

PANDÖRA



INTERIM FINANCIAL REPORT Q1 2023

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Our equity story

Pandora is a cross-generational brand with unmatched recognition that gives a voice to people's loves. Our jewellery is crafted and hand-finished 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.

Pandora's strategy focuses on delivering sustainable and profitable revenue growth building on the vast untapped opportunities within our existing core business. A strong cash generation and attractive cash return will remain.

Resilient performance continues in uncertain times

Financial highlights

- Brand registers its fourth consecutive quarter of resilient growth despite the macroeconomic challenges.
- Q1 2023 organic growth at 1% and like-for-like (LFL) at 0%.
- LFL in key markets in Europe sequentially improves to 0%, US remains at -7% as in Q4 and Rest of Pandora remains strong at 12%.
- Network expansion drives 3% growth and generates strong margins.
- Gross margins continue the upward trend witnessed over past years and reach 77.5%, +1.5pp vs. Q1 2022. Pricing actions, channel mix and commodity tailwinds contribute positively.
- As expected, EBIT margin at 21.5% down 1.5pp vs. Q1 2022 reflecting a.o. revenue and cost phasing. Full-year EBIT margin to be broadly in line with last year.
- Leverage remains low with NIBD/EBITDA at 1.2x. DKK 1.5 billion of share buyback program completed. Assuming no material macroeconomic deterioration, intention remains to go up to DKK 5.0 billion.

Phoenix strategy highlights

- Pandora further consolidated Moment's position as a leading category in global jewellery through launch of a new iconic studded bracelet. The new bracelet sees strong demand across most geographies.
- Investments in other product platforms seeing encouraging results; Timeless had a strong quarter at 11% LFL whilst Pandora ME also shows broad-based growth at 21% LFL. Diamonds by Pandora tracking as planned.
- Price increases undertaken in Q4 2022 drives a positive impact on the EBIT margin (broadly neutral on revenue). Pandora sees further opportunities for price increases over time.
- China trading gradually improved following the re-opening and LFL is positive since late March. Pandora is preparing for a phased relaunch of the brand later in the year.

2023 guidance and current trading

- Reflecting the solid start to the year, the organic growth guidance range is updated to "-2% to +3%" (previously -3% to +3%). The EBIT margin guidance remains unchanged at "Around 25%".
- Current trading in Q2 2023 has so far been resilient with underlying LFL trends broadly similar to Q1 2023. The level of uncertainty remains elevated due to the macroeconomic environment.

Alexander Lacik, President and CEO of Pandora, says:

"We have started 2023 well with resilient growth and solid margins. Our investments in lifting the brand are paying off with good performance in our Moments base business and strong results from the newer platforms, Timeless and Pandora ME. It's clear that we are increasingly the jewellery brand of choice, particularly for gifting occasions. The macroeconomic outlook remains uncertain, but we are confident in our ability to adapt and thrive as we've proven over the past few quarters."

DKK million	Q1 2023	Q1 2022	FY 2022	FY 2023 guidance
Revenue	5,850	5,689	26,463	
Organic growth	1%	21%	7%	-2% to 3%
Like-for-Like, %	0%	17%	4%	
Operating profit (EBIT)	1,256	1,310	6,743	
EBIT margin, %	21.5%	23.0%	25.5%	Around 25%

FINANCIAL HIGHLIGHTS

DKK million	Q1 2023	Q1 2022	FY 2022
Financial highlights			
Revenue	5,850	5,689	26,463
Organic growth, %	1%	21%	7%
Like-for-Like, % ¹	0%	17%	4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,753	1,772	8,716
Operating profit (EBIT)	1,256	1,310	6,743
EBIT margin, %	21.5%	23.0%	25.5%
Net financials	-94	-10	-210
Net profit for the period	889	995	5,029
Financial ratios			
Revenue growth, DKK, %	3%	26%	13%
Revenue growth, local currency, %	2%	22%	8%
Gross margin, %	77.5%	76.0%	76.3%
EBITDA margin, %	30.0%	31.1%	32.9%
EBIT margin, %	21.5%	23.0%	25.5%
Effective tax rate, %	23.5%	23.5%	23.0%
Equity ratio, %	24%	28%	33%
NIBD to EBITDA, x	1.2	0.9	0.8
Return on invested capital (ROIC), % of last 12 months' EBIT	43%	49%	48%
Cash conversion incl. lease payments, %	-49%	-110%	39%
Net working capital, % of last 12 months' revenue	8.8%	3.5%	4.2%
Capital expenditure, % of revenue	4.6%	2.8%	4.9%
Stock ratios			
Total pay-out ratio (incl. share buyback), %	322%	277%	100%
Dividend per share, proposed, DKK	-	-	16
Dividend per share, paid, DKK	16	16	16
Earnings per share, basic, DKK	10.0	10.5	54.2
Earnings per share, diluted, DKK	10.0	10.4	53.7
Consolidated balance sheet			
Total assets	21,519	19,419	22,013
Invested capital	15,481	12,684	13,961
Net working capital	2,332	871	1,104
Net interest-bearing debt (NIBD), incl. capitalised leases	10,227	7,157	6,794
Equity	5,254	5,526	7,167
Consolidated statement of cash flows			
Cash flows from operating activities	-142	-1,111	4,434
Capital expenditure – total	270	158	1,290
Capital expenditure - property, plant and equipment	165	83	929
Free cash flows incl. lease payments	-614	-1,442	2,602

¹ Like-for-Like growth include sell-out from all concept stores (including partner owned), owned and operated Shop in Shops and Pandora Online. Partner owned other points of sale are not included in Like-for-Like. The KPI includes stores which have been operating for +12 months.

BUSINESS UPDATE

Successfully navigating through macroeconomic uncertainties

Against a still challenging backdrop for consumers, Pandora delivered good revenue performance in Q1 2023 of 1% organic growth with resilient LFL of 0%. This is now the fourth consecutive quarter that Pandora has delivered robust LFL despite the macroeconomic environment, further highlighting how execution on the Phoenix strategy is delivering. During the quarter, underlying trading patterns were broadly consistent through the months with the brand continuing to win in key gifting moments of Valentine's Day and UK Mother's Day. Network growth contributed positively at 3% growth – and with continued strong margins. Growth was partially offset through phasing of wholesale sell-in of -2%.

Pandora's geographical diversification remains a key pillar of its strength and continues to underpin the solid trading. European key markets sequentially improved LFL growth to 0% with Germany particularly strong at 11% LFL. Performance in the US was sequentially stable at -7% LFL despite slightly softer conversion rates. Rest of Pandora continued to drive strong growth at 12% LFL with Spain and Mexico at 8% and 15%, respectively. Although early days, Pandora has noticed a gradual, but continued pick-up in China since the re-opening in January 2023 and LFL growth has been in positive territory since late March (with an easy comparison base in 2022 due to COVID-19).

It is now six months since Pandora rolled out selected price increases across its product portfolio. The price increase has had a positive financial impact with a broadly neutral impact on revenue and approximately 0.6pp positive impact on the EBIT margin. Pandora will be moving ahead with a structured, regular review to assess further opportunities for price increases whilst continuing to stay true to the brand promise of affordable jewellery.

The external environment continues to remain promotional, but – as reflected in the gross margin – Pandora maintained good discipline in Q1 2023 with promotional days broadly flat.

The new Pandora Studded Chain bracelet underpins future growth in Moments

During Q1 2023, Pandora launched a new iconic studded chain bracelet, developed more than two decades after the iconic Pandora Snake chain bracelet. Combining craftsmanship and innovation in design exclusive to Pandora, the new Pandora Studded Chain bracelet offers a completely different texture and canvas for styling. The bracelet is already resonating very well with consumers with good demand across most geographies and drove solid incremental growth within Pandora's overall bracelet collection within the quarter. The innovation is yet another example of Pandora's journey of continuing to extract notable future value from Moments as it underpins future growth through the captive business model which is unique to Pandora.

The strong growth within bracelets helped the Moments platform remain broadly stable at -3% LFL despite some weakness in newer charms. Base products in Moments continued to perform strongly. Collaborations delivered -4% LFL growth vs. Q1 2022, mostly reflecting the strong prior year comparative where growth was boosted by the launch of Marvel. Collaborations this year will be phased through the quarters with the Disney 100 anniversary products showing good demand already in Q1 2023.

Timeless has had a strong start delivering 11% LFL growth which was helped by elevated focus in the stores and strong Valentine's Day performance with the heart shaped designs resonating very well with consumers.

Pandora ME sees good start. Expansion of assortment planned for Diamonds by Pandora

Pandora ME has started the year well with +21% LFL growth vs. Q1 2022. The growth was boosted by good performance across many countries with base products performing well after Pandora previously optimised the assortment. Pandora also launched the platform in China within the quarter which was well received and a small contributor to growth also.

Revenue in the quarter for Diamonds by Pandora ended at DKK 34 million. Pandora continues to see vast growth opportunities for the platform. Results from the launch in North America continue to highlight the great potential the product category and brand can have together. The initial launch of Diamonds by Pandora included a narrow product range. In Q3 2023, Pandora will expand the assortment to include more classical ranges and also take the next steps in the geographical roll-out later in 2023. With this, marketing investments behind the platform will also be increased to drive consumer awareness and future growth.

Moments incl. Collabs generated a gross margin of 77.0% in Q1 2023 while Style generated a gross margin of 79.4% compared to 75.1% and 79.3% in Q1 2022, respectively. Overall, gross margin was up 1.5pp compared to Q1 2022, please see the gross margin section for further details.

REVENUE BY SEGMENT

DKK million	Q1 2023	Q1 2022 ¹	Like-for-Like	Share of revenue
Moments incl. Collabs	4,470	4,458	-3%	76%
- Moments	3,859	3,863	-3%	66%
- Collabs	610	595	-4%	10%
Style	1,381	1,231	9%	24%
- Timeless	949	829	11%	16%
- Signature	229	251	-12%	4%
- ME	169	142	21%	3%
- Diamonds by Pandora	34	9	247%	1%
Total revenue	5,850	5,689	0%	100%

¹Pandora has updated its collection structure by moving products from Style to Moments incl. Collabs in Q1 2023. Comparative figures for Q1 2022 were restated accordingly by moving DKK 261 million from 'Style' to 'Moments incl. Collabs'.

Network expansion drives strong growth, Evoke 2.0 debuts in Italy in April

In Q1 2023, Pandora saw an incremental revenue contribution of 3% from network expansion, mainly related to net 87 concept store openings vs Q1 2022. Forward integration which took place since Q1 2022 contributed another 1% of incremental revenue for the quarter. Within Q1 2023, Pandora closed net -23 stores. This was mostly in China and reflects phasing. Pandora is targeting net concept store openings of 50-100 during 2023 as well as 50-100 Pandora operated other points of sale.

Pandora sees vast opportunity for expanding its network given the attractive value creation. This is mainly through new store openings, but also potential takeovers or acquisition of franchise partners where it makes sense for both parties. Network expansion could be accelerated by the current macroeconomic uncertainty as attractive locations become available sooner.

Following extensive testing over the past two years Pandora opened doors in April to its brand-new store concept, Evoke 2.0, with a refit of an existing store in Italy. This marks an important milestone for the brand as the new store concept ensures a smoother consumer journey instore and more intuitive engagement across all of Pandora's platforms. Pandora targets to open over 40 Evoke 2.0 stores this year globally, including refits of existing stores. The CAPEX per Evoke 2.0 store will be roughly in line with current levels.

New credit rating and successful issuance of sustainability-linked bond

During Q1 2023, Pandora obtained public credit ratings from Moody's, rated Baa2, and Standard & Poor's, rated at BBB. Both agencies highlighted the strong business model and cash generation profile of Pandora. Pandora also announced a new Euro Medium Term Note (EMTN) programme and successfully placed an aggregate principal amount of EUR 500 million senior unsecured sustainability-linked notes due 2028. Investor demand for the new issue peaked at more than EUR 2 billion, following a two-day marketing exercise and the notes were issued at a price of 99.46 with a fixed coupon of 4.500% per annum. The net proceeds from the transaction was applied by Pandora mainly for planned refinancing.

Flexible cost structure protects margins in an uncertain macroeconomic environment

Since Q3 2022, Pandora has witnessed some shifts in consumer behavior reflecting the weaker macroeconomic environment. Since then, Pandora has demonstrated its ability to adapt to the environment with good cost discipline whilst not sacrificing key strategic objectives under Phoenix.

The external macroeconomic data continues to highlight a still challenging backdrop for consumers and Pandora will continue with its prudent approach, demonstrating an ability to adapt to most scenarios. This is helped by:

- A favorable margin structure, strong cash generation and low financial leverage which mean Pandora has a strong starting point to manage through a potential period with weak demand. While prudent cost measures will obviously be taken, the strong starting point enables the company to invest and accelerate during a recession where relevant. This includes accelerating the profitable network expansion as access to the desired locations opens up during a recession.
- Several measures have already been initiated preparing for a potential macroeconomic downturn. These measures mainly include a wide range of cost actions and re-prioritisation of certain initiatives, such as re-focusing the manufacturing capacity expansion towards Vietnam and postponing the expansion in Thailand.
- Stress testing Pandora's financials shows that even in a deep recession scenario, Pandora would still be highly profitable and generate excess cash to be returned to shareholders. Year 2020, where the pandemic hit the hardest, is a testimony to that. Fully variable expenses – on top of cost of goods sold which are almost 100% variable – accounts for roughly 10% of revenue, and are mainly related to POS materials, variable rent, freight costs and variable salary. Additionally, the majority of marketing expenses (13-15% of revenue) can be adjusted with short notice.

Capital Markets Day 2023 – update on Phoenix strategy

Pandora hosted a Capital Markets Day in September 2021 providing financial targets covering the period 2021–2023. Since then – and despite headwinds from COVID-19 in China and a worsening macroeconomic situation – Pandora has made significant progress on the Phoenix strategy. At a Capital Markets Day on 5 October, 2023 in London, Pandora will provide an update on the strategy and the next steps in driving sustainable and profitable growth.

REVENUE REVIEW

Revenue growth continues in Q1 2023

Pandora delivered 0% LFL vs Q1 2022 and organic growth of 1%. Organic growth was supported by network expansion contributing with 3%, following net 87 new concept store openings and 112 new owned and operated shop-in-shops since Q1 2022. Finally, organic growth was negatively impacted by phasing of wholesale sell-in to franchise partners – reversing the positive impact seen in Q4 2022. The network impact will be more visible in the group organic growth from Q2 2023 as the sell-in phasing impact normalises.

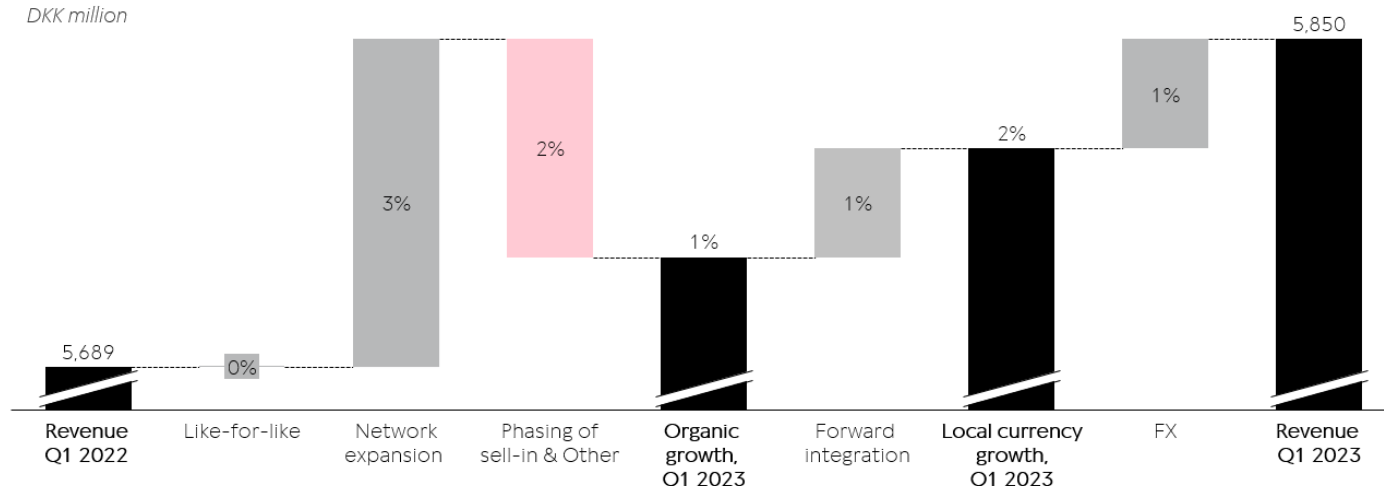
Forward integration supported total revenue growth in local currency with 1%, mainly in the US and the acquisition of the Portuguese distributor. Foreign exchange rates added a net tailwind of 1%, and driven by a stronger USD.

The revenue growth development can be illustrated as follows:

Q1 2023 growth composition vs Q1 2022

%-p growth (approximately)

DKK million



REVIEW OF REVENUE BY KEY MARKET

Like-for-like performance in Q1 driven by Europe

Pandora's performance in Q1 2023 followed the underlying trends from Q4 2022, with LFL growth ending at 0%. Many markets continued to see a challenging macroeconomic backdrop, but a strong brand, geographical diversification and good execution mean Pandora continues to navigate smoothly in the current environment. The main trading events in Q1 2023 were Valentine's Day and Mother's Day in the UK. Pandora continued to shine in both events with a strong marketing campaign and product offering.

US

Pandora US delivered -7% LFL vs Q1 2022, in line with the performance from Q4 2022. The performance in the US was mixed across channels, as performance in the Pandora owned and operated concept stores improved from Q4 2022 to Q1 2023, while performance in the franchise channel was weaker. Conversion rates were also slightly lower with some signs of heightened consumer hesitancy. Diamonds continued its trajectory from Q4 2022 with the average incremental contribution to sales being broadly stable. The current Diamonds by Pandora offering is quite narrow and the product range will be expanded later in 2023 while also opening up for selling diamonds in more stores. Pandora expects Diamonds by Pandora to be a stronger contributor to LFL growth following launch of the expanded range.

Key markets in Europe

In aggregate, LFL for the key markets in Europe was 0% in Q1 2023 - up from -3% in Q4 2022, driven by a sequential improvement in most countries.

The UK market delivered another resilient quarter with 1% LFL growth. Pandora ME and Timeless both had particularly strong performance, which came across a backdrop of continued weak consumer sentiment in the UK and Pandora witnessed some shifts towards lower priced points with consumers trading down. However, Pandora's brand positioning and execution remain strong, and Pandora expect to continue to benefit from this during the remainder of 2023.

LFL growth was very strong in Germany and up 11% vs Q1 2022, continuing the solid trajectory seen during 2021 and 2022. Performance was slightly helped by easy comparison in Q1 2022 following COVID-19 restrictions, but the business remains healthy with strong brand momentum. Pandora ME continues to gain strong traction with consumers and Pandora continues to see vast long-term potential in the German market.

France and Italy saw a sequential improvement in LFL vs. Q4 2022, albeit both markets remain soft. In Italy the consumer sentiment is still negative, but underlying trends are starting to improve. In France, the improvement in the performance vs Q4 2022 was driven by the Pandora owned store network and the online business, while the wholesale concept stores continued to be weak. The appointment of Laury Thilleman, a prominent French TV personality, model, and journalist, as the new Pandora France Ambassador marks an important step in driving higher brand desirability in France.

China

China reopened in January following a long period of COVID-19 constraints and ended Q1 2023 with a LFL of -26%, an improvement vs the trajectory of 2022. Traffic in stores was down -17% vs Q1 2022 and sequentially improved through the quarter but remains notably below normalized 2019 levels. LFL performance improved through the quarter with March at -7% and the positive momentum continued into April which is now in positive territory on a LFL basis (on an easy comparable 2022 base). Pandora is now preparing for a gradual re-launch later in the year.

Australia and Rest of Pandora

Australia delivered -5% LFL vs Q1 2022, partly driven by weaker consumer sentiment in the region but also some weakness in the wholesale channel. Pandora's owned and operated concept stores remained solid and delivered 5% LFL in Q1 2023.

Pandora's business outside of the seven key markets continues to grow and was very strong again in Q1 2023. These markets delivered a combined 12% LFL vs Q1 2022. The growth was strong in a broad range of markets all doing double digit LFL including Portugal, Poland, Brazil and Turkey. Mexico and Spain continued its strong trajectory delivering LFL of 15% and 8% respectively.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKET

DKK million	Q1 2023	Q1 2022	Like-for-Like	Organic growth	Share of revenue
US	1,716	1,650	-7%	-4%	29%
China	161	254	-26%	-35%	3%
UK	809	808	1%	6%	14%
Italy	539	586	-5%	-8%	9%
Australia	220	245	-5%	-9%	4%
France	243	262	-5%	-7%	4%
Germany	269	273	11%	-2%	5%
Total top-7 markets	3,958	4,077	-5%	-5%	68%
Rest of Pandora	1,892	1,612	12%	15%	32%
Total revenue	5,850	5,689	0%	1%	100%

For organic growth rates vs 2019, please refer to the Excel appendix uploaded on www.pandoragroup.com.

REVIEW OF NETWORK DEVELOPMENT

Net 23 concept stores closures in Q1 2023 due to phasing, on track for 50-100 net openings in 2023

In the first quarter of 2023, Pandora has closed net 23 concept stores of which 15 was in China due to phasing. This is in line with expectations and Pandora still plan to open net 50-100 concept stores and net 50-100 Pandora owned Other points of sales in 2023. Majority of the openings is expected to happen towards the end of the year, similar to 2022.

Compared to Q1 2022, Pandora has opened net 87 concept stores, of which 26 has been opened in the US, and 112 Pandora owned Other points of sales. The 112 new Pandora owned other points of sales are shop-in-shops, such as the cooperation in US with Macy's where Pandora today operates 28 shop-in-shops. The openings in Macy's combined with openings in Latin America, in particular Mexico, contributes the majority of the 112 openings compared with Q1 2022.

Number of points of sale ^{1,2}	Q1 2023	Q4 2022	Q1 2022	Growth	Growth
				Q1 2023	Q1 2023
				/Q4 2022	/Q1 2022
Concept stores	2,519	2,542	2,432	-23	87
- of which Pandora owned ²	1,655	1,653	1,464	2	191
- of which franchise owned	562	588	637	-26	-75
- of which third-party distribution	302	301	331	1	-29
Other points of sale	3,964	3,985	4,006	-21	-42
- of which Pandora owned ²	469	464	357	5	112
- of which franchise owned	3,177	3,200	3,168	-23	9
- of which third-party distribution	318	321	481	-3	-163
Total points of sale	6,483	6,527	6,438	-44	45

¹ Please refer to note 14 Store network, concept store development in the accounting notes section for more details.

² Pandora does not own any of the premises (Land and buildings) where stores are operated. Pandora exclusively operates stores from leased premises.

PROFITABILITY

Maintaining strong profitability – gross margin continues to strengthen

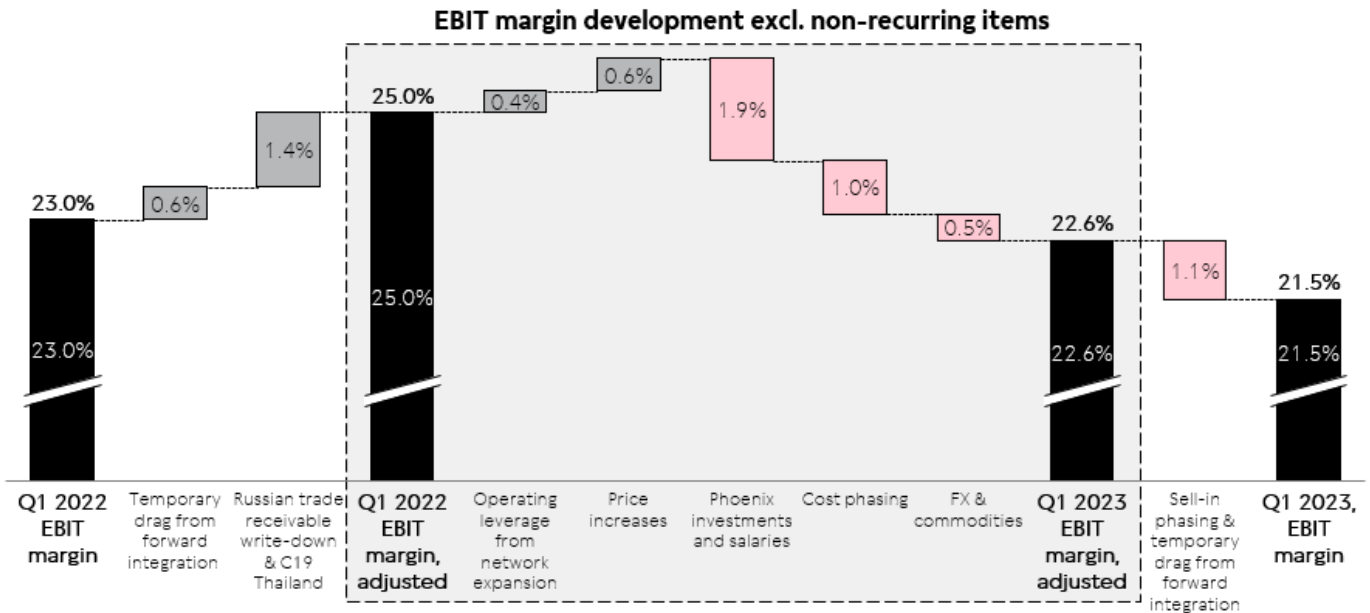
The EBIT margin in Q1 2023 ended in line with expectations at 21.5%, down from 23.0% in Q1 2022. The decline is driven by phasing of revenue as well as costs. As previously communicated, the EBIT margin progress this year is skewed towards Q4 2023 as the phasing of revenue and costs normalises.

The EBIT margin continues to be supported by the solid gross margin trend, which has helped Pandora offset impacts of higher inflationary pressures and preserve strong profitability.

In Q1 2023, the underlying EBIT was impacted by abovementioned cost phasing, mainly attributed to strategic investments as part of Phoenix, and elevated salary increases. Pandora has seen positive results from the price increases and reduced marketing spend, which was positively impacted by last year's global media tender. Silver prices and Foreign exchange rates represent a net headwind of 50bp mainly driven by a stronger Thai Baht and weaker British Pound somewhat offset by lower realised silver prices.

The drag on margin from inventory buy-backs relating to forward integration was less than last year and therefore had a net positive impact of 50bp on the gross margin and EBIT margin vs Q1 2022.

%-p development (approximately)

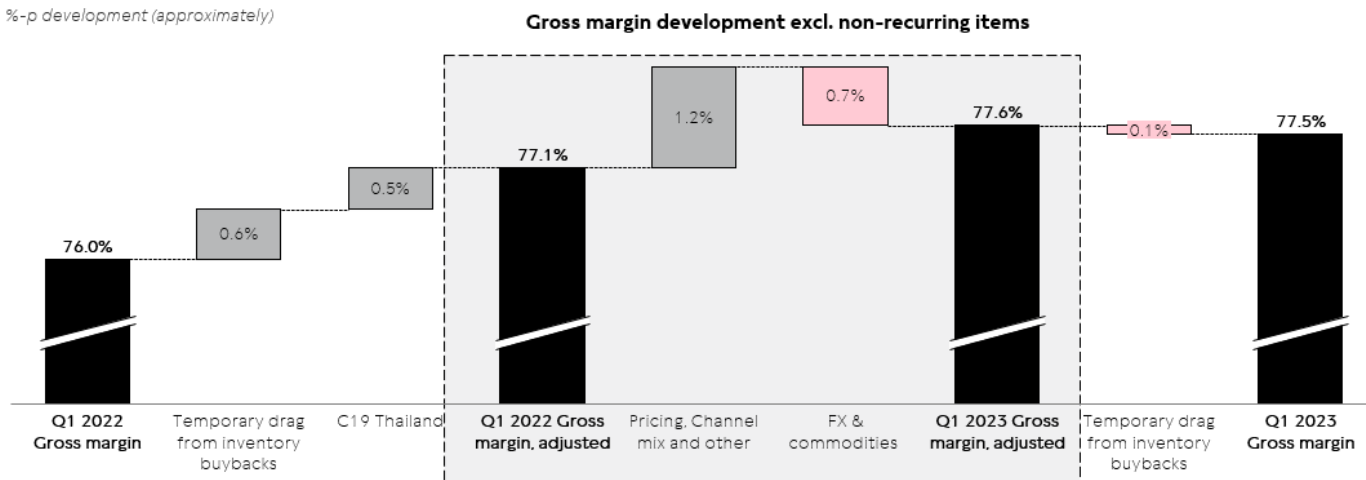


GROSS MARGIN

The gross margin continued its upward trend witnessed over the past years and improved by 150bp compared to Q1 2022. The increase was driven by the previously implemented price increases in Q4 2022, which had a positive impact on profit and favourable channel mix with more sales coming through physical O&O stores. Against this, unfavourable developments in foreign exchange rates constituted a headwind of 120bp, partly offset by favourable changes to commodity prices, mainly on silver, which provided an upside of 50bp.

Non-recurring costs impacted the gross margin positively by 1pp compared to Q1 2022. Lower temporary costs related to buying back inventories during forward integration impacted the gross margin positively by 50bp and another 50bp tailwind came from the fall out of COVID-19 related costs in Thailand.

%-p development (approximately)



GROSS MARGIN AND GROSS PROFIT

DKK million	Q1 2023	Q1 2022	Growth in constant	
				FX
Revenue	5,850	5,689		2%
Cost of sales	-1,315	-1,365		-9%
Gross profit	4,536	4,324		6%
Gross margin	77.5%	76.0%		

OPERATING EXPENSES

Total operating expenses increased by 8% in constant foreign exchange rates vs Q1 2022. This was mainly driven by the profitable expansion of the Pandora owned physical network – reflected in the 13% increase in sales and distribution cost.

Administrative expenses increased by 10% in constant foreign exchange rates vs Q1 2022. This was mainly driven by Phoenix investments into digital, including a new ERP platform, the people and talent agenda as well as one-offs related to organisational changes.

Last year's global media tender resulted in lower advertising costs, and consequently marketing expenses decreased by 4% in constant foreign exchange rates compared to last year. Full year marketing costs are still expected to be within the 13-15% range of full year revenue.

OPERATING EXPENSES

DKK million	Q1 2023	Q1 2022	Growth in constant FX	Share of revenue Q1 2023	Share of revenue Q1 2022
Sales and distribution expenses	-2,003	-1,760	13%	34.2%	30.9%
Marketing expenses	-715	-745	-4%	12.2%	13.1%
Administrative expenses	-562	-509	10%	9.6%	9.0%
Total operating expenses	-3,280	-3,014	8%	56.1%	53.0%

FINANCIAL EXPENSES AND TAX

Net financials in Q1 2023 ended at a cost of DKK 94 million and was driven by increased interest rates, which impacted IFRS 16 related interest on lease payments and interests on loans. The net realised profit on foreign exchange hedging contracts was negligible.

The effective tax rate ended at 23.5% for Q1 2023, at the mid-point of the guided range of 23-24% and in line with Q1 2022. EPS ended at DKK 10 per share in Q1 2023, slightly below Q1 2022.

CASH FLOW & BALANCE SHEET

Increased net working capital driven by deliberate inventory build up in 2022

The net working capital ended at 8.8% of the last 12 months revenue compared to 3.5% in Q1 2022. The increase is mainly driven by last year's deliberate inventory build-up as well as a decrease in payables and increased other net working capital elements due to among other increased market values on silver hedges. Inventories ended at 16.3%, in line with Q4 2022. The full year inventory position is expected to land broadly in line with last year.

Trade receivables continues to be at a healthy level with wholesale Days Sales Outstanding (DSO) ending at 33 days, vs 28 days in Q1 2022. Total DSO, including retail receivables, ended at 13 days by the end of Q1 2023, slightly above Q1 2022 of 12 days.

In line with normal seasonality, cash conversion was negative in Q1, but better than in Q1 during the last couple of years. Free cash flow incl. lease payments ended at DKK -614 million corresponding to a cash conversion of -49%. CAPEX ended at 4.6% of revenue and is expected to increase during the rest of 2023, among others driven by phasing of the network expansion, targeting full year CAPEX at around 6% of revenue.

ROIC continues to be strong at 43% but down vs 49% in Q1 2022. The decrease is mainly a function of a higher invested capital due to the before mentioned inventory build-up.

NET WORKING CAPITAL

Share of preceding 12 months' revenue	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Inventories	16.3%	15.9%	20.1%	16.9%	14.4%
Trade receivables	3.2%	4.8%	3.4%	2.6%	3.2%
Trade payables	-8.2%	-11.8%	-10.4%	-9.5%	-10.2%
Other net working capital elements	-2.4%	-4.7%	-4.3%	-4.2%	-3.9%
Total	8.8%	4.2%	8.8%	5.8%	3.5%

Balance Sheet

Total non-current assets increased to DKK 14.4 billion at the end of Q1 2023 (Q1 2022: DKK 13.0 billion), mainly due to an increase in goodwill from acquisitions, an overall higher CAPEX across all asset types, higher right-of-use assets coming from network expansion, and a higher deferred tax asset. The increase in current assets is mainly related to the inventory build-up in 2022.

Net interest-bearing debt amounted to DKK 10.2 billion at the end of Q1 2023 (Q1 2022: DKK 7.2 billion), corresponding to a financial leverage of 1.2x (Q1 2022: 0.9x). The increase in net interest-bearing debt is mainly driven by cash distributions to shareholders following Pandora's decision to slightly lift leverage from the low end of the capital structure range of 0.5x to 1.5x NIBD to EBITDA (year-end measure) to around the mid-point of the range.

At the end of Q1 2023, equity in Pandora amounted to DKK 5.3 billion, down from DKK 7.2 billion by year end 2022 reflecting usual seasonality driven by distributions to shareholders in the form of dividends and share buybacks. Pandora paid out DKK 1.4 billion in dividends and bought back shares for an amount of DKK 1.4 billion in Q1 2023.

FINANCIAL GUIDANCE

Resiliency in an uncertain environment

The brand has demonstrated good resilience since the macroeconomic conditions started to worsen during 2022. The economic outlook for the remainder of 2023 remains uncertain. High inflation and rising interest rates suggest that consumer spending will continue to be under pressure.

Pandora has started the year well with continued resilience in Q1. Pandora therefore updates its financial guidance to “organic growth of -2% to 3%” (previously -3% to 3%). The EBIT margin guidance remains unchanged at “Around 25%”. The low end of the updated organic growth range would require a consistent worsening of trading conditions relative to today.

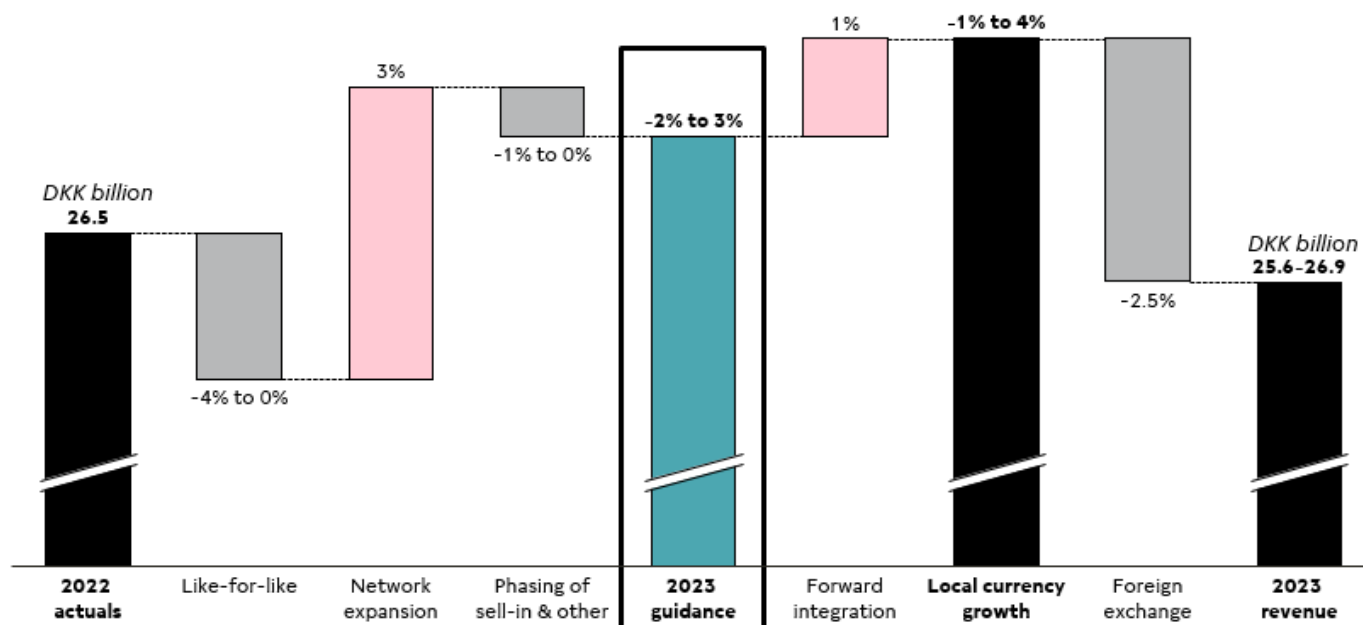
Whilst the short-term macroeconomic environment is challenging, Pandora’s internal initiatives to position for sustainable growth continue unabated. The group will continue to focus on driving higher brand desirability, acquiring new customers, and expanding the network. The mid to long-term prospects for delivering healthy LFL and organic growth remain as strong as ever.

REVENUE GUIDANCE

Pandora is currently expecting a LFL growth between -4% to 0%, depending on how macroeconomic conditions progress through the year. Continued network expansion is expected to add 3% to growth (up from previously 2-3%) and help lift organic growth to -2% to 3%. Forward integration is expected to add around 1% with revenue growth in local currency ending at -1% to 4%.

The organic growth guidance can be illustrated as follows:

%-points approximations



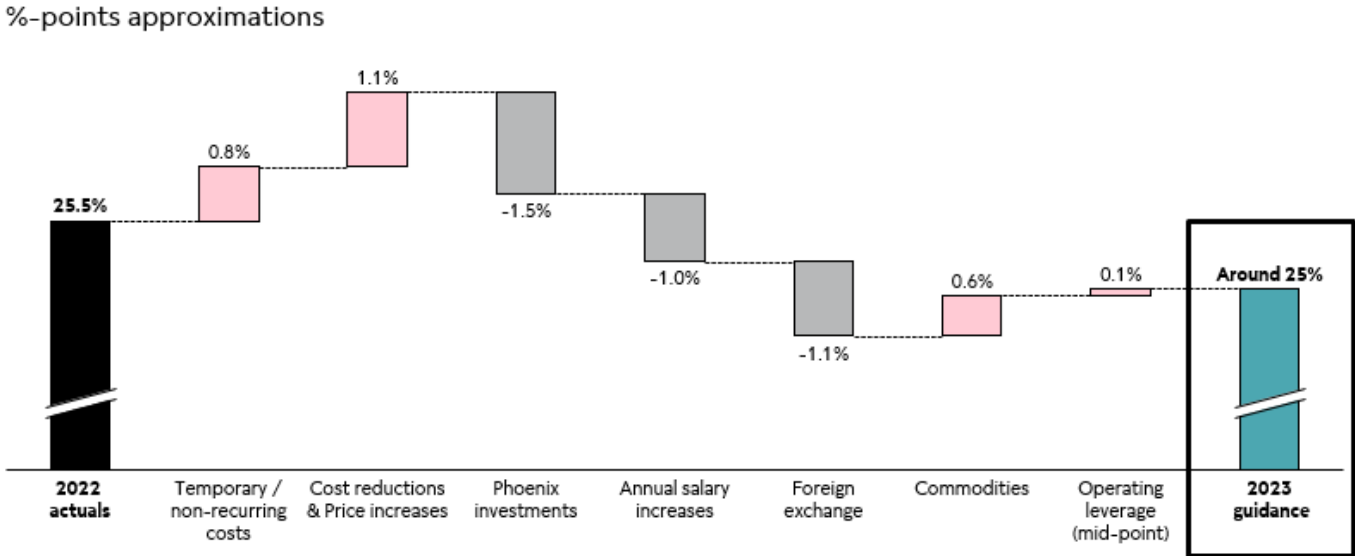
PROFITABILITY GUIDANCE

The EBIT margin guidance for 2023 is unchanged at Around 25%. The building blocks include temporary and non-recurring costs from 2022 which are expected to drive a tailwind of 0.8pp. Structural cost reductions and the price

increases implemented in Q4 2022 will be funding the investments in Phoenix initiatives and future growth. Higher-than-normal salary increases are expected to suppress the EBIT margin by 1.0pp while foreign exchange rates and commodity assumptions per 28 April 2023 currently represent a net headwind of 0.5pp.

Operating leverage at the mid-point of the current organic growth guidance is expected to be broadly neutral, seeing the EBIT margin reach around 25% for FY 2023. Depending on the organic growth outcome, Pandora can demonstrate an extra layer of cost flexibility to either underpin the EBIT margin further or invest for growth. The EBIT margin phasing through the year is expected to be more skewed towards Q4 than in 2022. This reflects, among others, phasing of costs, hedged silver prices and foreign exchange rates.

The EBIT margin guidance can be illustrated as follows:



2023 GUIDANCE - OTHER PARAMETERS

Pandora expects to open net 50-100 concept stores and 50-100 owned and operated other points of sales in 2023.

CAPEX is expected to end at around 6% share of revenue, primarily driven by investments into the store network, digital initiatives and crafting facilities. The effective tax rate is expected to be 23-24%, unchanged from last year.

The guidance 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, please also refer to the disclaimer on page 35.

FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – As of 28 April 2023

	Average 2022	Average 2023	2023 Y-Y Financial Impact
USD/DKK	7.07	6.83	
THB/DKK	0.20	0.20	
GBP/DKK	8.73	8.46	
CNY/DKK	1.05	0.99	
AUD/DKK	4.91	4.54	
Silver/USD (per ounce)	24.9	22.7	
REVENUE (DKK million)			<i>Approx.</i> -675
EBIT (DKK million)			<i>Approx.</i> -290
EBIT margin (foreign exchange)			<i>Approx.</i> -1.1%
EBIT margin (commodities)			<i>Approx.</i> 0.6%

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

At the end of March 2023, Pandora's leverage remains low at 1.2x NIBD to EBITDA. The increase in leverage versus the end of December 2022 is in line with expectations as previously communicated and primarily reflects significant cash distributions to the shareholders.

In Q1 2023, Pandora has paid out DKK 1.4 billion as an ordinary dividend of DKK 16 per share and DKK 1.4 billion through share buybacks. In total, Pandora plans to pay out up to DKK 6.4 billion to its shareholders in the period from 8 February 2023 to 2 February 2024, both days inclusive, and assuming no material deterioration in the macroeconomic climate.

At Pandora A/S' Annual General Meeting on 16 March 2023, it was resolved to reduce the Company's share capital with a nominal amount of DKK 6,500,000 by cancellation of 6,500,000 treasury shares of DKK 1. The share capital reduction was announced in the Danish Business Authority's IT-system on 16 March 2023 and the 4-week notification period has expired with no objections. The Board of Directors has therefore resolved to effect the share capital reduction on 15 April 2023. After reduction of the share capital, the Company's share capital is nominally DKK 89,000,000, divided into shares of DKK 1.

SUSTAINABILITY

Pandora's growth strategy, Phoenix, counts sustainability as one of five foundational pillars that will support the company's long-term growth ambitions. Placing sustainability at the core of our business reflects that we strive to be a responsible and leading global brand.

We focus our efforts on execution against our sustainability targets across our three strategic priorities: low-carbon business, circular innovation, and inclusive, diverse and fair culture.

Key activities in Q1 included:

- We successfully issued our first sustainability-linked bond as part of a new EMTN programme. The new programme was the third time we linked our financing to sustainability ambitions. It follows a revolving credit facility announced in 2021 and a loan with the Nordic Investment Bank in 2022. All funding is now linked to sustainability targets.
- In addition to being recognised with an 'A' rating by global environmental non-profit CDP on our climate change transparency and performance, we received further acknowledgment as Supplier Engagement Leader, working to reduce climate risk within our supply chain.
- We reduced total greenhouse gas emissions (Scopes 1, 2 and 3) by 6% vs. 2019 baseline, through energy-saving measures in our crafting facilities, by scaling up our coverage of renewable energy certificates (RECs) and by continuing to work with our suppliers to reduce their carbon footprint. We are on track to halve total emissions by 2030.
- We have increased the share of recycled silver and gold purchased in 2022 to 61%, up from 54% in 2021. We are on track to meet our target to purchase 100% recycled silver and gold for crafting our jewellery by 2025.
- In 2022, we advanced on our strategic priority of achieving more diversity in our senior leadership. 29% of our senior leaders (VP+) are women, an increase by 6 percentage points, compared to 2021.
- We achieved an inclusion score of 86% in our latest employee survey. The resulting score ranks us in the top quartile within our global benchmark, and has us on track for our target score of 85% by 2025.

More information on our sustainability performance can be found in Pandora's Sustainability Report 2022.

OTHER EVENTS

At Pandora A/S' Annual General Meeting on 16 March 2023, it was resolved to reduce the Company's share capital with a nominal amount of DKK 6,500,000 by cancellation of 6,500,000 treasury shares of DKK 1. The share capital reduction was announced in the Danish Business Authority's IT-system on 16 March 2023 and the 4-week notification period has expired with no objections. The Board of Directors has therefore resolved to effect the share capital reduction on 15 April 2023. After reduction of the share capital, the Company's share capital is nominally DKK 89,000,000, divided into shares of DKK 1.

On 1st April 2023, Pandora has extended the maturity of the revolving credit facilities by one year and the maturity has been updated to April 2028.

FINANCIAL CALENDAR 2023

The expected dates for publication of financial announcements in 2023 for Pandora A/S are as follows:

15 August 2023	Interim Financial Report for the second quarter/first six months of 2023
5 October 2023	Capital Markets Day 2023
08 November 2023	Interim Financial Report for the third quarter/first nine months of 2023

CONTACT

CONFERENCE CALL

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

The following numbers can be used by investors and analysts:

DK: +45 78 76 84 90

SE: +46 406 820 620

UK: +44 203 769 6819

US: +1 646 787 0157

PIN: 837462

Link to webcast: <https://pandora-events.eventcdn.net/events/Q1-2023>

ABOUT PANDORA

Pandora is the world's largest jewellery brand. The company designs, manufactures and markets hand-finished jewellery made from high-quality materials at affordable prices. Pandora jewellery is sold in more than 100 countries through 6,500 points of sale, including more than 2,500 concept stores.

Headquartered in Copenhagen, Denmark, Pandora employs 32,000 people worldwide and crafts its jewellery at two LEED-certified facilities in Thailand. Pandora is committed to leadership in sustainability and will purchase only recycled silver and gold for crafting its jewellery by 2025 and halve greenhouse gas emissions across its value chain by 2030. Pandora is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 26.5 billion (EUR 3.6 billion) in 2022.

For more information, please contact:

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q1 2023	Q1 2022	FY 2022
Revenue	3	5,850	5,689	26,463
Cost of sales		-1,315	-1,365	-6,273
Gross profit		4,536	4,324	20,190
Sales, distribution and marketing expenses		-2,718	-2,505	-11,322
Administrative expenses		-562	-509	-2,125
Operating profit		1,256	1,310	6,743
Finance income		92	88	412
Finance costs		-186	-98	-622
Profit before tax		1,162	1,300	6,533
Income tax expense		-273	-306	-1,504
Net profit for the period		889	995	5,029
Earnings per share, basic, DKK		10.0	10.5	54.2
Earnings per share, diluted, DKK		10.0	10.4	53.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q1 2023	Q1 2022	FY 2022
Net profit for the period	889	995	5,029
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate adjustments of investments in subsidiaries	-41	108	-196
Fair value adjustment of hedging instruments	32	180	297
Tax on other comprehensive income, hedging instruments, income/expense	5	-39	23
Items that may be reclassified to profit/loss for the period, net of tax	-4	249	123
Items not to be reclassified to profit/loss for the period			
Actuarial gain/loss on defined benefit plans, net of tax	-	-	12
Items not to be reclassified to profit/loss for the period, net of tax	-	-	12
Other comprehensive income, net of tax	-4	249	135
Total comprehensive income for the period	885	1,243	5,164

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2023 31 March	2022 31 March	2022 31 December
ASSETS				
Goodwill	9	4,798	4,660	4,822
Brand		1,057	1,057	1,057
Distribution		1,041	1,072	1,047
Other intangible assets		679	559	642
Total intangible assets		7,575	7,349	7,568
Property, plant and equipment		2,247	1,823	2,226
Right-of-use assets	10	3,109	2,610	2,978
Deferred tax assets		1,273	1,030	1,261
Other financial assets		240	216	249
Total non-current assets		14,444	13,029	14,282
Inventories		4,327	3,534	4,211
Trade receivables	7	840	790	1,262
Right-of-return assets		39	52	54
Derivative financial instruments	5,6	253	206	231
Income tax receivable		156	126	155
Other receivables		920	966	1,024
Cash		541	716	794
Total current assets		7,075	6,391	7,731
Total assets		21,519	19,419	22,013
EQUITY AND LIABILITIES				
Share capital		96	100	96
Treasury shares		-4,489	-4,458	-3,320
Reserves		914	1,043	918
Proposed dividend		-	-	1,430
Retained earnings		8,734	8,841	8,044
Total equity		5,254	5,526	7,167
Provisions		329	425	363
Loans and borrowings	10	9,360	6,566	3,130
Deferred tax liabilities		234	193	172
Total non-current liabilities		9,923	7,184	3,665
Provisions		20	25	21
Refund liabilities		454	575	628
Contract liabilities		129	127	136
Loans and borrowings	10	1,408	1,308	4,458
Derivative financial instruments	5,6	54	162	74
Trade payables	11	2,192	2,504	3,131
Income tax payable		864	712	1,068
Other payables		1,221	1,296	1,666
Total current liabilities		6,342	6,709	11,181
Total liabilities		16,265	13,893	14,846
Total equity and liabilities		21,519	19,419	22,013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging Reserve	Dividend proposed	Retained earnings	Total equity
2023							
Equity at 1 January	96	-3,320	797	121	1,430	8,044	7,167
Net profit for the period	-	-	-	-	-	889	889
Other comprehensive income, net of tax	-	-	-29	25	-	-	-4
Total comprehensive income for the period	-	-	-29	25	-	889	885
Share-based payments	-	276	-	-	-	-217	60
Purchase of treasury shares	-	-1,446	-	-	-	-	-1,446
Dividend paid	-	-	-	-	-1,412	-	-1,412
Dividend proposed	-	-	-	-	-18	18	-
Equity at 31 March	96	-4,489	768	146	-	8,734	5,254
2022							
Equity at 1 January	100	-3,416	905	-110	1,516	8,007	7,001
Net profit for the period	-	-	-	-	-	995	995
Other comprehensive income, net of tax	-	-	108	140	-	-	249
Total comprehensive income for the period	-	-	108	140	-	995	1,243
Share-based payments	-	197	-	-	-	-163	34
Purchase of treasury shares	-	-1,239	-	-	-	-	-1,239
Dividend paid	-	-	-	-	-1,516	2	-1,514
Equity at 31 March	100	-4,458	1,013	30	-	8,841	5,526

CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million	Notes	Q1 2023	Q1 2022	FY 2022
Operating profit		1,256	1,310	6,743
Depreciation and amortisation		497	461	1,973
Share-based payments		24	14	87
Change in inventories		-82	-354	-1,012
Change in receivables		549	46	-531
Change in payables and other liabilities		-1,894	-1,811	-559
Other non-cash adjustments		14	55	-18
Finance income received		5	1	7
Finance costs paid		-116	-100	-466
Income taxes paid		-396	-733	-1,790
Cash flows from operating activities, net		-142	-1,111	4,434
Acquisitions of subsidiaries and activities, net of cash acquired	8	-45	-291	-562
Purchase of intangible assets		-114	-65	-353
Purchase of property, plant and equipment		-226	-99	-838
Change in other assets		8	6	-36
Proceeds from sale of property, plant and equipment		-	3	5
Cash flows from investing activities, net		-377	-447	-1,785
Dividend paid		-1,412	-1,514	-1,514
Dividend paid – withholding tax		337	345	-
Purchase of treasury shares		-1,449	-1,239	-3,527
Proceeds from loans and borrowings		6,154	3,885	4,994
Repayment of loans and borrowings		-3,160	-	-1,985
Repayment of lease commitments		-251	-274	-1,068
Cash flows from financing activities, net		219	1,204	-3,100
Net increase/decrease in cash		-301	-355	-452
Cash and cash equivalents, beginning of period		595	1,043	1,043
Exchange gains/losses on cash		-7	28	4
Net increase/decrease in cash		-301	-355	-452
Cash and cash equivalents, end of period		288	716	595
Cash balances		541	716	794
Overdrafts		-253	-	-199
Cash and cash equivalents, end of period		288	716	595
Cash flows from operating activities, net		-142	-1,111	4,434
- Finance income received		-5	-1	-7
- Finance costs paid		116	100	466
Cash flows from investing activities, net		-377	-447	-1,785
- Acquisition of subsidiaries and activities, net of cash acquired		45	291	562
Repayment of lease commitments		-251	-274	-1,068
Free cash flows incl. lease payments		-614	-1,442	2,602
Unutilised committed credit facilities	5	4,239	2,269	6,693

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

ACCOUNTING NOTES

NOTE 1 – Accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the European Union and additional Danish disclosure requirements for interim financial reporting of listed companies.

The accounting policies applied are consistent with the accounting policies set out in the Annual Report 2022.

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.

Pandora presents financial measures in the interim financial report that are not defined according to IFRS. Pandora believes these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies may calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS. Apart from the 'Free cash flows incl. lease payments' which is defined as cash flows from operating activities, excluding financial items; cash flows from investing activities excluding acquisitions of subsidiaries and activities and includes the repayment of lease commitments, for definitions of the performance measures used by Pandora, see note 5.6 Financial definitions to the consolidated financial statements in the Annual Report 2022.

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 2023. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the period. The new standards that are not yet effective are not expected to have any material impact on Pandora.

NOTE 2 – Significant accounting estimates and judgements

In preparing the condensed consolidated interim financial statements, management makes various judgements, accounting estimates and assumptions that form the basis of the 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 2022 to which we refer.

NOTE 3 – Segment and revenue information

Pandora's activities are segmented into two reportable segments, each responsible for the end-to-end performance of collections. One includes Moments incl. Collabs, while the other, Style, covers newer collections and innovations. In Q1 2023, Pandora updated its collection structure by moving products across Signature and Timeless into the Moments platform. The strategic reasoning centres around personalisation and becoming more customer centric, leading to a centralised platform for congruent charms and charm holders.

The two operating segments include all channels relating to the distribution and sale of Pandora products.

Management monitors the profitability of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment results are measured at gross profit as presented in the table below.

Non-unit driven revenue, comprising mainly franchise fees, is allocated proportionately to the different revenue categories.

SEGMENT INFORMATION

DKK million	Moments incl. Collabs	Style	Group
Q1 2023			
Revenue	4,470	1,381	5,850
Cost of sales	-1,030	-285	-1,315
Gross profit	3,440	1,096	4,536
Operating expenses			-3,280
Consolidated operating profit (EBIT)			1,256
Profit margin (EBIT margin)			21.5%
Q1 2022¹			
Revenue	4,458	1,231	5,689
Cost of sales	-1,110	-255	-1,365
Gross profit	3,348	976	4,324
Operating expenses			-3,014
Consolidated operating profit (EBIT)			1,310
Profit margin (EBIT margin)			23.0%

REVENUE BY SEGMENTS

DKK million	Q1 2023	Q1 2022 ¹	Like-for-like	Local currency growth	Share of Revenue
Moments incl. Collabs	4,470	4,458	-3%	0%	76%
- Moments	3,859	3,863	-3%	-1%	66%
- Collabs	610	595	-4%	1%	10%
Style	1,381	1,231	9%	12%	24%
- Timeless	949	829	11%	14%	16%
- Signature	229	251	-12%	-8%	4%
- ME	169	142	21%	18%	3%
- Diamonds by Pandora	34	9	247%	278%	1%
Total revenue	5,850	5,689	0%	2%	100%

Goods transferred at a point in time

5,836

5,672

Services transferred over time

15

17

Total revenue

5,850

5,689

¹Pandora has updated its collection structure by moving products from Style to Moments incl. Collabs in Q1 2023. Comparative figures for Q1 2022 were restated accordingly by moving DKK 261 million from 'Style' to 'Moments incl. Collabs'.

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q1 2023	Q1 2022	Like-for-like	Growth in local currency
US	1,716	1,650	-7%	-1%
China	161	254	-26%	-35%
UK	809	808	1%	6%
Italy	539	586	-5%	-8%
Australia	220	245	-5%	-9%
France	243	262	-5%	-7%
Germany	269	273	11%	-2%
Total top-7 markets	3,958	4,077	-5%	-4%
Rest of Pandora	1,892	1,612	12%	17%
Total revenue	5,850	5,689	0%	2%

REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q1 2023	Q1 2022	Organic growth	Share of Revenue
Pandora owned¹ retail	4,391	3,925	7%	75%
- of which concept stores	2,901	2,445	12%	50%
- of which online stores	1,144	1,219	-6%	20%
- of which other points of sale	346	261	25%	6%
Wholesale	1,283	1,567	-15%	22%
- of which concept stores	653	833	-14%	11%
- of which other points of sale	630	734	-17%	11%
Third-party distribution	176	198	2%	3%
Total revenue	5,850	5,689	1%	100%

¹ Pandora does not own any of the premises (Land and buildings) where stores are operated. Pandora exclusively operates stores from leased premises.

The use of sales channels for the distribution of Pandora jewellery depends on the underlying market maturity and varies within markets but is consistent when viewed between segments.

NOTE 4 – Seasonality of operations

Due to the seasonal nature of the jewellery business, higher revenue and profits are historically realised in the fourth quarter.

NOTE 5 – Financial risks

Pandora's overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rates, are described in the disclosures in note 4.4 Financial risks in the consolidated financial statements in the Annual Report 2022.

During Q1 2023, Pandora obtained public credit ratings from Moody's, rated Baa2, and Standard & Poor's, rated at BBB. Both agencies highlighted the strong business model and cash generation profile of Pandora. Pandora also announced a new Euro Medium Term Note (EMTN) programme and successfully placed an aggregate principal amount of EUR 500 million senior unsecured sustainability-linked notes due 2028. The notes were issued at a price of 99.46 with a fixed coupon of 4.500% per annum. The net proceeds from the transaction was applied by Pandora mainly for planned refinancing.

Net interest-bearing debt (NIBD), incl. capitalised leases amounted to DKK 10.2 billion at the end of Q1 2023 (Q4 2022: DKK 6.8 billion) corresponding to a financial leverage of 1.2x (Q4 2022: 0.8x).

Outstanding committed loan facilities (end of March 2023)

	Available facilities DKK million	Maturity date	Drawn amount DKK million	Available liquidity
Revolving credit facilities ¹	7,076	April 2027	2,837	4,239
Term loan maturing in 2030 ¹	745	May 2030	745	-
Bond maturing in 2028 ¹	3,724	April 2028	3,724	-
Total outstanding committed loan facilities	11,545		7,306	4,239

¹ Sustainability-linked facilities.

NOTE 6 – Derivative financial instruments

Derivative financial instruments are measured at fair value and in accordance with level 2 in the fair value hierarchy (IFRS 13).

See note 4.5 Derivative financial instruments to the consolidated financial statements in the Annual Report 2022.

NOTE 7 – Trade receivables

DKK million	2023 31 March	2022 31 December
Receivables related to third-party distribution and wholesale	535	747
Receivables related to retail revenue	304	515
Total trade receivables	840	1,262

NOTE 8 – Business combinations

In Q1 2023, Pandora took over 4 concept stores in the US in two business combinations. Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 40 million. Based on the purchase price allocations, goodwill was DKK 14 million. Goodwill from the acquisitions was mainly related to the synergies from converting the stores from wholesale and distribution to Pandora owned retail. All the goodwill recognised was deductible for income tax purposes.

Cost relating to the acquisitions was immaterial and has been recognised as operating expenses in the income statement.

ACQUISITIONS

DKK million	Q1 2023	FY 2022
Property, plant and equipment and right-of-use assets	60	159
Inventories	19	195
Assets acquired	79	354
Non-current liabilities	43	78
Payables	1	3
Other current liabilities	10	61
Liabilities assumed	54	141
Total identifiable net assets acquired	25	213
Goodwill arising on the acquisitions	14	364
Purchase consideration	40	577
Cash movements on acquisitions:		
Consideration transferred regarding previous years ¹	6	-
Deferred payment	-	-14
Net cash flow on acquisitions	45	562

¹ The deferred payment of DKK 6 million related to the acquisition in Portugal in 2022 is paid in 2023.

Business combinations after the reporting period

No acquisitions to an extent of significance to Pandora took place after the reporting period.

NOTE 9 – Goodwill

DKK million	2023 31 March	2022 31 December
Cost at 1 January	4,822	4,418
Acquisition of subsidiaries and activities in the period	14	364
Exchange rate adjustments	-38	39
Cost at the end of the period	4,798	4,822

No impairment indication was identified based on the information regarding the market and the forecast. The latest impairment test was carried out 31 December 2022 and the test confirmed a substantial headroom between the carrying amount and the value in use. All the assumptions used are as described in the Annual Report 2022.

NOTE 10 – Assets and liabilities related to leases

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2023 31 March	2022 31 December
Property	3,093	2,960
IT	1	2
Cars	10	11
Other	5	5
Total right-of-use assets	3,109	2,978

Out of the total increase of DKK 0.1 billion in right-of-use-assets in the period 1 January to 31 March 2023, DKK 0.4 billion relates to renewals of lease contracts and new leases driven by network expansion and forward integration, partially offset by a decrease of DKK 0.3 billion as a result of depreciation and currency exchange movement. The development in right-of-use-assets is further affected by the timing of renewals of lease contracts and new leases including the negotiation of more favourable leasing terms.

LEASE LIABILITIES

DKK million	2023 31 March	2022 31 December
Non-current	2,190	2,113
Current	1,006	950
Total lease liabilities	3,196	3,063

Lease liabilities are recognised in loans and borrowings.

Amounts recognised in the income statement:

RECOGNISED DEPRECIATION ON RIGHT-OF-USE ASSETS CHARGED TO THE INCOME STATEMENT FOR THE PERIOD

DKK million	1 January – 31 March 2023	1 January – 31 March 2022
Property	279	262
Cars	2	2
Other	1	1
Total depreciation on right-of-use assets for the period	283	266

The vast majority of depreciation relates to leased stores and is presented in the sales and distribution expenses.

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 31 March 2023	1 January – 31 March 2022
Interest expense	56	28
Total interest for the period	56	28

Costs recognised in the period for short-term and low-value leases were DKK 15 million (2022 Q1: DKK 12 million). Expenses are recognised on a straight-line basis.

Total cash outflow relating to leases was DKK 428 million for 2023 Q1 (2022 Q1: DKK 398 million), comprising fixed lease payments in scope of IFRS 16 of DKK 251 million (2022 Q1: DKK 274 million), variable lease payments of DKK 106 million (2022 Q1: DKK 84 million), interest paid of DKK 56 million (2022 Q1: DKK 28 million), and short-term and low-value leases of DKK 15 million (2022 Q1: DKK 12 million). Payments related to variable leases and short-term and low-value leases are not included in the lease liabilities.

NOTE 11 – Trade payables

The Group generally accepts that vendors sell off their receivables arising from the sale of goods and services to the Group to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora on attractive terms, based on invoices approved by Pandora, but at the bank's sole discretion. Pandora is not directly or indirectly a party to these agreements. The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the statement of cash flows (working capital within cash flows from operations) and amounted to DKK 107 million at 31 March 2023 (31 March 2022: DKK 71 million).

NOTE 12 – Contingent assets and liabilities

Reference is made to note 5.1 Contingent assets and liabilities to the consolidated financial statements in the Annual Report 2022.

The discussions of any potential insurance compensation for Pandora's European Distribution Center, located in Hamburg, Germany, that was affected by a fire in October 2022, are still ongoing with the insurers. Due to the premature state of discussions and the associated uncertainties, Pandora has not recognised an indemnity claim under the business interruption insurance policy as of 31 March 2023.

NOTE 13 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 14 – Store network, concept store development¹

	Total concept stores					O&O concept stores		
	Number of concept stores	Number of concept stores	Number of concept stores	Growth	Growth	Number of concept stores	Growth	Growth
	Q1 2023	Q4 2022	Q1 2022	Q1 2023 / Q4 2022	Q1 2023 / Q1 2022	O&O Q1 2023	O&O Q1 2023 / Q4 2022	O&O Q1 2023 / Q1 2022
US	417	420	391	-3	26	277	7	53
China	237	252	209	-15	28	224	-10	33
UK	211	215	208	-4	3	196	0	20
Italy	155	156	146	-1	9	118	-1	11
Australia	120	120	124	0	-4	42	1	-1
France	120	123	120	-3	0	80	-1	2
Germany	132	134	133	-2	-1	129	-2	-1
Total top-7 markets	1,392	1,420	1,331	-28	61	1,066	-6	117
Rest of Pandora ²	1,127	1,122	1,101	5	26	589	8	74
All markets	2,519	2,542	2,432	-23	87	1,655	2	191

¹Includes 7 key markets measured on revenue for FY 2021. All markets with 10 or more concept stores can be found in the Excel appendix uploaded on www.pandoragroup.com.

NOTE 15 – Commodity hedging

It is Pandora's policy to hedge at least 70% of the Group's expected gold and silver consumption based on a rolling 12-month production plan. The table below illustrates the timing of the hedges related to the purchase of gold and silver for production, excluding the time lag-effect from inventory to cost of sales (when the product is sold). The time-lag from use in production to impact on cost of sales is usually 2-7 months.

HEDGED AND REALISED PURCHASE PRICES (AT USE OF THE GOLD AND SILVER FOR PRODUCTION)

USD / OZ	Realised in Q1 2023	Hedged Q2 2023	Hedged Q3 2023	Hedged Q4 2023	Hedged Q1 2024
Gold price	1,795	1,846	1,858	1,821	1,891
Silver price	23.00	23.35	22.39	21.53	22.51
Commodity hedge ratio, %	Realised	70-100%	70-90%	50-70%	30-50%

NOTE 16 – Subsequent events

As described in section Other events in the Management review and in Note 8 Business Combinations, Pandora is not aware of events after 31 March 2023, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Financial highlights					
Revenue	5,850	9,856	5,263	5,655	5,689
Organic growth, %	1%	4%	3%	3%	21%
Like-for-Like, % ¹	0%	-1%	1%	2%	17%
Earnings before interests, tax, depreciation and amortisation (EBITDA)	1,753	3,712	1,496	1,737	1,772
Operating profit (EBIT)	1,256	3,206	978	1,249	1,310
EBIT margin, %	21.5%	32.5%	18.6%	22.1%	23.0%
Net financials	-94	-155	-18	-27	-10
Net profit for the period	889	2,365	734	934	995
Financial ratios					
Revenue growth, DKK, %	3%	9%	11%	10%	26%
Revenue growth, local currency, %	2%	6%	5%	4%	22%
Gross margin, %	77.5%	76.2%	76.7%	76.4%	76.0%
EBITDA margin, %	30.0%	37.7%	28.4%	30.7%	31.1%
EBIT margin, %	21.5%	32.5%	18.6%	22.1%	23.0%
Effective tax rate, %	23.5%	22.5%	23.5%	23.5%	23.5%
Equity ratio, %	24%	33%	26%	27%	28%
NIBD to EBITDA, x ²	1.2	0.8	1.1	1.0	0.9
Return on invested capital (ROIC), % of last 12 months' EBIT	43%	48%	42%	46%	49%
Cash conversion incl. lease payments, %	-49%	110%	0%	40%	-110%
Net working capital, % of last 12 months' revenue	8.8%	4.2%	8.8%	5.8%	3.5%
Capital expenditure, % of revenue	4.6%	4.7%	6.9%	5.4%	2.8%
Stock ratios					
Total payout ratio (incl. share buyback), %	322%	33%	108%	77%	277%
Consolidated balance sheet					
Total assets	21,519	22,013	21,776	20,503	19,419
Invested capital	15,481	13,961	14,853	13,543	12,684
Net working capital	2,332	1,104	2,249	1,451	871
Net interest-bearing debt (NIBD), incl. capitalised leases	10,227	6,794	9,174	7,926	7,157
Equity	5,254	7,167	5,679	5,617	5,526
Consolidated statement of cash flows					
Cash flows from operating activities	-142	4,075	542	928	-1,111
Capital expenditure, total	270	462	364	306	158
Capital expenditure, property, plant and equipment	165	349	260	236	83
Free cash flows incl. lease payments	-614	3,538	-	506	-1,442

¹ Like-for-Like growth include sell-out from all concept stores (including partner owned), owned and operated Shop in Shops and Pandora Online. Partner owned other points of sale are not included in Like-for-Like. The KPI includes stores which have been operating for +12 months.

² Ratio is based on 12 months' rolling EBITDA.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have reviewed and approved the interim financial report of Pandora A/S for the period 1 January to 31 March 2023. The condensed 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 condensed consolidated interim financial statement gives a true and fair view of the financial position for the Pandora Group at 31 March 2023 and of the results of the Pandora Group's operations and cash flows for the period 1 January to 31 March 2023.

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 financial position as well as a description of material risks and uncertainties that the Group faces.

Copenhagen, 3 May 2023

EXECUTIVE MANAGEMENT

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

BOARD

Peter A. Ruzicka
Chair

Christian Frigast
Deputy Chair

Lilian Fossum Biner

Birgitta Stymne Göransson

Marianne Kirkegaard

Catherine Spindler

Jan Zijderveld

DISCLAIMER

This Company announcement contains forward-looking statements, including, but not limited to, guidance, expectations, strategies, objectives and statements regarding future events or prospects with respect to the Company's future financial and operating results. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words such as "expect", "estimate", "intend", "will be", "will continue", "will result", "could", "may", "might" or any variations of such words or other words with similar meanings. Forward-looking statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially from the results discussed in such forward-looking statements. Prospective information is based on management's then current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such expectations or forecasts, may change. The Company assumes no obligation to update any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements. Some important risk factors that could cause the Company's actual results to differ materially from those expressed in its forward-looking statements include, but are not limited to: economic and geopolitical uncertainty (including interest rates and exchange rates), financial and regulatory developments, general changes in market trends and end-consumer preferences, demand for the Company's products, competition, the availability and pricing of materials used by the Company, production and distribution-related issues, IT failures, litigation, pandemics, and other unforeseen factors. The nature of the Company's business means that risk factors and uncertainties may arise, and it may not be possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on the Company's business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Accordingly, forward-looking statements should not be relied on as a prediction of actual results.

