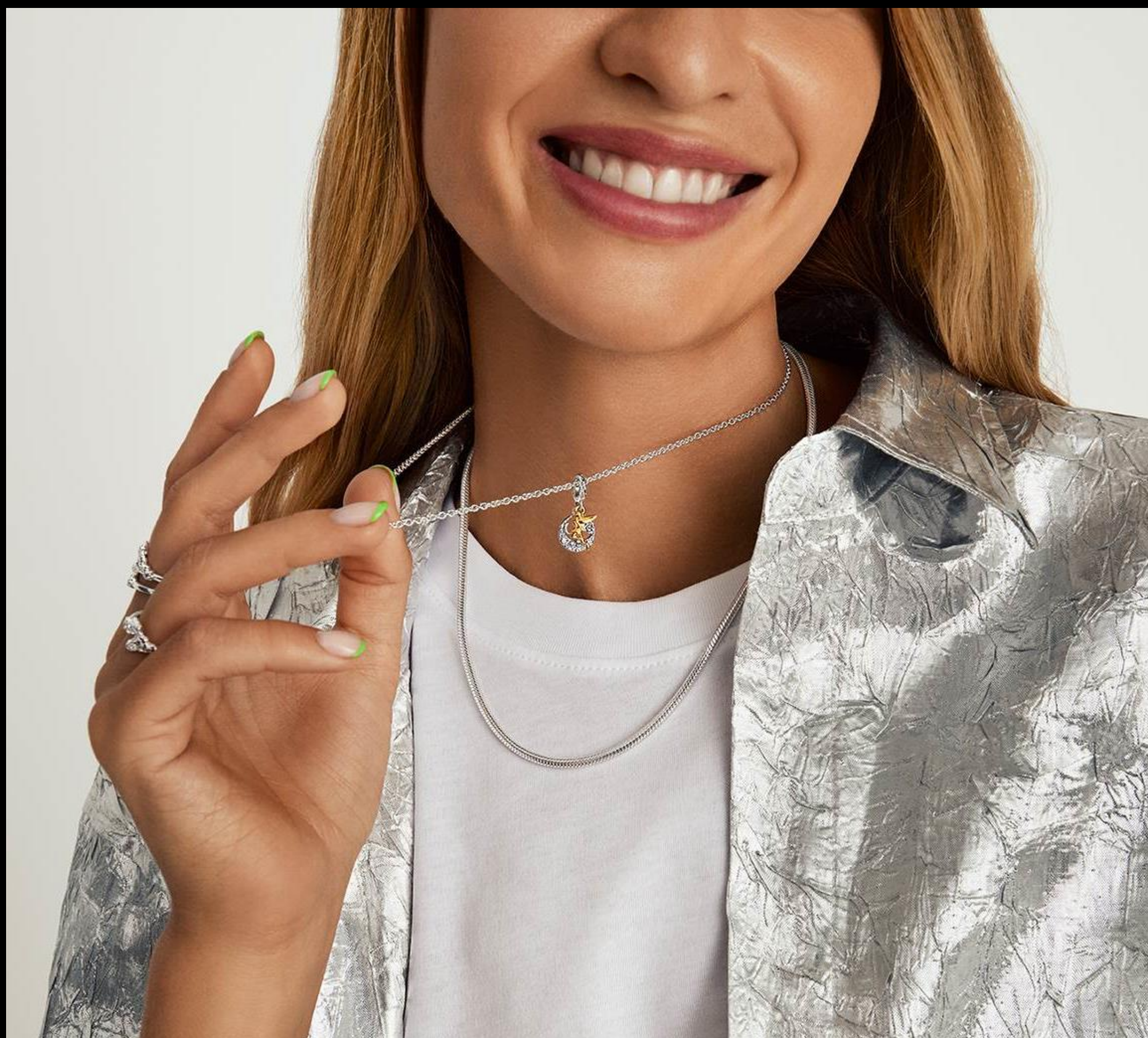

INTERIM FINANCIAL REPORT
Q4 2022

8 February 2023 | Company Announcement No. 767

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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.

Full year results at the high-end of the guidance

- Strong brand drives resilient growth

Financial highlights

- Full year organic growth ended at 7% (guidance 4-6%) and the EBIT margin at 25.5% (guidance 25-25.5%).
- Q4 2022 organic growth of 4% (19% vs Q4 2019) comprising of sell-out growth of -1% (negatively impacted by the fire in the European Distribution Center by roughly 1pp) and network expansion of +4%.
- Brand shows good resilience in macroeconomic uncertainty; US sell-out growth improves sequentially to -7%, Europe resilient at +2% sell-out growth despite some pockets of macro-driven consumer weakness.
- Gross margin +0.5pp vs Q4 2021, reflecting good discipline despite a heavily promotional external environment. The EBIT margin in Q4 2022 was 32.5%, an increase of 2.8pp vs. Q4 2021 with good cost control.
- Leverage remains low with NIBD to EBITDA at 0.8x. Pandora has a strong liquidity and funding position.
- Proposed dividend of DKK 16 per share and a new share buyback program of DKK 2.4 billion until 30 June with an intention to go up to DKK 5.0 billion assuming no material deterioration in the macroeconomic climate.

Phoenix strategy highlights

- Pandora continues to make good progress on its Phoenix strategy; Moments delivered flat sell-out growth vs Q4 2021, underpinning its resilience and position as a leading product category in jewellery.
- Prices successfully adjusted in Q4 2022 (4% on average) with positive financial impact.
- Diamonds by Pandora launch in North America tracking as planned. New collections planned for 2023 with further geographical expansion.
- Pandora reduced total greenhouse gas emissions (scope 1, 2 and 3) by 6% vs. 2019 baseline, on track to halve emissions by 2030. 61% of all silver and gold came from recycled sources, on track towards 100% by 2025.

2023 outlook and current trading

- Pandora is confident in its ability to adapt to the uncertain environment whilst driving strategic priorities.
- Initial guidance for 2023 is -3% to +3% organic growth and an EBIT margin around 25%.
- Current trading in 2023 has been solid with a good, broad-based pick-up in sell-out growth. This is somewhat helped by an easier comparative base due to Omicron and earlier product launches than last year. Nonetheless, Pandora is pleased with the underlying trading which continues in line with Q4 2022.

Alexander Lacik, President and CEO of Pandora, says:
“We ended 2022 on a high note. Despite the macroeconomic pressure on consumers and COVID-19 headwinds in China, we continue to deliver solid growth vs. pre-pandemic levels. We have started 2023 well, and are confident that the transformation of the brand over the past few years puts Pandora in a good position to manage adversity and emerge stronger. In 2023, we will keep executing on our strategy, take market share, and accelerate network expansion while taking prudent cost actions to protect margins.“

DKK million	Q4 2022	Q4 2021	FY 2022	FY 2021	FY 2023 guidance
Revenue	9,856	9,011	26,463	23,394	
Organic growth	***4%***	***10%***	***7%***	***23%***	**-3% to 3%**
Sell-out growth (like-for-like), %[1]	*-1%*	*11%*	*4%*	*20%*	
Operating profit (EBIT)	3,206	2,678	6,743	5,839	
EBIT margin, %	**32.5%**	**29.7%**	**25.5%**	**25.0%**	**Around 25%**

[1] Sell-out growth include sell-out from all concept stores including partner owned, and Pandora online. Sell-out growth is a like-for-like KPI and includes stores which have been operating for +12 months and stores which are temporarily closed due to COVID-19. Other points of sales are not included in sell-out growth.

FINANCIAL HIGHLIGHTS

DKK million	Q4 2022	Q4 2021	FY 2022	FY 2021
Financial highlights				
Revenue	9,856	9,011	26,463	23,394
Organic growth, %	***4%***	***10%***	***7%***	***23%***
Sell-out growth (like-for-like), %[1]	*-1%*	*11%*	*4%*	*20%*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,712	3,267	8,716	7,838
Operating profit (EBIT)	3,206	2,678	6,743	5,839
EBIT margin, %	***32.5%***	***29.7%***	***25.5%***	***25.0%***
Net financials	-155	-211	-210	-461
Net profit for the period	2,365	1,904	5,029	4,160
Financial ratios				
Revenue growth, DKK, %	*9%*	*14%*	*13%*	*23%*
Revenue growth, local currency, %	*6%*	*11%*	*8%*	*24%*
Gross margin, %	*76.2%*	*75.7%*	*76.3%*	*76.1%*
EBITDA margin, %	*37.7%*	*36.3%*	*32.9%*	*33.5%*
EBIT margin, %	*32.5%*	*29.7%*	*25.5%*	*25.0%*
Effective tax rate, %	*22.5%*	*22.8%*	*23.0%*	*22.6%*
Equity ratio, %	*33%*	*38%*	*33%*	*38%*
NIBD to EBITDA, x	0.8	0.4	0.8	0.4
Return on invested capital (ROIC), % of last 12 months' EBIT	*48%*	*59%*	*48%*	*59%*
Cash conversion incl. lease payments, %	*110%*	*147%*	*39%*	*88%*
Net working capital, % of last 12 months' revenue	*4.2%*	*-5.0%*	*4.2%*	*-5.0%*
Capital expenditure, % of revenue	*4.7%*	*2.4%*	*4.9%*	*2.7%*
Stock ratios				
Total pay-out ratio (incl. share buyback), %	*33%*	*143%*	*100%*	*115%*
Dividend per share, proposed, DKK	16	16	16	16
Dividend per share, paid, DKK	-	5	16	15
Earnings per share, basic, DKK	25.5	19.4	54.2	42.1
Earnings per share, diluted, DKK	25.2	19.1	53.7	41.7
Consolidated balance sheet				
Total assets	22,013	18,542	22,013	18,542
Invested capital	13,961	9,884	13,961	9,884
Net working capital	1,104	-1,181	1,104	-1,181
Net interest-bearing debt (NIBD), incl. capitalised leases	6,794	2,882	6,794	2,882
Equity	7,167	7,001	7,167	7,001
Consolidated statement of cash flows				
Cash flows from operating activities	4,075	4,073	4,434	6,228
Capital expenditure – total	462	215	1,290	641
Capital expenditure - property, plant and equipment	349	146	929	341
Free cash flows incl. lease payments	3,538	3,941	2,602	5,137
Sustainability				
Scope 1, 2 & 3 emissions, tonnes CO_2 equivalent[2]	-	-	280,370	277,450
Recycled silver and gold, total, %[3]	-	-	61%	54%
Leadership Team gender ratio, female/male, %[4]	-	-	29/71	23/77

[1]Sell-out growth includes sell-out from all concept stores, including partner owned and Pandora online. Sell-out growth is a like-for-like KPI and includes stores which have been operating for +12 months and stores which are temporarily closed due to COVID-19. Other points of sale are not included in sell-out growth.
[2]Within limited assurance scope. The scope 2 emissions are calculated as market-based emissions.
[3]Within limited assurance scope.
[4]The Leadership Team comprises Vice Presidents, Senior Vice Presidents, members of the Executive Leadership Team and the Board of Director

BUSINESS UPDATE

Strength of the Pandora business model underpins solid end to the year

Despite the challenging macroeconomic environment, Pandora delivered solid revenue performance in Q4 2022 of +4% organic growth (19% above Q4 2019) with resilient sell-out growth of -1%. Current assessment is that growth was negatively impacted by the fire in the European Distribution Center by roughly 1%. During the quarter, consumer trading patterns reverted to 2019 with more last-minute shopping towards the Christmas season.

Reflecting the macroeconomic environment, Pandora saw evidence of weaker consumer sentiment in some European markets with Italy and France mostly impacted at -9% sell-out growth. As reported previously, brand metrics remained strong with positive traffic, but conversion rates were lower. The geographical breadth of Pandora meant that Europe still delivered 2% sell-out growth. Spain was particularly strong at +7% sell-out growth.

Q4 2022 was set against an intense competitive backdrop with a heavily promotional external environment. Pandora maintained good discipline with the global promotional level only modestly above Q4 2021 and significantly below that witnessed externally. In October, following successful testing, Pandora rolled out selected price increases across its product portfolio amounting to an average 4% increase. Pricing was adjusted on a 1/3 of the assortment whilst opening price points and strategic items were protected. Initial analysis has shown successful results and Pandora will be moving ahead with a structured, regular review to assess further opportunities whilst staying true to the brand promise of affordable jewellery.

Pandora's biggest segment, *Moments incl. Collabs*, delivered flat sell-out growth vs Q4 2021. Moments remains a core part of the brand proposition for Pandora and the resilient performance underpins the unique story-telling proposition the product offers. The growth was supported by Collaborations, up 2% vs Q4 2021 with the Spiderman collection performing well. The product pipeline is exciting for 2023 with, for example, the new iconic studded bracelet.

Pandora's *Style* segment, had -4% sell-out growth vs Q4 2021. The growth was dragged down by mainly *Signature*. Pandora is not satisfied with the performance of *Signature*, as the new products introduced in the quarter fell short of expectations.

Moments incl. Collabs generated a gross margin of 75.3% in Q4 2022 while Style generated a gross margin of 78.4% compared to 74.6% and 78.2% in Q4 2021, respectively. Overall, gross margin was slightly up compared to Q4 2021, please see page 14 for further details on the gross margin development.

Diamonds by Pandora continues to show good potential in North America

Pandora launched *Diamonds by Pandora* on 25 August across 269 Pandora stores in the US and Canada as well as online. The US is the world's largest market for lab-created diamond jewellery, estimated at around USD 1.2 billion and around 10 times the size for the UK lab-created diamond jewellery market. The market is expected to continue to grow, and lab-created diamonds are outpacing the diamond industry's overall growth.

Total revenue in the quarter ended at DKK 81 million. Q4 2022 trading across Pandora is dominated by the Moments platform but *Diamonds by Pandora* showed stable results across the 269 stores offering the collection in North America with the best performing stores showcasing the great potential the product category and brand can have together. Rings continue to be the best performing category and data suggests that roughly 50% of transactions are generated by new consumers. Pandora will continue to optimise the assortment and adjust accordingly based on learnings from the best performing stores. Pandora will take the next step in the geographical roll-out of the platform during 2023.

REVENUE BY SEGMENT

DKK million	Q4 2022	Q4 2021	*Sell-out growth vs Q4 2021*	*Share of revenue*	YTD 2022	YTD 2021	*Sell-out growth vs 2021*	*Share of Revenue*
Moments incl. Collabs	**7,028**	**6,311**	***0%***	***71%***	**19,192**	**16,610**	***5%***	***73%***
- Moments	6,045	5,510	*0%*	*61%*	16,578	14,699	*3%*	*63%*
- Collabs	983	801	*2%*	*10%*	2,614	1,911	*20%*	*10%*
Style	**2,828**	**2,700**	***-4%***	***29%***	**7,272**	**6,784**	***-1%***	***27%***
- Timeless	1,773	1,656	*-3%*	*18%*	4,362	4,091	*-2%*	*16%*
- Signature	660	695	*-14%*	*7%*	1,883	1,990	*-12%*	*7%*
- ME	314	328	*-4%*	*3%*	815	656	*40%*	*3%*
- Diamonds by Pandora	81	20	*196%*	*1%*	213	48	*130%*	*1%*
Total revenue	**9,856**	**9,011**	***-1%***	***100%***	**26,463**	**23,394**	***4%***	***100%***

Seizing investment opportunities – network expansion drives solid growth

In Q4 2022, Pandora saw an incremental revenue contribution of DKK 545 million coming from new store openings and forward integration. Pandora sees the current macroeconomic uncertainty as an opportunity to potentially accelerate the network expansion given the enhanced value creation through network development. Mainly through new store openings, but also potential takeovers or acquisition of franchise partners where it makes sense for both parties.

In Q4 2022, Pandora opened net 68 concept stores with the vast majority focused in the strategically important markets of the US and China. The new stores are located prime white space locations.

Pandora has identified initially at least 600 locations across its top markets where it sees a potential for opening a new store. Of these 600 stores, 50% are in US and China. During 2023, Pandora expects greater availability of prime locations driven by the weaker economic backdrop and is targeting net concept store openings in 2023 of 50-100. The total number of openings between 2022-2023 is now expected to be approximately 140-190, which is above the initial 100-150 communicated at the Capital Markets Day in September 2021.

Opening of new stores is EBIT margin accretive, has a short payback on the initial CAPEX investment of roughly one year and an attractive, low-risk profile. New lease contracts are in most cases quite flexible and include regular break clauses.

Strategic priorities clear in uncertain environment, cost measures already in place to protect profitability

Since Q3 2022, Pandora has witnessed some but still limited shifts in consumer behavior, mostly in European markets.

External data, such as weakening consumer sentiment, inflation and higher interest rates suggest the current environment is set to remain challenging into 2023. However, Pandora remains focused on delivering on its key strategic priorities and is confident in its ability to weather a potential recession. It is worth noting that:

- Due to the favorable margin structure, strong cash generation and low financial leverage, Pandora has a strong starting point to manage through a potential period with weak demand. While prudent cost measures will obviously be taken, the strong starting point enables the company to invest and accelerate during a recession where relevant. In this context, a new share buy-back of up to DKK 5.0 billion underpins Pandora's strong cash flow generation and the commitment to return excess cash to shareholders.

- Pandora has already initiated several measures preparing for a potential macroeconomic downturn. These measures mainly include a wide range of cost actions and re-prioritisation of certain initiatives, such as re-focusing the manufacturing capacity expansion towards Vietnam and postponing the expansion plans in Thailand. But it also includes more offensive measures where Pandora will actively look to consolidate its market position. This includes accelerating the profitable network expansion as access to the desired locations opens up during a recession.

- Stress testing Pandora's financials shows that even in a deep recession scenario, Pandora would still be highly profitable and generate excess cash to be returned to shareholders. Year 2020, where the pandemic hit the hardest, is a testimony to that. Fully variable expenses – on top of cost of goods sold which are almost 100% variable - accounts for roughly 10% of revenue, and is mainly related to POS materials, variable rent, freight costs and variable salary. Additionally, the majority of marketing expenses (approximately 15% of revenue) can be adjusted with short notice.

- As expected, Pandora's inventory position ended the year at DKK 4.2 billion, down DKK 1 billion vs. Q3 2022. Pandora's inventory position remains healthy and the company does not expect increased markdowns.

European Distribution Centre fire impact and update
As reported previously, Pandora's European Distribution Center in Hamburg, Germany, was affected by a fire. The distribution centre restabilised operations fully by early December. Preliminary assessment of the financial impact estimate the negative revenue impact in Q4 2022 at roughly 1pp of growth at Group level. The fire only impacted Pandoras markets across continental Europe.

Pandora is pursuing insurance compensation for the revenue/EBIT loss as well as the incremental costs associated with the fire. Any insurance compensation will be reported in the line "Other income" as per IFRS, above EBIT.

Capital Markets Day 2023 – update on Phoenix strategy
Pandora hosted a Capital Markets Day in September 2021 with new financial targets covering the period 2021-2023. Despite headwinds from COVID-19 in China and a worsening macroeconomic situation Pandora has made significant steps in driving sustainable profitable growth . We will provide an update on the Phoenix strategy at a Capital Markets Day on 5 October, 2023 in London.

Performance metrics
From Q1 2023, Pandora will include retail owned other points of sales (such as the Shop-in-Shop store format) in the sell-out growth KPI. This will enhance overall transparency as a bigger portion of the store base will be captured in the KPI, increasing from around 80% of sell-out to around 85%. The change will not have a significant impact on the consolidated KPI, as retail owned other points of sales performance is relatively aligned to concept stores. Furthermore, in order to clarify what the KPI means Pandora will change the name of the Sell-out growth KPI to "Like-for-Like growth". The calculations are unchanged and represent a store by store growth KPI for stores which have been operating for +12 months.

From Q1 2023 onwards, the company will not provide growth KPI's vs 2019. As COVID-19 no longer impact numbers to a material extent, Pandora will focus on the year over year performance.

Transfer of Pandora Production Co. Ltd to Pandora Production Holding A/S

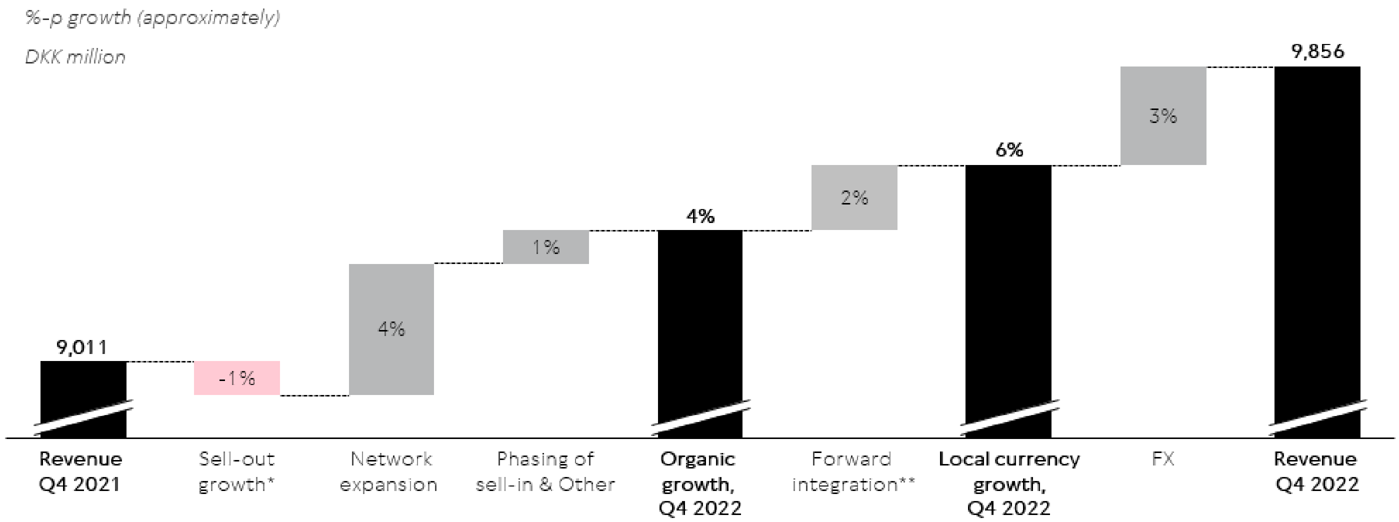
In 2022, Pandora initiated the expansion of the Group's crafting capacity in Vietnam to support Pandora's long-term growth. By diversifying its geographical footprint, Pandora will become more resilient to potential supply disruptions as well as strengthen its business continuity plans. As a result, Pandora decided to reorganise its crafting activities into a separate crafting sub-group by establishing a new intermediate holding company, which will oversee the crafting activities across the Groups crafting facilities. Consequently, Pandora A/S transferred its controlling equity investment in Pandora Production Co. Ltd. to Pandora Production Holding A/S, a newly established intermediate holding company, as a contribution in-kind against shares in Pandora Production Holding A/S. The intra-group transaction was carried out at fair value, which resulted in a gain of DKK 5.9 billion. The restructuring only impacts the parent company accounts, not the consolidated accounts. Please also see note 3.3 in the Parent Company financial statements in the 2022 Annual Report for more information.

REVENUE REVIEW

Double digit revenue growth

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

Q4 2022 growth composition vs Q4 2021



**Sell-out growth (like-for-like), incl. temporarily closed stores, %*

***This only includes the part of forward integration where goodwill is paid (acquisitions)*

Pandora delivered -1% sell-out growth vs Q4 2021 and organic growth of 4%. Organic growth was supported by network expansion contributing with 4% organic growth, following net 88 new concept store openings and 130 new owned and operated shop-in-shops. Additionally organic growth was supported by roughly 1% phasing of sell-in to franchise partners etc.

Forward integration supported total revenue growth in local currency with 2% driven by store acquisitions, mainly in the US, and the Portuguese distributor. Foreign exchange rates added a net tailwind of 3%, and continue to be driven by a strong USD, leading to a total revenue growth of 9% vs Q4 2021.

Total revenue growth for the full year of 2022 was 13%.

REVIEW OF REVENUE BY KEY MARKET

Q4 sell-out performance in-line with expectations

Overall, Pandora landed Q4 2022 performance slightly above its guidance expectations with sell-out growth at -1%, and organic growth of 4% - a sequential acceleration vs 2019 as organic growth ended at 19% vs 2019, up from 13% in Q3. Organic growth came in above expectations following slightly more network contribution than expected. The market conditions in Q4 2022 were challenging across many markets, with weakening consumer sentiment and fierce promotional activity across the competitor landscape. Pandora also noticed a change in consumer spending patterns which reverted to pre-COVID-19 as consumer spending was anchored closer to the Christmas period.

US

Pandora US performed in line with expectations and delivered -7% sell-out growth vs Q4 2021, a sequential improvement vs Q3 2022 of -9%. Pandora's ambition to double the business in US vs 2019 levels is progressing well, and 2022 is up 53% organically vs 2019, mainly driven by solid sell-out growth. The journey in US will be further intensified in 2023, as Pandora plans to expand its Diamonds by Pandora offer in the market, as well as opening up more stores in white spot areas.

Europe

In aggregate, sell-out growth in Europe was 2% with performance mixed across countries and some pockets of a general weaker consumer sentiment.

The UK market delivered a resilient quarter with 1% sell-out growth. UK started to see some signs of weakening consumer sentiment in Q4 2022. Pandora's strong brand position combined with good execution in stores upheld the performance and traffic was higher vs. Q4 2021. Performance was notably ahead of the jewellery market in the UK.

Sell-out growth in Germany turned negative in Q4 2022 vs Q4 2021, yet continuing at high pace vs 2019. Sell-out growth was positive in both October and December while November (Black Friday) was negative. The underlying business remains healthy, and Germany saw organic growth of 3% vs Q4 2021. France saw a weak performance in Q4 2022 and delivered -9% sell-out growth vs Q4 2021. Pandora is not satisfied with the performance in France. During 2022, Pandora detoxed the promotional level with the aim of building a stronger base business to capitalise on future ambitions.

Sell-out growth in Italy contracted by -9%, and followed the difficult trajectory from Q3 2022, driven by the macro environment. In Q4 2022, Pandora continued to see further signs of weakening consumer sentiment in Italy, with customers being more reluctant to spend and upselling becoming more difficult. Although store traffic remained strong, conversion rates were lower indicating pressure on consumer wallets. Pandora expects this to continue into first half of 2023 as well. Growth in Spain was strong at +7% sell-out growth in Q4 2022 and has the size of France.

China

In China, COVID-19 continues to constraint people's lives and our business. With scattered and lingering COVID-19 outbreaks and strict control policy the traffic continued to be severely impacted. Traffic into stores was down -60% vs 2021. Performance in China in Q4 2022 therefore continued to be weak with sell-out growth of -41% vs Q4 2021, translating into -64% sell-out growth vs Q4 2019. Pandora still has an ambition to triple the business in China vs 2019 levels and the latest re-opening of the market is a positive first step in Pandoras plan to invest in a re-launch of the brand. Although early days, store traffic has started to improve in January.

Australia and other

Australia delivered a decent quarter with 1% sell-out growth vs Q4 2021, while performance vs 2019 improved sequentially. This was in line with expectations.

Pandora's business outside of the seven key markets continues to grow and was very strong in Q4 2022 as well as full year 2022. These markets delivered a combined 14% sell-out growth vs Q4 2021. The growth was particularly strong in Mexico which delivered sell-out growth of 34%. Mexico is now a DKK 1.0 billion revenue market. As mentioned above, Spain also contributed to growth in the quarter along with Portugal, Netherlands, Scandinavia, Poland, New Zealand, Colombia and Brazil, to name a few.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKET

DKK million	Q4 2022	Q4 2021	*Sell-out growth vs 2021*	*Organic growth vs 2021*	*Share of revenue*
US	2,820	2,523	*-7%*	*-3%*	*29%*
China	143	222	*-41%*	*-36%*	*1%*
UK	1,613	1,521	*1%*	*9%*	*16%*
Italy	913	961	*-9%*	*-5%*	*9%*
Australia	535	491	*1%*	*8%*	*5%*
France	475	498	*-9%*	*-5%*	*5%*
Germany	494	478	*-3%*	*3%*	*5%*
Total top-7 markets	**6,991**	**6,694**	***-5%***	***-1%***	***71%***
Rest of Pandora	**2,865**	**2,316**	***14%***	***18%***	***29%***
Total revenue	**9,856**	**9,011**	***-1%***	***4%***	***100%***

YEAR-TO-DATE REVENUE DEVELOPMENT BY KEY MARKET

DKK million	YTD 2022	YTD 2021	*Sell-out growth vs 2021*	*Organic growth vs 2021*	*Share of revenue*
US	7,907	7,026	*-7%*	*-3%*	*30%*
China	737	1,126	*-47%*	*-39%*	*3%*
UK	3,802	3,314	*10%*	*15%*	*14%*
Italy	2,580	2,443	*5%*	*6%*	*10%*
Australia	1,271	1,131	*6%*	*9%*	*5%*
France	1,190	1,122	*4%*	*6%*	*4%*
Germany	1,307	1,191	*18%*	*10%*	*5%*
Total top-7 markets	**18,795**	**17,353**	***-2%***	***1%***	***71%***
Rest of Pandora	**7,669**	**6,041**	***21%***	***23%***	***29%***
Total revenue	**26,463**	**23,394**	***4%***	***7%***	***100%***

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

REVIEW OF REVENUE BY CHANNEL

Growth driven by owned and operated physical stores

Organic growth in Q4 2022 was driven by the physical network, as consumers returned to the physical stores following the COVID-19 restrictions and Omicron outbreak in Q4 2021, which combined with the expansion of the network supported the performance.

Pandoras online business delivered -3% in Q4 2022 following a normalisation effect of consumers returning to stores – in line with the trajectory seen all year. Organic growth vs Q4 2019 was almost 90% and for the full year of 2022, Pandora has doubled the online business vs 2019. The solid performance is a testimony to the step changes and investments Pandora has made during the last couple of years.

Pandora's operated other points of sale continued to grow strongly. New store openings in Latin America, where the shop-in-shop store format fits well, and the cooperation with Macy's in the US supports growth in this channel.

Organic growth in Pandora's wholesale business was down -4% vs Q4 2021, while third-party distribution was down -1%. The organic growth in the wholesale channel was negatively impacted by the takeovers of wholesale stores where Pandora does not pay goodwill, as these stores are accounted for as retail revenue in Q4 2022 and wholesale revenue in Q4 2021. Franchise takeovers has in total contributed roughly DKK 60 million in net revenue converting from wholesale to retail revenue.

Russia and Belarus dragged down organic growth in third party distribution, as Pandora has ceased its business in these markets. Excluding these markets, third-party distribution would have been up 45% vs Q4 2021 driven by a strong performance in some of the Asian markets.

REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q4 2022	Q4 2021	*Organic growth vs Q4 2021*	*Share of Revenue*	YTD 2022	YTD 2021	*Organic growth vs 2021*	*Share of Revenue*
Pandora owned[1] retail	**7,452**	**6,471**	***8%***	***76%***	**19,115**	**15,922**	***11%***	***72%***
- of which concept stores	4,434	3,668	*11%*	*45%*	12,150	9,133	*21%*	*46%*
- of which online stores	2,466	2,465	*-3%*	*25%*	5,612	5,977	*-10%*	*21%*
- of which other points of sale	553	338	*49%*	*6%*	1,353	812	*55%*	*5%*
Wholesale	**2,197**	**2,291**	***-4%***	***22%***	**6,628**	**6,705**	***-2%***	***25%***
- of which concept stores	1,115	1,278	*-7%*	*11%*	3,508	3,737	*-3%*	*13%*
- of which other points of sale	1,082	1,013	*0%*	*11%*	3,120	2,968	*-1%*	*12%*
Third-party distribution	**207**	**249**	***-1%***	***2%***	**721**	**767**	***0%***	***3%***
Total revenue	**9,856**	**9,011**	***4%***	***100%***	**26,463**	**23,394**	***7%***	***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

Net 88 concept stores opened in 2022 – more to come in 2023

Pandora has opened net 88 concept stores in 2022 in line with the guidance range of net 70-100 openings. The store openings are mainly in US and China and are part of Pandoras ambition to increase the overall footprint in these markets and is closely linked to the Phoenix strategy. The expansion comes with a significant opportunity for further value creation. Pandora provided a deep dive into the financials of network developments in its Q2 2022 Interim financial report in the section called *Network expansion supporting growth and margins*.

Furthermore, Pandora-owned other points of sales increased by 130 in 2022 and ended slightly above guidance expectations of 100-125 openings. The openings were mainly in Latin America, which contributed 83 of the openings, of which 49 was in Mexico. Additionally, Pandora took over a number of stores from El Corte Ingles in Spain, transferring franchise owned other point of sales into retail points of sale.

Other points of sales within franchise and third-party-distribution were down -55 and -170 vs Q4 2021 respectively. These are mainly smaller accounts at local Multi-brand stores which have been closed.

Number of points of sale[1,3]	Q4 2022	Q3 2022	Q4 2021	*Growth Q4 2022 /Q3 2022*	*Growth Q4 2022 /Q4 2021*
Concept stores	**2,542**	**2,474**	**2,454**	***68***	***88***
- of which Pandora owned[2]	1,653	1,587	1,423	*66*	*230*
- of which franchise owned	588	588	700	*0*	*-112*
- of which third-party distribution	301	299	331	*2*	*-30*
Other points of sale	**3,985**	**3,967**	**4,080**	***18***	***-95***
- of which Pandora owned[2]	464	431	334	*33*	*130*
- of which franchise owned	3,200	3,204	3,255	*-4*	*-55*
- of which third-party distribution	321	332	491	*-11*	*-170*
Total points of sale	**6,527**	**6,441**	**6,534**	***86***	***-7***

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

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

[3] As of Q1 2022, Pandora excludes concept stores and other points of sales from third-party distribution related to Russia and Belarus, as the business is ceased. Comparative figures for 2021 were restated accordingly.

PROFITABILITY

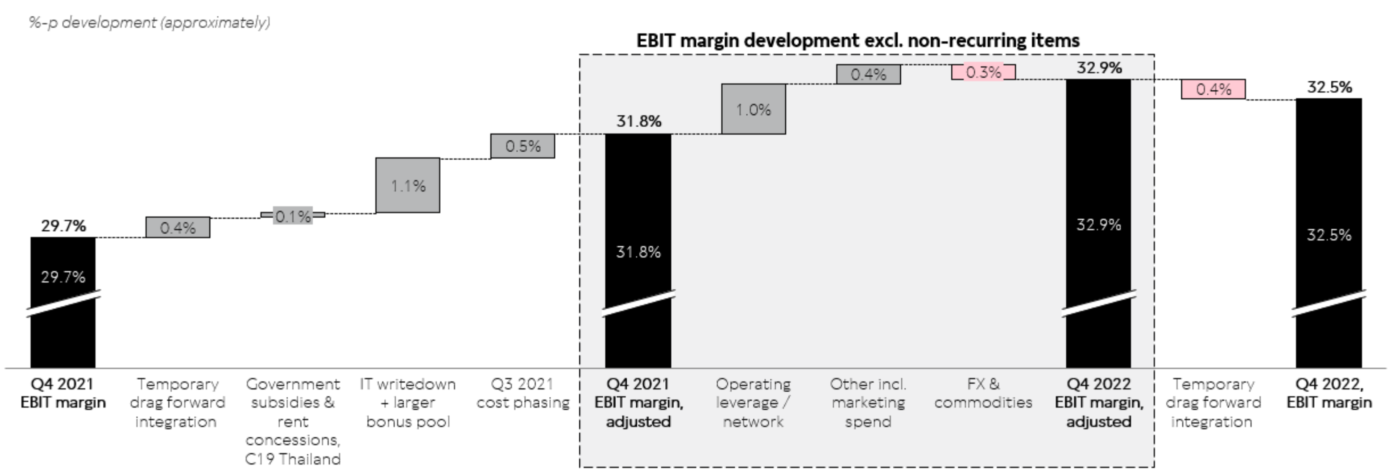
Continued improved profitability

In line with typical seasonality the EBIT margin in Q4 was the highest in 2022. The EBIT margin improved by 2.8pp from Q4 2021, and landed at 32.5% in line with pre-COVID levels.

The underlying EBIT margin improved, driven by operating leverage/network expansion adding 1pp to the margin in Q4 2022. The Q4 margin was supported by lower marketing spend as a percentage of revenue (among others due to a media tender) partly off-set by among others higher store staff cost. Foreign exchange rates represent a headwind of 0.3pp driven by a stronger Thai Baht somewhat offset by a strong US dollar and British pound.

The drag on margin from inventory buy-backs relating to forward integration was in line with last year and therefore had a net zero incremental impact vs Q4 2021.

The EBIT margin improvement was supported by the fall away from a few non-recurring items. In total, the margin in Q4 2021 was suppressed by 2.1pp from non-recurring items including a temporary drag on gross margin of 0.4pp due to inventories bought back in connection with forward integration. Other elements included DKK 15 million from government support and rent concessions related to COVID-19, offset by COVID-19 pre-cautionary measures in Thailand of DKK 25 million, leading to a net drag on EBIT margin of 0.1pp in Q4 2021. Furthermore, the margin last year was impacted by a net cost phasing from Q3 2021 to Q4 2021 of 0.5pp, and around DKK 100 million incremental cost related to among others a write-down of certain IT assets and a larger bonus pool to employees reflecting the strong 2021 performance.



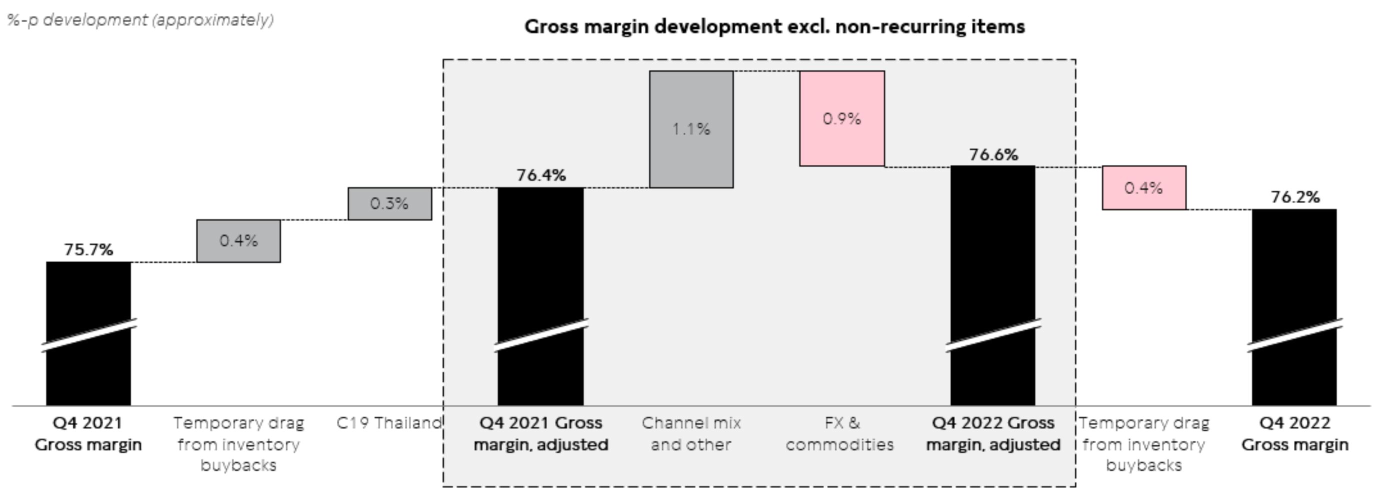
GROSS MARGIN

The gross margin ended at 76.2% corresponding to an improvement of 0.5pp vs Q4 2021. The improvement was driven by favourable channel mix with more sales coming through physical O&O stores and further supported by tailwinds from non-recurring cost associated with pre-cautionary measures in Thailand due to COVID-19 in Q4 2021.

A stronger Thai Baht and US Dollar compared to last year increased the FX headwinds on the gross margin by 0.9pp while realised silver prices ended in line with Q4 2021 thereby resulting in no impact on Q4 2022 and a -0.9pp impact on the full year 2022.

As already mentioned, Pandora is encouraged by the results of the price increases and saw promising signs in Q4 2022. Despite a more promotional quarter than last year, the gross margin held up driven by tailwinds from price increases and channel mix.

Pandora continues to see a temporary impact on the gross margin arising from buyback of inventory in relation to forward integration. In Q4 2022, this constituted a drag of 0.4pp on gross margin and EBIT margin, equivalent to the impact seen in Q4 2021, and therefore a net zero marginal impact in Q4 2022 from forward integration.



GROSS MARGIN AND GROSS PROFIT

DKK million	Q4 2022	Q4 2021	*Growth in constant FX*	YTD 2022	YTD 2021	*Growth in constant FX*
Revenue	9,856	9,011	*6%*	26,463	23,394	*8%*
Cost of sales	-2,345	-2,188	*0%*	-6,273	-5,590	*7%*
Gross profit	**7,511**	**6,822**	***8%***	**20,190**	**17,803**	***9%***
Gross margin	***76.2%***	***75.7%***	***0.5%***	***76.3%***	***76.1%***	***0.2%***

OPERATING EXPENSES

Total operating expenses increased by 2% in constant foreign exchange rates vs Q4 2021 and decreased as a percentage share of revenue. As previously communicated, the OPEX to revenue ratio was expected to be below Q4 2021 as last year's operating expenses were impacted by a few non-recurring items. The full year 2022 OPEX to revenue ratio remains flat vs 2021.

The 16% constant foreign exchange increase in sales and distribution expenses, were driven by the expansion of the Pandora owned physical network, which amounted to a total increase of 230 concept stores and 130 other points of sale compared to end 2021.

Administrative expenses are down 6% in constant foreign exchange rates vs Q4 2021. This was mainly driven by the write down of IT assets and employees bonuses in Q4 2021 as mentioned above.

Marketing expenses landed at 13.2% share of revenue, a 3.2pp decrease compared to last year. This was mainly driven by a global media tender which successfully reduced media and PR related cost as well as incremental revenue from network developments which do not require additional media and PR related cost. Furthermore, investments into the global re-launch of Pandora ME also elevated the marketing spend last year.

OPERATING EXPENSES

DKK million	Q4 2022	Q4 2021	*Growth in constant FX*	*Share of revenue Q4 2022*	*Share of revenue Q4 2021*	YTD 2022	YTD 2021	*Growth in constant FX*	*Share of revenue YTD 2022*	*Share of revenue YTD 2021*
Sales and distribution	-2,418	-2,061	*16%*	*24.5%*	*22.9%*	-7,602	-6,352	*16%*	*28.7%*	*27.2%*
Marketing expenses	-1,301	-1,473	*-14%*	*13.2%*	*16.4%*	-3,720	-3,587	*0%*	*14.1%*	*15.3%*
Administrative expenses	-586	-610	*-6%*	*5.9%*	*6.8%*	-2,125	-2,026	*3%*	*8.0%*	*8.7%*
Total operating expenses	**-4,305**	**-4,144**	***2%***	***43.7%***	***46.0%***	**-13,448**	**-11,965**	***9%***	***50.8%***	***51.1%***

FINANCIAL EXPENSES AND TAX

Net financials in Q4 2022 ended at a cost of DKK 155 million and was driven by increased interest rates, which impacted IFRS 16 related interest on lease payments and interests on loans. Additionally, the development in foreign exchange rates resulted in a loss on FX hedging contracts.

The effective tax rate ended at 22.5% for Q4 2022 resulting in an effective tax rate of 23.0% for the full year 2022, at the lower end of the guided range of 23-24%. The full year tax rate is slightly above last year's level mainly due to non-deductible costs in China and Panama (cluster head office for Latin America).

Pandora has lifted EPS by 29% in 2022 vs 2021 to DKK 54.2.

CASH FLOW & BALANCE SHEET

Solid cash flow generation in Q4 as net working capital normalises

Pandora delivered a strong cash conversion of 110% in Q4 2022. The full year cash conversion of 39% is below normal levels and reflects a deliberate increase in inventory levels, normalisation of CAPEX levels in line with historical pre-COVID levels as well as relatively high cash tax payments related to prior year.

The net working capital ended at 4.2%. The normalisation of net working capital is driven by a deliberate inventory build-up planned since the low point at the end of 2020. In line with the Q3 2022 communication, inventories came down following the peak-trading and landed at DKK 4.2 billion.

Trade receivables continue to be at a healthy level with wholesale Days Sales Outstanding (DSO) ending at 28 days, vs 24 days in Q4 2021. Total DSO, including retail receivables, ended at 12 days by the end of Q4 2022, slightly above Q4 2021 of 10 days.

CAPEX ended at 4.7% of revenue in Q4 2022 vs 2.4% in Q4 2021. Full year 2022 CAPEX landed at 4.9% vs 2.7% in 2021. The increase vs last year is in line with the guidance and a result of investments in opening new stores, store refits, investments in new and existing production facilities and Digital.

ROIC continues to be strong and landed 2022 at 48% vs 59% in 2021. The decrease is mainly a function of a higher invested capital due to the before mentioned inventory build-up as well as increased right-of-use assets as a consequence of net opened Pandora owned physical stores at the end of 2022. On a run-rate basis, new Pandora concept stores are ROIC accretive. The investments made are supporting Pandora to execute on the Phoenix growth strategy and Pandora see a potential for expanding the ROIC going forward.

NET WORKING CAPITAL

Share of preceding 12 months' revenue	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Inventories	*15.9%*	*20.1%*	*16.9%*	*14.4%*	*12.8%*
Trade receivables	*4.8%*	*3.4%*	*2.6%*	*3.2%*	*4.3%*
Trade payables	*-11.8%*	*-10.4%*	*-9.5%*	*-10.2%*	*-14.0%*
Other net working capital elements	*-4.7%*	*-4.3%*	*-4.2%*	*-3.9%*	*-8.2%*
Total	***4.2%***	***8.8%***	***5.8%***	***3.5%***	***-5.0%***

Balance Sheet

Total non-current assets increased to DKK 14.3 billion at the end of 2022 (2021: DKK 12.6 billion), mainly due to increase in goodwill from acquisitions, an overall higher CAPEX spend across all asset types, higher right-of-use assets coming from network expansion, and a higher deferred tax asset. The increase in current assets is mainly related to the inventory build-up, which has reached a sustainable level by the end of 2022.

Net interest-bearing debt amounted to DKK 6.8 billion at the end of 2022 (2021: DKK 2.9 billion), corresponding to a financial leverage of 0.8x (2021: 0.4x). The increase in net interest-bearing debt was mainly driven by significant cash returns to shareholders in 2022 through a combination of dividends and share buybacks, equivalent to 11% of market cap at the end of 2022, as well as increasing inventory levels.

At the end of 2022, equity in Pandora amounted to DKK 7.2 billion, and roughly in line with 2021 of DKK 7.0 billion. The increase was driven by profit for the year offset by payout of DKK 5.1 billion to its shareholders. In 2022, Pandora paid out DKK 1.5 billion in ordinary dividend and bought back own shares for a total of DKK 3.6 billion.

Resiliency in an uncertain environment

The economic outlook for 2023 remains highly uncertain. High inflation and rising mortgage rates suggest that consumer spending will come under pressure. The brand has demonstrated strong resilience since macroeconomic conditions started to worsen during 2022, and current trading remains encouraging. For now, Pandora has seen some, but only limited, signs of a shift in consumer spending. Nonetheless, Pandora will plan for a range of scenarios, including a weakening of the current macroeconomic backdrop. Our guidance considers external factors, our own internal brand initiatives and current trading to form an initial wide range.

Pandora is therefore currently targeting an organic growth of -3% to 3% and an EBIT margin of Around 25%. The wider-than-normal revenue guidance range reflects the elevated macroeconomic uncertainty and, as usual, will be narrowed as visibility improves through the year. The low end of the organic growth range would require a worsening of trading conditions relative to today.

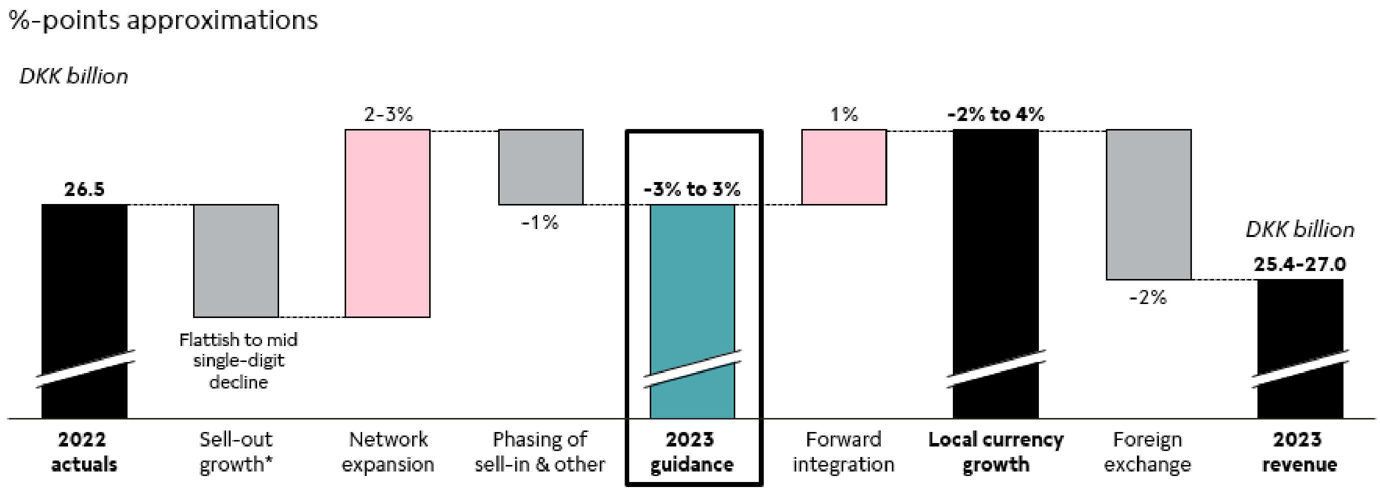
Whilst predicting near-term sales trends is currently challenging, Pandora's strong brand position, solid financials, flexible business model and position in affordable gifting make the company well equipped to weather a potential recession and at the same time seize relevant investment opportunities which may arise.

ORGANIC GROWTH	EBIT MARGIN
-3% to 3%	Around 25%

REVENUE GUIDANCE

Pandora is currently planning for sell-out growth of flattish to a decline of mid-single digits, depending on how macroeconomic conditions progress through the year. Continued network expansion is expected to add 2-3pp to growth and help lift organic growth to -3% to 3%. Forward integration is expected to add around 1% revenue with revenue growth in local currency ending at -2% to 4%.

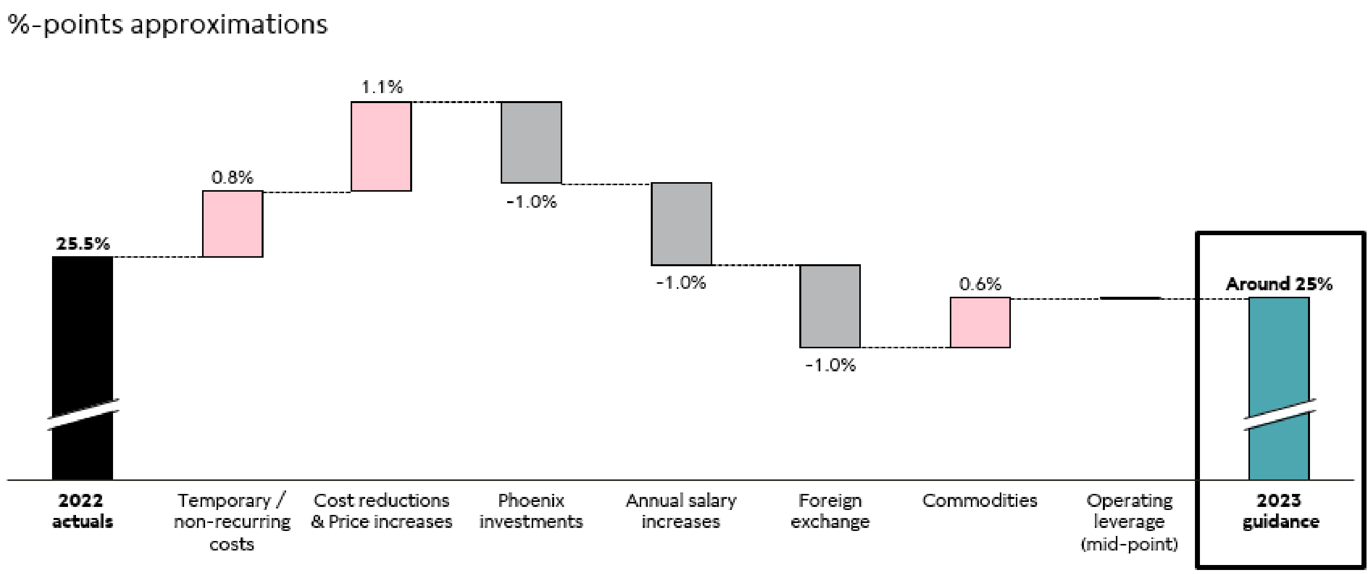
The organic growth guidance can be illustrated as follows:



*Sell-out growth (like-for-like) incl. temporarily closed stores

PROFITABILITY GUIDANCE

The EBIT margin guidance for 2023 is Around 25% and can be illustrated as follows:



Temporary and non-recurring costs from 2022 drive a tailwind of 0.8pp. Structural cost reductions and the price increases implemented in Q4 2022 will be funding the investments in Phoenix initiatives and future growth. Higher-than-normal salary increases are expected to suppress the EBIT margin by 1.0pp. Foreign exchange rates and commodity assumptions per 31 January 2023 currently represent a net headwind of 0.4pp. Lastly, operating leverage will mainly decide where Pandora will end the year. The guidance also allows for an additional element of cost flexibility which could be utilised depending on the growth outcome. The EBIT margin phasing through the year is expected to be slightly more skewed towards the second half than usual. This reflects, among others, phasing of costs, hedged silver prices and foreign exchange rates.

2023 GUIDANCE - OTHER PARAMETERS

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

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

The guidance contains forward-looking statements, which include estimates of financial performance and targets. These statements are not guarantees of future performance and involve certain risks and uncertainties. Therefore, actual future results and trends may differ materially from what is forecast in this report due to a variety of factors, please also refer to the disclaimer on page 41.

FOREIGN EXCHANGE AND COMMODITY ASSUMPTIONS AND IMPLICATIONS – As of 31 January 2023

	Average 2022	Average 2023	2023 Y-Y Financial Impact
USD/DKK	7.07	6.87	
THB/DKK	0.20	0.20	
GBP/DKK	8.73	8.45	
CNY/DKK	1.05	1.02	
AUD/DKK	4.91	4.81	
Silver/USD (per ounce)	24.9	22.7	
REVENUE (DKK million)			*Approx. -500*
EBIT (DKK million)			*Approx. -225*
EBIT margin (foreign exchange)			*Approx. -1.0%*
EBIT margin (commodities)			*Approx. 0.6%*

CAPITAL MARKETS DAY SEPTEMBER 2021 - FINANCIAL TARGETS

Pandora hosted a Capital Markets Day (CMD) in September 2021 and provided the following financial targets:

- 5-7% organic growth CAGR from 2021 to 2023
- 25-27% EBIT margin in 2023

Since the targets were communicated in September 2021, the geopolitical and macroeconomic situation has worsened significantly. Additionally, the 2023 targets did not include any impact from COVID-19, which had a severe negative impact on the performance in China in 2022. As previously mentioned, the impact of these factors on the 2023 CMD targets is uncertain but despite the headwinds the new 2023 EBIT margin guidance is just within the targeted range. In relation to the organic growth target announced at the CMD, the outcome is somewhat dependent on macroeconomic conditions, but the upper end of the new 2023 guidance would also place Pandora within the targeted CMD range.

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

At the end of 2022, Pandora's leverage ratio was only 0.8x NIBD to EBITDA and consequently at the lower end of the capital structure policy range of 0.5-1.5x. The increased leverage of 0.4x versus 2021 primarily reflects significant cash distributions to the shareholders as well as increased inventories and higher CAPEX through the year.

During 2022, Pandora paid out DKK 5.1 billion to its shareholders, equivalent to 11% of market cap as of 31 December 2022. DKK 1.5 billion was distributed as an ordinary dividend of DKK 16 per share and DKK 3.6 billion were distributed through share buybacks.

Pandora continues to be highly cash-generative and has ample liquidity to continue cash distributions to shareholders. Pandora has decided to update its dividend policy from previously targeting a 2% dividend yield to now paying a progressive dividend (stable to increasing dividend per share). For 2023, the Board proposes a dividend of DKK 16 per share and a new share buyback of DKK 2.4 billion until 30 June 2023 with an intention to go up to DKK 5.0 billion over the course of the next 12 months, assuming no material deterioration in the macroeconomic climate. The total cash distribution of up to DKK 6.4 billion will be the highest in Pandora's history. The Board already has the authority to initiate a share buyback at any point in time. For further details on the share buyback programme, please refer to the separate company announcement.

SUSTAINABILITY

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

We have focused our Q4 efforts on execution against our sustainability targets across our three strategic priorities: low-carbon business, circular innovation, and inclusive, diverse and fair culture.

Key activities in Q4 included:

- Pandora has been recognised for leadership in corporate transparency and performance on climate change by global environmental non-profit CDP, securing a place on its annual 'A List'.
- Pandora reduced total greenhouse gas emissions (scope 1, 2 and 3) by 6% vs. 2019 baseline , through energy-saving measures in our crafting facilities, by scaling up our coverage of renewable energy certificates (RECs) and by continuing to work with our suppliers to reduce their carbon footprint. We are on track to halve total emissions by 2030.
- As part of our supplier engagement programme to reduce Scope 3 emissions, we gathered data from an increasing number of our suppliers including understanding preparedness to reduce emissions via energy efficiency measures and by switching to renewable energy.
- With the help of a third-party expert, we conducted a deep-dive assessment of our potential human rights impacts in Thailand. The results will be integrated into our human rights programme and risk mitigation activities.
- COVID-19 recovery visits were conducted at a range of Chinese, Thai and Indian suppliers to understand the effects of the pandemic on working conditions.
- We achieved an inclusion score of 86% in our latest employee survey. The resulting score ranks us in the top quartile within our global benchmark, and has us on track for our target score of 85% by 2025.

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

OTHER EVENTS

CHANGES TO BOARD OF DIRECTORS

Due to recent changes in his executive commitments, Heine Dalsgaard has decided not to seek re-election to Pandora's Board at the Annual General Meeting in March 2023. The Board therefore nominates Lilian Fossum Biner as a new member of the Board for election at the Annual General Meeting in March 2023, please see Company Announcement no. 762 for more details.

FINANCIAL CALENDAR 2023

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

08 February 2023	Annual Report 2022
08 February 2023	Sustainability Report 2022
16 March 2023	Annual General Meeting
03 May 2023	Interim Financial Report for the first quarter of 2023
15 August 2023	Interim Financial Report for the second quarter/first six months of 2023
5 October 2023	Capital Markets Day 2023
08 November 2023	Interim Financial Report for the third quarter/first nine months of 2023

2022 YEAR-TO-DATE DEVELOPMENT

GROUP PERFORMANCE

2022 was yet another record-breaking year for Pandora as revenue reached an all-time high. Pandora exceeded the financial guidance on organic growth and reached the high of the financial guidance on EBIT margin. This was despite an increasingly challenging macroeconomic backdrop throughout the year, ongoing COVID-19 restrictions in China and the impact from a high comparative base in the US owing to government stimulus cheques in 2021.

In the second year of the Phoenix growth strategy, organic growth was 7% compared to 2021 and 17% compared to 2019. Growth was driven by continued strong brand momentum across major markets. Brand-specific investments in digital, commercial and personalised marketing over the past three years have been paying off whilst the launch of new platforms, such as Diamonds by Pandora, have been well received.

Good momentum across most key markets

Pandora delivered strong performance in most of its key markets. The UK, our second largest market, delivered strong sell-out growth of 10% compared to 2021, driven by strong demand for the Pandora Moments platform. Italy and Germany saw solid sell-out growth and ended the year at 5% and 18% respectively. In the second half of the year, Italy started to see negative impact from the challenging macroeconomic backdrop. France also saw positive sell-out growth of 4%, however Pandora is not satisfied with the performance. In 2022, Pandora has focused on detoxing the promotional level in France, with the aim of building a stronger base business to capitalise on future ambitions.

Throughout 2022, China remained a drag on performance. The COVID-19 restrictions in the market further delayed the relaunch of the Pandora brand. China remains of high strategic importance for Pandora.

Organic growth compared to 2019 remained very strong in the US and ended at 53%. As expected, the US market declined for Pandora and sell-out growth ended at -7% compared to 2021, following the effect of the government stimulus cheques in 2021.

Moments incl. Collabs compounds solid growth

The Moments incl. Collabs segment continued its solid performance in 2022. Despite a challenging macro environment, the Pandora Moments platform delivered positive sell-out growth of 5% in 2022, underpinning its position as a leading product category in the jewellery market, even in uncertain times. Growing Pandora Moments is the number one priority in the Phoenix strategy.

Diamonds by Pandora shows potential

Pandora's second product segment Style delivered sell-out growth of -1% in 2022, mainly dragged down by Signature. The largest product platform within Style is Timeless, which offers classical jewellery to our consumers. Timeless is also Pandora's second largest product platform and represents significant opportunity for growth. Another product platform within Style is Diamonds by Pandora, a collection of lab-created diamond jewellery made out of 100% recycled siler & gold. Pandora took the platform to North America in August 2022 across 269 Pandora stores in the US and Canada, as well as online. The US is the world's largest market for lab-created diamond jewellery, estimated at around USD 1.2 billion. The market is expected to continue to grow, and lab-created diamonds are outpacing the diamond industry's overall growth. In 2022, total revenue was DKK 213 million. The collection is available in UK, US and Canada.

Store network development

In 2022, Pandora opened net 88 concept stores. The store openings were mainly located in the US and China and are part of Pandora's ambition to increase the overall footprint in these markets. The expansion of the Pandora network comes with a significant opportunity for further value creation, and Pandora expect to open an additional net 50-100 concept stores in 2023.

Furthermore, through 2022, Pandora converted 25 concept stores and nine shop-in-shops from third-party distribution stores to Pandora-owned stores in Portugal. Pandora also took over 13 concept stores in Las Vegas from Panbor, as well as 37 concept stores from Ben Bridge Jeweler, primarily on the US West coast.

GROUP PROFITABILITY

Pandora delivered strong profitability again in 2022 with EBIT increasing by 15% - a testimony to the operating leverage in Pandora's business model.

Moments incl. Collabs generated a gross margin of 75.6% while Style generated a gross margin of 78.2% compared to 75.3% and 78.1% in 2021, respectively. Overall, gross margin was slightly up compared to 2021. The increase was mainly due to favourable channel mix and overall efficiencies in the production. The increase was delivered despite the negative impacts from higher commodity prices, impacting gross margin negatively by 0.9pp. Furthermore temporary headwind of 0.5pp from inventory buybacks in connection with franchise acquisitions and non-recurring COVID-19 cost in Thailand also suppressed gross margin in 2022. Finally, the impact on Pandora's gross margin from foreign exchange rates was neutral vs 2021.

OPEX ratio decreased by 0.3pp compared to 2021, despite higher sales and distribution expenses coming from the expansion of owned and operated stores. Marketing expenses ended at 14.1% of revenue in 2022, compared to 15.3% in 2021, and administrative expenses ended at 8.0% of revenue compared to 8.7% in 2021. The EBIT margin ended at 25.5%, up 0.5pp compared to 2021, despite headwinds from rising inflation, higher interest rates and geopolitical uncertainty. Pandora also wrote down DKK 50 million of trade receivables related to Pandora's exit from the Russian market.

Net financial items ended at a cost of DKK 210 million compared to DKK 461 million in 2021. The development is due to favourable exchange rate evolvement. Total tax expenses amounted to DKK 1.5 billion (2021: DKK 1.2 billion), corresponding to an effective tax rate of 23.0% in 2022 compared to 22.6% in 2021. The increase is a reflection of an overall stronger performance combined with non-capitalised tax assets. Finally, net profit improved to DKK 5.0 billion compared to DKK 4.2 billion in 2021.

Pandora has lifted earnings per share (EPS) by 29% compared to 2021, ending at DKK 54.2 in 2022.

BALANCE SHEET AND CASH FLOW

Solid capital position

Net working capital ended at 4.2% of revenue in 2022. The increase in net working capital of DKK 2.3 billion was mainly driven by a deliberate inventory build-up to protect availability, in order to mitigate risk of stock-outs and disruptions in the supply chain. In addition, the increase on inventory was also driven by more openings of owned and operated stores and revenue growth.

Free cash flow ended the year at DKK 2.6 billion, down from DKK 5.1 billion, and is a reflection of the before mentioned increases in inventory as well as higher CAPEX. Pandora has increased CAPEX from 3% share of revenue in 2021 to 5% share of revenue in 2022, equal to a DKK 649 million increase in absolute CAPEX. The increase in CAPEX is mainly due to network expansion as Pandora has opened net 88 concept stores and 130 owned and operated shop-in-shops in 2022. Additionally, taxes paid was DKK 1.8 billion in 2022 compared to DKK 0.8 billion in 2021, also impacting both free cash flow and cash flows from operating activities negatively. The increase in taxes paid relates to tax from prior year and a higher tax paid for 2022. Cash flow from investing activities increased to DKK 1.8 billion compared to DKK 0.6 billion in 2021, due to increasing acquisition activity and higher CAPEX from network expansion and investments in digital capabilities.

For comments to ROIC and the balance sheet, please refer to page 16.

CONFERENCE CALL

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

The following numbers can be used by investors and analysts:

DK: +45 78 76 84 90
SE: +46 406 820 620
UK: +44 203 769 6819
US: +1 646 787 0157
PIN: 837462

Link to webcast: https://pandora-events.eventcdn.net/events/annual-report-2022

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 more than 6,500 points of sale, including more than 2,500 concept stores.

Headquartered in Copenhagen, Denmark, Pandora employs 32,000 people worldwide and crafts its jewellery at two LEED-certified facilities in Thailand 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 revenue of DKK 26.5 billion (EUR 3.6 billion) in 2022.

For more information, please contact:

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	3	9,856	9,011	26,463	23,394
Cost of sales		-2,345	-2,188	-6,273	-5,590
Gross profit		**7,511**	**6,822**	**20,190**	**17,803**
Sales, distribution and marketing expenses		-3,720	-3,535	-11,322	-9,939
Administrative expenses		-586	-610	-2,125	-2,026
Operating profit		**3,206**	**2,678**	**6,743**	**5,839**
Finance income		101	17	412	152
Finance costs		-255	-228	-622	-613
Profit before tax		**3,051**	**2,467**	**6,533**	**5,378**
Income tax expense		-686	-563	-1,504	-1,218
Net profit for the period		**2,365**	**1,904**	**5,029**	**4,160**
Earnings per share, basic, DKK		25.5	19.4	54.2	42.1
Earnings per share, diluted, DKK		25.2	19.1	53.7	41.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q4 2022	Q4 2021	FY 2022	FY 2021
Net profit for the period	**2,365**	**1,904**	**5,029**	**4,160**
Other comprehensive income:				
Items that may be reclassified to profit/loss for the period				
Exchange rate adjustments of investments in subsidiaries	-571	236	-196	370
Fair value adjustment of hedging instruments	507	249	297	-417
Tax on other comprehensive income, hedging instruments, income/expense	-29	-58	23	83
Items that may be reclassified to profit/loss for the period, net of tax	**-93**	**427**	**123**	**36**
Items not to be reclassified to profit/loss for the period				
Actuarial gain/loss on defined benefit plans, net of tax	12	10	12	10
Items not to be reclassified to profit/loss for the period, net of tax	**12**	**10**	**12**	**10**
Other comprehensive income, net of tax	**-81**	**437**	**135**	**46**
Total comprehensive income for the period	**2,284**	**2,341**	**5,164**	**4,206**

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2022 31 December	2021 31 December
ASSETS			
Goodwill	9	4,822	4,418
Brand		1,057	1,057
Distribution		1,047	1,080
Other intangible assets		642	538
Total intangible assets		**7,568**	**7,094**
Property, plant and equipment		2,226	1,816
Right-of-use assets	10	2,978	2,532
Deferred tax assets		1,261	891
Other financial assets		249	222
Total non-current assets		**14,282**	**12,555**
Inventories		4,211	2,991
Trade receivables	7	1,262	1,009
Right-of-return assets		54	70
Derivative financial instruments	5,6	231	69
Income tax receivable		155	68
Other receivables		1,024	738
Cash		794	1,043
Total current assets		**7,731**	**5,988**
Total assets		**22,013**	**18,542**
EQUITY AND LIABILITIES			
Share capital		96	100
Treasury shares		-3,320	-3,416
Reserves		918	795
Proposed dividend		1,430	1,516
Retained earnings		8,044	8,007
Total equity		**7,167**	**7,001**
Provisions		363	416
Loans and borrowings	10	3,130	2,765
Deferred tax liabilities		172	113
Total non-current liabilities		**3,665**	**3,295**
Provisions		21	26
Refund liabilities		628	724
Contract liabilities		136	163
Loans and borrowings	10	4,458	1,161
Derivative financial instruments	5,6	74	209
Trade payables		3,131	3,267
Income tax payable		1,068	1,003
Other payables		1,666	1,694
Total current liabilities		**11,181**	**8,246**
Total liabilities		**14,846**	**11,541**
Total equity and liabilities		**22,013**	**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	1,516	8,007	7,001
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**5,029**	**5,029**
Other comprehensive income, net of tax	**-**	**-**	**-108**	**231**	**-**	**12**	**135**
Total comprehensive income for the period	**-**	**-**	**-108**	**231**	**-**	**5,041**	**5,164**
Share-based payments	-	199	-	-	-	-95	104
Purchase of treasury shares	-	-3,588	-	-	-	-	-3,588
Cancellation of treasury shares	-5	3,486	-	-	-	-3,481	-
Dividend paid	-	-	-	-	-1,516	2	-1,514
Dividend proposed	-	-	-	-	1,430	-1,430	-
Equity at 31 December	**96**	**-3,320**	**797**	**121**	**1,430**	**8,044**	**7,167**
2021							
Equity at 1 January	100	-93	535	215	-	6,632	7,389
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**4,160**	**4,160**
Other comprehensive income, net of tax	**-**	**-**	**370**	**-325**	**-**	**1**	**46**
Total comprehensive income for the period	**-**	**-**	**370**	**-325**	**-**	**4,161**	**4,206**
Share-based payments	-	1	-	-	-	209	210
Purchase of treasury shares	-	-3,325	-	-	-	-	-3,325
Dividend paid	-	-	-	-	-1,481	2	-1,479
Dividend proposed	-	-	-	-	2,997	-2,997	-
Equity at 31 December	**100**	**-3,416**	**905**	**-110**	**1,516**	**8,007**	**7,001**

CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million	Notes	Q4 2022	Q4 2021	FY 2022	FY 2021
Operating profit		3,206	2,678	6,743	5,839
Depreciation and amortisation		506	589	1,973	1,999
Share-based payments		25	42	87	166
Change in inventories		635	332	-1,012	-799
Change in receivables		-609	-380	-531	-77
Change in payables and other liabilities		1,259	1,451	-559	327
Other non-cash adjustments		-57	160	-18	70
Finance income received		3	1	7	3
Finance costs paid		-189	-322	-466	-468
Income taxes paid		-704	-478	-1,790	-832
Cash flows from operating activities, net		**4,075**	**4,073**	**4,434**	**6,228**
Acquisitions of subsidiaries and activities, net of cash acquired	8	-22	-	-562	-66
Purchase of intangible assets		-104	-83	-353	-289
Purchase of property, plant and equipment		-316	-101	-838	-296
Change in other assets		-20	13	-36	17
Proceeds from sale of property, plant and equipment		1	-2	5	2
Cash flows from investing activities, net		**-462**	**-172**	**-1,785**	**-631**
Dividend paid		-	-486	-1,514	-1,479
Purchase of treasury shares		-774	-2,230	-3,527	-3,325
Proceeds from loans and borrowings		-198	-693	4,994	1,315
Repayment of loans and borrowings		-1,985	1	-1,985	-3,004
Repayment of lease commitments		-283	-280	-1,068	-991
Cash flows from financing activities, net		**-3,239**	**-3,688**	**-3,100**	**-7,484**
Net increase/decrease in cash		**373**	**213**	**-452**	**-1,887**
Cash and cash equivalents, beginning of period		260	824	1,043	2,912
Exchange gains/losses on cash		-39	7	4	18
Net increase/decrease in cash		373	213	-452	-1,887
Cash and cash equivalents, end of period		**595**	**1,043**	**595**	**1,043**
Cash balances		794	1,043	794	1,043
Overdrafts		-199	-	-199	-
Cash and cash equivalents, end of period		**595**	**1,043**	**595**	**1,043**
Cash flows from operating activities, net		4,075	4,073	4,434	6,228
- Finance income received		-3	-1	-7	-3
- Finance costs paid		189	322	466	468
Cash flows from investing activities, net		-462	-172	-1,785	-631
- Acquisition of subsidiaries and activities, net of cash acquired		22	-	562	66
Free cash flows excl. lease payments		**3,821**	**4,221**	**3,670**	**6,128**
Free cash flows incl. lease payments		**3,538**	**3,941**	**2,602**	**5,137**
Unutilised committed credit facilities		**6,693**	**6,023**	**6,693**	**6,023**

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

NOTE 1 – Accounting policies

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

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

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

Pandora presents financial measures in the interim financial report that are not defined according to IFRS. Pandora believes these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies may calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS. For definitions of the performance measures used by Pandora, see note 5.6 Financial definitions to the consolidated financial statements in the Annual Report 2022.

New standards, interpretations and amendments adopted by Pandora

Pandora has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year beginning on 1 January 2022. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the period. The new standards that are not yet effective are not expected to have any material impact on Pandora.

NOTE 2 – Significant accounting estimates and judgements

In preparing the condensed consolidated interim financial statements, management makes various judgements, accounting estimates and assumptions that form the basis of the presentation, recognition and measurement of Pandora's assets and liabilities.

All significant accounting estimates and judgements are consistent with the description in the Annual Report 2022 to which we refer.

NOTE 3 – Segment and revenue information

Pandora's activities are segmented into two reportable segments, each responsible for the end-to-end performance of collections. One includes Moments incl. Collabs, while the other, Style, covers newer collections and innovations.

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

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

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

SEGMENT INFORMATION

DKK million	Moments incl. Collabs	Style	Group
Q4 2022			
Revenue	7,028	2,828	9,856
Cost of sales	-1,735	-610	-2,345
Gross profit	**5,293**	**2,218**	**7,511**
Operating expenses			**-4,305**
Consolidated operating profit (EBIT)			**3,206**
Profit margin (EBIT margin)			***32.5%***
Q4 2021			
Revenue	6,311	2,700	9,011
Cost of sales	-1,600	-588	-2,188
Gross profit	**4,711**	**2,112**	**6,822**
Operating expenses			-4,144
Consolidated operating profit (EBIT)			**2,678**
Profit margin (EBIT margin)			***29.7%***

DKK million	Moments incl. Collabs	Style	Group
FY 2022			
Revenue	19,192	7,272	26,463
Cost of sales	-4,688	-1,586	-6,273
Gross profit	**14,504**	**5,686**	**20,190**
Operating expenses			**-13,448**
Consolidated operating profit (EBIT)			**6,743**
Profit margin (EBIT margin)			***25.5%***
FY 2021			
Revenue	16,610	6,784	23,394
Cost of sales	-4,106	-1,485	-5,590
Gross profit	**12,504**	**5,300**	**17,803**
Operating expenses			-11,965
Consolidated operating profit (EBIT)			**5,839**
Profit margin (EBIT margin)			***25.0%***

REVENUE BY SEGMENTS

DKK million	Q4 2022	Q4 2021	*Sell-out growth vs Q4 2021*	*Local currency growth*	*Share of Revenue*	FY 2022	FY 2021	*Sell-out growth vs 2021*	*Local currency growth*	*Share of Revenue*
Moments incl. Collabs	**7,028**	**6,311**	***0%***	***8%***	***71%***	**19,192**	**16,610**	***5%***	***11%***	***73%***
- Moments	6,045	5,510	*0%*	*7%*	*61%*	16,578	14,699	*3%*	*9%*	*63%*
- Collabs	983	801	*2%*	*18%*	*10%*	2,614	1,911	*20%*	*30%*	*10%*
Style	**2,828**	**2,700**	***-4%***	***2%***	***29%***	**7,272**	**6,784**	***-1%***	***3%***	***27%***
- Timeless	1,773	1,656	*-3%*	*4%*	*18%*	4,362	4,091	*-2%*	*2%*	*16%*
- Signature	660	695	*-14%*	*-7%*	*7%*	1,883	1,990	*-12%*	*-9%*	*7%*
- ME	314	328	*-4%*	*-6%*	*3%*	815	656	*40%*	*21%*	*3%*
- Diamonds by Pandora	81	20	*196%*	*272%*	*1%*	213	48	*130%*	*298%*	*1%*
Total revenue	**9,856**	**9,011**	***-1%***	***6%***	***100%***	**26,463**	**23,394**	***4%***	***8%***	***100%***

Goods transferred at a point in time	9,829	8,981	26,386	23,321
Services transferred over time	27	30	77	73
Total revenue	**9,856**	**9,011**	**26,463**	**23,394**

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q4 2022	Q4 2021	*Sell-out growth vs Q4 2021*	*Growth in local currency*	FY 2022	FY 2021	*Sell-out growth vs 2021*	*Growth in local currency*
US	2,820	2,523	*-7%*	*1%*	7,907	7,026	*-7%*	*1%*
China	143	222	*-41%*	*-36%*	737	1,126	*-47%*	*-39%*
UK	1,613	1,521	*1%*	*9%*	3,802	3,314	*10%*	*15%*
Italy	913	961	*-9%*	*-5%*	2,580	2,443	*5%*	*6%*
Australia	535	491	*1%*	*8%*	1,271	1,131	*6%*	*9%*
France	475	498	*-9%*	*-5%*	1,190	1,122	*4%*	*6%*
Germany	494	478	*-3%*	*3%*	1,307	1,191	*18%*	*10%*
Total top-7 markets	**6,991**	**6,694**	***-5%***	***1%***	**18,795**	**17,353**	***-2%***	***3%***
Rest of Pandora	**2,865**	**2,316**	***14%***	***21%***	**7,669**	**6,041**	***21%***	***24%***
Total revenue	**9,856**	**9,011**	***-1%***	***6%***	**26,463**	**23,394**	***4%***	***8%***

REVENUE BY CHANNEL

DKK million	Q4 2022	Q4 2021	*Growth in local currency*	FY 2022	FY 2021	*Growth in local currency*
Retail physical stores[1]	4,986	4,006	*22%*	13,503	9,945	*31%*
Retail online stores	2,466	2,465	*-3%*	5,612	5,977	*-10%*
Wholesale and third-party distribution	2,404	2,539	*-10%*	7,349	7,472	*-7%*
Total revenue	**9,856**	**9,011**	***6%***	**26,463**	**23,394**	***8%***

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

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

NOTE 4 – Seasonality of operations

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

NOTE 5 – Financial risks

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

Net interest-bearing debt (NIBD), incl. capitalised leases amounted to DKK 6.8 billion at the end of Q4 2022 (Q3 2022: DKK 9.2 billion) corresponding to a financial leverage of 0.8x (Q3 2022: 1.1x). The decrease in NIBD is mainly driven by the high cash generation seen throughout the peak trading season.

Outstanding committed loan facilities (end of December 2022)

	Available facilities DKK million	Maturity date	Drawn amount DKK million	Available liquidity
Revolving credit facilities[1]	7,065	April 2027	372	6,693
Term loan maturing in 2030[1]	744	May 2030	744	-
Term loan maturing in 2023	3,000	December 2023	3,000	-
Total outstanding committed loan facilities	**10,808**		**4,116**	**6,693**

[1] The revolving credit facility and the term loan maturing in 2030 are both sustainability-linked facilities.

NOTE 6 – Derivative financial instruments

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

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

NOTE 7 – Trade receivables

DKK million	2022 31 December	2021 31 December
Receivables related to third-party distribution and wholesale	747	672
Receivables related to retail revenue sales	515	337
Total trade receivables	**1,262**	**1,009**

NOTE 8 – Business combinations

The contribution from the acquisitions as highlighted below includes retail revenue and net profit after the acquisition date. Lost revenue and net profit from the franchise channel have not been adjusted, thus the highlighted contributions cannot be directly linked to the income statement from a performance perspective.

Ben Bridge

In Q1 2022, Pandora took over 37 concept stores in the US and Canada (32 concept stores in the US acquired on 3 March and five concept stores in Canada acquired on 25 February) from Ben Bridge in two business combinations. Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 291 million. Based on the purchase price allocations, goodwill was DKK 194 million. Excluding the temporary drag on gross margin from inventory buybacks, the contributions to Group's revenue and net earnings from the acquisition were DKK 445 million and DKK 186 million respectively.

Panbor

On 13 July 2022, Pandora took over 13 concept stores in Las Vegas from Panbor. Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 166 million. Based on the purchase price allocations, goodwill was DKK 95 million. Excluding the temporary drag on gross margin from inventory buybacks, the contributions to the Group's revenue and net earnings from the acquisition were DKK 121 million and DKK 55 million respectively.

Portugal

On 20 July 2022, Pandora acquired the distribution in Portugal from the previous distributor, Visão do Tempo. The acquisition comprised mainly inventories, non-current assets and liabilities relating to 25 concept stores and nine shop-in-shops. The total purchase price for the acquisitions was DKK 99 million. Based on the purchase price allocations, goodwill was DKK 64 million. Excluding the temporary drag on gross margin from inventory buybacks, the contribution to the Group's revenue and net earnings from the acquisition were DKK 99 million and DKK 51 million respectively.

Other business combinations in 2022

Pandora acquired five more concept stores in the US and Italy in 2022. The purchase price was DKK 20 million. Assets acquired mainly consisted of inventories and other assets and liabilities relating to the stores. Of the purchase price, DKK 11 million was allocated to goodwill.

Total business combinations in 2022

The total purchase price for the acquisitions in 2022 was DKK 577 million. Based on the purchase price allocations, goodwill was DKK 364 million. Goodwill from the acquisitions was mainly related to the synergies from converting the stores from wholesale and distribution to Pandora owned retail. All the goodwill recognised was deductible for income tax purposes.

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

Excluding the temporary drag on gross margin from inventory buybacks, the contributions to the Group's revenue and net earnings from the acquisitions for the period 1 January to 31 December 2022 were DKK 693 million and DKK 305 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 to 31 December 2022 would have been approximately DKK 825 million and DKK 346 million respectively.

ACQUISITIONS

DKK million	FY 2022	FY 2021
Distribution rights	-	13
Property, plant and equipment and right-of-use assets	159	84
Inventories	195	34
Assets acquired	**354**	**131**
Non-current liabilities	78	50
Payables	3	-
Other current liabilities	61	27
Liabilities assumed	**141**	**77**
Total identifiable net assets acquired	**213**	**54**
Goodwill arising on the acquisitions	364	12
Purchase consideration	**577**	**66**
Cash movements on acquisitions:		
Deferred payment	-14	-
Net cash flow on acquisitions	**562**	**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 31 December	2021 31 December
Cost at 1 January	4,418	4,247
Acquisition of subsidiaries and activities in the period	364	12
Exchange rate adjustments	39	161
Cost at the end of the period	**4,822**	**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 2022 and the test confirmed a substantial headroom between the carrying amount and the value in use. All the assumptions used are as described in the Annual Report 2022.

NOTE 10 – Assets and liabilities related to leases

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2022 31 December	2021 31 December
Property	2,960	2,507
IT	2	3
Cars	11	14
Other	5	8
Total right-of-use assets	**2,978**	**2,532**

Out of the total increase of DKK 0.5 billion in right-of-use-assets in the period 1 January to 31 December 2022, DKK 1.6 billion relates to renewals of lease contracts and new leases driven by network expansion and forward integration, partially offset by a decrease of DKK 1.1 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 31 December	2021 31 December
Non-current	2,113	1,724
Current	950	886
Total lease liabilities	**3,063**	**2,610**

Lease liabilities are recognised in loans and borrowings.

Amounts recognised in the income statement:

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

DKK million	1 January – 31 December 2022	1 January – 31 December 2021
Property	1,098	1,066
IT	1	1
Cars	11	9
Other	4	4
Total depreciation on right-of-use assets for the period	**1,114**	**1,081**

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 31 December 2022	1 January – 31 December 2021
Interest expense	162	99
Total interest for the period	**162**	**99**

Costs recognised in the period for short-term and low-value leases were DKK 60 million (2021: DKK 39 million). Expenses are recognised on a straight- line basis.

Total cash outflow relating to leases was DKK 1,702 million for 2022 (2021: DKK 1,377 million), comprising fixed lease payments in scope of IFRS 16 of DKK 1,068 million (2021: DKK 991 million), variable lease payments of DKK 412 million (2021: DKK 248 million), interest paid of DKK 162 million (2021: DKK 99 million), and short-term and low-value leases of DKK 60 million (2021: DKK 39 million). Payments related to variable leases and short-term and low-value leases are not included in the lease liabilities.

Due to the pandemic, Pandora received rent concessions from landlords in 2021 amounting to DKK 56 million, which was recognised under sales and distribution expenses in the income statement. The impacts in 2022 were insignificant due to limited COVID-19 closures.

NOTE 11 – Trade payables

The Group generally accepts that vendors sell off their receivables arising from the sale of goods and services to the Group to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora on attractive terms, based on invoices approved by Pandora, but at the bank's sole discretion. Pandora is not directly or indirectly a party to these agreements. The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the statement of cash flows (working capital within cash flows from operations) and amounted to DKK 79 million at 31 December 2022 (2021: DKK 24 million).

NOTE 12 – Contingent liabilities

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

NOTE 13 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 14 – Store network, concept store development[1,2]

	Total concept stores					*O&O concept stores*		
	Number of concept stores Q4 2022	Number of concept stores Q3 2022	Number of concept stores Q4 2021	*Growth Q4 2022 / Q3 2022*	*Growth Q4 2022 /Q4 2021*	Number of concept stores O&O Q4 2022	*Growth O&O stores Q4 2022 / Q3 2022*	*Growth O&O stores Q4 2022 /Q4 2021*
US	420	405	388	15	32	270	15	83
China	252	232	214	20	38	234	20	38
UK	215	208	211	7	4	196	8	26
Italy	156	150	146	6	10	119	6	12
Australia	120	120	125	0	-5	41	0	-2
France	123	122	122	1	1	81	1	3
Germany	134	132	135	2	-1	131	2	-1
Total top-7 markets	1,420	1,369	1,341	51	79	1,072	52	159
Rest of Pandora[2]	1,122	1,105	1,113	17	9	581	14	71
All markets	**2,542**	**2,474**	**2,454**	**68**	**88**	**1,653**	**66**	**230**

[1]Includes 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.
[2] As of Q1 2022, Pandora excludes concept stores and other points of sales from third-party distribution related to Russia and Belarus. Comparative figures for 2021 were restated accordingly.

NOTE 15 – Commodity hedging

It is Pandora's policy to hedge at least 70% of the Group's expected gold and silver consumption based on a rolling 12-month production plan. The table below illustrates the timing of the hedges related to the purchase of gold and silver for production, 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 GOLD AND SILVER FOR PRODUCTION)

USD / OZ	*Realised in Q4 2022*	Hedged Q1 2023	Hedged Q2 2023	Hedged Q3 2023	Hedged Q4 2023
Gold price	*1,782*	1,835	1,839	1,793	1,847
Silver price	*22.14*	23.48	21.75	20.42	22.27
Commodity hedge ratio, %	*Realised*	70-100%	70-90%	50-70%	30-50%

NOTE 16 – Subsequent events

As described in section Other events in the Management review and in Note 8 Business Combinations, Pandora is not aware of events after 31 December 2022, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Financial highlights					
Revenue	9,856	5,263	5,655	5,689	9,011
Organic growth, %	*4%*	*3%*	*3%*	*21%*	*10%*
Sell-out growth (like-for-like), %[1]	*-1%*	*1%*	*2%*	*17%*	*11%*
Earnings before interests, tax, depreciation and amortisation (EBITDA)	3,712	1,496	1,737	1,772	3,267
Operating profit (EBIT)	3,206	978	1,249	1,310	2,678
EBIT margin, %	*32.5%*	*18.6%*	*22.1%*	*23.0%*	*29.7%*
Net financials	-155	-18	-27	-10	-211
Net profit for the period	2,365	734	934	995	1,904
Financial ratios					
Revenue growth, DKK, %	*9%*	*11%*	*10%*	*26%*	*14%*
Revenue growth, local currency, %	*6%*	*5%*	*4%*	*22%*	*11%*
Gross margin, %	*76.2%*	*76.7%*	*76.4%*	*76.0%*	*75.7%*
EBITDA margin, %	*37.7%*	*28.4%*	*30.7%*	*31.1%*	*36.3%*
EBIT margin, %	*32.5%*	*18.6%*	*22.1%*	*23.0%*	*29.7%*
Effective tax rate, %	*22.5%*	*23.5%*	*23.5%*	*23.5%*	*22.8%*
Equity ratio, %	*33%*	*26%*	*27%*	*28%*	*38%*
NIBD to EBITDA, x[2]	0.8	1.1	1.0	0.9	0.4
Return on invested capital (ROIC), % of last 12 months' EBIT	*48%*	*42%*	*46%*	*49%*	*59%*
Cash conversion incl. lease payments, %	*110%*	*0%*	*40%*	*-110%*	*147%*
Net working capital, % of last 12 months' revenue	*4.2%*	*8.8%*	*5.8%*	*3.5%*	*-5.0%*
Capital expenditure, % of revenue	*4.7%*	*6.9%*	*5.4%*	*2.8%*	*2.4%*
Stock ratios					
Total payout ratio (incl. share buyback), %	*33%*	*108%*	*77%*	*277%*	*143%*
Consolidated balance sheet					
Total assets	22,013	21,776	20,503	19,419	18,542
Invested capital	13,961	14,853	13,543	12,684	9,884
Net working capital	1,104	2,249	1,451	871	-1,181
Net interest-bearing debt (NIBD), incl. capitalised leases	6,794	9,174	7,926	7,157	2,882
Equity	7,167	5,679	5,617	5,526	7,001
Consolidated statement of cash flows					
Cash flows from operating activities	4,075	542	928	-1,111	4,073
Capital expenditure, total	462	364	306	158	215
Capital expenditure, property, plant and equipment	349	260	236	83	146
Free cash flows incl. lease payments	3,538	0	506	-1,442	3,941

[1] Sell-out growth includes sell-out from all concept stores, including partner owned and Pandora online. Sell-out growth is a like-for-like KPI and includes stores which have been operating for +12 months and stores which are temporarily closed due to COVID-19. Other points of sale are not included in sell-out growth.
[2] Ratio is based on 12 months' rolling EBITDA.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have reviewed and approved the interim financial report of Pandora A/S for the period 1 January to 31 December 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 December 2022 and of the results of the Pandora Group's operations and cash flows for the period 1 January to 31 December 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 financial position as well as a description of material risks and uncertainties that the Group faces.

Copenhagen, 8 February 2023

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.