Company Announcement No. 591

Interim Financial Report Q1 2020

5 May 2020

PANDORA

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Our Equity Story

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

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

Pandora is in a strong financial position to sustain a prolonged COVID-19 crisis
- Positive organic growth in early 2020 and triple-digit online growth in April

Highlights

- Brand momentum drove positive organic growth in January and February and triple-digit online growth in April
- Q1 2020 organic growth was -14% and EBIT-margin of 15.3%, negatively impacted by COVID-19
- Immediate cost and cash initiatives have been initiated to protect the financial position. Execution of Programme NOW continues with focus on leveraging the brand momentum when demand returns
- To protect the business during the pandemic and preserve a conservative balance sheet during these uncertain times, Pandora has arranged funding for a stress-test scenario. Pandora thereby has liquidity to sustain a stress-test scenario where all physical stores are temporarily closed throughout 2020
- Additional committed loan facilities of DKK 3.0 billion with the main relationship banks have been established. Additionally, Pandora intends to sell 8 million treasury shares in an accelerated book-building

The COVID-19 pandemic has had a material negative impact on the financial performance in the quarter; initially in China and subsequently in all other key markets during March. In the last week of March, sell-out growth (including temporarily closed stores) was around -70%. It has since then improved to approximately -55% by the end of April based on strong online performance and a gradual re-opening of physical stores, so far mainly in Germany.

The financial performance was strong in the first two months of 2020. Organic growth was +1% driven by key markets including the US, the UK, Italy, France and Germany. The development indicated an effective turnaround before the COVID-19 escalation. The brand momentum that was built during 2019 continued to improve in early 2020 driven by media investments and stronger and more consistent marketing message.

Alexander Lacik, President and CEO of Pandora, says:
"We are focused on managing the current crisis, and we do our utmost to protect our employees and create a safe environment for them and our customers. Among our 28,000 employees, we have only had a few reported cases of COVID-19. The Group is now preparing for the recovery after the pandemic, and our strong performance in January and February makes us confident in the underlying brand momentum. We have implemented cost and cash initiatives to ensure that we have the necessary financial strength for a strong commercial comeback when demand starts normalising."

Financial overview (excluding restructuring costs)

	Q1 2020	**Q1 2019**
Sell-out growth incl. temporarily closed stores, %	*-17%*	*-10%*
Like-for-like (excl. closed stores), %	*-11%*	*-10%*
Organic growth, %	*-14%*	*-12%*
Revenue, DKK million	4,172	4,804
EBIT margin, %	***15.3%***	***22.5%***

FINANCIAL HIGHLIGHTS

DKK million	Q1 2020	Q1 2019	FY 2019	*FY 2020 guidance*
Key financial highlights				
Organic growth, %	***-14%***	***-12%***	***-8%***	
Sell-out growth incl. temporarily closed stores, %	*-17%*	*-10%*	*-8%*	
Total like-for-like sales out, %[1]	*-11%*	*-10%*	*-8%*[1]	
Revenue growth, local currency, %	*-14%*	*-8%*	*-6%*	
Gross margin excl. restructuring costs, %	*77.4%*	*75.9%*	*77.4%*	
EBIT excl. restructuring costs	638	1,083	5,854	
EBIT margin excl. restructuring costs, %	***15.3%***	***22.5%***	***26.8%***	
Operating working capital, % of last 12 months revenue	*4.2%*	*12.1%*	*3.1%*	
Capital expenditure (CAPEX)	129	178	822	
Capital expenditure, property, plant and equipment (CAPEX)	94	108	556	
Free cash flow incl. lease payments[2]	-272	411	5,075	
Cash conversion incl. lease payments[2], %	*-134%*	*43%*	*133%*	
Dividend per share, DKK	-	-	9.0	
Quarterly dividend per share, DKK	-	-	9.0	
Earnings per share, basic, DKK	-0.3	7.9	30.3	
Earnings per share, diluted, DKK	-0.3	7.9	30.1	
Ratios				
Effective tax rate, %	*22.5%*	*22.5%*	*23.1%*	
Equity ratio, %	*19%*	*24%*	*24%*	
NIBD to EBITDA excl. restructuring costs, x	1.3	1.6	1.1	
Return on invested capital (ROIC), %	*22%*	*35%*	*27%*	
Total pay-out ratio, %	*NA*	*224%*	*147%*	
Other financial highlights				
Consolidated income statement				
Revenue	4,172	4,804	21,868	
Gross profit	3,144	3,620	15,903	
Gross margin, %	*75.4%*	*75.4%*	*72.7%*	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	733	1,474	6,148	
EBITDA margin, %	*17.6%*	*30.7%*	*28.1%*	
Operating profit (EBIT)	204	960	3,829	
EBIT margin, %	*4.9%*	*20.0%*	*17.5%*	
Net financials	-234	68	1	
Net profit for the period	-24	797	2,945	
Consolidated balance sheet				
Total assets	19,529	22,408	21,571	
Invested capital	13,810	16,919	14,268	
Operating working capital	899	2,712	684	
Net interest-bearing debt (NIBD)	10,178	11,450	9,019	
Equity	3,632	5,469	5,249	

[1] Like-for-like is calculated excluding stores that have been temporarily closed

[2] Free cash flow deviates from Free cash flow in the cash flow statement as it includes lease payments (i.e. excluding IFRS 16)

COVID-19

The COVID-19 pandemic is affecting people and businesses around the globe in an unprecedented way. Pandora has first and foremost prioritised a safe environment for employees and consumers. All necessary measures have been taken across markets to comply with local authorities. Consequently, around 90% of all physical stores have been temporarily closed at some time during Q1 2020. Pandora has guaranteed base salary for all store staff who are not able to work until 1 June 2020. Pandora will hereafter transition into a solution with uniform but tailored guidelines per market depending on the local market development.

Commercial implications

COVID-19 has impacted the commercial results both directly as physical stores temporarily close and indirectly as open stores are negatively impacted by suppressed traffic and less travelling.

Concept stores temporarily closed in 2020

	Total number of concept stores	Date of first store closure due to COVID-19	*Number of concept stores temporarily closed on 31 March 2020*	*Number of concept stores temporarily closed on 30 April 2020*
UK	222	21 March 2020	*222*	*222*
Italy	146	11 March 2020	*146*	*146*
France	121	14 March 2020	*121*	*121*
Germany	141	17 March 2020	*141*	*25*
US	403	15 March 2020	*403*	*351*
Australia	126	24 March 2020	*72*	*79*
China	238	22 January 2020	*10*	*8*
Other	1,349			
Total	**2,746**			

The online stores have continued to operate as normal in most markets throughout 2020. Online performance continues to be strong, and the channel appears highly resilient during market lockdowns. The majority of online stores have seen an accelerating growth trend when physical stores temporarily are closed. The organic growth of the online stores was 29% in Q1 2020 despite disruption of the online logistics in China in late January and February. The online channel grew by triple-digit growth rates in April.

The manufacturing setup in Thailand has been largely unaffected by COVID-19 with stable production output. A number of precautionary steps have been taken to prepare for a potential full lockdown of the manufacturing facilities. During the Songkran holiday in April, Pandora used the opportunity to temporarily reduce production levels to better align supply and demand. Inventory levels in stores and at distribution centres are currently at a healthy level.

Enabled by the company's solid financial flexibility, Pandora is preparing a number of commercial initiatives to be rolled out as soon the market situation starts to normalise. The execution of Programme NOW continues, and key brand metrics continue to indicate that the brand momentum is improving. Pandora continues to closely monitor consumers purchase pattern to evaluate the potential lasting impact that COVID-19 has on the consumer behaviour, particularly related to use of technology and channel preference.

China was the first market where stores reopened during March after a period of lockdown. Traffic continued to be very weak throughout March but improved substantially in April. The current like-for-like performance is consequently still below the performance before COVID-19 but materially better than February and March.

Financial implication

Due to the favourable margin structure, strong cash generation and conservative capital structure, Pandora has a strong starting point to manage through a sustained period with very weak demand. To protect profitability while stores are temporarily closed, Pandora has proactively managed costs such as media, rent levels and other cost components while applying for government subsidies where applicable. The 15.3% EBIT margin in Q1 2020 indicates how Pandora can maintain positive profitability even in periods with very weak demand. Stress-tests indicate that Pandora is able to absorb up to around 50% decline in revenue while still being EBIT profitable and cash generative on a run rate basis. A number of cash initiatives have been executed including suspension of the share buyback programme, reduction of CAPEX and renegotiation of payments terms with selected suppliers and landlords.

Pandora has raised additional committed funding of DKK 3.0 billion in a Club Deal with the main relationship banks, 70% state-guaranteed through Vækstfonden and maturing on 31 December 2021. Pandora has thereby increased its committed facilities to DKK 13.9 billion of which DKK 3.4 billion is to be refinanced or repaid by the end of 2020 at the latest. On 4 May 2020, Pandora had drawn DKK 7.9 billion of the committed facilities. Pandora has also negotiated a waiver of the loan covenant implying that the NIBD/EBITDA (excluding restructuring costs) covenant with quarterly testing is raised to 4.25x until and including the testing by the end of Q1 2021. Nordea acted as Coordinator for the new Club Deal and the waiver process.

As an additional precautionary measure in times of uncertainty, Pandora is today announcing an accelerated book-building of 8 million treasury shares – resulting in a cancellation of the planned capital reduction and essentially undoing a part of the share buyback programs done in the past.

At -50% revenue decline, Pandora will on a run rate basis be roughly break-even on EBIT and cash flow. A -70% revenue decline will imply a cash burn run rate of around DKK -1 billion per quarter (excluding restructuring costs).

In a most likely base-case scenario with gradual store openings throughout Q2 and coming back to a relatively normal business in Q4, Pandora will not need the additional funding raised. With the additional DKK 3 billion Club Deal funding, Pandora also has sufficient liquidity for a more negative scenario with continued large number of stores closed into Q3 and with a significant impact on demand in Q4 2020. Finally, with the sale of Treasury shares, Pandora has sufficient funding for a potential significant second outbreak and closure of majority of stores in the important fourth quarter with continued negative effect into 2021 including repayment of the term-loans expiring by end of 2020.

Current outstanding committed loan facilities (as of 4 May 2020)

	Amount (DKK million)	Maturity date	*Drawn amount 4 May 2020*
Revolving Credit Facilities	7,500	May 2022	*4,507*
Club Deal	3,000	December 2021	*0*
Bilateral term-loans	3,400	December 2020	*3,400*
Total	**13,900**		***7,907***

In line with Pandora's shareholder distribution policy, Pandora intends to reinitiate cash distribution - including annual dividends - when the debt is within the capital structure policy of having NIBD of 0.5 – 1.5 times EBITDA excl. restructuring costs. The terms of the new debt funding do not restrict Pandora to adhere to this policy. Pandora has currently not applied for government subsidies that would lead to any restrictions on dividend payments or share buybacks.

UPDATE ON PROGRAMME NOW

STRUCTURE OF THE INITIATIVES OF PROGRAMME NOW

Key focus	TURNAROUND *– stabilisation of like-for-like and protecting industry-leading margins*			Long-term health Brand Relevance, Brand Access & Cost Control
Turnaround objectives	Brand Relevance	Brand Access	Cost Reset	
Initiatives	• Brand promise • Marketing • Media • Product development	• Network development • Store experience • eCommerce • Omnichannel	• Cost of sales • Retail expenses • Administrative expenses • IT • Other	• Establish superior consumer insights • Ensure consumer-driven product development strategy • Exploit efficient crafting and world-class distribution • Drive digital strategy towards best-in-class • Create a winning culture • Drive an organisation of passionate people • Turning Cost Reset initiative into cost culture
	Commercial Reset: Reduction of promotional discounting activity, reduced sell-in packs, inventory buyback and product assortment simplification			

Brand Relevance – Positive consumer response drove strong traffic momentum in the first two months of 2020
Since the brand relaunch on 29 August 2019, the commercial initiatives have continued to have positive impact on the business and is a clear testimony to the direction of Programme NOW. The positive brand momentum was supported by increased media spend of DKK 0.1 billion in Q1 2020 which continued to yield encouraging results across the key retail metrics. Consumers respond positively to the media investments as unaided brand awareness and unaided advertisement recall continue to increase.

The recent new product introductions including the Birthstone rings and the Mothers' Day collection all performed well. The key product launches from late 2019 including Harry Potter, Pandora ME and the O-carrier also continued to be in high demand. The performance of new products therefore improved in January and February compared to 2019.

On 4 March 2020, Pandora announced its important and comprehensive strategic reorganisation to establish a consumer-focused organisation with strengthened leadership. Since the announcement in March, the regional layer has been removed to create a flat operating model and drive world-class retail execution. The newly appointed Chief Commercial Officer, Martino Pessina, will play a vital role in ensuring that global head office is closer to local markets, thereby yielding faster execution.

Carla Liuni, the newly appointed Chief Marketing Officer, took up the role in March with initial focus on delivering a best-in-class brand experience rooted on consumer insights. To increase the end-to-end product accountability, Pandora has established two global business units under Carla Liuni. Two seasoned profiles with retail and brand experience have been hired to lead the business units which, respectively, focus on 1) core products including Moments, Charms and collaborations and 2) newer product categories and innovations.

The implementation of the strategic reorganisation has continued according to plan and has been in effect from 2 April 2020. The segment note in the financial reporting will be adjusted to reflect the change from Q2 2020 and onwards.

Brand Access – Online growth accelerated

The new design of the online store and optimised consumer journey continues to yield positive consumer response. As a result, online stores continued their strong growth trajectory with 29% organic growth in Q1 and triple-digit growth in April.

The pilot of the new physical store design is currently live in the UK, Italy and China counting 13 stores in total. The outbreak of COVID-19 has prolonged the timeline and fewer stores have been refurbished than initially planned.

Cost Reset – Cost savings materialising as planned

During the first quarter, Pandora has continued to make good progress on its cost reduction programme. Since the outbreak of COVID-19, focus has however turned towards delivering immediate and deeper cost savings across all cost categories. The cost reduction target of DKK 1.4 billion as run rate by the end of 2020 is still within sight and thereby not affected by COVID-19.

Commercial Reset – Executing according to plan

The inventory buyback programme has now been finalised. The inventory situation at franchisees is healthy both in terms of weeks of cover and quality. This was also visible during Q1 2020, where sell-in and sell-out into the franchise channel was in good balance for the first time in several quarters.

The number of promotional discounting days was down compared with last year (-6%) with limited impact on like-for-like. The online channel experienced more full-price sales compared with last year as online sales has become less dependent on discounting.

OVERVIEW OF PROGRAMME NOW RESTRUCTURING COSTS

DKK million	Q1 2020 reported	Restructuring costs	Q1 2020 excl. restructuring costs	Q1 2019 reported	Restructuring costs	Q1 2019 excl. restructuring costs
Revenue	4,172	-	4,172	4,804	-	4,804
Cost of sales	-1,028	-86	-942	-1,184	-25	-1,159
Gross profit	**3,144**	**-86**	**3,230**	**3,620**	**-25**	**3,645**
Sales and distribution expenses	-1,671	-77	-1,594	-1,553	-2	-1,551
Marketing expenses	-583	-13	-570	-486	-3	-483
Administrative expenses	-687	-259	-428	-621	-92	-529
Operating profit (EBIT)	**204**	**-435**	**638**	**960**	**-122**	**1,083**

The restructuring costs incurred in the quarter comprised of costs related to the strategic reorganisation, consultancy expenses and expenses related to cost reduction initiatives.

COMMERCIAL REVIEW

STRONG PERFORMANCE DISRUPTED BY THE ESCALATION OF COVID-19

The financial performance in the quarter can be divided into a strong January and February and a very weak March, due to the COVID-19 pandemic. The performance in the first two months of the year is a proof of the progress of Programme NOW and that consumers are responding to the commercial initiatives.

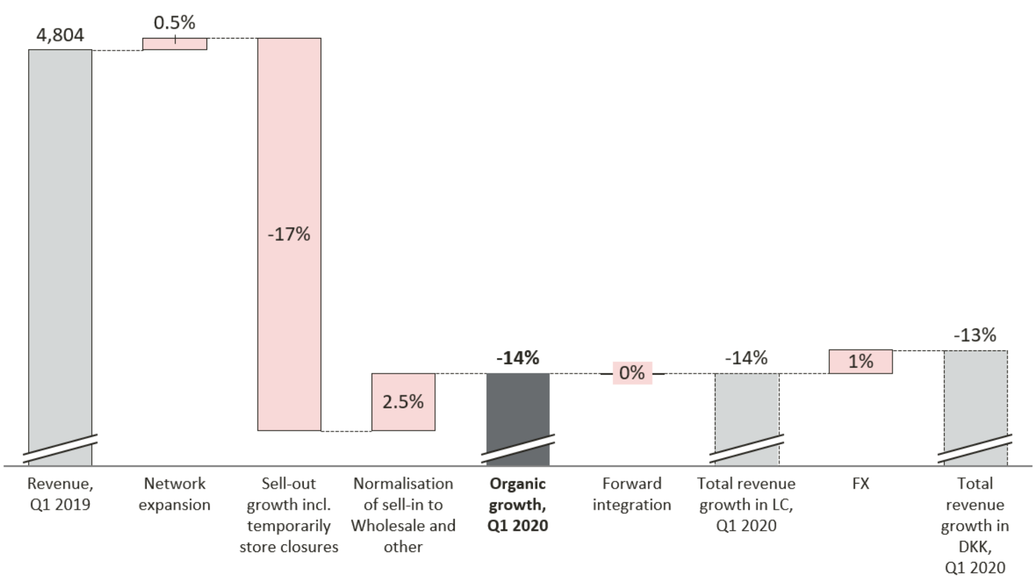
The media investments continue to be a key driver of the brand improvement with the most pronounced positive effect in the mature European markets. The product introductions of the quarter also performed better than the introductions in 2019 and thereby contributed to the positive growth. The go-to-market strategy has been amended to ensure higher consistency of the marketing material and expressions and hence the store and marketing material have been consistent throughout the quarter with one fixed theme in contrast to the old go-to-market strategy with change of theme for every product launch.

The online stores generated organic growth of 29% in Q1 2020 despite negative double-digit growth from online in China. The performance was strong throughout the quarter and also during lockdown periods in most markets. The performance in March was slightly better than the first two months of the year, indicating that the positive spill-over effect from physical store closures more than offsets the negative impact on consumer sentiment from the lockdowns.

The organic growth was positively impacted by relatively higher sell-in compared to last year. In Q1 2019, the sell-in was lower than sell-out reflecting the necessary inventory reduction at wholesale partners. Store network expansion impacted organic growth by 0.5pp reflecting the run rate effect from store openings during 2019.

REVENUE GROWTH COMPOSITION

DKK million, %-p growth (approximately)



REVIEW OF REVENUE BY CHANNEL

Pandora owned retail generated organic growth of -16%, which was a result of temporary closures of physical stores due to COVID-19 and very strong positive growth in online stores.

Franchise concept stores generated -10% organic growth which was around 8pp better than the sell-out growth including temporarily closed stores due to low sell-in in Q1 2019.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q1 2020	Q1 2019	*Sell-out growth incl. temporarily closed stores*	*Like-for-like sales-out*[1]	*Organic growth*	*Local currency growth*	*Share of revenue*
Pandora owned retail	**2,623**	**3,061**	***-17%***	***-10%***	***-16%***	***-15%***	***63%***
- of which concept stores	*1,836*	*2,404*	-	-	*-25%*	*-24%*	*44%*
- of which online stores	*621*	*477*	-	-	*29%*	*29%*	*15%*
- of which other points of sale	*165*	*181*	-	-	*-17%*	*-9%*	*4%*
Wholesale	**1,328**	**1,503**	***-18%***	***-12%***	***-12%***	***-13%***	***32%***
- of which concept stores	*765*	*854*	-	-	*-10%*	*-12%*	*18%*
- of which other points of sale	*563*	*649*	-	-	*-14%*	*-14%*	*13%*
Third-party distribution	**220**	**239**	***-18%***	***-12%***	***-9%***	***-9%***	***5%***
Total revenue	**4,172**	**4,804**	***-17%***	***-11%***	***-14%***	***-14%***	***100%***

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

REVIEW OF NETWORK DEVELOPMENT

The number of concept stores decreased by 24 during Q1 2020 which was mainly related to closures in Germany and UK. The decrease of concept stores also reflects the decision to postpone store openings planned in China and Latin America due to COVID-19. Since Q1 2019, Pandora has opened net 33 concept stores.

Number of points of sale	Q1 2020	Q4 2019	Q1 2019	Growth Q1 2020 /Q4 2019	Growth Q1 2020 /Q1 2019
Concept stores	**2,746**	**2,770**	**2,713**	**-24**	**33**
- of which Pandora owned	1,382	1,397	1,364	-15	18
- of which franchise owned	845	856	834	-11	11
- of which third-party distribution	519	517	515	2	4
Other points of sale	**4,593**	**4,657**	**4,845**	**-64**	**-252**

REVIEW OF REVENUE BY KEY MARKETS

The US market performance improved with positive like-for-like and organic growth in January and February of 2020. The revenue development deteriorated materially during March culminating with country-wide store closures from 18 March 2020. Q1 2020 organic growth was -7%. The underlying performance improvement was driven by solid performance of new products and successful media investments strengthening the Charms and Bracelets product categories. The online store performed well throughout the quarter and generated more than 30% organic growth.

The UK market continued its solid momentum from Q4 2019, and Pandora generated 0% organic growth for the full quarter despite the negative impact on consumer sentiment during March and lockdown with store closures from 20 March 2020. New product launches were very strong in the UK as the *Birthstone* concept resonated particularly well with the UK consumers. Revenue from the online channel comprises more than 20% of revenue in the UK, and the online store grew with strong double-digit growth rates.

The Chinese market was in many ways challenging for Pandora in Q1 2020, and the organic growth was -61%. Pandora started to close physical stores due to COVID-19 from late January and the logistics of the online channel were also disrupted. Consequently, Pandora generated negative growth of -80% from late January until March where the stores started to re-open. Traffic into the stores is gradually improving and is getting closer to a normalised level. To address the underlying brand challenges in China, Pandora has strengthened the organisation significantly and hired a new General Manager, Jacques Roizen, to turn around the performance and establish Pandora as a unique and well-known brand in China.

Italy and France ended the quarter with positive organic growth despite the material negative impact in March from COVID-19.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKETS

DKK million	Q1 2020	Q1 2019	*Sell-out growth incl. temporarily closed stores*	*Like-for-like sales-out*	*Organic growth*	*Local currency growth*	*Share of revenue*
UK	590	579	*-8%*	*5%*	*0%*	*0%*	*14%*
Italy	452	443	*-9%*	*2%*	*1%*	*2%*	*11%*
France	241	225	*-5%*	*5%*	*7%*	*7%*	*6%*
Germany	179	188	*-2%*	*4%*	*-5%*	*-5%*	*4%*
US	935	977	*-10%*	*-4%*	*-7%*	*-7%*	*22%*
Australia	193	237	*-13%*	*-13%*	*-16%*	*-15%*	*5%*
China	212	548	*-64%*	*-60%*	*-61%*	*-61%*	*5%*
Total top-7 markets	**2,800**	**3,198**	-	-	-	-	***67%***
Total revenue	**4,172**	**4,804**	***-17%***	***-11%***	***-14%***	***-14%***	***100%***

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

HEALTHY PROFITABILITY DESPITE THE COVID-19 OUTBREAK

In Q1 2020, the EBIT margin excluding restructuring costs ended at 15.3% compared to 22.5% in Q1 2019. The main reason for the decline is the deleverage from the negative revenue development due to COVID-19.

Pandora has implemented important initiatives to minimise the deleverage effect in markets with closed stores. OPEX in China was reduced by 35% in Q1 2020 compared to Q1 2019 which is driven by concessions on store rent payments and urgent initiatives to scale other costs. Programme NOW investments to drive the revenue growth - mainly media spend - continued in most markets up until store closures in the respective markets. During periods of store closures, the large broad-based media investments were put on hold while digital marketing investments were maintained to drive the online growth.

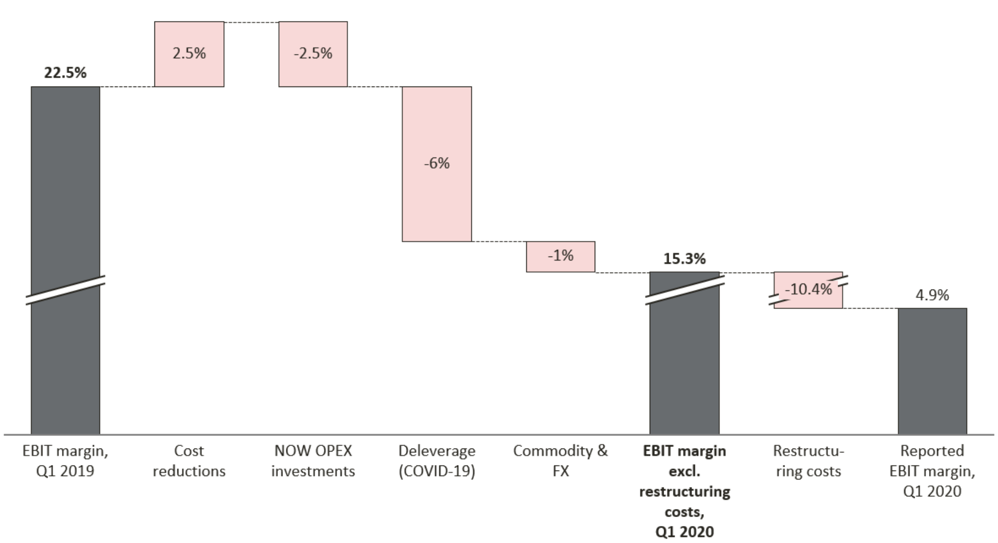
Programme NOW cost reductions amounted to around DKK 125 million in Q1 2020. The Programme NOW restructuring to create a fundamentally healthier and stronger company continues although current measures to cut costs are also short-term focused in the times of crisis. The run rate cost reduction target is unchanged. Compared to Q1 2019, commodity and foreign exchange rates impacted the EBIT margin negatively by around 1% mainly driven by appreciation of the Thai baht against the Danish krone.

EBIT excluding restructuring costs was DKK 638 million. Restructuring costs amounted to DKK 435 million in the quarter of which DKK 86 million impacted cost of sales and DKK 348 million impacted operating expenses.

Financial items amounted to DKK -234 million of which DKK -165 million relate to non-cash revaluation of intercompany balance sheet items in foreign currencies. The revaluations are impacted by the weakening of most currencies against DKK during March including GBP, AUD and BRL.

EBIT-MARGIN DEVELOPMENT

%-p growth (approximately)



SOLID GROSS MARGIN DRIVEN BY EFFICIENT PRODUCTION

In Q1 2020, the gross margin excluding restructuring costs was 77.4% compared with 75.9% in Q1 2019. The increase of 1.5pp reflects continuous cost reduction initiatives as part of Programme NOW and a slightly smaller impact from write-off of acquired inventories in relation to forward integration. The gross profit excluding restructuring costs in Q1 2020 was DKK 3,230 million (DKK 3,645 million in Q1 2019).

COST OF SALES AND GROSS PROFIT

DKK million	Q1 2020	Q1 2019	*Growth*	*Share of revenue Q1 2020*	*Share of revenue Q1 2019*
Revenue	4,172	4,804	*-13%*	*100.0%*	*100.0%*
Cost of sales	-942	-1,159	*-19%*	*-22.6%*	*-24.1%*
Gross profit excl. restructuring costs	**3,230**	3,645	***-11%***	***77.4%***	***75.9%***
Restructuring costs	-86	-25	*244%*	*-2.1%*	*-0.5%*
Total gross profit incl. restructuring costs	**3,144**	**3,620**	***-13%***	***75.4%***	***75.4%***

OPERATING EXPENSES

Total operating expenses excluding restructuring costs were DKK 2,592 million, an increase of 1% compared to Q1 2019. The net increase in operating expenses is driven by increased media spend and commercial initiatives conducted in the early part of the quarter.

As previously communicated, the strategic reorganisation announced on 4 March 2020 entails that cost of certain functions in the markets previously recognised under Administrative expenses is re-classified to Sales & Distribution expenses. This change had an impact of approximately DKK 100 million in the quarter. Comparison figures are not restated.

Adjusting for the reclassification, Sales and distribution expenses decreased mainly as a result of rent concessions and lower commission-based salaries during periods with store closures. The increase in marketing expenses reflects continued increased media investments particularly in January and February to drive top-line. Administrative expenses decreased due to the reclassification of costs and due to Programme NOW cost reduction initiatives.

OPERATING EXPENSES DEVELOPMENT INCLUDING DEPRECIATION AND AMORTISATION

DKK million	Q1 2020	Q1 2019	*Growth*	*Share of revenue Q1 2020*	*Share of revenue Q1 2019*
Sales and distribution expenses	-1,594	-1,551	*3%*	*38.2%*	*32.3%*
Marketing expenses	-570	-483	*18%*	*13.7%*	*10.1%*
Administrative expenses	-428	-529	*-19%*	*10.3%*	*11.0%*
Total operating expenses excl. restructuring costs	**-2,592**	**-2,563**	***1%***	***62.1%***	***53.3%***
Restructuring costs	-348	-97	*258%*	*8.4%*	*2.0%*
Total operating expenses incl. restructuring costs	**-2,940**	**-2,660**	***11%***	***70.5%***	***55.4%***

COVID-19 AND RESTRUCTURING COSTS LIMIT CASH FLOW GENERATION IN Q1 2020

As previously communicated, the operating working capital ended Q4 2019 at an extraordinary low level – 3.1% of revenue – and both trade payable and inventory levels were not expected to be sustainable going forward. During Q1 2020, payables and other current liabilities resulted in a cash outflow of DKK 880 million. Consequently, the free cash flow including committed leases (excluding IFRS 16) in Q1 2020 was DKK -272 million.

Compared to Q1 2019, the decrease in cash flow from DKK 411 million last year (including lease payments) can be explained by lower EBIT due to COVID-19 and higher restructuring costs.

In the quarter, CAPEX was cut back as part of the COVID-19 initiatives and amounts to only DKK 129 million corresponding to 3% of revenue. The operating working capital ended again at a very low level as trade receivables decreased materially and inventories and trade payables were kept at a continued favourable level.

For the full year, Pandora still expects working capital to constitute a drag on the cash conversion as inventories are expected to increase and payables are expected to decrease further.

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

Share of preceding 12 months' revenue	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Inventories	10.1%	9.8%	13.0%	11.7%	13.9%
Trade receivables	5.1%	7.5%	5.8%	5.0%	5.6%
Trade payables	-11.0%	-14.2%	-10.2%	-7.3%	-7.4%
Total	**4.2%**	**3.1%**	**8.6%**	**9.4%**	**12.1%**

Pandora currently holds around 8.34 million Treasury shares. The planned capital reduction of 8 million shares is cancelled due to the precautionary measure to strengthen the financial flexibility even further by selling 8 million treasury shares in an accelerated book-building.

In Q1 2020, Pandora finalised its share buyback programme for 2019 as announced in connection with the Annual Report 2018. Under the programme, Pandora repurchased own shares at a transaction value corresponding to DKK 2.2 billion and 7.8 million shares.

On 16 March 2020, Pandora announced the suspension of its share buyback programme for 2020 due to the unprecedented circumstances.

NO UPDATE TO FINANCIAL GUIDANCE FOR 2020

As announced on 16 March 2020, the financial guidance for 2020 was withdrawn following the escalation of COVID-19. As a result of the continued high uncertainty, it is still not deemed meaningful to provide any financial guidance at this stage.

The organic growth in April was materially impacted by temporary concept store closures during the month. The online store growth accelerated generating triple-digit growth in April. The current run rate organic growth at the time of reporting is improving slightly, reflecting the recent store re-openings in Germany and a continued gradual but slow improvement in China.

The 2020 EBIT-margin is naturally first and foremost dependent on the revenue development. While no meaningful financial guidance for 2020 can be provided at this stage, it should be noted that Pandora can absorb up to around 50% decline in revenue before reaching break-even on full-year EBIT excluding restructuring costs.

Based on the continued widespread lock-down of markets across the world, Pandora is likely to generate significant negative EBIT in Q2 2020.

Based on the assumption that the second quarter will be materially impacted by COVID-19 and that there will be a slow gradual improvement during the second half of 2020, Pandora can provide the following guidance:

- The restructuring costs related to Programme NOW are expected to amount to around DKK 1.0 billion compared to previous expectations of around DKK 1.3 billion. The restructuring costs relate to the strategic re-organisation, consultancy costs and costs of implementing cost reduction initiatives such as the IT transformation and manufacturing efficiencies
- CAPEX for the year is expected to be around DKK 0.7 billion compared to the initially expected amount of DKK 1.0-1.2 billion. The reduction is a result of deliberate actions to protect cash including a reduction of the number of expected store refurbishments
- The number of concept stores is expected to be reduced by 25-50 in 2020 compared to previous expectations of a flat development in the number of stores. The change is due to fewer planned store openings in China and Latin America due to COVID-19

The effective tax rate in 2020 is still expected to be 22-23%. Assuming current exchange rates versus Danish kroner, growth reported in DKK is expected to be 0-1pp higher than in local currency.

MID-TERM FINANCIAL ASPIRATIONS

Pandora's aspiration for the mid-term horizon is to deliver sustainable positive organic growth and industry-leading profitability. Organic growth will be driven by positive total like-for-like growth.

FOREIGN EXCHANGE ASSUMPTIONS AND IMPLICATIONS

	Average 2019	4 May 2020	
	FX Rates	FX Rates	2020 Y-Y financial impact
USD/DKK	6.669	6.820	
THB/DKK	0.215	0.211	
GBP/DKK	8.517	8.490	
CNY/DKK	0.966	0.966	
AUD/DKK	4.636	4.384	
REVENUE (DKKm)			~ -175
EBIT (DKKm)			-125 to -150
EBIT margin			-0.5pp

OTHER IMPORTANT EVENTS IN Q1 2020 AND AFTER THE REPORTING PERIOD

Pandora announced a strategic reorganisation on 4 March 2020 which had effect on 2 April 2020. The reorganisation will strengthen the company's agility and reduce organisational complexity. The regional layer has been eliminated and the markets are now grouped into 10 clusters. Two Global Business Units will be responsible for the end-to-end performance of products. One Global Business Unit will have the responsibility mainly for the core products including Moments, charms and collaborations whereas the other Global Business Unit will drive the newer product categories and innovations. The segment note in the financial reporting will be adjusted to reflect that Pandora will have two main Global Business Units with effect from Q2 2020 and onwards.

On 23 March, Pandora announced that Martino Pessina would join the company on 2 April as Chief Commercial Officer (CCO) reporting to CEO Alexander Lacik and serving on Pandora's Executive Leadership Team. Martino Pessina joins Pandora from a position as President North America at H&M. The newly established CCO position will be a cornerstone in Pandora's new operating model. Leading Pandora's ten new clusters, Martino Pessina will be responsible for commercial operations across the company's more than 100 markets, and he will manage a retail centre of excellence to improve global merchandising, store development, planning and execution.

FINANCIAL CALENDAR 2020

This financial calendar below lists the expected dates of publication of financial announcements.

18 August 2020	Interim Financial Report for the second quarter/first six months of 2020
03 November 2020	Interim Financial Report for the third quarter/first nine months of 2020

DISCLAIMER

This is not an offer to sell, or the solicitation of an offer to buy, any securities in the United States or elsewhere. The securities referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933 as amended (the "U.S. Securities Act"), or any state securities laws, and may not be offered or sold in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements thereof and applicable state securities laws. There will be no public offering in the United States or elsewhere.

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 77
UK (International): +44 33 33 000 804
US: +1 855 85 70 686

Please use PIN: 212 296 04#

Link to webcast: https://pandora.eventcdn.net/2020q1

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 7,300 points of sale, including more than 2,700 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs around 28,000 people worldwide of whom more than 12,300 are located in Thailand, where the Company manufactures its jewellery. Pandora is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2019, Pandora's total revenue was DKK 21.9 billion.

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q1 2020	Q1 2019	FY 2019
Revenue	3,4	4,172	4,804	21,868
Cost of sales		-1,028	-1,184	-5,966
Gross profit		**3,144**	**3,620**	**15,903**
Sales, distribution and marketing expenses		-2,254	-2,039	-9,305
Administrative expenses		-687	-621	-2,770
Operating profit		**204**	**960**	**3,829**
Finance income		18	132	351
Finance costs		-252	-63	-351
Profit before tax		**-30**	**1,028**	**3,829**
Income tax expense		7	-231	-884
Net profit for the period		**-24**	**797**	**2,945**
Earnings per share, basic, DKK		-0.3	7.9	30.3
Earnings per share, diluted, DKK		-0.3	7.9	30.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q1 2020	Q1 2019	FY 2019
Net profit for the period	**-24**	**797**	**2,945**
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate adjustments of investments in subsidiaries	-217	126	226
Fair value adjustment of hedging instruments	-179	-109	1
Tax on other comprehensive income, hedging instruments, income/expense	43	24	-27
Items that may be reclassified to profit/loss for the period, net of tax	**-353**	**41**	**200**
Items not to be reclassified to profit/loss for the period			
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-
Items not to be reclassified to profit/loss for the period, net of tax	**-**	**-**	**-**
Other comprehensive income, net of tax	**-353**	**41**	**200**
Total comprehensive income for the period	**-377**	**838**	**3,145**

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2020 31 March	2019 31 March	2019 31 December
ASSETS				
Goodwill	10	4,352	4,404	4,416
Brand		1,057	1,057	1,057
Distribution network		86	116	94
Distribution rights		1,047	1,047	1,047
Other intangible assets		781	1,018	831
Total intangible assets		**7,324**	**7,642**	**7,445**
Property, plant and equipment		2,381	2,669	2,585
Right-of-use assets	11	3,529	4,419	4,010
Deferred tax assets		706	1,025	675
Other financial assets		279	318	290
Total non-current assets		**14,218**	**16,073**	**15,006**
Inventories		2,155	3,116	2,137
Trade receivables	8	1,081	1,269	1,643
Right-of-return assets		60	72	73
Derivative financial instruments	6,7	221	125	187
Income tax receivable		476	155	467
Other receivables		780	781	1,004
Cash		537	819	1,054
Total current assets		**5,310**	**6,336**	**6,565**
Total assets		**19,529**	**22,408**	**21,571**
EQUITY AND LIABILITIES				
Share capital		100	110	100
Treasury shares		-2,386	-4,348	-1,964
Reserves		813	1,008	1,167
Dividend proposed		-	-	836
Retained earnings		5,105	8,699	5,110
Total equity		**3,632**	**5,469**	**5,249**
Provisions		278	269	278
Loans and borrowings	11	5,840	8,766	7,962
Deferred tax liabilities		155	425	235
Other payables		1	4	1
Total non-current liabilities		**6,273**	**9,465**	**8,476**
Provisions		40	25	53
Refund liabilities		643	679	753
Contract liabilities		62	68	71
Loans and borrowings	11	4,833	3,402	2,069
Derivative financial instruments	6,7	368	152	115
Trade payables		2,337	1,673	3,095
Income tax payable		437	455	438
Other payables		904	1,022	1,250
Total current liabilities		**9,624**	**7,475**	**7,846**
Total liabilities		**15,897**	**16,939**	**16,322**
Total equity and liabilities		**19,529**	**22,408**	**21,571**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging reserve	Dividend proposed	Retained earnings	Total equity
2020							
Equity at 1 January	**100**	**-1,964**	**1,112**	**54**	**836**	**5,110**	**5,249**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**-24**	**-24**
Exchange rate adjustments of investments in subsidiaries	-	-	-217	-	-	-	-217
Fair value adjustments of hedging instruments	-	-	-	-179	-	-	-179
Tax on other comprehensive income	-	-	4	39	-	-	43
Other comprehensive income, net of tax	**-**	**-**	**-213**	**-140**	**-**	**-**	**-353**
Total comprehensive income for the period	**-**	**-**	**-213**	**-140**	**-**	**-24**	**-377**
Share-based payments	-	-	-	-	-	18	18
Share-based payments (exercised)	-	9	-	-	-	-9	-
Share-based payments (tax)	-	-	-	-	-	-2	-2
Purchase of treasury shares	-	-431	-	-	-	-	-431
Dividend paid	-	-	-	-	-836	11	-825
Equity at 31 March	**100**	**-2,386**	**899**	**-86**	**-**	**5,105**	**3,632**
2019							
Equity at 1 January	**110**	**-3,469**	**913**	**54**	**920**	**7,891**	**6,419**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**797**	**797**
Exchange rate adjustments of investments in subsidiaries	-	-	126	-	-	-	126
Fair value adjustments of hedging instruments	-	-	-	-109	-	-	-109
Tax on other comprehensive income	-	-	-	24	-	-	24
Other comprehensive income, net of tax	**-**	**-**	**126**	**-85**	**-**	**-**	**41**
Total comprehensive income for the period	**-**	**-**	**126**	**-85**	**-**	**797**	**838**
Fair value adjustments of obligation to acquire non-controlling interests	-	-	-	-	-	18	18
Share-based payments	-	-	-	-	-	-24	-24
Share-based payments (exercised)	-	13	-	-	-	-13	-
Share-based payments (tax)	-	-	-	-	-	6	6
Purchase of treasury shares	-	-891	-	-	-	-	-891
Dividend paid	-	-	-	-	-920	24	-896
Equity at 31 March	**110**	**-4,348**	**1,039**	**-31**	**-**	**8,699**	**5,469**

PANDORA

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q1 2020	Q1 2019	FY 2019
Profit before tax		-30	1,028	3,829
Finance income		-18	-132	-351
Finance costs		252	63	351
Depreciation and amortisation		530	514	2,319
Share-based payments		18	1	20
Change in inventories		-139	249	1,284
Change in receivables		696	589	-65
Change in payables and other liabilities		-880	-931	808
Other non-cash adjustments		-252	-147	-20
Interest etc. received		1	1	13
Interest etc. paid		-47	-51	-178
Income taxes paid		-76	-364	-1,233
Cash flows from operating activities, net		**55**	**823**	**6,775**
Acquisitions of subsidiaries and activities, net of cash acquired	9	-5	-135	-148
Purchase of intangible assets		-34	-79	-272
Purchase of property, plant and equipment		-82	-165	-540
Change in other non-current assets		-1	36	66
Proceeds from sale of property, plant and equipment		-2	9	18
Cash flows from investing activities, net		**-124**	**-335**	**-877**
Acquisitions of non-controlling interests		-	-254	-311
Dividend paid		-826	-896	-1,756
Purchase of treasury shares		-431	-891	-2,583
Proceeds from loans and borrowings		2,876	2,079	5,626
Repayment of loans and borrowings		-1,785	-851	-6,088
Repayment of lease commitments		-253	-262	-1,138
Cash flows from financing activities, net		**-419**	**-1,075**	**-6,250**
Net increase/decrease in cash		**-488**	**-587**	**-352**
Cash at beginning of period[1]		1,054	1,387	1,387
Exchange gains/losses on cash		-29	19	19
Net increase/decrease in cash		-488	-587	-352
Cash at end of period[1]		**537**	**819**	**1,054**
Cash flows from operating activities, net		55	823	6,775
- Interests etc. received		-1	-1	-13
- Interests etc. paid		47	51	178
Cash flows from investing activities, net		-124	-335	-877
- Acquisition of subsidiaries and activities, net of cash acquired		5	135	148
Free cash flow incl. IFRS 16 (excluding repayment of lease commitments)		**-19**	**673**	**6,213**
Unutilised credit facilities (31 March 2020)		**4,804**	**2,753**	**3,061**

[1] Cash comprises cash at bank and in hand.

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

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 2019.

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

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

After the strategic reorganisation announced on 4 March 2020, the cost of certain functions in the markets previously recognised under Administrative expenses is reclassified to Sales & Distribution expenses. This change has prospective application and the comparative figures have not been restated. The impact of the change in Q1 2020 was approximately DKK 100 million.

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. Apart from the ‘Sell-out growth’ which is defined as like-for-like but not adjusting for temporarily closed stores, for the definitions of other alternative performance measures used by Pandora which are not defined by IFRS, refer to note 5.6 in the consolidated financial statement in the Annual Report 2019.

New standards, interpretations and amendments adopted by Pandora

Pandora has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year beginning on 1 January 2020. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the quarter.

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.

COVID-19 outbreak has impacted the commercial results both directly as physical stores close and indirectly as open stores are negatively impacted by less travelling and suppressed consumer confidence and spending.

The manufacturing setup in Thailand has been largely unaffected by COVID-19 with stable production output which is temporarily reduced in order to align supply and demand better.

The healthy EBIT margin in Q1 2020 of 15.3% indicates how Pandora can maintain strong profitability in uncertain environments. A number of cash initiatives have also been executed including suspension of the share buyback programme, reduction of CAPEX and renegotiation of payments terms with selected suppliers.

Due to COVID-19 outbreak, Pandora has assessed the value of intangible assets and property, plant and equipment. No impairment indicator was identified based on the information regarding the market and the forecast, since the latest impairment test carried out in 2019 is still considered to include a sufficient headroom. As there is limited visibility on the COVID-19 future effect, Pandora will continue assessing the value of the assets including the terms of the leasing contracts and any government grants. Pandora has also considered the recoverability of accounts receivable and the inventory value and has not identified any impairment write down due to high inventory margin.

For information on liquidity risk please refer to note 6.

NOTE 3 – Segment information

Pandora's activities are segmented on the basis of geographical areas consistent with the management reporting structure.

The operating activities of the Group are divided into three operating segments: EMEA, Americas and Asia Pacific, each segment represented by its own segment president on the Executive Leadership Team. All three operating segments comprise wholesale, retail and e-commerce business activities relating to the distribution and sale of Pandora products.

Pandora announced a strategic reorganisation on 4 March 2020 which had effect on 2 April 2020. The regional layer has been eliminated and the markets are now grouped into 10 clusters organised in two Global Business Units with end-to-end responsibility for product performance. One Global Business Unit will have the responsibility mainly for the core products including Moments, charms and collaborations whereas the other Global Business Unit will drive the newer product categories and innovations. The new segments will be in place for the Q2 2020 reporting.

All segments derive their revenue from the types of products shown in the product information. For information on revenue from the different products and sales channels reference is made to note 4.

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

The Programme NOW restructuring costs of DKK 435 million in Q1 2020 includes costs due to the Strategic reorganisation disclosed in March of DKK 0.1 billion, Cost reset projects to enable savings of DKK 0.1 billion and consultancy expenses of DKK 0.1 billion. Further details on the restructuring costs are provided in the section “Update on Programme NOW”. As Programme NOW restructuring costs cannot be meaningfully allocated to the segments, the segment performance is measured and reported excluding restructuring costs. Segment information is recognised and measured in accordance with IFRS.

SEGMENT INFORMATION

DKK million	EMEA	Americas	Asia Pacific	Group
Q1 2020				
Total revenue	2,200	1,357	614	4,172
Segment profit (EBIT) excl. restructuring costs	**457**	**172**	**10**	**638**
Segment profit margin (EBIT margin) excl. restructuring costs	***20.8%***	***12.6%***	***1.6%***	***15.3%***
Restructuring costs				-435
Consolidated operating profit (EBIT)				**204**
Operating profit margin (EBIT margin)				***4.9%***
Q1 2019				
Total revenue	2,245	1,439	1,120	4,804
Segment profit (EBIT) excl. restructuring costs	**495**	**334**	**254**	**1,083**
Segment profit margin (EBIT margin) excl. restructuring costs	***22.0%***	***23.2%***	***22.6%***	***22.5%***
Restructuring costs				-122
Consolidated operating profit (EBIT)				**960**
Operating profit margin (EBIT margin)				***20.0%***

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q1 2020	Q1 2019	*Growth in local currency*	FY 2019
UK	590	579	*0%*	2,861
Italy	452	443	*2%*	2,272
France	241	225	*7%*	1,169
Germany	179	188	*-5%*	963
US	935	977	*-7%*	4,677
Australia	193	237	*-15%*	1,118
China	212	548	*-61%*	1,970

NOTE 4 – Revenue from contracts with customers

REVENUE BY CHANNEL

DKK million	Q1 2020	Q1 2019	*Growth in local currency*	FY 2019
Pandora owned retail*	2,623	3,061	*-15%*	14,181
Wholesale	1,328	1,503	*-13%*	6,725
Third-party distribution	220	239	*-9%*	962
Total revenue	**4,172**	**4,804**	***-14%***	**21,868**

*Including revenue from Pandora online stores

REVENUE BY REGION

DKK million	Q1 2020	Q1 2019	*Growth in local currency*	FY 2019
EMEA	2,200	2,245	*-2%*	10,740
Americas	1,357	1,439	*-7%*	6,772
Asia Pacific	614	1,120	*-45%*	4,356
Total revenue	**4,172**	**4,804**	***-14%***	**21,868**

REVENUE BY PRODUCT CATEGORY

DKK million	Q1 2020	Q1 2019	*Growth in local currency*	FY 2019
Charms	2,124	2,434	*-13%*	11,395
Bracelets	799	893	*-11%*	4,216
Rings	663	762	*-14%*	3,113
Earrings	270	335	*-20%*	1,487
Necklaces & Pendants	315	380	*-18%*	1,658
Total revenue[1]	**4,172**	**4,804**	***-14%***	**21,868**
Goods transferred at a point in time	4,155	4,790		21,799
Services transferred over time	17	14		70
Total revenue	**4,172**	**4,804**		**21,868**

[1] Figures include franchise fees etc., which are allocated to the product categories. Q1 2020 DKK 24 million, Q1 2019 DKK 17 million and FY 2019 DKK 87 million.

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

NOTE 5 – Seasonality of operations

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

NOTE 6 – Financial risks

Pandora's overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rate, are described in the disclosures in note 4.4 in the consolidated financial statement in the Annual Report 2019.

COVID-19 has had an effect on the risk exposure and Pandora will be if the pandemic continues for an extended period and ultimately results in a multi-year economic recession or long term change of consumer behaviour.

The increased liquidity risk stemming from the lower profitability due to temporary closed physical stores has been mitigated by the establishment of a new Club Deal of DKK 3 billion and the expected sale of 8 million Treasury shares. An overview of the current committed facilities can be seen below.

Current outstanding committed loan facilities (as of 4 May, 2020)

	Amount (DKK million)	Maturity date	*Drawn amount 4 May 2020*
Revolving Credit Facilities	7,500	May 2022	*4,507*
Club Deal	3,000	December 2021	*0*
Bilateral term-loans	3,400	December 2020	*3,400*
Total			***7,907***

NOTE 7 – Derivative financial instruments

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

See note 4.5 to the consolidated financial statement in the Annual Report 2019.

NOTE 8 – Trade receivables

DKK million	2020 31 March	2019 31 March
Receivables related to third-party distribution and wholesale	795	925
Receivables related to retail revenue sales	286	344
Total trade receivables	**1,081**	**1,269**

NOTE 9 – Business combinations

No acquisitions took place in Q1 2020.

The deferred payment for the 2019 store acquisitions in Mexico (DKK 5 million) was paid in 2020.

Acquisitions after the reporting period

No acquisitions took place after the reporting period.

NOTE 10 – Goodwill

DKK million	31 March 2020	31 March 2019
Cost at 1 January	4,416	4,278
Acquisition of subsidiaries and activities in the period	-	57
Exchange rate adjustments	-64	69
Cost at the end of the period	**4,352**	**4,404**

Impairment testing of goodwill was performed in Q1 2020. As of Q1, no impairment was identified.

NOTE 11 – Assets and liabilities related to leases

Amounts recognised in the balance sheet.

RIGHT-OF-USE-ASSETS

DKK million	31 March 2020
Property	3,494
IT	2
Cars	19
Other	14
Total right-of-use assets	**3,529**

Out of the total decrease of DKK 0.5 billion in right-of-use-assets in the period 1 January – 31 March 2020, the 0.4 billion relates to depreciation and currency exchange movement. Net decrease of DKK 136 million relates mainly to the reassessment of extension options where Pandora is going to renegotiate the lease term.

LEASE LIABILITIES

DKK million	31 March 2020
Non-current	2,467
Current	899
Total lease liabilities	**3,366**

Lease liabilities are recognised in loans and borrowings in the balance sheet.

Amounts recognised in the income statement

RECOGNISED DEPRECIATION ON RIGHT-OF-USE ASSETS CHARGED TO THE INCOME STATEMENT FOR THE PERIOD 1 JANUARY – 31 MARCH

DKK million	1 January – 31 March 2020
Property	274
IT	-
Cars	3
Other	2
Total depreciation on right-of-use assets for the period	**278**

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 31 March 2020
Interest income from sub-leases	-
Interest expense	-24
Total interest for the period	**-24**

Costs recognised in the period for short term and low value leases were DKK 7 million. Expenses are recognised on a straight line basis.

Total cash outflow relating to leases was DKK 330 million for the period. This comprises of fixed lease payments in scope of IFRS 16 in amount of DKK 253 million, variable lease payments in amount of DKK 48 million, interest paid in amount of DKK 22 million and short term and low value leases in amount of DKK 7 million. Variable leases and short term and low value leases are not included in the lease liabilities.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2019.

NOTE 13 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 14 – STORE NETWORK, OTHER POINTS OF SALE DEVELOPMENT

	Q1 2020	Q4 2019	Q1 2019	Growth Q1 2020 / Q4 2019	Growth Q1 2020 /Q1 2019
Other points of sale (retail)	225	207	195	18	30
Other points of sale (wholesale)	3,746	3,812	3,982	-66	-236
Other points of sale (third-party)	622	638	668	-16	-46
Other points of sale, total	**4,593**	**4,657**	**4,845**	**-64**	**-252**

NOTE 15 – STORE NETWORK, CONCEPT STORE DEVELOPMENT[1]

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q1 2020	Number of concept stores Q4 2019	Number of concept stores Q1 2019	*Growth Q1 2020 /Q4 2019*	*Growth Q1 2020 /Q1 2019*	Number of concept stores O&O Q1 2020	*Growth O&O stores Q1 2020 /Q4 2019*	*Growth O&O stores Q1 2020 /Q1 2019*
UK	222	230	233	*-8*	*-11*	126	-	-
Italy	146	148	143	*-2*	*3*	107	-	*5*
France	121	122	120	*-1*	*1*	77	-	*3*
Germany	141	146	152	*-5*	*-11*	135	*-5*	*-11*
US	403	402	399	*1*	*4*	156	*-2*	*2*
Australia	126	128	127	*-2*	*-1*	38	*-1*	*2*
China	238	237	220	*1*	*18*	227	*1*	*14*
All markets	**2,746**	**2,770**	**2,713**	***-24***	***33***	**1,382**	***-15***	***18***

[1]Includes 7 key markets measured on revenue for FY 2019. All markets with 10 or more concept stores can be found in the Excel appendix uploaded on www.pandora.net

NOTE 16 – Commodity hedging

It is Pandora's policy to hedge at least 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 2020*	Hedged Q2 2020	Hedged Q3 2020	Hedged Q4 2020	Hedged Q1 2021
Gold price	*1,543*	1,516	1,554	1,597	1,625
Silver price	*16.41*	15.56	17.19	15.92	15.53
Commodity hedge ratio (target), %	*Realised*	70-100%	70-90%	50-70%	30-50%

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 76.8% based on the average gold (USD 1,583/oz) and silver (USD 16.9/oz) market prices in Q1 2020. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1 percentage point.

NOTE 17 – Subsequent events

Other than as described in "Other events" in the Management review, Pandora is not aware of events after 31 March 2020, which are expected to materially impact the Group's financial position.

PANDORA

QUARTERLY OVERVIEW

DKK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Key financial highlights					
Organic growth, %	***-14%***	***-1%***	***-14%***	***-7%***	***-12%***
Sell-out growth incl. temporarily closed stores	*-17%*	*-5%*	*-11%*	*-10%*	*-10%*
Total like-for-like sales out, %[1]	*-11%*	*-4%*[1]	*-10%*[1]	*-10%*	*-10%*
Revenue growth, local currency, %	*-14%*	*-1%*	*-13%*	*-4%*	*-8%*
Gross margin excl. restructuring costs, %	*77.4%*	*78.4%*	*78.6%*	*76.1%*	*75.9%*
EBIT excl. restructuring costs	638	2,806	891	1,075	1,083
EBIT margin excl. restructuring costs, %	***15.3%***	***35.3%***	***20.2%***	***22.9%***	***22.5%***
Operating working capital, % of last 12 months revenue	*4.2%*	*3.1%*	*8.6%*	*9.4%*	*12.1%*
Capital expenditure (CAPEX)	129	184	254	206	178
Capital expenditure, property, plant and equipment (CAPEX)	94	143	154	151	108
Free cash flow incl. lease payments[2]	-272	2,760	758	1,145	411
Cash conversion incl. lease payments[2], %	*-134%*	*120%*	*NA*	*150%*	*43%*
Ratios					
Effective tax rate, %	*22.5%*	*23.5%*	*22.5%*	*22.5%*	*22.5%*
Equity ratio, %	*19%*	*24%*	*19%*	*26%*	*24%*
NIBD to EBITDA excl. restructuring costs[3], x	1.3	1.1	1.5	1.4	1.6
Return on invested capital (ROIC)[3], %	*22%*	*27%*	*26%*	*33%*	*35%*
Total payout ratio (incl. share buyback), %	*NA*	*34%*	*N/A*	*106%*	*224%*
Other financial highlights					
Consolidated income statement					
Revenue	4,172	7,956	4,415	4,693	4,804
Gross profit	3,144	6,032	2,747	3,503	3,620
Gross margin, %	*75.4%*	*75.8%*	*62.2%*	*74.6%*	*75.4%*
Earnings before interests, tax, depreciations and amortisations (EBITDA)	733	2,862	520	1,290	1,474
EBITDA margin, %	*17.6%*	*36.0%*	*11.8%*	*27.5%*	*30.7%*
Operating profit (EBIT)	204	2,302	-198	764	960
EBIT margin, %	*4.9%*	*28.9%*	*-4.5%*	*16.3%*	*20.0%*
Net financials	-234	-27	44	-86	68
Net profit for the period	-24	1,741	-119	526	797
Consolidated balance sheet					
Total assets	19,529	21,571	21,968	21,533	22,408
Invested capital	13,810	14,268	15,571	16,289	16,919
Operating working capital	899	684	1,869	2,101	2,712
Net interest-bearing debt (NIBD)	10,178	9,019	11,333	10,761	11,450
Equity	3,632	5,249	4,237	5,528	5,469

[1] Like-for-like is calculated excluding stores that have been temporarily closed. Like-for-like in Q3 2019 and Q4 2019 excluding Hong Kong SAR due to the extraordinary turmoil in the market.

[2] Free cash flow deviates from Free cash flow in the cash flow statement as it includes lease payments (i.e. excluding IFRS 16)

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

MANAGEMENT STATEMENT

The Board and the Executive Management have reviewed and approved the interim financial report of Pandora A/S for the period 1 January – 31 March 2020.

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

It is our opinion that the consolidated interim financial statement gives a true and fair view of the financial position for the Pandora Group at 31 March 2020 and the results of the Pandora Group's operations and cash flow for the period 1 January – 31 March 2020.

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

Copenhagen, 5 May 2020

EXECUTIVE MANAGEMENT

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

BOARD

Peter A. Ruzicka
Chairman

Christian Frigast
Deputy Chairman

Andrea Alvey

Birgitta Stymne Göransson

Isabelle Parize

Marianne Kirkegaard

Ronica Wang

Catherine Spindler

DISCLAIMER

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

PANDORA

Something about you

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