

No. 377

## COMPANY ANNOUNCEMENT

9 May 2017

### INTERIM REPORT FIRST QUARTER 2017

## PANDORA REPORTS 9% REVENUE GROWTH AND CONTINUED STRONG PROFITABILITY

### FINANCIAL HIGHLIGHTS

- Group revenue in Q1 2017 increased by 9% (8% in local currency) to DKK 5,159 million compared with Q1 2016, in line with PANDORA's earlier communicated expectations of single digit growth in Q1 2017
  - Revenue from PANDORA owned retail increased 39% (39% in local currency) and represented 38% of Group revenue. Like-for-like sales growth for PANDORA owned concept stores was 8%
  - Revenue from EMEA increased 5% (9% in local currency) driven by good performance in France and Italy, however impacted by the depreciation of the British pound
  - Revenue from Americas decreased 5% (-9% in local currency), including a negative impact from network restructuring in the US
  - Strong performance in important growth markets in Asia Pacific with revenue up 44% (40% in local currency). Asia Pacific is now 25% of Group revenue
  - Full jewellery brand ambition on track as revenue from Rings, Earrings and Necklaces and Pendants all grew more than 40% with the three categories now representing 25% of Group revenue
- Gross margin was 73.3% (Q1 2016: 74.6%) impacted by headwinds from currency and product mix
- EBITDA increased 7% to DKK 1,879 million, EBITDA margin was 36.4% (Q1 2016: 37.1%)
- Free cash flow was DKK 1,182 million (Q1 2016: DKK 1,356 million)
- During the quarter, PANDORA returned DKK 1,332 million to shareholders through an ordinary dividend of DKK 9 per share (corresponding to DKK 1,007 million) and share buyback of DKK 325 million
- Related to the Q1 2017 results, PANDORA will pay out a quarterly dividend of DKK 9 per share to shareholders (corresponding to DKK 1,006 million)
- Full year guidance remains unchanged including Group 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 satisfied by this quarter's results, having delivered good sales growth, including 8% like-for-like growth in our PANDORA owned concept stores, and continued strong profitability.

We are very pleased with the performance in our important growth markets, with Italy, France and China continuing to show strong sales growth. Additionally, some of our most developed markets continue to perform, with revenue from Australia up 27%. However, the retail climate in the US remains difficult, which was reflected in our performance in the US for the quarter.

We continue to make progress towards our ambition to become a full jewellery brand, with revenue from Rings, Earrings and Necklaces and Pendants growing combined 48% for the quarter.”

**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](http://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 48 75 13

UK (International): +44(0) 203 427 1906

US: +1 646 254 3366

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

**FINANCIAL CALENDAR 2017**

16 May 2017	PANDORA shares are traded ex-dividend
18 May 2017	Payment of quarterly dividend
25 May 2017	Payment of quarterly dividend for ADR holders

<b>8 August 2017</b>	<b>Interim Report for the first six months of 2017</b>
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

<b>7 November 2017</b>	<b>Interim Report for the first nine months of 2017</b>
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	Q1 2017	Q1 2016	FY 2016
<b>Consolidated income statement</b>			
Revenue	5,159	4,740	20,281
Gross profit	3,781	3,536	15,223
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,879	1,760	7,922
Operating profit (EBIT)	1,716	1,645	7,404
Net financials	6	9	246
Net profit for the period	1,361	1,306	6,025
<b>Consolidated balance sheet</b>			
Total assets	15,286	13,502	15,085
Invested capital	9,859	7,972	9,396
Operating working capital	2,943	2,576	2,780
Net interest-bearing debt (NIBD) <sup>1</sup>	2,883	2,749	2,448
Equity	7,010	5,302	6,794
<b>Consolidated cash flow statement</b>			
Net increase/decrease in cash	-257	-171	5
Free cash flow	1,182	1,356	5,358
Cash conversion, %	68.9%	82.4%	72.4%
<b>Growth ratios</b>			
Revenue growth, %	9%	34%	21%
Gross profit growth, %	7%	40%	25%
EBITDA growth, %	7%	35%	27%
EBIT growth, %	4%	33%	27%
Net profit growth, %	4%	241%	64%
<b>Margins</b>			
Gross margin, %	73.3%	74.6%	75.1%
EBITDA margin, %	36.4%	37.1%	39.1%
EBIT margin, %	33.3%	34.7%	36.5%
<b>Other ratios</b>			
Effective tax rate, %	21.0%	21.0%	21.2%
Equity ratio, %	45.9%	39.3%	45.0%
NIBD to EBITDA, x <sup>2</sup>	0.4	0.4	0.3
Return on invested capital (ROIC), % <sup>2</sup>	75.8%	78.0%	78.8%
<b>Share information</b>			
Dividend per share, DKK <sup>3</sup>	9.0	-	9.0
Total payout ratio (incl. share buyback), %	97.9%	-	91.5%
Earnings per share, basic, DKK	12.2	11.3	52.8
Earnings per share, diluted, DKK	12.1	11.2	52.5
Share price at end of period, DKK	772.0	857.5	924.0
<b>Other key figures</b>			
Capital expenditure (CAPEX), DKK million	210	274	1,199
Capital expenditure, tangible assets (CAPEX), DKK million	139	203	828
Store network, total number of points of sale	7,889	9,026	8,131
Store network, total number of concept stores	2,196	1,852	2,138
Average number of full-time employees	19,495	16,740	17,770

1) For 2016, NIBD has been 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

## **STRATEGIC UPDATE**

### **STATE-OF-THE-ART PRODUCTION - NEW CRAFTING FACILITY OPENED IN THAILAND**

In 2016, PANDORA Production Thailand crafted around 122 million pieces of jewellery. In Q1 2017, PANDORA further strengthened its position in terms of production capabilities by opening a second crafting facility in Thailand. The new facility allows for increased capacity and reduced lead-time. At present, the normal lead-time is a maximum of six weeks however, PANDORA has an ambition to reduce this to four weeks by the end of 2019. Together with a global concept store sales-out insight, the fast time-to-market is a key advantage as production can be done according to daily sales-out data.

The new crafting facility is the first part of PANDORA's capacity expansion programme, which will potentially double the Company's production capacity in 2019 (compared with 2015) to more than 200 million units annually.

### **FULL JEWELLERY PRODUCT OFFERING - RINGS, EARRINGS AND NECKLACES AND PENDANTS ALL INCREASED MORE THAN 40%**

In 2016, PANDORA started to unlock the potential of the Earrings category and registered growth of around 80%. Earrings have continued to perform strongly in Q1 2017 with growth of 57%. Additionally, revenue from Rings and Necklaces and Pendants increased 42% and 56%, respectively. The three categories all together represented 25% of revenue for the quarter, which compares to 19% in Q1 2016.

### **BRANDED RETAIL EXCELLENCE - FOCUS ON CONCEPT STORES**

The ambition to upgrade the store network and ensure that it better represents the PANDORA brand led to the net opening of 58 new concept stores in Q1 2017 to a total of 2,196. Over the same period, 300 other points of sale were closed.

To increase control of the network and brand, PANDORA is increasing the PANDORA owned retail business in selected markets. In addition to increased control, PANDORA recognises the full retail revenue, which is approximately 2.4 times higher in an owned and operated store relative to reported PANDORA revenue from a comparable franchise store, thus providing a strong financial rationale. During the quarter, PANDORA acquired a total of 33 franchise concept stores in some of the more developed markets. Additionally, PANDORA will take over distribution in South Africa and Belgium from July 2017, adding around 30 PANDORA owned concept stores to the network.

### **BALANCED GLOBAL BUSINESS - EXPANSION IN CHINA ON TRACK AND FIRST STORE OPENED IN INDIA**

PANDORA continues to balance its store footprint and in the last 12 months increased the number of concept stores in Asia Pacific by 33%. This was driven by a successful expansion in China, the world's largest jewellery market, where net 59 concept stores were added in the last 12 months. PANDORA revenue from Asia Pacific represented 25% of revenue compared with 19% in Q1 2016. Furthermore, in Q1 2017 PANDORA signed a distribution agreement with Pan India covering the Indian market, and the first concept store in the country opened in the Noida area of Delhi in April. A total of 50 concept stores are set to open in India over the course of the next three years.

## FINANCIAL PERFORMANCE

### REVENUE

Total revenue for Q1 2017 was DKK 5,159 million, an increase of 9% (8% in local currency) compared with Q1 2016. Organic growth<sup>1</sup> was 7% in local currency. Additionally, revenue for the quarter included a net impact from acquisition of stores of DKK 56 million.

### REVENUE PER SALES CHANNEL

DKK million	Q1 2017	Q1 2016	Growth in DKK	Growth in local currency	Share of revenue
PANDORA owned retail*	1,965	1,416	39%	39%	38%
Wholesale	2,723	2,920	-7%	-7%	53%
3 <sup>rd</sup> party distribution	471	404	17%	16%	9%
<b>Total revenue</b>	<b>5,159</b>	<b>4,740</b>	<b>9%</b>	<b>8%</b>	<b>100%</b>

\*Including revenue from PANDORA eSTOREs

### PANDORA OWNED RETAIL

Total PANDORA owned retail revenue was DKK 1,965 million, an increase of 39% (39% in local currency) compared with Q1 2016.

### PANDORA OWNED RETAIL REVENUE

DKK million	Q1 2017	Q1 2016	Growth in DKK	Growth in local currency	Share of revenue
PANDORA owned concept stores	1,843	1,261	46%	46%	36%
- Hereof eSTOREs	304	187	63%	66%	6%
Other points of sale (retail)	122	155	-21%	-21%	2%
<b>Total PANDORA owned retail revenue</b>	<b>1,965</b>	<b>1,416</b>	<b>39%</b>	<b>39%</b>	<b>38%</b>

Revenue from PANDORA owned concept stores (incl. PANDORA eSTOREs) was DKK 1,843 million and increased 46% (46% in local currency) compared with Q1 2016. Local currency growth was driven by:

- Like-for-like sales growth of 8%
- Growth from network expansion and other of 31%
- Growth from acquisition of stores of 7%

Revenue from PANDORA eSTOREs increased 63% to DKK 304 million corresponding to 6% of total revenue (compared with 4% in Q1 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 Q1 2017, PANDORA eSTOREs were available in 17 countries compared with 14 at the end of Q1 2016.

### WHOLESALE

Revenue from PANDORA's wholesale channel was DKK 2,723 million, a decrease of 7% (7% in local currency) compared with Q1 2016.

### WHOLESALE REVENUE

DKK million	Q1 2017	Q1 2016	Growth in DKK	Growth in local currency	Share of revenue
Franchise concept stores	1,492	1,587	-6%	-6%	29%
Other points of sale (wholesale)	1,231	1,333	-8%	-9%	24%
<b>Total wholesale revenue</b>	<b>2,723</b>	<b>2,920</b>	<b>-7%</b>	<b>-7%</b>	<b>53%</b>

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

Revenue from franchise concept stores decreased 6% (6% in local currency) compared with Q1 2016, primarily driven by a negative development in the US.

Revenue from other points of sale in the wholesale channel decreased 8% (9% in local currency) compared with Q1 2016, which was mainly driven by PANDORA's planned closure of around 20% of the other point of sales in the last 12 months. Additionally, Q1 2016 was positively impacted by a one-off shipment to the US jewellery chain Jared of DKK 50 million.

### 3<sup>RD</sup> PARTY DISTRIBUTORS

Revenue from 3<sup>rd</sup> party distributors was DKK 471 million, an increase of 17% (16% in local currency) compared with Q1 2016. Growth was primarily driven by Asia and Southern Europe.

### DISTRIBUTION NETWORK

PANDORA added net 344 concept stores in the last 12 months bringing the global concept store network to 2,196.

#### STORE NETWORK

Number of points of sale	Q1 2017	Q4 2016	Q1 2016	Growth Q/Q	Growth y/y
<b>Concept stores</b>	<b>2,196</b>	<b>2,138</b>	<b>1,852</b>	<b>58</b>	<b>344</b>
- Hereof PANDORA owned	660	598	511	62	149
- Hereof franchise owned	963	976	851	-13	112
- Hereof 3 <sup>rd</sup> party distribution	573	564	490	9	83
<b>Other points of sale</b>	<b>5,693</b>	<b>5,993</b>	<b>7,174</b>	<b>-300</b>	<b>-1,481</b>

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

In Q1 2017, PANDORA added a net of 62 PANDORA owned concept stores, of which 19 were opened in China.

Net 20 franchise stores were opened during Q1 2017, however, as PANDORA acquired 33 franchise concept stores in the quarter, the net effect was a decline of 13 franchise concept stores.

Across all regions, PANDORA closed 300 other points of sale in Q1 2017.

### REVENUE PER REGION

In Q1 2017, 43% of revenue was generated in EMEA (44% in Q1 2016), 33% in Americas (37% in Q1 2016), and 25% in Asia Pacific (19% in Q1 2016).

#### REVENUE PER REGION

DKK million	Q1 2017	Q1 2016	Growth in DKK	Growth in local currency	Share of revenue
EMEA	2,198	2,085	5%	9%	43%
Americas	1,693	1,775	-5%	-9%	33%
Asia Pacific	1,268	880	44%	40%	25%
<b>Total revenue</b>	<b>5,159</b>	<b>4,740</b>	<b>9%</b>	<b>8%</b>	<b>100%</b>

Please refer to note 3 for revenue on selected markets

### EMEA

Revenue in EMEA was DKK 2,198 million in Q1 2017, an increase of 5% (9% in local currency) compared with Q1 2016. Revenue growth in the UK was 2% in local currency, impacted by an increasingly difficult retail environment. The positive performance continued in Southern

Europe with revenue from France (15% in local currency) and Italy (+23% in local currency) both increasing with double digits compared with Q1 2016. Revenue from Germany decreased 6% in local currency, primarily due the closure of around 170 other points of sales in the last 12 months, hereof around 70 in Q1 2017. However, revenue from concept stores in Germany increased by 6% compared with Q1 2016.

#### AMERICAS

Q1 2017 revenue in Americas was DKK 1,693 million, a decrease of 5% (-9% in local currency) compared with Q1 2016. The decrease was mainly driven by a negative development in the US of -7% (-10% in local currency). Excluding the planned closures of other points of sale (around 600 in the US in Q4 2016) and a one-off shipment to Jared in Q1 2016, growth in the US would have been roughly flat. Additionally, timing of shipments had a negative impact on growth in the US compared with Q1 2016 of around 5%. In the last 12 months, PANDORA has added net 21 concept stores in the US, however PANDORA's business in the US continued to be impacted by a difficult retail environment, which was driven by a continued decline in mall traffic. This was reflected in -3% like-for-like sales performance in the PANDORA owned concept stores including a good performance in the US eSTORE.

#### ASIA PACIFIC

Revenue in Asia Pacific was DKK 1,268 million in Q1 2017, an increase of 44% (40% in local currency) compared with Q1 2016. Revenue growth was driven by strong performance in Australia (+18% in local currency) and China (+125% in local currency). The results were underpinned by strong sales in existing stores and the addition of 91 new concept stores (59 of which were in China) in the last 12 months.

### REVENUE PER PRODUCT CATEGORY

#### PRODUCT CATEGORY DEVELOPMENT

DKK million	Q1 2017	Q1 2016	Growth in DKK	Growth in local currency	Share of revenue
Charms	2,976	2,927	2%	1%	58%
Bracelets	873	926	-6%	-7%	17%
Rings	753	532	42%	41%	15%
Earrings	285	181	57%	57%	6%
Necklaces and Pendants	272	174	56%	57%	5%
<b>Total revenue</b>	<b>5,159</b>	<b>4,740</b>	<b>9%</b>	<b>8%</b>	<b>100%</b>

Growth for the quarter was primarily driven by Rings (+42%), Earrings (+57%) and Necklaces and Pendants (+56%), reflecting PANDORA's continued progress towards its ambition to become a full jewellery brand. Growth was driven by increased emphasis on the three categories in marketing and promotions as well as improved in-store focus and staff training.

Revenue from Charms increased 2% (1% in local currency) compared with Q1 2016. Growth was driven by the Asia Pacific region. However, revenue performance from Charms in EMEA and Americas was affected by less novelty in the Valentine's Day collection compared with 2016 as well as PANDORA's decision to increase marketing and promotions around other jewellery categories.

Revenue from Bracelets decreased 6% or (7% in local currency) compared with Q1 2016. The decrease was mainly due to less newness in the category compared with Q1 2016, which saw an increase in revenue from Bracelets of 70%.

In Q1 2017, products launched within the last 12 months accounted for approximately 50% of revenue on par with Q1 2016.

#### COST OF SALES AND GROSS PROFIT

Gross profit in Q1 2017 was DKK 3,781 million corresponding to a gross margin of 73.3% compared with 74.6% in Q1 2016.

#### COST OF SALES AND GROSS PROFIT

DKK million	Q1 2017	Q1 2016	Growth	Share of revenue Q1 2017	Share of revenue Q1 2016
Revenue	5,159	4,740	9%	100%	100%
Cost of sales*	-1,378	-1,204	14%	26.7%	25.4%
<b>Gross profit</b>	<b>3,781</b>	<b>3,536</b>	<b>7%</b>	<b>73.3%</b>	<b>74.6%</b>

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

The gross margin decrease was mainly driven by:

- Increasing share of revenue from PANDORA owned retail (approximately 0.5 percentage point)
- Unfavourable currency rates (approximately -0.5 percentage point)
- Change in product mix (approximately -1 percentage point), mainly related to an increasing share of revenue from the PANDORA rose collection
- There was no significant impact from changes in raw material prices for the quarter

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 1,219/oz) and silver (USD 17.42/oz) market prices in Q1 2017. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact PANDORA's gross margin by approximately +/- 1 percentage point.

#### OPERATING EXPENSES

Total operating expenses in the quarter were DKK 2,065 million, equivalent to an OPEX ratio of 40.0%, compared with 39.9% in the same quarter last year.

#### OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q1 2017	Q1 2016	Growth	Share of revenue Q1 2017	Share of revenue Q1 2016
Sales and distribution expenses	-1,084	-998	9%	21.0%	21.1%
Marketing expenses	-447	-346	29%	8.7%	7.3%
Administrative expenses	-534	-547	-2%	10.4%	11.5%
<b>Total operating expenses</b>	<b>-2,065</b>	<b>-1,891</b>	<b>9%</b>	<b>40.0%</b>	<b>39.9%</b>

Operating expenses were impacted by a planned increase in marketing expenditure, as part of a decision to phase the marketing expenses more evenly over the year. Furthermore, administrative expenses decreased to 10.4% of revenue from 11.5% last year, mainly due to Q1 2016 being impacted by one-off organisational costs related to the Agility project. This corresponded to 1% of revenue.



## EBITDA

EBITDA was DKK 1,879 million, corresponding to an EBITDA margin of 36.4% compared with 37.1% same quarter last year.

### GROUP EBITDA

DKK million	Q1 2017	Q1 2016	Growth	EBITDA margin	
				Q1 2017	Q1 2016
EMEA	820	769	7%	37.3%	36.9%
Americas	521	680	-23%	30.8%	38.3%
Asia Pacific	538	311	73%	42.4%	35.3%
<b>Total EBITDA</b>	<b>1,879</b>	<b>1,760</b>	<b>7%</b>	<b>36.4%</b>	<b>37.1%</b>

The decrease in EBITDA margin was primarily driven by the decrease in gross margin, as well as the planned increase in marketing spend.

The EBITDA margin in the Americas region was negatively impacted by the decrease in revenue due to the aforementioned one-offs on the revenue line, increased marketing and the establishment of a regional office in Central America. This was off-set by an improved EBITDA margin in Asia Pacific driven by the strong top-line performance. Additionally, the EBITDA margin in Q1 2016 was impacted by around 2.5 percentage points related to the takeover of the distribution in Singapore and Macau, where initial inventory in the stores was taken over at distributor prices.

## EBIT

EBIT for Q1 2017 increased to DKK 1,716 million, an increase of 4% compared with Q1 2016, resulting in an EBIT margin of 33.3% for Q1 2017 compared with 34.7% in Q1 2016.

## NET FINANCIALS

In Q1 2017, net financials amounted to a gain of DKK 6 million, compared with a gain of DKK 9 million in Q1 2016. The development was primarily related to exchange rate gains including gains on foreign exchange contracts.

## INCOME TAX EXPENSES

Income tax expenses were DKK 361 million in Q1 2017. The effective tax rate in Q1 2017 was 21.0% compared with 21.0% for Q1 2016.

## NET PROFIT

Net profit in Q1 2017 increased to DKK 1,361 million from DKK 1,306 million in Q1 2016.

## BALANCE SHEET AND CASH FLOW

In Q1 2017, PANDORA generated free cash flow of DKK 1,182 million compared with DKK 1,356 million in Q1 2016. The decrease was mainly due to a decrease in Other payables.

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q1 2017 corresponded to 14.2% of the preceding twelve months' revenue, compared with 14.4% at the end of Q1 2016 and 13.7% at the end of Q4 2016.

At the end of Q1 2017, inventory corresponded to 14.0% of the preceding twelve months' revenue, compared with 13.8% in Q1 2016. The increase was mainly due to additional inventory at PANDORA's new crafting facility in Thailand as well as at the recently established distribution centre in China. Trade receivables at the end of Q1 2017 corresponded to 7.2% of the preceding

twelve months' revenue compared with 7.6% in Q1 2016. The decrease was mainly due to an increase in the share of revenue from PANDORA owned stores, which carries no significant receivables.

**OPERATING WORKING CAPITAL AS A SHARE OF PRECEDING 12 MONTHS' REVENUE**

Share of preceding 12 months' revenue	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Inventory	14.0%	13.5%	16.4%	15.7%	13.8%
Trade receivables	7.2%	8.2%	10.2%	6.7%	7.6%
Trade payables	-7.1%	-8.0%	-6.8%	-6.6%	-7.0%
<b>Total</b>	<b>14.2%</b>	<b>13.7%</b>	<b>19.8%</b>	<b>15.8%</b>	<b>14.4%</b>

Other payables was DKK 852 million at the end Q1 2017 compared with DKK 1,392 million at the end of Q1 2016. The significant decrease was mainly due to a decrease in payables related to dividend withholding tax, due to a lower ordinary dividend as well as less payables related to the ongoing production expansion in Thailand. Furthermore, Other payables in Q1 2016 included payables related to the take-over of the distribution in Singapore and Macao.

At the end of Q1 2017, sales return and warranty provisions corresponded to around 5% of 12 months' rolling revenue value, compared with 6% for Q4 2016 and 6% for Q1 2016. The decrease was mainly related to a lower share of revenue from the US to which the majority of PANDORA's sales return and warranty provisions are related.

CAPEX was DKK 210 million in Q1 2017 compared with DKK 274 million in Q1 2016. The CAPEX investments were mainly related to IT, opening of PANDORA owned stores and the crafting facilities in Thailand. In Q1 2017, CAPEX represented 4% of revenue, compared with 6% in Q1 2016.

Net interest-bearing debt (NIBD) at the end of Q1 2017 was DKK 2,883 million corresponding to a NIBD to EBITDA ratio of 0.4x of preceding twelve months EBITDA, compared with DKK 2,749 million at the end of Q1 2016 corresponding to a NIBD to EBITDA ratio of 0.4x.

**FINANCIAL GUIDANCE**

PANDORA's financial guidance for 2017 is unchanged from the guidance presented in the Annual Report 2016.

	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 expects the net effect from currencies on Group revenue to be insignificant. This compares with an expected tailwind of around 1% anticipated in February 2017 in connection with the announcement of the Annual report 2016.

EBITDA margin is expected to be significantly lower in the first half of 2017 compared with the second half. Commodity prices are expected to affect 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 expansion of the store network and expects to add more than 275 new concept stores in 2017 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% by 3<sup>rd</sup> party distributors.

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

## **OTHER IMPORTANT EVENTS IN Q1 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.

As of 31 March 2017, a total of 398,426 shares had been bought back, corresponding to a transaction value of DKK 325 million. As of 31 March 2017, PANDORA held a total of 5,272,896 treasury shares, corresponding to 4.5% of the share capital.

### **ESTABLISHMENT OF A SPONSORED LEVEL 1 ADR PROGRAMME**

On 21 February 2017, PANDORA established a sponsored level 1 American Depository Receipt (ADR) programme, as a supplement to the listing of its ordinary shares on the Nasdaq Copenhagen stock exchange. J.P. Morgan is appointed as depositary for the programme for a five year period.

The ADRs will be traded in the USA over-the-counter (OTC) under the symbol PANDY. Full details of the programme can be found on the PANDORA Group investor website.

### **ANNUAL GENERAL MEETING**

On 15 March 2017, PANDORA hosted its Annual General Meeting, where the Annual Report for the period from 1 January 2016 - 31 December 2016 was adopted. At the Annual General Meeting, the proposed dividend for 2016 of DKK 9 per share, corresponding to DKK 1 billion, was approved. The dividend was paid out on 20 March 2017.

Please refer to Company Announcement no. 365 for a full list of decisions made at the Annual General Meeting.

### **LONG TERM INCENTIVE PROGRAM FOR EXECUTIVE MANAGEMENT AND OTHER EMPLOYEES**

On 23 March 2017, the Board of Directors of PANDORA approved the potential grant of up to 14,106 stock options to the Company's Executive Management and 87,693 stock options to other employees. The grant is subject to performance targets related to revenue growth and EBITDA-margin in the period 2017-2019. The estimated market value of the total program is approximately DKK 77 million (Black-Scholes value).

## **EVENTS AFTER THE REPORTING PERIOD**

### **UPDATE TO FINANCIAL REPORTING STRUCTURE**

On 20 April 2017, PANDORA announced an update to the financial reporting structure starting with the Company's interim report for Q1 2017. PANDORA decided to update its reporting structure to ensure that it more appropriately reflects the performance of the underlying

business drivers. The update was based on a thorough analysis of the Company's former reporting structure, a review of peer reporting, as well as input from external stakeholders,

Please refer to Company Announcement no. 372 for comparative figures provided for the last 8 quarters based on the updated financial reporting structure.

**REDUCTION OF PANDORA A/S' SHARE CAPITAL**

At PANDORA's Annual General Meeting on 15 March 2017, it was decided to reduce the Company's share capital with a nominal amount of DKK 4,549,430 by cancellation of 4,549,430 treasury shares of DKK 1.

On 25 April 2017, the Board of Directors implemented the share capital reduction with final effect with the Danish Business Authority. After the reduction, PANDORA's share capital is nominally DKK 112,507,391 divided into shares of DKK 0.01 or any multiple thereof.

## FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q1 2017	Q1 2016	FY 2016
Revenue	3	5,159	4,740	20,281
Cost of sales		-1,378	-1,204	-5,058
<b>Gross profit</b>		<b>3,781</b>	<b>3,536</b>	<b>15,223</b>
Sales, distribution and marketing expenses		-1,531	-1,344	-5,838
Administrative expenses		-534	-547	-1,981
<b>Operating profit</b>		<b>1,716</b>	<b>1,645</b>	<b>7,404</b>
Finance income		31	24	328
Finance costs		-25	-15	-82
<b>Profit before tax</b>		<b>1,722</b>	<b>1,654</b>	<b>7,650</b>
Income tax expense		-361	-348	-1,625
<b>Net profit for the period</b>		<b>1,361</b>	<b>1,306</b>	<b>6,025</b>
Earnings per share, basic (DKK)		12.2	11.3	52.8
Earnings per share, diluted (DKK)		12.1	11.2	52.5

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q1 2017	Q1 2016	FY 2016
<b>Net profit for the period</b>	<b>1,361</b>	<b>1,306</b>	<b>6,025</b>
<b>Other comprehensive income:</b>			
<b>Items that might be reclassified to profit/loss for the period</b>			
Exchange rate adjustments of investments in subsidiaries	2	-189	121
Fair value adjustments of commodity hedging instruments	199	282	47
Tax on other comprehensive income, hedging instruments, income/expense	-10	-63	-10
<b>Other comprehensive income, net of tax</b>	<b>191</b>	<b>30</b>	<b>158</b>
<b>Total comprehensive income for the period</b>	<b>1,552</b>	<b>1,336</b>	<b>6,183</b>

CONSOLIDATED BALANCE SHEET

DKK million	2017 31 March	2016 31 March	2016 31 December
<b>ASSETS</b>			
Goodwill	2,753	2,486	2,571
Brand	1,057	1,057	1,057
Distribution network	176	208	184
Distribution rights	1,057	1,066	1,061
Other intangible assets	924	708	893
<b>Total intangible assets</b>	<b>5,967</b>	<b>5,525</b>	<b>5,766</b>
Property, plant and equipment	1,862	1,344	1,767
Deferred tax assets	924	905	946
Other financial assets	272	191	250
<b>Total non-current assets</b>	<b>9,025</b>	<b>7,965</b>	<b>8,729</b>
Inventories	2,905	2,474	2,729
Derivative financial instruments	350	287	161
Trade receivables	1,500	1,361	1,673
Income tax receivable	118	23	142
Other receivables	742	689	754
Cash	646	703	897
<b>Total current assets</b>	<b>6,261</b>	<b>5,537</b>	<b>6,356</b>
<b>Total assets</b>	<b>15,286</b>	<b>13,502</b>	<b>15,085</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	117	122	117
Treasury shares	-4,441	-4,609	-4,334
Reserves	1,372	1,053	1,181
Dividend proposed <sup>1</sup>	1,006	-	1,007
Retained earnings	8,956	8,736	8,823
<b>Total equity</b>	<b>7,010</b>	<b>5,302</b>	<b>6,794</b>
Provisions	113	98	101
Loans and borrowings	3,008	3,200	3,008
Deferred tax liabilities	400	510	393
Other payables	404	257	393
<b>Total non-current liabilities</b>	<b>3,925</b>	<b>4,065</b>	<b>3,895</b>
Provisions	961	944	1,004
Loans and borrowings	187	52	3
Derivative financial instruments	247	151	256
Trade payables	1,462	1,259	1,622
Income tax payable	642	337	547
Other payables	852	1,392	964
<b>Total current liabilities</b>	<b>4,351</b>	<b>4,135</b>	<b>4,396</b>
<b>Total liabilities</b>	<b>8,276</b>	<b>8,200</b>	<b>8,291</b>
<b>Total equity and liabilities</b>	<b>15,286</b>	<b>13,502</b>	<b>15,085</b>

1) Includes extraordinary quarterly dividends related to Q1 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedge reserve	Dividend proposed	Retained earnings	Total equity
<b>2017</b>							
Equity at 1 January	117	-4,334	1,255	-74	1,007	8,823	6,794
<b>Net profit for the period</b>	-	-	-	-	-	<b>1,361</b>	<b>1,361</b>
Exchange rate adjustments of investments in subsidiaries	-	-	2	-	-	-	2
Fair value adjustment of hedging instruments	-	-	-	199	-	-	199
Tax on other comprehensive income	-	-	-	-10	-	-	-10
<b>Other comprehensive income, net of tax</b>	-	-	<b>2</b>	<b>189</b>	-	-	<b>191</b>
<b>Total comprehensive income for the period</b>	-	-	<b>2</b>	<b>189</b>	-	<b>1,361</b>	<b>1,552</b>
Fair value adjustment of obligation to acquire non-controlling interests	-	-	-	-	-	-6	-6
Share-based payments	-	-	-	-	-	14	14
Share-based payments (exercised)	-	218	-	-	-	-216	2
Share-based payments (tax)	-	-	-	-	-	-14	-14
Purchase of treasury shares	-	-325	-	-	-	-	-325
Dividend paid	-	-	-	-	-1,007	-	-1,007
Dividend proposed	-	-	-	-	1,006	-1,006	-
<b>Equity at 31 March</b>	<b>117</b>	<b>-4,441</b>	<b>1,257</b>	<b>115</b>	<b>1,006</b>	<b>8,956</b>	<b>7,010</b>
<b>2016</b>							
Equity at 1 January	122	-4,152	1,134	-111	1,511	7,635	6,139
<b>Net profit for the period</b>	-	-	-	-	-	<b>1,306</b>	<b>1,306</b>
Exchange rate adjustments of investments in subsidiaries	-	-	-189	-	-	-	-189
Fair value adjustment of hedging instruments	-	-	-	282	-	-	282
Tax on other comprehensive income	-	-	-	-63	-	-	-63
<b>Other comprehensive income, net of tax</b>	-	-	<b>-189</b>	<b>219</b>	-	-	<b>30</b>
<b>Total comprehensive income for the period</b>	-	-	<b>-189</b>	<b>219</b>	-	<b>1,306</b>	<b>1,336</b>
Share-based payments	-	-	-	-	-	17	17
Share-based payments (exercised)	-	230	-	-	-	-229	1
Share-based payments (tax)	-	-	-	-	-	3	3
Purchase of treasury shares	-	-687	-	-	-	-	-687
Dividend paid	-	-	-	-	-1,511	4	-1,507
<b>Equity at 31 March</b>	<b>122</b>	<b>-4,609</b>	<b>945</b>	<b>108</b>	-	<b>8,736</b>	<b>5,302</b>

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Q1 2017	Q1 2016	FY 2016
Profit before tax	1,722	1,654	7,650
Finance income	-31	-24	-328
Finance costs	25	15	82
Depreciation, amortisation and impairment losses	163	115	518
Share-based payments	14	17	76
Change in inventories	-90	-165	-206
Change in receivables	8	-151	-327
Change in payables and other liabilities	-293	89	327
Other non-cash adjustments	166	220	241
Interest etc. received	1	1	3
Interest etc. paid	-10	-8	-43
Income taxes paid	-276	-196	-1,462
<b>Cash flows from operating activities, net</b>	<b>1,399</b>	<b>1,567</b>	<b>6,531</b>
Acquisitions of subsidiaries and activities, net of cash acquired	-295	-28	-210
Purchase of intangible assets	-68	-73	-344
Purchase of property, plant and equipment	-148	-121	-825
Change in other non-current assets	-19	-26	-75
Proceeds from sale of property, plant and equipment	9	2	31
<b>Cash flows from investing activities, net</b>	<b>-521</b>	<b>-246</b>	<b>-1,423</b>
Dividend paid	-1,007	-1,507	-1,507
Purchase of treasury shares	-323	-687	-4,000
Proceeds from loans and borrowings	389	1,140	3,777
Repayment of loans and borrowings	-194	-438	-3,373
<b>Cash flows from financing activities, net</b>	<b>-1,135</b>	<b>-1,492</b>	<b>-5,103</b>
<b>Net increase/decrease in cash</b>	<b>-257</b>	<b>-171</b>	<b>5</b>
Cash at beginning of period	897	889	889
Exchange gains/losses on cash	6	-15	3
Net increase/decrease in cash	-257	-171	5
<b>Cash at end of period<sup>1</sup></b>	<b>646</b>	<b>703</b>	<b>897</b>
Cash flows from operating activities, net	1,399	1,567	6,531
- Interest etc. received	-1	-1	-3
- Interest etc. paid	10	8	43
Cash flows from investing activities, net	-521	-246	-1,423
- Acquisition of subsidiaries and activities, net of cash acquired	295	28	210
<b>Free cash flow</b>	<b>1,182</b>	<b>1,356</b>	<b>5,358</b>
<b>Unutilised credit facilities</b>	<b>5,095</b>	<b>2,419</b>	<b>5,120</b>

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

<sup>1</sup> 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 quarter.

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 the Annual Report 2016 of PANDORA.

### 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
<b>Q1 2017</b>				
External revenue	2,198	1,693	1,268	5,159
Segment profit (EBITDA)	820	521	538	1,879
<i>Segment profit margin (EBITDA margin)</i>	37.3%	30.8%	42.4%	36.4%
Depreciation, amortisation and impairment losses				-163
<b>Consolidated operating profit (EBIT)</b>				<b>1,716</b>
<b>Q1 2016</b>				
External revenue	2,085	1,775	880	4,740
Segment profit (EBITDA)	769	680	311	1,760
<i>Segment profit margin (EBITDA margin)</i>	36.9%	38.3%	35.3%	37.1%
Depreciation, amortisation and impairment losses				-115
<b>Consolidated operating profit (EBIT)</b>				<b>1,645</b>

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

DKK million	Q1 2017	Q1 2016	Growth in DKK	Growth in local currency
UK	547	602	-9%	2%
Italy	531	433	23%	23%
France	248	217	14%	15%
Germany	208	223	-7%	-6%
US	1,274	1,371	-7%	-10%
Australia	360	283	27%	18%
China	427	193	121%	125%

**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**

In the first quarter of 2017 PANDORA acquired 33 concept stores in business combinations (18 concept stores in US, 9 in UK, 4 in Canada and 2 in Australia). The total purchase price was DKK 296 million. Assets acquired mainly consist 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 179 million. Cost relating to the acquisition of the stores was recognised in operating costs in the income statement. Of the goodwill acquired DKK 128 million is deductible for income tax purposes.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 March 2017 was insignificant.

**ACQUISITIONS**

DKK million	Total 2017	Total 2016
Other intangible assets	12	-
Property, plant and equipment	32	6
Other non-current receivables	-	9
Receivables	1	4
Inventories	84	61
Cash	-	1
<b>Assets acquired</b>	<b>129</b>	<b>81</b>
Non-current liabilities	4	2
Payables	4	6
Other current liabilities	4	-
<b>Liabilities assumed</b>	<b>12</b>	<b>8</b>
<b>Total identifiable net assets acquired</b>	<b>117</b>	<b>73</b>
Goodwill arising on acquisitions	179	115
<b>Purchase consideration</b>	<b>296</b>	<b>188</b>
Cash movements on acquisitions:		
Prepaid, previous year <sup>1,2</sup>	-1	-7
Consideration transferred regarding previous years <sup>3</sup>	-	29
Cash acquired	-	-1
<b>Net cash flows on acquisition for the period</b>	<b>295</b>	<b>209</b>
Prepayments, acquisitions <sup>1</sup>	-	1
<b>Net cash flows on acquisitions</b>	<b>295</b>	<b>210</b>

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

2) Prepayment in 2015 relate 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.

**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 of DKK 160 million was transferred to Norbreeze. DKK 7 million was prepaid in 2015. A 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. The 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 10 April 2017, PANDORA acquired 6 concept stores in New Zealand in a business combination. The total purchase price was DKK 33 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 19 million.

**NOTE 8 – Contingent liabilities**

Refer to note 5.2 to the consolidated financial statements in the Annual Report 2016. Leasing commitments increased by DKK 219 million in Q1 2017 to DKK 3,112 million at the end of Q1 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**

	Q1 2017	Q4 2016	Q1 2016	Growth Q/Q	Growth y/y
Other points of sale (retail)	105	111	119	-6	-14
Other points of sale (wholesale)	4,156	4,401	5,550	-245	-1,394
Other points of sale (3 <sup>rd</sup> party)	1,432	1,481	1,505	-49	-73
<b>Other points of sale, total</b>	<b>5,693</b>	<b>5,993</b>	<b>7,174</b>	<b>-300</b>	<b>-1,481</b>

**NOTE 11 – STORE NETWORK, CONCEPT STORE DEVELOPMENT\***

	Number of concept stores Q1 2017	Number of concept stores Q4 2016	Number of concept stores Q1 2016	Growth Q1 2017 /Q4 2016	Growth Q1 2017 /Q1 2016	Number of O&O Q1 2017	Growth O&O stores Q1 2017 /Q4 2016	Growth O&O stores Q1 2017 /Q1 2016
UK	230	228	198	2	32	22	9	13
Russia	206	208	203	-2	3	-	-	-
Germany	154	156	159	-2	-5	140	-2	-4
Italy	82	75	53	7	29	32	5	13
France	73	71	58	2	15	27	-	4
Spain	55	55	38	-	17	-	-	-
Poland	45	43	40	2	5	19	-1	2
South Africa	35	32	29	3	6	-	-	-
Ireland	29	29	22	-	7	-	-	-
Belgium	25	25	24	-	1	-	-	-
Ukraine	23	23	20	-	3	-	-	-
Portugal	22	22	17	-	5	-	-	-
Netherlands	22	20	19	2	3	22	2	3
United Arab Emirates	19	19	15	-	4	19	-	4
Czech Republic	17	17	14	-	3	10	-	-
Israel	16	14	16	2	-	-	-	-
Romania	15	15	10	-	5	9	-	2
Denmark	14	14	11	-	3	14	-	3
Turkey	14	13	13	1	1	14	1	1
Austria	13	14	12	-1	1	7	-	3
Greece	13	13	11	-	2	-	-	-
Rest of EMEA	113	100	73	13	40	22	2	7
<b>EMEA</b>	<b>1,235</b>	<b>1,206</b>	<b>1,055</b>	<b>29</b>	<b>180</b>	<b>357</b>	<b>16</b>	<b>51</b>
US	349	346	328	3	21	64	18	22
Brazil	91	89	72	2	19	52	2	9
Canada	78	78	72	-	6	6	4	4
Caribbean	24	24	19	-	5	-	-	-
Mexico	19	19	14	-	5	-	-	-
Rest of Americas	31	32	14	-1	17	-	-	-
<b>Americas</b>	<b>592</b>	<b>588</b>	<b>519</b>	<b>4</b>	<b>73</b>	<b>122</b>	<b>24</b>	<b>35</b>
China	117	97	58	20	59	116	19	58
Australia	114	112	103	2	11	19	2	2
Hong Kong	29	29	26	-	3	25	-	1
Malaysia	29	27	25	2	4	-	-	-
Philippines	15	16	8	-1	7	-	-	-
Singapore	14	14	15	-	-1	11	-	-1
New Zealand	13	13	12	-	1	-	-	-
Rest of Asia Pacific	38	36	31	2	7	10	1	3
<b>Asia Pacific</b>	<b>369</b>	<b>344</b>	<b>278</b>	<b>25</b>	<b>91</b>	<b>181</b>	<b>22</b>	<b>63</b>
<b>All markets</b>	<b>2,196</b>	<b>2,138</b>	<b>1,852</b>	<b>58</b>	<b>344</b>	<b>660</b>	<b>62</b>	<b>149</b>

\*Includes markets with 10 or more concept stores as of end Q1 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 Q1 2017	Hedged Q2 2017	Hedged Q3 2017	Hedged Q4 2017	Hedged Q1 2018
Gold price	1,217	1,299	1,301	1,220	1,253
Silver price	16.57	17.90	18.47	17.07	18.32
Hedging share, %	Realised	90-100%	70-90%	50-70%	30-50%

**NOTE 13 – Dividend and share buyback**

**DIVIDEND**

In March 2017, PANDORA paid out ordinary dividend of DKK 9 per share, corresponding to DKK 1.0 billion in total, related to the financial year 2016. In addition to the ordinary dividend PANDORA plans to pay 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 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	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<b>Consolidated income statement</b>					
Revenue	5,159	6,602	4,612	4,327	4,740
Gross profit	3,781	4,963	3,464	3,260	3,536
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,879	2,711	1,842	1,609	1,760
Operating profit (EBIT)	1,716	2,552	1,719	1,488	1,645
Net financials	6	120	60	57	9
Net profit for the period	1,361	2,093	1,405	1,221	1,306
<b>Consolidated balance sheet</b>					
Total assets	15,286	15,085	15,242	14,242	13,502
Invested capital	9,859	9,396	9,839	8,965	7,972
Operating working capital	2,943	2,780	3,833	2,943	2,576
Net interest-bearing debt (NIBD) <sup>1</sup>	2,883	2,448	4,546	3,863	2,749
Equity	7,010	6,794	5,528	5,413	5,302
<b>Consolidated cash flow statement</b>					
Net increase/decrease in cash	-257	451	-104	-171	-171
Free cash flow	1,182	2,849	577	576	1,356
Cash conversion, %	68.9%	111.6%	33.6%	38.7%	82.4%
<b>Growth ratios</b>					
Revenue growth, %	9%	16%	18%	20%	34%
Gross profit growth, %	7%	18%	20%	27%	40%
EBITDA growth, %	7%	26%	27%	23%	35%
EBIT growth, %	4%	27%	28%	20%	33%
Net profit growth, %	4%	52%	40%	34%	241%
<b>Margins</b>					
Gross margin, %	73.3%	75.2%	75.1%	75.3%	74.6%
EBITDA margin, %	36.4%	41.1%	39.9%	37.2%	37.1%
EBIT margin, %	33.3%	38.7%	37.3%	34.4%	34.7%
<b>Other ratios</b>					
Effective tax rate, %	21.0%	21.7%	21.0%	21.0%	21.0%
Equity ratio, %	45.9%	45.0%	36.3%	38.0%	39.3%
NIBD to EBITDA, x <sup>1,2</sup>	0.4	0.3	0.6	0.6	0.4
Return on invested capital (ROIC), % <sup>2</sup>	75.8%	78.8%	69.7%	72.2%	78.0%
<b>Other key figures</b>					
Capital expenditure (CAPEX), DKK million	210	249	324	352	274
Capital expenditure, tangible assets (CAPEX), DKK million	139	134	246	245	203
Store network, total number of points of sale	7,889	8,131	8,921	8,919	9,026
Store network, total number of concept stores	2,196	2,138	2,010	1,920	1,852
Average number of full-time employees	19,495	18,956	18,106	17,276	16,740

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 – 31 March 2017.

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 additional requirements in the Danish Financial Statements Act.

In our opinion, the interim report gives a true and fair view of the PANDORA Group's assets, liabilities and financial position at 31 March 2017, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 31 March 2017.

Further, in our opinion the Management's review p. 1-23 gives a true and fair view of the development in the Group's operations and financial matters, the result of the PANDORA Group for the period and the financial position and describes the significant risks and uncertainties pertaining to the Group.

Copenhagen, 9 May 2017

## EXECUTIVE BOARD

Anders Colding Friis  
*Chief Executive Officer*

Peter Vekslund  
*Chief Financial Officer*

## BOARD OF DIRECTORS

Peder Tuborgh  
*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 7,900 points of sale, including more than 2,100 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 21,200 people worldwide of whom around 12,500 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 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.