

No. 349

COMPANY ANNOUNCEMENT

7 February 2017

PANDORA RECORDS 21% REVENUE GROWTH FOR 2016 AND INCREASES EBITDA MARGIN TO 39.1%

- Group revenue in 2016 was DKK 20,281 million, an increase of 21% (24% increase in local currency), compared with 2015, and in line with financial guidance:
 - Americas increased by 5% (6% increase in local currency)
 - EMEA increased by 27% (33% increase in local currency)
 - Asia Pacific increased by 46% (48% increase in local currency)
 - Revenue from concept stores increased by 37% corresponding to 66% of revenue
- Roughly 50% of revenue growth for 2016 was driven by growth in stores open for more than 12 months (including all sales channels) and roughly 50% was driven by expansion of the network, including forward integrations
- The gross margin increased to 75.1% in 2016, compared with 72.9% in 2015
- EBITDA increased by 27% to DKK 7,922 million in 2016, corresponding to an EBITDA margin of 39.1%, compared with 37.1% in 2015 and in line with financial guidance
- Net profit in 2016 was DKK 6,025 million, compared with DKK 3,674 million in 2015, corresponding to earnings per share of DKK 52.8 compared to DKK 30.9 in 2015
- Free cash flow in 2016 was DKK 5,358 million, compared with DKK 2,449 million in 2015
- The Board of Directors proposes to return DKK 4.0 billion in dividend in 2017, including an ordinary dividend of DKK 9 per share and three extraordinary quarterly dividends of DKK 9 per share. Additionally, PANDORA will today initiate a DKK 1.8 billion share buyback programme
- For 2017, PANDORA expects revenue of DKK 23-24 billion and an EBITDA margin of approx. 38%

In connection with the full year results Anders Colding Friis, CEO of PANDORA, stated:

“2016 was another great year for PANDORA, where we significantly improved our global branded presence. We delivered as promised and reached a number of milestones including more than DKK 20 billion in revenue and opening our concept store number 2,000. Cash flow generation continued to be solid, and we propose to almost triple the total dividends in 2017 to DKK 36 per share. This is of course a token of our strong belief in the business, but also to align our cash return with our shareholders’ preferences.”

FINANCIAL GUIDANCE 2017

| | FY 2017 Guidance | FY 2016 Actual | FY 2016 Latest guidance | FY 2016 Initial guidance | FY 2015 Actual |
|----------------------|----------------------|-------------------|----------------------------|-----------------------------|-------------------|
| Revenue, DKK billion | 23-24 | 20.3 | >20 | >19 | 16.7 |
| EBITDA margin | Approx. 38% | 39.1% | Approx. 39% | >37% | 37.1% |
| CAPEX, DKK billion | Around 5% of revenue | 1.2 | Approx. 1.2 | Approx. 1.0 | 1.1 |
| Effective tax rate | Approx. 21% | 21.2% | Approx. 21% | Approx. 21% | 31.3% |

In 2017, PANDORA will continue to drive growth in existing stores, and expand the store network in newer as well as in more developed markets. Revenue is expected to be in the range of DKK 23-24 billion, with existing stores expected to contribute roughly half of the growth, and expansion of the store network contributing the remaining half. PANDORA currently expects only single digit revenue growth in Q1 2017, due to timing of shipments and a very strong performance in Q1 2016. Assuming current exchange rates, PANDORA expects a full year tailwind effect from currencies on revenue of around 1 percentage point compared with 2016.

The EBITDA margin in 2017 is expected to be around 38%. The EBITDA margin is expected to be significantly lower in the first half of 2017 compared to the second half. For 2017, the EBITDA margin is anticipated to be negatively impacted by around 0-1 percentage points from higher commodity prices. Furthermore, assuming current exchange rates, PANDORA expects a full year headwind effect from currencies on the EBITDA margin of around 1 percentage point compared with 2016.

CAPEX for the year is expected to be around 5% of revenue. The expected level of investments includes expansion of the crafting facilities in Thailand, investments in PANDORA's distribution network, as well as IT investments.

The effective tax rate for 2017 is expected to be around 21%, unchanged compared to 2016.

In 2017, PANDORA plans to continue to expand the store network and expects to add more than 275 new concept stores during the year 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 intentions to increase the owned and operated retail footprint.

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

DIVIDEND

For the financial year 2015, PANDORA paid out ordinary dividend of DKK 13 per share, corresponding to DKK 1.5 billion in total. From 2017, PANDORA proposes to supplement the ordinary dividend with three extraordinary quarterly dividends.

Following a strong financial performance in 2016, the Board of Directors proposes to return DKK 4.0 billion in dividend in 2017. This includes an ordinary dividend of DKK 9 per share and additionally three extraordinary quarterly dividends of DKK 9 per share in relation to Q1 2017, Q2 2017 and Q3 2017. In total, PANDORA will pay out a total of DKK 36 per share in 2017.

SHARE BUYBACK PROGRAMME FOR 2016

In connection with the Annual Report 2015, PANDORA announced its intention to buy back own shares of up to DKK 4.0 billion during 2016 in a share buyback programme. As of 31 December

2016, a total of 4,641,992 shares had been bought back, corresponding to a transaction value of DKK 4.0 billion. The purpose of the programme is to reduce PANDORA's share capital and to meet obligations arising from employee share option programmes. At the Annual General Meeting 2017, The Board of Directors will propose to reduce the Company's share capital by a nominal amount of DKK 4,549,430 by cancellation of 4,549,430 own shares of DKK 1, equal to 3.9% of the Company's total share capital.

NEW 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.

ANNUAL REPORT 2016

PANDORA's Annual Report 2016 has been released today and is available for download in the investor section of www.pandoragroup.com.

CONFERENCE CALL

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

The following numbers can be used by investors and analysts:

DK: +45 38 32 28 69

UK (International): +44(0) 203 427 1907

US: +1 212 444 0895

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

FINANCIAL CALENDAR 2017

| | |
|------------------|---|
| 15 March 2017 | Annual General Meeting |
| 20 March 2017 | Payment of annual dividend |
| 9 May 2017 | Interim Report for the first quarter of 2017 |
| 16 May 2017 | Ex dividend date |
| 18 May 2017 | Payment date |
| 8 August 2017 | Interim Report for the second quarter of 2017 |
| 15 August 2017 | Ex dividend date |
| 17 August 2017 | Payment date |
| 7 November 2017 | Interim Report for the third quarter of 2017 |
| 14 November 2017 | Ex dividend date |
| 16 November 2017 | Payment date |

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 8,100 points of sale, including more than 2,100 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 21,500 people worldwide of whom around 12,400 are located in Gemopolis, 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).

CONTACT

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FINANCIAL HIGHLIGHTS

| DKK million | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|---|---------|---------|---------|---------|
| Consolidated income statement | | | | |
| Revenue | 6,602 | 5,681 | 20,281 | 16,737 |
| Gross profit | 4,963 | 4,205 | 15,223 | 12,193 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 2,711 | 2,144 | 7,922 | 6,214 |
| Operating profit (EBIT) | 2,552 | 2,002 | 7,404 | 5,814 |
| Net financials | 120 | -84 | 246 | -469 |
| Net profit for the period | 2,093 | 1,375 | 6,025 | 3,674 |
| Consolidated balance sheet | | | | |
| Total assets | 15,085 | 13,311 | 15,085 | 13,311 |
| Invested capital | 9,396 | 8,255 | 9,396 | 8,255 |
| Operating working capital | 2,780 | 2,388 | 2,780 | 2,388 |
| Net interest-bearing debt (NIBD) ¹ | 2,448 | 1,921 | 2,448 | 1,921 |
| Equity | 6,794 | 6,139 | 6,794 | 6,139 |
| Consolidated cash flow statement | | | | |
| Net increase/decrease in cash | 451 | 336 | 5 | -245 |
| Free cash flow | 2,849 | 1,464 | 5,358 | 2,449 |
| Cash conversion, % | 111.6% | 73.1% | 72.4% | 42.1% |
| Growth ratios | | | | |
| Revenue growth, % | 16% | 43% | 21% | 40% |
| Gross profit growth, % | 18% | 48% | 25% | 45% |
| EBITDA growth, % | 26% | 48% | 27% | 45% |
| EBIT growth, % | 27% | 45% | 27% | 43% |
| Net profit growth, % | 52% | 37% | 64% | 19% |
| Margins | | | | |
| Gross margin, % | 75.2% | 74.0% | 75.1% | 72.9% |
| EBITDA margin, % | 41.1% | 37.7% | 39.1% | 37.1% |
| EBIT margin, % | 38.7% | 35.2% | 36.5% | 34.7% |
| Other ratios | | | | |
| Effective tax rate, % | 21.7% | 28.3% | 21.2% | 31.3% |
| Equity ratio, % | 45.0% | 46.1% | 45.0% | 46.1% |
| NIBD to EBITDA, x ^{1, 2} | 0.3 | 0.3 | 0.3 | 0.3 |
| Return on invested capital (ROIC), % ² | 78.8% | 70.4% | 78.8% | 70.4% |
| Share information | | | | |
| Dividend per share, DKK ³ | - | - | 9.00 | 13.00 |
| Total payout ratio (incl. share buyback), % | - | - | 91.5% | 135.8% |
| Earnings per share, basic, DKK | 18.5 | 11.7 | 52.8 | 30.9 |
| Earnings per share, diluted, DKK | 18.4 | 11.6 | 52.5 | 30.7 |
| Share price at end of period, DKK | 924.0 | 872.0 | 924.0 | 872.0 |
| Other key figures | | | | |
| Capital expenditure (CAPEX), DKK million | 249 | 319 | 1,199 | 1,109 |
| Capital expenditure, tangible assets (CAPEX), DKK million | 134 | 262 | 828 | 706 |
| Store network, total number of points of sale | 8,131 | 9,271 | 8,131 | 9,271 |
| Store network, total number of concept stores | 2,138 | 1,802 | 2,138 | 1,802 |
| Average number of full-time employees | 18,956 | 15,898 | 17,770 | 13,971 |

- 1) For 2015, NIBD and consequently NIBD to EBITDA were recalculated due to reclassification. Refer to note 4.3 in Annual Report 2016
- 2) Ratios are based on 12 months rolling EBITDA and EBIT, respectively
- 3) Proposed dividend per share for 2016

HIGHLIGHTS FOR Q4 2016

For the fourth quarter, PANDORA reported revenue of DKK 6,602 million, an increase of 16% compared to Q4 2015, or 19% in local currency. Growth was supported by a continued strong development in EMEA and Asia Pacific, supported by a strong performance in important growth markets like Italy, France and China as well as continued growth in PANDORA's developed markets, including double digit growth in local currency in the UK and Australia. Revenue in Americas decreased 3%, but excluding a one-off related to the closure of around 700 stores in North America (around 650 multibranded stores and 50 shop-in-shops), revenue for the region increased 15%.

- Americas decreased by 3% (4% decrease in local currency)
 - EMEA increased by 21% (30% increase in local currency)
 - Asia Pacific increased by 40% (37% increase in local currency)
 - Revenue from concept stores increased by 31% and corresponded to 74% of revenue
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- Roughly 50% of revenue growth for the quarter was driven by growth in stores open for more than 12 months (including all sales channels) and roughly 50% was driven by expansion of the network, including forward integrations
 - Concept store like-for-like sales growth for the Group was 5% including eSTORE and unchanged compared to Q3 2016 (3% excl. eSTORE). Like-for-like in the US, including eSTORE was 2% (-2% excl. eSTORE)
 - The gross margin increased to 75.2% in Q4 2016, compared with 74.0% in Q4 2015
 - EBITDA increased by 26% to DKK 2,711 million in Q4 2016, corresponding to an EBITDA margin of 41.1%, compared with 37.7% in Q4 2015
 - Net profit for the quarter was DKK 2,093 million, compared with DKK 1,375 million in Q4 2015
 - At the end of 2016, operating working capital was 13.7% of the preceding twelve months revenue, compared to 14.3% at the end of 2015 and at the lowest level since the IPO
 - Free cash flow for the quarter increased to DKK 2,849 million, compared with DKK 1,464 million in Q4 2015.
 - During Q4 2016, PANDORA bought back 729,389 own shares at a total value of DKK 609 million as part of the ongoing DKK 4.0 billion share buyback programme, corresponding to 0.6% of the total share capital as of end Q4 2016

IMPORTANT EVENTS IN Q4 2016

In October 2016, PANDORA opened its new production facility in Lamphun close to Chiang Mai in Northern Thailand. The new facility has started commercial production in January 2017. Furthermore, as part of the already announced production capacity expansion programme in Thailand, which will run until the end of 2019, PANDORA has started the construction of an additional site in Gemopolis named Triple A.

EVENTS AFTER THE REPORTING PERIOD

On 27 January 2017, PANDORA signed a letter of intent with Pan India Charms & Jewellery Private Limited (Pan India) about distribution of PANDORA jewellery in India. Under the terms of the distribution agreement, Pan India will be granted exclusive distribution rights for PANDORA jewellery in India, in which PANDORA currently has no distribution. The agreement is subject to certain conditions to be fulfilled.

Through its distribution partner, PANDORA will establish branded sales distribution focusing on concept stores and shop-in-shops, initially in Delhi, Mumbai and Bangalore, consistent with PANDORA's overall strategy to focus on expanding the global branded network. The initial expectation is to open around 50 concept stores in India over a three year period, with around five stores expected to be opened in 2017. The first opening is planned for Q1 2017.

FINANCIAL REVIEW

REVENUE

Total revenue for Q4 2016 was DKK 6,602 million, an increase of 16% (19% in local currency) compared with Q4 2015. Growth was mainly driven by an increase in volume. On average, prices on individual products towards the end-consumer were largely unchanged.

Roughly 50% of revenue growth for the quarter was driven by growth in stores open for more than 12 months (including all sales channels) and roughly 50% was driven by expansion of the network, including forward integration. For Q4 2016, the net effect of converting wholesale revenue to retail revenue, related to forward integration, was around DKK 60 million.

Revenue breakdown by sales channel – Group*

| DKK million | Q4 2016 | Q4 2015 | Growth | Share of revenue | FY 2016 | FY 2015 | Growth | Share of revenue |
|------------------------------------|--------------|--------------|-------------|------------------|---------------|---------------|------------|------------------|
| Concept stores | 4,878 | 3,723 | 31% | 74% | 13,306 | 9,719 | 37% | 66% |
| - hereof PANDORA owned* | 2,359 | 1,717 | 37% | 36% | 6,266 | 4,049 | 55% | 31% |
| Shop-in-shops | 663 | 707 | -6% | 10% | 2,516 | 2,418 | 4% | 12% |
| - hereof PANDORA owned | 181 | 177 | 2% | 3% | 617 | 462 | 34% | 3% |
| Branded | 5,541 | 4,430 | 25% | 84% | 15,822 | 12,137 | 30% | 78% |
| Multibranded | 528 | 786 | -33% | 8% | 2,853 | 3,068 | -7% | 14% |
| Total direct | 6,069 | 5,216 | 16% | 92% | 18,675 | 15,205 | 23% | 92% |
| 3 rd party distributors | 533 | 465 | 15% | 8% | 1,606 | 1,532 | 5% | 8% |
| Total revenue | 6,602 | 5,681 | 16% | 100% | 20,281 | 16,737 | 21% | 100% |

*PANDORA eSTORE revenue is recognised as PANDORA owned concept store revenue. Regional revenue breakdown by sales channel available in note 11

Revenue from PANDORA owned stores, including all PANDORA eSTOREs, increased by 34% to DKK 2,540 million and corresponded to 38% of total revenue compared with 33% in Q4 2015. In Q4 2016, revenue from PANDORA eSTOREs was DKK 528 million corresponding to an increase of 41% and 8.0% of Group revenue (6.6% in Q4 2015). At the end of Q4 2016 PANDORA eSTOREs were available in 17 countries compared with 14 at the end of Q4 2015. Furthermore, PANDORA has added net 119 PANDORA owned stores in the last 12 months.

Revenue from shop-in-shops was DKK 663 million corresponding to a decrease of 6% compared with Q4 2015. The decrease was primarily driven by the Americas region, which was impacted by the decision to close around 50 shop-in-shops in North America.

Revenue from multibranded stores was DKK 528 million and decreased 33% compared with Q4 2015, due to the closure of net 1,829 multibranded stores in the last 12 months.

Concept stores* like-for-like sales growth

| | Q4 2016 vs. Q4 2015 | Q3 2016 vs. Q3 2015 | Q2 2016 vs. Q2 2015 | Q1 2016 vs. Q1 2015 | Q4 2015 vs. Q4 2014 |
|-------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Group | 3% | 4% | 7% | 9% | 13% |

* Concept stores (excluding eSTOREs) that have been operating for more than 12 months

Like-for-like sales growth for the Group was 3%, driven by growth in EMEA and Asia Pacific. Including the PANDORA eSTOREs, like-for-like sales growth was 5%. Reported revenue from concept stores (including eSTOREs) increased 31%. The difference between the reported growth and the like-for-like sales growth from concept stores is mainly explained by network expansion, channel mix and timing of shipments.

At the end of Q4 2016, sales return and warranty provisions corresponded to around 6% of 12 months' rolling revenue value, compared with 6% for Q3 2016 and 7% for Q4 2015. The decrease compared to Q4 2015 was mainly driven by a lower share of revenue from the Americas region as well as an increase in revenue from PANDORA owned stores.

Store network, number of points of sale – Group*

| | Number of PoS Q4 2016 | Number of PoS Q3 2016 | Number of PoS Q4 2015 | Growth Q4 2016 and Q3 2016 | Growth Q4 2016 and Q4 2015 |
|---|--------------------------|--------------------------|--------------------------|----------------------------------|----------------------------------|
| Concept stores | 2,138 | 2,010 | 1,802 | 128 | 336 |
| - hereof PANDORA owned | 598 | 563 | 474 | 35 | 124 |
| - hereof 3 rd party distributors | 564 | 529 | 499 | 35 | 65 |
| Shop-in-shops | 2,027 | 1,987 | 1,674 | 40 | 353 |
| - hereof PANDORA owned | 111 | 112 | 116 | -1 | -5 |
| - hereof 3 rd party distributors | 461 | 433 | 414 | 28 | 47 |
| Multibranded | 3,966 | 4,924 | 5,795 | -958 | -1,829 |
| - hereof 3 rd party distributors | 1,020 | 1,032 | 1,184 | -12 | -164 |
| Total points of sale | 8,131 | 8,921 | 9,271 | -790 | -1,140 |

*Regional store network development available in note 11

In the last 12 months PANDORA has added net 336 concept stores to the global store network, including a net total of 124 new PANDORA owned concept stores. Please refer to note 10 for a detailed overview of concept stores per country.

REVENUE BY GEOGRAPHY

In Q4 2016, 29% of revenue was generated in Americas (34% in Q4 2015), 51% in EMEA (49% in Q4 2015) and 20% in Asia Pacific (17% in Q4 2015).

Revenue per region

| DKK million | Q4 2016 | Q4 2015 | Growth in local currency | | FY 2016 | FY 2015 | Growth in local currency | |
|--------------|--------------|--------------|--------------------------------|------------|---------------|---------------|--------------------------------|------------|
| | | | Growth | | | | Growth | |
| Americas | 1,905 | 1,957 | -3% | -4% | 6,852 | 6,537 | 5% | 6% |
| EMEA | 3,378 | 2,784 | 21% | 30% | 9,556 | 7,548 | 27% | 33% |
| Asia Pacific | 1,319 | 940 | 40% | 37% | 3,873 | 2,652 | 46% | 48% |
| Total | 6,602 | 5,681 | 16% | 19% | 20,281 | 16,737 | 21% | 24% |

AMERICAS

Revenue for the fourth quarter in Americas was DKK 1,905 million, a decrease of 3% (4% in local currency) compared with Q4 2015. The decrease was due to the decision to close down around 650 multibranded stores and around 50 shop-in-shops in North America. The combined revenue impact of lost sales and taking back inventory was around DKK 350 million in the quarter. Excluding the impact from the closures, revenue growth in Americas would have been 15%.

Revenue in the US was DKK 1,377 million, a decrease of 5% compared with Q4 2015 (6% in local currency). The decrease was driven by the aforementioned closure of stores, which had a total impact for the quarter compared to Q4 2015 of around DKK 290 million. Excluding the closures revenue growth in the US would have been 14%. The growth was primarily driven by the continued success of the US eSTORE, as well as the addition of net 27 new concept stores in the last 12 months. Furthermore, revenue in the US was positively impacted by around DKK 150 million related to timing of shipments compared to Q4 2015.

Revenue development in Canada, which corresponded to 15% of revenue from Americas, decreased 12% compared to Q4 2015, or 13% in local currency. The decrease was due to the aforementioned closure of stores of which 135 were closed in Canada. The closures in Canada included around 20 shop-in-shops.

Concept stores* like-for-like sales growth

| | Q4 2016 vs. Q4 2015 | Q3 2016 vs. Q3 2015 | Q2 2016 vs. Q2 2015 | Q1 2016 vs. Q1 2015 | Q4 2015 vs. Q4 2014 |
|----------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Americas | -3% | 0% | -1% | 2% | 7% |

* Concept stores (excluding eSTOREs) that have been operating for more than 12 months

Like-for-like sales in concept stores (excluding eSTOREs) in Americas in Q4 2016 decreased 3%. Including the PANDORA eSTOREs like-for-like sales growth in Americas was -1%. Like-for-like sales growth in the US, including eSTORE was 2%, while like-for-like excluding the eSTORE was -2%, impacted by decreasing mall traffic in all regions. Like-for-like in Latin America continued to be negative.

EMEA

Revenue in EMEA was DKK 3,378 million in Q4 2016, and increased 21% (or 30% in local currency) compared with Q4 2015.

Revenue in the UK increased 7% in Q4 2016 (30% in local currency), and contributed around 30% of revenue in EMEA. Growth in local currency was driven by a positive development in existing stores, including the PANDORA eSTORE, as well as the expansion of the store network, including net 33 new concept stores opened since Q4 2015, to a total of 228 concept stores at the end of 2016.

Italy and France continued to drive the growth in the region with revenue increasing around 40% and 60% compared with Q4 2015, respectively. The increase was primarily driven by revenue growth in stores open for more than 12 months. Italy and France represented around 15% and 10%, respectively, of revenue in EMEA in Q4 2016.

Revenue from Germany increased 5% compared to Q4 2015. Growth was driven by positive like-for-like sales growth, partially offset by the closing of 209 multibranded stores in the last 12 months. Revenue from Germany represented around 10% of revenue in EMEA.

Concept stores* like-for-like sales growth

| | Q4 2016 vs. Q4 2015 | Q3 2016 vs. Q3 2015 | Q2 2016 vs. Q2 2015 | Q1 2016 vs. Q1 2015 | Q4 2015 vs. Q4 2014 |
|------|------------------------|------------------------|------------------------|------------------------|------------------------|
| EMEA | 4% | 5% | 10% | 11% | 13% |

* Concept stores (excluding eSTOREs) that have been operating for more than 12 months

Like-for-like sales growth in concept stores (excluding eSTOREs) in EMEA in Q4 2016 was 4%. Growth was driven by a positive development in all important markets in the region, including 2% growth in UK, around 15% growth in Germany and Italy and around 30% growth in France. Including the PANDORA eSTOREs, like-for-like sales growth was 7%. Like-for-like sales growth in EMEA excluding concept stores in distributor markets (including Russia, which continued to experience negative like-for-like growth) was around 9%.

ASIA PACIFIC

Revenue in Asia Pacific was DKK 1,319 million in Q4 2016, an increase of 40% (37% in local currency) compared with Q4 2015. Growth was primarily driven by a continued strong

development in China and Australia.

Revenue in Australia increased around 40% compared with Q4 2015 (around 30% in local currency), and represented around 50% of revenue from Asia Pacific. The growth was primarily driven by a like-for-like sales growth, as well as net 11 new concept stores opened since Q4 2015, to a total of 112 concept stores in Australia.

Revenue in China represented around 20% of revenue from Asia Pacific and increased around 100% compared to Q4 2015. Like-for-like sales growth in China continued to support growth, and during the last 12 months, net 44 new concept stores had been added to a total of 97 in China. Furthermore, in October 2016, PANDORA launched on Alibaba Group's business to consumer platform, Tmall.com, and in December, PANDORA launched its own eSTORE in the country.

Revenue in Hong Kong decreased 9%, (10% in local currency), primarily as a consequence of the challenging retail environment in the country. Like-for-like sales growth for the quarter was around -20%. Revenue from Hong Kong represented around 10% of revenue from Asia Pacific.

Concept stores* like-for-like sales growth

| | Q4 2016 vs. Q4 2015 | Q3 2016 vs. Q3 2015 | Q2 2016 vs. Q2 2015 | Q1 2016 vs. Q1 2015 | Q4 2015 vs. Q4 2014 |
|--------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Asia Pacific | 9% | 7% | 16% | 21% | 26% |

*Concept stores (excluding eSTOREs) that have been operating for more than 12 months

Like-for-like sales growth in concept stores (excluding eSTOREs) in Asia Pacific in Q4 2016 was 9%, and primarily driven by around 15% growth in Australia and around 25% growth in China. Like-for-like sales growth in Asia Pacific including the PANDORA eSTOREs was 11%.

REVENUE BY PRODUCT CATEGORY

Product category development

| DKK million | Q4 2016 | Q4 2015 | Growth | Share of total revenue | FY 2016 | FY 2015 | Growth | Share of total revenue |
|---|--------------|--------------|------------|------------------------|---------------|---------------|------------|------------------------|
| Charms | 3,706 | 3,568 | 4% | 56% | 11,991 | 10,833 | 11% | 59% |
| Bracelets | 1,233 | 1,019 | 21% | 19% | 3,672 | 2,690 | 37% | 18% |
| - hereof Moments and PANDORA ESSENCE COLLECTION | 867 | 719 | 21% | 13% | 2,729 | 1,923 | 42% | 13% |
| Rings | 881 | 663 | 33% | 13% | 2,643 | 2,066 | 28% | 13% |
| Other jewellery | 782 | 431 | 81% | 12% | 1,975 | 1,148 | 72% | 10% |
| Total revenue | 6,602 | 5,681 | 16% | 100% | 20,281 | 16,737 | 21% | 100% |

Revenue from Charms was DKK 3,706 million in Q4 2016, an increase of 4% compared with Q4 2015. Revenue from Charms in EMEA increased around 10%, whereas Charms in Asia Pacific increased around 30%. Growth in revenue from Charms in Americas continues to be negative, primarily due to returns related to the closure of stores in North America, which primarily comprised charms. Revenue from Bracelets increased 21%. The two categories represented 75% of total revenue in Q4 2016 compared with 81% in Q4 2015.

Revenue from Rings was DKK 881 million, an increase of 33% compared with Q4 2015. The category continued to do well, driven by continued focus on the category across all regions. The Rings category represented 13% of total revenue in Q4 2016, compared with 12% in Q4 2015.

Revenue from Other jewellery was DKK 782 million, an increase of 81% compared with Q4 2015. From 2016, PANDORA has increased the focus on earrings, and as a result revenue from Earrings increased by around 80% compared with Q4 2015 and contributed with 6% of Group revenue. Revenue from Necklaces and pendants continued to perform well and increased around 75%. Other jewellery represented 12% of total revenue in Q4 2016 compared with 8% in Q4 2015.

During the quarter the PANDORA rose collection was launched in Asia Pacific, and is now available globally. Revenue from the collection increased significantly compared to the same quarter last year, when it was available only in the UK and North America.

In Q4 2016, around 50% of revenue was generated by products launched within the last 12 months, which is similar to Q4 2015.

COSTS AND GROSS PROFIT

Total costs in Q4 2016, including depreciation and amortisation, were DKK 4,050 million, an increase of 10% compared with Q4 2015. Total costs corresponded to 61.3% of revenue in Q4 2016 compared with 64.8% in Q4 2015.

Cost development

| DKK million | Q4 2016 | Q4 2015 | Growth | Share of total revenue Q4 2016 | Share of total revenue Q4 2015 | FY 2016 | FY 2015 | Growth | Share of total revenue FY 2016 | Share of total revenue FY 2015 |
|---------------------------------|---------------|---------------|------------|--------------------------------|--------------------------------|----------------|----------------|------------|--------------------------------|--------------------------------|
| Cost of sales | -1,639 | -1,476 | 11% | -24.8% | -26.0% | -5,058 | -4,544 | 11% | -24.9% | -27.1% |
| Gross profit | 4,963 | 4,205 | 18% | 75.2% | 74.0% | 15,223 | 12,193 | 25% | 75.1% | 72.9% |
| Sales and distribution expenses | -1,185 | -1,052 | 13% | -17.9% | -18.5% | -4,011 | -3,120 | 29% | -19.8% | -18.6% |
| Marketing expenses | -716 | -596 | 20% | -10.8% | -10.5% | -1,827 | -1,602 | 14% | -9.0% | -9.6% |
| Administrative expenses | -510 | -555 | -8% | -7.7% | -9.8% | -1,981 | -1,657 | 20% | -9.8% | -9.9% |
| Total costs | -4,050 | -3,679 | 10% | -61.3% | -64.8% | -12,877 | -10,923 | 18% | -63.5% | -65.3% |

Gross profit in Q4 2016 was DKK 4,963 million corresponding to a gross margin of 75.2% compared with 74.0% in Q4 2015. The increase was mainly driven by tailwind from favourable raw material prices (around 1 percentage point) and an increase in share of revenue from PANDORA owned stores (around 1 percentage point). This was partially offset by unfavourable currency rates (around 1 percentage point).

COMMODITY HEDGING

It is PANDORA's policy to hedge around 100%, 80%, 60% and 40%, respectively, of expected gold and silver consumption in the following four quarters. The hedged prices for the following four quarters for gold are USD 1,238/oz, USD 1,300/oz, USD 1,304/oz and USD 1,227/oz and for silver USD 16.60/oz, USD 17.86/oz, USD 18.52/oz and USD 17.10/oz. However, current inventory means a delayed impact of the hedged prices on cost of sales.

The average realised purchase price in Q4 2016 was USD 1,120/oz for gold and USD 15.95/oz for silver.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been around 75% based on the average gold (USD 1,221/oz) and silver (USD 17.19/oz) market prices in Q4 2016. Under these assumptions, a 10% deviation in quarterly average gold

and silver prices would impact the gross margin by around +/- 1 percentage point.

OPERATING EXPENSES

Sales and distribution expenses were DKK 1,185 million in Q4 2016, an increase of 13% compared with Q4 2015, and corresponding to 17.9% of revenue compared with 18.5% in Q4 2015. The nominal increase in sales and distribution expenses was mainly driven by higher revenue, as well as an increase in the number of PANDORA owned stores (from 590 in Q4 2015 to 709 in Q4 2016), which had a negative impact of around 2 percentage points as a percentage of revenue compared with Q4 2015. Operational leverage from the existing network more than offset the higher costs particularly driven by the EMEA region.

Marketing expenses were DKK 716 million in Q4 2016 compared with DKK 596 million in Q4 2015, corresponding to 10.8% of revenue, compared with 10.5% in Q4 2015. The increase was primarily driven by an increased media spend.

Administrative expenses in Q4 2016 decreased by 8% to DKK 510 million, representing 7.7% of revenue, compared with 9.8% of Q4 2015 revenue. The decrease was primarily due to Q4 2015 being impacted by a one-off of DKK 75 million mainly related to PANDORA's new headquarters in Denmark, as well as organisational changes.

EBITDA

EBITDA for Q4 2016 increased by 26% to DKK 2,711 million resulting in an EBITDA margin of 41.1% compared with 37.7% in Q4 2015.

Regional EBITDA

| DKK million | Q4 2016 | Q4 2015 | Growth | EBITDA margin Q4 2016 | EBITDA margin Q4 2015 | FY 2016 | FY 2015 | Growth | EBITDA margin FY 2016 | EBITDA margin FY 2015 |
|--------------|--------------|--------------|------------|-----------------------|-----------------------|--------------|--------------|------------|-----------------------|-----------------------|
| Americas | 614 | 601 | 2% | 32.2% | 30.7% | 2,503 | 2,239 | 12% | 36.5% | 34.3% |
| EMEA | 1,570 | 1,166 | 35% | 46.5% | 41.9% | 3,996 | 2,927 | 37% | 41.8% | 38.8% |
| Asia Pacific | 527 | 377 | 40% | 40.0% | 40.1% | 1,423 | 1,048 | 36% | 36.7% | 39.5% |
| Group | 2,711 | 2,144 | 26% | 41.1% | 37.7% | 7,922 | 6,214 | 27% | 39.1% | 37.1% |

The EBITDA margin for Americas increased to 32.2% in Q4 2016 compared with 30.7% in Q4 2015. The increase was primarily driven by the improved gross margin as well as leverage in the existing store network, which was partially offset by the margin impact from the store closures in North America of around 4% percentage points.

The EBITDA margin for EMEA increased to 46.5% in Q4 2016 compared with 41.9% in Q4 2015. The increase was primarily driven by a higher gross margin supported by operating leverage in the region due to the higher revenue.

The EBITDA margin for the Asia Pacific region was 40.0% compared with 40.1% in Q4 2015. The increase in gross margin, was offset by change in channel mix primarily related to the expansion in China and Singapore.

EBIT

EBIT for Q4 2016 increased to DKK 2,552 million, an increase of 27% compared with Q4 2015, resulting in an EBIT margin of 38.7% for Q4 2016 compared with 35.2% in Q4 2015.

NET FINANCIALS

In Q4 2016, net financials amounted to a gain of DKK 120 million, compared with a net financial loss of DKK 84 million in Q4 2015. The development was primarily related to exchange rate gains including gains on foreign exchange contracts.

INCOME TAX EXPENSES

Income tax expenses were DKK 579 million in Q4 2016. The effective tax rate in Q4 2016 was 21.7% compared with 28.3% for Q4 2015. The decrease is primarily a result of the impact on the tax position of other group entities following the settlement with the Danish Tax Authorities in May 2015.

NET PROFIT

Net profit in Q4 2016 increased to DKK 2,093 million from DKK 1,375 million in Q4 2015.

BALANCE SHEET AND CASH FLOW

In Q4 2016, PANDORA generated free cash flow of DKK 2,849 million compared with DKK 1,464 million in Q4 2015. The increase was primarily due to the increase in profits, as well as the fact that Q4 2015 was negatively impacted by tax and interest expenses of DKK 353 million related to the settlement made with the Danish Tax Authorities in 2015.

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q4 2016 corresponded to 13.7% of the last twelve months' revenue, compared with 14.3% at the end of Q4 2015 and 19.8% at the end of Q3 2016.

Operating working capital as a share of revenue

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Inventory | 13.5% | 16.4% | 15.7% | 13.8% | 14.1% |
| Trade receivables | 8.2% | 10.2% | 6.7% | 7.6% | 8.1% |
| Trade payables | -8.0% | -6.8% | -6.6% | -7.0% | -7.9% |
| Total | 13.7% | 19.8% | 15.8% | 14.4% | 14.3% |

Inventory relative to preceding 12 months' revenue decreased to 13.5% in Q4 2016, from 14.1% in Q4 2015. Nominally, inventory increased to DKK 2,729 million in Q4 2016 from DKK 2,357 million in Q4 2015. The nominal increase was driven by higher activity in the Group and an increase in the number of owned and operated stores. Compared with Q4 2015, gold and silver prices affected inventory value with a decrease of around 7%, partially offset by a 4% increase from foreign exchange.

Trade receivables increased to DKK 1,673 million at the end of Q4 2016 corresponding to 8.2% of preceding 12 months' revenue compared with 8.1% at the end of Q4 2015. Trade payables at the end of the quarter were DKK 1,622 million corresponding to 8.0% of preceding 12 months' revenue compared with 7.9% at the end of Q4 2015. The increase in trade receivables and payables are primarily related to an increase in activity in the Group.

CAPEX was DKK 249 million in Q4 2016 compared with DKK 319 million in Q4 2015. The CAPEX investments were mainly related to IT, openings of PANDORA owned stores and the production facilities in Thailand. In Q4 2016, CAPEX represented 4% of revenue.

Total interest-bearing debt was DKK 3,345 million at the end of Q4 2016, compared with DKK 2,810 million at the end of Q4 2015, and cash amounted to DKK 897 million compared with DKK

889 million at the end of Q4 2015. Net interest-bearing debt (NIBD) at the end of Q4 2016 was DKK 2,448 million corresponding to a NIBD to EBITDA ratio of 0.3x of the last twelve months EBITDA, compared with DKK 1,921 million at the end of Q4 2015 corresponding to a NIBD to EBITDA ratio of 0.3x.

FINANCIAL STATEMENTS

Consolidated income statement

| DKK million | Notes | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--|-------|--------------|--------------|---------------|---------------|
| Revenue | 3 | 6,602 | 5,681 | 20,281 | 16,737 |
| Cost of sales | | -1,639 | -1,476 | -5,058 | -4,544 |
| Gross profit | | 4,963 | 4,205 | 15,223 | 12,193 |
| Sales, distribution and marketing expenses | | -1,901 | -1,648 | -5,838 | -4,722 |
| Administrative expenses | | -510 | -555 | -1,981 | -1,657 |
| Operating profit | | 2,552 | 2,002 | 7,404 | 5,814 |
| Finance income | | 146 | 37 | 328 | 84 |
| Finance costs | | -26 | -121 | -82 | -553 |
| Profit before tax | | 2,672 | 1,918 | 7,650 | 5,345 |
| Income tax expense | | -579 | -543 | -1,625 | -1,671 |
| Net profit for the period | | 2,093 | 1,375 | 6,025 | 3,674 |
| Earnings per share, basic (DKK) | | 18.5 | 11.7 | 52.8 | 30.9 |
| Earnings per share, diluted (DKK) | | 18.4 | 11.6 | 52.5 | 30.7 |

Consolidated statement of comprehensive income

| DKK million | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--|--------------|--------------|--------------|--------------|
| Net profit for the period | 2,093 | 1,375 | 6,025 | 3,674 |
| Other comprehensive income: | | | | |
| Items that might be reclassified to profit/loss for the period | | | | |
| Exchange rate adjustments of investments in subsidiaries | 167 | 115 | 121 | 249 |
| Fair value adjustment of hedging instruments | -405 | 36 | 47 | 23 |
| Fair value adjustment of obligation to acquire non-controlling interests | 14 | - | - | - |
| Tax on other comprehensive income, hedging instruments, income/expense | 90 | 12 | -10 | 22 |
| Other comprehensive income, net of tax | -134 | 163 | 158 | 294 |
| Total comprehensive income for the period | 1,959 | 1,538 | 6,183 | 3,968 |

Consolidated balance sheet

| DKK million | 2016 31 December | 2015 31 December |
|--------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Goodwill | 2,571 | 2,424 |
| Brand | 1,057 | 1,057 |
| Distribution network | 184 | 216 |
| Distribution rights | 1,061 | 1,069 |
| Other intangible assets | 893 | 683 |
| Total intangible assets | 5,766 | 5,449 |
| Property, plant and equipment | 1,767 | 1,237 |
| Deferred tax assets | 946 | 879 |
| Other financial assets | 250 | 159 |
| Total non-current assets | 8,729 | 7,724 |
| Inventories | 2,729 | 2,357 |
| Derivative financial instruments | 161 | 65 |
| Trade receivables | 1,673 | 1,360 |
| Income tax receivable | 142 | 113 |
| Other receivables | 754 | 803 |
| Cash | 897 | 889 |
| Total current assets | 6,356 | 5,587 |
| Total assets | 15,085 | 13,311 |
| EQUITY AND LIABILITIES | | |
| Share capital | 117 | 122 |
| Treasury shares | -4,334 | -4,152 |
| Reserves | 1,181 | 1,023 |
| Dividend proposed | 1,007 | 1,511 |
| Retained earnings | 8,823 | 7,635 |
| Total equity | 6,794 | 6,139 |
| Provisions | 101 | 97 |
| Loans and borrowings | 3,008 | 2,350 |
| Deferred tax liabilities | 393 | 394 |
| Other payables | 393 | 249 |
| Total non-current liabilities | 3,895 | 3,090 |
| Provisions | 1,004 | 971 |
| Loans and borrowings | 3 | 257 |
| Derivative financial instruments | 256 | 214 |
| Trade payables | 1,622 | 1,329 |
| Income tax payable | 547 | 306 |
| Other payables | 964 | 1,005 |
| Total current liabilities | 4,396 | 4,082 |
| Total liabilities | 8,291 | 7,172 |
| Total equity and liabilities | 15,085 | 13,311 |

Consolidated statement of changes in equity

| DKK million | Share capital | Share Premium | Treasury shares | Translation reserve | Hedge reserve | Dividend proposed | Retained earnings | Total equity |
|--|---------------|---------------|-----------------|---------------------|---------------|-------------------|-------------------|--------------|
| 2016 | | | | | | | | |
| Equity at 1 January | 122 | - | -4,152 | 1,134 | -111 | 1,511 | 7,635 | 6,139 |
| Net profit for the period | - | - | - | - | - | - | 6,025 | 6,025 |
| Exchange rate adjustments of investments in subsidiaries | - | - | - | 121 | - | - | - | 121 |
| Fair value adjustment of hedging instruments | - | - | - | - | 47 | - | - | 47 |
| Tax on other comprehensive income | - | - | - | - | -10 | - | - | -10 |
| Other comprehensive income, net of tax | - | - | - | 121 | 37 | - | - | 158 |
| Total comprehensive income for the period | - | - | - | 121 | 37 | - | 6,025 | 6,183 |
| Fair value adjustment of obligation to acquire non-controlling interests | - | - | - | - | - | - | -123 | -123 |
| Share-based payments | - | - | - | - | - | - | 76 | 76 |
| Share-based payments (exercised) | - | - | 230 | - | - | - | -229 | 1 |
| Share-based payments (tax) | - | - | - | - | - | - | 25 | 25 |
| Purchase of treasury shares | - | - | -4,000 | - | - | - | - | -4,000 |
| Reduction of share capital | -5 | - | 3,588 | - | - | - | -3,583 | - |
| Dividend paid | - | - | - | - | - | -1,511 | 4 | -1,507 |
| Dividend proposed | - | - | - | - | - | 1,007 | -1,007 | - |
| Equity at 31 December | 117 | - | -4,334 | 1,255 | -74 | 1,007 | 8,823 | 6,794 |
| 2015 | | | | | | | | |
| Equity at 1 January | 128 | 1,229 | -2,679 | 885 | -156 | 1,088 | 6,537 | 7,032 |
| Net profit for the period | - | - | - | - | - | - | 3,674 | 3,674 |
| Exchange rate adjustments of investments in subsidiaries | - | - | - | 249 | - | - | - | 249 |
| Fair value adjustment of hedging instruments | - | - | - | - | 23 | - | - | 23 |
| Tax on other comprehensive income | - | - | - | - | 22 | - | - | 22 |
| Other comprehensive income, net of tax | - | - | - | 249 | 45 | - | - | 294 |
| Total comprehensive income for the period | - | - | - | 249 | 45 | - | 3,674 | 3,968 |
| Transfers ¹ | - | -1,229 | - | - | - | - | 1,229 | - |
| Share-based payments | - | - | - | - | - | - | 75 | 75 |
| Share-based payments (exercised) | - | - | 266 | - | - | - | -266 | - |
| Share-based payments (tax) | - | - | - | - | - | - | 52 | 52 |
| Purchase of treasury shares | - | - | -3,900 | - | - | - | - | -3,900 |
| Reduction of share capital | -6 | - | 2,161 | - | - | - | -2,155 | - |
| Dividend paid | - | - | - | - | - | -1,088 | - | -1,088 |
| Dividend proposed | - | - | - | - | - | 1,511 | -1,511 | - |
| Equity at 31 December | 122 | - | -4,152 | 1,134 | -111 | 1,511 | 7,635 | 6,139 |

¹ The "Share premium" is a distributable reserve under the Danish regulations and has therefore been transferred to "Retained earnings" in December 2015.

Consolidated cash flow statement

| DKK million | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--|---------------|---------------|---------------|---------------|
| Profit before tax | 2,672 | 1,918 | 7,650 | 5,345 |
| Finance income | -146 | -37 | -328 | -84 |
| Finance costs | 26 | 121 | 82 | 553 |
| Depreciation, amortisation and impairment losses | 159 | 142 | 518 | 400 |
| Share-based payments | 20 | 20 | 76 | 75 |
| Change in inventories | 576 | 334 | -206 | -431 |
| Change in receivables | 608 | 10 | -327 | -560 |
| Change in payables and other liabilities | 597 | 810 | 327 | 1,139 |
| Other non-cash adjustments | -316 | -105 | 241 | -432 |
| Interest etc. received | 1 | 1 | 3 | 3 |
| Interest etc. paid | -13 | -21 | -43 | -104 |
| Income taxes paid | -1,022 | -1,474 | -1,462 | -2,520 |
| Cash flows from operating activities, net | 3,162 | 1,719 | 6,531 | 3,384 |
| Acquisitions of subsidiaries and activities, net of cash acquired | -1 | -48 | -210 | -289 |
| Divestment of businesses | - | - | - | 29 |
| Purchase of intangible assets | -126 | -101 | -344 | -402 |
| Purchase of property, plant and equipment | -210 | -176 | -825 | -620 |
| Change in other non-current assets | -6 | -7 | -75 | -49 |
| Proceeds from sale of property, plant and equipment | 17 | 9 | 31 | 35 |
| Cash flows from investing activities, net | -326 | -323 | -1,423 | -1,296 |
| Dividend paid | - | - | -1,507 | -1,088 |
| Purchase of treasury shares | -609 | -943 | -4,000 | -3,900 |
| Proceeds from loans and borrowings | 609 | 1,495 | 3,777 | 4,658 |
| Repayment of loans and borrowings | -2,385 | -1,612 | -3,373 | -2,003 |
| Cash flows from financing activities, net | -2,385 | -1,060 | -5,103 | -2,333 |
| Net increase/decrease in cash | 451 | 336 | 5 | -245 |
| Cash at beginning of period ¹ | 438 | 548 | 889 | 1,131 |
| Exchange gains/losses on cash | 8 | 5 | 3 | 3 |
| Net increase/decrease in cash | 451 | 336 | 5 | -245 |
| Cash at end of period¹ | 897 | 889 | 897 | 889 |
| Cash flows from operating activities, net | 3,162 | 1,719 | 6,531 | 3,384 |
| - Interest etc. received | -1 | -1 | -3 | -3 |
| - Interest etc. paid | 13 | 21 | 43 | 104 |
| Cash flows from investing activities, net | -326 | -323 | -1,423 | -1,296 |
| - Acquisition of subsidiaries and activities, net of cash acquired | 1 | 48 | 210 | 289 |
| - Divestment of businesses | - | - | - | -29 |
| Free cash flow | 2,849 | 1,464 | 5,358 | 2,449 |
| Unutilised credit facilities | 5,120 | 3,089 | 5,120 | 3,089 |

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

¹ Cash comprise cash in bank and at 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 Danish disclosure requirements for listed companies.

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 2016. The implementation of these new or amended standards had no material impact on the financial statements for Q4 2016.

NOTE 2 – Significant accounting estimates and judgements

In preparing the consolidated financial statements, 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. See descriptions in the individual notes to the consolidated financial statement in the Annual Report 2016.

NOTE 3 - Segment information

PANDORA's activities are segmented on the basis of geographical areas in accordance with the management reporting structure. The operating segments of the group are divided into 3 operating segments: Americas, EMEA and Asia Pacific. Each operating segment comprises wholesale, retail and e-commerce business activities relating to the distribution and sale of PANDORA products. The financial reporting structure is changed compared to 2015 to reflect the performance of the operating segments monitored by Group Management. All segments derive their revenue from the types of products specified in Company Announcement no. 290.

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 | Americas | EMEA | Asia Pacific | Group |
|--|--------------|--------------|---------------|---------------|
| Q4 2016 | | | | |
| External revenue | 1,905 | 3,378 | 1,319 | 6,602 |
| Segment profit (EBITDA) | 614 | 1,570 | 527 | 2,711 |
| Amortisation, depreciation and impairment losses | | | | -159 |
| Consolidated operating profit (EBIT) | | | | 2,552 |
| Q4 2015 | | | | |
| External revenue | 1,957 | 2,784 | 940 | 5,681 |
| Segment profit (EBITDA) | 601 | 1,166 | 377 | 2,144 |
| Amortisation, depreciation and impairment losses | | | | -142 |
| Consolidated operating profit (EBIT) | | | | 2,002 |
| FY 2016 | | | | |
| External revenue | 6,852 | 9,556 | 3,873 | 20,281 |
| Segment profit (EBITDA) | 2,503 | 3,996 | 1,423 | 7,922 |
| Amortisation, depreciation and impairment losses | | | | -518 |
| Consolidated operating profit (EBIT) | | | | 7,404 |
| FY 2015 | | | | |
| External revenue | 6,537 | 7,548 | 2,652 | 16,737 |
| Segment profit (EBITDA) | 2,239 | 2,927 | 1,048 | 6,214 |
| Amortisation, depreciation and impairment losses | | | | -400 |
| Consolidated operating profit (EBIT) | | | | 5,814 |
| Revenue breakdown by product category | | | | |
| DKK million | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
| Charms | 3,706 | 3,568 | 11,991 | 10,833 |
| Bracelets | 1,233 | 1,019 | 3,672 | 2,690 |
| Rings | 881 | 663 | 2,643 | 2,066 |
| Other jewellery | 782 | 431 | 1,975 | 1,148 |
| Total revenue | 6,602 | 5,681 | 20,281 | 16,737 |

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), see note 4.5 to the consolidated financial statement in the Annual Report 2016.

NOTE 7 – Business combinations

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

| DKK million | Total 2016 | Total 2015 |
|---|---------------|---------------|
| Other intangible assets | - | 69 |
| Property, plant and equipment | 6 | 23 |
| Other non-current receivables | 9 | 12 |
| Receivables | 4 | 30 |
| Inventories | 61 | 141 |
| Cash | 1 | 21 |
| Assets acquired | 81 | 296 |
| Non-current liabilities | 2 | 5 |
| Payables | 6 | 40 |
| Other non-current liabilities | - | 7 |
| Liabilities assumed | 8 | 52 |
| Total identifiable net assets acquired | 73 | 244 |
| Goodwill arising on the acquisitions | 115 | 281 |
| Purchase consideration | 188 | 525 |
| Cash movements on acquisitions: | | |
| Prepaid, previous year ¹ | -7 | - |
| Consideration transferred regarding previous years ² | 29 | - |
| Deferred payment (including earn-out) | - | -222 |
| Cash acquired | -1 | -21 |
| Net cash flows on acquisition for the period | 209 | 282 |
| Prepayments, acquisitions ³ | 1 | 7 |
| Net cash flows on acquisitions | 210 | 289 |
| Cash flow from divestment of businesses ⁴ | - | -29 |
| Net cash flows from business combinations | 210 | 260 |

1) Prepayment in 2015, DKK 7 million, was regarding the acquisitions in Singapore, Macau and the Philippines on 1 January 2016

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

3) Prepayments in 2016 relate to the acquisition of a store in Australia on 4 January. The amount paid was DKK 1 million

4) Sale of businesses in 2015 included mainly inventories (DKK 18 million), and assets related to stores and goodwill (DKK 9 million)

Acquisitions in 2015

Strategic alliance in Japan

On 1 January 2015, PANDORA acquired assets related to the distribution in Japan from Bluebell in a business combination. In addition to the reacquired distribution rights (DKK 30 million), assets related to branded stores – one concept store and nine shop-in-shops – and goodwill (DKK 20 million). The acquisition was part of a strategic alliance with Bluebell in Japan with the intent to jointly distribute PANDORA jewellery in Japan.

The agreement initially has a five-year term. On termination of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in Japan. The total amount to be paid to Bluebell will depend on the realised revenue in 2019. The fair value of the put-option is estimated at DKK 58 million.

Acquisition of PAN ME A/S

On 16 January 2015, PANDORA acquired 100% of the shares in PAN ME A/S, which holds the rights to distribute PANDORA jewellery in the United Arab Emirates (UAE), Bahrain, Qatar and Oman.

The purchase price of DKK 112 million was primarily related to non-current assets and inventories related to 11 concept stores and 3 shop-in-shops in the UAE and intangible assets comprising reacquired distribution rights (with a remaining lifespan of around one year) of DKK 5 million and goodwill of DKK 55 million.

UK

On 2 April 2015, PANDORA acquired 100% of the shares in four Evernal companies comprising concept stores in Liverpool, Blackpool, Trafford and Arndale. The purchase price was DKK 70 million. Assets acquired mainly consist of inventories and other assets and liabilities relating to the stores. Of the purchase price, DKK 74 million was allocated to goodwill.

China

On 1 July 2015, PANDORA acquired assets related to the distribution in China from Oracle Investment (Hong Kong) Limited in a business combination. In addition to the reacquired distribution rights (0.5 year remaining) (DKK 34 million), assets comprised inventories and assets related to 49 branded stores - 30 concept stores and 19 shop-in-shops and goodwill (DKK 94 million). The acquisition was part of a strategic alliance with Oracle in China to jointly distribute PANDORA jewellery in China until 31 December 2018.

The total price will be calculated based on revenue in 2018 and is expected to be DKK 208 million. The remaining payment - the put-option – will be delayed until the distribution agreement ends in 2018.

Other business combinations in 2015

PANDORA acquired concept stores in the US and Germany in 2015. Assets acquired mainly consist of inventories and other assets relating to the stores. Of the purchase price, DKK 38 million was allocated to goodwill.

The text above regarding acquired businesses in 2015 has been reduced. The full text is available in the Annual Report for 2016.

Acquisition after the reporting period

In January 2017, PANDORA acquired 18 concept stores in the US, 9 concept stores in the UK and 1 concept store in Australia in three business combinations. The total purchase price was DKK 230 million. Assets acquired are mainly non-current assets relating to the stores and inventory. Expected goodwill from the acquisition, based on the preliminary purchase price allocation was DKK 130 million.

NOTE 8 - Contingent liabilities

See note 5.2 to the consolidated financial statements in the Annual Report 2016. Leasing commitments increased by DKK 122 million in Q4 2016 to DKK 2,893 million at the end of Q4 2016.

NOTE 9 – Related parties

Related parties with significant interests

BlackRock, Inc. holds more than 5% of the share capital and the voting rights in PANDORA.

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 aforementioned persons have control or significant interests.

Transactions with related parties

PANDORA did not enter into any significant transactions with members of the Board of Directors or the Executive Board, except for compensation and benefits received as a result of their membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA.

NOTE 10 – Concept store development*

| | Number of concept stores Q4 2016 | Number of concept stores Q3 2016 | Number of concept stores Q4 2015 | Growth Q4 2016 /Q3 2016 | Growth Q4 2016 /Q4 2015 | Number of O&O Q4 2016 | Growth O&O stores Q4 2016 /Q3 2016 |
|----------------------|---|---|---|-------------------------------|-------------------------------|-----------------------------|---|
| US | 346 | 340 | 319 | 6 | 27 | 46 | - |
| Brazil | 89 | 82 | 68 | 7 | 21 | 50 | 4 |
| Canada | 78 | 73 | 71 | 5 | 7 | 2 | - |
| Caribbean | 24 | 21 | 18 | 3 | 6 | - | - |
| Mexico | 19 | 17 | 14 | 2 | 5 | - | - |
| Rest of Americas | 32 | 26 | 11 | 6 | 21 | - | - |
| Americas | 588 | 559 | 501 | 29 | 87 | 98 | 4 |
| UK | 228 | 217 | 195 | 11 | 33 | 13 | - |
| Russia | 208 | 205 | 206 | 3 | 2 | - | - |
| Germany | 156 | 157 | 158 | -1 | -2 | 142 | -2 |
| Italy | 75 | 66 | 52 | 9 | 23 | 27 | 5 |
| France | 71 | 60 | 55 | 11 | 16 | 27 | 4 |
| Spain | 55 | 50 | 35 | 5 | 20 | - | - |
| Poland | 43 | 41 | 39 | 2 | 4 | 20 | 2 |
| South Africa | 32 | 30 | 29 | 2 | 3 | - | - |
| Ireland | 29 | 27 | 22 | 2 | 7 | - | - |
| Belgium | 25 | 24 | 24 | 1 | 1 | - | - |
| Ukraine | 23 | 22 | 19 | 1 | 4 | - | - |
| Portugal | 22 | 20 | 16 | 2 | 6 | - | - |
| Netherlands | 20 | 21 | 19 | -1 | 1 | 20 | -1 |
| United Arab Emirates | 19 | 19 | 14 | - | 5 | 19 | - |
| Czech Republic | 17 | 14 | 13 | 3 | 4 | 10 | - |
| Romania | 15 | 13 | 10 | 2 | 5 | 9 | - |
| Israel | 14 | 14 | 13 | - | 1 | - | - |
| Austria | 14 | 12 | 12 | 2 | 2 | 7 | 2 |
| Denmark | 14 | 11 | 11 | 3 | 3 | 14 | 3 |
| Turkey | 13 | 13 | 10 | - | 3 | 13 | - |
| Greece | 13 | 13 | 11 | - | 2 | - | - |
| Rest of EMEA | 100 | 87 | 70 | 13 | 30 | 20 | 2 |
| EMEA | 1,206 | 1,136 | 1,033 | 70 | 173 | 341 | 15 |
| Australia | 112 | 109 | 101 | 3 | 11 | 17 | - |
| China | 97 | 81 | 53 | 16 | 44 | 97 | 16 |
| Hong Kong | 29 | 28 | 25 | 1 | 4 | 25 | - |
| Malaysia | 27 | 25 | 24 | 2 | 3 | - | - |
| Singapore | 14 | 14 | 15 | - | -1 | 11 | - |
| New Zealand | 13 | 12 | 12 | 1 | 1 | - | - |
| Philippines | 16 | 11 | 8 | 5 | 8 | - | - |
| Rest of Asia Pacific | 36 | 35 | 30 | 1 | 6 | 9 | - |
| Asia Pacific | 344 | 315 | 268 | 29 | 76 | 159 | 16 |
| All markets | 2,138 | 2,010 | 1,802 | 128 | 336 | 598 | 35 |

*Includes markets with 10 or more concept stores as of end Q4 2016

NOTE 11 – Regional development

Revenue breakdown by sales channel - Americas

| DKK million | Q4 2016 | Q4 2015 | Growth | Share of revenue | FY 2016 | FY 2015 | Growth | Share of revenue |
|------------------------------------|--------------|--------------|--------------|------------------|--------------|--------------|-------------|------------------|
| Concept stores | 1,647 | 1,290 | 28% | 86% | 4,738 | 3,817 | 24% | 69% |
| - hereof PANDORA owned* | 531 | 386 | 38% | 28% | 1,262 | 898 | 41% | 18% |
| Shop-in-shops | 257 | 315 | -18% | 13% | 1,264 | 1,371 | -8% | 18% |
| - hereof PANDORA owned | - | - | - | - | - | - | - | - |
| Branded | 1,904 | 1,605 | 19% | 100% | 6,002 | 5,188 | 16% | 88% |
| Multibranded | 1 | 352 | -100% | - | 850 | 1,349 | -37% | 12% |
| Total direct | 1,905 | 1,957 | -3% | 100% | 6,852 | 6,537 | 5% | 100% |
| 3 rd party distributors | - | - | - | - | - | - | - | - |
| Total revenue | 1,905 | 1,957 | -3% | 100% | 6,852 | 6,537 | 5% | 100% |

Revenue breakdown by sales channel - EMEA

| DKK million | Q4 2016 | Q4 2015 | Growth | Share of revenue | FY 2016 | FY 2015 | Growth | Share of revenue |
|------------------------------------|--------------|--------------|------------|------------------|--------------|--------------|------------|------------------|
| Concept stores | 2,165 | 1,773 | 22% | 64% | 5,697 | 4,295 | 33% | 60% |
| - hereof PANDORA owned* | 1,195 | 940 | 27% | 35% | 3,018 | 2,158 | 40% | 32% |
| Shop-in-shops | 296 | 294 | 1% | 9% | 899 | 801 | 12% | 9% |
| - hereof PANDORA owned | 128 | 132 | -3% | 4% | 383 | 352 | 9% | 4% |
| Branded | 2,461 | 2,067 | 19% | 73% | 6,596 | 5,096 | 29% | 69% |
| Multibranded | 481 | 365 | 32% | 14% | 1,773 | 1,513 | 17% | 19% |
| Total direct | 2,942 | 2,432 | 21% | 87% | 8,369 | 6,609 | 27% | 88% |
| 3 rd party distributors | 436 | 352 | 24% | 13% | 1,187 | 939 | 26% | 12% |
| Total revenue | 3,378 | 2,784 | 21% | 100% | 9,556 | 7,548 | 27% | 100% |

Revenue breakdown by sales channel – Asia Pacific

| DKK million | Q4 2016 | Q4 2015 | Growth | Share of revenue | FY 2016 | FY 2015 | Growth | Share of revenue |
|------------------------------------|--------------|------------|-------------|------------------|--------------|--------------|------------|------------------|
| Concept stores | 1,063 | 660 | 61% | 81% | 2,870 | 1,607 | 79% | 74% |
| - hereof PANDORA owned* | 633 | 392 | 61% | 48% | 1,985 | 994 | 100% | 51% |
| Shop-in-shops | 110 | 97 | 13% | 8% | 353 | 245 | 44% | 9% |
| - hereof PANDORA owned | 53 | 45 | 18% | 4% | 234 | 111 | 111% | 6% |
| Branded | 1,173 | 757 | 55% | 89% | 3,223 | 1,852 | 74% | 83% |
| Multibranded | 48 | 70 | -31% | 4% | 231 | 207 | 12% | 6% |
| Total direct | 1,221 | 827 | 48% | 93% | 3,454 | 2,059 | 68% | 89% |
| 3 rd party distributors | 98 | 113 | -13% | 7% | 419 | 593 | -29% | 11% |
| Total revenue | 1,319 | 940 | 40% | 100% | 3,873 | 2,652 | 46% | 100% |

*PANDORA eSTORE revenue is recognised as PANDORA owned concept store revenue

Store network, number of points of sale - Americas

| | Number of PoS Q4 2016 | Number of PoS Q3 2016 | Number of PoS Q4 2015 | Growth Q4 2016 and Q3 2016 | Growth Q4 2016 and Q4 2015 |
|---|--------------------------|--------------------------|--------------------------|----------------------------------|----------------------------------|
| Concept stores | 588 | 559 | 501 | 29 | 87 |
| - hereof PANDORA owned | 98 | 94 | 79 | 4 | 19 |
| - hereof 3 rd party distributors | - | - | - | - | - |
| Shop-in-shops | 896 | 919 | 681 | -23 | 215 |
| - hereof PANDORA owned | - | - | - | - | - |
| - hereof 3 rd party distributors | - | - | - | - | - |
| Multibranded | 881 | 1,576 | 1,838 | -695 | -957 |
| - hereof 3 rd party distributors | - | - | - | - | - |
| Total points of sale | 2,365 | 3,054 | 3,020 | -689 | -655 |

Store network, number of points of sale - EMEA

| | Number of PoS Q4 2016 | Number of PoS Q3 2016 | Number of PoS Q4 2015 | Growth Q4 2016 and Q3 2016 | Growth Q4 2016 and Q4 2015 |
|---|--------------------------|--------------------------|--------------------------|----------------------------------|----------------------------------|
| Concept stores | 1,206 | 1,136 | 1,033 | 70 | 173 |
| - hereof PANDORA owned | 341 | 326 | 298 | 15 | 43 |
| - hereof 3 rd party distributors | 496 | 469 | 425 | 27 | 71 |
| Shop-in-shops | 908 | 872 | 791 | 36 | 117 |
| - hereof PANDORA owned | 80 | 80 | 85 | - | -5 |
| - hereof 3 rd party distributors | 366 | 348 | 322 | 18 | 44 |
| Multibranded | 2,853 | 3,110 | 3,710 | -257 | -857 |
| - hereof 3 rd party distributors | 1,020 | 1,032 | 1,184 | -12 | -164 |
| Total points of sale | 4,967 | 5,118 | 5,534 | -151 | -567 |

Store network, number of points of sale - Asia Pacific

| | Number of PoS Q4 2016 | Number of PoS Q3 2016 | Number of PoS Q4 2015 | Growth Q4 2016 and Q3 2016 | Growth Q4 2016 and Q4 2015 |
|---|--------------------------|--------------------------|--------------------------|----------------------------------|----------------------------------|
| Concept stores | 344 | 315 | 268 | 29 | 76 |
| - hereof PANDORA owned | 159 | 143 | 97 | 16 | 62 |
| - hereof 3 rd party distributors | 68 | 60 | 74 | 8 | -6 |
| Shop-in-shops | 223 | 196 | 202 | 27 | 21 |
| - hereof PANDORA owned | 31 | 32 | 31 | -1 | - |
| - hereof 3 rd party distributors | 95 | 85 | 92 | 10 | 3 |
| Multibranded | 232 | 238 | 247 | -6 | -15 |
| - hereof 3 rd party distributors | - | - | - | - | - |
| Total points of sale | 799 | 749 | 717 | 50 | 82 |

Quarterly overview

| DKK million | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 |
|---|---------|---------|---------|---------|---------|
| Consolidated income statement | | | | | |
| Revenue | 6,602 | 4,612 | 4,327 | 4,740 | 5,681 |
| Gross profit | 4,963 | 3,464 | 3,260 | 3,536 | 4,205 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 2,711 | 1,842 | 1,609 | 1,760 | 2,144 |
| Operating profit (EBIT) | 2,552 | 1,719 | 1,488 | 1,645 | 2,002 |
| Net financials | 120 | 60 | 57 | 9 | -84 |
| Net profit for the period | 2,093 | 1,405 | 1,221 | 1,306 | 1,375 |
| Consolidated balance sheet | | | | | |
| Total assets | 15,085 | 15,242 | 14,242 | 13,502 | 13,311 |
| Invested capital | 9,396 | 9,839 | 8,965 | 7,972 | 8,255 |
| Operating working capital | 2,780 | 3,833 | 2,943 | 2,576 | 2,388 |
| Net interest-bearing debt (NIBD) ¹ | 2,448 | 4,546 | 3,863 | 2,749 | 1,921 |
| Equity | 6,794 | 5,528 | 5,413 | 5,302 | 6,139 |
| Consolidated cash flow statement | | | | | |
| Net increase/decrease in cash | 451 | -104 | -171 | -171 | 336 |
| Free cash flow | 2,849 | 577 | 576 | 1,356 | 1,464 |
| Cash conversion, % | 111.6% | 33.6% | 38.7% | 82.4% | 73.1% |
| Growth ratios | | | | | |
| Revenue growth, % | 16% | 18% | 20% | 34% | 43% |
| Gross profit growth, % | 18% | 20% | 27% | 40% | 48% |
| EBITDA growth, % | 26% | 27% | 23% | 35% | 48% |
| EBIT growth, % | 27% | 28% | 20% | 33% | 45% |
| Net profit growth, % | 52% | 40% | 34% | 241% | 37% |
| Margins | | | | | |
| Gross margin, % | 75.2% | 75.1% | 75.3% | 74.6% | 74.0% |
| EBITDA margin, % | 41.1% | 39.9% | 37.2% | 37.1% | 37.7% |
| EBIT margin, % | 38.7% | 37.3% | 34.4% | 34.7% | 35.2% |
| Other ratios | | | | | |
| Effective tax rate, % | 21.7% | 21.0% | 21.0% | 21.0% | 28.3% |
| Equity ratio, % | 45.0% | 36.3% | 38.0% | 39.3% | 46.1% |
| NIBD to EBITDA, x ^{1,2} | 0.3 | 0.6 | 0.6 | 0.4 | 0.3 |
| Return on invested capital (ROIC), % ² | 78.8% | 69.7% | 72.2% | 78.0% | 70.4% |
| Other key figures | | | | | |
| Capital expenditure (CAPEX), DKK million | 249 | 324 | 352 | 274 | 319 |
| Capital expenditure, tangible assets (CAPEX), DKK million | 134 | 246 | 245 | 203 | 262 |
| Store network, total number of points of sale | 8,131 | 8,921 | 8,919 | 9,026 | 9,271 |
| Store network, total number of concept stores | 2,138 | 2,010 | 1,920 | 1,852 | 1,802 |
| Average number of full-time employees | 18,956 | 18,106 | 17,276 | 16,740 | 15,898 |

1) Due to reclassifications, NIBD and consequently NIBD to EBITDA were recalculated for 2015. Refer to note 4.3 in 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 – 31 December 2016.

The interim report, 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 Danish disclosure requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the PANDORA Group's assets, liabilities and financial position at 31 December 2016, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 31 December 2016.

Further, in our opinion the Management's review p. 1-28 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 as a whole, and describes the significant risks and uncertainties pertaining to the Group.

Copenhagen, 7 February 2017

EXECUTIVE BOARD

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Chief Executive Officer

Peter Vekslund
Chief Financial Officer

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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 materialize, 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.