to our consumers as part of our brand relaunch on 29 August. Our preparations and marketing pilots spur confidence in our direction – by improving execution with focus on Pandora's core proposition, we can improve our relevance for consumers around the world. This is the first important step in our journey towards positive growth"

PANDORA

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

Q2 2019 (1 JANUARY - 30 JUNE 2019)

DKK million	Q2 2019	Q2 2018[1]	H1 2019	H1 2018[1]	FY 2018[1]	FY 2019 guidance
Key financial highlights						
Organic growth, %	***-7%***	***-2%***	***-9%***	***-1%***	***-2%***	***-3% to -7%***
Total like-for-like, %	*-10%*	*-1%*	*-10%*	*-2%*	*-4%*	
Revenue	4,693	4,819	9,497	9,934	22,806	
Revenue growth, % in local currency	*-4%*	*4%*	*-6%*	*5%*	*3%*	
Gross profit excl. restructuring costs	3,570	3,638	7,215	7,514	16,942	
Gross margin excl. restructuring costs, %	*76.1%*	*75.5%*	*76.0%*	*75.6%*	*74.3%*	
EBIT excl. restructuring costs	1,075	1,266	2,157	2,707	6,431	
EBIT margin excl. restructuring costs, %	***22.9%***	***26.3%***	***22.7%***	***27.2%***	***28.2%***	***26% to 28%***
Free cash flow	1,418	1,149[1]	2,091	1,588[1]	5,558[1]	
Cash conversion, %	*185.5%*	*90.8%[1]*	*121.3%*	*58.7%[1]*	*86.4%[1]*	
Operating working capital, % of last 12 months revenue	*9.4%*	*13.8%*	*9.4%*	*13.8%*	*11.2%*	
Capital expenditure (CAPEX)	206	296	384	540	1,129	
Capital expenditure, tangible assets (CAPEX)	151	197	260	358	753	
Dividend per share, DKK	-	-	-	-	9.0	
Quarterly dividend per share, DKK	9.0	9.0	9.0	9.0	9.0	
Earnings per share, basic, DKK	5.4	9.6	13.3	20.2	47.2	
Earnings per share, diluted, DKK	5.3	9.6	13.2	20.2	47.0	
Other financial highlights						
Consolidated income statement						
Revenue	4,693	4,819	9,497	9,934	22,806	
Gross profit	3,503	3,638	7,123	7,514	16,942	
Gross margin, %	*74.6%*	*75.5%*	*75.0%*	*75.6%*	*74.3%*	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,290	1,496[1]	2,765	3,163[1]	7,421[1]	
EBITDA margin, %	*27.5%*	*31.1%[1]*	*29.1%*	*31.8%[1]*	*32.5%[1]*	
Operating profit (EBIT)	764	1,266	1,724	2,707	6,431	
EBIT margin, %	*16.3%*	*26.3%*	*18.2%*	*27.2%*	*28.2%*	
Net financials	-86	81	-17	117	151	
Net profit for the period	526	1,044	1,323	2,203	5,045	
Consolidated balance sheet						
Total assets	21,533	17,584[1]	21,533	17,584[1]	19,244[1]	
Invested capital	16,289	12,451[1]	16,289	12,451[1]	12,071[1]	
Operating working capital	2,101	3,134	2,101	3,134	2,555	
Net interest-bearing debt (NIBD)	10,761	6,190[1]	10,761	6,190[1]	5,652[1]	
Equity	5,528	6,260[1]	5,528	6,260[1]	6,419[1]	
Ratios						
Revenue growth, %	*-3%*	*0%*	*-4%*	*-1%*	*0%*	
Effective tax rate, %	*22.5%*	*22.5%*	*22.5%*	*22.0%*	*23.4%*	
Equity ratio, %	*25.7%*	*35.6%*	*25.7%*	*35.6%*	*33.4%*	
NIBD to EBITDA[2], x	1.4x	0.8x[1]	1.4x	0.8x[1]	0.8x[1]	
Return on invested capital (ROIC), %	*33.4%*	*58.8%[1]*	*33.4%*	*58.8%[1]*	*53.3%[1]*	
Total pay-out ratio, %	*105.9%*	*104.6%*	*177.2%*	*104.9%*	*103.7%*	

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

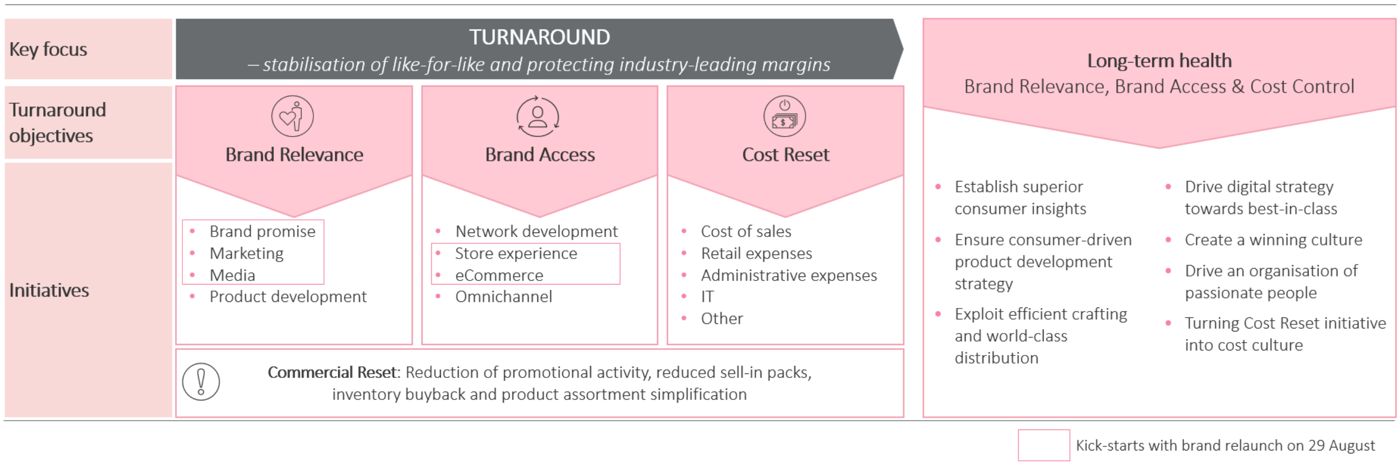
[2] For key figures using last twelve months of EBITDA/EBIT, figures have been recalculated to include six months effect of the implementation of IFRS 16 on 2018 figures.

UPDATE ON PROGRAMME NOW

GIVING A VOICE TO PEOPLE'S LOVES FROM 29 AUGUST

To simplify the structure and clarify the objectives of Programme NOW, the initiatives of the programme have been consolidated into four areas: 1) Brand Relevance, 2) Brand Access, 3) Cost Reset and 4) Commercial Reset. This sharpened framework will help drive a clear internal purpose and prioritisation in the execution.

STRUCTURE OF THE INITIATIVES OF PROGRAMME NOW



Brand Relevance

Pandora has prepared the foundation of the brand relaunch through in-depth consumer demand research in the jewellery space combined with analyses and learnings based on the history of Pandora. Since the launch of the Moments platform in year 2000, Pandora has inspired women to collect, create and combine genuine jewellery at affordable prices to create a true personal expression – a unique proposition that has built the most well-known jewellery brand in the world.

The core consumer of Pandora is not characterised by age, income-bracket or other generic metrics. The Pandora consumer is characterised by the desire to emotionally connect with its jewellery purchase and express emotions for passions, places and people through its purchases. This demand is unique compared to traditional jewellery demand spaces of prestige-driven purchases, which Pandora does not strive to address.

As announced in the Interim Financial Report Q4 2018, the Programme NOW diagnosis found that Pandora currently has four key issues; a blurred brand experience, weak initiatives on charms collecting, over push and executional inconsistency. All consumer studies confirm that collecting of jewellery continues to be highly relevant but the four issues have led Pandora's core proposition and brand relevance to drift and gradually weaken among consumers.

Pandora's new refreshed company purpose is "We give a voice to people's loves – Passions, People & Places". A purpose that will be deeply rooted in all touchpoints and commercial initiatives to take Pandora back to its core DNA of personal expression and collecting. A completely refreshed visual identity will also be introduced, and Pandora is adopting pink as its new main marker and recognisable statement across all consumer touchpoints. The new visual identity also entails an updated logo and monogram, emphasising the fine art of Pandora's craftmanship.

The brand relaunch will be complemented by collaborations, celebrity-endorsements and partnerships with influencers thereby building on the successful pilots with Shakira and local influencers in the beginning of the year. Pandora has partnered with Millie Bobby Brown, two-time Emmy nominee and UNICEF's youngest-ever Goodwill Ambassador to promote the Pandora brand and new collections. To further improve reach and excitement about the brand relaunch, Pandora will also collaborate with 6 global influencers with significant reach on social media which include Nathalie Emmanuel with more than 5.5 million Instagram followers. Additionally, Pandora will launch product collaborations later in the year with both Harry Potter and Frozen II. These additional launches will reach the consumers later in the year and, among others, feature charms of characters and key items from the two franchises.

A number of products will hit the market in conjunction with the brand relaunch. The Autumn collection (Drop 7) will be launched on 29 August and is the largest collection in 2019 with 121 different design variations (DVs) spanning all product categories. The next product launch, "Pandora ME" (Drop 8) is a new charms platform which will be launched in the fall and primarily target young women. The Autumn collection and Pandora ME both entail innovations to strengthen collecting. In the Autumn launch, the new Pandora O Carrier is an add-on that enables combining charms on necklaces while Pandora ME includes a new bracelet concept with a modern and minimalistic look.

Brand Access

The brand relaunch on 29 August will materially enhance Pandora's Brand Access across all consumer touchpoints. The online stores will immediately shift to the new visual identity with significantly improved listing and product pages to optimise navigation and check-out flow. The new online stores will have cleaner visuals, better product imagery while blending story-telling and transactional content in a complete and compelling framework. Later in the year, the Bracelet Builder feature - another innovation to strengthen collecting - will be launched on selected online stores. The new online stores are optimised for "mobile first" and ready for integration of further omni-channel features.

A new store concept has been designed and roll-out begins with one experience store in Shanghai and a number of fully refurbished key stores as pilots in 2019. Pandora will also partly refurbish a number of other stores with selected high-impact elements, while more than 1,000 stores will have impactful windows visuals signalling the brand update. The new store concept has an optimised store layout built for intuitive consumer flow and self-discovery including newly designed store elements.

Omnichannel also continues to progress with speed. In the US, endless aisle (Go-In-Store-Buy-Online) and BORIS (Buy-Online-Return-In-Store) have been implemented in all Owned & Operated (O&O) stores and pilots are ongoing with selected franchisees. The share of sales coming from the endless aisle feature has continued to increase every month during 2019. Additionally, the third key omnichannel feature, Click and Collect, is piloting in 11 O&O stores. In China, endless aisle and in-store inventory visibility is now possible through Tmall, and 24 stores in Shanghai is featuring the Click and Collect capability. The omnichannel features are generally proving successful with positive sales impact and roll-out is therefore being advanced in all regions.

Cost Reset

The cost reduction initiatives targeting savings of DKK 600 million in the calendar year 2019, and run-rate savings of DKK 1.2 billion by the end of 2020, continue to show strong progress. The quarterly cost savings from the Cost Reset initiatives amounted to approximately DKK 125 million. The number of headcounts decreased by 2,200 since Q1 2019 and by 900 since Q2 2018.

On 8 July, Pandora announced a cloud solution agreement with Accenture as part of a complete Global IT overhaul where consolidation of IT services is going to reduce costs and enable faster implementation of new digital solutions.

Commercial Reset

The commercial reset is progressing as planned with promotional days reduced by 32% in the quarter for the 7 key markets. The targeted reduction in the 7 key markets is on track and the estimated negative one-off impact on like-for-like of 2-4% is unchanged. The reduced sell-in packages were maintained with positive feedback from franchisees in the second quarter.

The inventory buyback initiative with wholesale partners was launched in the first markets in early Q3 2019 and will be rolled out to all relevant markets during Q3. The programme has been very well received by Pandora’s partners. In order to ensure that quantity and quality of inventory levels among the wholesale partners are at a healthy level by the end of 2019, it has been decided to expand the inventory buyback programme. The expanded programme is expected to entail additional restructuring costs in 2019.

As mentioned in the Interim Report Q1 2019, Pandora has conducted a detailed review of its product portfolio structure based on store tests. Based hereon, Pandora has decided to significantly simplify the product portfolio with a DV reduction of approximately 30%. This is expected to reduce, among others, design and production costs and have a neutral to positive effect on revenue. Additional restructuring costs (non-cash) related to the portfolio simplification are expected for 2019 (see Financial guidance for further details).

Overview of Programme NOW restructuring costs

DKK million	Q2 2019 reported	Restructuring costs	Q2 2019 excl. restructuring costs	Q2 2018[1]	H1 2019 reported	Restructuring costs	H1 2019 excl. restructuring costs	H1 2018[1]
Revenue	4,693	-	4,693	4,819	9,497	-	9,497	9,934
Cost of sales	-1,190	67	-1,123	-1,181	-2,374	92	-2,282	-2,420
Gross profit	**3,503**	**67**	**3,570**	**3,638**	**7,123**	**92**	**7,215**	**7,514**
Sales, distribution and marketing expenses	-2,071	66	-2,005	-1,830	-4,110	71	-4,040	-3,688
Administrative expenses	-668	178	-490	-542	-1,289	270	-1,018	-1,119
Operating profit (EBIT)	**764**	**310**	**1,075**	**1,266**	**1,724**	**433**	**2,157**	**2,707**

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

PROMISING RESULTS FROM INCREASED MARKETING INVESTMENTS IN ITALY AND UK

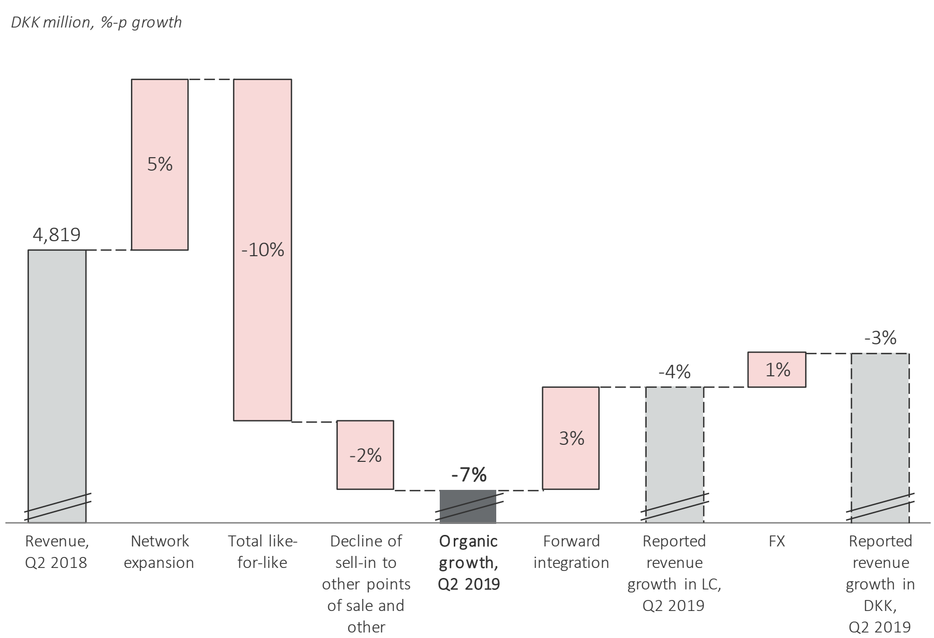
The like-for-like was -10% in Q2 2019 driven by continued negative like-for-like in physical stores and positive like-for-like in the online store of +22%. The negative like-for-like in physical stores (O&O and wholesale) continues to be driven by a decrease in traffic and negatively impacted by Pandora's deliberate decision to reduce the promotional activity.

During the second quarter, marketing tests were conducted in Italy and the UK – roughly doubling the marketing spend in both markets. The test results are promising and the additional investments had a clear positive impact on traffic and like-for-like. Given Pandora's high gross margin, the return on investment on the marketing investments was attractive. In Italy, the additional marketing investments focused on charms, and charms was the best performing product category in Italy. Based on the results of the marketing tests, the marketing investments will be increased across the major markets in Q3 and Q4 of 2019.

In Q2 2019, Pandora launched Mother's Day and High Summer (Drop 4 and Drop 5) with reduced sell-in packages to support the long-term health of the inventory. The organic growth was -7% driven by the like-for-like decline. The organic growth was positively impacted by 5pp from network expansion and negatively impacted by 2pp from continued inventory decrease among wholesale partners, mainly from other points of sale.

Forward integration positively impacted the revenue by 3pp and total reported revenue growth in local currency was -4%. The foreign exchange development contributed positively by 1pp implying DKK revenue growth of -3%. Reported revenue was DKK 4,693 million for the quarter.

REVENUE DEVELOPMENT COMPOSITION



REVENUE BY CHANNELS

Pandora owned retail revenue increased by 12% in local currency and comprised 67% of the revenue. The growth was driven by network expansion and forward integration (majority being run-rate impact from 2018 expansions) partly offset by retail like-for-like of -7%. Like-for-like in the online stores (+22%) contributed positively to like-for-like and organic growth. Online stores comprised 12% of the total revenue in the quarter – up from 9% in Q2 2018.

Wholesale revenue declined by 24% in local currency in the quarter driven by double-digit negative organic growth as well as a -7pp impact from forward integration. The negative organic growth in the wholesale channel was driven by negative like-for-like and a decline in wholesale inventory.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q2 2019	Q2 2018	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**3,121**	**2,765**	***-7%***	***2%***	***12%***	***67%***
- of which concept stores	*2,403*	*2,167*		*-2%*	*10%*	*51%*
- of which online stores	*543*	*447*		*20%*	*20%*	*12%*
- of which other points of sale	*175*	*151*		*-4%*	*14%*	*4%*
Wholesale	**1,359**	**1,733**	***-14%***[1]	***-17%***	***-24%***	***29%***
- of which concept stores	*797*	*984*		*-10%*	*-22%*	*17%*
- of which other points of sale	*562*	*749*		*-26%*	*-26%*	*12%*
Third-party distribution	**214**	**321**	***-14%***[1]	***-27%***	***-35%***	***5%***
Total revenue	**4,693**	**4,819**	***-10%***	***-7%***	***-4%***	***100%***

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

YEAR-TO-DATE REVENUE DEVELOPMENT BY CHANNEL

DKK million	H1 2019	H1 2018	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**6,182**	**5,357**	***-8%***	***2%***	***14%***	***65%***
- of which concept stores	*4,807*	*4,174*		*0%*	*14%*	*51%*
- of which online stores	*1,020*	*885*		*13%*	*13%*	*11%*
- of which other points of sale	*356*	*298*		*-2%*	*17%*	*4%*
Wholesale	**2,862**	**3,911**	***-13%***[1]	***-23%***	***-29%***	***30%***
- of which concept stores	*1,651*	*2,210*		*-16%*	*-28%*	*17%*
- of which other points of sale	*1,211*	*1,701*		*-31%*	*-31%*	*13%*
Third-party distribution	**453**	**666**	***-13%***[1]	***-25%***	***-33%***	***5%***
Total revenue	**9,497**	**9,934**	***-10%***	***-9%***	***-6%***	***100%***

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

STORE NETWORK

The number of concept stores increased by 18 with expansion into new cities in China being the main contributor. Pandora did not acquire any stores in the quarter.

Number of points of sale	Q2 2019	Q1 2019	Q2 2018	Growth Q2 2019 /Q1 2019	Growth Q2 2019 /Q2 2018
Concept stores	**2,731**	**2,713**	**2,548**	**18**	**183**
- of which Pandora owned	1,380	1,364	1,136	16	244
- of which franchise owned	834	834	918	-	-84
- of which third-party distribution	517	515	494	2	23
Other points of sale	**4,778**	**4,845**	**5,234**	**-67**	**-456**

REVENUE BY KEY MARKETS

The US market continued to perform better than the Group with like-for-like of -6% although the development represents a slow-down compared with Q1. The revenue development in the quarter was characterised by solid performance in the weeks without promotions but weak performance in promotional periods including the mid-season (clearance) sale. The weak performance in promotional periods is considered to be a result of “promotion-fatigue” among consumers and low quality of the products to be cleared in discounting periods. Both issues are addressed as part of the Commercial Reset. The US online store continues to perform well with healthy positive double-digit like-for-like in Q2 similar to Q1.

Revenue in China increased by 10% in local currency in Q2 2019 driven by network expansion and online growth. Like-for-like was -4% similar to Q1 2019 despite of a materially more challenging comparison base. Like-for-like in both Q1 and Q2 2019 is impacted by the 15% price reduction implemented in China in July 2018. Online revenue (mainly Tmall) developed strongly in the quarter as like-for-like was 49% and online revenue comprised 20% of total sales in China in the quarter. On 11 April, Pandora launched a dedicated Chinese collection, Peach Blossom, consisting of 15 DVs. It was received with solid consumer feedback, and the products comprised a proportionally larger share of the revenue. In relation to the launch of Peach Blossom, Pandora made its first pop-up shop on WeChat.

Organic growth for the UK market was +2% with like-for-like of -8%. The like-for-like performance thereby improved compared with Q1 2019 which was delivered due to a strong May and June, driven by the increased marketing spend.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	Q2 2019	Q2 2018	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	466	414	*-8%*	*2%*	*12%*	*10%*
Italy	505	494	*-10%*	*1%*	*2%*	*11%*
France	248	281	*-26%*	*-14%*	*-12%*	*5%*
Germany	196	213	*0%*	*-8%*	*-8%*	*4%*
US	1,039	1,039	*-6%*	*-8%*	*-6%*	*22%*
Australia	247	293	*-17%*	*-17%*	*-14%*	*5%*
China	507	464	*-4%*	*10%*	*10%*	*11%*
Total top-7 markets	**3,207**	**3,198**	-	-	-	***68%***
Total revenue	**4,693**	**4,819**	***-10%***	***-7%***	***-4%***	***100%***

YTD REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	H1 2019	H1 2018	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	1,045	948	*-11%*	*-3%*	*9%*	*11%*
Italy	947	1,100	*-16%*	*-15%*	*-14%*	*10%*
France	473	557	*-25%*	*-17%*	*-15%*	*5%*
Germany	384	447	*-10%*	*-14%*	*-14%*	*4%*
US	2,016	2,057	*-4%*	*-11%*	*-9%*	*21%*
Australia	484	604	*-18%*	*-21%*	*-18%*	*5%*
China	1,055	931	*-4%*	*12%*	*12%*	*11%*
Total top-7 markets	**6,405**	**6,644**	-	-	-	***67%***
Total revenue	**9,497**	**9,934**	***-10%***	***-9%***	***-6%***	***100%***

Revenue split by region is provided in Note 3, Segment information and by product category in Note 4, Revenue from contracts with customers of the Interim Financial Statements.

EBIT MARGIN IN LINE WITH PLAN

In Q2 2019, EBIT excluding restructuring costs was DKK 1,075 million (Q2 2018: DKK 1,266 million). The EBIT margin excluding restructuring costs was 22.9% in Q2 2019 (Q2 2018: 26.3%).

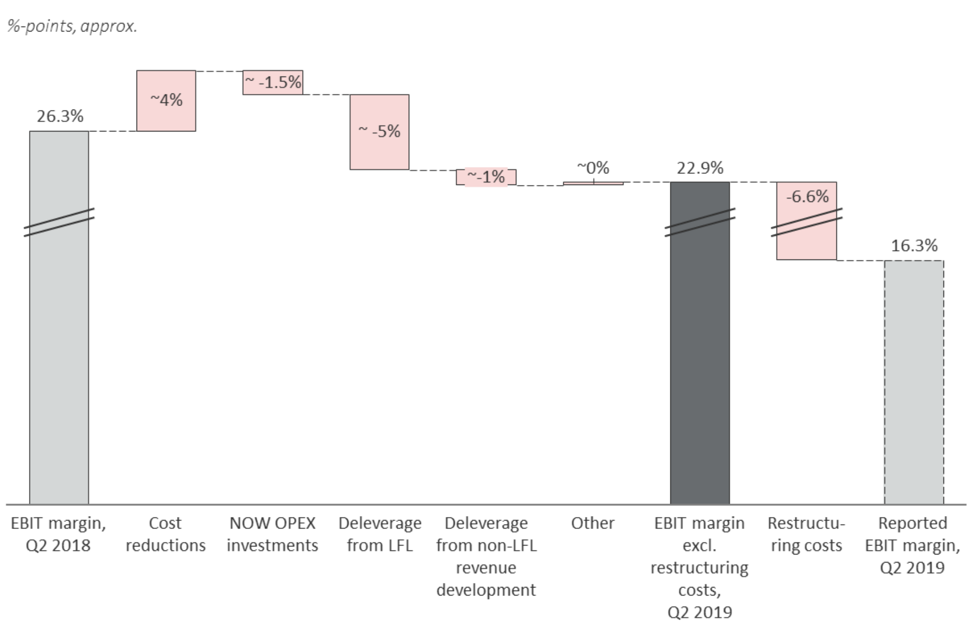
Cost reductions in the quarter amounted to approximately DKK 200 million partly coming from the cost savings announced in the Q2 2018 Interim Financial Report (DKK 75 million) and partly coming from Programme NOW (DKK 125 million). The cost savings had a positive impact on the EBIT margin of around 4pp.

The positive impact from cost reductions was more than offset by operational deleverage impacting the EBIT margin by around -6pp. The deleverage from negative like-for-like is estimated to -5pp and the deleverage from lower sell-in to wholesale partners impacted negatively by around 1.5pp on an isolated basis.

Programme NOW OPEX investments including the marketing investments amounted to approximately DKK 65 million in the quarter, impacting the EBIT margin negatively by around 1pp.

Restructuring costs amounted to DKK 310 million in the quarter and mainly include severance payments and consultancy costs. DKK 67 million of the restructuring costs are impacting cost of sales (including severance payments in Thailand) while DKK 244 million are impacting operating expenses.

EBIT Margin development



From 1 January 2019, Pandora adopted the new accounting standard IFRS 16 Leases, which changes the accounting for operational leasing contracts. Consequently, Pandora recognises most leasing contracts as right-of-use assets in the balance sheet as well as the corresponding lease liability. The impact on EBIT is immaterial. At the end of Q2 2019, right-of-use assets was DKK 4.3 billion and lease liabilities amounted to DKK 4.1 billion.

HIGHEST UNDERLYING GROSS MARGIN IN THE HISTORY OF PANDORA

The gross margin continued to develop favourably in Q2 2019 leading to the highest quarterly gross margin excluding restructuring costs in the history of Pandora at 76.1% (Q2 2018: 75.5%). The gross margin was driven by continued cost efficiencies at the production facilities in Thailand, less headwind from inventory purchases in connection with forward integration and a higher share of retail revenue. The gross profit excluding restructuring costs in Q2 2019 was DKK 3,570 million (DKK 3,638 million in Q2 2018).

COST OF SALES AND GROSS PROFIT

DKK million	Q2 2019	Q2 2018	*Growth*	*Share of revenue Q2 2019*	*Share of revenue Q2 2018*	H1 2019	H1 2018	*Growth*	*Share of revenue H1 2019*	*Share of revenue H1 2018*
Revenue	4,693	4,819	*-3%*	*100.0%*	*100.0%*	9,497	9,934	*-4%*	*100.0%*	*100.0%*
Cost of sales	-1,123	-1,181	*-5%*	*23.9%*	*24.5%*	-2,282	-2,420	*-6%*	*24.0%*	*24.4%*
Gross profit excl. restructuring costs	**3,570**	**3,638**	***-2%***	***76.1%***	***75.5%***	**7,215**	**7,514**	***-4%***	***76.0%***	***75.6%***
Restructuring costs	-67	-	-	*1.4%*	-	-92	-	-	*1.0%*	-
Total gross profit incl. restructuring costs	**3,503**	**3,638**	***-4%***	***74.6%***	***75.5%***	**7,123**	**7,514**	***-5%***	***75.0%***	***75.6%***

OPERATING EXPENSES

Total operating expenses excluding restructuring costs were DKK 2,495 million in Q2 2019 (DKK 2,372 million in Q2 2018), equivalent to an OPEX/revenue ratio of 53.2%. Administrative expenses declined by DKK 52 million compared to the same quarter last year, as Programme NOW cost reductions continue to have effect, including the reset of employee benefits and change of travel policy. Sales and Distribution expenses' share of revenue increased by 2.7pp compared with Q2 2018, driven by the net impact of network expansion and forward integration, partially offset by the results of the Cost Reset initiative. The OPEX/revenue ratio in the O&O concept stores in Q2 2019 was in line with Q2 2018 despite the negative like-for-like development and reflects the impact of the Cost Reset initiative. Marketing expenses increased among others as a result of the marketing tests undertaken in Italy and the UK.

The OPEX/revenue ratio excluding restructuring costs increased by 4.0pp compared with Q2 2018. This is mainly a reflection of the share of retail revenue increasing to 67% in Q2 2019 (Q2 2018: 57%) combined with the deleverage effect from negative like-for-like.

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q2 2019	Q2 2018	*Growth*	*Share of revenue Q2 2019*	*Share of revenue Q2 2018*	H1 2019	H1 2018	*Growth*	*Share of revenue H1 2019*	*Share of revenue H1 2018*
Sales and distribution expenses	-1,468	-1,376	*7%*	*31.3%*	*28.6%*	-3,019	-2,749	*10%*	*31.8%*	*27.7%*
Marketing expenses	-537	-454	*18%*	*11.4%*	*9.4%*	-1,021	-939	*9%*	*10.7%*	*9.5%*
Administrative expenses	-490	-542	*-10%*	*10.4%*	*11.2%*	-1,018	-1,119	*-9%*	*10.7%*	*11.3%*
Total operating expenses excl. restructuring costs	**-2,495**	**-2,372**	***5%***	***53.2%***	***49.2%***	**-5,058**	**-4,807**	***5%***	***53.3%***	***48.4%***
Restructuring costs	-244	-	-	*5.2%*	-	-341	-	-	*3.6%*	-
Total operating expenses incl. restructuring costs	**-2,739**	**-2,372**	***15%***	***58.4%***	***49.2%***	**-5,399**	**-4,807**	***12%***	***56.8%***	***48.4%***

CONTINUED STRONG CASH FLOW AND FURTHER CASH DISTRIBUTION TO SHAREHOLDERS IN SEPTEMBER

The free cash flow was DKK 1,418 million in Q2 2019 corresponding to a cash conversion of 186%. The free cash flow is positively impacted by the implementation of IFRS 16 as the cash paid for committed rent is no longer deducted from cash flow from operating activities. Adjusting for the IFRS 16 implementation, the free cash flow was DKK 1,145 million in Q2 2019 (compared to DKK 1,149 million in Q2 2018) and the cash conversion was 150%, which is still a material improvement compared to 91% in Q2 2018. The strong cash conversion was driven by improved operating working capital, mainly inventories, and timing of CAPEX.

The operating working capital improved materially from DKK 3,134 million in Q2 2018 (13.8% of revenue) to DKK 2,101 million in Q2 2019 (9.4% of revenue). The operating working capital to revenue ratio is at the lowest level ever achieved. The improvement compared to previous year is driven both by inventories, trade payables and trade receivables. The improvement is a result of the initiatives taken as part of Programme NOW with a change of mindset considering cash as a scarce resource. The one-off restructuring costs temporarily improve the operating working capital to revenue ratio by around 1pp and a single-digit ratio is not considered sustainable going forward.

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

Share of preceding 12 months' revenue	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Inventories	11.7%	13.9%	13.8%	16.6%	13.5%
Trade receivables	5.0%	5.6%	7.2%	8.0%	5.9%
Trade payables	-7.3%	-7.4%	-9.9%	-8.2%	-5.6%
Total	**9.4%**	**12.1%**	**11.2%**	**16.4%**	**13.8%**

In addition to the ordinary dividend of DKK 9 per share paid in March 2019 and the initiated DKK 2.2 billion share buyback programme, an interim dividend of DKK 9 per share will be paid on 3 September 2019. The total cash distribution in 2019 will thereby amount to around 17% of current market capitalisation.

Further information regarding the implementation of IFRS 16 is available in Note 1 and Note 11 in the Interim Financial Statements.

As announced in the Annual Report for 2018, Pandora has revisited the capital structure policy due to the implementation of the IFRS 16 accounting standard and adjusted the target for NIBD to be between 0.5 and 1.5 times EBITDA. At the end of Q2 2019, NIBD was DKK 10,761 million corresponding to a NIBD to EBITDA ratio of 1.4 times (EBITDA recalculated as if IFRS 16 was in force throughout the period). Recognising lease contracts on the balance sheet increased total non-current assets by DKK 4.3 billion, recognised as Right-of-use assets.

FINANCIAL GUIDANCE 2019 UNCHANGED

The business development and financial performance were in line with plans in H1 2019, and the financial guidance for 2019 is unchanged.

	2019 Guidance
Organic revenue growth, %	**-3% to -7%**
EBIT margin excl. restructuring costs	**26-28%**

The guidance continues to assume that Programme NOW will have a visible positive impact on the like-for-like following the brand relaunch. As previously communicated, the like-for-like for full year 2019 could be down by up to high single-digit negative. Brand relaunch initiatives and a larger portion of the additional marketing spend are planned for September with limited return on these investments in Q3 2019. This will have a negative impact on the EBIT margin in Q3 2019.

As described on page 5, in the Commercial Reset section, Pandora will conduct a number of additional important restructuring initiatives - reduction and simplification of the product assortment and increased inventory buyback. Restructuring costs are therefore now expected to amount to "up to DKK 2.0 billion", an increase compared to the previously guided "up to DKK 1.5 billion". Roughly half of the increase is non-cash and DKK 0.4-0.5 billion of the total restructuring costs are thereby non-cash. CAPEX for 2019 is now expected to be between DKK 1.0 and DKK 1.2 billion down from previously expected DKK 1.2 to DKK 1.5 billion. The change is a result of lower CAPEX required to conduct the brand relaunch than initially expected, lower IT CAPEX and timing of investments.

Based on the current development of store openings and the expected timing of the 50 store closures announced in Pandora's Q1 2019 Interim Financial Report, net concept store openings in 2019 is now expected to be around 50 compared with previous expectations of around 75. The expansion of the network is still expected to add around 4pp of organic growth in 2019. Forward integration – which is not included in organic growth – is still expected to positively impact total revenue growth by around 2pp. Revenue growth in local currency is expected to be between -1% and -5%.

The guidance was based on foreign exchange (FX) rates at the time of the announcement of the Annual Report for 2018 on 5 February 2019. The FX rates - mainly THB - have developed adversely since 5 February, negatively impacting EBIT but partly offset by hedging gains to be recognised in Financial Items. The FX development had negligible impact on the EBIT margin in H1 and is expected to impact the EBIT margin negatively in H2 by around 1.5pp versus last year.

	FX Rates average 2018	FX Rates February 5, 2019	2019 Y-Y financial impact	FX Rates August 19, 2019	2019 Y-Y financial impact
USD/DKK	**6.317**	**6.535**		**6.717**	
THB/DKK	**0.195**	**0.209**		**0.218**	
GBP/DKK	**8.424**	**8.502**		**8.144**	
CNY/DKK	**0.954**	**0.970**		**0.953**	
AUD/DKK	**4.720**	**4.733**		**4.554**	
REVENUE (DKKm)			**~275**		**~275**
EBIT (DKKm)			**-125 to -150**		**~-200**
EBIT margin			**-0.8pp**		**-1.1pp**

OTHER IMPORTANT EVENTS IN Q2 2019 AND AFTER THE REPORTING PERIOD

No material events have occurred between the reporting period and the date of announcement.

FINANCIAL CALENDAR 2019

05 November 2019	Interim Report for the third quarter/first 9 months of 2019

YEAR-TO-DATE DEVELOPMENT

REVENUE

Total revenue decreased by 6% in local currency to DKK 9,497 million in H1 2019 compared with H1 2018. Organic growth was negative 9% mainly driven by negative like-for-like and reduction of sell-in packages. The geographical distribution of revenue in H1 2019 was 46% for EMEA (48% in H1 2018), 31% for Americas (29% in H1 2018) and 23% for Asia Pacific (23% in H1 2018).

COSTS

Reported gross profit was DKK 7,123 million in H1 2019 (DKK 7,514 million in H1 2018), resulting in a gross margin of 75.0% in H1 2019 including restructuring costs (75.6% in H1 2018). Gross profit excluding restructuring costs ended at DKK 7,215 million in H1 2019 (DKK 7,514 million in H1 2018) with a corresponding gross margin excluding restructuring costs of 76.0% (75.6% in H1 2018). The increasing gross margin excluding restructuring costs is driven by efficiency gains at the production facilities as part of Programme NOW.

Sales and distribution and marketing expenses excluding restructuring costs increased to DKK 4,040 million in H1 2019 (DKK 3,688 million in H1 2018), corresponding to 42.5% of revenue in H1 2019 (37.1% in H1 2018). The increase is predominantly a result of the store network expansion and forward integration.

Administrative expenses excluding restructuring cost decreased to DKK 1,018 million in H1 2019 compared with DKK 1,119 million in H1 2018, corresponding to 10.7% of revenue in H1 2019 (11.3% in H1 2018). The decrease is driven by the cost reduction initiatives as part of Programme NOW.

EBIT

EBIT excluding restructuring costs for H1 2019 was DKK 2,157 million – a decrease of 20% compared with H1 2018, resulting in an EBIT margin of 22.7% in H1 2019 (27.2% in H1 2018). In H1 2019 EBIT including restructuring costs was DKK 1,724 million (DKK 2,707 million in H1 2018) corresponding to an EBIT margin of 18.2% (27.2% in H1 2018).

NET FINANCIALS

Net financials amounted to a loss of DKK 17 million in H1 2019 versus a gain of DKK 117 million in H1 2018.

INCOME TAX EXPENSES

Income tax expenses were DKK 384 million in H1 2019 (DKK 621 million in H1 2018), implying an effective tax rate for the Group of 22.5% for H1 2018 (22.0% in H1 2018).

NET PROFIT

Net profit in H1 2019 was DKK 1,323 million (DKK 2,203 million in H1 2018).

CONFERENCE CALL

A conference call for investors and financial analysts will be held today at 11.00 CEST and can be joined online at www.pandoragroup.com. The presentation for the call will be available on the website one hour before the call.

The following numbers can be used by investors and analysts:
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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 7,500 points of sale, including more than 2,700 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs more than 26,000 people worldwide of whom more than 11,500 are located in Thailand, where the Company manufactures its jewellery. PANDORA is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2018, Pandora's total revenue was DKK 22.8 billion (approximately EUR 3.1 billion).

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q2 2019	Q2 2018[1]	H1 2019	H1 2018[1]	FY 2018[1]
Revenue	3,4	4,693	4,819	9,497	9,934	22,806
Cost of sales		-1,190	-1,181	-2,374	-2,420	-5,864
Gross profit		**3,503**	**3,638**	**7,123**	**7,514**	**16,942**
Sales, distribution and marketing expenses		-2,071	-1,830	-4,110	-3,688	-8,222
Administrative expenses		-668	-542	-1,289	-1,119	-2,289
Operating profit		**764**	**1,266**	**1,724**	**2,707**	**6,431**
Finance income		22	189	153	304	533
Finance costs		-107	-108	-170	-187	-382
Profit before tax		**679**	**1,347**	**1,707**	**2,824**	**6,582**
Income tax expense		-153	-303	-384	-621	-1,537
Net profit for the period		**526**	**1,044**	**1,323**	**2,203**	**5,045**
Earnings per share, basic, DKK		5.4	9.6	13.3	20.2	47.2
Earnings per share, diluted, DKK		5.3	9.6	13.2	20.2	47.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Net profit for the period	**526**	**1,044**	**1,323**	**2,203**	**5,045**
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	-44	-21	82	-88	1
Fair value adjustment of hedging instruments	161	-123	52	-77	56
Tax on other comprehensive income, hedging instruments, income/expense	-35	27	-11	17	-12
Items that may be reclassified to profit/loss for the period, net of tax	**82**	**-117**	**123**	**-148**	**45**
Items not to be reclassified to profit/loss for the period					
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-	-	12
Items not to be reclassified to profit/loss for the period, net of tax	**-**	**-**	**-**	**-**	**12**
Other comprehensive income, net of tax	**82**	**-117**	**123**	**-148**	**57**
Total comprehensive income for the period	**608**	**927**	**1,446**	**2,055**	**5,102**

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

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2019 30 June	2018 30 June[1]	2018 31 December[1]
ASSETS				
Goodwill	10	4,351	3,919	4,278
Brand		1,057	1,057	1,057
Distribution network		109	139	124
Distribution rights		1,047	1,099	1,047
Other intangible assets		995	1,190	1,272
Total intangible assets		**7,560**	**7,404**	**7,778**
Property, plant and equipment		2,655	2,480	2,634
Right-of-use assets	11	4,274	-	-
Deferred tax assets		969	954	1,050
Other financial assets		313	312	323
Total non-current assets		**15,771**	**11,150**	**11,785**
Inventories		2,609	3,068	3,158
Trade receivables	8	1,124	1,337	1,650
Right-of-return assets		62	124	94
Derivative financial instruments	6,7	187	170	162
Income tax receivable		158	143	86
Other receivables		732	777	922
Cash		890	815	1,387
Total current assets		**5,763**	**6,434**	**7,459**
Total assets		**21,533**	**17,584**	**19,244**
EQUITY AND LIABILITIES				
Share capital		100	110	110
Treasury shares		-459	-1,505	-3,469
Reserves		1,090	774	967
Dividend proposed		874	967	920
Retained earnings		3,923	5,914	7,891
Total equity		**5,528**	**6,260**	**6,419**
Provisions		274	192	279
Loans and borrowings	11	6,456	6,030	6,421
Deferred tax liabilities		420	516	461
Other payables		4	200	172
Total non-current liabilities		**7,154**	**6,938**	**7,333**
Provisions		30	19	28
Refund liabilities		624	627	869
Contract liabilities		63	58	66
Loans and borrowings	11	5,095	509	248
Derivative financial instruments	6,7	59	233	83
Trade payables		1,632	1,271	2,253
Income tax payable		451	609	543
Other payables		897	1,060	1,402
Total current liabilities		**8,851**	**4,386**	**5,492**
Total liabilities		**16,005**	**11,324**	**12,825**
Total equity and liabilities		**21,533**	**17,584**	**19,244**

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

PANDORA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging reserve	Dividend proposed	Retained earnings	Total equity
2019							
Equity at 1 January	110	-3,469	913	54	920	7,891	**6,419**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**1,323**	**1,323**
Exchange rate adjustments of investments in subsidiaries	-	-	82	-	-	-	82
Fair value adjustments of hedging instruments	-	-	-	52	-	-	52
Tax on other comprehensive income	-	-	-	-11	-	-	-11
Other comprehensive income, net of tax	**-**	**-**	**82**	**41**	**-**	**-**	**123**
Total comprehensive income for the period	**-**	**-**	**82**	**41**	**-**	**1,323**	**1,446**
Fair value adjustments of obligation to acquire non-controlling interests	-	-	-	-	-	18	18
Share-based payments	-	-	-	-	-	-17	-17
Share-based payments (exercised)	-	13	-	-	-	-13	-
Share-based payments (tax)	-	-	-	-	-	8	8
Purchase of treasury shares	-	-1,448	-	-	-	-	-1,448
Reduction of share capital	-10	4,446	-	-	-	-4,436	-
Dividend paid	-	-	-	-	-920	24	-896
Dividend proposed	-	-	-	-	874	-874	-
Equity at 30 June	**100**	**-459**	**996**	**94**	**874**	**3,923**	**5,528**
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 adjustments 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 adjustments 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**

PANDORA

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q2 2019	Q2 2018[1]	H1 2019	H1 2018[1]	FY 2018[1]
Profit before tax		679	1,347	1,707	2,824	6,582
Finance income		-22	-189	-153	-304	-533
Finance costs		107	108	170	187	382
Depreciation and amortisation		526	230	1,041	456	990
Share-based payments		7	17	8	46	-31
Change in inventories		450	-39	699	-134	-18
Change in receivables		117	565	706	632	224
Change in payables and other liabilities		-298	-288	-1,229	-808	762
Other non-cash adjustments		165	-219	18	-102	59
Interest etc. received		1	-	2	1	4
Interest etc. paid		-44	-11	-95	-24	-58
Income taxes paid		-148	-90	-512	-638	-1,739
Cash flows from operating activities, net		**1,540**	**1,431**	**2,362**	**2,136**	**6,624**
Acquisitions of subsidiaries and activities, net of cash acquired	9	-7	-403	-142	-502	-1,071
Purchase of intangible assets		-56	-109	-136	-199	-380
Purchase of property, plant and equipment		-113	-183	-278	-360	-727
Change in other non-current assets		1	-2	37	-19	-23
Proceeds from sale of property, plant and equipment		4	1	13	7	10
Cash flows from investing activities, net		**-172**	**-696**	**-506**	**-1,073**	**-2,191**
Acquisitions of non-controlling interests		-	-	-254	-	-
Dividend paid		-	-	-896	-986	-1,943
Purchase of treasury shares		-557	-1,091	-1,448	-1,324	-3,289
Proceeds from loans and borrowings		1,968	457	4,048	1,090	4,413
Repayment of loans and borrowings		-2,431	-	-3,282	-1	-3,191
Payment of lease commitments		-273	-	-535	-	-
Cash flows from financing activities, net		**-1,293**	**-634**	**-2,369**	**-1,221**	**-4,010**
Net increase/decrease in cash		**75**	**101**	**-513**	**-158**	**423**
Cash at beginning of period[2]		819	723	1,387	993	993
Exchange gains/losses on cash		-4	-9	15	-20	-29
Net increase/decrease in cash		75	101	-513	-158	423
Cash at end of period[2]		**890**	**815**	**890**	**815**	**1,387**
Cash flows from operating activities, net		1,540	1,431	2,362	2,136	6,624
- Interests etc. received		-1	-	-2	-1	-4
- Interests etc. paid		44	11	95	24	58
Cash flows from investing activities, net		-172	-696	-506	-1,073	-2,191
- Acquisition of subsidiaries and activities, net of cash acquired		7	403	142	502	1,071
Free cash flow		**1,418**	**1,149**	**2,091**	**1,588**	**5,558**
Unutilised credit facilities		**5,058**	**2,148**	**5,058**	**2,148**	**1,833**

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases. Note 1 provide comparison figures according to the old standard.
[2] Cash comprises cash at bank and in hand.

The above cannot be derived directly from the income statement and the balance sheet.

ACCOUNTING 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 2018, except for the adoption of new standards effective as of 1 January 2019 as described below.

Furthermore, the condensed consolidated interim financial statements and Management's review are prepared in accordance with additional requirements in the Danish Financial Statements Act.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals and percentages may not precisely reflect the absolute figures.

Pandora presents financial measures in the interim report that are not defined according to IFRS. Pandora believes that these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies might calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered a replacement for measures defined under IFRS. For definitions of other alternative performance measures used by Pandora which are not defined by IFRS, refer to note 5.6 in the consolidated financial statement in the Annual Report 2018.

New standards, interpretations and amendments adopted by Pandora

Pandora has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January - 31 December 2019. Except for the implementation of IFRS 16 Leases described below, the implementation of new or amended standards and interpretations has not had any material impact on Pandora's condensed consolidated interim financial statements.

Effect of IFRS 16 Leases

Pandora has implemented IFRS 16 Leases effective for the annual reporting period beginning 1 January 2019. Pandora has applied the simplified retrospective transition approach without restating comparative figures, which are still presented as previously required by IAS 17 and IFRIC 4.

Pandora has elected to use the following exemptions proposed by the standard:

- Not to reconsider if existing contracts are, or include, a lease
- Not to recognise lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value
- Apply only one discount rate for a group of similar lease assets

Pandora recognises all operating leases – with the few exemptions listed above – on the balance sheet as assets with a corresponding lease liability. The lease liability is equal to the discounted value of all futures lease payments. The lease assets, right-of-use assets, corresponds to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

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

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

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

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

DKK million	Leases
Operating lease commitments as disclosed as at 31 December 2018	3,843
Discounted using the incremental borrowing rate	-345
Short term and low value leases, recognised on a straight line basis as an expense	-10
Lease payments relating to extension options that Pandora is reasonably certain to exercise	915
Lease liabilities reported as of 1 January 2019	**4,403**

Cash flows relating to the lease liability are presented as either interest payments under operating cash flow or repayment of debt under financing cash flow.

When recognising the right-of-use assets as part of the implementation, prepaid or accrued lease payments and key money paid to obtain a lease have been reclassified to the right-of-use asset. The effect on the balance sheet from the implementation is illustrated below.

Table 1.1: Effect from implementation of IFRS 16:

DKK million	Reported 31 December 2018	IFRS 16 effect	Restated 1 January 2019
ASSETS			
Non-current assets			
Intangible assets	7,778	-245	7,533
Property, plant and equipment, including right-of-use assets	2,634	4,562	7,196
Other non-current assets	1,373	23	1,396
Total non-current assets	**11,785**	**4,340**	**16,125**
Current assets	7,459	-41	7,418
Total assets	**19,244**	**4,299**	**23,543**
EQUITY AND LIABILITIES			
Total equity	**6,419**	**-**	**6,419**
Non-current liabilities			
Loans and borrowings	6,421	3,322	9,743
Other non-current liabilities	912	-105	807
Total non-current liabilities	**7,333**	**3,217**	**10,550**
Current liabilities			
Loans and borrowings	248	1,082	1,330
Other current liabilities	5,244	-	5,244
Total current liabilities	**5,492**	**1,082**	**6,574**
Total equity and liabilities	**19,244**	**4,299**	**23,543**

Impact on reported key figures and comparison to previous reporting:

Below is a short overview of the results for the period had the new leasing standard not been implemented as of 1 January 2019.

CONSOLIDATED INCOME STATEMENT

DKK million	Q2 2019 reported	Q2 2019 Acc. IAS 17	H1 2019 reported	H1 2019 Acc. IAS 17
Revenue	4,693	4,693	9,497	9,497
Cost of sales	-1,190	-1,190	-2,374	-2,374
Gross profit	**3,503**	**3,503**	**7,123**	**7,123**
Sales, distribution and marketing expenses	-2,071	-2,095	-4,110	-4,158
Administrative expenses	-668	-671	-1,289	-1,295
Operating profit	**764**	**737**	**1,724**	**1,670**
Finance income	22	22	153	152
Finance costs	-107	-80	-170	-115
Profit before tax	**679**	**679**	**1,707**	**1,707**
Income tax expense	-153	-153	-384	-384
Net profit for the period	**526**	**526**	**1,323**	**1,323**
Depreciation on right-of-use assets	-271	-	-548	-
EBITDA	1,290	992	2,765	2,162
EBITDA margin, %	27.5%	21.1%	29.1%	22.8%
EBIT	764	737	1,724	1,670
EBIT margin, %	16.3%	15.7%	18.2%	17.6%
Repayment for the period	273	-	535	-
Free cash flow, adjusted for repayment of lease liability	1,418	1,145	2,091	1,556
Invested capital	16,289	11,976	16,289	11,976
Return on invested capital (ROIC), %	33.4%	45.0%	33.4%	45.0%
Net interest-bearing debt (NIBD)	10,761	6,652	10,761	6,652
NIBD/EBITDA, x	1.4x	1.0x	1.4x	1.0x

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

NOTE 2 – Significant accounting estimates and judgements

In preparing the interim financial report, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of Pandora’s assets and liabilities.

All significant accounting estimates and judgements are consistent with the description in the Annual Report 2018. Refer to the descriptions in the individual notes to the consolidated financial statement in the Annual Report 2018.

With the implementation of the new lease standard described in note 1, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option when determining the lease term of stores and office buildings. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. No contracts were revised during Q2 2019.

NOTE 3 – Segment information

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

As announced in the Annual Report for 2018, the Group has chosen to measure performance going forward (from 1 January 2019) based on EBIT rather than EBITDA.

Management monitors the segment profit of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured as EBIT, corresponding to 'operating profit' in the consolidated financial statements after depreciation, amortisation and impairment losses in respect of non-current assets.

As Programme NOW restructuring costs cannot be meaningfully allocated to the segments, the segment performance is measured and reported excluding restructuring costs.

For information on revenue from the different products and sales channels reference is made to note 4.

SEGMENT INFORMATION

DKK million	EMEA	Americas	Asia Pacific	Total Group
Q2 2019				
Total revenue	2,151	1,475	1,067	4,693
Segment profit (EBIT) before restructuring costs	**476**	**390**	**209**	**1,075**
Segment profit margin (EBIT margin) before restructuring costs	***22.1%***	***26.4%***	***19.6%***	***22.9%***
Restructuring costs				-310
Consolidated operating profit (EBIT)				**764**
Segment profit margin (EBIT margin)				***16.3%***
Q2 2018				
Total revenue	2,213	1,464	1,142	4,819
Segment profit (EBIT) before restructuring costs	**478**	**449**	**339**	**1,266**
Segment profit margin (EBIT margin) before restructuring costs	***21.6%***	***30.7%***	***29.7%***	***26.3%***
Restructuring costs				-
Consolidated operating profit (EBIT)				**1,266**
Segment profit margin (EBIT margin)				***26.3%***
H1 2019				
Total revenue	4,396	2,913	2,187	9,497
Segment profit (EBIT) before restructuring costs	**970**	**724**	**463**	**2,157**
Segment profit margin (EBIT margin) before restructuring costs	***22.1%***	***24.8%***	***21.2%***	***22.7%***
Restructuring costs				-433
Consolidated operating profit (EBIT)				**1,724**
Segment profit margin (EBIT margin)				***18.2%***
H1 2018				
Total revenue	4,747	2,886	2,301	9,934
Segment profit (EBIT) before restructuring costs	**1,190**	**778**	**739**	**2,707**
Segment profit margin (EBIT margin) before restructuring costs	***25.1%***	***27.0%***	***32.1%***	***27.2%***
Restructuring costs				-
Consolidated operating profit (EBIT)				**2,707**
Segment profit margin (EBIT margin)				***27.2%***

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q2 2019	Q2 2018	*Growth in local currency*	H1 2019	H1 2018	*Growth in local currency*	FY 2018
UK	466	414	*12%*	1,045	948	*9%*	2,746
Italy	505	494	*2%*	947	1,100	*-14%*	2,461
France	248	281	*-12%*	473	557	*-15%*	1,253
Germany	196	213	*-8%*	384	447	*-14%*	1,041
US	1,039	1,039	*-6%*	2,016	2,057	*-9%*	4,880
Australia	247	293	*-14%*	484	604	*-18%*	1,361
China	507	464	*10%*	1,055	931	*12%*	1,969

NOTE 4 – Revenue from contracts with customers

REVENUE BY CHANNELS

DKK million	Q2 2019	Q2 2018	*Growth in local currency*	H1 2019	H1 2018	*Growth in local currency*	FY 2018
Pandora owned retail*	3,121	2,765	*12%*	6,182	5,357	*14%*	12,895
Wholesale	1,359	1,733	*-24%*	2,862	3,911	*-29%*	8,633
Third-party distribution	214	321	*-35%*	453	666	*-33%*	1,278
Total revenue	**4,693**	**4,819**	***-4%***	**9,497**	**9,934**	***-6%***	**22,806**

*Including revenue from Pandora online stores

REVENUE BY REGION

DKK million	Q2 2019	Q2 2018	*Growth in local currency*	H1 2019	H1 2018	*Growth in local currency*	FY 2018
EMEA	2,151	2,213	*-3%*	4,396	4,747	*-7%*	11,190
Americas	1,475	1,464	*-4%*	2,913	2,886	*-5%*	6,807
Asia Pacific	1,067	1,142	*-7%*	2,187	2,301	*-6%*	4,809
Total revenue	**4,693**	**4,819**	***-4%***	**9,497**	**9,934**	***-6%***	**22,806**

REVENUE BY PRODUCT CATEGORY

DKK million	Q2 2019	Q2 2018	*Growth in local currency*	H1 2019	H1 2018	*Growth in local currency*	FY 2018
Charms	2,545	2,561	*-2%*	4,978	5,415	*-10%*	12,126
Bracelets	912	933	*-4%*	1,806	1,824	*-3%*	4,393
Rings	597	634	*-8%*	1,359	1,370	*-3%*	3,168
Earrings	304	300	*0%*	639	609	*3%*	1,486
Necklaces & Pendants	336	391	*-15%*	715	716	*-2%*	1,633
Total revenue[1]	**4,693**	**4,819**	***-4%***	**9,497**	**9,934**	***-6%***	**22,806**
Goods transferred at a point in time	4,677	4,797		9,467	9,890		22,707
Services transferred over time	16	22		30	44		99
Total revenue	**4,693**	**4,819**		**9,497**	**9,934**		**22,806**

[1] Figures include franchise fees etc., which are allocated to the product categories. Q2 2019 DKK 16 million, Q2 2018 DKK 22 million and FY 2018 DKK 103 million.

Revenue by category of Pandora products is not materially different between segments. Product offerings are also similar between segments. Local products not sold globally make up less than 5% of total sales. The use of sales channels for the distribution of Pandora jewellery depend on the underlying market maturity and varies within the segments but is consistent when viewed between segments.

NOTE 5 – Seasonality of operations

Due to the seasonal nature of the jewellery business, higher revenue is historically realised in the second half of the year.

NOTE 6 – Financial risks

Pandora's overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rate, are unchanged compared with the disclosures in note 4.4 in the consolidated financial statement in the Annual Report 2018.

NOTE 7 – Derivative financial instruments

Derivative financial instruments are measured at fair value and in accordance with level 2 in the fair value hierarchy (IFRS 7). Put options related to non-controlling interests are measured in accordance with level 3 in the fair value hierarchy (non-observable data) based on projected revenue derived from approved budgets.

See note 4.5 to the consolidated financial statement in the Annual Report 2018.

NOTE 8 – Trade receivables

DKK million	2019 30 June	2018 30 June	2018 31 December
Receivables related to third-party distribution and wholesale	702	1,110	1,301
Receivables related to retail revenue sales	422	227	349
Total trade receivables	**1,124**	**1,337**	**1,650**

NOTE 9 – Business combinations

On 1 January 2019, Pandora acquired the distribution in Taiwan in an asset deal from the previous distributor, Carrera Corporation, as the distribution agreement ended. The acquisition comprised of inventories and non-current assets relating to five concept stores and 13 shop-in-shops. The purchase price was DKK 94 million of which DKK 89 million was paid in cash. DKK 5 million, was deferred 6 months. Goodwill from the acquisition based on the preliminary purchase price allocation is DKK 50 million. All goodwill is expected to be deductible for income tax purposes. Goodwill mainly consists of know-how, future growth expectations and the effect of converting the acquired business from distribution to Pandora owned retail.

Pandora further acquired 12 stores in the period 1 January – 30 June 2019 (eight concept stores in Italy, two in Australia and two in Germany) in 6 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price for acquisitions made in the period 1 January – 30 June 2019 was DKK 134 million. Based on the purchase price allocations, goodwill was DKK 59 million. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to Pandora owned retail.

Of the goodwill acquired, DKK 59 million is deductible for income tax purposes. Costs relating to the acquisitions was DKK 2 million and 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 2019 was DKK 0.1 billion and DKK 0.0 billion respectively.

Had all acquisitions in 2019 taken place on 1 January 2019, impact on Group revenue and net earnings for the period 1 January – 30 June 2019 would have been immaterial.

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

Acquisitions

DKK million	H1 2019	FY 2018
Other intangible assets	-	26
Property, plant and equipment	13	109
Other non-current receivables	-	2
Trade receivables and other receivables	-	38
Inventories	63	302
Cash	-	4
Assets acquired	**76**	**481**
Non-current liabilities	-	23
Payables	-	31
Other current liabilities	1	58
Liabilities assumed	**1**	**112**
Total identifiable net assets acquired	**76**	**369**
Goodwill arising on the acquisitions	59	739
Purchase consideration	**134**	**1,108**
Cash movements on acquisitions:		
Consideration transferred regarding previous years[1]	12	2
Deferred payment (including earn-out)[2]	-5	-35
Cash acquired	-	-4
Net cash flow on acquisitions	**142**	**1,071**

[1] Consideration paid related to acquisitions in 2018 was final payment for acquired stores in UK. The amount paid in 2019 was DKK 12 million.
[2] For 2018, the deferred payment relates to the acquisition of the distributor in Ireland, DKK 22 million, and store acquisitions in UK and Italy. For 2019, the deferred payment is related to the acquisition of the distribution in Taiwan, DKK 5 million.

Acquisitions in 2018

On 1 June 2018, Pandora acquired 95% of the shares in PAN Jewelry Holding, which held the rights to distribute Pandora jewellery in Ireland and the territory of Northern Ireland, from BJ FitzPatrick Holdings Ltd. as the distribution agreement ended. The acquisition comprised of inventory and non-current assets relating to 24 concept stores and one shop-in-shop. The purchase price was DKK 146 million of which DKK 124 million was paid in cash. 10% of the purchase price, DKK 15 million, was deferred for 15 months. A simultaneous put/call option for the remaining 5% of the shares, DKK 7 million, will be exercised in the period 6 February – 31 March 2019. None of the goodwill is deductible for income tax purposes.

Pandora further acquired 145 stores in the period 1 January – 31 December 2018 (87 concept stores in the UK, 27 in the US, 12 in Canada, 8 in Australia, 5 in South Africa, 4 in France, and 1 in Italy and Brazil respectively) in 30 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price for the acquisitions made during 2018 was DKK 1,108 million. Based on the purchase price allocations, goodwill was DKK 739 million. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to Pandora owned retail.

Of the goodwill acquired, DKK 157 million is deductible for income tax purposes.

Costs relating to the acquisitions were DKK 11 million and are recognised as operating expenses in the income statement.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2018 was DKK 1.0 billion and DKK 0.3 billion, respectively.

Had all acquisitions in 2018 taken place on 1 January 2018, Group revenue and net earnings for the period 1 January – 31 December 2018 would have been approximately DKK 23.2 billion and DKK 5.2 billion.

Acquisitions after the reporting period

No acquisitions took place after the reporting period.

NOTE 10 – Goodwill

DKK million	30 June 2019	31 December 2018
Cost at 1 January	4,278	3,522
Acquisition of subsidiaries and activities in the period	59	739
Exchange rate adjustments	14	17
Cost at the end of the period	**4,351**	**4,278**

Impairment testing of goodwill was performed in Q2 2019. As of Q2 2019 there are no indications of impairment.

NOTE 11 – Assets and liabilities related to leases

Amount recognised in the balance sheet:

Right-of-use assets

DKK million	30 June 2019
Property	4,246
IT	2
Cars	22
Other	4
Total right-of-use assets	**4,274**

Additions of right-of-use assets in the period 1 January – 30 June 2019 was DKK 222 million.

Lease liabilities

DKK million	30 June 2019
Non-current	3,049
Current	1,060
Total lease liabilities	**4,109**

Lease liabilities are recognised in Loans and borrowings.

Amounts recognised in the income statement

Recognised depreciation on right-of-use assets charged to the income statement for the period 1 January – 30 June:

DKK million	1 January – 30 June 2019
Property	539
IT	-
Cars	6
Other	3
Total depreciation on right-of-use assets for the period	**548**

Other Items relating to leases:

DKK million	1 January – 30 June 2019
Interest income from sub-leases	1
Interest expense	-55
Total interest for the period	**-54**

Costs recognised in the period for short term and low value leases were DKK 17 million. Expenses are recognised on a straight line basis.

Expenses related to variable leases were DKK 190 million for the period. These are not included in the lease liability.

Total cash outflow relating to leases was DKK 535 million for the period.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2018. Compared with Q1 2019, leasing commitments decreased by DKK 1 million in Q2 2019 to DKK 5 million at the end of Q2 2019. All leases following the implementation of IFRS 16 (see note 1) are recognised in the balance sheet.

NOTE 13 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 14 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q2 2019	Q1 2019	Q2 2018	Growth Q2 2019 / Q1 2019	Growth Q2 2019 /Q2 2018
Other points of sale (retail)	188	195	158	-7	30
Other points of sale (wholesale)	3,928	3,982	4,408	-54	-480
Other points of sale (third-party)	662	668	668	-6	-6
Other points of sale, total	**4,778**	**4,845**	**5,234**	**-67**	**-456**

NOTE 15 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q2 2019	**Number of concept stores Q1 2019**	**Number of concept stores Q2 2018**	***Growth Q2 2019 /Q1 2019***	***Growth Q2 2019 /Q2 2018***	**Number of concept stores O&O Q2 2019**	***Growth O&O stores Q2 2019 /Q1 2019***	***Growth O&O stores Q2 2019 /Q2 2018***
UK	233	233	233	-	-	127	*1*	*49*
Italy	146	143	119	*3*	*27*	105	*3*	*32*
France	121	120	101	*1*	*20*	75	*1*	*25*
Germany	151	152	152	*-1*	*-1*	145	*-1*	*2*
US	395	399	388	*-4*	*7*	153	*-1*	*19*
Australia	128	127	124	*1*	*4*	39	*3*	*12*
China	227	220	189	*7*	*38*	218	*5*	*35*
All markets	**2,731**	**2,713**	**2,548**	***18***	***183***	**1,380**	***16***	***244***

*Includes 7 key markets measured on revenue for FY 2018. All markets with 10 or more concept stores can be found in the Excel appendix uploaded on

NOTE 16 – Commodity hedging

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

HEDGED AND REALISED PURCHASE PRICES

USD / OZ	***Realised in Q2 2019***	**Hedged Q3 2019**	**Hedged Q4 2019**	**Hedged Q1 2020**	**Hedged Q2 2020**
Gold price	*1,256*	1,265	1,328	1,334	1,345
Silver price	*16.59*	14.98	15.38	15.22	15.19
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 would have been approximately 76.4% based on the average gold (USD 1,309/oz) and silver (USD 14.88/oz) market prices in Q2 2019. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

NOTE 17 – Subsequent events

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

QUARTERLY OVERVIEW

DKK million	Q2 2019	Q1 2019	Q4 2018[1]	Q3 2018[1]	Q2 2018[1]
Key financial highlights					
Organic growth, %	*-7%*	*-12%*	*-1%*	*-8%*	*-2%*
Total like-for-like sales out, %	*-10%*	*-10%*	*-7%*	*-3%*	*-1%*
Total reported revenue	4,693	4,804	7,890	4,982	4,819
Total reported revenue growth, local currency, %	*-4%*	*-8%*	*3%*	*-3%*	*4%*
Gross profit excl. restructuring costs	3,570	3,645	5,826	3,602	3,638
Gross margin excl. restructuring costs, %	*76.1%*	*75.9%*	*73.8%*	*72.3%*	*75.5%*
EBIT excl. restructuring costs	1,075	1,083	2,528	1,196	1,266
EBIT margin excl. restructuring costs, %	***22.9%***	***22.5%***	***32.0%***	***24.0%***	***26.3%***
Free cash flow, DKK	1,418	673	2,911[1]	1,059[1]	1,149[1]
Cash conversion, %	*185.5%*	*70.1%*	*115.2%*[1]	*88.5%*[1]	*90.8%*[1]
Operating working capital, % of last 12 months revenue	*9.4%*	*12.1%*	*11.2%*	*16.4%*	*13.8%*
Capital expenditure (CAPEX), DKK million	206	178	324	265	296
Capital expenditure, tangible assets (CAPEX), DKK million	151	108	227	168	197
Other financial highlights					
Consolidated income statement					
Revenue	4,693	4,804	7,890	4,982	4,819
Gross profit	3,503	3,620	5,826	3,602	3,638
Gross margin, %	*74.6%*	*75.4%*	*73.8%*	*72.3%*	*75.5%*
Earnings before interests, tax, depreciations and amortisations (EBITDA)	1,290	1,474	2,813[1]	1,445[1]	1,496[1]
EBITDA margin, %	*27.5%*	*30.7%*	*35.7%*[1]	*29.0%*[1]	*31.1%*[1]
Operating profit (EBIT)	764	960	2,528	1,196	1,266
EBIT margin, %	*16.3%*	*20.0%*	*32.0%*	*24.0%*	*26.3%*
Net financials	-86	68	10	24	81
Net profit for the period	526	797	1,891	951	1,044
Consolidated balance sheet					
Total assets	21,533	22,408	19,244[1]	19,530[1]	17,584[1]
Invested capital	16,289	16,919	12,071[1]	12,802[1]	12,451[1]
Operating working capital	2,101	2,712	2,555	3,696	3,134
Net interest-bearing debt (NIBD)	10,761	11,450	5,652[1]	7,535[1]	6,190[1]
Equity	5,528	5,469	6,419[1]	5,267[1]	6,260[1]
Ratios					
Revenue growth, %	*-3%*	*-6%*	*4%*	*-4%*	*0%*
Effective tax rate, %	*22.5%*	*22.5%*	*25.5%*	*22.0%*	*22.5%*
Equity ratio, %	*25.7%*	*24.4%*	*33.4%*	*27.0%*	*35.6%*
NIBD to EBITDA[2], x	1.4x	1.4x	0.8x[1]	1.0x[1]	0.8x[1]
Return on invested capital (ROIC)[2], %	*33.4%*	*35.2%*	*53.3%*[1]	*52.5%*[1]	*58.8%*[1]
Total payout ratio (incl. share buyback), %	*105.9%*	*224.2%*	*54.4%*	*198.8%*	*104.6%*

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

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

MANAGEMENT STATEMENT

The Board and the Executive Management have reviewed and approved the interim financial report of Pandora A/S for the period 1 January – 30 June 2019.

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

It is our opinion that the consolidated interim financial statement gives a true and fair view of the financial position for the Pandora Group at 30 June 2019 and the results of the Pandora Group's operations and cash flow for the period 1 January – 30 June 2019.

Further, in our opinion, the Management's review gives a fair view of the development in the Group's activities and financial matters, results of operations, cash flows and the financial position as well as a description of material risks and uncertainties that the Group face.

Copenhagen, 20 August 2019

EXECUTIVE MANAGEMENT

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

BOARD

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

DISCLAIMER

This company announcement contains forward-looking statements, which include estimates of financial performance and targets. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors.

PANDORA

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