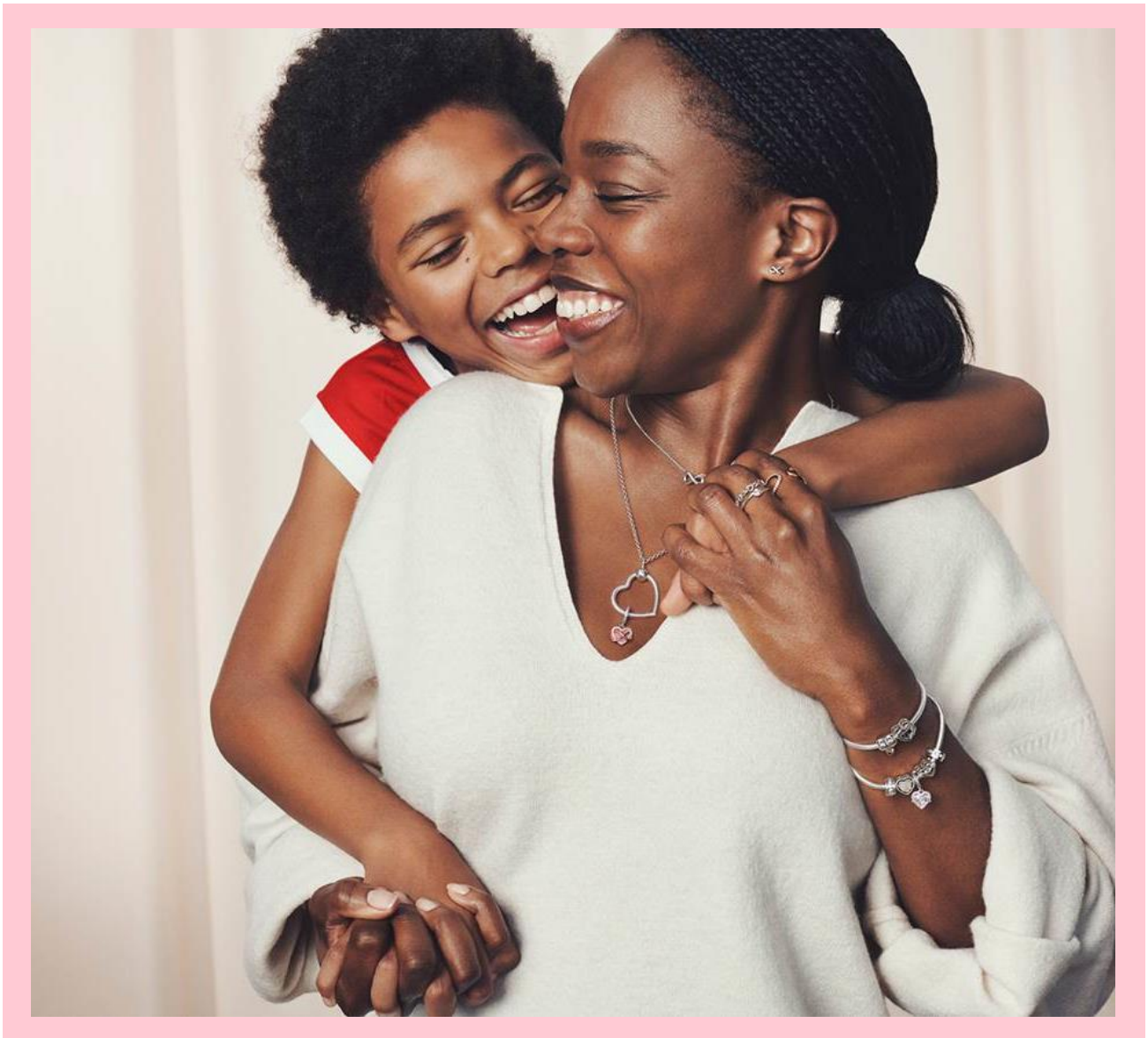


PANDÖRA



INTERIM FINANCIAL REPORT Q1 2021

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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, Phoenix, focuses on delivering sustainable and profitable revenue growth building on the vast untapped opportunities within our existing core business. A strong cash generation and an attractive cash return will remain.

EXECUTIVE SUMMARY

Pandora embarks on new growth strategy

- **Strong Q1. Guidance for 2021 upgraded**

Highlights

- Pandora had a strong start to 2021. Despite 30% of the stores being closed in Q1 due to COVID-19, organic growth was -3% vs Q1 2019 where there was no COVID-19 impact (+13% vs Q1 2020)
- Online growth was 136% in Q1 2021 vs last year and more than 200% vs 2019
- Stimulus packages in US fuelled consumer demand
- China performance continues to be weak, albeit in line with expectations, and remains a strategic priority
- EBIT margin increased from 15.3% in Q1 2020 to 20.1% in Q1 2021, driven by operating leverage
- Based on the strong performance in Q1 2021, the financial guidance for 2021 is raised
- After two years of turnaround, Programme NOW has been completed. The key objectives of stabilising the topline, increase brand relevance and brand access and reduce cost have been achieved
- The headlines of a new strategy is launched today. The strategy focuses on delivering sustainable and profitable revenue growth building on the vast untapped opportunities within our existing core business
- Low financial leverage and strong liquidity position. Pandora resumes cash distribution to the shareholders. DKK 1 billion to be distributed in Q2 2021

To provide a cleaner view on the performance, Pandora is providing supplementary growth KPI's vs 2019, where there was no COVID-19 impact. Sell-out growth vs Q1 2019 was -5% in spite of 30% of the stores being temporarily closed during Q1 2021. Revenue was driven by continued strong growth in the US as well as sustained online performance. US delivered 52% sell-out growth vs. Q1 2019, with stimulus packages fuelling strong consumer demand.

Based on the strong start to 2021, the financial guidance for 2021 is upgraded to organic growth "above 12%" (previously "above 8%") and EBIT margin "above 22%" (previously "above 21%").

Alexander Lacik, President and CEO of Pandora, says:

"We have had a good start to 2021, not least considering that many of our stores have been closed. Performance in the US and online continues to be strong, and we keep investing in building brand desirability, digital capabilities and operational excellence. COVID-19 obviously remains a challenge and our priority is the safety and wellbeing of our employees and consumers. During the last two years, Programme NOW has significantly improved Pandora's foundation and I am pleased to say the turnaround is now behind us. Today, we can turn the page on the next chapter for Pandora and announce our new strategy, moving us from turnaround to sustainable growth."

Financial overview (excl. Programme NOW restructuring costs in 2020)

	Q1 2021	Q1 2020	FY 2020
Organic growth, %	13%	-14%	-11%
Sell-out growth incl. temporarily closed stores, %	21%	-17%	-12%
Sell-out growth incl. temporarily closed stores, % vs 2019	-5%	n/a	n/a
Revenue, DKK million	4,500	4,172	19,009
Gross margin, %	76.3%	77.4%	76.5%
EBIT margin, %	20.1%	15.3%	20.4%

FINANCIAL HIGHLIGHTS

DKK million	Q1 2021	Q1 2020	FY 2020	FY 2021 guidance
Key financial highlights				
Organic growth, %	13%	-14%	-11%	"Above 12%"
<i>Organic growth, % vs 2019⁵</i>	-3%	n/a	n/a	
Sell-out growth incl. temporarily closed stores, %	21%	-17%	-12%	
<i>Sell-out growth incl. temporarily closed stores, % vs 2019⁵</i>	-5%	n/a	n/a	
Gross margin ¹ , %	76.3%	77.4%	76.5%	
EBIT margin¹, %	20.1%	15.3%	20.4%	"Above 22%"
Consolidated income statement (reported)				
Revenue	4,500	4,172	19,009	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,416	733	4,999	
Operating profit (EBIT)	903	204	2,684	
Net financials	-92	-234	-190	
Net profit for the period	628	-24	1,938	
Financial ratios				
Revenue growth DKK, %	8%	-13%	-13%	
Revenue growth, local currency, %	13%	-14%	-11%	
Gross margin (reported), %	76.3%	75.4%	75.6%	
EBITDA margin (reported), %	31.5%	17.6%	26.3%	
EBIT margin (reported), %	20.1%	4.9%	14.1%	
Effective tax rate, %	22.5%	22.5%	22.3%	
Equity ratio, %	41%	19%	37%	
NIBD to EBITDA excl. restructuring costs, x	0.6	1.3	0.5	
Return on invested capital (ROIC), %	29%	22%	25%	
Cash conversion incl. lease payments, %	-65%	-134%	183%	
Net working capital, % of last 12 months revenue	-0.4%	0.0%	-7.6%	
Stock ratios				
Total pay-out ratio (incl. share buyback) ² , %	-	n/a	65%	
Dividend per share, DKK ³	-	-	-	
Quarterly dividend per share, DKK ⁴	-	-	-	
Earnings per share, basic, DKK	6.3	-0.3	20.0	
Earnings per share, diluted, DKK	6.3	-0.3	19.9	
Consolidated balance sheet				
Total assets	19,211	19,529	19,984	
Invested capital	11,675	13,810	10,540	
Net working capital	-76	10	-1,447	
Net interest-bearing debt (NIBD)	3,735	10,178	3,151	
Equity	7,940	3,632	7,389	
Consolidated statement of cash flow				
Cash flow from operating activities	-316	55	5,975	
Capital expenditure – total	88	129	491	
Capital expenditure – property, plant and equipment	35	94	369	
Free cash flow incl. lease payments	-586	-272	4,908	

¹2020 numbers are excluding Programme NOW restructuring costs.

² Excluding sale of Treasury shares amounting to DKK 1.8 billion in Q2 2020.

³ Proposed dividend per share for the year.

⁴ Paid quarterly dividend per share for the period.

⁵ Revenue performance compared with 2020 is heavily distorted by COVID-19 impacts, as both years are impacted by store closures, making performance difficult to interpret. For this reason, the performance vs 2020 need to be interpreted with care and Pandora has therefore added two supplementary growth KPI's vs 2019 to provide a cleaner view on the performance: Organic growth vs 2019 and Sell-out growth vs 2019.

Pandora has removed the Total like-for-like KPI from the financial overview and instead included it in the Excel appendix uploaded to the investor website. Currently, the Total like-for-like provide little insights to the performance of Pandora, as the KPI do not take store closures into account. Pandora has replaced the KPI with "Sell-out growth incl. temporarily closed stores" and will continue with this until store closures no longer impact Total like-for-like.

Phoenix: Pandora embarks on new growth strategy

Introduction

Today, we provide a high-level overview of the key components of our new growth strategy, Phoenix. The details of the strategic pillars will be revealed at a Capital Markets Day in September.

The headlines of the new strategy are announced today for two reasons. First of all, Pandora wants to provide an overall understanding of the key drivers of the business going forward, following the completion of Programme NOW. And secondly, Pandora is ready to announce, today, the first, significant initiative under the new strategy Pandora Brilliance – sustainably lab-created diamonds.

Background

Since its foundation, Pandora has grown rapidly and in a short time build the world’s largest jewellery brand. The company sells three pieces of jewellery every second and has the largest network in the industry with almost 7,000 points of sale and a strong online business.

For a couple of years, Pandora did not do enough to stay relevant and keep its place in the heart of consumers. And as a result, the brand lost some of its appeal. That is why Pandora launched Programme NOW in 2018 – a turnaround programme to strengthen the relevance and reach of the brand, optimise costs, and improve operational excellence across the company. Over the past two years, Pandora has renewed every part of the consumer experience and is now offering more impactful products and marketing concepts for consumers across markets.

The turnaround is now complete and a new growth journey can begin. Pandora’s new strategy is called Phoenix. It builds on Pandora’s unique brand promise and the significant potential to attract new consumers to the brand. Like the mythological bird Phoenix, Pandora has transformed and is rising for a new chapter of growth.

The strategy launched today is focused on the vast opportunities to grow within – or close to - Pandora’s existing core business. In the longer term, Pandora also sees opportunities to extend the unique advantages which Pandora possesses - manufacturing capabilities, global distribution network and a well-known brand – into other categories (including M&A).

THE FOUR GROWTH PILLARS

The new strategy has four pillars aiming at delivering sustainable and profitable revenue growth: Brand, Design, Personalisation and Core Markets.

Brand: Fuel our brand desirability and reach

Pandora is a global affordable luxury brand that enjoys a high level of consumer awareness, strong brand equity, and a loyal customer base. To ensure Pandora also wins the hearts of the new generations, the company will continue efforts to increase brand desirability by creating an iconic visual world with authentic and culturally relevant communication. Pandora will drive holistic communication that reaches across all the consumer touchpoints.

Design: Create customer-centric innovation

Pandora sees significant potential to both grow its biggest platform, Moments, and launch new complementary platforms around our core proposition of collectability and self-expression. Designs will be crafted by fusing robust consumer insights and strong creative expression. To ensure new product platforms become successful and add incremental volume, Pandora will use these insights to design for different needs and target groups.

Personalisation: Personalise the customer experience

Pandora is a global brand with a direct relationship to millions of consumers. This connection provides rich insights that can help the company offer a better and more personalised service throughout the whole customer journey. The aim is to provide a more relevant and customised omni-channel shopping experience across stores and online.

Core markets: Grow our Core Markets with particular focus on US and China

Pandora sees significant opportunities to grow in existing markets, rather than expanding into new geographies. In particular, Pandora will focus on untapped opportunities in US and China – markets where our brand penetration is still low. US and China represent more than 50% of the global jewellery market, and they will continue to increase in importance with a significant part of the absolute market growth driven by these two markets. As such, Pandora plans to invest over-proportionally in US and China.

FOUNDATION

To succeed with Phoenix, Pandora will rely on its strong foundation:

People

From crafting and distribution to stores and offices, Pandora is a world-class team connected by passion and a strong sense of purpose. The new global operating model ensures the company delivers one brand experience based on shared processes and clear roles. Pandora will continue to attract and develop talent, raise mobility and provide innovative digital solutions that help employees connect, perform and grow their careers.

Digitalisation

The solid digital foundation Pandora is building will enable the strategy. With its new digital powerhouse in Copenhagen, Pandora will significantly increase its use of data and advanced analytics and digitalise its business in many other ways. Pandora's ambition is to be best at offering personalised service to many customers.

Sustainability

Pandora's ambition is to be an industry leader in sustainability and become a low-carbon, circular, inclusive and fair business with a positive impact across the value chain. High-quality jewellery, strong business performance and high ethical standards go hand in hand, and the company operates with respect for resources, environment and people.

Excellence

Programme NOW brought significant operational improvements but Pandora still has many opportunities to raise the bar for excellence across manufacturing, stores and functions. The company will continue to be highly cost-conscious across its operations.

Scale

Pandora is the largest jewellery manufacturer in the world and has the biggest brand reach, touching millions of consumers every day. Pandora will continue to leverage this scale advantage to provide jewellery at competitive prices, and reach consumers faster and better, while staying agile and adapting to changes in the market.

PRESENTATION AND CONFERENCE CALL

Today, Pandora will host an extended conference call where the headlines of the new strategy will be presented. A separate Phoenix presentation as well as a video recording of the conference call will be available on our website.

CAPITAL MARKETS DAY

Pandora will host a Capital Markets Day on 14 September 2021 in London. The Executive Leadership Team will be present and share details of the strategic initiatives. At the same time, Pandora will announce new financial targets.

BUSINESS UPDATE

Strong start to 2021 despite an average of 30% temporarily store closures in the quarter

Despite another wave of COVID-19 lockdowns in Q1 2021, Pandora delivered solid revenue performance supported by significant growth in the biggest market, US, representing 31% of revenue in Q1 2021 vs 22% in Q1 2020. Most of Pandora's markets across Europe experienced store closures and COVID-19 restrictions in Q1 2021, including limited openings hours and social distancing measures. Pandora therefore continued to focus its marketing efforts on driving traffic online. Revenue generated by email marketing, as one of the initiatives, grew by triple digits growth rates in the quarter. Additionally, Pandora tested new platforms in Q1 2021, such as TikTok and Twitch in selected markets like the US. The initial results are positive and help secure the strong online performance. Performance in China continued to be unsatisfactory with sell-out decreasing by -48% vs 2019. The performance is in line with expectations and China continue to be a top priority. The first significant steps to reposition the brand in China will be initiated in the second half of 2021. China accounted for only 6% of revenue in Q1 2021.

The traffic into owned physical stores was down by around 50% compared to Q1 2020. But the quality of traffic is better, leading to a materially higher conversion rate, while continuing to indicate that more consumers enter the stores with a purpose to buy during the pandemic. In Australia and US, traffic into physical stores was positive compared to Q1 2020 suggesting that consumers largely revert to the physical channel once stores are open. The same early signs are seen in UK, which reopened early April.

Pandora's continued efforts to improve merchandising processes resulted in a 60% reduction in the end of season sale in Q1 2021 – another sign that the brand health is improving. Valentines, which is the key trading event in Q1, did very well and was up 5% vs 2019. Markets like the UK also delivered positive Valentines growth, despite all stores being temporarily closed.

Pandora's strong brand position was maintained and one third of all Google searches for branded jewellery globally in Q1 2021 was for Pandora.

As Pandora enters Q2, the uncertainty around COVID-19 continues, especially in Europe where the lockdowns are widely imposed in our key markets France, Italy and Germany. With 35% of stores closed end of March and around 20% today and with Mother's Day approaching, chances that the event will be fully online in some markets are high. Pandora will leverage on learnings from the strong UK online event, where Mother's Day falls in Q1.

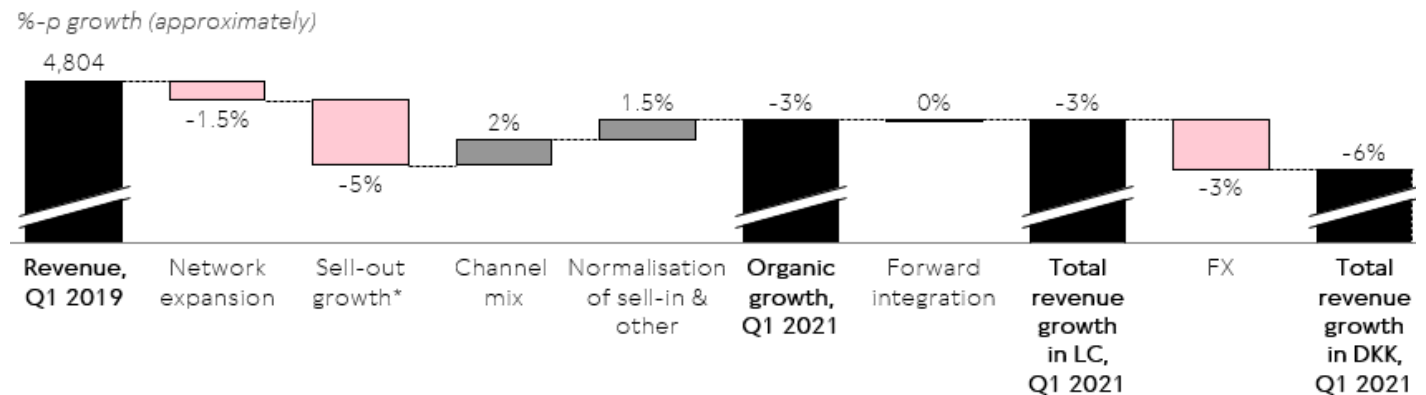
The solid performance continued in April 2021. Sell-out growth is expected to be mid-single digit positive vs 2019. This continues to be driven by US where performance in April is even stronger than in Q1 2021. Draft numbers for April shows revenue of around DKK 1.7 billion corresponding to an organic growth vs 2019 of around 30%. Organic growth is supported by timing of shipments between March and April 2021. A trading update with the final revenue numbers for April 2021 will be released in due course.

REVENUE REVIEW

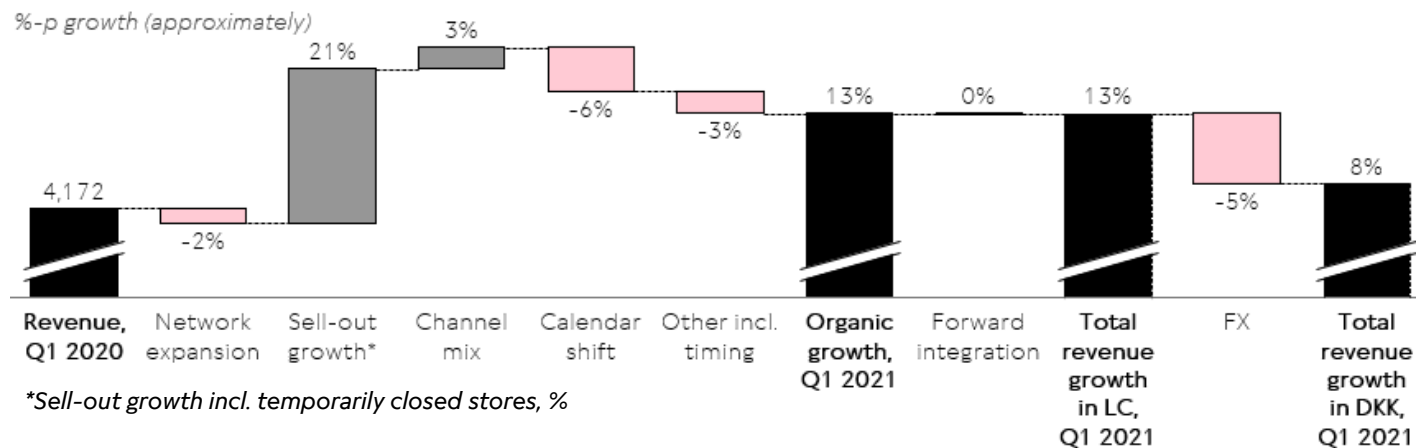
Strong underlying revenue development

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

Q1 growth composition vs Q1 2019



Q1 growth composition vs Q1 2020



Q1 2021 was another quarter with performance impacted by temporarily closed stores. On average 30% of the stores was temporarily closed in Q1 2021 vs approx. 20% in Q1 2020. For this reason, the performance vs 2020 need to be interpreted with care and Pandora has therefore added two supplementary growth KPI's vs 2019 to provide a cleaner view on the performance: Organic growth vs 2019 and Sell-out growth vs 2019.

All markets were generally impacted by some restrictions from social distancing. Traffic vs 2020 was, as expected, negative across most key markets in the physical stores partly offset by double digit growth in conversion rates. The total sell-out growth vs 2019 at -5% and +21% vs 2020, was driven by continued strong online performance where both traffic and conversion rates continue to grow by high double digits. Additionally, US and Australia both delivered positive growth vs 2019, also in the physical network contributing positively to the strong performance.

Q1 growth composition vs Q1 2019

Organic growth vs 2019 was negatively impacted by approximately -1.5pp from the closure of 54 concept stores compared with Q1 2019.

The impact of lockdowns and social restrictions in physical stores, has skewed the channel mix towards online. This created a positive impact on reported revenue converting wholesale sell-in to sell-out in the online channel.

Finally the organic growth was positively impacted by relatively higher sell-in compared to Q1 2019. As part of Programme NOW, Pandora initiated a commercial reset in Q1 2019 with the purpose of among others reducing inventory at wholesale partners. Sell-in to partners in Q1 2019 was therefore unusually low.

Q1 growth composition vs Q1 2020

Revenue performance compared with 2020 is heavily distorted by COVID-19 impacts, as both years are impacted by store closures, making performance difficult to interpret.

Organic growth vs 2020 was 13% driven by sell-out growth of 21%. The sell-out growth vs 2020 was favourably boosted due to differences in trading days between the weekly so-called 4-4-5 retail calendar (used for sell-out) and the Gregorian calendar (used for organic growth). Week 13 is part of Q1 2021 sell-out and include four days of April, 1-4 April. In April 2020, almost the entire network was temporarily closed due to COVID-19 making comparable numbers easy and differences between the retail and Gregorian calendar therefore impact the two KPI's.

Both Global Business Units showed good performance in Q1 2021. *Moments and Collabs* generated 22% sell-out growth vs 2020 while *Style and Upstream Innovation* generated 17% sell-out growth vs 2020.

REVIEW OF REVENUE BY CHANNEL

Revenue in Pandora owned concept stores was down vs both 2020 and 2019, clearly impacted by store closures. On the other hand the very strong online performance continued, offsetting some of the impact from COVID-19 related lockdowns in physical stores.

Organic growth in Pandoras wholesale business was -4% vs 2019, as store closures affects the sell-in to partners. Furthermore, Pandora has maintained its focus to secure a balanced sell-in vs sell-out ratio, and in general the partners have managed well through the pandemic. Other points of sales grew 7% vs 2019 driven by wholesalers in mainly Germany and China with an online business.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q1 2021	Q1 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Organic growth vs 2020	Organic growth vs 2019	Local currency growth vs 2020	Share of Revenue
Pandora owned¹ retail	2,956	2,623	27%	2%	17%	-1%	18%	66%
- of which concept stores	1,381	1,836	-	-	-22%	-41%	-20%	31%
- of which online stores	1,417	621	-	-	136%	205%	136%	31%
- of which other points of sale	158	165	-	-	0%	-15%	0%	4%
Wholesale	1,365	1,328	12%	-15%	9%	-4%	8%	30%
- of which concept stores	689	765	-	-	-2%	-12%	-5%	15%
- of which other points of sale	676	563	-	-	25%	7%	25%	15%
Third-party distribution	179	220	12%	-15%	-14%	-22%	-14%	4%
Total revenue	4,500	4,172	21%	-5%	13%	-3%	13%	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

In Q1 2021, Pandora took over 22 concept stores in the US from a franchise partner.

Other points of sale is down 352 compared with Q4 2020. The closures was mainly driven by US and Spain. In the US, Pandora closed down approx. 230 Jared accounts, while the closures in Spain is part of a general optimisation of the footprint closing smaller multibrand accounts.

Number of points of sale	Q1 2021	Q4 2020	Q1 2020	Growth Q1 2021 /Q4 2020	Growth Q1 2021 /Q1 2020
Concept stores	2,659	2,690	2,746	-31	-87
- of which Pandora owned ¹	1,394	1,382	1,382	12	12
- of which franchise owned	755	797	845	-42	-90
- of which third-party distribution	510	511	519	-1	-9
Other points of sale	4,050	4,402	4,593	-352	-543

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 REVENUE BY KEY MARKET

The *US market*, Pandora's largest market generating 31% of total revenue in Q1 2021, delivered very strong performance in the quarter. The strong performance was driven by a well-executed Valentines campaign and a continued utilisation of omni-channel features with approx. 10% of online orders being click-&-collect. Pandora decided to increase media investments in the quarter, as consumer sentiment towards discretionary goods is strong and the market was almost fully open in the quarter. The results were encouraging, as Pandora delivered 52% sell-out growth vs 2019, indicating that Pandora continue to increase market share. Demand for discretionary goods in the US, also outside the jewellery sector, is temporarily supported by the stimulus packages.

The *UK market* was challenged by lockdowns. All physical stores were closed throughout the entire quarter. Given these circumstances, Pandora is satisfied with the -16% sell-out growth vs 2019 driven by +400% online growth. Mother's Day in the UK falls on 14 March. Pandora had to plan it as a pure online event and it proved successful as sell-out growth was up 14% vs 2020 in the three weeks of Mother's Day campaign. Furthermore, the strong online business was supported by various digital initiatives, which helped stimulate the online performance. Targeted e-mails proved particularly effective in activating customers.

The *Australian market* was almost fully open throughout Q1 and delivered positive sell-out growth vs 2019 of 5%. The online business did well, generating sell-out growth vs 2019 of around 60%. The strong online performance was further supported by positive sell-out growth in the franchise concept stores, which are located in less touristed areas compared to Pandora owned concept stores. Consumers started to come back to the stores after re-opening with traffic being up double digits vs 2020. The effects of the pandemic is visible in Australia, as tourism has declined significantly and has been replaced by domestic spending.

France, Italy and Germany have all been impacted by closures and social restrictions throughout Q1. Given the circumstances, the negative sell-out growth vs 2019 is satisfactory, not least in Italy where the online business is traditionally limited. The combined underlying sell-out growth in these three markets – adjusted for COVID-19 – is likely to be positive. Online performance continue to improve and all three markets saw +200% sell-out growth vs 2019 online.

Performance in China continued to be unsatisfactory with sell-out decreasing by -48% vs 2019. As previously communicated, the core issue in China is that Pandora is perceived as a mainstream jewellery brand. Consumer perception must be changed to focus on Pandora's key brand strengths. Pandora today separately communicate the highlights of the new strategy, in which China play an important role. Performance in China is not expected to improve in the short term and the benefits of the strategic initiatives are not expected to be visible before next year. As part of repositioning and strengthening the brand, Pandora plan to a) invest significantly in media and b) reduce the level of promotions – both starting in the second half of 2021. China accounted for 6% of revenue in Q1 2021.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKET

DKK million	Q1 2021	Q1 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Organic growth vs 2020	Local currency growth	Share of revenue
UK	587	590	-7%	-16%	1%	1%	13%
Italy	440	452	5%	-11%	-2%	-2%	10%
France	194	241	-15%	-22%	-19%	-19%	4%
Germany	191	179	-16%	-22%	7%	7%	4%
US	1,391	935	81%	52%	62%	64%	31%
Australia	243	193	29%	5%	18%	18%	5%
China	281	212	43%	-48%	35%	35%	6%
Total top-7 markets	3,326	2,800	32%	5%	-	-	74%
Rest of Pandora	1,174	1,371	-4%	-26%	-	-	26%
Total revenue	4,500	4,172	21%	-5%	13%	13%	100%

PROFITABILITY

Solid EBIT margin in a difficult environment - driven by operating leverage

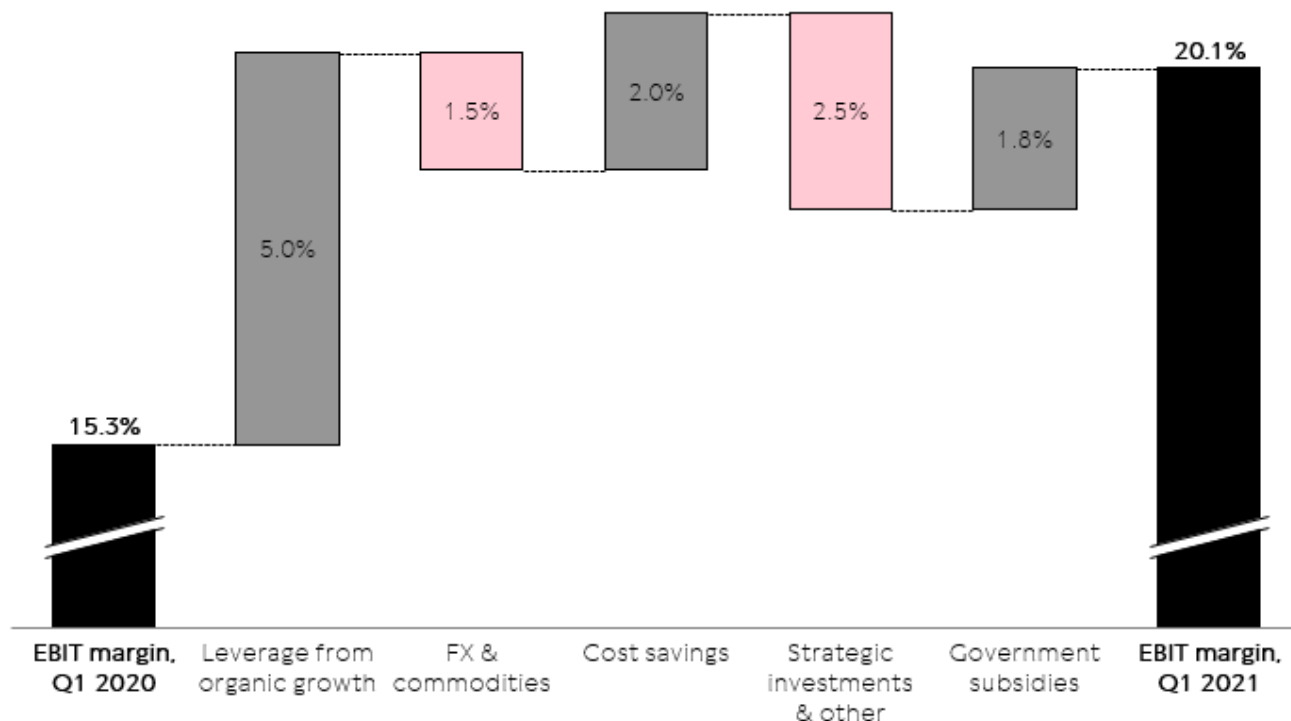
The EBIT margin was 20.1% in Q1 2021, up from 15.3% in Q1 2020. Pandora benefitted from the strong inherent operating leverage in the business, following the 13% organic growth vs last year. Additionally, Pandora has received DKK 82 million in government support in Q1 2021 (mainly UK, Italy and Germany). In Q1 2020, Pandora did not receive any government support.

As previously communicated, cost savings generated as part of Programme NOW has a DKK 350 million impact in 2021 and supported the EBIT margin in Q1 by 2pp. The cost savings were fully reinvested into the business through marketing, data driven, organisational capabilities and other strategic initiatives to support topline growth.

The positive impacts on the EBIT margin was offset by adverse foreign exchange development and rising commodity prices. The adverse impact from foreign exchange rates came mainly from depreciation of the USD against the Danish krone which was partly offset by a positive effect from weakening of the THB. Combined with higher silver and gold prices, it led to a total headwind of -1.5pp. The bigger drag on the EBIT margin in Q1 vs the original full-year guidance is due to an unfavourable impact from FX. At current exchange rates, the full-year impact is expected to be in line with the original full-year guidance.

EBIT-MARGIN DEVELOPMENT

%-p development (approximately)



GROSS MARGIN

In Q1 2021, the gross margin decreased around 1pp to 76.3% compared with 77.4% in Q1 2020 (excluding restructuring cost). The decline was mainly driven by higher silver prices partially offset by favourable foreign exchange development. The negative impact from commodities is expected to gradually increase during 2021.

Additionally, the gross margin is impacted by a number of other factors including a slight drag from channel mix (online growth is a slight drag on gross margin, as the online margin is slightly lower than for O&O stores as freight cost is recognised in cost of sales). Gross margin was on the other hand positively impacted by both less discounts in Q1 2021 vs Q1 2020, as the end of season sale was significantly lower this year, as well as by the cost reduction program.

COST OF SALES AND GROSS PROFIT

DKK million	Q1 2021	Q1 2020	Growth	Share of revenue Q1 2021	Share of revenue Q1 2020
Revenue	4,500	4,172	8%	100.0%	100.0%
Cost of sales	-1,065	-942	13%	-23.7%	-22.6%
Gross profit excl. restructuring costs	3,436	3,230	6%	76.3%	77.4%
Restructuring costs	-	-86	-100%	-	-2.1%
Gross profit incl. restructuring costs	3,436	3,144	9%	76.3%	75.4%

OPERATING EXPENSES

Total operating expenses was DKK 2,533 million in Q1 2021, up 1% compared to Q1 2020 in constant foreign exchange rates. Sales and distribution expenses decreased 4% in constant foreign exchange rates, mainly driven by government support programmes of DKK 82 million. Marketing expenses increased by 5% in constant foreign exchange rates. Pandora has deliberately continued its efforts to drive relevance of the brand and increase brand awareness. Pandora continue to invest in digital marketing activities to drive traffic online, while at the same time assure to be top of mind with consumers when the stores reopen. Administrative expenses increased by 16% in constant foreign exchange rates following the investment Pandora has made into significantly lifting organisational capabilities as part of the strategic reorganisation in Q2 last year (HR and people development, CCO organisation, merchandising, network management, Digital Hub etc.).

OPERATING EXPENSES

DKK million	Q1 2021	Q1 2020	Growth	Share of revenue Q1 2021	Share of revenue Q1 2020
Sales and distribution expenses	-1,471	-1,594	-8%	32.7%	38.2%
Marketing expenses	-578	-570	1%	12.8%	13.7%
Administrative expenses	-484	-428	13%	10.8%	10.3%
Total operating expenses excl. restructuring costs	-2,533	-2,592	-2%	56.3%	62.1%
Restructuring costs	-	-348	-100%	-	8.4%
Total operating expenses incl. restructuring costs	-2,533	-2,940	-14%	56.3%	70.5%

FINANCIAL EXPENSES AND TAX

Net financial expenses ended well below last year. Q1 2020 was impacted by unrealised foreign exchange rate losses on intercompany balances. The effective tax rate was well in line with guidance and in line with last year.

CASH FLOW & BALANCE SHEET

Net working capital remain negative despite inventory built up

The net working capital remained strong and ended at -0.4% of last 12 months revenue in Q1 2021 compared with -7.6% in Q4 2020 and 0.0% in Q1 2020. As communicated in the Q4 2020 announcement, Pandora ended 2020 with unsustainable low inventory. Pandora decided to build up inventory by around DKK 0.4 billion in Q1 in order to decrease the risk of disruptions in the supply chain as well as decrease the risk of stock-outs. Furthermore Trade payables has decreased by approx. DKK 0.9 billion compared to Q4 2020, partly due to normal seasonality and partly due to the fact that the final one-off restructuring costs related to Programme NOW have been paid. Trade receivables is partially offsetting above, as trade receivables declined DKK 0.3 billion and wholesale Days Sales Outstanding (DSO) remained healthy and stayed close to the historical low at 25 days. Total DSO, including retail receivables was 12 days by the end of March, down from 23 days last year.

Free cash flow incl. lease payments ended at DKK -0.6 billion corresponding to a cash conversion of -65% in Q1 2021 compared to -134% in Q1 2020. The free cash flow incl. lease payments was negatively impacted by the working capital movements mentioned above. CAPEX in the quarter remained relatively low at 2% of revenue partially due to postponement of certain projects due to COVID-19 lockdowns.

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

Share of preceding 12 months' revenue	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Inventories	12.3%	10.3%	13.7%	11.6%	10.1%
Trade receivables	3.1%	4.6%	3.2%	3.1%	5.1%
Trade payables	-11.8%	-16.9%	-12.7%	-11.9%	-11.0%
Other net working capital elements	-4.0%	-5.6%	-4.2%	-4.2%	-4.2%
Total	-0.4%	-7.6%	0.0%	-1.5%	0.0%

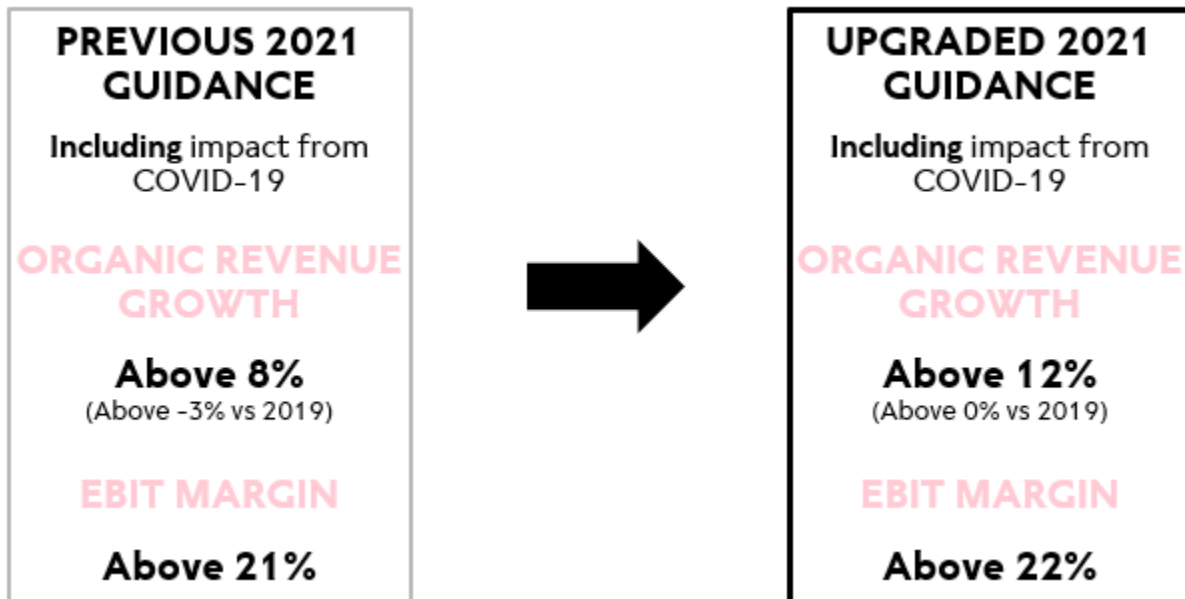
NIBD to EBITDA excl. restructuring costs was 0.6x by the end of March, in the low end of the capital structure policy (NIBD to EBITDA between 0.5 and 1.5x). After the end of the quarter, Pandora has successfully refinanced its DKK 7 billion (EUR 950 million) Revolving Credit Facilities at competitive terms. The margin on the loan is linked to Pandora's sustainability targets to be carbon neutral and to use recycled metals only by 2025. During April 2021, Pandora has also prepaid the DKK 3 billion Club Deal which was put in place in early 2020 as a precautionary measure when the pandemic broke out. As of today, available liquidity amounts to approximately DKK 7 billion.

Pandora continue to hold a strong liquidity position and is well positioned for the continued elevated uncertainty related to COVID-19 and has decided to re-initiate cash distribution to shareholders, see section below.

FINANCIAL GUIDANCE

GUIDANCE FOR 2021 UPGRADED

Based on the strong start to 2021 and an updated full-year forecast, the financial guidance for 2021 is upgraded to “organic growth above 12%” (previously “above 8%”) and EBIT margin “above 22%” (previously “above 21%”).



The launch of the new strategy, Phoenix, and the launch of Pandora Brilliance (separate press release) is incorporated into the updated 2021 financial guidance, but would in itself not have had any material impact on the original 2021 financial guidance.

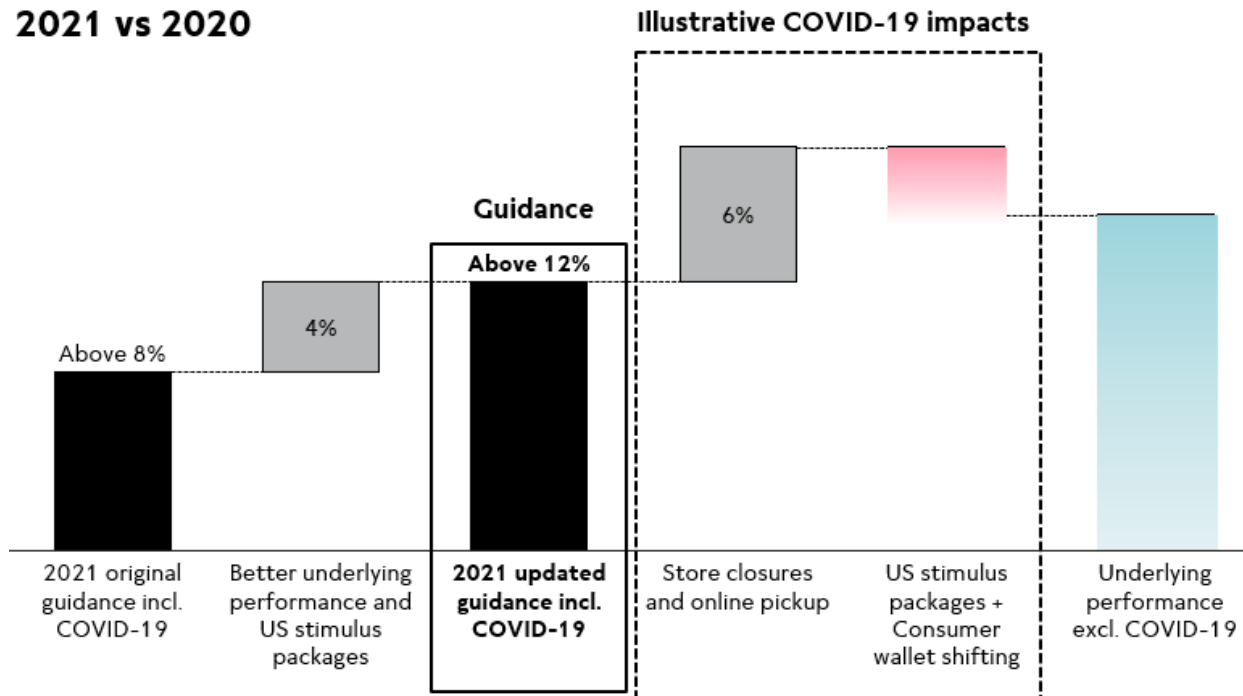
REVENUE GUIDANCE

The revenue guidance is upgraded to organic growth “above 12%” (previously “above 8%”), driven by the US stimulus packages as well as stronger underlying performance. An organic growth of “above 12%” vs 2020 correspond to an organic growth expectation of “above 0%” vs 2019.

COVID-19 continues to create an elevated level of uncertainty on the guidance. The expected full-year impact on organic growth from COVID-19 is unchanged compared to the original guidance at -6pp, but with a different phasing. In the original guidance, COVID-19 was assumed to impact mainly H1 2021. The updated guidance is based on the assumption that 20-25% of the stores will be temporarily closed during the first half of 2021 and 5-10% in the second half. The -6pp impact only includes the COVID-19 impact on closed stores and an assumed level of pick-up in the online business. It does not include the temporary impact from US support packages.

The combination of COVID-19 impact in both 2021 and 2020 may create significant quarterly swings in revenue growth vs 2020 in certain markets.

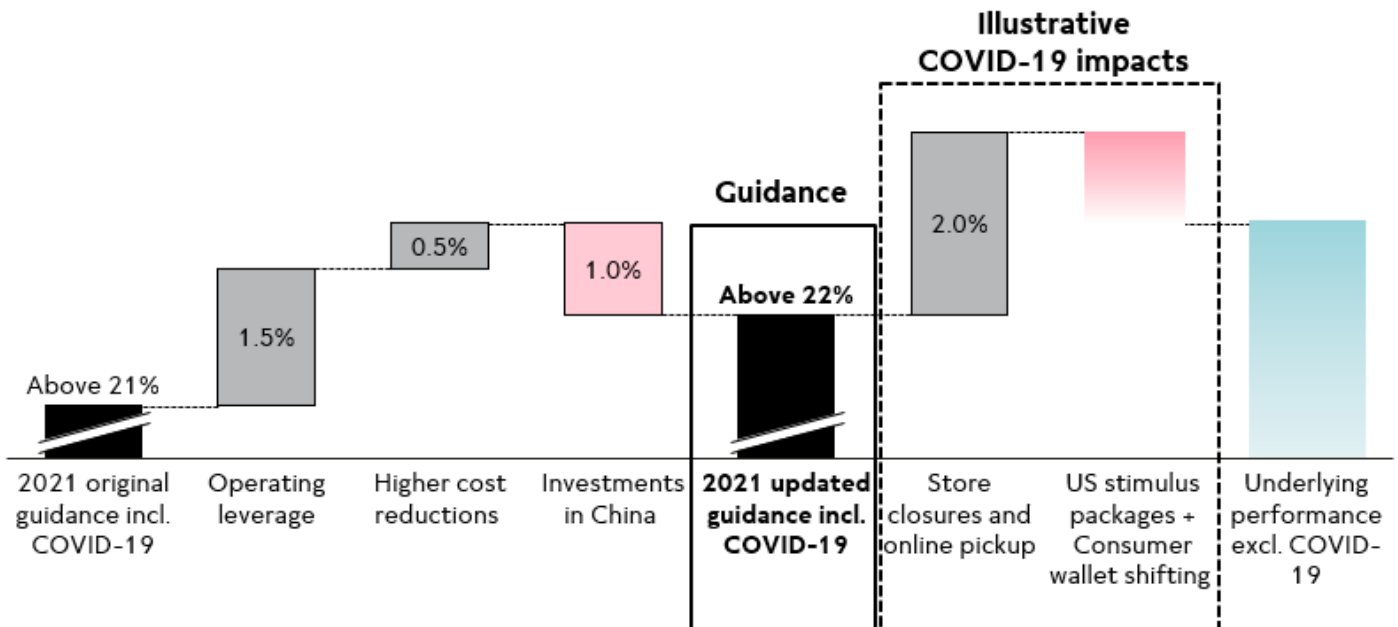
2021 vs 2020



PROFITABILITY GUIDANCE

The EBIT margin guidance is upgraded to “above 22%” (previously “above 21%”), driven by operating leverage from expected higher growth. This is partly offset by marketing investments in China, as Pandora take the first significant steps in the China transformation by investing in a repositioning of the brand.

%-points approximations



2021 GUIDANCE - OTHER PARAMETERS

Other parameters are unchanged from the original guidance. CAPEX for the year is expected to be in the range of DKK 1.0-1.2 billion. This includes investments in Pandora's physical stores, the crafting facilities in Thailand as well as digitalisation and technology. No major changes to the overall concept store network are expected in 2021. The effective tax rate is expected to be 22-23%, in line with 2020.

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

At the end of March 2021, Pandora's leverage continued to be in the low end of the capital structure policy at 0.6x NIBD to EBITDA. The capital structure policy remains unchanged at 0.5-1.5x NIBD to EBITDA. The leverage would, everything else being equal and in the absence of cash distribution, likely be close to zero at the end of 2021. At the Annual General Meeting on 11 March 2021, Pandora's shareholders granted the authority to the Board of Directors to pass one or more resolutions to distribute extraordinary dividends of up to a total of DKK 15 per share. Given the strong performance in Q1, the ample liquidity and low leverage in combination with the successful refinancing of its Revolving Credit Facilities, Pandora has decided to re-initiate distributions to its shareholders. During the next three months, up to DKK 1 billion will be distributed through a combination of extraordinary dividend of DKK 5 per share, that will be paid on 18 May 2021, and share buyback of up to DKK 500 million.

Assuming no significant worsening of COVID-19, it is Pandora's intention to initiate further cash distribution programmes in Q3 and Q4 2021.

FOREIGN EXCHANGE ASSUMPTIONS AND IMPLICATIONS

FX ASSUMPTIONS AND IMPLICATIONS	Average 2020	27 April 2021	
	FX Rates	FX Rates	2021 Y-Y Financial Impact
USD/DKK	6.5422	6.1516	
THB/DKK	0.2091	0.1961	
GBP/DKK	8.3890	8.5575	
CNY/DKK	0.9476	0.9488	
AUD/DKK	4.5069	4.7872	
REVENUE (DKKm)			-250 to -300
EBIT (DKKm)			~75
EBIT margin			~-0,5%

SUSTAINABILITY

Today, Pandora has released its Sustainability Report 2020. In the report, progress against Pandora's sustainability targets has been provided. The targets are:

- Set a science-based target to reduce carbon emissions across our full value chain by 2021
- Be carbon neutral in our own operations by 2025
- Use 100% renewable energy at our crafting facilities by 2020
- Use only recycled silver and gold in our jewellery by 2025
- Develop strategy for inclusion and diversity to further advance equality in and beyond our company

In Q1, Pandora finalised preparations to facilitate limited assurance to be provided by the Company's auditor over its full greenhouse gas emissions, covering its own operations (Scope 1 and 2 emissions) and the rest of the value chain (Scope 3 emissions). We also began formulating our science based target, by engaging with suppliers and business units from across the company to better understand opportunities to reduce our emissions and solidify Pandora's commitment to mitigating climate change risks.

We continue to work to reduce waste usage at our crafting facilities and in 2020, 90% of all waste at our crafting facilities was recycled.

Since 2019, Pandora has been working together with UNICEF to support young voices and improving access to quality learning opportunities. As part of our collaboration, this month we released a limited-edition blue dreamcatcher charm highlighting the importance of one of UNICEF's programmes in Guatemala. For every Pandora for UNICEF charm sold between 4 March 2021 and 4 June 2021, Pandora will donate EUR 15 of the purchase price per charm to UNICEF's work for children and young people, including education, gender equality, rights awareness, personal empowerment and civic engagement programmes.

OTHER EVENTS

OTHER IMPORTANT EVENTS IN Q1 2021 AND AFTER THE REPORTING PERIOD

After the end of Q1 2021, Pandora has successfully refinanced its DKK 7 billion (EUR 950 million) Revolving Credit Facilities at competitive terms. The margin on the loan is linked to Pandora's sustainability targets to be carbon neutral and to use recycled metals only by 2025. Pandora has also prepaid the DKK 3 billion Club Deal.

FINANCIAL CALENDAR 2021

The financial calendar lists the expected dates of publication of financial announcements

17 August 2021	Interim Financial Report for the second quarter/first six months of 2021
14 September 2021	Capital Markets Day
03 November 2021	Interim Financial Report for the third quarter/first nine months of 2021

CONTACT

CONFERENCE CALL

An extended 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 one hour before the call.

The following numbers can be used by investors and analysts:

DK: +45 35 44 55 77

UK (International): +44 33 33 000 804

US: +1 631 913 1422

Please use PIN: 526 45 052#

Link to webcast: <https://streams.eventcdn.net/pandora/2021q1>

ABOUT PANDORA

Pandora designs, manufactures and markets hand-finished and contemporary jewellery made from high-quality materials at affordable prices. Pandora jewellery is sold in more than 100 countries on six continents through more than 6,700 points of sale, including more than 2,600 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, Pandora employs around 26,000 people worldwide of whom more than 11,400 are located in Thailand, where the Company manufactures its jewellery. Pandora is publicly listed on the Nasdaq Copenhagen stock exchange in Denmark. In 2020, Pandora's total revenue was DKK 19.0 billion.

For more information, please contact:

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q1 2021	Q1 2020	FY 2020
Revenue	3,4	4,500	4,172	19,009
Cost of sales		-1,065	-1,028	-4,634
Gross profit		3,436	3,144	14,375
Sales, distribution and marketing expenses		-2,049	-2,254	-9,155
Administrative expenses		-484	-687	-2,536
Operating profit		903	204	2,684
Finance income		17	18	316
Finance costs		-109	-252	-507
Profit before tax		811	-30	2,494
Income tax expense		-182	7	-556
Net profit for the period		628	-24	1,938
Earnings per share, basic, DKK		6.3	-0.3	20.0
Earnings per share, diluted, DKK		6.3	-0.3	19.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q1 2021	Q1 2020	FY 2020
Net profit for the period	628	-24	1,938
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate adjustments of investments in subsidiaries	178	-217	-609
Fair value adjustment of hedging instruments	-384	-179	206
Tax on other comprehensive income, hedging instruments, income/expense	77	43	-13
Items that may be reclassified to profit/loss for the period, net of tax	-129	-353	-416
Items not to be reclassified to profit/loss for the period			
Actuarial gain/loss on defined benefit plans, net of tax	-	-	6
Items not to be reclassified to profit/loss for the period, net of tax	-	-	6
Other comprehensive income, net of tax	-129	-353	-410
Total comprehensive income for the period	499	-377	1,528

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2021 31 March	2020 31 March	2020 31 December
ASSETS				
Goodwill	10	4,369	4,352	4,247
Brand		1,057	1,057	1,057
Distribution		1,103	1,133	1,110
Other intangible assets		517	781	529
Total intangible assets		7,046	7,324	6,943
Property, plant and equipment		1,978	2,381	2,054
Right-of-use assets	11	2,888	3,529	3,007
Deferred tax assets		734	706	764
Other financial assets		238	279	244
Total non-current assets		12,883	14,218	13,012
Inventories		2,373	2,155	1,949
Trade receivables	8	602	1,081	870
Right-of-return assets		55	60	62
Derivative financial instruments	6,7	133	221	351
Income tax receivable		109	476	83
Other receivables		818	780	745
Cash		2,239	537	2,912
Total current assets		6,328	5,310	6,972
Total assets		19,211	19,529	19,984
EQUITY AND LIABILITIES				
Share capital		100	100	100
Treasury shares		-92	-2,386	-93
Reserves		630	813	750
Retained earnings		7,303	5,105	6,632
Total equity		7,940	3,632	7,389
Provisions		413	278	370
Loans and borrowings	11	1,974	5,840	2,066
Deferred tax liabilities		279	155	368
Total non-current liabilities		2,666	6,272	2,804
Provisions		30	40	29
Refund liabilities		587	643	654
Contract liabilities		89	62	82
Loans and borrowings	11	3,999	4,833	3,996
Derivative financial instruments	6,7	274	368	119
Trade payables		2,285	2,337	3,211
Income tax payable		406	437	382
Other payables		933	905	1,317
Total current liabilities		8,605	9,625	9,790
Total liabilities		11,271	15,897	12,595
Total equity and liabilities		19,211	19,529	19,984

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging Reserve	Dividend proposed	Retained earnings	Total equity
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
2020							
Equity at 1 January	100	-1,964	1,112	54	836	5,110	5,249
Net profit for the period	-	-	-	-	-	-24	-24
Other comprehensive income, net of tax	-	-	-213	-140	-	-	-353
Total comprehensive income for the period	-	-	-213	-140	-	-24	-377
Share-based payments	-	9	-	-	-	7	16
Purchase of treasury shares	-	-431	-	-	-	-	-431
Dividend paid	-	-	-	-	-836	11	-825
Equity at 31 March	100	-2,386	899	-86	-	5,105	3,632

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q1 2021	Q1 2020	FY 2020
Operating profit		903	204	2,684
Depreciation and amortisation		514	530	2,315
Share-based payments		42	18	70
Change in inventories		-355	-139	-96
Change in receivables		234	696	869
Change in payables and other liabilities		-1,441	-880	724
Other non-cash adjustments		3	-252	-155
Interest etc. received		-	1	3
Interest etc. paid		-61	-47	-247
Income taxes paid		-155	-76	-192
Cash flows from operating activities, net		-316	55	5,975
Acquisitions of subsidiaries and activities, net of cash acquired	9	-14	-5	-12
Purchase of intangible assets		-50	-34	-130
Purchase of property, plant and equipment		-60	-82	-374
Change in other non-current assets		6	-1	19
Proceeds from sale of property, plant and equipment		-	-2	13
Cash flows from investing activities, net		-117	-124	-484
Acquisitions of non-controlling interests		-	-	-42
Dividend paid		-	-826	-825
Purchase of treasury shares		-	-431	-431
Sale of treasury shares		-	-	1,778
Proceeds from loans and borrowings		-	2,876	5,861
Repayment of loans and borrowings		-29	-1,785	-9,073
Repayment of lease commitments		-226	-253	-839
Cash flows from financing activities, net		-256	-419	-3,571
Net increase/decrease in cash		-689	-488	1,920
Cash at beginning of period ¹		2,912	1,054	1,054
Exchange gains/losses on cash		15	-29	-62
Net increase/decrease in cash		-689	-488	1,920
Cash at end of period¹		2,239	537	2,912
Cash flows from operating activities, net		-316	55	5,975
- Interests etc. received		-	-1	-3
- Interests etc. paid		61	47	247
Cash flows from investing activities, net		-117	-124	-484
- Acquisition of subsidiaries and activities, net of cash acquired		14	5	12
Free cash flow Incl. IFRS 16 (excluding repayment of lease commitments)		-359	-19	5,747
Free cash flow excl. IFRS 16 (including repayment of lease commitments)		-586	-272	4,908
Unutilised committed credit facilities		6,998	4,170	6,998

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.

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 2021. The new or revised Standards and Interpretations did not affect recognition and measurement or result in any material changes to disclosures. The accounting policies applied are consistent with the accounting policies set out in the Annual Report 2020.

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 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 statement in the Annual Report 2020.

NOTE 2 – Significant accounting estimates and judgements

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

All significant accounting estimates and judgements are consistent with the description in the Annual Report 2020 to which we refer.

Due to COVID-19 outbreak and the limited visibility of the impact, Pandora will continue assessing the value of the assets and relevant contracts, especially in case of new material lockdowns.

For information on liquidity risk, please refer to note 6.

NOTE 3 – Segment information

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

The operating activities of the Group are divided into two operating segments: Moments and Collabs as well as Style and Upstream Innovation. This structure was implemented as part of Pandora's reorganisation in Q2 2020. The comparative figures for Q1 2020 have been restated to reflect the new segments.

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

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

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 2021			
Revenue	3,124	1,377	4,500
Cost of sales	-768	-297	-1,065
Gross profit	2,356	1,080	3,436
Operating expenses			-2,533
Consolidated operating profit (EBIT)			903
Profit margin (EBIT margin)			20.1%
Q1 2020			
Revenue	2,830	1,342	4,172
Cost of sales	-700	-328	-1,028
Gross profit	2,130	1,014	3,144
Operating expenses			-2,940
Consolidated operating profit (EBIT)			204
Profit margin (EBIT margin)			4.9%
Restructuring costs			-435
Profit margin (EBIT margin) excl. restructuring costs			15.3%

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q1 2021	Q1 2020	Growth in local currency	FY 2020
UK	587	590	1%	2,960
Italy	440	452	-2%	2,021
France	194	241	-19%	1,154
Germany	191	179	7%	1,014
US	1,391	935	64%	4,505
Australia	243	193	18%	1,120
China	281	212	35%	1,261
Total top-7 markets	3,326	2,800	-	14,036
Rest of Pandora	1,174	1,371	-	4,973
Total revenue	4,500	4,172	13%	19,009

NOTE 4 – Revenue from contracts with customers

REVENUE BY CHANNEL

DKK million	Q1 2021	Q1 2020	Growth in local currency	FY 2020
Retail physical stores ¹	1,539	2,001	-19%	7,943
Retail online stores	1,417	621	136%	5,483
Wholesale and third-party distribution	1,544	1,549	5%	5,583
Total revenue	4,500	4,172	13%	19,009

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

REVENUE BY GLOBAL BUSINESS UNITS

DKK million	Q1 2021	Q1 2020	Growth in local currency	FY 2020
Moments and Collabs	3,124	2,830	15%	13,059
Style and Upstream innovation	1,377	1,342	7%	5,950
Total revenue¹	4,500	4,172	13%	19,009

REVENUE BY PRODUCT CATEGORY

DKK million	Q1 2021	Q1 2020	Growth in local currency	FY 2020
Charms	2,278	2,124	12%	9,646
Bracelets	857	799	13%	3,751
Rings	724	663	15%	2,774
Earrings	298	270	15%	1,319
Necklaces & Pendants	343	315	14%	1,519
Total revenue¹	4,500	4,172	13%	19,009
Goods transferred at a point in time	4,485	4,155		18,939
Services transferred over time	16	17		70
Total revenue	4,500	4,172		19,009

¹ Figures include franchise fees etc. of DKK 21 million in Q1 2021 (Q1 2020 DKK 24 million, FY 2020 DKK 129) which are allocated to the product categories.

Following Pandora's strategic reorganisation our Global Business Unit structure constitutes a fundamental part in our new strategy, thus information on *revenue by GBU collection structure* will replace *revenue by product category* in Q2 and onwards.

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 5 – Seasonality of operations

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

NOTE 6 – Financial risks

Pandora's overall risk exposure and financial risks, including risks related to commodity prices, foreign currency, credit, liquidity and interest rates, are described in the disclosures in note 4.4 in the consolidated financial statements in the Annual Report 2020.

When COVID-19 forced many countries into lockdowns during early Spring 2020, Pandora decided to take a prudent approach and build further liquidity reserves. The liquidity risk was mitigated by the establishment of a new Club Deal amounting to DKK 3 billion and the sale of 8 million Treasury shares in May 2020 (DKK 1.8 billion net proceeds). An overview of the current committed facilities can be seen below.

In case the pandemic continues for an extended period and results in renewed major lockdowns or otherwise materially impacts consumer demand, this will obviously impact the financial risks facing Pandora, including liquidity and credit risks. Having said that, it should be noted that Pandora has material liquidity reserves and can withstand a global lockdown of the majority of physical stores even if it might continue throughout 2021.

Current outstanding committed loan facilities (end of March 2021)

	Amount (DKK million)	Maturity date	Drawn amount (DKK million)
Revolving Credit Facilities	6,998	May 2022	0
Club Deal	2,975	December 2021	2,975
Total	9,973		2,975

Revolving Credit Facilities were refinanced in April with a DKK 7 billion sustainability-linked facility where the margin on the loan is linked to Pandora's sustainability targets to be carbon neutral and to use recycled metals only by 2025. The facility will be part of the company's liquidity reserve and has an initial five-year term, which may be extended by an additional two years. Pandora has also prepaid the DKK 3 billion Club Deal due to a strong liquidity position. As of today, available liquidity amounts to approximately DKK 7 billion.

NOTE 7 – Derivative financial instruments

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

See note 4.5 to the consolidated financial statement in the Annual Report 2020.

NOTE 8 – Trade receivables

DKK million	2021	2020
	31 March	31 December
Receivables related to third-party distribution and wholesale	435	600
Receivables related to retail revenue sales	167	270
Total trade receivables	602	870

NOTE 9 – Business combinations

Pandora took over 22 concept stores in the US in the period 1 January – 31 March 2021. Net assets taken over mainly consists of non-current assets (DKK 41 million) and liabilities (DKK 40 million) relating to the stores. The total purchase price was DKK 14 million and the purchase price allocations have not yet been finalised at the time of reporting. Outstanding items are considered immaterial.

Acquisitions after the reporting period

No significant acquisitions took place after the reporting period.

NOTE 10 – Goodwill

DKK million	2021	2020
	31 March	31 December
Cost at 1 January	4,247	4,416
Acquisition of subsidiaries and activities in the period	13	2
Exchange rate adjustments	109	-170
Cost at the end of the period	4,369	4,247

No impairment indication was identified based on the information regarding the market and the forecast. The latest impairment test that was carried out in 2020 is still considered to include sufficient headroom.

NOTE 11 – Assets and liabilities related to leases

Amounts recognised in the balance sheet:

RIGHT-OF-USE-ASSETS

DKK million	2021	2020
	31 March	31 December
Property	2,858	2,975
IT	4	5
Cars	16	18
Other	9	10
Total right-of-use assets	2,888	3,007

Out of the total decrease of DKK 0.1 billion in right-of-use-assets in the period 1 January – 31 March 2021, the DKK 0.2 billion relates to depreciation and currency exchange movement, partially offset by a net increase of DKK 0.1 billion as a result of renewals of lease contracts.

LEASE LIABILITIES

DKK million	2021	2020
	31 March	31 December
Non-current	1,974	2,066
Current	1,024	993
Total lease liabilities	2,998	3,059

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

Amounts recognised in the income statement:

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

DKK million	1 January – 31 March 2021	1 January – 31 March 2020
Property	293	274
Cars	3	3
Other	1	2
Total depreciation on right-of-use assets for the period	297	278

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 31 March 2021	1 January – 31 March 2020
Interest expense	-24	-24
Total interest for the period	-24	-24

Costs recognised in the period for short term and low value leases were DKK 12 million (2020 Q1: DKK 7 million). Expenses are recognised on a straight line basis.

Total cash outflow relating to leases was DKK 312 million (2020 Q1: DKK 330 million) for the period. This comprises of fixed lease payments in scope of IFRS 16 in amount of DKK 226 million (2020 Q1: DKK 253 million), variable lease payments in amount of DKK 50 million (2020 Q1: DKK 48 million), interest paid of DKK 24 million (2020 Q1: DKK 22 million) and short term and low value leases of DKK 12 million (2020 Q1: DKK 7 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 has been negotiated and agreed with landlords and deferred by approximately DKK 67 million. In addition, Pandora has received rent concessions from landlords in Q1 2021 amounting to DKK 16 million.

Pandora decided to apply the practical expedient for all contracts with rent concessions occurring as a direct consequence of COVID-19 and where it meets all conditions of the practical expedient. The amendments to IFRS 16 are described in the note 1.2 in the Annual Report 2020.

As a result, rent concessions have been recognised in the profit and loss statement in Q1 2021 amounting to DKK 16 million under Sales and Distribution expenses.

Overall financing cash flow is positively impacted by DKK 83 million due to rent relief and rent deferrals.

NOTE 12 – Contingent liabilities

Reference is made to note 5.1 to the consolidated financial statements in the Annual Report 2020.

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, OTHER POINTS OF SALE DEVELOPMENT

	Q1 2021	Q4 2020	Q1 2020	Growth Q1 2021 / Q4 2020	Growth Q1 2021 / Q1 2020
Other points of sale (retail)	253	235	225	18	28
Other points of sale (wholesale)	3,243	3,602	3,746	-359	-503
Other points of sale (third-party)	554	565	622	-11	-68
Other points of sale, total	4,050	4,402	4,593	-352	-543

NOTE 15 – 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 Q1 2021 / Q4 2020	Growth Q1 2021 / Q1 2020	Number of concept stores O&O	Growth O&O stores Q1 2021 / Q4 2020	Growth O&O stores Q1 2021 / Q1 2020
	Q1 2021	Q4 2020	Q1 2020			Q1 2021	/ Q4 2020	/ Q1 2020
UK	216	217	222	-1	-6	138	-1	12
Italy	146	146	146	-	-	107	-	-
France	120	121	121	-1	-1	76	-1	-1
Germany	137	138	141	-1	-4	134	-	-1
US	391	403	403	-12	-12	179	25	23
Australia	123	122	126	1	-3	39	1	1
China	228	234	238	-6	-10	216	-6	-11
All markets	2,659	2,690	2,746	-31	-87	1,394	12	12

¹Includes 7 key markets measured on revenue for FY 2020. All markets with 10 or more concept stores can be found in the Excel appendix uploaded on www.pandoragroup.com

NOTE 16 – 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-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 2-4 months.

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

	Realised in Q1 2021	Hedged Q2 2021	Hedged Q3 2021	Hedged Q4 2021	Hedged Q1 2022
USD / OZ					
Gold price	1,673	1,991	1,848	1,794	1,815
Silver price	22.22	21.72	24.65	25.31	26.84
Commodity hedge ratio, %	Realised	70-100%	70-90%	50-70%	30-50%

Pandora increased its hedge ratio of silver during the COVID-19 pandemic where the silver prices were very low. Pandora has since reduced the hedge position at a gain of DKK 49 million which will impact production, mainly in Q1 2021 and Q2 2021 with a time-lag from use in production to impact on Cost of sales of 2-4 months. Of the DKK 49 million, DKK 14 million matured in Q1 2021. This gain is not reflected in the hedging purchase prices in the table above.

NOTE 17 – Subsequent events

Other than as described in “Other events” in the Management review, Pandora is not aware of events after 31 March 2021, which are expected to materially impact the Group’s financial position.

QUARTERLY OVERVIEW

DKK million	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Key financial highlights					
Organic growth, %	13%	4%	-5%	-38%	-14%
Organic growth, % vs 2019	-3%	n/a	n/a	n/a	n/a
Sell-out growth incl. temporarily closed stores, %	21%	1%	-2%	-39%	-17%
Sell-out growth incl. temporarily closed stores, % vs 2019	-5%	n/a	n/a	n/a	n/a
Gross margin, % ¹	76.3%	75.7%	78.1%	74.9%	77.4%
EBIT margin, %¹	20.1%	31.8%	17.2%	1.1%	15.3%
Consolidated income statement					
Revenue	4,500	7,891	4,070	2,876	4,172
Earnings before interests, tax, depreciations and	1,416	2,896	1,045	325	733
Operating profit (EBIT)	903	2,212	467	-198	204
Net financials	-92	96	-24	-28	-234
Net profit for the period	628	1,794	343	-175	-24
Financial ratios					
Revenue growth, DKK, %	8%	-1%	-8%	-39%	-13%
Revenue growth, local currency, %	13%	4%	-5%	-38%	-14%
Gross margin, %	76.3%	75.4%	78.2%	73.0%	75.4%
EBITDA margin, %	31.5%	36.7%	25.7%	11.3%	17.6%
EBIT margin, %	20.1%	28.0%	11.5%	-6.9%	4.9%
Effective tax rate, %	22.5%	22.3%	22.5%	22.5%	22.5%
Equity ratio, %	41%	37%	30%	29%	19%
NIBD to EBITDA, excl. restructuring costs ² , x	0.6	0.5	1.1	1.1	1.3
Return on invested capital (ROIC) ² , %	29%	25%	22%	16%	22%
Cash conversion incl. lease payments (excl. IFRS 16), %	-65%	171%	98%	n/a	-134%
Net working capital, % of last 12 months revenue	-0.4%	-7.6%	0.0%	-1.5%	0.0%
Stock ratios					
Total payout ratio (incl. share buyback) ³ , %	-	-	-	-	n/a
Consolidated balance sheet					
Total assets	19,211	19,984	18,932	18,859	19,529
Invested capital	11,675	10,540	12,544	12,864	13,810
Net working capital	-76	-1,447	5	-286	10
Net interest-bearing debt (NIBD)	3,735	3,151	6,862	7,391	10,178
Equity	7,940	7,389	5,682	5,473	3,632
Consolidated statement of cash flow					
Cash flow from operating activities	-316	4,062	776	1,082	55
Capital expenditure (CAPEX), DKK million	88	124	117	121	129
Capital expenditure, tangible assets (CAPEX), DKK million	35	78	97	100	94
Free cash flow incl. lease payments (excl. IFRS 16), DKK	-586	3,780	457	943	-272

¹2019 and 2020 numbers are excluding Programme NOW restructuring costs.

²Ratios are based on 12 months' rolling EBITDA and EBIT, respectively.

³Excluding sale of Treasury shares amounting to DKK 1.8 billion in Q2 2020.

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 2021. 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 2021 and of the results of the Pandora Group's operations and cash flows for the period 1 January – 31 March 2021.

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, 04 May 2021

EXECUTIVE MANAGEMENT

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

BOARD

Peter A. Ruzicka
Chair

Christian Frigast
Deputy Chair

Birgitta Stymne Göransson

Catherine Spindler

Heine Dalsgaard

Isabelle Parize

Jan Zijderveld

Marianne Kirkegaard

DISCLAIMER

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

