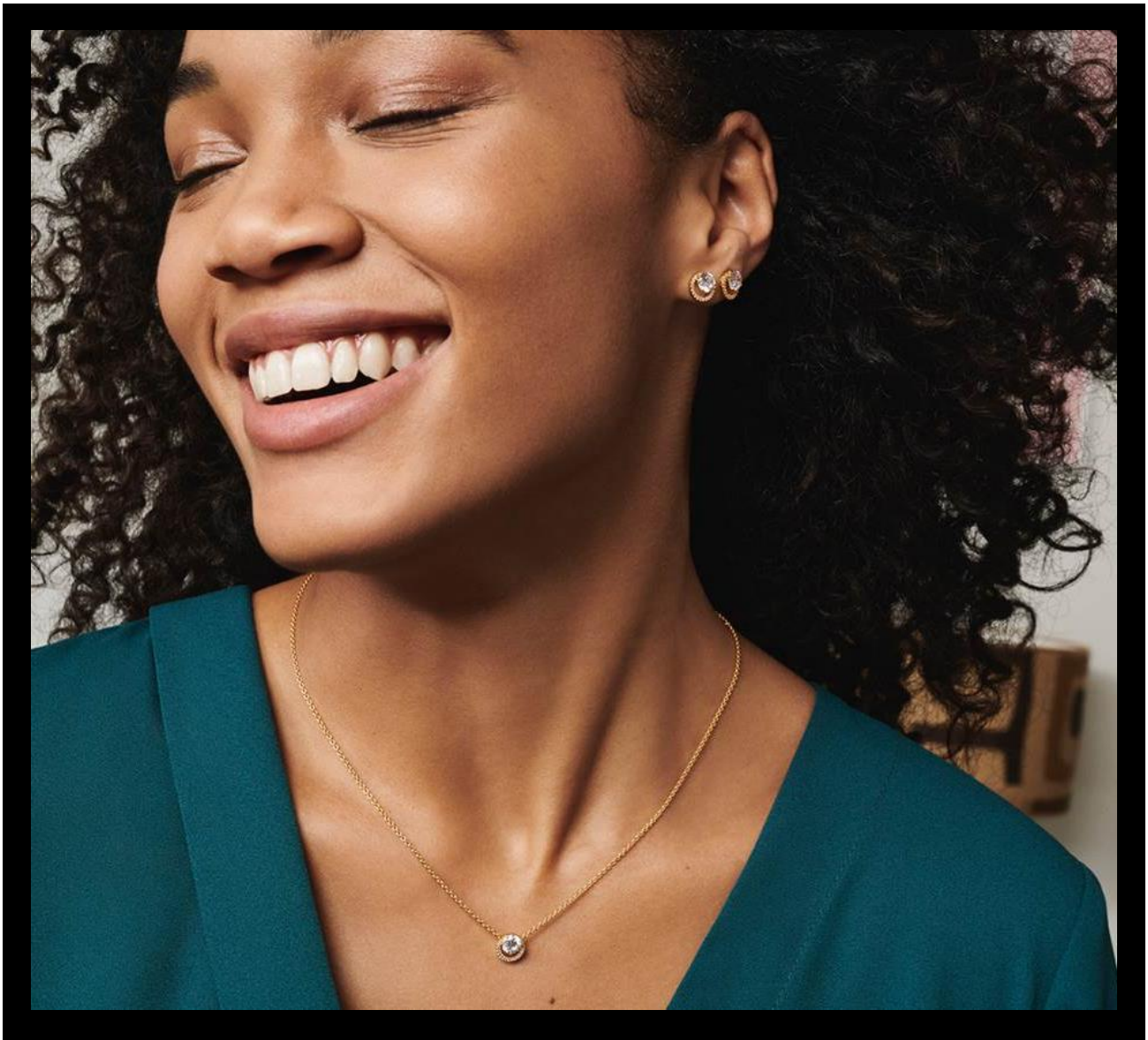


PANDÖRA



INTERIM FINANCIAL REPORT Q1 2022

4 May 2022 | Company Announcement No. 716
Havneholmen 17-19 | DK-1561 Copenhagen V | Denmark | www.pandoragroup.com | Company reg. no.: 2850 5116

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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.

Strong growth in Q1 - record first quarter revenue

Highlights

- Strong 21% organic growth in Q1 2022 - equal to 18% vs Q1 2019
- Execution of the Phoenix strategy is progressing as planned with Q1 revenue growth in all product platforms
- Moments continue to deliver strong results driven by the base portfolio and supported by new products such as the *Padlock* concept – another innovation within the Moments platform
- Collabs were very strong supported by a successful *Marvel* launch in February
- Efforts to establish new platforms continue. Pandora ME up 132% vs Q1 2021 and reached 3% share of business. Getting ready for next step in the global sequential roll-out of Brilliance
- Broad based organic growth across key markets vs 2019 - China continue to be a headwind
- US grew 7% (62% vs Q1 2019) – strategy on plan with acquisition of 32 franchise stores mainly located on the West coast of US as well as entering new partnership with Macy's
- Strong performance across key European markets, all delivering double digit positive organic growth vs 2019
- Online also continued the strong performance with organic growth up 155% vs Q1 2019 (down -17% vs Q1 2021 due to COVID-19 store closures last year)
- Solid EBIT margin at 23.0% - absolute EBIT up 45% from Q1 2021
- In line with normal seasonality, cash flow was negative in Q1 2022. Cash flow in Q1 was negatively impacted by a deliberate increase in inventories. Leverage ended at 0.9x NIBD to EBITDA
- During Q1 2022, DKK 2.7 billion was distributed to shareholders
- All business with Russia and Belarus has been suspended. These markets account for approx. 1% of revenue

Despite negative impacts from the war, cost inflation, potential impact on consumer demand due to inflation and higher interest rates as well as COVID-19, organic growth is now expected to be 4-6% (was 3-6%) while EBIT margin guidance is unchanged at 25.0-25.5%. The financial guidance for 2022 is subject to elevated uncertainty.

In spite of inflation and increasing interest rates, consumer demand generally remained healthy during April. Revenue growth in Q2 will face a tougher comparison base than Q1, due to less COVID-19 lock-downs and stimulus packages in the US.

Alexander Lacik, President and CEO of Pandora, says:

"We are very pleased with the strong start to the year delivering record revenue for a first quarter. All our product platforms support the growth in Q1, as our ability to continuously offer new innovation pays off. Execution of the Phoenix strategy continues at high pace and I am encouraged by the growth opportunities we have ahead of us. For the last two years, we have invested in building a stronger organisation, and this is increasingly visible in the numbers and how we drive the company forward."

Financial overview:

DKK million	Q1 2022	Q1 2021	FY 2021	FY 2022 guidance
Revenue	5,689	4,500	23,394	
Organic growth, %	21%	13%	23%	4-6%
Sell-out growth incl. temporarily closed stores, %	17%	21%	20%	
Operating profit (EBIT)	1,310	903	5,839	
EBIT margin, %	23.0%	20.1%	25.0%	25-25.5%

FINANCIAL HIGHLIGHTS

DKK million	Q1 2022	Q1 2021	FY 2021
Financial highlights			
Revenue	5,689	4,500	23,394
Organic growth, %	21%	13%	23%
Sell-out growth incl. temporarily closed stores, % ¹	17%	21%	20%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,772	1,416	7,838
Operating profit (EBIT)	1,310	903	5,839
EBIT margin, %	23.0%	20.1%	25.0%
Net financials	-10	-92	-461
Net profit for the period	995	628	4,160
Financial ratios			
Revenue growth DKK, %	26%	8%	23%
Revenue growth, local currency, %	22%	13%	24%
Gross margin, %	76.0%	76.3%	76.1%
EBITDA margin, %	31.1%	31.5%	33.5%
EBIT margin, %	23.0%	20.1%	25.0%
Effective tax rate, %	23.5%	22.5%	22.6%
Equity ratio, %	28%	41%	38%
NIBD to EBITDA	0.9	0.6	0.4
Return on invested capital (ROIC), %	49%	29%	59%
Cash conversion incl. lease payments, %	-110%	-65%	88%
Net working capital, % of last 12 months revenue	3.5%	-0.4%	-5.0%
Capital expenditure, % of revenue	2.8%	1.9%	2.7%
Stock ratios			
Total pay-out ratio (incl. share buyback), %	277%	-	115%
Dividend per share, proposed, DKK	-	-	16
Dividend per share, paid, DKK	16	-	15
Earnings per share, basic, DKK	10.5	6.3	42.1
Earnings per share, diluted, DKK	10.4	6.3	41.7
Consolidated balance sheet			
Total assets	19,419	19,211	18,542
Invested capital	12,684	11,675	9,884
Net working capital	871	-76	-1,181
Net interest-bearing debt (NIBD)	7,157	3,735	2,882
Equity	5,526	7,940	7,001
Consolidated statement of cash flow			
Cash flow from operating activities	-1,111	-316	6,228
Capital expenditure – total	158	88	641
Capital expenditure - property, plant and equipment	83	35	341
Free cash flow incl. lease payments	-1,442	-586	5,137
Free cash flow excl. lease payments	-1,168	-359	6,128

¹Sell-out growth only include sell-out from all concept stores including partner owned, and Pandora online. Other points of sales are not included in sell-out growth.

BUSINESS UPDATE

All concept platforms support record-breaking first quarter revenue – execution of Phoenix continues

Pandora had a good start to the year delivering a solid revenue performance in Q1 2022, with organic growth of 21% vs 2021 (18% vs 2019). Especially the performance in Europe was strong, as all key markets saw double digit organic growth vs both Q1 2021 and Q1 2019. In Q1 2021, Pandora had 30% of its store base temporarily closed due to COVID-19. The good start to the year came against a backdrop of continued COVID-19 disruption in China and the war in Ukraine. In Q1 2022, Pandora did not see any major impact on performance following the war, but has suspended all business with Russia and Belarus. Combined, Russia, Belarus and Ukraine accounted for roughly 1% of revenue in 2021.

The strong growth in the quarter was supported by Pandora's biggest platform, *Moments*, which delivered sell-out growth of 17% vs Q1 2021. The performance was boosted by a very strong Valentines collection as the campaign "*Little acts of Love*" was very well received. Pandora introduced the *Padlock* concept as part of the Valentines offer, and encouragingly two of the products from the *Padlock* offering was in top five best selling items in the quarter. The *Padlock* concept is another element on Pandora's journey continuing to grow and innovate the *Moments* platform - a key pillar in Pandora's Phoenix strategy.

Collaborations had a very strong quarter and was up 41% vs Q1 2021. On February 17, Pandora launched its new collaboration with the *Marvel* franchise featuring various superheroes such as the *Incredible Hulk* and *Iron Man*, as well as motives like *Thor's Hammer* and the *Infinity Ring*. The *Marvel* collaboration is building on Pandora's strong relationship with *Disney* and proved an imminent success in the quarter. *Marvel* alone accounted for 3% share of business and has so far been outperforming the initial launch of both *Star Wars* and *Harry Potter*. Among the product heroes is the *Infinity Ring*, for which 17,000 customers have signed up on a waiting list. *Marvel* did well across all key markets, but especially in the US market it was well received. *Marvel* is designed to engage and introduce existing and new consumers into the Pandora brand.

Style and Upstream Innovation also delivered strong growth of 11% in the quarter vs Q1 2021 with all sub-platforms delivering positive growth in the quarter. *Pandora ME* grew 132% vs Q1 2021, ending at 3% share of revenue in the quarter.

Pandora Brilliance delivered DKK 9 million revenue in Q1 2022. Pandora is currently preparing for the sequential global roll out later this year using the learnings from the UK test launch. No new initiatives or tests were conducted in Q1 2022.

Overall Valentines is the key trading event in Q1, and Pandora saw solid performance across its key markets. Overall, Pandora saw roughly 30% stronger Valentines performance than last year, and especially *Love* motives trade well during Valentines.

REVENUE BY GLOBAL BUSINESS UNITS

DKK million	Q1 2022	Q1 2021	Sell-out growth vs 2021	Share of revenue
Moments and Collabs	4,197	3,252	20%	74%
- Moments	3,602	2,866	17%	63%
- Collabs	595	386	41%	10%
Style and Upstream Innovation	1,492	1,249	11%	26%
- Timeless	945	826	5%	17%
- Signature	396	364	5%	7%
- ME	142	58	132%	3%
- Brilliance	9	-	-	0%
Total revenue	5,689	4,500	17%	100%

Personalising the consumer journey continues

Personalisation is one of the growth pillars in the Phoenix strategy, aiming to drive a more seamless and personalised customer experience. A key element in this journey is the new store concept, called *Evoke*, which Pandora is currently testing across its key markets. So far, Pandora has opened five concept stores on the *Evoke* concept. Today *Evoke* is being tested in London, Milan, Rome, Guangzhou and Hamburg and initial results are positive. In-store, Pandora see consumers have more interaction with perimeter walls and operationally *Evoke* seem to do well during peak trading events, which is a key parameter for success. Pandora plans to roll out further seven stores in Q2 2022 in US, China, Italy, and Germany to test the concept further.

Evoke is designed to make consumer's shopping more intuitive and will improve speed of service, enabling customers to easily explore, find and try on products. Additionally, *Evoke* make it easier for consumers to navigate in Pandora's various product platforms. *Evoke* is designed to cater for omni-channel capabilities such as Click and Collect (C&C) which Pandora now offer in the majority of concept stores in its key markets. In Q1 2022, Pandora tested its ability to offer 2-hour C&C service in the UK during Mother's Day allowing consumers to pick up their order within 2-hours. During this offer, C&C accounted for 21% of online revenue in the UK compared 10% for the full quarter, proving the demand for high quality omni-channel offerings. Overall C&C was 12% of total online revenue.

In Q1 2022, Pandora test launched its new loyalty programme, *My Pandora*, in France before rolling it out to more markets in 2023. The test launch in France is being conducted online and in 20 stores, and is so far off to a good start. Around 50,000 consumers have signed up the first four weeks after launch. *My Pandora* will further improve Pandora's access to quality consumer data and with the new loyalty programme, Pandora will be able to target the consumers directly with content of their interest. To further accelerate our journey within data, personalisation and digital, Pandora has decided to create a digital HUB in London, as a way to attract further digital and marketing talent to Pandora.

Pandora continue to evolve and assure consumers are engaged with the brand and Marvel is an example of this. Through relevant brand content, Pandora established itself as the go-to Marvel brand hub for Marvel fans. Leveraging hype and buzz within these communities, Pandora successfully captured the hearts and minds of new and existing consumers. Pandora saw a record breaking organic reach with 40 million impressions across social platforms and 16 million engagements the first month after launch. Marvel alone drove twice the web and email traffic as Star Wars during pre-launch, and reached more than 1 million views on TikTok in the first 24 hours.

The pandemic continues to impact Thailand, especially the outbreak of the Omnicron variance, and during Q1 2022 Pandora has kept significant precautionary measures in place to mitigate risks. At the end of Q1 2022, 1,200

employees in Thailand were in COVID-19 related quarantine. During the quarter, Pandora deliberately invested in building further inventories and production capacity to mitigate the risk of potential future disruptions to the supply chain

Inflationary pressure

From a cost perspective, Pandora see inflationary pressure across its profit and loss, impacting EBIT negatively by approximately DKK 100 million in 2022 vs the original guidance. Despite being a fairly energy light company, Pandora see increased cost vs original plan of roughly DKK 25 million from energy usage across its production facilities in Thailand, offices across the world and retail stores. Additionally, increased freight cost and oil prices expect to drive another DKK 25 million in transport cost. Finally, Pandora see increased cost from higher raw material prices. Pandora's main raw materials are silver and gold, which accounts for roughly one third of cost of sales. As Pandora hedge silver and gold, immediate price movements will not impact Pandora's performance materially before 12 months out in the future. For 2022, the price of silver is locked at a hedged price of roughly USD 25.1/oz, which is a minor increase vs original guidance and drive a headwind of around DKK 15 million. Price movements in other raw materials such as Iridium, Copper, Palladium and Rhodium will impact the cost of sales faster, and based on current levels, Pandora expects a DKK 35 million headwind from other raw materials in 2022. There are several mitigating actions to cover higher cost prices, and Pandora has historically been successful in mitigating cost increases through efficiency and cost savings initiatives. This work continues and Pandora still see some opportunities in this area. For this reason Pandora is also confident that it can deliver on its 2022 EBIT guidance despite these additional headwinds.

COST EXPOSURES (DIRECTIONAL)

	Actuals 2021, DKK million	Price in guidance	Estimated impact vs org. guidance, DKK million
Energy (gas, oil and electricity)¹	95		25
Silver & Gold*	1,825		15
- Silver	1,582	25.1 USD/oz	
- Gold	243	1,833 USD/oz	
Other raw materials	120		35
- Iridium	25	6,100 USD/oz	
- Copper	50	0.31 USD/oz	
- Palladium	45	2,100 USD/oz	
Total	2,040		75
Other	Actuals 2021, DKK million		Estimated impact vs org. guidance, DKK million
- Transport cost	700		25
Total	2,740		100

¹Energy exposure is a mix of gas, oil and electricity and the DKK 25 million impact is based on the development seen in oil and gas prices

*For silver and gold it is the hedged price impacting 2022

Performance metrics

COVID-19 continues to impact performance KPI's. Especially when comparing vs Q1 2021, the performance need to be interpreted with care as temporary store closures distort the year over year performance. On average around 30% of the stores were temporarily closed in Q1 2021, mainly in European markets. In Q1 2022, Pandora will therefore provide details vs 2019 to provide a more clean view of the underlying performance.

REVENUE REVIEW

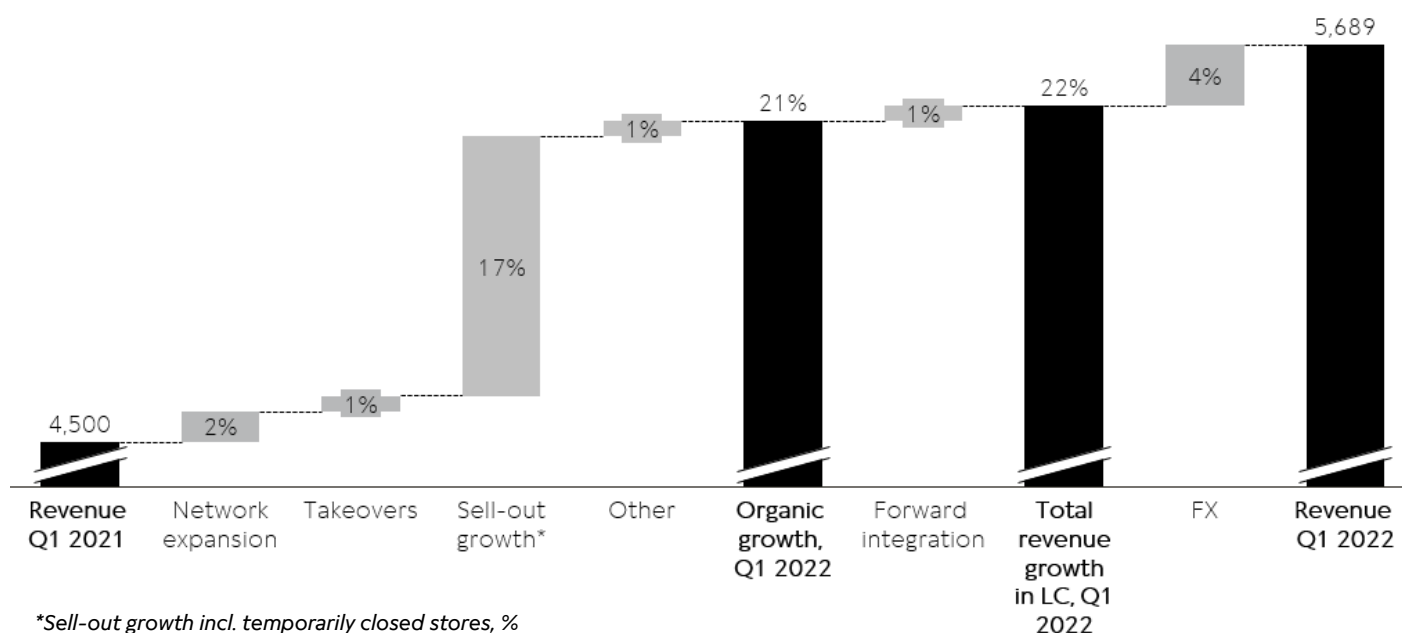
Solid growth results in historical high Q1 revenue

The revenue growth development can be illustrated as follows (supplementary comments follows below):

Q1 2022 growth composition vs Q1 2021

%-p growth (approximately)

DKK million



Organic growth was up 21% in Q1 2022, (18% vs Q1 2019), mainly driven by sell-out growth of 17% vs Q1 2021. Organic growth was further fuelled by network expansion of 2pp, and 1pp from Takeovers of franchise stores where no goodwill was paid, contributing with +3pp of organic growth from network development.

Forward integration supported total revenue growth in local currency with 1pp driven by store acquisitions, mainly in US. This in line with the full year guidance. Pandora finally saw a FX tailwind of 4pp, mainly from a favourable USD development leading to a total revenue growth of 26% in Q1 2022.

REVIEW OF REVENUE BY CHANNEL

Growth driven by physical stores following COVID-19 lockdowns in Q1 2021

The growth composition between channels have changed compared to Q1 2021. In Q1 2021, Pandora saw an average of 30% temporary store closures, which drove consumers from the physical network into the online channel. In Q1 2022 the pattern changed, and consumers went back into the physical stores, which were almost fully open the entire quarter. Pandora's own and operated concept stores delivered organic growth of 65% vs Q1 2021.

Online continued to perform strongly vs 2019 levels, but as expected the revenue level was down vs Q1 2021 due COVID-19 lockdowns last year. Online organic growth was around 155% vs Q1 2019 and the main contributor of growth from a channel perspective vs 2019. Across most markets, Pandora see a greater acceptance of the online store as a path to purchase, which is not only a general market trend, but also a testimony to the digital investments made during the last couple of years.

Organic growth in Pandora's wholesale business was up 14% vs Q1 2021, while third-party distribution grew 9%, following higher sell-in and replenishment - a natural consequence of the stores closures last year. Russia, Ukraine and Belarus are all distributors and combined these markets dragged down total organic growth with 1% in Q1 2022. Excluding these markets, third-party distribution would have been up 48% vs Q1 2021.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q1 2022	Q1 2021	Organic growth vs 2021	Share of Revenue
Pandora owned¹ retail	3,925	2,956	25%	69%
- of which concept stores	2,445	1,381	65%	43%
- of which online stores	1,219	1,417	-17%	21%
- of which other points of sale	261	158	61%	5%
Wholesale	1,567	1,365	14%	28%
- of which concept stores	833	689	23%	15%
- of which other points of sale	734	676	5%	13%
Third-party distribution	198	179	9%	3%
Total revenue	5,689	4,500	21%	100%

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

REVIEW OF NETWORK DEVELOPMENT

Network expansion still planned for 2022

Pandora suspended business with the distributors in Russia and Belarus during Q1 2022 following the Russian invasion of Ukraine. The 153 concept stores and 66 other points of sale in those markets are no longer considered part of Pandora.

Net of the stores removed from the Pandora network in Russia and Belarus, Pandora has closed net 34 concept stores in Q1 2022, and 74 net concept stores vs last year. As communicated at the Capital Markets Day on 14 September 2021, Pandora sees significant opportunities to expand the store network and expects to have more concept stores in 2023 than today. The first steps in increasing the store network are planned for 2022, as Pandora expects to open net 50-100 concept stores.

In Q1 2022, Pandora furthermore acquired 32 concept stores in US and 5 in Canada from Ben Bridge, allowing Pandora to fully access the Californian market in which 20 of the concept stores are located. This is the first phase in establishing a strong position on the West Coast of US. In addition to this, Pandora also entered a partnership with Macys to open 28 shop-in-shops in 2022. Pandora values Macy's as a strong partner to increase brand accessibility in the US and accelerate the footprint growth in the market.

Number of points of sale ¹	Q1 2022	Q4 2021	Q1 2021	Growth Q1 2022 /Q4 2021	Growth Q1 2022 /Q1 2021
Concept stores	2,432	2,619	2,659	-187	-227
- of which Pandora owned ²	1,464	1,423	1,394	41	70
- of which franchise owned	637	700	755	-63	-118
- of which third-party distribution	331	496	510	-165	-179
Other points of sale	4,006	4,154	4,050	-148	-44
- of which Pandora owned ²	357	334	253	23	104
- of which franchise owned	3,168	3,255	3,243	-87	-75
- of which third-party distribution	481	565	554	-84	-73
Total points of sale³	6,438	6,773	6,709	-335	-271

¹Please refer to note 14 in the accounting notes section for more details.

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

³As of Q1 2022, Pandora has excluded 153 concept stores and 66 other points of sales from third-party distribution related to Russia and Belarus

REVIEW OF REVENUE BY KEY MARKET

Strong growth in most key markets

Pandora's biggest market, the US, continued to grow and was up 7% vs Q1 2021, which translate into 62% organic growth vs Q1 2019 or a 3-year CAGR of 17%. The growth in Q1 2022 was supported by the *Marvel collection*, which was launched in February and very well received. The US performance in Q1 is in line with the expectations laid out in the guidance for 2022. As previously communicated, a slowdown of the US market is expected in 2022 following the impact from among others the stimulus checks implemented by the US government in 2021. The stimulus checks were initiated in March 2021 and Q2 2021 was the strongest quarter in Pandora US last year and thereby the toughest comp base. Data indicates that the overall US jewellery market has grown 11-18% in Q1 2022 and thereby above Pandora US. However, data also suggest that the affordable jewellery market has been growing much slower than the overall jewellery market.

In Q1 2022, Pandora set the first corner stone in increasing its footfall and increase brand awareness on the West coast of US, getting access to 20 stores in California by acquiring its biggest franchise partner Ben Bridge. In total, Pandora acquired 37 stores from Ben Bridge of which five are located in Canada. With this acquisition, Pandora gets a stronger foothold on the West Coast of US, enabling further network expansion and the opportunity to create a more seamless omni-channel experience. The acquisition is expected to drive roughly DKK 170 million incremental revenue on a full year basis, converting wholesale revenue to retail revenue. Furthermore, Pandora entered a partnership with Macys, another enabler of fully utilising the opportunity for the Pandora brand in US. The long-term aim is to double the US business vs 2019 and 62% organic growth vs 2019 this quarter is an encouraging path towards this goal.

The performance in China continue to be unsatisfactory and negatively impacted by COVID-19. Pandora's Chinese stores were formally open most of Q1, but traffic into stores was down -50% vs 2021, as many stores are located in cities impacted by the pandemic and China's "zero-COVID policy". The situation worsened during March as China went into hard lockdowns in certain cities. Performance in China in Q1 2022 therefore continued to be weak and organic growth ended at -18% vs Q1 2021 translating into -57% vs Q1 2019. The key trading event in China was Chinese New Year. Pandora saw some strong traction during this event, driven by not least a few China specific designs celebrating the year of the Tiger. Pandora aim to bring more Chinese relevant designs to the market in the future, however first step in the China strategy is to reposition the brand. The first significant steps in this reposition has however been further postponed until market conditions stabilise. The purpose of the investment is among others to drive traffic to the stores, which makes little sense when street traffic is impacted by COVID-19. On April 7, Irving Holmes Wong joined the company as new General Manager for China. Pandora's long term ambition is to triple the China business vs 2019

Key European markets had a phenomenal performance in Q1 2022 with all four markets delivering double digit organic growth vs both Q1 2021 and Q1 2019. Pandora is very pleased to see its more established markets, UK and Italy, both delivering more than 30% organic growth vs 2019 in Q1. This is a testimony to the development of the brand, which Pandora has undertaken in these two markets for the past many years, cementing their position as market leaders in the respective countries.

France is back on a growth track and is up 35% vs Q1 2021 (16% vs Q1 2019), while Germany is up more than 40% vs both 2021 and 2019. Both markets are less penetrated and have a lower brand awareness than UK and Italy. The two markets have been undergoing a turnaround of the brand focusing on reducing the number of promotional days, creating an updated media model and improve operational efficiency. These step changes were vastly finalised in 2021, creating a strong baseline of opportunity in 2022, which is visible in the strong performance here in Q1 2022. For the third quarter in a row Germany is up more than 30% vs 2019.

The *Australian market* delivered flat organic growth vs Q1 2021 and 2019. Australia saw COVID-19 negatively impacting performance in Q1 2022, as travel and quarantine restrictions impacted traffic negatively. Traffic in physical stores were down approximately -20% in Q1 2022 vs 2021. January is the key holiday season in Australia, and fear of infections impacted traffic negatively. This drove consumers online and Australia had 11% online organic growth in the quarter. Online growth was supported by a successful C&C performance, which contributed with 20% of online sales; the highest share in all of Pandora's key markets.

Finally, it is worth noting that Pandora's business outside the seven key markets was also strong in Q1 2022 - delivering 35% organic growth vs Q1 2021. The growth was in particular supported by the two biggest markets in Rest of Pandora, Spain and Mexico, which both delivered more than 50% organic growth. In Q1 2022, Spain had a revenue the size of Germany while Mexico accounted for roughly DKK 175 million.

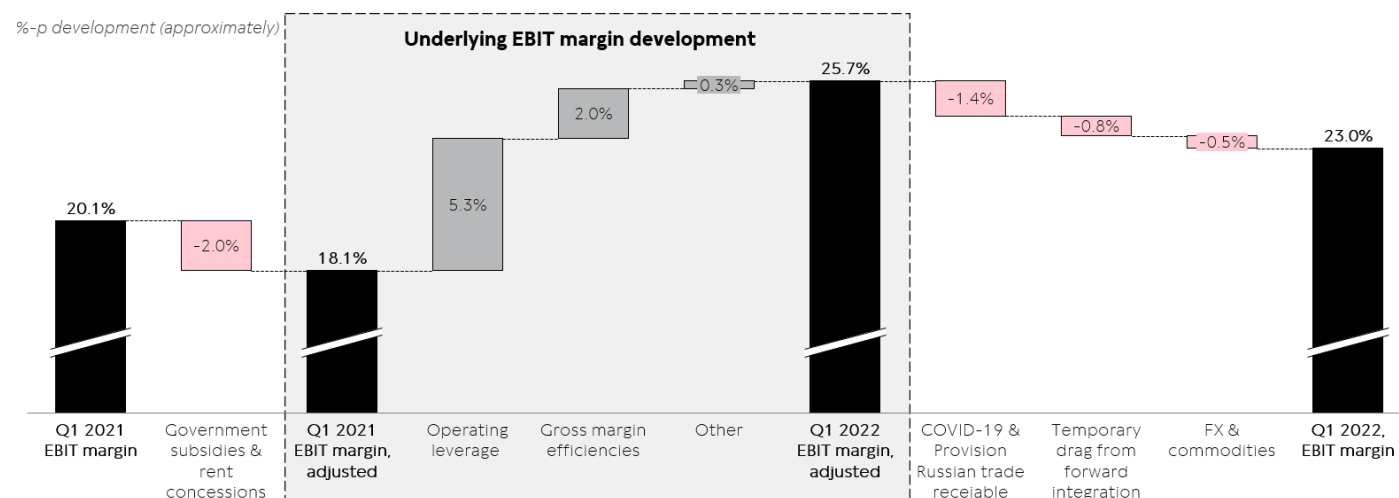
QUARTERLY REVENUE DEVELOPMENT BY KEY MARKET

DKK million	Q1 2022	Q1 2021	Organic growth vs 2021	Share of revenue
US	1,650	1,391	7%	29%
China	254	281	-18%	4%
UK	808	587	32%	14%
Italy	586	440	33%	10%
Australia	245	243	0%	4%
France	262	194	35%	5%
Germany	273	191	43%	5%
Total top-7 markets	4,077	3,326	16%	72%
Rest of Pandora	1,612	1,174	35%	28%
Total revenue	5,689	4,500	21%	100%

Please refer to note 3 in the accounting notes section for details on sell-out growth per key market.

PROFITABILITY

Strong profitability continues



As illustrated above, the underlying EBIT margin in Q1 2022 is significantly stronger than last year, mainly a result of strong operating leverage.

In Q1 2021, the EBIT margin was supported by DKK 98 million from government support and rent concessions related to COVID-19, elevating the EBIT margin last year by 2.0pp.

In Q1 this year, the EBIT margin was negatively impacted by a few non-recurring factors. Firstly, the Russian invasion of Ukraine has forced Pandora to suspend all activities with the Russian and Belarus distributors. This has led to a write-down of the trade receivables towards the Russian distributor of around DKK 55 million. As in Q3 and Q4, Pandora took significant precautionary measures in Thailand due to COVID-19 and in Q1 2022, the additional cost amounted to approx. DKK 30 million. This included setting up temporary on-site lodging to mitigate the risk of infections. Pandora anticipates to continue taking certain pre-cautionary measures in Thailand during the rest of 2022. Finally, the EBIT margin is temporarily dragged down by 0.8pp due to inventories bought back in connection with taking over franchise partners.

Adjusting for above, the underlying development of the EBIT margin shows an improvement of 7.6pp of which 5.3pp is driven by operating leverage following the solid revenue growth in the quarter. Furthermore, the EBIT margin is improved by efficiency gains in the gross margin, as both lower promotional levels, favourable channel mix and higher production volume (cost per unit decreased) improved the underlying EBIT margin by roughly 2pp.

The EBIT margin was negatively impacted by rising commodity prices (mainly silver) leading to a headwind of around -1.9pp. This is partly offset by favourable foreign exchange rate developments (mainly USD and Thai baht) of around 1.4pp. The headwinds from rising commodity prices are expected to impact Q1 and Q2 the hardest, and gradually ease off during Q3 and Q4.

In absolute terms, EBIT increased 45% from DKK 903 million in Q1 2021 to DKK 1,310 million in Q1 2022.

GROSS MARGIN

In Q1 2022, the gross margin remained strong and is roughly unchanged vs Q1 2021 at 76.0%.

Pandora continued its significant measures to protect employees and production in Thailand from COVID-19 impacting gross margin negatively by 0.5pp, please also refer to the EBIT margin section above. Furthermore, Pandora recognised a temporary additional drag of around -0.8pp due to take-over of inventory at wholesale value from acquired franchise partners (including Ben Bridge). Finally, gross margin is dragged down by increasing commodity prices, which had a negative impact of -1.9pp, mainly related to silver.

The above headwinds were offset by favourable FX development, mainly from Thai baht and USD of 1.0pp. Additionally, the gross margin was positively impacted by lower promotional activity (more full-price sell-through) and a favourable channel mix with more sales coming through physical O&O stores. Finally, Pandora see a positive efficiency impact from higher production volume.

GROSS MARGIN AND GROSS PROFIT

DKK million	Q1 2022	Q1 2021	Growth
Revenue	5,689	4,500	26%
Cost of sales	-1,365	-1,065	28%
Gross profit	4,324	3,436	26%
Gross margin	76.0%	76.3%	-0.3pp

OPERATING EXPENSES

Total operating expenses was DKK 3,014 million in Q1 2022, up 16% in constant foreign exchange rates vs Q1 2021, while the OPEX ratio decreased from 56.3% in Q1 2021 to 53.0% in Q1 2022.

Marketing expenses increased vs Q1 2021, as overall activity level is up following the store closures in Q1 2021. Furthermore competition has increased, which also put pressure on the cost for the best marketing spots. As expected, the Q1 2022 marketing ratio ended at 13%, in line with last year and in the low end of the 13-15% guided range for full year marketing expenses.

Sales and distribution expenses was up 16% in constant foreign exchange rates vs Q1 2021. In Q1 2021, Pandora received government support and rent concessions of DKK 98 million. Pandora has not received any material government support in Q1 2022. Furthermore sales and distribution expenses are negatively impacted in Q1 2022 by a one-off provision related to a trade receivable towards the Russian distributor of around DKK 55 million. Adjusting for these one-offs, sales and distribution expenses are up 5% or DKK 83 million in constant foreign exchange rates. The remaining increase is mainly related to the expansion of the Pandora Owned store network.

Administrative expenses increased by 4% in constant foreign exchange rates compared with Q1 2021. As a share of revenue, administrative expenses dropped 1.8pp to 9.0% in Q1 2022.

OPERATING EXPENSES

DKK million	Q1 2022	Q1 2021	Growth in constant FX	Share of revenue Q1 2022	Share of revenue Q1 2021
Sales and distribution expenses	-1,760	-1,471	16%	30.9%	32.7%
Marketing expenses	-745	-578	24%	13.1%	12.8%
Administrative expenses	-509	-484	4%	9.0%	10.8%
Total operating expenses	-3,014	-2,533	16%	53.0%	56.3%

FINANCIAL EXPENSES AND TAX

Net financials in Q1 2022 ended at a cost of DKK 10 million, in large driven by losses on foreign exchange rate hedges and IFRS 16 related interest on lease payments, partly offset by favourable foreign exchange adjustments to trade receivables and net working capital items.

The effective tax rate ended at 23.5% for Q1 2022, in line with guidance of 23-24% for the full year 2022, and above the Q1 2021 level due to non-deductible costs in China and Panama (cluster head office for Latin America).

CASH FLOW & BALANCE SHEET

Net working capital increases as the deliberate inventory build-up continues

The net working capital ended at 3.5% of the last 12 months revenue in Q1 2022 compared with -0.4% in Q1 2021. The increase was mainly driven by a deliberate inventory build-up. Pandora has increased inventories during 2021 and continued this into Q1 2022 in order to mitigate risk of stock outs and disruptions in the supply chain. The inventory has increased by more than DKK 1 billion the past year and more than DKK 0.5 billion in the quarter alone. Pandora plans to continue increasing inventories during the rest of 2022, resulting in a negative impact on cash conversion in 2022.

Trade receivables in absolute amounts are up vs Q1 2021 reflecting an increase in wholesale revenue vs Q1 2021. Wholesale Days Sales Outstanding (DSO) ended at 28 days up 3 days vs Q1 2021 and continue to be at a healthy level. Total DSO, including retail receivables, ended at 12 days by the end of Q1 2022, same level as Q1 2021.

In line with normal seasonality, cash conversion was negative in Q1. Free cash flow incl. lease payments ended at DKK -1.4 billion corresponding to a cash conversion of -110% in Q1 2022. The cash conversion was, however, more negative than normal seasonality due to the above mentioned inventory build-up as well as a significant increase in cash tax payments. CAPEX ended at roughly 3% of revenue in Q1 2022, up 1pp vs Q1 2021. Pandora expects CAPEX to increase during the rest of 2022 targeting full year CAPEX at around 6% of revenue.

The improved underlying performance and a continued low invested capital are all positively impacting ROIC. ROIC ended at 49% in Q1 2022, up 20pp vs Q1 2021.

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

Share of preceding 12 months' revenue	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Inventories	14.4%	12.8%	14.4%	11.8%	12.3%
Trade receivables	3.2%	4.3%	3.6%	3.2%	3.1%
Trade payables	-10.2%	-14.0%	-11.0%	-10.3%	-11.8%
Other net working capital elements	-3.9%	-8.2%	-6.7%	-4.9%	-4.0%
Total	3.5%	-5.0%	0.2%	-0.3%	-0.4%

The financial leverage, NIBD to EBITDA excl. restructuring costs, was 0.9x by the end of March and in the middle of the capital structure policy range of NIBD to EBITDA between 0.5 and 1.5x. The increase in financial leverage from 0.4x in Q4 2021 is not least driven by the DKK 2.7 billion cash returns to shareholders.

In Q1 2022, Pandora lifted EPS by 67% vs Q1 2021 to DKK 10.5. This is driven by the record breaking revenue in the quarter which drives operating leverage. Pandora target an EPS approaching DKK 60 by the end of 2023.

Balance Sheet

Total non-current assets increased to DKK 13.0 billion at the end of Q1 2022 (2021: DKK 12.6 billion), mainly due to an increase in right-of-use-assets as a result of new leases and lease renewals and an increase in deferred tax assets.

By the end of Q1 2022, equity in Pandora amounted to DKK 5.5 billion compared to DKK 7.0 billion in 2021. The decrease was primarily driven by payout of DKK 2.7 billion to its shareholder through a combination of dividends and share buybacks, partly offset by the profit of the quarter.

FINANCIAL GUIDANCE

Sustainable and profitable growth to continue

Following the strong performance in Q1 and a renewed outlook for 2022, Pandora updates its financial guidance to “organic growth of 4-6%” (previously “3-6%”) and “EBIT margin of 25-25.5%” (unchanged).

During Q1 2022, the business environment worsened considerably thereby increasing the risk for 2022 compared with the original guidance. Negative impacts from the war, cost inflation, potential impact on consumer demand due to inflation and higher interest rates as well as COVID-19 are all adding pressure to the rest of 2022. Despite these headwinds, Pandora expect to deliver organic revenue growth in line with or above the original guidance and will manage the cost of the war as well as the cost pressure from higher inflation within the current EBIT margin guidance.

The new guidance is based on certain directional assumptions for organic growth, as illustrated below:

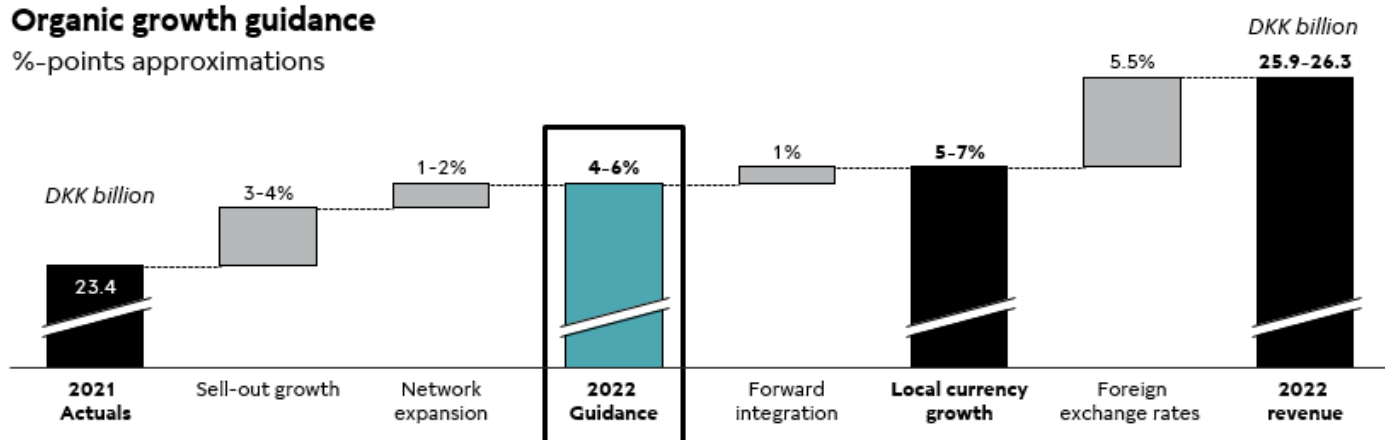
PREVIOUS GUIDANCE			NEW GUIDANCE		
2022 ORGANIC GROWTH ASSUMPTIONS Directional and Indicative			2022 ORGANIC GROWTH ASSUMPTIONS Directional and Indicative		
	3%	6%		4%	6%
COVID-19	Low single-digit negative impact	No to very limited negative impact	COVID-19 & Inflation	Low single-digit negative impact	Low single-digit negative impact
Pandora US	Negative mid- to high single-digit	Flat to slightly positive	War direct impact	-1% impact	-1% impact
Pandora Rest of world	Positive high single-digit	Positive high single-digit	Pandora US	Negative mid- to high single-digit	Flat to slightly positive
			Pandora Rest of world	Low teens	Low teens

REVENUE GUIDANCE

The organic growth guidance can be illustrated as follows:

Organic growth guidance

%-points approximations



Q1 2022 performance was better than assumed in the original guidance, among others, due to less impact from COVID-19. The original guidance assumed a high single digit negative impact in Q1 2022 from COVID-19 (equal to negative low single digit negative in full year 2022) in the low end of the guided range. This did not fully materialise, as the negative effects was mainly visible in China only. However COVID-19 continue to impose a risk for the rest of 2022. Furthermore, the updated guidance assumes a risk that inflationary pressure will have a negative impact on consumers demand. This is obviously associated with high uncertainty. Together with COVID-19, this is expected to impact organic growth negatively with low single digits.

As a direct consequence of the war between Russia and Ukraine, there is a negative impact of 1% on revenue imbedded in the new guidance, which was not assumed in the original guidance. This assumes no reported revenue in Russia, Belarus and Ukraine during the remainder of 2022.

The expectations for Pandora US remains unchanged to deliver between high single-digit negative and slightly positive in 2022. This equals an organic growth CAGR in the low teens to high mid-teens compared to 2019.

Based on a strong Q1 2022, Pandora raises its expectations to the organic growth in Rest of world compared with the original guidance. The new guidance assumes “Low teens” positive growth for Rest of world, corresponding to high-single digit growth for rest of year. The tailwind from COVID-19 closures in 2021 is included in the “Low teens” assumption.

PROFITABILITY GUIDANCE

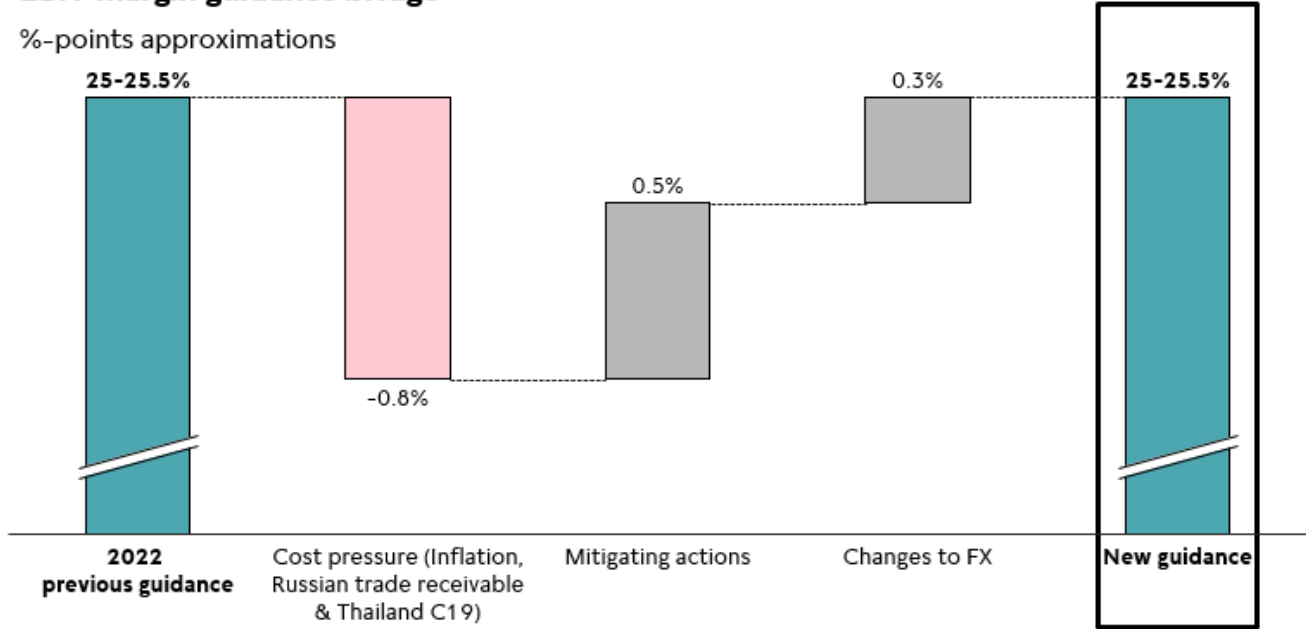
Pandora experience inflationary pressure across the value chain, which combined with other one-off items drive an additional roughly DKK 200 million in cost vs the original guidance. At current levels, Pandora still expects to mitigate these incremental costs within the EBIT margin guidance of 25.0-25.5% in 2022.

The DKK 200 million are driven by inflationary pressures from energy prices, other raw materials and transportation adding a total of around DKK 100 million. Furthermore, write-down of the trade receivable towards the Russian distributor and increased cost in Thailand mitigating COVID-19 disruptions adds another DKK 100 million.

Current foreign exchange rates, if unchanged, are estimated to have a favourable impact on the EBIT margin in 2022 of approximately 0.8% vs 2021. This corresponds to a 0.3pp tailwind vs the original guidance assumptions. Commodity price, mainly from silver prices, are expected to negatively impact the EBIT margin in 2022 with -1.0%, which is the same as in the original guidance.

EBIT margin guidance bridge

%-points approximations



2022 GUIDANCE - OTHER PARAMETERS

The updated guidance for store network development is net 25-50 other points of sales net openings (previously "50-75"). The guidance of 50-100 net concept store openings remains unchanged from previous guidance and excludes Russia and Belarus. CAPEX is unchanged from previous guidance and expected to end at around 6% share of revenue following investments into opening new stores, store refits, investments in the production facilities in Thailand and IT. The effective tax rate is expected to be 23-24%, up from 22-23% prior years and unchanged from previous guidance.

FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – AS OF APRIL 29, 2022

	Average 2021	Average 2022	2022 Y-Y Financial Impact
USD/DKK	6.29	6.95	
THB/DKK	0.20	0.20	
GBP/DKK	8.65	8.88	
CNY/DKK	0.98	1.06	
AUD/DKK	4.72	5.00	
Silver/USD (per ounce)	21.1	25.1	
REVENUE (DKK million)			<i>Approx. 1.300</i>
EBIT (DKK million)			<i>Approx. 300</i>
EBIT margin (FX)			<i>Approx. 0.8%</i>
EBIT margin (Commodities)			<i>Approx. -1.0%</i>

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

At the end of March 2022, Pandora's leverage was 0.9x NIBD to EBITDA, in the middle of the capital structure policy of 0.5-1.5x, up from 0.4x by the end of December 2021. The increase is due to normal season as well as the DKK 2.7 billion pay out to shareholders, of which DKK 1.6 billion came from an ordinary dividend of DKK 16 per share. The rest came from share buybacks. In total, Pandora plan to pay out DKK 5.3 billion to its shareholders in 2022.

At Pandora A/S' Annual General Meeting on 10 March 2022, it was resolved to reduce the Company's share capital with a nominal amount of DKK 4,500,000 by cancellation of 4,500,000 treasury shares of DKK 1. The share capital decrease was announced in the Danish Business Authority's IT-system on 10 March 2022 and the 4-week notification period expired with no objections. The Board of Directors therefore on 8 April 2022 resolved to effect the share capital reduction. After reduction of the share capital, the Company's share capital is nominally DKK 95,500,000, divided into shares of DKK 1.

SUSTAINABILITY

Our sustainability priorities are integrated into the Phoenix strategy, where sustainability serves as a foundational element, supporting our growth ambitions and aligning our actions with our values.

We aspire to be a low-carbon business, drive circularity into the core of how our products are designed to their end of life, and act as an inclusive, diverse and fair company.

You find the company's sustainability targets in our annual sustainability report on [pandoragroup.com](https://www.pandoragroup.com).

On February 9, we launched our 12th annual Sustainability Report covering Pandora's global operations for the fiscal year 2021. The report was prepared in accordance with the Global Reporting Initiative Standards' "Core" option and provides information on alignment with both the Sustainability Accounting Standards Board (Apparel, Accessories & Footwear), and Task Force on Climate-related Financial Disclosures standards.

Through strong supplier engagement we have taken progressive steps to achieve our 100% recycled silver and gold by 2025 target. During the second half of 2021, our direct procurement team concluded a global tender and secured recycled silver and gold grains for our in-house and outsourced production for FY 2022.

We are currently conducting work around the TCFD climate scenario analysis and we expect the work to be finalized in Q2.

Our response to the war in Ukraine:

- We are shocked and saddened by the unprovoked attack on Ukraine, and our thoughts go to the people of Ukraine, who are victims of this senseless act of military aggression. The war requires all businesses to act with the utmost responsibility regarding any interactions or business dealings with Russia and Belarus.
- On February 24th, we suspended all business with Russia and Belarus. We also instructed all our suppliers and business partners that no raw materials, products or services supplied to Pandora can come directly or indirectly from Russia or Belarus.
- On February 27, the company donated USD 1 million to UNICEF's efforts to help children affected by the humanitarian crisis.
- On March 30, we announced that we ended our 12-year membership with the trade association Responsible Jewellery Council, RJC. The decision follows RJC's failure to suspend Russian companies' memberships and responsible business certifications and urge its members to suspend business with Russia. Pandora had previously requested that RJC take such actions.
- Pandora has over 800 employees in its Eastern Europe cluster including in Poland, Romania, Hungary, Slovakia. Many are impacted by the war. We have offered financial and psychological support, training for people managers, and additional days off for volunteering.

OTHER EVENTS

OTHER IMPORTANT EVENTS IN Q1 2022 AND AFTER THE REPORTING PERIOD

At Pandora A/S' Annual General Meeting on 10 March 2022, it was resolved to reduce the Company's share capital with a nominal amount of DKK 4,500,000 by cancellation of 4,500,000 treasury shares of DKK 1. The share capital decrease was announced in the Danish Business Authority's IT-system on 10 March 2022 and the 4-week notification period expired with no objections. The Board of Directors therefore on 8 April 2022 resolved to effect the share capital reduction. After reduction of the share capital, the Company's share capital is nominally DKK 95,500,000, divided into shares of DKK 1.

Pandora announced on 1 April 2022 that Irving Holmes Wong will join the company as Senior Vice President & General Manager of the Greater China cluster, reporting to Chief Commercial Officer Martino Pessina. Irving Holmes Wong joined Pandora on 7 April 2022.

FINANCIAL CALENDAR 2022

The expected dates for publication of financial announcements in 2022 for Pandora A/S are as follows:

16 August 2022 Interim Financial Report for the second quarter/first six months of 2022

08 November 2022 Interim Financial Report for the third quarter/first nine months of 2022

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 78768490

SE: +46-4-0682-0620

UK: +44-203-7696819

US: +1 646-787-0157

Please use PIN: 837462

Link to webcast: <https://streams.eventcdn.net/pandora/2022q1>

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.

Headquartered in Copenhagen, Denmark, Pandora employs 27,000 people worldwide and crafts its jewellery at two LEED-certified facilities in Thailand using mainly recycled silver and gold. Pandora is committed to leadership in sustainability and has set science-based targets to reduce greenhouse gas emissions by 50% across its own operations and value chain by 2030. The company is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 23.4 billion (EUR 3.1 billion) in 2021.

For more information, please contact:

INVESTOR RELATIONS

John Bäckman
VP, Investor Relations, Tax & Treasury
+45 5356 6909
jobck@pandora.net

Kristoffer Malmgren
Director, Investor Relations
+45 3050 1174
kram@pandora.net

CORPORATE COMMUNICATIONS

Mads Twomey-Madsen
VP, Corporate Communications & Sustainability
+45 2510 0403
matd@pandora.net

Johan Melchior
Director, External Relations
+45 4060 1415
jome@pandora.net

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q1 2022	Q1 2021	FY 2021
Revenue	3	5,689	4,500	23,394
Cost of sales		-1,365	-1,065	-5,590
Gross profit		4,324	3,436	17,803
Sales, distribution and marketing expenses		-2,505	-2,049	-9,939
Administrative expenses		-509	-484	-2,026
Operating profit		1,310	903	5,839
Finance income		88	17	152
Finance costs		-98	-109	-613
Profit before tax		1,300	811	5,378
Income tax expense		-306	-182	-1,218
Net profit for the period		995	628	4,160
Earnings per share, basic, DKK		10.5	6.3	42.1
Earnings per share, diluted, DKK		10.4	6.3	41.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q1 2022	Q1 2021	FY 2021
Net profit for the period	995	628	4,160
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate adjustments of investments in subsidiaries	108	178	370
Fair value adjustment of hedging instruments	180	-384	-417
Tax on other comprehensive income, hedging instruments, income/expense	-39	77	83
Items that may be reclassified to profit/loss for the period, net of tax	249	-129	36
Items not to be reclassified to profit/loss for the period			
Actuarial gain/loss on defined benefit plans, net of tax	-	-	10
Items not to be reclassified to profit/loss for the period, net of tax	-	-	10
Other comprehensive income, net of tax	249	-129	46
Total comprehensive income for the period	1,243	499	4,206

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2022 31 March	2021 31 March	2021 31 December
ASSETS				
Goodwill	9	4,660	4,369	4,418
Brand		1,057	1,057	1,057
Distribution		1,072	1,103	1,080
Other intangible assets		559	517	538
Total intangible assets		7,349	7,046	7,094
Property, plant and equipment		1,823	1,978	1,816
Right-of-use assets	10	2,610	2,888	2,532
Deferred tax assets		1,030	734	891
Other financial assets		216	238	222
Total non-current assets		13,029	12,883	12,555
Inventories		3,534	2,373	2,991
Trade receivables	7	790	602	1,009
Right-of-return assets		52	55	70
Derivative financial instruments	5,6	206	133	69
Income tax receivable		126	109	68
Other receivables		966	818	738
Cash		716	2,239	1,043
Total current assets		6,391	6,328	5,988
Total assets		19,419	19,211	18,542
EQUITY AND LIABILITIES				
Share capital		100	100	100
Treasury shares		-4,458	-92	-3,416
Reserves		1,043	630	795
Retained earnings		8,841	7,303	9,523
Total equity		5,526	7,940	7,001
Provisions		425	413	416
Loans and borrowings	10	6,566	1,974	2,765
Deferred tax liabilities		193	279	113
Total non-current liabilities		7,184	2,666	3,295
Provisions		25	30	26
Refund liabilities		575	587	724
Contract liabilities		127	89	163
Loans and borrowings	10	1,308	3,999	1,161
Derivative financial instruments	5,6	162	274	209
Trade payables		2,504	2,285	3,267
Income tax payable		712	406	1,003
Other payables		1,296	933	1,694
Total current liabilities		6,709	8,605	8,246
Total liabilities		13,893	11,271	11,541
Total equity and liabilities		19,419	19,211	18,542

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging Reserve	Dividend proposed	Retained earnings	Total equity
2022							
Equity at 1 January	100	-3,416	905	-110	-	9,523	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
Proposed dividend	-	-	-	-	1,516	-1,516	-
Dividend paid	-	-	-	-	-1,516	2	-1,514
Equity at 31 March	100	-4,458	1,013	30	-	8,841	5,526
2021							
Equity at 1 January	100	-93	535	215	-	6,632	7,389
Net profit for the period	-	-	-	-	-	628	628
Other comprehensive income, net of tax	-	-	179	-300	-	-8	-129
Total comprehensive income for the period	-	-	179	-300	-	620	499
Share-based payments	-	1	-	-	-	51	52
Equity at 31 March	100	-92	713	-84	-	7,303	7,940

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q1 2022	Q1 2021	FY 2021
Operating profit		1,310	903	5,839
Depreciation and amortisation		461	514	1,999
Share-based payments		14	42	166
Change in inventories		-354	-355	-799
Change in receivables		46	234	-77
Change in payables and other liabilities		-1,811	-1,441	327
Other non-cash adjustments		55	3	70
Interest etc. received		1	-	3
Interest etc. paid		-100	-61	-468
Income taxes paid		-733	-155	-832
Cash flows from operating activities, net		-1,111	-316	6,228
Acquisitions of subsidiaries and activities, net of cash acquired	8	-291	-14	-66
Purchase of intangible assets		-65	-50	-289
Purchase of property, plant and equipment		-99	-60	-296
Change in other non-current assets		6	6	17
Proceeds from sale of property, plant and equipment		3	-	2
Cash flows from investing activities, net		-447	-117	-631
Dividend paid		-1,514	-	-1,479
Dividend paid – withholding tax		345	-	-
Purchase of treasury shares		-1,239	-	-3,325
Proceeds from loans and borrowings		3,885	-	1,315
Repayment of loans and borrowings		-	-29	-3,004
Repayment of lease commitments		-274	-226	-991
Cash flows from financing activities, net		1,204	-256	-7,484
Net increase/decrease in cash		-355	-689	-1,887
Cash at beginning of period ¹		1,043	2,912	2,912
Exchange gains/losses on cash		28	15	18
Net increase/decrease in cash		-355	-689	-1,887
Cash at end of period¹		716	2,239	1,043
Cash flows from operating activities, net		-1,111	-316	6,228
- Interests etc. received		-1	-	-3
- Interests etc. paid		100	61	468
Cash flows from investing activities, net		-447	-117	-631
- Acquisition of subsidiaries and activities, net of cash acquired		291	14	66
Free cash flow excl. lease payments		-1,168	-359	6,128
Free cash flow incl. lease payments		-1,442	-586	5,137
Unutilised committed credit facilities		2,269	6,998	6,023

¹ Cash comprises cash at bank and in hand.

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 2021.

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 that these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies might calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered a replacement for measures defined under IFRS. For 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 statements in the Annual Report 2021.

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 2022. 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 consolidated interim financial statements, Management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of Pandora's assets and liabilities.

All significant accounting estimates and judgements are consistent with the description in the Annual Report 2021 to which we refer.

Due to the Russian invasion in Ukraine, Pandora has assessed the impact of the overall uncertainty on both markets. As Pandora has limited presence in both markets, the impact on the financial statements is insignificant.

NOTE 3 – Segment and revenue information

Pandora's activities are segmented into two reportable segments (Global Business Units), each responsible for the end-to-end performance of products. One Global Business Unit is responsible for Moments and Collabs, while the other drives the newer collections and innovations.

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

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

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.

SEGMENT INFORMATION

DKK million	Moments and Collabs	Style and Upstream Innovation	Group
Q1 2022			
Revenue	4,197	1,492	5,689
Cost of sales	-1,057	-308	-1,365
Gross profit	3,141	1,184	4,324
Operating expenses			-3,014
Consolidated operating profit (EBIT)			1,310
Profit margin (EBIT margin)			23.0%
Q1 2021¹			
Revenue	3,252	1,249	4,500
Cost of sales	-795	-269	-1,065
Gross profit	2,456	979	3,436
Operating expenses			-2,533
Consolidated operating profit (EBIT)			903
Profit margin (EBIT margin)			20.1%

¹ The 'Garden' collection has been re-allocated from Style and Upstream Innovation to Moments and Collabs in Q2 2021. Comparative figures for Q1 2021 were restated accordingly.

REVENUE BY GLOBAL BUSINESS UNITS

DKK million	Q1 2022	Q1 2021 ¹	Sell-out growth vs 2021	Local currency growth	Share of Revenue
Moments and Collabs	4,197	3,252	20%	25%	74%
- Moments	3,602	2,866	17%	22%	63%
- Collabs	595	386	41%	49%	10%
Style and Upstream Innovation	1,492	1,249	11%	15%	26%
- Timeless	945	826	5%	10%	17%
- Signature	396	364	5%	5%	7%
- Me	142	58	132%	141%	3%
- Brilliance	9	-	-	-	0%
Total revenue	5,689	4,500	17%	22%	100%

¹ The 'Garden' collection has been re-allocated from Style and Upstream Innovation to Moments and Collabs in Q2 2021. Comparative figures for Q1 2021 were restated accordingly.

Goods transferred at a point in time	5,672	4,485
Services transferred over time	17	16
Total revenue	5,689	4,500

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q1 2022	Q1 2021	Sell-out growth vs 2021	Growth in local currency
US	1,650	1,391	0%	10%
China	254	281	-31%	-18%
UK	808	587	45%	32%
Italy	586	440	35%	33%
Australia	245	243	-2%	0%
France	262	194	33%	35%
Germany	273	191	88%	43%
Total top-7 markets	4,077	3,326	13%	17%
Rest of Pandora	1,612	1,174	32%	35%
Total revenue	5,689	4,500	17%	22%

REVENUE BY CHANNEL

DKK million	Q1 2022	Q1 2021	Growth in local currency
Retail physical stores ¹	2,706	1,539	71%
Retail online stores	1,219	1,417	-17%
Wholesale and third-party distribution	1,764	1,544	10%
Total revenue	5,689	4,500	22%

¹Pandora 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 in the consolidated financial statements in the Annual Report 2021.

Net interest-bearing debt amounted to DKK 7.2 billion at the end of Q1 2022 (2021: 2.9 billion) corresponding to a financial leverage of 0.9x (2021: 0.4x). The increase in net interest-bearing debt is mainly driven by cash returns to shareholders (DKK 2.7 billion) and an increase in net working capital (DKK 2.1 billion).

Outstanding committed loan facilities (end of March 2022)

	Available facilities DKK million	Maturity date	Drawn amount DKK million	Available liquidity
Revolving Credit Facilities	7,066	April 2026	4,797	2,269
Total	7,066		4,797	2,269

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 to the consolidated financial statements in the Annual Report 2021.

NOTE 7 – Trade receivables

DKK million	2022	2021
	31 March	31 December
Receivables related to third-party distribution and wholesale	540	672
Receivables related to retail revenue sales	250	337
Total trade receivables	790	1,009

NOTE 8 – Business combinations

In Q1 2022, Pandora took over 37 concept stores in US and Canada in 2 business combinations. Net assets acquired mainly consist of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 291 million. Based on the purchase price allocations, goodwill was DKK 194 million. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to Pandora owned retail. Of the goodwill acquired, DKK 194 million is deductible for income tax purposes.

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

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 31 March 2022 was DKK 31 million and DKK 10 million respectively. On a pro forma basis, if the acquisitions had been effective from 1 January 2022, the impact on Group revenue and net earnings for the period 1 January – 31 March 2022 would have been approximately DKK 56 million and DKK 18 million.

ACQUISITIONS

DKK million	Q1 2022	FY 2021
Distribution rights	-	13
Property, plant and equipment	90	84
Inventories	78	34
Assets acquired	168	131
Non-current liabilities	43	50
Payables	2	-
Other current liabilities	27	27
Liabilities assumed	71	77
Total identifiable net assets acquired	97	54
Goodwill arising on the acquisitions	194	12
Purchase consideration	291	66
Cash movements on acquisitions:		
Cash acquired	0	-
Net cash flow on acquisitions	291	66

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	2022	2021
	31 March	31 December
Cost at 1 January	4,418	4,247
Acquisition of subsidiaries and activities in the period	194	12
Exchange rate adjustments	48	159
Cost at the end of the period	4,660	4,418

No impairment indication was identified based on the information regarding the market and the forecast. The latest impairment test was carried out 31 December 2021 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 2021.

NOTE 10 – Assets and liabilities related to leases

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2022	2021
	31 March	31 December
Property	2,586	2,507
IT	3	3
Cars	14	14
Other	8	8
Total right-of-use assets	2,610	2,532

Out of the total increase of DKK 0.1 billion in right-of-use-assets in the period 1 January – 31 March 2022, DKK 0.3 billion relates to renewals of lease contracts and new leases, partially offset by decrease of DKK 0.2 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	2022	2021
	31 March	31 December
Non-current	1,768	1,724
Current	907	886
Total lease liabilities	2,675	2,610

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

DKK million	1 January –	1 January –
	31 March 2022	31 March 2021
Property	262	293
Cars	2	3
Other	1	1
Total depreciation on right-of-use assets for the period	266	297

OTHER ITEMS RELATING TO LEASES

DKK million	1 January –	1 January –
	31 March 2022	31 March 2021
Interest expense	-28	-24
Total interest for the period	-28	-24

Costs recognised in the period for short term and low value leases were DKK 12 million (2021 Q1: DKK 12 million). Expenses are recognised on a straight line basis.

Total cash outflow relating to leases was DKK 398 million for 2022 (2021 Q1: DKK 312 million). This comprises of fixed lease payments in scope of IFRS 16 of DKK 274 million (2021 Q1: DKK 226 million), variable lease payments of DKK 84 million (2021 Q1: DKK 50 million), interest paid of DKK 28 million (2021 Q1: DKK 24 million) and short term and low value leases of DKK 12 million (2021 Q1: DKK 12 million). Payments related to variable leases and short term and low value leases are not included in the lease liabilities.

Due to COVID-19, repayment of certain fixed leases were negotiated and agreed with landlords and deferred by approximately DKK 67 million in Q1 2021. In addition, Pandora received rent concessions from landlords in Q1 2021 amounting to DKK 16 million, which was recognised under Sales and Distribution expenses in the profit and loss statement. Overall financing cash flow was positively impacted by DKK 83 million due to rent relief and rent deferrals in 2021. The impact in 2022 is insignificant due to limited COVID-19 impact.

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 at 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 cash flow statement (working capital within cash flow from operations) and amounts to DKK 71 million at 31 March 2022.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2021.

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 into 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, 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 2022	Q4 2021	Q1 2021	Q1 2022 / Q4 2021	Q1 2022 / Q1 2021	O&O Q1 2022	O&O stores Q1 2022 / Q4 2021	O&O stores Q1 2022 / Q1 2021
US	391	388	391	3	0	224	37	45
China	209	214	228	-5	-19	191	-5	-25
UK	208	211	216	-3	-8	176	6	38
Italy	146	146	146	0	0	107	0	0
Australia	124	125	123	-1	1	43	0	4
France	120	122	120	-2	0	78	0	2
Germany	133	135	137	-2	-4	130	-2	-4
Total top-7 markets	1,331	1,341	1,361	-10	-30	949	36	60
Rest of Pandora	948	1,278	1,298	-177	-197	515	5	10
All markets	2,432	2,619	2,659	-187	-227	1,464	41	70

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 an average of 70% of the Group's expected gold and silver consumption based on a rolling 12-months production plan. The below table illustrates the timing of the hedges related to the purchase of silver for production, i.e. 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 SILVER AND GOLD FOR PRODUCTION)

USD / OZ	Realised in Q1 2022	Hedged Q2 2022	Hedged Q3 2022	Hedged Q4 2022	Hedged Q1 2023
Gold price	1,820	1,818	1,795	1,853	1,954
Silver price	26.04	25.23	23.87	23.69	24.77
Commodity hedge ratio, %	Realised	70-100%	70-90%	50-70%	30-50%

NOTE 16 – Subsequent events

As described in "Other events" in the Management review, Pandora is not aware of events after 31 March 2022, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Financial highlights					
Revenue	5,689	9,011	4,728	5,155	4,500
Organic growth, %	21%	10%	14%	84%	13%
Sell-out growth incl. temporarily closed stores, %	17%	11%	5%	62%	21%
Earnings before interests, tax, depreciations and amortisations (EBITDA)	1,772	3,267	1,393	1,762	1,416
Operating profit (EBIT)	1,310	2,678	957	1,301	903
EBIT margin, %	23.0%	29.7%	20.2%	25.2%	20.1%
Net financials	-10	-211	-137	-21	-92
Net profit for the period	995	1,904	635	992	628
Financial ratios					
Revenue growth, DKK, %	26%	14%	16%	79%	8%
Revenue growth, local currency, %	22%	11%	15%	85%	13%
Gross margin, %	76.0%	75.7%	75.5%	77.1%	76.3%
EBITDA margin, %	31.1%	36.3%	29.5%	34.2%	31.5%
EBIT margin, %	23.0%	29.7%	20.2%	25.2%	20.1%
Effective tax rate, %	23.5%	22.8%	22.5%	22.5%	22.5%
Equity ratio, %	28%	38%	40%	44%	41%
NIBD to EBITDA, excl. restructuring costs ¹ , x	0.9	0.4	0.5	0.4	0.6
Return on invested capital (ROIC) ¹ , %	49%	59%	48%	44%	29%
Cash conversion incl. lease payments, %	-110%	147%	53%	98%	-65%
Net working capital, % of last 12 months revenue	3.5%	-5.0%	0.2%	-0.3%	-0.4%
Capital expenditure, % of revenue	2.8%	2.4%	4.2%	2.7%	1.9%
Stock ratios					
Total payout ratio (incl. share buyback), %	277%	143%	211%	76%	-
Consolidated balance sheet					
Total assets	19,419	18,542	18,173	18,277	19,211
Invested capital	12,684	9,884	11,141	11,136	11,675
Net working capital	871	-1,181	50	-57	-76
Net interest-bearing debt (NIBD)	7,157	2,882	3,819	3,005	3,735
Equity	5,526	7,001	7,322	8,130	7,940
Consolidated statement of cash flow					
Cash flow from operating activities	-1,111	4,073	885	1,586	-316
Capital expenditure (CAPEX)	158	215	201	138	88
Capital expenditure, property, plant and equipment (CAPEX)	83	146	96	64	35
Free cash flow incl. lease payments	-1,442	3,941	502	1,278	-586
Free cash flow excl. lease payments	-1,168	4,221	744	1,522	-359

¹ Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.

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 – 31 March 2022. 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 2022 and of the results of the Pandora Group's operations and cash flows for the period 1 January – 31 March 2022.

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, 4 May 2022

EXECUTIVE MANAGEMENT

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

BOARD

Peter A. Ruzicka
Chair

Christian Frigast
Deputy Chair

Heine Dalsgaard

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.

