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

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COMPANY ANNOUNCEMENT
15 May 2018

INTERIM REPORT FIRST QUARTER 2018

REVENUE GROWTH IN LINE WITH THE COMMUNICATED OUTLOOK

In line with previously communicated expectations, PANDORA reports revenue growth in local currency of 6% for Q1 2018. EBITDA margin for the quarter was 32.6%. Revenue growth was mainly driven by EMEA as Asia Pacific experienced a slowdown mainly due to lower growth in China. A commercial plan to strengthen the Chinese business is being implemented.

PANDORA made good progress on the strategy presented at the Capital Markets Day in January 2018, with a focus on product innovation, agile manufacturing, digitalising the brand experience and enhancing the omni-channel retail offer. This included the launch of the PANDORA Shine collection in March as well as installing plating lines at the crafting facilities in Thailand.

FINANCIAL HIGHLIGHTS

- Group revenue in Q1 2018 decreased by 1% (6% increase in local currency) to DKK 5,115 million, which is in line with PANDORA's earlier communicated expectations of local currency growth slightly below full year guidance of 7-10%
  - Revenue from PANDORA owned retail increased 32% (40% increase in local currency) and represented 51% of Group revenue
    - Like-for-like sales-out growth for PANDORA owned concept stores was 0%
  - Revenue from EMEA increased 15% (16% increase in local currency)
  - Revenue from Americas decreased 16% (4% decrease in local currency)
    - Like-for-like sales-out growth in the US was 9%
  - Revenue in Asia Pacific decreased 9% (1% increase in local currency)
- Gross margin was 75.8% in Q1 2018 (Q1 2017: 73.3%)
- EBITDA was DKK 1,667 million in Q1 2018 (Q1 2017: DKK 1,879 million), corresponding to an EBITDA margin of 32.6% (Q1 2017: 36.4%)
- Free cash flow was DKK 439 million in Q1 2018 (Q1 2017: DKK 1,182 million)
- In Q1 2018, PANDORA returned DKK 1,220 million to shareholders through ordinary dividend of DKK 9 per share (DKK 987 million) and share buyback of DKK 233 million
- Financial guidance for 2018 is unchanged.

Commenting on the results, Anders Colding Friis, CEO of PANDORA, said:
"We have good momentum on our strategy towards 2022. Revenue from owned retail grew 32% and now represents more than 50% of the Group revenue, providing us with greater control over the brand. We are also pleased with the positive reception of our new Spring collection, including PANDORA Shine. As anticipated, sales growth has started at a moderate pace, and is expected to improve as we gradually introduce more newness in our product assortment throughout the year."

PANDORA

CONFERENCE CALL

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

The following numbers can be used by investors and analysts:
DK: +45 35 44 55 83
UK (International): +44 (0) 203 194 0544
US: +1 855 269 2604

FINANCIAL CALENDAR 2018

14 August 2018	Interim Report for Q2/H1 2018
21 August 2018	Ex dividend date
23 August 2018	Payment date
6 November 2018	Interim Report for Q3/9M 2018

ABOUT PANDORA

PANDORA designs, manufactures and markets hand-finished and contemporary jewellery made from high-quality materials at affordable prices. PANDORA jewellery is sold in more than 100 countries on six continents through more than 7,700 points of sale, including more than 2,400 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 25,300 people worldwide of whom around 13,000 are located in Thailand, where the Company manufactures its jewellery. PANDORA is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2017, PANDORA's total revenue was DKK 22.8 billion (approximately EUR 3.1 billion).

CONTACT

For more information, please contact:

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

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

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

PANDORA

FINANCIAL HIGHLIGHTS

DKK million	Q1 2018	Q1 2017[4]	FY 2017[4]
Consolidated income statement			
Revenue	5,115	5,159	22,781
Gross profit	3,876	3,781	16,966
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,667	1,879	8,505
Operating profit (EBIT)	1,441	1,716	7,784
Net financials	36	6	-117
Net profit for the period	1,159	1,361	5,768
Consolidated balance sheet			
Total assets	17,214	15,513	17,428
Invested capital	12,212	9,859	11,439
Operating working capital	3,311	2,954	2,988
Net interest-bearing debt (NIBD)	5,776	2,883	4,855
Equity	6,413	7,010	6,514
Consolidated cash flow statement			
Net increase/decrease in cash	-259	-257	133
Free cash flow	439	1,182	5,294
Cash conversion, %	*30.5%*	*68.9%*	*68.0%*
Growth ratios			
Revenue growth, %	*-1%*	*9%*	*12%*
Revenue growth, local currency, %	*6%*	*8%*	*15%*
Gross profit growth, %	*3%*	*7%*	*11%*
EBITDA growth, %	*-11%*	*7%*	*7%*
EBIT growth, %	*-16%*	*4%*	*5%*
Net profit growth, %	*-15%*	*4%*	*-4%*
Margins			
Gross margin, %	*75.8%*	*73.3%*	*74.5%*
EBITDA margin, %	*32.6%*	*36.4%*	*37.3%*
EBIT margin, %	*28.2%*	*33.3%*	*34.2%*
Other ratios			
Effective tax rate, %	*21.5%*	*21.0%*	*24.8%*
Equity ratio, %	*37.3%*	*45.2%*	*37.4%*
NIBD to EBITDA	0.7x	0.4x	0.6x
Return on invested capital (ROIC)[1], %	*61.5%*	*75.8%*	*68.0%*
Share information			
Dividend per share[2], DKK	-	9.00	9.00
Quarterly dividend per share[3], DKK	-	-	27.00
Total payout ratio (incl. share buyback), %	*105.3%*	*97.9%*	*99.1%*
Earnings per share, basic, DKK	10.6	12.2	52.0
Earnings per share, diluted, DKK	10.5	12.1	51.8
Share price at end of period, DKK	649.8	772.0	675.5
Other key figures			
Capital expenditure (CAPEX)	244	210	1,388
Capital expenditure, tangible assets (CAPEX)	161	139	946
Store network, total number of points of sale	7,718	7,889	7,794
Store network, total number of concept stores	2,485	2,196	2,446
Average number of full-time employees	23,334	19,495	20,904

[1] Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.
[2] Dividend per share for 2017.
[3] Quarterly dividend per share for 2017, paid in 2017.
[4] Numbers are changed to reflect the effect from adoption of IFRS 15.

FINANCIAL GUIDANCE

PANDORA's financial guidance for 2018 is unchanged from the guidance presented in the Annual Report 2017.

	2018 Guidance	2017 Actual
Revenue, DKK billion/ local currency growth	7-10%	22.8
EBITDA margin	Approx. 35%	37.3%
CAPEX, % of revenue	Approx. 5%	6.1%

GUIDANCE ASSUMPTIONS

PANDORA expects to add around net 200 concept stores during 2018 of which roughly 50% are expected to be opened in EMEA, 25% in Americas and 25% in Asia Pacific. PANDORA expects two-thirds of the concept store openings to be PANDORA owned stores. Furthermore, PANDORA expects a full year impact on revenue of around DKK 1.0 billion from the full year effect of acquisitions made during 2017 as well as acquisition of stores in 2018.

Assuming current exchange rates versus the Danish Krone, growth reported in DKK is expected to be around 4 percentage points lower than in local currency (compared with earlier expected 3 percentage points lower). Additionally, currency headwinds for Q2 2018 are expected to be around 6 percentage points.

As in 2017, the EBITDA margin is expected to be significantly lower in the first half of the year compared with the second half. EBITDA margin expectations are based on the foreign exchange rates at the time of the announcement.

STRATEGIC UPDATE

In Q1 2018, PANDORA made good progress in all the Company's four strategic pillars.

INNOVATE AFFORDABLE JEWELLERY

In Q1 2018, PANDORA launched its first collections (the Valentine's Day and the Spring collection) designed by PANDORA's new design team. The new products were well received, with the newness and the innovative nature of the new collection being recognised by consumers. Furthermore, as part of the Spring collection launched in March, PANDORA introduced the new concept PANDORA Shine. The reception of the initial 36 products has been encouraging, and around 40 additional PANDORA Shine products are planned to be launched during 2018. During Q1 more than 150 new products were introduced (the vast majority in mid-March with the Spring collection), and an additional 500 products will be introduced in the remainder of 2018, including a new jewellery concept within Charms and Bracelets.

AGILE MANUFACTURING

To deliver a diversified and innovative assortment of products to the consumers, PANDORA continues to develop the Company's crafting facilities in Thailand. The new Triple A facility in Gemopolis was opened for commercial production in January and during the quarter, plating lines were installed in the facilities in Gemopolis, with testing currently ongoing. PANDORA will plate products in-house for commercial purposes from Q4 2018.

DIGITALISED BRAND EXPERIENCE

To improve the online experience when shopping for PANDORA the Company merged its two online platforms, the eSTORE and pandora.net, at the end of the quarter. The process was successfully executed without complications.

WINNING IN OMNI-CHANNEL RETAIL

PANDORA continued to expand its retail network and added 48 new owned and operated concept stores, which included the acquisition of 17 franchise stores, mainly located in the UK. At the same time, 115 other points of sale were closed. Total revenue from retail increased 40% in local currency for the quarter and now represents 51% of revenue compared with 38% in Q1 2017. Moreover, the eSTORE increased to 9% of total revenue for the quarter, consistent with PANDORA's ambition to increase revenue from online to represent 10-15% of revenue in 2022.

Finally, PANDORA has strengthened its e-commerce organisation with the appointment of Karl Walsh as SVP of E-commerce. Karl Walsh comes with extensive and strategic experience in the e-commerce field. PANDORA will be improving the eSTORE experience with improved functionalities, check-out flows and other in the quarters to come.

FINANCIAL PERFORMANCE

REVENUE

Total revenue for Q1 2018 was DKK 5,115 million, a decrease of 1% (6% increase in local currency) compared with Q1 2017. Organic growth was 0% in local currency, as revenue for the quarter included a net impact of DKK 288 million from the acquisition of stores.

REVENUE BY SALES CHANNEL

DKK million	Q1 2018	Q1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
PANDORA owned retail*	2,592	1,965	*32%*	*40%*	*51%*
Wholesale	2,178	2,723	*-20%*	*-14%*	*43%*
Third-party distribution	345	471	*-27%*	*-23%*	*7%*
Total revenue	**5,115**	**5,159**	***-1%***	***6%***	***100%***

*Including revenue from PANDORA eSTOREs

PANDORA OWNED RETAIL

Revenue from PANDORA owned retail was DKK 2,592 million in Q1 2018, an increase of 32% (40% increase in local currency) compared with Q1 2017.

PANDORA OWNED RETAIL REVENUE

DKK million	Q1 2018	Q1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
PANDORA owned concept stores	2,445	1,843	*33%*	*41%*	*48%*
- Hereof eSTOREs	*438*	*304*	*44%*	*53%*	*9%*
Other points of sale (retail)	147	122	*20%*	*24%*	*3%*
Total PANDORA owned retail revenue	**2,592**	**1,965**	***32%***	***40%***	***51%***

Revenue from PANDORA owned concept stores (incl. PANDORA eSTOREs) was DKK 2,445 million in Q1 2018 an increase of 33% (41% increase in local currency) compared with Q1 2017. Local currency growth was driven by growth from network expansion by 24% and the acquisition of stores by 17%. Like-for-like growth in PANDORA owned concept stores was 0%. All major markets in EMEA as well as the US had a positive like-for-like growth, driven by the eSTORE, which was offset by negative like-for-like performance in Australia and China.

Revenue from PANDORA eSTOREs increased 44% (53% increase in local currency) to DKK 438 million in Q1 2018 corresponding to 9% of total revenue (6% in Q1 2017), driven by a strong performance across all major markets. PANDORA currently has eSTOREs in 20 countries globally.

WHOLESALE

Revenue from PANDORA's wholesale channel was DKK 2,178 million, a decrease of 20% (14% decrease in local currency) compared with Q1 2017.

WHOLESALE REVENUE

DKK million	Q1 2018	Q1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
Franchise concept stores	1,226	1,492	*-18%*	*-10%*	*24%*
Other points of sale (wholesale)	952	1,231	*-23%*	*-18%*	*19%*
Total wholesale revenue	**2,178**	**2,723**	***-20%***	***-14%***	***43%***

Revenue from franchise concept stores decreased 18% (10% decrease in local currency) compared with Q1 2017. This included a negative impact of DKK 87 million from PANDORA's acquisition of franchise stores. Excluding acquisitions, revenue from franchise concept stores decreased 4% in local currency. The underlying development in revenue from franchise concept stores was impacted by the performance in the US, Australia and the UK.

Revenue from other points of sale in the wholesale channel decreased 23% (18% decrease in local currency) compared with Q1 2017. This was due to a negative development in the US and Italy, which was driven by decreasing traffic as well as closure of other points of sale, as part of PANDORA's strategy to strengthen the network.

THIRD-PARTY DISTRIBUTORS

Revenue from third-party distributors was DKK 345 million, a decrease of 27% (23% decrease in local currency) compared with Q1 2017. The decrease was mainly due to PANDORA's acquisition of the distribution in Spain, Belgium and South Africa in Q2 and Q3 2017.

DISTRIBUTION NETWORK

PANDORA added net 289 concept stores in the last 12 months, bringing the global concept store network to 2,485.

STORE NETWORK

Number of points of sale	Q1 2018	Q4 2017	Q1 2017	Growth Q1 2018 /Q4 2017	Growth Q1 2018 /Q1 2017
Concept stores	**2,485**	**2,446**	**2,196**	**39**	**289**
- hereof PANDORA owned	1,022	974	660	48	362
- hereof franchise owned	958	969	963	-11	-5
- hereof third-party distribution	505	503	573	2	-68
Other points of sale	**5,233**	**5,348**	**5,693**	**-115**	**-460**

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

In Q1 2018, PANDORA added a net of 48 PANDORA owned concept stores. The increase was mainly driven by store openings in China (14) and Mexico (9) as well as the acquisition of 17 franchise concept stores.

The number of franchise concept stores decreased by 11 in Q1 2018, mainly due to PANDORA's acquisition of 17 franchise stores during the quarter.

At the end of Q1 2018, PANDORA had 5,233 other points of sale. During Q1 2018, net 115 other points of sale were closed. In the last 12 months, PANDORA closed 460 other points of sale, mainly in EMEA.

REVENUE BY REGION

In Q1 2018, 50% of revenue was generated in EMEA (43% in Q1 2017), 28% in Americas (33% in Q1 2017) and 23% in Asia Pacific (25% in Q1 2017).

REVENUE BY REGION

DKK million	Q1 2018	Q1 2017	*Growth in DKK*	*Growth in local currency*	*Share of revenue*
EMEA	2,534	2,198	*15%*	*16%*	*50%*
Americas	1,422	1,693	*-16%*	*-4%*	*28%*
Asia Pacific	1,159	1,268	*-9%*	*1%*	*23%*
Total revenue	**5,115**	**5,159**	***-1%***	***6%***	***100%***

Please refer to Note 3 for revenue in PANDORAs 7 largest markets

EMEA

Revenue in EMEA was DKK 2,534 million in Q1 2018, an increase of 15% (16% increase in local currency) compared with Q1 2017. Revenue in EMEA was supported by around DKK 220 million from acquisition of stores, including around DKK 130 million related to the acquisition of PANDORA's Spanish distributor.

The increase in revenue from EMEA was mainly driven by a good performance in Italy (14% increase in local currency), France (11% increase in local currency) and Germany (13% increase in local currency). The UK remains a challenging retail environment and consequently growth in the UK was flat in local currency for the quarter.

Growth in EMEA was supported by the addition of 122 new concept stores in the last 12 months partially offset by the closure of 367 other points of sale (corresponding to around 10% of other points of sale in the region).

AMERICAS

Revenue in Americas was DKK 1,422 million in Q1 2018, a decrease of 16% (4% decrease in local currency) compared with Q1 2017.

Revenue from the US was DKK 1,018 million, a decrease of 8% in local currency, with revenue for the quarter including around DKK 35 million from the acquisition of franchise stores. Like-for-like sales-out growth in the US in PANDORA's owned concept stores was 9% driven by the US eSTORE. The US continues to be impacted by a lack of product newness in stores and the physical network (including franchise stores) experienced a negative like-for-like performance.

ASIA PACIFIC

Revenue in Asia Pacific was DKK 1,159 million in Q1 2018, a decrease of 9% (1% increase in local currency) compared with Q1 2017.

Revenue growth in Asia Pacific was mainly driven by China (16% increase in local currency), which was supported by the addition of 54 new concept stores during the last 12 months. Growth in China experienced a slowdown in the quarter and actions are being taken to revert the development centered around two areas:

- Increase and re-allocation of marketing spend
- Proactively managing and limiting unofficial sales channels (grey market sales)

Revenue from Australia decreased 4% in local currency. Australia continues to be challenged due a lack of product newness in this very developed market as well as a decline in revenue from Chinese consumers.

REVENUE BY PRODUCT CATEGORY

REVENUE BY PRODUCT CATEGORY

DKK million	**Q1 2018**	**Q1 2017**	***Growth In DKK***	***Growth in Local currency***	***Share of revenue***
Charms	2,854	2,976	*-4%*	*2%*	*56%*
Bracelets	891	873	*2%*	*10%*	*17%*
Rings	736	753	*-2%*	*5%*	*14%*
Earrings	309	285	*8%*	*16%*	*6%*
Necklaces & Pendants	325	272	*19%*	*28%*	*6%*
Total revenue	**5,115**	**5,159**	***-1%***	***6%***	***100%***

Revenue from Charms increased 2% in local currency compared with Q1 2017. As part of the effort to renew the product portfolio, several new and innovative charms were launched in the quarter, including 14 charms as part of the PANDORA Shine collection. The charms category remains challenging due to too much repetitiveness in the assortment, however, Charms from the Valentine's collection as well as the Spring collection launched during Q1 2018 have been well received.

Revenue from Bracelets increased 10% in local currency compared with Q1 2017. The increase was driven by the introduction of several new bracelets throughout the last 12 months. 12 new bracelets were launched in Q1 2018, including three PANDORA Shine bracelets as well as the best-selling heart padlock bracelet.

Revenue from Rings increased 5% in local currency and was impacted by lower in-store activity around Rings during the quarter compared with Q1 2017.

Revenue from Earrings and Necklaces & Pendants increased 16% and 28%, respectively, in local currency and continued to perform well reflecting PANDORA's continued development towards becoming a full jewellery brand.

COST OF SALES AND GROSS PROFIT

Gross profit in Q1 2018 was DKK 3,876 million (Q1 2017: DKK 3,781 million) corresponding to a gross margin of 75.8% compared with 73.3% in Q1 2017.

COST OF SALES AND GROSS PROFIT

DKK million	**Q1 2018**	**Q1 2017**	***Growth in DKK***	***Share of revenue Q1 2018***	***Share of revenue Q1 2017***
Revenue	5,115	5,159	*-1%*	*100.0%*	*100.0%*
Cost of sales	-1,239	-1,378	*-10%*	*24.2%*	*26.7%*
Gross profit	**3,876**	**3,781**	***3%***	***75.8%***	***73.3%***

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

The change in gross margin compared with Q1 2017 was mainly driven by:

- Increasing the share of revenue from PANDORA owned retail (approximately 3 percentage point)
- Change in metal mix (approximately -1 percentage point) mainly related to an increasing share of revenue from the PANDORA rose and the PANDORA Shine collection

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 76% based on the average gold (USD 1,329/oz) and silver (USD

16.77/oz) market prices in Q1 2018. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

OPERATING EXPENSES

Total operating expenses for the quarter were DKK 2,435 million, equivalent to an OPEX ratio of 47.6% (40.0% in Q1 2017).

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q1 2018	Q1 2017	*Growth*	*Share of revenue Q1 2018*	*Share of revenue Q1 2017*
Sales and distribution expenses	-1,373	-1,084	*27%*	*26.8%*	*21.0%*
Marketing expenses	-485	-447	*9%*	*9.5%*	*8.7%*
Administrative expenses	-577	-534	*8%*	*11.3%*	*10.4%*
Total operating expenses	**-2,435**	**-2,065**	***18%***	***47.6%***	***40.0%***

The higher operating expenses were mainly due to a significant increase in sales and distribution costs driven by the higher share of PANDORA owned retail revenue, which represented 51% of revenue for the quarter compared with 38% in Q1 2017. At the end of Q1 2018, PANDORA operated 1,022 own concept stores compared with 660 at the of end Q1 2017. Sales and distribution costs were negatively impacted by around 1 percentage point from an increase in depreciation and amortisation mainly related to acquisitions. Marketing expenses were 9.5% of revenue up from 8.7% in Q1 2017. The increase was mainly driven by marketing costs related to the launch of PANDORA Shine. Administrative expenses as a percentage of revenue were 11.3% compared with 10.4% in Q1 2017. The increase in administrative expenses was due to one-off costs related to organisational changes.

EBITDA

EBITDA was DKK 1,667 million in Q1 2018, corresponding to an EBITDA margin of 32.6% (36.4% in Q1 2017). Across regions, the EBITDA margin was impacted by the change in metal mix as well as overhead costs related to organisational changes. Additionally, the EBITDA margin for Q1 2018 was negatively impacted by around 1 percentage point from exchange rate fluctuations compared with Q1 2017.

GROUP EBITDA

DKK million	Q1 2018	Q1 2017	*Growth*	*EBITDA margin Q1 2018*	*EBITDA margin Q1 2017*
EMEA	842	820	*3%*	*33.2%*	*37.3%*
Americas	378	521	*-27%*	*26.6%*	*30.8%*
Asia Pacific	447	538	*-17%*	*38.6%*	*42.4%*
Total EBITDA	**1,667**	**1,879**	***-11%***	***32.6%***	***36.4%***

The EBITDA margin in EMEA decreased by 4.1 percentage points compared with Q1 2017, to 33.2%, mainly driven by the significant increase in PANDORA owned retail in the region, including the acquisition of PANDORA's Spanish distributor.

Americas' EBITDA margin decreased by 4.2 percentage points compared with Q1 2017, to 26.6%. The decrease was mainly due to the significant increase in PANDORA owned retail in the region.

The EBITDA margin in Asia Pacific decreased by 3.8 percentage points compared with Q1 2017, to 38.6%. The decrease was mainly driven by an increase in owned and operated stores including the acquisition of 11 stores in the region in the last 12 months.

EBIT

EBIT for Q1 2018 was DKK 1,441 million, a decrease of 16% compared with Q1 2017, resulting in an EBIT margin of 28.2% for Q1 2018 (33.3% in Q1 2017).

NET FINANCIALS

In Q1 2018, net financials amounted to a gain of DKK 36 million (gain of DKK 6 million in Q1 2017).

INCOME TAX EXPENSES

Income tax expenses were DKK 318 million in Q1 2018. The effective tax rate in Q1 2018 was 21.5% (21.0% in Q1 2017).

NET PROFIT

Net profit in Q1 2018 was DKK 1,159 million (DKK 1,361 million in Q1 2017).

BALANCE SHEET AND CASH FLOW

In Q1 2018, PANDORA generated a free cash flow of DKK 439 million (DKK 1,182 million in Q1 2017). The decrease compared with Q1 2017 was mainly driven by the decrease in EBITDA as well as a negative impact of around DKK 300 million from higher tax payments. This was primarily related to withholding tax on the repatriation of dividend, related to earnings from PANDORA Production Co. Ltd. in Thailand, which was announced in connection with the full year results.

Operating working capital (defined as inventory and trade receivables less trade payables) at the end of Q1 2018 was 14.6% of the last twelve months' revenue (14.3% in Q1 2017).

At the end of Q1 2018, inventory decreased to 12.4% of the last twelve months' revenue (14.0% in Q1 2017), mainly due to optimisation of inventories. Trade receivables at the end of Q1 2018 corresponded to 8.1% of the last twelve months' revenue (7.2% in Q1 2017), while days sales outstanding (DSO) were 66 days (42 days in Q1 2017). The increase compared with Q1 2017 was mainly due to revenue in the first quarter being skewed towards the end of the quarter. Furthermore, receivables were impacted by the acquisition of PANDORA's Spanish distributor in September 2017.

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

Share of preceding 12 months' revenue	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Inventory	12.4%	12.0%	14.8%	14.3%	14.0%
Trade receivables	8.1%	8.6%	10.4%	5.8%	7.2%
Trade payables	-5.9%	-7.4%	-6.3%	-6.3%	-7.0%
Total	**14.6%**	**13.1%**	**19.0%**	**13.7%**	**14.3%**

At the end of Q1 2018, sales return and warranty provisions corresponded to around 3% of the last twelve months' rolling revenue, compared with 4% for Q4 2017 and 5% for Q1 2017. The decrease in provisions compared with Q1 2017 was related to a lower share of Group revenue from the US as well as a reduction of provisions in Q2 2017 related to a change to the product return programme in the US.

CAPEX was DKK 244 million in Q1 2018 (DKK 210 million in Q1 2017). CAPEX was mainly related to IT, the opening of PANDORA owned stores and the crafting facilities in Thailand. In Q1 2018, CAPEX represented 5% of revenue (4% in Q1 2017).

Net interest-bearing debt (NIBD) at the end of Q1 2018 was DKK 5,776 million (DKK 2,883 million in Q1 2017) corresponding to a NIBD to EBITDA ratio of 0.7x of the last twelve months rolling EBITDA (0.4x in Q1 2017).

OTHER IMPORTANT EVENTS IN Q1 2018

CAPITAL MARKETS DAY 2018

In January, PANDORA hosted a Capital Markets Day in Copenhagen, Denmark for analysts, institutional investors and media. At the event, PANDORA presented the strategic direction towards 2022, which includes an ambition to increase revenue annually in the period 2018-2022 by 7-10% in local currency, while maintaining a solid EBITDA margin of around 35% beginning from 2018.

As part of the presentations at the Capital Markets Day, and as stated in the Company Announcement no. 426, the following forward-looking statements were disclosed:

- Group revenue in the period 2018-2022 is expected to increase annually by 7-10% in local currency
    - PANDORA expects annual like-for-like growth in PANDORA owned concept stores (including eSTOREs) to be low- to mid-single digit
    - PANDORA expects annual revenue tailwind of DKK 500-1,000 million from forward integration
    - PANDORA expects to add around net 200 concept stores annually in 2018-2022
- Group EBITDA margin in the period 2018-2022 is expected to be around 35%[1]. Compared with current levels, the EBITDA margin will be negatively impacted by
    - a broader and more innovative product portfolio, and
    - an increasing share of PANDORA owned stores
- CAPEX, in the period 2018-2022, as a percentage of annual revenue is expected to be around 5%[1]
- The effective tax rate in the period is expected to be 21-22%.

ORGANISATIONAL CHANGES IN MANAGEMENT

In January, PANDORA announced that CFO and member of Executive Management in PANDORA Peter Vekslund had decided to resign and leave the company after almost four years in the position. Anders Boyer was appointed new CFO and member of Executive Management of PANDORA. Until Anders Boyer is able to assume the position on 1 August 2018, Peter Vekslund will continue as CFO and stay fully committed to the company.

SHARE BUYBACK PROGRAMME FOR 2018

On 6 February 2018, in connection with the Annual Report 2017, PANDORA announced a share buyback programme under which PANDORA expects to buy back own shares to a maximum consideration of DKK 4.0 billion. The programme will end no later than 13 March 2019.

During Q1 2018, a total of 377,225 shares were bought back, corresponding to a transaction

[1] Prior to implementation of IFRS 16. Refer to note 1.2 in the Annual Report 2017 for details.

value of DKK 233 million. As of 31 March 2018, PANDORA held a total of 3,132,649 treasury shares, corresponding to 2.8% of the share capital.

ANNUAL GENERAL MEETING

On 14 March 2018, PANDORA hosted its Annual General Meeting, where the Annual Report for the period from 1 January 2017 - 31 December 2017 was adopted. At the Annual General Meeting, the proposed dividend for 2017 of DKK 9 per share, corresponding to DKK 1 billion, was approved. The dividend was paid out on 19 March 2018.

Please refer to the Company Announcement no. 438 for a full list of decisions made at the Annual General Meeting.

LONG TERM INCENTIVE PROGRAMME FOR EXECUTIVE MANAGEMENT AND OTHER EMPLOYEES

On 15 March 2018, the Board of Directors of PANDORA approved the potential grant of up to 17,306 stock options to the Company's Executive Management and 101,151 stock options to other employees. The grant is subject to performance targets related to revenue growth and EBITDA-margin in the period 2018-2020. The estimated market value of the total programme is approximately DKK 70 million (Black-Scholes value).

EVENTS AFTER THE REPORTING PERIOD

REDUCTION OF PANDORA A/S' SHARE CAPITAL

At PANDORA's Annual General Meeting on 14 March 2018, it was decided to reduce the Company's share capital with a nominal amount of DKK 2,478,388 by cancellation of 2,478,388 treasury shares of DKK 1.

On 13 April 2018, 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 110,029,003 divided into shares of DKK 0.01 or any multiple thereof.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q1 2018	Q1 2017	FY 2017
Revenue	3	5,115	5,159	22,781
Cost of sales		-1,239	-1,378	-5,815
Gross profit		**3,876**	**3,781**	**16,966**
Sales, distribution and marketing expenses		-1,858	-1,531	-7,045
Administrative expenses		-577	-534	-2,137
Operating profit		**1,441**	**1,716**	**7,784**
Finance income		115	31	198
Finance costs		-79	-25	-315
Profit before tax		**1,477**	**1,722**	**7,667**
Income tax expense		-318	-361	-1,899
Net profit for the period		**1,159**	**1,361**	**5,768**
Earnings per share, basic, DKK		10.6	12.2	52.0
Earnings per share, diluted, DKK		10.5	12.1	51.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q1 2018	Q1 2017	FY 2017
Net profit for the period	**1,159**	**1,361**	**5,768**
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate adjustments of investments in subsidiaries	-67	2	-343
Fair value adjustment of hedging instruments	46	199	109
Tax on other comprehensive income, hedging instruments, income/expense	-10	-10	-25
Items that may be reclassified to profit/loss for the period, net of tax	**-31**	**191**	**-259**
Items not to be reclassified to profit/loss for the period			
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-2
Items not to be reclassified to profit/loss for the period, net of tax	**-**	**-**	**-2**
Other comprehensive income, net of tax	**-31**	**191**	**-261**
Total comprehensive income for the period	**1,128**	**1,552**	**5,507**

PANDORA

CONSOLIDATED BALANCE SHEET

DKK million	2018 31 March	2017 31 March[1]	2017 31 December[1]
ASSETS			
Goodwill	3,536	2,753	3,522
Brand	1,057	1,057	1,057
Distribution network	146	176	154
Distribution rights	1,125	1,057	1,153
Other intangible assets	1,139	924	1,113
Total intangible assets	**7,003**	**5,967**	**6,999**
Property, plant and equipment	2,358	1,862	2,324
Deferred tax assets	858	924	884
Other financial assets	307	272	289
Total non-current assets	**10,526**	**9,025**	**10,496**
Inventories	2,810	2,905	2,729
Right of return assets	139	227	188
Derivative financial instruments	213	350	153
Trade receivables	1,850	1,500	1,954
Income tax receivable	193	118	143
Other receivables	760	742	772
Cash	723	646	993
Total current assets	**6,688**	**6,488**	**6,932**
Total assets	**17,214**	**15,513**	**17,428**
EQUITY AND LIABILITIES			
Share capital	113	117	113
Treasury shares	-2,127	-4,441	-1,999
Reserves	891	1,372	922
Dividend proposed	-	1,006	987
Retained earnings	7,536	8,956	6,491
Total equity	**6,413**	**7,010**	**6,514**
Provisions	162	113	150
Loans and borrowings	5,633	3,008	5,283
Deferred tax liabilities	541	400	501
Other payables	163	404	481
Total non-current liabilities	**6,499**	**3,925**	**6,415**
Provisions	21	84	47
Refund liability	676	1,103	791
Contract liabilities[2]	57	56	64
Loans and borrowings	449	187	164
Derivative financial instruments	152	247	143
Trade payables	1,349	1,451	1,695
Income tax payable	348	642	572
Other payables	1,250	808	1,023
Total current liabilities	**4,302**	**4,578**	**4,499**
Total liabilities	**10,801**	**8,503**	**10,914**
Total equity and liabilities	**17,214**	**15,513**	**17,428**

[1] Numbers are changed to reflect the effect from adoption of IFRS 15.
[2] Contract liabilities comprise prepayments from customers DKK 12 million and other contract liabilities DKK 45 (31 March 2017, DKK 11 million and DKK 45 million, respectively, and 31 December 2017, DKK 11 million and DKK 53 million, respectively).

PANDORA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedge reserve	Dividend proposed	Retained earnings	Total equity
2018							
Equity at 1 January	113	-1,999	912	10	987	6,491	6,514
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**1,159**	**1,159**
Exchange rate adjustments of investments in subsidiaries	-	-	-67	-	-	-	-67
Fair value adjustment of hedging instruments	-	-	-	46	-	-	46
Tax on other comprehensive income	-	-	-	-10	-	-	-10
Other comprehensive income, net of tax	**-**	**-**	**-67**	**36**	**-**	**-**	**-31**
Total comprehensive income for the period	**-**	**-**	**-67**	**36**	**-**	**1,159**	**1,128**
Fair value adjustment of obligation to acquire non-controlling interests	-	-	-	-	-	-31	-31
Share-based payments	-	-	-	-	-	29	29
Share-based payments (exercised)	-	105	-	-	-	-105	-
Share-based payments (tax)	-	-	-	-	-	-8	-8
Purchase of treasury shares	-	-233	-	-	-	-	-233
Dividend paid	-	-	-	-	-987	1	-986
Equity at 31 March	**113**	**-2,127**	**845**	**46**	**-**	**7,536**	**6,413**
2017							
Equity at 1 January	117	-4,334	1,255	-74	1,007	8,823	6,794
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**1,361**	**1,361**
Exchange rate adjustments of investments in subsidiaries	-	-	2	-	-	-	2
Fair value adjustment of hedging instruments	-	-	-	199	-	-	199
Tax on other comprehensive income	-	-	-	-10	-	-	-10
Other comprehensive income, net of tax	**-**	**-**	**2**	**189**	**-**	**-**	**191**
Total comprehensive income for the period	**-**	**-**	**2**	**189**	**-**	**1,361**	**1,552**
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	-
Equity at 31 March	**117**	**-4,441**	**1,257**	**115**	**1,006**	**8,956**	**7,010**

PANDORA

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Q1 2018	Q1 2017[1]	FY 2017[1]
Profit before tax	1,477	1,722	7,667
Finance income	-115	-31	-198
Finance costs	79	25	315
Depreciation, amortisation and impairment losses	226	163	721
Share-based payments	29	14	66
Change in inventories	-95	-90	145
Change in trade and other receivables and right of return assets	67	17	-237
Change in trade and other payables, other liabilities, refund liabilities and contract liabilities	-520	-302	-166
Other non-cash adjustments	117	166	102
Interest etc. received	1	1	3
Interest etc. paid	-13	-10	-44
Income taxes paid	-548	-276	-1,768
Cash flows from operating activities, net	**705**	**1,399**	**6,606**
Acquisitions of subsidiaries and activities, net of cash acquired	-99	-295	-1,843
Purchase of intangible assets	-90	-68	-427
Purchase of property, plant and equipment	-177	-148	-890
Change in other non-current assets	-17	-19	-48
Proceeds from sale of property, plant and equipment	6	9	12
Cash flows from investing activities, net	**-377**	**-521**	**-3,196**
Dividend paid	-986	-1,007	-3,995
Purchase of treasury shares	-233	-323	-1,721
Proceeds from loans and borrowings	633	389	4,981
Repayment of loans and borrowings	-1	-194	-2,542
Cash flows from financing activities, net	**-587**	**-1,135**	**-3,277**
Net increase/decrease in cash	**-259**	**-257**	**133**
Cash at beginning of period[1]	993	897	897
Exchange gains/losses on cash	-11	6	-37
Net increase/decrease in cash	-259	-257	133
Cash at end of period[2]	**723**	**646**	**993**
Cash flows from operating activities, net	705	1,399	6,606
- Interests etc. received	-1	-1	-3
- Interests etc. paid	13	10	44
Cash flows from investing activities	-377	-521	-3,196
- Acquisitions of subsidiaries and activities, net of cash acquired	99	295	1,843
Free cash flow	**439**	**1,182**	**5,294**
Unutilised credit facilities	2,512	5,095	3,085

The above cannot be derived directly from the income statement and the balance sheet.
[1] Numbers are changed to reflect the effect from adoption of IFRS 15.
[2] Cash comprises cash at bank and in hand.

NOTES

NOTE 1 – Accounting policies
The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union and consistent with the accounting policies set out in the Annual Report 2017 of PANDORA, except for the adoption of new standards effective as of 1 January 2018 as described below.

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

PANDORA presents financial measures in the interim report that are not defined according to IFRS. PANDORA believes that these non-GAAP measures provide valuable information to investors and PANDORA's management when evaluating performance. Since other companies might calculate these differently from PANDORA, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered a replacement for measures defined under IFRS. For definitions of other alternative performance measures used by PANDORA which are not defined by IFRS, refer to note 5.5 in the consolidated financial statement in the Annual Report 2017.

New standards, interpretations and amendments adopted by PANDORA
PANDORA applies, for the first time, IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers. The effect of these changes is disclosed below.

Several other amendments and interpretations also apply for the first time in 2018. None of these have an impact on the recognition or measurement in the condensed consolidated interim financial statements.

Effect from IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes the previous revenue standards (IAS 11 Construction Contracts and IAS 18 Revenue) and related interpretations and established a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which PANDORA expects to be entitled in exchange for transferring goods or services to the customer.

Compared with the previous standards, the following material items in IFRS 15 is relevant for PANDORA:
- In general, revenue is recognised when the control is transferred to the customer. This can be either at a point in time or over time. However, when the sales transaction includes variable consideration such as return rights, trade discounts and volume rebates, IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. No material variable consideration has been identified during the first quarter of 2018 and as of 1 January 2018, which is to be deferred.
- Furthermore, IFRS 15 require PANDORA to present the sales return provision and an asset for the right to recover products from the customer separately in the statement of financial position.

PANDORA adopted the new standard using the full retrospective method of adoption.

The new standard had no material impact on the recognition and measurement of revenue. The effect of adopting the standard is presented in the table below.

Table 1.1: Effect from implementation of IFRS 15:

	31 December 2017			31 March 2017		
DKK million	Previously reported	IFRS 15 effect	Restated	Previously reported	IFRS 15 effect	Restated
ASSETS						
Current Assets						
Right of return assets	-	188	188	-	227	227
TOTAL ASSETS	**17,240**	**188**	**17,428**	**15,286**	**227**	**15,513**
EQUITY AND LIABILITIES						
Current liabilities						
Provisions	649	-602	47	961	-876	85
Trade payables	1,706	-11	1,695	1,462	-11	1,451
Refund liabilities	-	790	790	-	1,103	1,103
Contract liabilities	-	64	64	-	56	56
Other payables	1,077	-53	1,024	852	-45	807
TOTAL EQUITY AND LIABILITIES	**17,240**	**188**	**17,428**	**15,286**	**227**	**15,513**

The adoption has had no material impact on the statement of cash flows and no impact on basic and diluted EPS.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39, which changes the classification, measurement and impairment of financial assets, and introduces new rules for hedge accounting.

IFRS 9 requires PANDORA to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. PANDORA applied the simplified method upon adoption of IFRS 9 on 1 January 2018 and record lifetime expected losses on all trade receivables. Based on the portfolio of financial assets and liabilities and the historical low realised loss on loans and trade receivables, the adoption of the new standard did not have material impact on PANDORA's condensed consolidated interim financial statements and therefore no effect on retained earnings at 1 January 2018.

Further, no other elements from the adoption of the standard has affected recognition and measurement.

Standards issued but not yet effective
IFRS 16 Leases is effective for the annual reporting period beginning January 1, 2019, and PANDORA has not early adopted the standard. The project for IFRS 16 continued during the first quarter of 2018 and is proceeding according to plan. PANDORA continues to assess the impact of the new standard on the consolidated financial statements. As of the date of approval of the condensed consolidated interim financial statements there are no changes to the expectations set out in the Annual Report for 2017, in which information of the expected impact from the implementation of the standard is available.

NOTE 2 – Significant accounting estimates and judgements
In preparing the interim financial report, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of PANDORA's assets and liabilities.

All significant accounting estimates and judgements are consistent with the description in the Annual Report 2017. Refer to descriptions in the individual notes to the consolidated financial statement in the Annual Report 2017.

NOTE 3 – Segment information

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

The Group operates with two performance measures with EBITDA as the primary performance measure and EBIT as the secondary performance measure. Management monitors the segment profit of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured as EBITDA, corresponding to 'operating profit' in the consolidated financial statements before depreciation, amortisation and impairment losses in respect of non-current assets. EBIT as a performance measure is only measured at Group level.

For information on revenue from the different products and sale channels reference is made to the Management Review.

SEGMENT INFORMATION

DKK million	EMEA	Americas	Asia Pacific	Total Group
Q1 2018				
External revenue	2,534	1,422	1,159	5,115
Segment profit (EBITDA)	842	378	447	1,667
Segment profit margin (EBITDA margin)	*33.2%*	*26.6%*	*38.6%*	*32.6%*
Depreciation, amortisation and impairment losses				-226
Consolidated operating profit (EBIT)				**1,441**
Q1 2017				
External revenue	2,198	1,693	1,268	5,159
Segment profit (EBITDA)	820	521	538	1,879
Segment profit margin (EBITDA margin)	*37.3%*	*30.8%*	*42.4%*	*36.4%*
Depreciation, amortisation and impairment losses				-163
Consolidated operating profit (EBIT)				**1,716**

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

DKK million	Q1 2018	Q1 2017	*Growth in DKK*	*Growth in local currency*
UK	534	547	*-2%*	*0%*
Italy	606	531	*14%*	*14%*
France	276	248	*11%*	*11%*
Germany	234	208	*13%*	*13%*
US	1,018	1,274	*-20%*	*-8%*
Australia	311	360	*-14%*	*-4%*
China	467	427	*9%*	*16%*

PANDORA

NOTE 4 – Revenue

REVENUE BY SALES CHANNEL

DKK million	Q1 2018	Q1 2017
PANDORA owned retail*	2,592	1,965
Wholesale	2,178	2,723
Third-party distribution	345	471
Total revenue	**5,115**	**5,159**

*Including revenue from PANDORA eSTOREs

REVENUE BY REGION

DKK million	Q1 2018	Q1 2017
EMEA	2,534	2,198
Americas	1,422	1,693
Asia Pacific	1,159	1,268
Total revenue	**5,115**	**5,159**

REVENUE BY PRODUCT CATEGORY AND TIMING OF RECOGNITION

DKK million	Q1 2018	Q1 2017
Charms	2,854	2,976
Bracelets	891	873
Rings	736	753
Earrings	309	285
Necklaces & Pendants	325	272
Total revenue	**5,115**	**5,159**
Goods transferred at a point in time	5,093	5,131
Services transferred over time	22	28
Total revenue	**5,115**	**5,159**

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

NOTE 5 – Seasonality of operations

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

NOTE 6 – Financial risks

PANDORA's overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rate, are unchanged compared with the disclosures in note 4.4 in the consolidated financial statement in the Annual Report 2017.

NOTE 7 – Derivative financial instruments

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

Refer to note 4.5 to the consolidated financial statement in the Annual Report 2017.

NOTE 8 – Business combinations
Acquisitions in 2018

PANDORA further acquired 17 stores in the period 1 January – 31 March 2018 (9 concept stores in UK, 4 in Canada, 3 in US and 1 in Australia) in 8 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price was DKK 110 million. Based on the purchase price allocations, goodwill was DKK 64. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to PANDORA owned retail.

Of the goodwill acquired, DKK 18 million is deductible for income tax purposes.

Costs relating to the acquisition of the stores was DKK 1 million and is recognised as operating expenses in the income statement.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 March 2018 was immaterial.

Had all acquisitions in 2018 taken place on 1 January 2018, contribution to Group revenue and net earnings for the period 1 January – 31 March 2018 would also be immaterial.

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

Acquisitions

DKK million	Total 2018	Total 2017
Distribution rights	-	131
Other intangible assets	2	17
Property, plant and equipment	10	152
Other non-current receivables	-	6
Receivables	1	111
Inventories	38	470
Cash	-	10
Assets acquired	**51**	**897**
Non-current liabilities	2	17
Payables	1	94
Other current liabilities	2	35
Liabilities assumed	**5**	**146**
Total identifiable net assets acquired	**46**	**751**
Goodwill arising on the acquisitions	64	1,109
Purchase consideration	**110**	**1,860**
Cash movements on acquisitions:		
Prepaid, previous year[1]	-	-1
Consideration transferred regarding previous years[2]	2	-
Deferred payment (including earn-out)[3]	-13	-6
Cash acquired	-	-10
Net cash flows on acquisition for the period	**99**	**1,843**

[1] Prepayment in 2016 relates to the acquisition of a store in Australia 4 January 2017. The amount paid was DKK 1 million.
[2] The consideration transferred in 2018 was the final payment regarding acquired stores in South Africa in 2017, DKK 2 million.
[3] The deferred payment is related to store acquisitions in Italy in September 2017 and UK in March 2018 and are expected to be paid in Q2 2018, DKK 13 million.

Acquisitions in 2017

City Time S.L.

On 28 September PANDORA acquired 100% of the share capital in City Time S.L. in Spain. The purchase price, DKK 786 million (EUR 106 million), was finally agreed between the parties and paid in December 2017. With this acquisition PANDORA will gain full control of the distribution in Spain, Gibraltar and Andorra. In addition, PANDORA will add 50 concept stores and 14 shop-in-shops to its retail chain.

Besides assets and liabilities mainly related to the stores, PANDORA reacquired the exclusive distribution rights to the above markets. The value of the distribution rights was calculated at DKK 131 million based on the Multi-Period Excess Earnings model and is amortised over their useful life of 1.25 years.

Acquired gross contractual receivables totalled DKK 105 million and consisted of trade receivables of DKK 99 million, including a write-down of DKK 3 million, and prepayments of DKK 6 million. The net receivables acquired, DKK 105 million, are considered to be stated at fair value and are expected to be collected.

Acquisition costs were DKK 3 million and are recognised as operating expenses in the income statement.

Goodwill, DKK 464 million, mainly consists of know-how, future growth expectations and the effect of converting the acquired business from wholesale to PANDORA owned retail. None of the goodwill acquired is deductible for income tax purposes.

Contribution to Group revenue and net earnings for the period 28 September – 31 December 2017 was DKK 270 million and DKK 119 million respectively.

Other acquisitions in 2017

On 30 June 2017, PANDORA acquired the distribution in Belgium and Luxembourg when the previous distribution agreement with Gielen Trading BVBA ended. The acquisition comprised inventory and non-current assets relating to 13 concept stores and 3 shop-in-shops. On 3 July 2017, PANDORA acquired the distribution in South Africa, Mauritius, Namibia, Zambia, Zimbabwe and Réunion from Scandinavian Brand House following the expiry of the distribution agreement on 30 June 2017. The acquisition comprised inventory and non-current assets relating to the addition of 16 concept stores and 18 shop-in-shops to PANDORAs retail business.

PANDORA further acquired 121 stores in the period 1 January – 31 December 2017 (50 concept stores in the US, 23 in the UK, 13 in Poland, 8 in Canada, 6 in New Zealand, 6 in Italy, 6 in Australia, 5 in South Africa and 4 in Germany) in 25 business combinations. Net assets acquired mainly consists of inventory and other non-current assets and liabilities relating to the stores.

The total purchase price was DKK 1,074 million. Based on the purchase price allocations, goodwill was DKK 645 million (Belgium DKK 87 million and South Africa DKK 84 million). Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to PANDORA owned retail. Costs relating to the acquisition of the distributors in Belgium, South Africa and the stores was DKK 3 million and is recognised as operating expenses in the income statement.

Of the goodwill acquired, DKK 527 million is deductible for income tax purposes.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 December 2017 was DKK 921 million and DKK 238 million respectively.

Had all acquisitions in 2017 taken place on 1 January 2017, Group revenue and net earnings for the period 1 January – 31 December 2017 would have been approximately DKK 23.4 billion and DKK 5.9 billion respectively.

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

Acquisitions after the reporting period

PANDORA acquired 5 stores after the reporting period. The total purchase price was DKK 11 million. Assets acquired are mainly non-current assets relating to the stores and inventory. Due to the timing between acquisition dates and the announcement of the financial statements, it has not been possible to finalise the purchase price allocations. Expected goodwill from the acquisitions, based on the preliminary purchase price allocation, was DKK 5 million, of which DKK 5 million is expected to be deductible for income tax purposes.

NOTE 9 – Goodwill

DKK million	31 March 2018	31 December 2017
Cost at 1 January	3,522	2,571
Acquisition of subsidiaries and activities in the period	64	1,109
Exchange rate adjustments	-50	-158
Cost at the end of the period	**3,536**	**3,522**

Impairment testing of goodwill is performed in Q4. As of 31 March 2018, there are no indications of impairment.

NOTE 10 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2017. Compared with Q4 2017, leasing commitments increased by DKK 15 million in Q1 2018 to DKK 3,370 million at the end of Q1 2018.

NOTE 11 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 12 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q1 2018	Q4 2017	Q1 2017	Growth Q1 2018 / Q4 2017	Growth Q1 2018 /Q1 2017
Other points of sale (retail)	149	150	105	-1	44
Other points of sale (wholesale)	4,416	4,550	4,156	-134	260
Other points of sale (third-party)	668	648	1,432	20	-764
Other points of sale, total	**5,233**	**5,348**	**5,693**	**-115**	**-460**

NOTE 13 – STORE NETWORK, CONCEPT STORE DEVELOPMENT*

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q1 2018	**Number of concept stores Q4 2017**	**Number of concept stores Q1 2017**	***Growth Q1 2018 /Q4 2017***	***Growth Q1 2018 /Q1 2017***	***Number of O&O Q1 2018***	***Growth O&O stores Q1 2018 /Q4 2017***	***Growth O&O stores Q1 2018 /Q1 2017***
UK	233	234	230	*-1*	*3*	*45*	*8*	*23*
Russia	200	201	206	*-1*	*-6*	*-*	*-*	*-*
Germany	152	154	154	*-2*	*-2*	*143*	*-2*	*3*
Italy	116	112	82	*4*	*34*	*70*	*4*	*38*
France	98	95	73	*3*	*25*	*47*	*3*	*20*
Spain	72	69	55	*3*	*17*	*57*	*3*	*57*
Poland	47	47	45	*-*	*2*	*36*	*-*	*17*
South Africa	29	29	35	*-*	*-6*	*22*	*-*	*22*
Ireland	29	30	29	*-1*	*-*	*-*	*-*	*-*
Belgium	25	25	25	*-*	*-*	*13*	*-*	*13*
Portugal	24	24	22	*-*	*2*	*-*	*-*	*-*
Ukraine	23	23	23	*-*	*-*	*-*	*-*	*-*
Netherlands	23	23	22	*-*	*1*	*23*	*-*	*1*
United Arab Emirates	21	21	19	*-*	*2*	*21*	*-*	*2*
Romania	20	19	15	*1*	*5*	*12*	*1*	*3*
Czech Republic	19	19	17	*-*	*2*	*10*	*-*	*-*
Turkey	19	19	14	*-*	*5*	*19*	*-*	*5*
Israel	17	17	16	*-*	*1*	*-*	*-*	*-*
Greece	14	14	13	*-*	*1*	*-*	*-*	*-*
Austria	14	14	13	*-*	*1*	*9*	*1*	*2*
Denmark	14	14	14	*-*	*-*	*14*	*-*	*-*
Sweden	10	10	8	*-*	*2*	*10*	*-*	*2*
Saudi Arabia	10	10	7	*-*	*3*	*-*	*-*	*-*
Rest of EMEA	128	124	98	*4*	*30*	*17*	*1*	*3*
EMEA	**1,357**	**1,347**	**1,235**	***10***	***122***	***568***	***19***	***211***
US	380	382	349	*-2*	*31*	*117*	*3*	*53*
Brazil	98	98	91	*-*	*7*	*58*	*-*	*6*
Canada	77	77	78	*-*	*-1*	*14*	*4*	*8*
Mexico	44	34	19	*10*	*25*	*19*	*9*	*19*
Caribbean	26	25	24	*1*	*2*	*-*	*-*	*-*
Rest of Americas	45	41	31	*4*	*14*	*3*	*-*	*3*
Americas	**670**	**657**	**592**	***13***	***78***	***211***	***16***	***89***
China	171	155	117	*16*	*54*	*165*	*14*	*49*
Australia	124	123	114	*1*	*10*	*27*	*1*	*8*
Hong Kong	30	30	29	*-*	*1*	*25*	*-*	*-*
Malaysia	29	30	29	*-1*	*-*	*-*	*-*	*-*
Philippines	28	26	15	*2*	*13*	*-*	*-*	*-*
New Zealand	16	16	13	*-*	*3*	*6*	*-*	*6*
Singapore	15	15	14	*-*	*1*	*11*	*-*	*-*
Thailand	14	14	9	*-*	*5*	*-*	*-*	*-*
Rest of Asia Pacific	31	33	29	*-2*	*2*	*9*	*-2*	*-1*
Asia Pacific	**458**	**442**	**369**	***16***	***89***	***243***	***13***	***62***
All markets	**2,485**	**2,446**	**2,196**	***39***	***289***	***1,022***	***48***	***362***

*Includes markets with 10 or more concept stores as of end Q1 2018.

NOTE 14 – Commodity hedging

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

HEDGED AND REALISED PURCHASE PRICES

USD / OZ	*Realised in Q1 2018*	Hedged Q2 2018	Hedged Q3 2018	Hedged Q4 2018	Hedged Q1 2019
Gold price	*1,249*	1,276	1,314	1,283	1,321
Silver price	*17.90*	17.26	17.28	16.76	17.15
Commodity hedge ratio (target), %	*Realised*	90-100%	70-90%	50-70%	30-50%

NOTE 15 – Subsequent events

Other than as described in "Events after the reporting period" in Management review, PANDORA is not aware of events after 31 March 2018, which are expected to materially impact the Group's financial position.

PANDORA

QUARTERLY OVERVIEW

DKK million	Q1 2018	Q4 2017[2]	Q3 2017[2]	Q2 2017[2]	Q1 2017[2]
Consolidated income statement					
Revenue	5,115	7,603	5,194	4,825	5,159
Gross profit	3,876	5,765	3,853	3,567	3,781
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,667	3,050	1,965	1,611	1,879
Operating profit (EBIT)	1,441	2,818	1,800	1,450	1,716
Net financials	36	11	-71	-63	6
Net profit for the period	1,159	1,946	1,366	1,095	1,361
Consolidated balance sheet					
Total assets	17,214	17,428	17,722	15,307	15,513
Invested capital	12,212	11,439	12,069	10,262	9,859
Operating working capital	3,311	2,988	4,138	2,914	2,954
Net interest-bearing debt (NIBD)	5,776	4,855	6,123	3,943	2,883
Equity	6,413	6,514	5,896	6,242	7,010
Consolidated cash flow statement					
Net increase/decrease in cash	-259	356	80	-46	-257
Free cash flow	439	2,919	637	556	1,182
Cash conversion, %	*30.5%*	*103.6%*	*35.4%*	*38.3%*	*68.9%*
Growth ratios					
Revenue growth, %	*-1%*	*15%*	*13%*	*12%*	*9%*
Revenue growth, local currency, %	*6%*	*20%*	*16%*	*12%*	*8%*
Gross profit growth, %	*3%*	*16%*	*11%*	*9%*	*7%*
EBITDA growth, %	*-11%*	*13%*	*7%*	*0%*	*7%*
EBIT growth, %	*-16%*	*10%*	*5%*	*-3%*	*4%*
Net profit growth, %	*-15%*	*-7%*	*-3%*	*-10%*	*4%*
Margins					
Gross margin, %	*75.8%*	*75.8%*	*74.2%*	*73.9%*	*73.3%*
EBITDA margin, %	*32.6%*	*40.1%*	*37.8%*	*33.4%*	*36.4%*
EBIT margin, %	*28.2%*	*37.1%*	*34.7%*	*30.1%*	*33.3%*
Other ratios					
Effective tax rate, %	*21.5%*	*31.2%*	*21.0%*	*21.1%*	*21.0%*
Equity ratio, %	*37.3%*	*37.4%*	*33.3%*	*40.8%*	*45.2%*
NIBD to EBITDA[1]	0.7x	0.6x	0.7x	0.5x	0.4x
Return on invested capital (ROIC), %[1]	*61.5%*	*68.0%*	*62.3%*	*72.5%*	*75.8%*
Other key figures					
Capital expenditure (CAPEX)	244	502	380	296	210
Capital expenditure, tangible assets (CAPEX)	161	357	241	209	139
Store network, total number of points of sale	7,718	7,794	7,707	7,725	7,889
Store network, total number of concept stores	2,485	2,446	2,328	2,266	2,196
Average number of full-time employees	23,334	22,925	21,215	20,065	19,495

[1] Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.
[2] Numbers are changed to reflect the effect from adoption of IFRS 15.

PANDORA

MANAGEMENT STATEMENT

The Board and the Executive Management have reviewed and approved the interim report of PANDORA A/S for the period 1 January – 31 March 2018.

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

In our opinion, the interim financial statement gives a true and fair view of the PANDORA Group's assets, liabilities and financial position at 31 March 2018, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 31 March 2018.

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

Copenhagen, 15 May 2018

EXECUTIVE MANAGEMENT

Anders Colding Friis
Chief Executive Officer

Peter Vekslund
Chief Financial Officer

BOARD

Peder Tuborgh
Chairman

Christian Frigast
Deputy Chairman

Andrea Alvey

Birgitta Stymne Göransson

Bjørn Gulden

Per Bank

Ronica Wang

Disclaimer

Certain statements in this company announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as our future results of operations; our financial condition; our working capital, cash flows and capital expenditures; and our business strategy, plans and objectives for future operations and events, including those relating to our on-going operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities; and

Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; our plans or objectives for future operations or products, including our ability to introduce new jewellery and non-jewellery products; our ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the United States, Australia, Germany, the United Kingdom and other markets in which we operate; the protection and strengthening of our intellectual property, including patents and trademarks; the future adequacy of our current warehousing, logistics and information technology operations; changes in Danish, E.U., Thai or other laws and regulation or any interpretation thereof, applicable to our business; increases to our effective tax rate or other harm to our business as a result of governmental review of our transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced in this company announcement.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

We do not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law or the rules of Nasdaq Copenhagen. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this company announcement.