

No. 394

COMPANY ANNOUNCEMENT

8 August 2017

INTERIM REPORT SECOND QUARTER 2017

PANDORA REPORTS 12% REVENUE GROWTH AND 10% LIKE-FOR-LIKE SALES-OUT GROWTH. FULL YEAR GUIDANCE IS MAINTAINED

FINANCIAL HIGHLIGHTS

- Group revenue in Q2 2017 increased by 12% (12% in local currency) to DKK 4,825 million compared with Q2 2016
 - Revenue from PANDORA owned retail increased 36% (37% in local currency).
 - Like-for-like sales-out growth for PANDORA owned concept stores was 10%
 - Revenue from EMEA increased 10% (13% in local currency) driven by growth in all main markets
 - Revenue from Americas increased 1% (-1% in local currency)
 - Like-for-like sales-out growth in the US was 8% driven by more effective promotions and improved in-store execution
 - Revenue in Asia Pacific increased 35% (34% in local currency) driven by strong sales performances in Australia and China
 - Full jewellery brand ambitions on track with revenue from Rings, Earrings and Necklaces & Pendants combined up 23% with the three categories representing 23% of Group revenue
 - Revenue from Charms increased 6% and revenue from Bracelets increased 19%
- Gross margin was 73.9% in Q2 2017 (Q2 2016: 75.3%) impacted by headwind from currency
- EBITDA was DKK 1,611 million in Q2 2017, corresponding to an EBITDA margin of 33.4% (Q2 2016: 37.2%) impacted by higher administrative costs
- Free cash flow was DKK 556 million in Q2 2017 (Q2 2016: DKK 576 million)
- DKK 1,449 million returned to shareholders in Q2 2017 via quarterly dividend of DKK 9 per share and share buy-back of DKK 446 million
- Related to the Q2 2017 results, PANDORA will pay out a quarterly dividend of DKK 9 per share to shareholders (corresponding to DKK 1,000 million)
- Financial guidance for FY 2017 is maintained, including expected revenue of DKK 23-24 billion and EBITDA margin of approximately 38%.

Commenting on the results, Anders Colding Friis, CEO of PANDORA, said:

"We are pleased with the results for the second quarter delivering double digit top-line growth and continued healthy profitability. Markets like China, Italy, the UK, and Australia performed well, reflecting the significant growth potential for our product offering in both our newer and more developed markets. We also continue to make strides in improving the quality of our global store network and added net 70 new concept stores during the quarter.

The retail environment in the US remains challenging, however, our strategy has delivered a solid improvement in the performance of the concept store network. Additionally, we are rolling out a number of initiatives to strengthen our US business even further.

Our journey to become a full jewellery brand is progressing well, with revenue from Rings, Earrings and Necklaces & Pendants increasing by 23%. Meanwhile, sales of Charms and Bracelets also grew by 6% and 19% respectively.”

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 32 71 16 58

UK (International): +44 (0) 203 427 1908

US: +1 646 254 3388

To participate, please quote confirmation code “PANDORA” when dialling into the conference.

FINANCIAL CALENDAR 2017

15 August 2017	PANDORA shares are traded ex-dividend
17 August 2017	Payment of quarterly dividend
24 August 2017	Payment of quarterly dividend for ADR holders

7 November 2017 Interim Report for the first nine months of 2017

14 November 2017	PANDORA shares are traded ex-dividend
16 November 2017	Payment of quarterly dividend
23 November 2017	Payment of quarterly dividend for ADR holders

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FINANCIAL HIGHLIGHTS

DKK million	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Consolidated income statement					
Revenue	4,825	4,327	9,984	9,067	20,281
Gross profit	3,567	3,260	7,348	6,796	15,223
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,611	1,609	3,490	3,369	7,922
Operating profit (EBIT)	1,450	1,488	3,166	3,133	7,404
Net financials	-63	57	-57	66	246
Net profit for the period	1,095	1,221	2,456	2,527	6,025
Consolidated balance sheet					
Total assets	15,136	14,242	15,136	14,242	15,085
Invested capital	10,262	8,965	10,262	8,965	9,396
Operating working capital	2,901	2,943	2,901	2,943	2,780
Net interest-bearing debt (NIBD) ¹	3,943	3,863	3,943	3,863	2,448
Equity	6,242	5,413	6,242	5,413	6,794
Consolidated cash flow statement					
Net increase/decrease in cash	-46	-171	-303	-342	5
Free cash flow	556	576	1,738	1,932	5,358
Cash conversion, %	38.3%	38.7%	54.9%	61.7%	72.4%
Growth ratios					
Revenue growth, %	12%	20%	10%	27%	21%
Gross profit growth, %	9%	27%	8%	33%	25%
EBITDA growth, %	0%	23%	4%	29%	27%
EBIT growth, %	-3%	20%	1%	27%	27%
Net profit growth, %	-10%	34%	-3%	95%	64%
Margins					
Gross margin, %	73.9%	75.3%	73.6%	75.0%	75.1%
EBITDA margin, %	33.4%	37.2%	35.0%	37.2%	39.1%
EBIT margin, %	30.1%	34.4%	31.7%	34.6%	36.5%
Other ratios					
Effective tax rate, %	21.1%	21.0%	21.0%	21.0%	21.2%
Equity ratio, %	41.2%	38.0%	41.2%	38.0%	45.0%
NIBD to EBITDA, x ^{1,2}	0.5	0.6	0.5	0.6	0.3
Return on invested capital (ROIC), % ²	72.5%	72.2%	72.5%	72.2%	78.8%
Share information					
Dividend per share, DKK ³	9.0	-	18.0	-	9.0
Total payout ratio (incl. share buyback), %	132.3%	-	113.2%	-	91.5%
Earnings per share, basic, DKK	9.8	10.6	22.0	21.9	52.8
Earnings per share, diluted, DKK	9.8	10.6	21.9	21.8	52.5
Share price at end of period, DKK	607.5	903.5	607.5	903.5	924.0
Other key figures					
Capital expenditure (CAPEX), DKK million	296	352	506	626	1,199
Capital expenditure, tangible assets (CAPEX), DKK million	209	245	348	448	828
Store network, total number of points of sale	7,725	8,919	7,725	8,919	8,131
Store network, total number of concept stores	2,266	1,920	2,266	1,920	2,138
Average number of full-time employees	20,065	17,276	19,780	17,006	17,770

1) For 2016, NIBD and consequently NIBD to EBITDA were recalculated due to reclassifications. Refer to note 4.3 in the Annual Report 2016.

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

3) Including extraordinary quarterly dividends.

FINANCIAL GUIDANCE

Despite increasing headwind from currencies, PANDORA maintains FY 2017 revenue guidance of DKK 23-24 billion. EBITDA margin expectation of approximately 38% is also maintained.

FINANCIAL GUIDANCE

	FY 2017 Guidance	FY 2016 Actual
Revenue, DKK billion	23-24	20.3
EBITDA margin	Approx. 38%	39.1%
CAPEX, % share of revenue	Around 5%	5.9%
Effective tax rate	Approx. 21%	21.2%

Assuming current exchange rates, PANDORA now expects the net effect from currencies on Group revenue to be a headwind of around 2 percentage points. This compares with an expected tailwind of around 1 percentage point anticipated in February 2017 in connection with the announcement of the Annual Report 2016.

As previously communicated, the EBITDA margin is expected to be significantly higher in the second half of 2017 compared with the first half (EBITDA margin of 35.0% in H1 2017). Commodity prices are expected to impact the EBITDA margin negatively by 0-1 percentage point, and foreign exchange rates are expected to have a negative impact of around 1 percentage point.

PANDORA plans to continue the development of the store network and now expects to add more than 300 new concept stores in 2017 (compared to previously expected more than 275) of which roughly 50% are expected to be opened in EMEA, 25% in Americas and 25% in Asia Pacific. PANDORA expects around half of the concept store openings to be PANDORA owned stores, which is in line with the Company's intention to increase its owned and operated retail footprint. Roughly 25% of the new stores are expected to be opened by franchisees and 25% of 3rd party distributors.

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

STRATEGIC UPDATE

FULL JEWELLERY PRODUCT OFFERING – DISNEY TO BE LAUNCHED IN EMEA AND 4 NEW CONCEPTS PLANNED FOR LAUNCH DURING THE NEXT THREE YEARS

While keeping the focus on maintaining a market leading position in Charms and Bracelets, PANDORA continues the journey to become a full jewellery brand.

To realise this ambition PANDORA is continuously innovating the product portfolio. As part of this effort, PANDORA expanded its strategic alliance with The Walt Disney Company (Disney) in July 2017 to include the EMEA region. PANDORA will launch its Disney collection in stores in EMEA by October 2017, making the Disney inspired products available in the majority of PANDORA's markets across the globe. Furthermore, PANDORA plans to launch a new jewellery concept as part of the Spring/Summer collection in 2018 (other concepts include the PANDORA ESSENCE and PANDORA Rose collections). The launch frequency of new concepts is planned to be accelerated going forward with four new concepts in total in the coming three years. The acceleration is made possible by increased organisational focus and added competencies in PANDORA's product development functions, which includes a new function with the sole focus on developing new concepts.

Finally, to ensure alignment between consumers' preferences and PANDORA's product portfolio, the product development time has been reduced to allow for a faster reaction to new market trends. As an example, five new products in Charms and Bracelets, which were not planned at the beginning of the year, were launched in Q2 2017, with a launch time of less than three months, to ensure increased newness in the stores and fulfil an identified opportunity with PANDORA's consumers. For the remainder of the year, an additional 20 new products, are planned to be launched into the market as a result of the improved reaction time, underpinning PANDORA's ambition to continuously maintain a strong and relevant product offering across the globe.

BRANDED RETAIL EXCELLENCE – CONTINUED FOCUS ON CONCEPT STORES, SUCCESSFUL INTEGRATION OF SOUTH AFRICAN AND BELGIAN DISTRIBUTION CHANNELS

PANDORA continues to improve the quality of the global store network, and during the quarter net 70 new concept stores were added to the network, while 234 other points of sales were closed.

Furthermore, as part of the Company's overall strategy, PANDORA is expanding the PANDORA owned part of the store network. This gives the Company increased control over the brand, while also offering a strong financial rationale. PANDORA recognises the full retail revenue in PANDORA owned stores, which is roughly 2-2.5 times the revenue from a comparable franchise store. When opening new concept stores, the strategic intent is to open PANDORA owned concept stores and during the second quarter 51 new PANDORA owned concept stores were added to the network.

In line with the Company's strategy, PANDORA continues to take over distributors and franchisee stores across regions. In June 2017, the distribution network in Belgium, which included 13 concept stores, was acquired and in July 2017 the distribution in South Africa was taken over. In August 2017, PANDORA has agreed to take over the distribution in Spain, which will add 51 PANDORA owned concept stores to the network.

In Q2 2017, revenue from PANDORA owned retail increased 36% compared with Q2 2016, corresponding to 42% of Group revenue for the quarter.

BALANCED GLOBAL BUSINESS – STRONG PERFORMANCE IN ASIA PACIFIC AND AN INCREASED FOCUS ON LATIN AMERICA

Revenue in Asia Pacific for the quarter increased 35% compared with Q2 2016 and now represents 22% of Group revenue (18% in Q2 2016). Growth was mainly driven by PANDORA's expansion into China, where 17 new concept stores were added during the period. Revenue from China increased by 87% compared with the same quarter last year. Based on the continued strong development, PANDORA now expects to open around 60 concept stores in China in 2017 (from previously expected around 50).

Furthermore, following the establishment of a regional office in Panama as a hub for the Latin American region, PANDORA has increased focus on the region and plans to open around 40 stores in the region in 2017 (mainly in Mexico and Chile).

THE US – IMPROVED DEVELOPMENT FOR THE QUARTER. ADDITIONAL MEASURES TAKEN TO FURTHER STRENGTHEN PERFORMANCE

After a challenging first quarter, PANDORA's performance has improved in the US. In Q2 2017,

like-for-like sales-out growth in the US in PANDORA owned concept stores including the eSTORE was 8% (-3% in Q1 2017). The like-for-like growth was driven by an improvement in transactions compared with the latest quarter, supported by a stronger product offering, effective promotions and improved in-store execution.

The retail environment in the US remained challenging in Q2 2017, with general mall traffic down around 5% for the quarter. PANDORA's US store network is located predominantly in high-quality malls less affected by declines in footfall, but additional measures are being taken to proactively improve the store network where needed. In addition, as a future potential for the next 3-5 years, PANDORA has identified up to 100 new concept store locations in the US. The store locations include high streets and other shopping locations (such as life style centres, power centres, etc.) as well as selected A-malls.

FINANCIAL PERFORMANCE

REVENUE

Total revenue for Q2 2017 was DKK 4,825 million, an increase of 12% (12% in local currency) compared with Q2 2016. Organic growth¹ was 10% in local currency. Moreover, revenue for the quarter included a net impact from acquisition of stores of DKK 76 million.

REVENUE PER SALES CHANNEL

DKK million	Q2 2017	Q2 2016	Growth in DKK	Growth in local currency	Share of revenue	H1 2017	H1 2016	Growth in DKK	Growth in local currency	Share of revenue
PANDORA owned retail*	2,002	1,467	36%	37%	42%	3,967	2,883	38%	38%	40%
Wholesale	2,489	2,578	-3%	-3%	52%	5,212	5,498	-5%	-6%	52%
3 rd party distribution	334	282	18%	17%	7%	805	686	17%	16%	8%
Total revenue	4,825	4,327	12%	12%	100%	9,984	9,067	10%	10%	100%

*Including revenue from PANDORA eSTOREs

PANDORA OWNED RETAIL

Revenue from PANDORA owned retail was DKK 2,002 million in Q2 2017, an increase of 36% (37% in local currency) compared with Q2 2016.

PANDORA OWNED RETAIL REVENUE

DKK million	Q2 2017	Q2 2016	Growth in DKK	Growth in local currency	Share of revenue	H1 2017	H1 2016	Growth in DKK	Growth in local currency	Share of revenue
PANDORA owned concept stores	1,882	1,324	42%	42%	39%	3,725	2,585	44%	44%	37%
- Hereof eSTOREs	298	190	57%	59%	6%	602	377	60%	62%	6%
Other points of sale (retail)	120	143	-16%	-16%	3%	242	298	-19%	-18%	2%
Total PANDORA owned retail revenue	2,002	1,467	36%	37%	42%	3,967	2,883	38%	38%	40%

Revenue from PANDORA owned concept stores (incl. PANDORA eSTOREs) was DKK 1,882 million in Q2 2017 and increased 42% (42% in local currency) compared with Q2 2016, driven by:

- Like-for-like sales-out growth of 10%
- Growth from network expansion of 22%
- Growth from acquisition of stores of 10%

Revenue from PANDORA eSTOREs increased 57% to DKK 298 million in Q2 2017 corresponding to 6% of total revenue (4% in Q2 2016). The positive development was mainly driven by the US, as well as the online introduction in China in Q4 2016. At the end of Q2 2017, PANDORA eSTOREs were available in 18 countries compared with 14 at the end of Q2 2016.

WHOLESALE

Revenue from PANDORA's wholesale channel was DKK 2,489 million, a decrease of 3% (-3% in local currency) compared with Q2 2016.

¹ Organic growth is an alternative performance measure not defined by IFRS, refer to Note 1

WHOLESALE REVENUE

DKK million	Q2 2017	Q2 2016	Growth in DKK	Growth in local currency	Share of revenue	H1 2017	H1 2016	Growth in DKK	Growth in local currency	Share of revenue
Franchise concept stores	1,478	1,394	6%	6%	31%	2,970	2,981	0%	0%	30%
Other points of sale (wholesale)	1,011	1,184	-15%	-15%	21%	2,242	2,517	-11%	-12%	23%
Total wholesale revenue	2,489	2,578	-3%	-3%	52%	5,212	5,498	-5%	-6%	52%

Revenue from franchise concept stores increased 6% (6% in local currency) compared with Q2 2016. Revenue from franchise concept stores was negatively impacted by the difficult retail environment in the US but was supported by the addition of net 97 new franchise concept stores in the last 12 months to a total of 981 stores.

Revenue from other points of sale in the wholesale channel decreased 15% (-15% in local currency) compared with Q2 2016, which was mainly driven by PANDORA's planned multibranded account store closures as a part of optimising the global store network.

3RD PARTY DISTRIBUTORS

Revenue from 3rd party distributors was DKK 334 million, an increase of 18% (17% in local currency) compared with Q2 2016. Growth was driven by a positive development in EMEA and Asia.

DISTRIBUTION NETWORK

PANDORA added net 346 concept stores in the last 12 months bringing the global concept store network to 2,266.

STORE NETWORK

Number of points of sale	Q2 2017	Q1 2017	Q2 2016	Growth Q/Q	Growth Y/Y
Concept stores	2,266	2,196	1,920	70	346
- Hereof PANDORA owned	711	660	525	51	186
- Hereof franchise owned	981	963	884	18	97
- Hereof 3 rd party distribution	574	573	511	1	63
Other points of sale	5,459	5,693	6,999	-234	-1,540

Breakdown of other points of sale per channel (note 10) and concept store network development for selected markets (note 11) available in appendix

In Q2 2017, PANDORA added a net of 51 PANDORA owned concept stores. This includes the acquisition of 24 concept stores, including 13 in Belgium as part of the takeover of distribution in the country. Furthermore, 17 PANDORA owned concept stores were added in China.

Net 18 franchise stores were opened during Q2 2017.

At the end of Q2 2017, PANDORA had 5,459 other points of sale. During Q2 2017, net 234 other points of sale were closed, including net 227 in EMEA. In the last 12 months, PANDORA has closed 1,540 other points of sales, including around 700 in North America.

REVENUE PER REGION

In Q2 2017, 43% of revenue was generated in EMEA (43% in Q2 2016), 35% in Americas (38% in Q2 2016), and 22% in Asia Pacific (18% in Q2 2016).

REVENUE PER REGION

DKK million	Q2 2017	Q2 2016	Growth in DKK	Growth in local currency	Share of revenue	H1 2017	H1 2016	Growth in DKK	Growth in local currency	Share of revenue
EMEA	2,067	1,873	10%	13%	43%	4,265	3,958	8%	11%	43%
Americas	1,686	1,662	1%	-1%	35%	3,379	3,437	-2%	-5%	34%
Asia Pacific	1,072	792	35%	34%	22%	2,340	1,672	40%	37%	23%
Total revenue	4,825	4,327	12%	12%	100%	9,984	9,067	10%	10%	100%

Please refer to note 3 for revenue in selected markets

EMEA

Revenue in EMEA was DKK 2,067 million in Q2 2017, an increase of 10% (13% in local currency) compared with Q2 2016. Growth was driven by positive performances in all main markets in the region, including UK (12% in local currency), Italy (22% in local currency), France (10% in local currency), and Germany (12% in local currency). Growth was supported by the addition of 182 new concept stores in the last 12 months, partially offset by the closure of around 800 other points of sale (corresponding to around 20% of other points of sale in the region).

AMERICAS

Revenue in the Americas was DKK 1,686 million in Q2 2017, an increase of 1% (-1% in local currency) compared with Q2 2016.

Revenue from the US, which represented 76% of revenue from the Americas for the quarter, decreased by 2% in local currency. The US like-for-like sales-out performance in the PANDORA owned concept stores was 8% for the quarter, driven by a strong eSTORE performance.

Revenue in the US was positively impacted by a one-off of around DKK 200 million related to a reversal of sales return provisions. In Q2 2017, the provision for sales returns from franchisees was updated based on the expected future sales returns, which was impacted by a planned change in product return policies in the US. This was announced to franchisees in Q4 2016 and effective from January 2017. The expected effect of the updated return policy has materialised and the sales return provision has been adjusted accordingly. The one-off related to the reversal of the return provision was offset by a negative effect of around DKK 190 million, related to closures of around 600 other points of sale in the US in Q4 2016 (DKK 40 million), a one-off shipment to Jared in Q2 2016 (DKK 60 million) and timing of shipments (DKK 90 million).

ASIA PACIFIC

Revenue in Asia Pacific was DKK 1,072 million in Q2 2017, an increase of 35% (34% in local currency) compared with Q2 2016. Revenue growth was driven by strong performance in Australia (+12% in local currency) and China (+91% in local currency). The results were supported by strong sales in existing stores and the addition of 99 new concept stores during the last 12 months, of which 67 were opened in China.

REVENUE PER PRODUCT CATEGORY

REVENUE PER PRODUCT CATEGORY

DKK million	Q2 2017	Q2 2016	Growth In DKK	Growth in local currency	Share of revenue	H1 2017	H1 2016	Growth In DKK	Growth in local currency	Share of revenue
Charms	2,847	2,697	6%	5%	59%	5,823	5,624	4%	3%	58%
Bracelets	877	736	19%	19%	18%	1,750	1,662	5%	5%	18%
Rings	582	544	7%	7%	12%	1,335	1,076	24%	24%	13%
Earrings	257	181	42%	42%	5%	542	362	50%	50%	5%
Necklaces & Pendants	262	169	55%	56%	5%	534	343	56%	57%	5%
Total revenue	4,825	4,327	12%	12%	100%	9,984	9,067	10%	10%	100%

Growth for the quarter was primarily driven by Earrings (+42% in local currency) and Necklaces & Pendants (+56% in local currency), reflecting PANDORA's continued development towards becoming a full jewellery brand. Revenue from Rings increased 7% and was impacted by lower promotional activity during the quarter compared to Q2 2016.

Revenue from Charms increased 6% (5% in local currency) compared with Q2 2016. Growth in Charms was mainly driven by a continued strong development in the Asia Pacific region. Additionally, the performance of the category has improved in both EMEA and Americas compared with Q1 2017.

Revenue from Bracelets increased 19% (19% in local currency) compared with Q2 2016. All regions drove the positive development, supported by the introduction of two new and innovative silver bangles.

In Q2 2017, products launched within the last 12 months accounted for roughly half of revenue which is on par with Q2 2016.

COST OF SALES AND GROSS PROFIT

Gross profit in Q2 2017 was DKK 3,567 million corresponding to a gross margin of 73.9% compared with 75.3% in Q2 2016.

COST OF SALES AND GROSS PROFIT

DKK million	Q2 2017	Q2 2016	Growth	Share of revenue Q2 2017	Share of revenue Q2 2016	H1 2017	H1 2016	Growth	Share of revenue H1 2017	Share of revenue H1 2016
Revenue	4,825	4,327	12%	100.0%	100.0%	9,984	9,067	10%	100.0%	100.0%
Cost of sales*	-1,258	-1,067	18%	26.1%	24.7%	-2,636	-2,271	16%	26.4%	25.0%
Gross profit	3,567	3,260	9%	73.9%	75.3%	7,348	6,796	8%	73.6%	75.0%

* Refer to note 12 for details related to PANDORA's commodity hedging policy

The change in gross margin compared with Q2 2016 was mainly driven by:

- Increasing share of revenue from PANDORA owned retail (approximately +1.5 percentage point)
- Change in product mix (approximately -1 percentage point), mainly related to an increasing share of revenue from the PANDORA rose collection
- Unfavourable currency rates (approximately -1 percentage point)
- Additionally, Q2 2016 was positively impacted by a positive one-off of approximately 1 percentage point related to reclaimed duties in Americas

Excluding hedging and the time lag effect from the inventory, the underlying gross margin

would have been approximately 73% based on the average gold (USD 1,257/oz) and silver (USD 17.21/oz) market prices in Q2 2017. Under these assumptions, 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 2,117 million, equivalent to an OPEX ratio of 43.9% (41.0% in Q2 2016).

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q2 2017	Q2 2016	Growth	Share of	Share of	H1 2017	H1 2016	Growth	Share of	Share of
				revenue	revenue				revenue	revenue
				Q2 2017	Q2 2016				H1 2017	H1 2016
Sales and distribution expenses	-1,057	-894	18%	21.9%	20.7%	-2,141	-1,892	13%	21.4%	20.9%
Marketing expenses	-480	-405	19%	9.9%	9.4%	-927	-751	23%	9.3%	8.3%
Administrative expenses	-580	-473	23%	12.0%	10.9%	-1,114	-1,020	9%	11.2%	11.2%
Total operating expenses	-2,117	-1,772	19%	43.9%	41.0%	-4,182	-3,663	14%	-41.9%	-40.4%

The higher operating expenses were mainly driven by an increase in sales and distribution costs impacted by the increasing share of PANDORA owned retail revenue. However, offset by the aforementioned positive impact on the gross margin from more PANDORA owned retail revenue. Additionally, Administration expenses increased to 12% of revenue (10.9% in Q2 2016), primarily driven by an increase in IT costs mainly related to the roll-out of a global ERP platform and a new CRM system as well as improvements of PANDORA's online capabilities.

EBITDA

EBITDA was DKK 1,611 million in Q2 2017, corresponding to an EBITDA margin of 33.4% (37.2% in Q2 2016).

GROUP EBITDA

DKK million	Q2 2017	Q2 2016	Growth	EBITDA	EBITDA	H1 2017	H1 2016	Growth	EBITDA	EBITDA
				margin	margin				margin	margin
				Q2 2017	Q2 2016				H1 2017	H1 2016
EMEA	683	683	0%	33.0%	36.5%	1,503	1,452	4%	35.2%	36.7%
Americas	546	670	-19%	32.4%	40.3%	1,067	1,350	-21%	31.6%	39.3%
Asia Pacific	382	256	49%	35.6%	32.3%	920	567	62%	39.3%	33.9%
Total EBITDA	1,611	1,609	0%	33.4%	37.2%	3,490	3,369	4%	35.0%	37.2%

The EBITDA margin in EMEA decreased 3.5 percentage points compared with Q2 2016 mainly driven by the decrease in the gross margin as well as higher marketing costs.

Americas' EBITDA margin decreased by 7.9 percentage points compared with Q2 2016. This was driven by a decline in the gross margin, which was temporarily impacted by the effect of the acquisition of 22 concept stores in H1 2017 where initial inventory in the stores was taken over at wholesale prices (approximately -2 percentage point) as well as the above-mentioned reclaimed duties in Q2 2016 (approximately -2.5 percentage point). Finally, profitability in the region was further impacted by increasing marketing expenses.

The EBITDA margin in Asia Pacific increased to 35.6% driven by improved leverage on costs in China and Australia. Additionally, the EBITDA margin in Q2 2016 was impacted negatively by around 3 percentage points related to the takeover of the distribution in Singapore and Macau,

where initial inventory in the stores was acquired at distributor prices.

EBIT

EBIT for Q2 2017 was DKK 1,450 million, a decrease of 3% compared with Q2 2016, resulting in an EBIT margin of 30.1% for Q2 2017 (34.4% in Q2 2016).

NET FINANCIALS

In Q2 2017, net financials amounted to a loss of DKK 63 million, (gain of DKK 57 million in Q2 2016). The development was primarily related to exchange rate losses.

INCOME TAX EXPENSES

Income tax expenses were DKK 292 million in Q2 2017. The effective tax rate in Q2 2017 was 21.1% (21.0% in Q2 2016).

NET PROFIT

Net profit in Q2 2017 was DKK 1,095 million compared with DKK 1,221 million in Q2 2016.

BALANCE SHEET AND CASH FLOW

In Q2 2017, PANDORA generated free cash flow of DKK 556 million (DKK 576 million in Q2 2016).

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q2 2017 improved to 13.7% of the last twelve months' revenue (15.8% in Q2 2016). At the end of Q2 2017, inventory corresponded to 14.3% of the last twelve months' revenue (15.7% in Q2 2016). The decrease was mainly due to optimisation of inventories. Trade receivables at the end of Q2 2017 corresponded to 5.8% of the last twelve months' revenue (6.7% in Q2 2016). The decrease was mainly due to a higher share of revenue from PANDORA owned stores, which carries less receivables than wholesale revenue.

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

Share of the last 12 months' revenue	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Inventory	14.3%	14.0%	13.5%	16.4%	15.7%
Trade receivables	5.8%	7.2%	8.2%	10.2%	6.7%
Trade payables	-6.4%	-7.1%	-8.0%	-6.8%	-6.6%
Total	13.7%	14.2%	13.7%	19.8%	15.8%

At the end of Q2 2017, sales return and warranty provisions corresponded to around 4% of 12 months' rolling revenue value, compared with 5% for Q1 2017 and 6% for Q2 2016. The decrease in provisions was related to a lower share of revenue from the US as well as a reduction of provisions related to sales returns in the US as a result of a change in the product return policy in the US, announced to wholesalers in Q4 2016. The adjustment of sales return provisions was made in Q2 2017 to reflect the materialised changes in return patterns following the implementation of the new return policy.

CAPEX was DKK 296 million in Q2 2017 (DKK 352 million in Q2 2016). The CAPEX investments were mainly related to IT, opening of PANDORA owned stores and the crafting facilities in Thailand. In Q2 2017, CAPEX represented 6% of revenue (8% in Q2 2016).

Net interest-bearing debt (NIBD) at the end of Q2 2017 was DKK 3,943 million (DKK 3,863 million in Q2 2016) corresponding to a NIBD to EBITDA ratio of 0.5x of the last twelve months' rolling EBITDA (0.6x in Q2 2016).

OTHER IMPORTANT EVENTS IN Q2 2017

SHARE BUYBACK PROGRAMME FOR 2017

On 7 February 2017, in connection with the Annual Report 2016, PANDORA launched a share buyback programme under which PANDORA expects to buy back own shares to a maximum consideration of DKK 1.8 billion. The programme will end no later than 6 February 2018.

During Q2 2017, a total of 668,101 shares was bought back, corresponding to a transaction value of DKK 446 million. During the current share buyback programme, a total of 1,066,527 shares was bought back in H1 2017, corresponding to a transaction value of DKK 771 million. As of 30 June 2017, PANDORA held a total of 1,391,567 treasury shares, corresponding to 1.2% of the share capital.

EVENTS AFTER THE REPORTING PERIOD

STRATEGIC ALLIANCE WITH DISNEY TO INCLUDE EMEA

On 7 July 2017, PANDORA announced that it has expanded its strategic Corporate Alliance with The Walt Disney Company (Disney) to cover additional markets across EMEA. The expansion of the agreement means that PANDORA's Disney inspired jewellery will soon be available to customers in almost all of PANDORA's global markets. The Disney inspired jewellery will be available in the EMEA region for consumers by October 2017.

TAKEOVER OF DISTRIBUTION IN SPAIN

In August 2017, PANDORA entered into an agreement to acquire full control of distribution rights to PANDORA jewellery in Spain, Gibraltar, and Andorra. The acquisition will grant PANDORA the opportunity to enter Spain directly. With the agreement, PANDORA will add to its retail chain 51 PANDORA owned concept stores located in Spain. Furthermore, PANDORA will take over distribution to 15 franchisee concept stores and around 500 other points of sales in Spain, Gibraltar and Andorra.

PANDORA will pay a total amount of around EUR 110 million (approximately DKK 820 million) to acquire 100% of the share capital in City Time S.L (City Time). With the acquisition, PANDORA will gain full control of the distribution rights to PANDORA jewellery in Spain, Gibraltar and Andorra, as well as a fully operational set-up in Spain, including a regional office and distribution centre in Madrid and around 500 employees. The agreement is subject to certain conditions to be fulfilled. It is expected that the transaction is finalised during Q4 2017.

TAKEOVER OF DISTRIBUTION IN SOUTH AFRICA

On 3 July 2017, PANDORA acquired the PANDORA store network in South Africa, Mauritius, Namibia, Zambia, Zimbabwe, and Réunion.

PANDORA will pay a total amount of EUR 15 million (approximately DKK 114 million) to Scandinavian Brand House, related to the agreement, of which approximately EUR 3 million is related to inventory. With the agreement, PANDORA has added to its retail chain 16 PANDORA owned concept stores located in the region. Furthermore, PANDORA takes over distribution to 19 franchisee concept stores in the region.

DEVELOPMENT IN H1 2017

REVENUE

Total revenue increased by 10% to DKK 9,984 million in H1 2017 compared with H1 2016. Excluding foreign exchange rate movements, the underlying revenue growth was 10% in local currency.

The geographical distribution of revenue in H1 2017 was 43% for EMEA (44% in H1 2016), 34% for Americas (38% in H1 2016) and 23% for Asia Pacific (18% in H1 2016).

COSTS

Gross profit was DKK 7,348 million in H1 2017 compared with DKK 6,796 million in H1 2016, resulting in a gross margin of 73.6% in H1 2017 compared with 75.0% in H1 2016.

Sales, distribution and marketing expenses increased to DKK 3,068 million in H1 2017 compared with DKK 2,643 million in H1 2016, corresponding to 30.7% of revenue in H1 2017 and 29.1% in H1 2016. Administrative expenses amounted to DKK 1,114 million in H1 2017 versus DKK 1,020 million in H1 2016, representing 11.2% of revenue in both H1 2017 and H1 2016 revenue.

EBITDA

EBITDA for H1 2017 increased by 4% to DKK 3,490 million resulting in an EBITDA margin of 35.0% in H1 2017 versus 37.2% in H1 2016.

Regional EBITDA margins for H1 2017 were 35.2% in EMEA (36.7% in H1 2016), 31.6% in Americas (39.3% in H1 2016) and 39.3% in Asia Pacific (33.9% in H1 2016).

EBIT

EBIT for H1 2017 was DKK 3,166 million – an increase of 1% compared with H1 2016, resulting in an EBIT margin of 31.7% in H1 2017 versus 34.6% in H1 2016.

NET FINANCIALS

Net financials amounted to a loss of DKK 57 million in H1 2017 versus a gain of DKK 66 million in H1 2016. The development was primarily related to exchange rate losses.

INCOME TAX EXPENSES

Income tax expenses were DKK 653 million in H1 2017 compared with DKK 672 million in H1 2016, implying an effective tax rate for the Group of 21.0% for H1 2017 compared with 21.0% in H1 2016.

NET PROFIT

Net profit in H1 2017 was DKK 2,456 million compared with DKK 2,527 million in H1 2016.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Revenue	3	4,825	4,327	9,984	9,067	20,281
Cost of sales		-1,258	-1,067	-2,636	-2,271	-5,058
Gross profit		3,567	3,260	7,348	6,796	15,223
Sales, distribution and marketing expenses		-1,537	-1,299	-3,068	-2,643	-5,838
Administrative expenses		-580	-473	-1,114	-1,020	-1,981
Operating profit		1,450	1,488	3,166	3,133	7,404
Finance income		37	71	68	95	328
Finance costs		-100	-14	-125	-29	-82
Profit before tax		1,387	1,545	3,109	3,199	7,650
Income tax expense		-292	-324	-653	-672	-1,625
Net profit for the period		1,095	1,221	2,456	2,527	6,025
Earnings per share, basic, DKK		9.8	10.6	22.0	21.9	52.8
Earnings per share, diluted, DKK		9.8	10.6	21.9	21.8	52.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Net profit for the period	1,095	1,221	2,456	2,527	6,025
Other comprehensive income:					
Items that might be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	-293	143	-291	-46	121
Fair value adjustments of commodity hedging instruments	-115	237	84	519	47
Tax on other comprehensive income, hedging instruments, income/expense	-10	-52	-20	-115	-10
Other comprehensive income, net of tax	-418	328	-227	358	158
Total comprehensive income for the period	677	1,549	2,229	2,885	6,183

CONSOLIDATED BALANCE SHEET

DKK million	2017 30 June	2016 30 June	2016 31 December
ASSETS			
Goodwill	2,771	2,507	2,571
Brand	1,057	1,058	1,057
Distribution network	169	200	184
Distribution rights	1,054	1,064	1,061
Other intangible assets	943	783	893
Total intangible assets	5,994	5,612	5,766
Property, plant and equipment	1,893	1,543	1,767
Deferred tax assets	909	873	946
Other financial assets	269	217	250
Total non-current assets	9,065	8,245	8,729
Inventories	3,021	2,929	2,729
Derivative financial instruments	310	445	161
Trade receivables	1,232	1,253	1,673
Income tax receivable	159	22	142
Other receivables	778	808	754
Cash	571	540	897
Total current assets	6,071	5,997	6,356
Total assets	15,136	14,242	15,085
EQUITY AND LIABILITIES			
Share capital	113	117	117
Treasury shares	-1,049	-2,486	-4,334
Reserves	954	1,381	1,181
Dividend proposed ¹	1,000	-	1,007
Retained earnings	5,224	6,401	8,823
Total equity	6,242	5,413	6,794
Provisions	122	102	101
Loans and borrowings	3,958	4,100	3,008
Deferred tax liabilities	444	533	393
Other payables	385	271	393
Total non-current liabilities	4,909	5,006	3,895
Provisions	740	977	1,004
Loans and borrowings	237	94	3
Derivative financial instruments	321	72	256
Trade payables	1,352	1,239	1,622
Income tax payable	651	480	547
Other payables	684	961	964
Total current liabilities	3,985	3,823	4,396
Total liabilities	8,894	8,829	8,291
Total equity and liabilities	15,136	14,242	15,085

1) Includes extraordinary quarterly dividends related to Q2 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedge reserve	Dividend proposed	Retained earnings	Total equity
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
2016							
Equity at 1 January	122	-4,152	1,134	-111	1,511	7,635	6,139
Net profit for the period	-	-	-	-	-	2,527	2,527
Exchange rate adjustments of investments in subsidiaries	-	-	-46	-	-	-	-46
Fair value adjustment of hedging instruments	-	-	-	519	-	-	519
Tax on other comprehensive income	-	-	-	-115	-	-	-115
Other comprehensive income, net of tax	-	-	-46	404	-	-	358
Total comprehensive income for the period	-	-	-46	404	-	2,527	2,885
Share-based payments	-	-	-	-	-	38	38
Share-based payments (exercised)	-	231	-	-	-	-230	1
Share-based payments (tax)	-	-	-	-	-	10	10
Purchase of treasury shares	-	-2,153	-	-	-	-	-2,153
Reduction of share capital	-5	3,588	-	-	-	-3,583	-
Dividend paid	-	-	-	-	-1,511	4	-1,507
Equity at 30 June	117	-2,486	1,088	293	-	6,401	5,413

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Q2 2017	Q2 2016	H1 2017	H1 2016	FY 2016
Profit before tax	1,387	1,545	3,109	3,199	7,650
Finance income	-37	-71	-68	-95	-328
Finance costs	100	14	125	29	82
Depreciation, amortisation and impairment losses	161	121	324	236	518
Share-based payments	20	20	34	37	76
Change in inventories	-294	-379	-384	-544	-206
Change in receivables	203	-140	211	-291	-327
Change in payables and other liabilities	-349	-398	-642	-309	327
Other non-cash adjustments	-131	358	35	578	241
Interest etc. received	-	1	1	2	3
Interest etc. paid	-10	-9	-20	-17	-43
Income taxes paid	-257	-172	-533	-368	-1,462
Cash flows from operating activities, net	793	890	2,192	2,457	6,531
Acquisitions of subsidiaries and activities, net of cash acquired	-144	-164	-439	-192	-210
Purchase of intangible assets	-76	-106	-144	-179	-344
Purchase of property, plant and equipment	-163	-206	-311	-327	-825
Change in other non-current assets	-9	-20	-28	-46	-75
Proceeds from sale of property, plant and equipment	1	10	10	12	31
Cash flows from investing activities, net	-391	-486	-912	-732	-1,423
Dividend paid	-1,003	-	-2,010	-1,507	-1,507
Purchase of treasury shares	-446	-1,466	-769	-2,153	-4,000
Proceeds from loans and borrowings	1,002	1,277	1,391	2,417	3,777
Repayment of loans and borrowings	-1	-386	-195	-824	-3,373
Cash flows from financing activities, net	-448	-575	-1,583	-2,067	-5,103
Net increase/decrease in cash	-46	-171	-303	-342	5
Cash at beginning of period	646	703	897	889	889
Exchange gains/losses on cash	-29	8	-23	-7	3
Net increase/decrease in cash	-46	-171	-303	-342	5
Cash at end of period¹	571	540	571	540	897
Cash flows from operating activities, net	793	890	2,192	2,457	6,531
- Interest etc. received	-	-1	-1	-2	-3
- Interest etc. paid	10	9	20	17	43
Cash flows from investing activities, net	-391	-486	-912	-732	-1,423
- Acquisition of subsidiaries and activities, net of cash acquired	144	164	439	192	210
Free cash flow	556	576	1,738	1,932	5,358
Unutilised credit facilities	4,056	3,032	4,056	3,032	5,120

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

¹ Cash comprises cash at bank and in hand.

NOTES

NOTE 1 – Accounting policies

This unaudited interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union and accounting policies set out in the Annual Report 2016 of PANDORA.

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

PANDORA has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year beginning on 1 January 2017. The implementation of these new or amended standards had no material impact on the financial statements for the period.

PANDORA presents financial measures in the interim financial 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 to be a replacement for measures defined under IFRS.

The term Organic growth is used in the interim financial report. Organic growth is an alternative performance measure not defined by IFRS. Organic growth is defined as: Growth in external revenue in local currency relative to the same period last year adjusted for the acquisition/divestment of distributors and franchisee stores (the effect of converting wholesale to retail revenue and vice versa).

For definitions of other performance measures used by PANDORA, refer to note 5.6 in PANDORA's Annual Report 2016.

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 2016. Refer to descriptions in the individual notes to the consolidated financial statement in the Annual Report 2016.

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.

NOTE 3 – SEGMENT INFORMATION, CONTINUED

DKK million	EMEA	Americas	Asia Pacific	Total Group
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
Q2 2016				
External revenue	1,873	1,662	792	4,327
Segment profit (EBITDA)	683	670	256	1,609
Segment profit margin (EBITDA margin)	36.5%	40.3%	32.3%	37.2%
Depreciation, amortisation and impairment losses				-121
Consolidated operating profit (EBIT)				1,488
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
H1 2016				
External revenue	3,958	3,437	1,672	9,067
Segment profit (EBITDA)	1,452	1,350	567	3,369
Segment profit margin (EBITDA margin)	36.7%	39.3%	33.9%	37.2%
Depreciation, amortisation and impairment losses				-236
Consolidated operating profit (EBIT)				3,133

**REVENUE DEVELOPMENT IN PANDORA'S 7 LARGEST MARKETS
(SELECTED BASED ON FY 2016 REVENUE)**

DKK million	Q2 2017	Q2 2016	Growth in DKK	Growth in local currency	H1 2017	H1 2016	Growth in DKK	Growth in local currency
UK	453	446	2%	12%	1,000	1,048	-5%	6%
Italy	530	433	22%	22%	1,061	866	23%	23%
France	282	257	10%	10%	530	474	12%	12%
Germany	214	190	13%	12%	422	413	2%	2%
US	1,273	1,268	0%	-2%	2,547	2,639	-3%	-6%
Australia	368	318	16%	12%	728	601	21%	15%
China	362	194	87%	91%	789	387	104%	108%

NOTE 4 – 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 5 – 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 2016.

NOTE 6 – Derivative financial instruments

Derivative financial instruments are measured at fair value and in accordance with level 2 in the fair value hierarchy (IFRS 7). Refer to note 4.5 to the consolidated financial statement in the Annual Report 2016.

NOTE 7 – Business combinations

Acquisitions in 2017

On 30 June 2017, PANDORA acquired the distribution in Belgium when the previous distribution agreement ended. The acquisition comprised inventory and non-current assets relating to 13 concept stores and 3 shop-in-shops. Furthermore, PANDORA acquired 44 stores in the first six months of 2017 (22 concept stores in US, 9 in UK, 6 in New Zealand, 4 in Canada, 2 in Australia and 1 in Italy) in business combinations. The total purchase price was DKK 461 million. Assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores. Based on the preliminary purchase price allocations goodwill is expected to be DKK 295 million. Cost relating to the acquisition of the stores was DKK 1 million recognised in operating expenses in the income statement. Of the goodwill acquired DKK 243 million is deductible for income tax purposes.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 30 June 2017 was insignificant.

Acquisitions

DKK million	Total 2017	Total 2016
Other intangible assets	14	-
Property, plant and equipment	44	6
Other non-current receivables	-	9
Receivables	1	4
Inventories	123	61
Cash	-	1
Assets acquired	182	81
Non-current liabilities	6	2
Payables	5	6
Other current liabilities	5	-
Liabilities assumed	16	8
Total identifiable net assets acquired	166	73
Goodwill arising on the acquisitions	295	115
Purchase consideration	461	188
Cash movements on acquisitions:		
Prepaid, previous year ^{1,2}	-1	-7
Consideration transferred regarding previous years ³	-	29
Deferred payment (including earn-out) ⁴	-21	-
Cash acquired	-	-1
Net cash flows on acquisition for the period	439	209
Prepayments, acquisitions ¹	-	1
Net cash flows on acquisitions	439	210

1) Prepayment in 2016 relates to the acquisition of a store in Australia 4 January 2017. The amount paid was DKK 1 million.

2) Prepayment in 2015 relates to the acquisitions in Singapore, Macau and the Philippines on 1 January 2016. The amount paid was DKK 7 million.

3) The consideration transferred in 2016 was the final payment for the transfer of assets regarding the acquisition in China in 2015, DKK 29 million.

4) The deferred payment is related to the acquisitions in Belgium and Italy in June 2017 and is expected to be paid in July 2017, DKK 21 million.

Acquisitions in 2016

On 1 January 2016, PANDORA acquired the PANDORA store network in Singapore and Macau from Norbreeze Group (Norbreeze). The distribution agreements with Norbreeze for distributing PANDORA jewellery in Singapore, Macau and the Philippines expired on 31 December 2015. Distribution in the Philippines continues under a new agreement with the existing distributor, whereas the distribution in Singapore and Macau remains with PANDORA. On 1 January 2016, PANDORA established a local office in Singapore for the Singapore operation, whereas Macau and the Philippines are operated out of PANDORA's office in Hong Kong.

According to the purchase price allocation, the purchase price of DKK 167 million was primarily related to non-current assets and inventories related to the acquired stores. Goodwill was DKK 102 million mainly

related to the opportunity to enter Singapore and Macau directly and to add 15 PANDORA concept stores and 5 shop-in-shops located in these two markets to PANDORA's retail chain.

In 2016, purchase consideration in the amount of DKK 160 million has been transferred to Norbreeze. DKK 7 million was prepaid in 2015. Transaction cost of DKK 3 million was recognised in the income statement as administrative expenses. None of the goodwill recognised is deductible for income tax purposes.

On 6 July 2016, PANDORA acquired four concept stores in London, UK, in a business combination. The purchase amount was DKK 21 million. Assets acquired mainly consist of inventories and other assets and liabilities relating to the stores. Of the purchase price DKK 13 million was allocated to goodwill. Transaction cost was DKK 1 million. None of the goodwill recognised is deductible for income tax purposes.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2016 was insignificant.

Acquisitions after the reporting period

On 3 July 2017, PANDORA acquired the distribution in South Africa, Mauritius, Namibia, Zambia, Zimbabwe and Réunion from Scandinavian Brand House following the expiration of the distribution contract on 30 June 2017, adding 16 concept stores and 18 shop-in-shops to PANDORA's retail business. Furthermore PANDORA acquired 25 stores after the reporting period (11 concept stores in Poland, 5 in Italy, 5 in US and 4 in Canada). The total purchase price was DKK 296 million. Assets acquired are mainly non-current assets relating to the stores and inventory. Due to the timing between take over dates and the announcement of the interim 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 173 million.

NOTE 8 – Contingent liabilities

Refer to note 5.2 to the consolidated financial statements in the Annual Report 2016. Compared with Q1 2017, leasing commitments decreased by DKK 186 million in Q2 2017 to DKK 2,926 million at the end of Q2 2017.

NOTE 9 – Related parties

Related parties with significant interests

Other related parties of PANDORA with significant influence include the Board of Directors and the Executive Board 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 of Directors or the Executive Board, except for compensation and benefits received because of their membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA.

NOTE 10 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q2 2017	Q1 2017	Q2 2016	Growth Q/Q	Growth y/y
Other points of sale (retail)	99	105	118	-6	-19
Other points of sale (wholesale)	4,115	4,156	5,383	-41	-1,268
Other points of sale (3 rd party)	1,245	1,432	1,498	-187	-253
Other points of sale, total	5,459	5,693	6,999	-234	-1,540

NOTE 11 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	<i>Total Concept stores</i>					<i>O&O concept stores</i>		
	Number of concept stores Q2 2017	Number of concept stores Q1 2017	Number of concept stores Q2 2016	Growth Q2 2017 /Q1 2017	Growth Q2 2017 /Q2 2016	Number of O&O Q2 2017	Growth O&O stores Q2 2017 /Q1 2017	Growth O&O stores Q2 2017 /Q2 2016
UK	230	230	205	-	25	22	-	13
Russia	209	206	200	3	9	-	-	-
Germany	154	154	157	-	-3	141	1	-3
Italy	88	82	59	6	29	39	7	19
France	76	73	60	3	16	27	-	4
Spain	62	55	47	7	15	-	-	-
Poland	46	45	40	1	6	20	1	3
South Africa	36	35	31	1	5	-	-	-
Ireland	30	29	23	1	7	-	-	-
Belgium	25	25	24	-	1	13	13	13
Ukraine	23	23	21	-	2	-	-	-
Portugal	23	22	18	1	5	-	-	-
Netherlands	22	22	20	-	2	22	-	2
United Arab Emirates	19	19	15	-	4	19	-	4
Czech Republic	17	17	14	-	3	10	-	-
Israel	17	16	17	1	-	-	-	-
Romania	15	15	10	-	5	9	-	2
Turkey	15	14	13	1	2	15	1	2
Denmark	14	14	11	-	3	14	-	3
Greece	13	13	13	-	-	-	-	-
Austria	13	13	11	-	2	7	-	3
Rest of EMEA	121	113	77	8	44	23	1	7
EMEA	1,268	1,235	1,086	33	182	381	24	72
US	359	349	335	10	24	70	6	26
Brazil	92	91	75	1	17	53	1	11
Canada	78	78	73	-	5	6	-	4
Caribbean	24	24	20	-	4	-	-	-
Mexico	20	19	16	1	4	-	-	-
Rest of Americas	32	31	21	1	11	-	-	-
Americas	605	592	540	13	65	129	7	41
China	134	117	67	17	67	133	17	66
Australia	115	114	105	1	10	19	-	2
Malaysia	29	29	25	-	4	-	-	-
Hong Kong	27	29	26	-2	1	23	-2	-1
Philippines	17	15	10	2	7	-	-	-
New Zealand	15	13	12	2	3	5	5	5
Singapore	14	14	15	-	-1	11	-	-1
Thailand	11	9	8	2	3	-	-	-
Rest of Asia Pacific	31	29	26	2	5	10	-	2
Asia Pacific	393	369	294	24	99	201	20	73
All markets	2,266	2,196	1,920	70	346	711	51	186

*Includes markets with 10 or more concept stores as of end Q2 2017.

NOTE 12 – Commodity hedging

It is PANDORA's policy to hedge approximately 100%, 80%, 60% and 40%, respectively, of expected gold and silver consumption in the following four quarters. However, current inventory means a delayed impact of the hedged prices on cost of sales.

HEDGED AND REALISED PRICES

USD / OZ	Realised in Q2 2017	Hedged Q3 2017	Hedged Q4 2017	Hedged Q1 2018	Hedged Q2 2018
Gold price	1,291	1,297	1,242	1,260	1,270
Silver price	17.89	18.40	17.39	18.11	17.44
Hedging share, %	Realised	90-100%	70-90%	50-70%	30-50%

NOTE 13 – Dividend and share buyback

DIVIDEND

From 2017 and onwards, PANDORA plans to pay out quarterly dividends. In May 2017, PANDORA paid out quarterly dividend of DKK 9 per share in relation to Q1 2017, corresponding to DKK 1.0 billion in total. PANDORA also plans to pay quarterly dividends of DKK 9 per share in relation to Q2 2017 and Q3 2017. Additionally, PANDORA paid out ordinary dividend of DKK 9 per share in March 2017, related to the full year results for 2016. In total, PANDORA will pay out DKK 36 per share in 2017. Please refer to the Company's financial calendar for information on payment dates.

SHARE BUYBACK PROGRAMME FOR 2017

The Board of Directors of PANDORA has decided to launch a new share buyback programme in 2017 under which PANDORA expects to buy back own shares to a maximum consideration of DKK 1.8 billion. The shares acquired within the programme will be used to reduce PANDORA's share capital and to meet obligations arising from employee share option programmes. The programme will run in the period from 7 February 2017 to no later than 6 February 2018.

QUARTERLY OVERVIEW

DKK million	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Consolidated income statement					
Revenue	4,825	5,159	6,602	4,612	4,327
Gross profit	3,567	3,781	4,963	3,464	3,260
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,611	1,879	2,711	1,842	1,609
Operating profit (EBIT)	1,450	1,716	2,552	1,719	1,488
Net financials	-63	6	120	60	57
Net profit for the period	1,095	1,361	2,093	1,405	1,221
Consolidated balance sheet					
Total assets	15,136	15,286	15,085	15,242	14,242
Invested capital	10,262	9,859	9,396	9,839	8,965
Operating working capital	2,901	2,943	2,780	3,833	2,943
Net interest-bearing debt (NIBD) ¹	3,943	2,883	2,448	4,546	3,863
Equity	6,242	7,010	6,794	5,528	5,413
Consolidated cash flow statement					
Net increase/decrease in cash	-46	-257	451	-104	-171
Free cash flow	556	1,182	2,849	577	576
Cash conversion, %	38.3%	68.9%	111.6%	33.6%	38.7%
Growth ratios					
Revenue growth, %	12%	9%	16%	18%	20%
Gross profit growth, %	9%	7%	18%	20%	27%
EBITDA growth, %	0%	7%	26%	27%	23%
EBIT growth, %	-3%	4%	27%	28%	20%
Net profit growth, %	-10%	4%	52%	40%	34%
Margins					
Gross margin, %	73.9%	73.3%	75.2%	75.1%	75.3%
EBITDA margin, %	33.4%	36.4%	41.1%	39.9%	37.2%
EBIT margin, %	30.1%	33.3%	38.7%	37.3%	34.4%
Other ratios					
Effective tax rate, %	21.1%	21.0%	21.7%	21.0%	21.0%
Equity ratio, %	41.2%	45.9%	45.0%	36.3%	38.0%
NIBD to EBITDA, x ^{1,2}	0.5	0.4	0.3	0.6	0.6
Return on invested capital (ROIC), % ²	72.5%	75.8%	78.8%	69.7%	72.2%
Other key figures					
Capital expenditure (CAPEX), DKK million	296	210	249	324	352
Capital expenditure, tangible assets (CAPEX), DKK million	209	139	134	246	245
Store network, total number of points of sale	7,725	7,889	8,131	8,921	8,919
Store network, total number of concept stores	2,266	2,196	2,138	2,010	1,920
Average number of full-time employees	20,065	19,495	18,956	18,106	17,276

1) For 2016, NIBD and consequently NIBD to EBITDA were recalculated due to reclassifications. Refer to note 4.3 in the Annual Report 2016.

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

MANAGEMENT STATEMENT

The Board of Directors and the Executive Board have reviewed and approved the interim report of PANDORA A/S for the period 1 January – 30 June 2017.

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 2017, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 June 2017.

Further, in our opinion the Management's review p. 1-25 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, 8 August 2017

EXECUTIVE BOARD

Anders Colding Friis
Chief Executive Officer

Peter Vekslund
Chief Financial Officer

BOARD OF DIRECTORS

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Chairman

Christian Frigast
Deputy Chairman

Allan Leighton
Deputy Chairman

Anders Boyer-Søgaard

Andrea Alvey

Birgitta Stymne Göransson

Bjørn Gulden

Per Bank

Ronica Wang

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 around 7,700 points of sale, including more than 2,200 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs around 22,300 people worldwide of whom around 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 2016, PANDORA's total revenue was DKK 20.3 billion (approximately EUR 2.7 billion).

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.