

PANDÖRA



INTERIM FINANCIAL REPORT Q3 2023

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Our equity story

Pandora aims to be the largest and most desirable jewellery brand in the affordable luxury market, making high-quality jewellery accessible to the many. The jewellery market has historically grown faster than GDP and remains highly fragmented, with global brands set to outgrow the overall market.

Pandora's jewellery is designed to empower self-expression and be culturally relevant. It is hand-finished by skilled craftspeople and meets the highest sustainability standards in the industry. Pandora's unique business model is vertically integrated from design and crafting to direct-to-consumer channels, and the company has built unrivalled scale in manufacturing, retail distribution and brand presence.

Pandora's growth strategy Phoenix leverages the company's existing infrastructure to pursue numerous untapped growth opportunities and gain higher market share across geographies and jewellery categories. With its proven financial model, Pandora expects to outgrow the global jewellery market with high-single digit organic growth while achieving best-in-class profitability. Thanks to its asset-light approach, the company also expects to deliver significant free cash flow, of which the vast majority will be returned to shareholders and result in mid-to-high teens EPS growth.

EXECUTIVE SUMMARY

Double-digit organic growth in Q3 - full-year guidance upgraded

Financial highlights

- The Phoenix strategy is driving positive results. Q3 2023 organic growth accelerates to +11%. LFL (like-for-like) growth reached +9% and network expansion added +4% growth.
- Broad-based LFL growth across markets: key markets in Europe improves to +4% growth, US sees improvement to +5% and Rest of Pandora continues strong momentum at +22% LFL.
- The gross margin reached an all-time high of 79.0%, +230bp vs. Q3 2022, supported by channel mix, cost efficiencies and price increases.
- The EBIT margin landed at 16.5% in Q2 2023, in line with expectations. Full-year EBIT margin to be around 25%.
- Leverage remains low with NIBD/EBITDA at 1.5x, in-line with the normal seasonality. Full year leverage expected to be around 1.2x.
- DKK 4.3 billion worth of shares purchased since February 8, making good progress towards purchasing a total of DKK 5.0 billion by February 2, 2024 at the latest.

Phoenix strategy highlights

- At a Capital Markets Day in October, Pandora initiated the new chapter of Phoenix: transform the perception of Pandora into a full jewellery brand and accelerate growth.
- Increased investments into the brand are already showing good signs with several global brand campaigns and fashion events driving greater consumer engagement across all major touchpoints.
- Brand heat combined with strong product designs delivered broad-based LFL growth across collections. Moments and Pandora ME generated +7% and +12% LFL respectively (“grow the core”) whilst Timeless continued to show even stronger LFL growth at +21% (“fuel with more”).
- In late August, Pandora notably expanded its assortment in Lab-Grown Diamonds. In Q3, the collection generated +84% LFL, although from a low base.

2023 Guidance and current trading

- The organic growth guidance range is upgraded to “+5% to +6%” (previously +2% to +5%). The EBIT guidance remains unchanged at “around 25%”.
- Current trading in Q4 2023 is healthy with underlying LFL growth up at high-single digit levels. Pandora continues to remain mindful of the macroeconomic climate.

Alexander Lacik, President and CEO of Pandora, says:

“We are very pleased with our results this quarter. Our investments in the brand are attracting more consumers into our stores. We have delivered strong broad-based growth whilst our all-time high gross margin underpins our unique earnings model. We raise our guidance for the full year and continue to see very exciting opportunities ahead for Pandora, as we embark on the next chapter of our growth strategy”.

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022	FY 2023 guidance
Revenue	5,572	5,263	17,316	16,607	26,463	
Organic growth, %	11%	3%	5%	8%	7%	+5% to +6%
Like-for-Like, %	9%	1%	3%	6%	4%	
Operating profit (EBIT)	920	978	3,365	3,537	6,743	
EBIT margin, %	16.5%	18.6%	19.4%	21.3%	25.5%	Around 25%

FINANCIAL HIGHLIGHTS

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Financial highlights					
Revenue	5,572	5,263	17,316	16,607	26,463
Organic growth, %	11%	3%	5%	8%	7%
Like-for-Like, % ¹	9%	1%	3%	6%	4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,447	1,496	4,891	5,004	8,716
Operating profit (EBIT)	920	978	3,365	3,537	6,743
EBIT margin, %	16.5%	18.6%	19.4%	21.3%	25.5%
Net financials	-211	-18	-476	-55	-210
Net profit for the period	543	734	2,210	2,663	5,029
Financial ratios					
Revenue growth, DKK, %	6%	11%	4%	15%	13%
Revenue growth, local currency, %	11%	5%	7%	10%	8%
Gross margin, %	79.0%	76.7%	78.2%	76.3%	76.3%
EBITDA margin, %	26.0%	28.4%	28.2%	30.1%	32.9%
EBIT margin, %	16.5%	18.6%	19.4%	21.3%	25.5%
Effective tax rate, %	23.5%	23.5%	23.5%	23.5%	23.0%
Equity ratio, %	15%	26%	15%	26%	33%
NIBD to EBITDA, x	1.5	1.1	1.5	1.1	0.8
Return on invested capital (ROIC), % ²	40%	42%	40%	42%	48%
Cash conversion incl. lease payments, %	65%	0%	36%	-26%	39%
Net working capital, % of last 12 months' revenue	9.2%	8.8%	9.2%	8.8%	4.2%
Capital expenditure, % of revenue	6.7%	6.9%	6.0%	5.0%	4.9%
Stock ratios					
Total pay-out ratio (incl. share buyback), %	249%	108%	256%	160%	100%
Dividend per share, proposed, DKK	-	-	-	-	16
Dividend per share, paid, DKK	-	-	16	16	16
Earnings per share, basic, DKK	6.3	7.8	25.6	28.5	54.2
Earnings per share, diluted, DKK	6.3	7.8	25.5	28.3	53.7
Consolidated balance sheet					
Total assets	23,126	21,776	23,126	21,776	22,013
Invested capital	16,228	14,853	16,228	14,853	13,961
Net working capital	2,498	2,249	2,498	2,249	1,104
Net interest-bearing debt (NIBD), incl. capitalised leases	12,707	9,174	12,707	9,174	6,794
Equity	3,521	5,679	3,521	5,679	7,167
Consolidated statement of cash flows					
Cash flows from operating activities	1,078	542	2,563	359	4,434
Capital expenditure, total	374	364	1,042	828	1,290
Capital expenditure, property, plant and equipment	305	260	782	579	929
Free cash flows incl. lease payments	597	0	1,213	-936	2,602

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

² Last 12 months' EBIT in % of invested capital.

BUSINESS UPDATE

Investments into the brand drive broad-based improvement in LFL momentum

At the recent Capital Markets Day in London, Pandora highlighted the many strides that have been made under the Phoenix strategy since 2021 and laid out a roadmap to take Pandora to the next level. Tied to this, ongoing execution across the four growth pillars in the Phoenix strategy helped drive a strong third quarter with broad-based LFL growth across geographies and collections. Growth was fuelled by increased investments into the Pandora brand and although early days, the initial investments in re-staging the brand as a full jewellery brand and driving brand desirability is elevating brand heat and resulted in among others a 61% increase Y/Y in organic search in Q3. This helped generate a broad-based uplift in traffic during Q3. It should be noted that in Q3, Pandora saw an unexpected pick-up in demand driven by tourists, including domestic/local tourists. This holiday pattern may not necessarily repeat itself in Q3 2024.

In the third quarter, Pandora achieved organic growth of +11% which comprised of LFL growth of +9% and network expansion of +4%. Most of Pandora's key markets saw an improvement in LFL performance. European key markets improved to +4% LFL growth with some help from increased demand related to tourist traffic over the summer but also stronger brand momentum in many markets. Germany continued to build on its momentum with another strong double-digit LFL growth of +31% whilst France turned positive at +5% LFL following various brand activations. The US also witnessed improvement with LFL growth of +5% following good traction on many growth initiatives implemented. Rest of Pandora continued to deliver strong growth at +22% LFL with broad-based growth across many countries. China reported 0% LFL growth where some positive brand momentum in Shanghai, following the relaunch of the brand in the city, was offset by weaker traffic in other regions.

By channel, LFL growth was positive across all touchpoints with Pandora capitalising on higher traffic trends. Reflecting the ongoing investment in Pandora's own store personnel Pandora continues to outperform in its own stores with LFL of +12% vs. partners at +5%. The performance gap narrowed in Q3 reflecting Pandora's ongoing operational support to partners.

Pandora's gross margin reached a new record high at 79.0%, up 230bp vs. Q3 2022. The Q3 gross margin is a continuation of the upward trend witnessed over the past few years and reflects channel mix, price increases and cost efficiencies which more than offset the combined headwind from commodities and foreign exchange rates. Promotional activity for Pandora during the quarter was broadly consistent with last year.

Strong brand heat combines with product initiatives to see solid growth across collections

Within the next phase of Phoenix, Pandora will look to elevate brand desirability with a refreshed marketing strategy that aims to accelerate growth through transforming the perception of Pandora into a full jewellery brand across accessible price points. As part of this, Pandora will initiate a restaging of the brand in early 2024. Ahead of this, Pandora has already started fuelling investments into the brand which are driving up brand heat and traffic. During the quarter, Pandora took centre stage on a number of global brand campaigns and fashion events, including the New York Fashion Week in August where Pandora showcased its expanded Diamond assortment as part of a star-studded campaign. This was further complimented with Pandora's engagement with influencers and the ability to capitalise on social media trends to create ongoing buzz around the Pandora brand during the quarter. This not only fuelled brand recognition but continues to position Pandora as a dynamic and culturally relevant player in the global jewellery market. Pandora's influencer strategy continues to support the brand with amongst the largest penetration in influencer Share of Voice within the global jewellery market.

Grow the core, fuel with more

As a result of the brand momentum, the Moment's platform, delivered 7% LFL growth in the quarter driven by solid performance in base products with bracelets continuing to be particularly strong and underpinning the future growth trajectory in charms. Pandora ME continued to show strong growth at +12% LFL as the new product designs resonate well with consumers. Timeless continues to bear testament to the ongoing success of Pandora's brand evolution, to be known as a full jewellery brand, and had another exceptional quarter with +21% LFL with strong growth across all product categories. This was helped by viral trends across social media platforms - the #PandoraPromiseRing and #PandoraRing trends on TikTok generated millions of views.

Pandora Lab-Grown Diamonds: Significant expansion of assortment

Within the quarter, Pandora took notable strides in its journey to democratise diamonds through the expansion of its lab-grown diamond assortment with three new collections which are available in more than 700 stores across US, Canada, UK and Australia. The expanded range includes 57 new design variations with fresh design aesthetics through new cuts, original settings and every day essential styles. Price points start at USD 290 with stones in the new collections ranging from 0.15 to one carat. The expansion was accompanied by an exciting new "Diamonds for All" marketing campaign during the New York Fashion week in August. Since the expansion of the assortment in August, initial results have shown good progress with stores selling diamonds seeing on average a mid-single digit uplift in revenue. For the quarter, Pandora Lab-Grown Diamonds delivered +84% LFL (although from a low base) with reported revenue being impacted by the phasing of sell-in relative to last year's launch in North America.

At the recent Capital Markets Day, Pandora highlighted that it would be taking its mission to democratise diamonds to the next level with a financial ambition of generating DKK >1 billion in revenue from the collection by 2026. Pandora will continue to optimise execution and take learnings going forward as it looks to be the go-to destination for lab-grown diamonds. In November, this month, Pandora will be expanding the collection into Mexico and Brazil.

REVENUE BY SEGMENT

DKK million	Q3 2023	Q3 2022 ¹	Like-for-Like	Share of Revenue	9M 2023	9M 2022 ¹	Like-for-Like	Share of revenue
Core	4,368	4,171	7%	78%	13,770	13,390	2%	80%
- Moments	3,604	3,479	7%	65%	11,489	11,258	1%	66%
- Collabs	561	492	10%	10%	1,717	1,631	2%	10%
- ME ²	202	199	12%	4%	565	501	16%	3%
Fuel with more	1,204	1,092	14%	22%	3,546	3,218	9%	20%
- Timeless ³	843	664	21%	15%	2,672	2,280	12%	15%
- Signature	275	316	-12%	5%	722	806	-10%	4%
- Pandora Lab-Grown Diamonds	86	113	84%	2%	152	131	159%	1%
Total revenue	5,572	5,263	9%	100%	17,316	16,607	3%	100%

¹ Pandora has updated its collection structure by moving products from Fuel with more to Core in Q1 2023 and comparative figures for Q3 2022 were restated accordingly by DKK 229 million. Total restatement on comparative figures for YTD 9M 2022 were DKK 726 million.

² In Q3 2023, Pandora moved the Pandora ME collection from Fuel with more to Core. Comparative figures for 2022 were restated accordingly.

³ In Q3 2023, Timeless includes revenue from the PANDORA ESSENCE collection of DKK 3 million.

Personalization: Crafting unique moments through engraving

Pandora's commitment to personalization and customer-centric initiatives continue to drive success across key areas. Last year, Pandora rolled out engraving services to nearly 350 Pandora stores and by the end of this year this will be expanded to 850 stores in total. The service has already been resonating strongly with consumers and creating significant buzz on social media channels. Engagement with the community through user-generated content has contributed not only to conversation but also to good incremental revenue growth. Pandora will be scaling up efforts here further with a total of 1,450 stores offering engraving services by the end of 2024.

Network expansion on track: Gearing up for a notable expansion of the new store concept

In Q3 2023, Pandora saw an incremental revenue contribution from network expansion of +4% related to net 105 concept store openings and 78 Pandora owned shop-in-shop openings during the last 12 months. Within Q3 2023 alone, Pandora opened net 27 new concept stores and 16 Pandora owned shop-in-shops, underpinning continued solid future growth at accretive EBIT margins. Pandora is on track to deliver on the targeted 75-125 net concept store openings during 2023, and 50-100 net openings of Pandora owned other points of sales (i.e. shop-in-shops).

At the Capital Markets Day, Pandora highlighted that it will be taking a significant step-up in elevating the in-store consumer experience with around 60% of Pandora's owned & operated stores to be transformed into the new Evoke 2.0 concept by 2026. The new Evoke 2.0 store concept marks a notable milestone in positioning Pandora as a full jewellery brand. While Pandora's previous store concept has been successful in driving and building out the Moments platform, the new Evoke 2.0 concept better utilises all space to effectively show all of Pandora's collections in a more intuitive and engaging experience. The new store concept will also be another major pillar in driving greater brand desirability. So far YTD, Pandora has opened a total of 22 Evoke 2.0 stores and is on track to open more than 40 Evoke 2.0 stores globally in 2023, including the refurbishment of existing stores. Early results are positive and a result of a more intuitive customer experience leading to longer dwell times and self-browsing with good performance across segments and higher conversion rates. The CAPEX per Evoke 2.0 store will be roughly in line with current levels.

During the first nine months of 2023, Pandora acquired 46 concept stores in the US (32 stores) and Colombia (14 stores). Converting partner stores to Pandora-owned retail leads to good synergies as it enables Pandora to enhance brand consistency and build stronger relationships with customers. Additionally, Pandora's own stores continues to outperform partner stores with a +7pp delta in LFL growth in Q3 2023. This outperformance reinforces the value of forward integration.

On track to deliver on 2021 CMD targets; Next Chapter of Phoenix initiated

In 2021, Pandora initiated its current Phoenix strategy focused on the significant growth opportunities building on Pandora's existing core assets. The Phoenix strategy centres on the four interlinked growth pillars of Brand, Design, Personalisation and Markets. Over the past two years, Pandora has relentlessly executed on the strategic vision and navigated external headwinds, and - based on the current 2023 guidance - Pandora is on track to deliver on the financial targets announced in 2021 of 5-7% organic growth CAGR 2021-2023 and an EBIT margin of 25-27% by 2023. The first two years of execution on the Phoenix strategy have fundamentally strengthened Pandora's core.

During a Capital Markets Day last month, Pandora highlighted that it will now look to elevate performance to the next level as it embarks on the next chapter of the Phoenix strategy. The four strategic growth pillars of the Phoenix strategy remain unchanged, but within the pillars Pandora has updated its key priorities to transform the perception of Pandora into a full jewellery brand.

As part of the strategic update, Pandora announced new financial targets:

- Organic growth 7-9% CAGR 2023-2026
- EBIT margin 26-27% by 2026

The new organic growth target represents an upgrade relative to the first chapter of Phoenix announced in 2021 and comprises of a targeted LFL growth CAGR of 4-6% and a contribution from network expansion of around 3% CAGR. The higher growth targets reflects Pandora's improved operating model alongside a range of current and new initiatives which will be scaled up to accelerate growth. When combined with an expected 1% annual revenue impact from forward integration, the targets add up to 8-10% local currency CAGR over 2023-2026.

The new EBIT margin target of 26-27% equals 100-200 bp of margin expansion compared to the 2023 guidance. The EBIT margin target will be delivered while accelerating investments in current and future growth – underpinning Pandora’s ability to leverage its current infrastructure to drive growth. For more details on the Capital Markets Day and financial targets, please refer to [Pandora’s company announcement no. 815](#).

REVENUE REVIEW

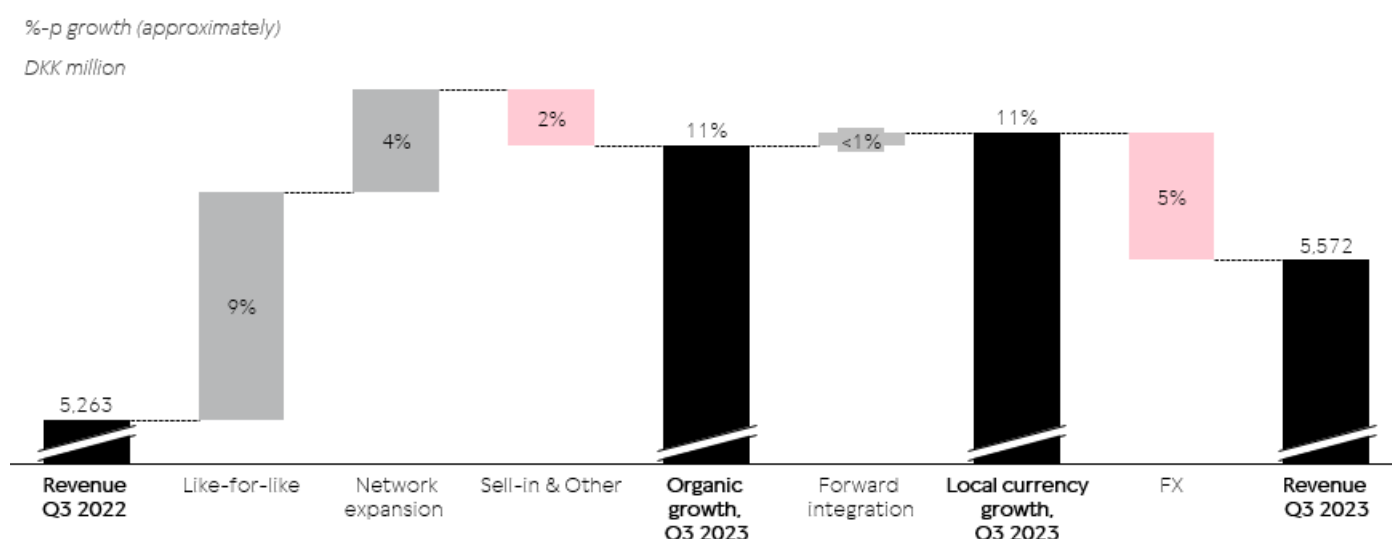
Double-digit revenue growth driven by strong LFL

In Q3, Pandora delivered organic growth of +11% which comprised of strong LFL growth of +9% and network expansion of +4%. Lower replenishments, phasing of sell-in and other as well as lower performance in partner's other points of sale (which is not included in LFL), had a negative impact on organic growth of 2%.

Forward integration continues to support total revenue growth, driven by the acquisition of 46 concept stores in the U.S. (32 stores) and Colombia (14 stores) this year, bringing the total contribution from forward integration to less than 1% in Q3 2023. Foreign exchange rates represented a net headwind of 5%, as most currencies have depreciated vs. DKK, with in particular a weaker USD and AUD, but also a material decline in the Turkish lira.

The revenue growth development can be illustrated as follows:

Q3 2023 growth composition vs. Q3 2022



REVIEW OF REVENUE BY KEY MARKET

Broad-based LFL growth in Q3

Pandora's strong performance in Q3 2023 followed a broad-based pick-up across geographies with LFL in key European markets accelerating to +4%, a solid improvement in the US to +5% LFL, and Rest of Pandora continuing its strong momentum delivering +22% LFL growth. Overall, growth was fuelled by increased investments into the Pandora brand and although early days, the initial investments in re-staging the brand as a full jewellery brand and driving brand desirability is elevating brand heat and resulted in among others a 61% increase Y/Y in organic search in Q3. This helped generate a broad-based uplift in traffic during Q3. It should be noted that in Q3, Pandora saw an unexpected pick-up in demand driven by tourists, including domestic/local tourists. This holiday pattern may not necessarily repeat itself in Q3 2024.

US

In Q3 2023, the US continued to improve momentum and delivered positive LFL at +5%, up from -4% in Q2 2023. Performance was driven by a pick-up in traffic which was partly boosted by strong brand initiatives, including the launch of Pandora's expanded lab-grown diamonds range at the New York Fashion week. Pandora capitalised through ongoing improvement in its retail execution with healthy conversion rates and overall continues to build out its market share further in the US. The launch of the expanded lab-grown diamonds assortment in August was also a small incremental contributor to the positive LFL growth, albeit it is very early days. LFL growth in the wholesale channel continued to improve in the third quarter to slightly positive although the gap vs. Pandora's owned & operated stores remains. For the US overall, organic growth stood at +4% which was impacted by the underperformance in wholesale other points of sales, which are not part of LFL, and phasing of sell-in stemming from last year's lab-grown diamonds launch in the US.

Key markets in Europe

LFL for the key markets in Europe accelerated to +4% in Q3 2023, up from 0% in Q2 2023.

The UK market remained broadly stable with -1% LFL. Overall, the performance and trading patterns remain stable with the average selling price and basket also being stable despite a still weak consumer sentiment.

In Q3 2023, Germany continued its exceptional performance, accelerating to +31% LFL, showcasing the success of Pandora's consistent approach to driving awareness through always-on media. This strong growth occurred despite challenging economic conditions, underscoring Pandora's robust brand momentum and the vast long-term potential in the German market.

In Italy, Q3 2023 brought about a shift as LFL performance improved to -1%, reflecting positive developments in brand consideration with strong performance across platforms as well as an easier comparative base. Performance in Timeless was particularly encouraging and helped contribute to increased brand penetration as reflected also by its ability to attract new customers.

France experienced a positive turn in Q3 2023, accelerating to +5%, a strong improvement from the -5% LFL in the previous quarter. The acceleration was partially helped by good tourist demand but also driven by a clear improvement in brand momentum following strong media campaigns and PR with brand ambassadors and influencers that were received well by consumers. In particular, the appointment of Laury Thilleman as brand ambassador continues to resonate well with consumers and is helping to elevate brand desirability. The wholesale channel continues to be an overall drag on the LFL performance in France.

China

LFL growth in China was 0%. Initial results of the brand relaunch in Shanghai show some promising signs with a pickup in traffic of 37% vs the rest of China and strengthened brand metrics around self-expression and empowerment, both core values attributable to the Pandora brand globally. However, the relaunch remains a journey and it will take time before impacting revenue in China in a significant way.

Australia and Rest of Pandora

Australia continues to be weighed down by a weak consumer sentiment and delivered -8% LFL vs. Q3 2022. Pandora's owned and operated concept stores continues to outperform the wholesale channel in line with previous quarters, partly driven by tourism (larger cities are populated with owned and operated stores), as well as strong execution in owned and operated stores with high conversion rates.

Rest of Pandora accelerated its already strong momentum to +22% LFL in Q3 2023. The growth is broad-based with double-digit growth rates achieved in multiple markets across continents. Pandora continues to expand its presence in Latin America with already established markets like Mexico still growing at +9% LFL, but less penetrated markets like Brasil, Peru and Argentina growing solid double-digit LFL.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKET

DKK million	Q3 2023	Q3 2022	Like-for-Like	Organic growth	Share of revenue
US	1,566	1,597	5%	4%	28%
China	132	162	0%	-7%	2%
UK	729	717	-1%	2%	13%
Italy	496	486	-1%	2%	9%
Australia	221	246	-8%	1%	4%
France	220	217	5%	1%	4%
Germany	301	254	31%	18%	5%
Total key markets	3,666	3,679	3%	4%	66%
Rest of Pandora	1,906	1,585	22%	27%	34%
Total revenue	5,572	5,263	9%	11%	100%

YEAR-TO-DATE REVENUE DEVELOPMENT BY KEY MARKET

DKK million	9M 2023	9M 2022	Like-for-Like	Organic growth	Share of revenue
US	5,115	5,087	-3%	0%	30%
China	449	594	-9%	-19%	3%
UK	2,194	2,190	0%	3%	13%
Italy	1,620	1,668	-4%	-3%	9%
Australia	659	736	-6%	-4%	4%
France	694	716	-2%	-3%	4%
Germany	865	813	17%	6%	5%
Total key markets	11,596	11,803	-2%	-1%	67%
Rest of Pandora	5,720	4,804	15%	21%	33%
Total revenue	17,316	16,607	3%	5%	100%

REVIEW OF NETWORK DEVELOPMENT

Targeting 125-225 net store openings in 2023

During the third quarter of 2023, Pandora has advanced with its strategic network expansion, opening a net of 27 concept stores and 16 Pandora owned shop-in-shops. With this contribution, the year-to-date net openings is 37 concept stores and 45 Pandora owned shop-in-shops.

Network expansion is low risk, while being accretive to margins and returns. As such, Pandora reiterates the targeted expansion of net 75-125 concept stores and 50-100 Pandora owned shop-in-shops during 2023.

Compared to Q3 2022, net 105 concept stores have been added to the network, of which 32 is located in the US. The network has also been expanded by 78 Pandora owned shop-in-shops, the majority of these being in the Americas, in particular Mexico and the US. In the quarter, network expansion drove +4% of the revenue growth with significant opportunity for further value creation. On top of that, forward integration added less than 1% to revenue growth.

Number of points of sale ¹	Q3 2023	Q2 2023	Q3 2022	Growth Q3 2023 /Q2 2023	Growth Q3 2023 /Q3 2022
Concept stores	2,579	2,552	2,474	27	105
- of which Pandora owned ²	1,783	1,712	1,587	71	196
- of which franchise owned	486	533	588	-47	-102
- of which third-party distribution	310	307	299	3	11
Other points of sale	3,989	3,975	3,967	14	22
- of which Pandora owned²	509	493	431	16	78
- of which franchise owned	3,159	3,167	3,204	-8	-45
- of which third-party distribution	321	315	332	6	-11
Total points of sale	6,568	6,527	6,441	41	127

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

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

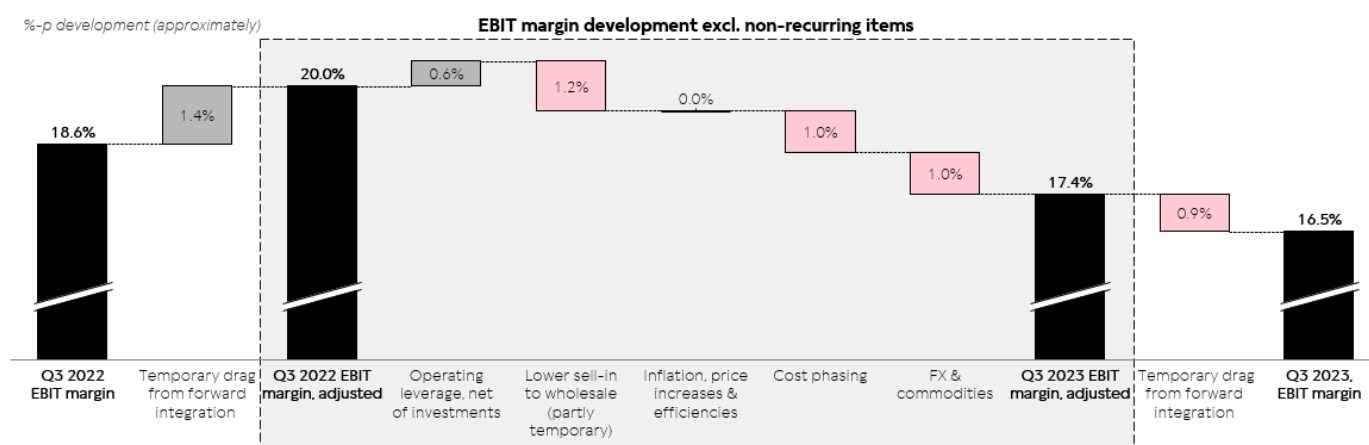
PROFITABILITY

Structural strengthening of the gross margin continues, EBIT margin tracking as planned

Pandora remains on track to deliver a full-year EBIT margin around 25%, broadly in line with last year. As anticipated, the EBIT margin for Q3 2023 landed at 16.5% (-210bp compared to Q3 2022). As previously communicated, the EBIT margin during the first three quarters of 2023 was expected to be below last year, while Q4 will be above, due to among others cost phasing and the impact from foreign exchange rates and commodities.

As mentioned at the recent Capital Markets Day, Pandora is accelerating investments in order to fuel current and future growth. In Q3 2023, the operating leverage from LFL growth and network expansion contributed positively to the margin net of the Phoenix investments into the business. The Q3 margin was, however, negatively impacted by the impact from lower sell-in to partners (partially temporary) and cost phasing between quarters. Price increases and cost efficiencies continued to support the margin and offset salary increases and other cost inflation.

The price of commodities and foreign exchange represented a headwind of 100bp, driven by a significant impact from foreign exchange of -160bp. This development is driven by the USD and AUD, partly offset by the tailwinds from silver prices. The net impact from foreign exchange and commodities is expected to turn positive on the EBIT margin in Q4 2023, providing a help of +60bp.



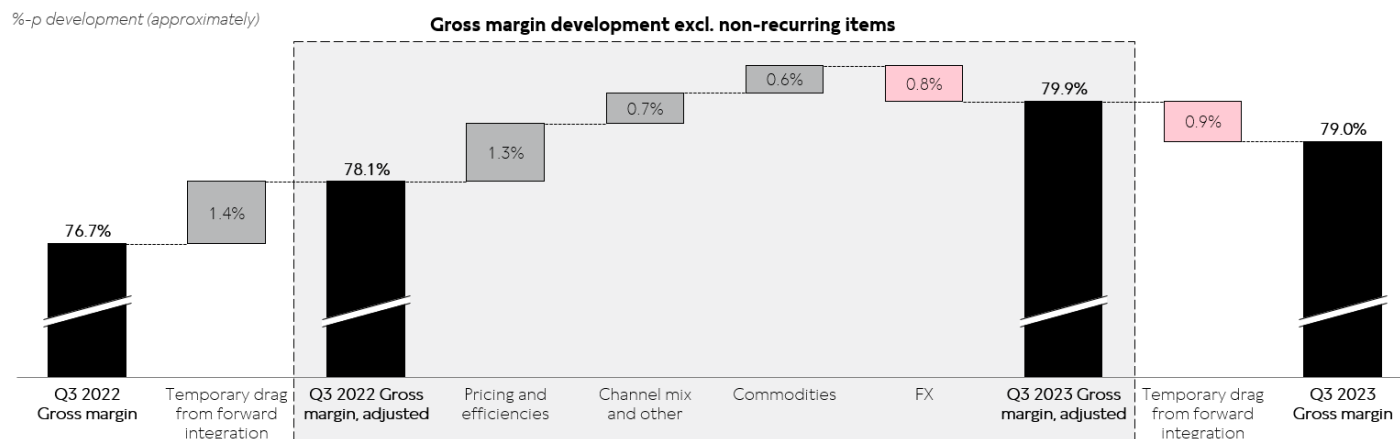
GROSS MARGIN

In Q3 2023, Pandora achieved a record high gross margin of 79.0%, an increase of 230bp compared to Q3 2022. Favourable channel mix and a successful pricing strategy have been instrumental in driving this upward trend in gross margins. In addition to this, a positive impact from efficiencies at the manufacturing facilities in Thailand started to flow through in the quarter.

Foreign exchange rates provided headwind of 80bp, mainly driven by the USD. The foreign exchange headwind is largely offset by impact from commodities, providing 60bp tailwind, resulting in a net impact of 20bp headwind in Q3 2023.

The impact from buying back inventory during the process of forward integration was a net tailwind of 50bp. Adjusting for forward integration, the underlying gross margin improved by 180bp to 79.9% compared to Q3 2022.

%-p development (approximately)



GROSS MARGIN AND GROSS PROFIT

DKK million	Q3 2023	Q3 2022	Growth in constant FX	9M 2023	9M 2022	Growth in constant FX
Revenue	5,572	5,263	11%	17,316	16,607	7%
Cost of sales	-1,168	-1,227	-3%	-3,771	-3,928	-6%
Gross profit	4,404	4,037	16%	13,546	12,679	11%
Gross margin, %	79.0%	76.7%		78.2%	76.3%	

OPERATING EXPENSES

The operating expenses increased by 18% in fixed rates, measured against Q3 2022. The increase was driven by the profitable expansion of the physical network and forward integrations, having added 274 Pandora owned and operated stores compared to Q3 last year, leading to a 27% increase in sales and distribution expenses. On top of that, the pressure from this year's higher-than-usual salary increases, not least to the store colleagues, continues to represent a headwind.

The increase in the marketing spend reflects among others increased investments into the brand relaunch in China and the launch of the three new Pandora Lab-Grown Diamonds collections. Marketing expenses were up by 13% in constant foreign exchange vs Q3 2022, equivalent to 14.8% of revenue for the quarter. Full year marketing costs are still expected to be within the 13-15% range of revenue.

Administrative expenses are in line with Q3 2022, only up by 1%. This is achieved while investing in Digital & Technology, including the new ERP platform, and scaling up investments to accelerate future growth.

QUARTERLY OPERATING EXPENSES

DKK million	Q3 2023	Q3 2022	Growth in constant FX	Share of revenue Q3 2023	Share of revenue Q3 2022
Sales and distribution expenses	-2,090	-1,723	27%	37.5%	32.7%
Marketing expenses	-823	-760	13%	14.8%	14.4%
Administrative expenses	-571	-576	1%	10.2%	10.9%
Total operating expenses	-3,484	-3,059	18%	62.5%	58.1%

YEAR-TO-DATE OPERATING EXPENSES

DKK million	9M 2023	9M 2022	Growth in constant FX	Share of revenue 9M 2023	Share of revenue 9M 2022
Sales and distribution expenses	-6,068	-5,184	19%	35.0%	31.2%
Marketing expenses	-2,403	-2,418	1%	13.9%	14.6%
Administrative expenses	-1,711	-1,540	12%	9.9%	9.3%
Total operating expenses	-10,181	-9,142	13%	58.8%	55.0%

FINANCIAL EXPENSES AND TAX

Net financials came in at a cost of DKK 211 million in Q3 2023, compared to DKK 18 million in Q3 2022. As seen in the first two quarters of 2023, the increase in interest rates and higher leverage compared to last year is impacting the interest paid on loans, as well as the IFRS 16 related interest on lease payments. The net realised profit on foreign exchange hedging contracts represented a net loss of DKK 34 million in Q3 2023.

In line with the first two quarters of 2023, the effective tax rate was 23.5% in Q3 2023. This is at the mid-point of the guided range of 23-24%. As a result, Pandora ended the quarter with an EPS of DKK 6.3 per share.

CASH FLOW & BALANCE SHEET

Solid cash conversion and ROIC

Net Working Capital was broadly flat at 9.2% of the last 12 months revenue vs. the Q3 2022 level of 8.8%. Inventories decreased vs. Q3 2022, both in absolute terms and as a percentage of the last 12 months revenue. The sequential increase is in line with normal seasonality. The inventory position by year end is expected to be in line with last year in absolute terms and thereby down as a % of revenue.

Trade receivables continue to be at a healthy level. The wholesale Days Sales Outstanding (DSO) ends at 40 days vs 34 days in Q3 2022 with the increase reflecting mainly geographical mix in the wholesale channel (c.40% lower US wholesale revenue in Q3 Y/Y where DSO is low versus higher wholesale revenue in markets with relatively high DSO, for example Australia). Additionally, Pandora has granted temporarily longer payment terms in a very few selected markets as part of the efforts to narrow the LFL gap between partner stores and Owned and Operated stores by incentivizing partners not to operate with an inventory position which is too low. The sequential increase of 10 days compared to Q2 2023 is in line with the usual seasonality and will normalise again by Q4 2023. Retail DSO are flat at seven days vs Q3 2022, bringing the total DSO to 15 days, which is in line with Q3 2022.

The Q3 2023 cash conversion was strong at 65%, a vast improvement from 0% in Q3 2022. The improvement is mostly resulting from last year's deliberate inventory build-up starting to lapse. Free cash flow including lease payments was DKK 597 million. CAPEX was 6.7% of revenue as investments into growth and in particular the physical store network continues. This is in line with Q3 2022 CAPEX at 6.9%, and brings the year-to-date ratio to 6%, which is in line with the full year guidance.

ROIC continues being at a high level at 40%, broadly in-line with the 42% in Q3 2022. The slight decrease is mainly a function of a higher invested capital due to higher right of use assets, and the slightly higher net working capital compared to last year.

NET WORKING CAPITAL

Share of preceding 12 months' revenue	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Inventories	17.8%	16.6%	16.3%	15.9%	20.1%
Trade receivables	3.4%	2.9%	3.2%	4.8%	3.4%
Trade payables	-8.7%	-8.5%	-8.2%	-11.8%	-10.4%
Other net working capital elements	-3.3%	-2.6%	-2.4%	-4.7%	-4.3%
Total	9.2%	8.4%	8.8%	4.2%	8.8%

Balance Sheet

Non-current assets increased to DKK 15.4 billion, up from DKK 14.3 billion in Q3 2022. The increase is driven by right of use assets, coming from the continued network expansion. The current assets are broadly stable and in line with Q3 2022.

Net interest-bearing debt amounted to DKK 12.7 billion by Q3 2023, up from DKK 9.2 billion in Q3 2022. This corresponds to a financial leverage of 1.5x, up from 1.1x. This development is in line with the usual seasonality of the business with the Y/Y increase reflecting the higher cash distribution to shareholders in 2023. This follows Pandora's decision to increase leverage from the low end of the capital structure policy (range of 0.5x to 1.5x NIBD to EBITDA) towards the mid-point. By the end of 2023, the leverage is expected to land at around 1.2x.

Equity is DKK 3.5 billion by Q3 2023, down from DKK 7.2 billion by year end 2022. This is in line with the usual seasonality. In the quarter, Pandora has bought back shares amounting to DKK 1.3 billion, bringing the year-to-date amount to DKK 4.3 billion.

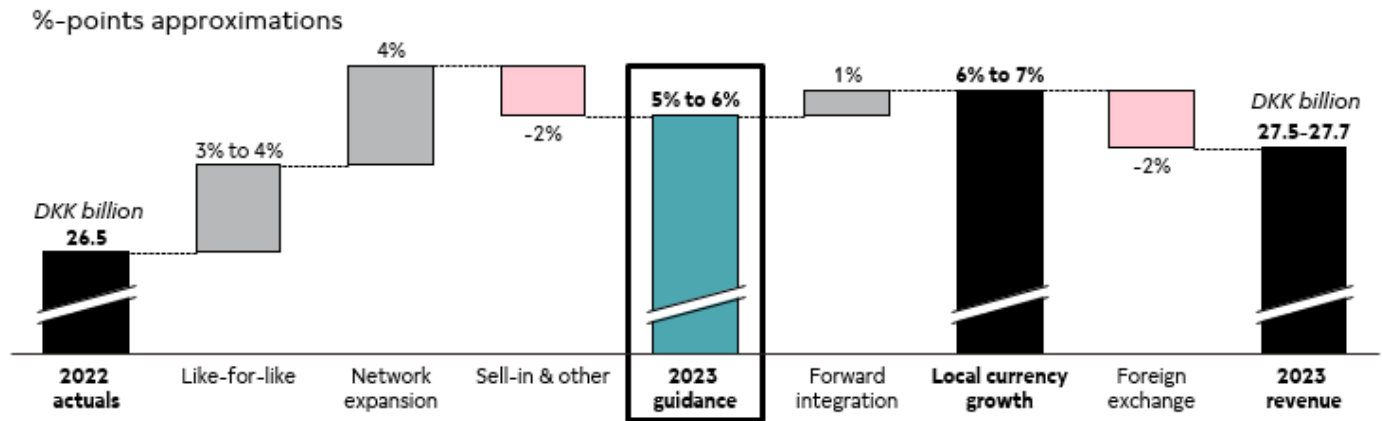
FINANCIAL GUIDANCE

Revenue guidance upgraded

Initiatives under Phoenix are on track and yielding positive results. Additionally, the brand has demonstrated its strength amid a weak macro in 2023. Pandora therefore enters Q4, the biggest quarter of the year, with confidence. At the same time, Pandora remains conscious of the elevated macroeconomic uncertainty. Following solid performance YTD, Pandora updates its financial guidance to “organic growth of +5% to +6%” (previously +2% to +5%). The EBIT margin guidance remains unchanged at “Around 25%”.

REVENUE GUIDANCE

The organic growth guidance can be illustrated as follows:

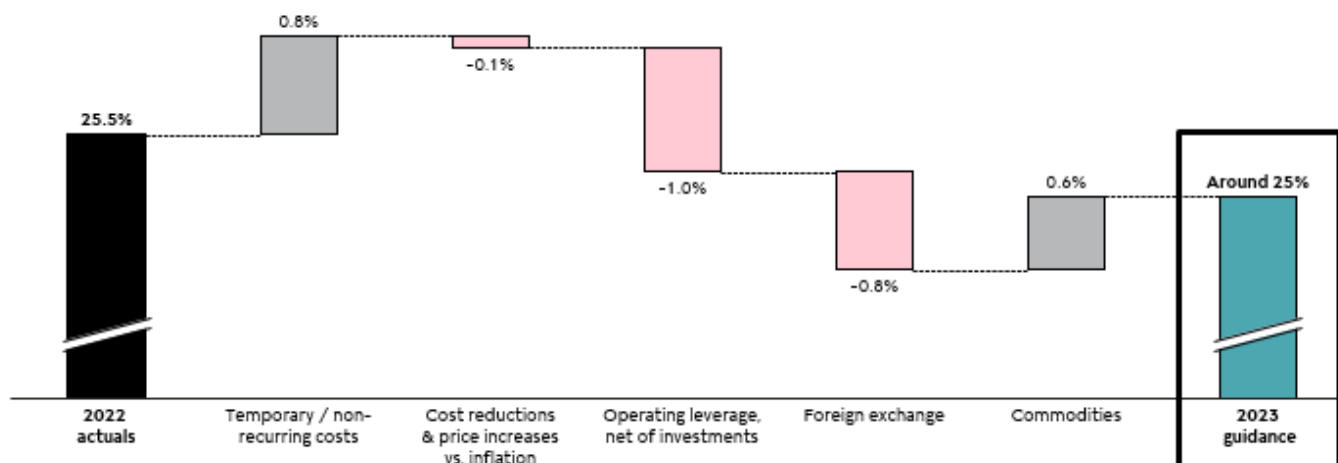


Pandora is currently expecting a LFL growth in 2023 between +3% to +4% (previously 0% to +2%). Continued network expansion is expected to add 4% (unchanged) to growth whereas sell-in to partners/other is expected to be a drag of -2% (previously -1% to -2%) driven by among others underperformance in wholesale other points of sales, which are not part of LFL, as well as lower replenishments among some partners. In combination, these elements help lift organic growth to +5% to +6%. Forward integration is expected to add around 1% with revenue growth in local currency ending at +6% to +7%.

PROFITABILITY GUIDANCE

The EBIT margin guidance can be illustrated as follows:

%-points approximations



The EBIT margin guidance for 2023 is unchanged at “Around 25%”. The building blocks include temporary and non-recurring costs from 2022 which are expected to drive a tailwind of 80bp. Cost reductions and price increases will almost offset higher-than-usual salary increases and other inflation, representing a net impact of -10bp. Foreign exchange rates and commodity assumptions as per 31 October 2023 represent a net headwind of 20bp.

As mentioned at the recent Capital Markets Day, Pandora is accelerating investments in order to fuel current and future growth. For 2023, operating leverage from LFL growth and network expansion is expected to drive a positive impact but will be more than offset by Phoenix investments in current and future growth. In total, the net operating leverage/Phoenix investments dynamic is expected to have a -100bp impact on the EBIT margin.

The EBIT margin phasing through the year will be more skewed towards Q4 than in 2022. This mainly reflects phasing of costs and hedged silver prices and foreign exchange rates. Silver prices and foreign exchange rates are expected to turn from a net drag of roughly 70bp in Q1-Q3 to a positive impact of roughly 60bp on the EBIT margin in Q4 2023.

2023 GUIDANCE – OTHER PARAMETERS (unchanged)

Pandora expects to open net 75-125 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 38.

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

	Average 2022	Average 2023	2023 Y-Y Financial Impact
USD/DKK	7.07	6.92	
THB/DKK	0.20	0.20	
GBP/DKK	8.73	8.55	
CNY/DKK	1.05	0.97	
AUD/DKK	4.91	4.57	
Silver/USD (per ounce)	24.9	22.7	
REVENUE (DKK million)			<i>Approx.</i> -600
EBIT (DKK million)			<i>Approx.</i> -200
EBIT margin (foreign exchange)			<i>Approx.</i> -0.8%
EBIT margin (commodities)			<i>Approx.</i> +0.6%

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

At the end of September 2023, Pandora's leverage remains low at 1.5x NIBD to EBITDA. The increase in leverage vs. the end of December 2022 is in line with expectations as previously communicated and primarily reflects cash distributions to the shareholders as well as usual seasonality.

Pandora has paid out DKK 5.7 billion to shareholders in the first nine months of 2023, of which DKK 1.4 billion came from an ordinary dividend of DKK 1.6 per share and DKK 4.3 billion was distributed via share buybacks. Pandora intends to buy back DKK 5.0 billion worth of own shares over twelve months ending February 2, 2024, of which DKK 4.3 billion has been bought back as of November 7, 2023.

SUSTAINABILITY

Industry leadership on sustainability is a key foundational pillar of our Phoenix strategy that supports our long-term growth ambitions, lowers our impact on the planet, and creates positive outcomes for people and communities touched by our business.

Placing sustainability at the core of our business reflects that we strive to be a responsible and leading global brand. We focus our efforts on execution against our sustainability targets across our three strategic priorities: low-carbon business, circular innovation, and inclusive, diverse and fair culture.

Key activities in Q3 2023 included:

- Pandora earned a spot on TIME magazine's "World's Best Companies" list, ranking 21st out of 750 companies for its sustainability ambitions and actions. Pandora is one of eight Danish companies featured on the list, and the only Danish company in its category (Apparel, Footwear & Sporting Goods).
- Made progress towards becoming carbon neutral in own operations by 2025: implemented energy-saving measures in our crafting facilities, expanded the geographical scope of RECs (renewable energy certificates) for 2023 and increased on-site renewable energy capacity.
- On Scope 3 emissions, we conducted further outreach with suppliers to gather carbon footprint data and climate insights and continued exploring opportunities on low-carbon solutions within key supply categories. Additional resources to support supplier engagement have been added to our procurement team.
- We increased the share of recycled silver and gold (61% in 2022) and we are well on track as of end September 2023 to meet our target to purchase 100% recycled silver and gold for crafting our jewellery by 2025.

More information on Pandora's 2022 sustainability performance, strategy and targets can be found in [Pandora's Sustainability Report 2022](#).

OTHER EVENTS

FINANCIAL CALENDAR 2024

The expected dates for publication of financial announcements in 2024 for Pandora A/S are as follows:

07 February 2024	Annual Report 2023
02 May 2024	Interim Financial Report for the first quarter 2024
13 August 2024	Interim Financial Report for the second quarter 2024
06 November 2024	Interim Financial Report for the third quarter 2024

Any shareholder who proposes business to be transacted at the Annual General Meeting on Thursday 14 March 2024 must submit the proposal(s) to the Board of Directors' Secretariat no later than Wednesday 31 January 2024. Proposal(s) must be sent by letter to Pandora A/S, Board of Directors' Secretariat att.: Peter Ring, Havneholmen 17-19, DK-1561 Copenhagen V, Denmark or by email to legal@pandora.net

2023 YEAR-TO-DATE DEVELOPMENT

REVENUE

Total revenue increased by 7% in local currency to DKK 17,316 million in Q3 YTD 2023 compared with Q3 YTD 2022. Organic growth was 5% reflecting robust underlying performance against a backdrop of macroeconomic uncertainty.

Revenue from Pandora's Core segment grew by 3% to DKK 13,770 million in Q3 YTD 2023 from DKK 13,390 million in Q3 YTD 2022. The segment "Fuel with more", saw revenue growth of 10% Q3 YTD, driven by strong performance in the Timeless collection.

GROSS PROFIT AND COSTS

Gross profit was DKK 13,546 million in Q3 YTD 2023 (DKK 12,679 million in Q3 YTD 2022), resulting in a gross margin of 78.2% in Q3 YTD 2023 vs. 76.3% in Q3 YTD 2022. The increase was driven by favourable channel mix and pricing, contributing positively to the gross margin for both of Pandora's reportable segments.

Sales and distribution expenses increased to DKK 6,068 million in Q3 YTD 2023 (DKK 5,184 million in Q3 YTD 2022), corresponding to 35.0% of revenue in Q3 YTD 2023 (31.2% in Q3 YTD 2022). The increase is mainly the result of the profitable expansion of the Pandora owned physical network.

Marketing expenses was DKK 2,403 million in Q3 YTD 2023 (DKK 2,418 million in Q3 YTD 2022), resulting in a share of revenue of 13.9% in Q3 YTD 2023 compared with 14.6% in Q3 YTD 2022, driven by last year's global media tender which resulted in lower advertising costs. Consequently, Pandora is able to maintain the media pressure at a lower cost.

Administrative expenses ended at DKK 1,711 million in Q3 YTD 2023 compared with DKK 1,540 million in Q3 YTD 2022, corresponding to 9.9% of revenue in Q3 YTD 2023 (9.3% in Q3 YTD 2022).

EBIT

EBIT for Q3 YTD 2023 was DKK 3,365 million, resulting in an EBIT margin of 19.4% in Q3 YTD 2023 vs. 21.3% in Q3 YTD 2022. As previously communicated, the EBIT margin phasing through the year is will be more skewed towards Q4 than in 2022 due to cost phasing, silver prices and foreign exchange rates.

NET FINANCIALS

Net financials amounted to a cost of DKK 476 million in Q3 YTD 2023 vs. a cost of DKK 55 million in Q3 YTD 2022. This reflects among others higher leverage and increased interest rates on loans and store leases.

INCOME TAX EXPENSES

Income tax expenses were DKK 679 million in Q3 YTD 2023 compared with DKK 818 million in Q3 YTD 2022, implying an effective tax rate for the Group of 23.5% for Q3 YTD 2023 similar to Q3 YTD 2022.

NET PROFIT

Net profit in Q3 YTD 2023 was DKK 2,210 million vs. DKK 2,663 million in Q3 YTD 2022.

CONTACT

CONFERENCE CALL

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

The following numbers can be used by investors and analysts:

DK: +45 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/interim-financial-report-for-the-third-quarterfirs>

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. Pandora is committed to leadership in sustainability and will purchase only recycled silver and gold for crafting its jewellery by 2025 and halve greenhouse gas emissions across its value chain by 2030. Pandora is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 26.5 billion (EUR 3.6 billion) in 2022.

For more information, please contact:

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Revenue	3	5,572	5,263	17,316	16,607	26,463
Cost of sales		-1,168	-1,227	-3,771	-3,928	-6,273
Gross profit		4,404	4,037	13,546	12,679	20,190
Sales, distribution and marketing expenses		-2,913	-2,483	-8,470	-7,602	-11,322
Administrative expenses		-571	-576	-1,711	-1,540	-2,125
Operating profit		920	978	3,365	3,537	6,743
Finance income		49	91	208	311	412
Finance costs		-259	-109	-684	-367	-622
Profit before tax		709	960	2,889	3,482	6,533
Income tax expense		-167	-226	-679	-818	-1,504
Net profit for the period		543	734	2,210	2,663	5,029
Earnings per share, basic, DKK		6.3	7.8	25.6	28.5	54.2
Earnings per share, diluted, DKK		6.3	7.8	25.5	28.3	53.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Net profit for the period	543	734	2,210	2,663	5,029
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	111	139	46	374	-196
Fair value adjustment of hedging instruments	-136	-54	-385	-210	297
Tax on other comprehensive income, hedging instruments, income/expense	31	15	79	52	23
Items that may be reclassified to profit/loss for the period, net of tax	7	100	-260	216	123
Items not to be reclassified to profit/loss for the period					
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-21	-	12
Items not to be reclassified to profit/loss for the period, net of tax	-	-	-21	-	12
Other comprehensive income, net of tax	7	100	-281	216	135
Total comprehensive income for the period	550	834	1,929	2,880	5,164

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2023 30 September	2022 30 September	2022 31 December
ASSETS				
Goodwill	9	4,977	4,995	4,822
Brand		1,057	1,057	1,057
Distribution		1,040	1,055	1,047
Other intangible assets		678	605	642
Total intangible assets		7,752	7,713	7,568
Property, plant and equipment		2,550	2,076	2,226
Right-of-use assets	10	3,541	2,825	2,978
Deferred tax assets		1,317	1,426	1,261
Other financial assets		225	243	249
Total non-current assets		15,386	14,283	14,282
Inventories		4,824	5,155	4,211
Trade receivables	7	931	880	1,262
Right-of-return assets		37	42	54
Derivative financial instruments	5,6	43	174	231
Income tax receivable		185	80	155
Other receivables		872	901	1,024
Cash		848	260	794
Total current assets		7,740	7,492	7,731
Total assets		23,126	21,776	22,013
EQUITY AND LIABILITIES				
Share capital		89	96	96
Treasury shares		-3,647	-2,485	-3,320
Reserves		657	1,011	918
Proposed dividend		-	-	1,430
Retained earnings		6,422	7,058	8,044
Total equity		3,521	5,679	7,167
Provisions		378	331	363
Loans and borrowings	10	11,970	7,014	3,130
Deferred tax liabilities		138	145	172
Total non-current liabilities		12,486	7,490	3,665
Provisions		18	26	21
Refund liabilities		464	502	628
Contract liabilities		177	129	136
Loans and borrowings	10	1,585	2,421	4,458
Derivative financial instruments	5,6	271	554	74
Trade payables	11	2,364	2,674	3,131
Income tax payable		1,079	1,175	1,068
Other payables		1,162	1,126	1,666
Total current liabilities		7,119	8,607	11,181
Total liabilities		19,605	16,096	14,846
Total equity and liabilities		23,126	21,776	22,013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging reserve	Dividend proposed	Retained earnings	Total equity
2023							
Equity at 1 January	96	-3,320	797	121	1,430	8,044	7,167
Net profit for the period	-	-	-	-	-	2,210	2,210
Other comprehensive income, net of tax	-	-	40	-300	-	-21	-281
Total comprehensive income for the period	-	-	40	-300	-	2,190	1,929
Share-based payments	-	278	-	-	-	-149	129
Purchase of treasury shares	-	-4,292	-	-	-	-	-4,292
Cancellation of treasury shares	-7	3,687	-	-	-	-3,680	-
Proposed dividend	-	-	-	-	-18	18	-
Dividend paid	-	-	-	-	-1,412	-	-1,412
Equity at 30 September	89	-3,647	836	-179	-	6,422	3,521
2022							
Equity at 1 January	100	-3,416	905	-110	1,516	8,007	7,001
Net profit for the period	-	-	-	-	-	2,663	2,663
Other comprehensive income, net of tax	-	-	381	-164	-	-	216
Total comprehensive income for the period	-	-	381	-164	-	2,663	2,880
Share-based payments	-	199	-	-	-	-133	65
Purchase of treasury shares	-	-2,753	-	-	-	-	-2,753
Cancellation of treasury shares	-5	3,486	-	-	-	-3,481	-
Dividend paid	-	-	-	-	-1,516	2	-1,514
Equity at 30 September	96	-2,485	1,285	-274	-	7,058	5,679

CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million	Notes	Q3 2023	Q3 2022	9M 2023	9M 2022	FY 2022
Operating profit		920	978	3,365	3,537	6,743
Depreciation and amortisation		527	518	1,526	1,467	1,973
Share-based payments		30	26	84	62	87
Change in inventories		-196	-699	-375	-1,647	-1,012
Change in receivables		-270	-339	506	78	-531
Change in payables and other liabilities		329	260	-1,412	-1,818	-559
Other non-cash adjustments		-21	10	-48	40	-18
Finance income received		4	2	14	4	7
Finance costs paid		-179	-79	-427	-277	-466
Income taxes paid		-66	-135	-669	-1,086	-1,790
Cash flows from operating activities, net		1,078	542	2,563	359	4,434
Acquisitions of subsidiaries and activities, net of cash acquired	8	-156	-247	-312	-540	-562
Purchase of intangible assets		-107	-109	-277	-249	-353
Purchase of property, plant and equipment		-286	-225	-738	-522	-838
Change in other assets		-5	-19	24	-16	-36
Proceeds from sale of property, plant and equipment		-	-	1	4	5
Cash flows from investing activities, net		-553	-599	-1,301	-1,323	-1,785
Dividend paid		-	-	-1,412	-1,514	-1,514
Purchase of treasury shares		-1,353	-796	-4,253	-2,753	-3,527
Proceeds from loans and borrowings		1,054	368	8,383	5,191	4,994
Repayment of loans and borrowings		-	-	-3,061	-	-1,985
Repayment of lease liabilities		-259	-266	-774	-785	-1,068
Cash flows from financing activities, net		-557	-694	-1,117	139	-3,100
Net increase/decrease in cash		-33	-752	144	-825	-452
Cash and cash equivalents, beginning of period		749	1,005	595	1,043	1,043
Exchange gains/losses on cash and cash equivalents		-4	7	-26	42	4
Net increase/decrease in cash		-33	-752	144	-825	-452
Cash and cash equivalents, end of period		713	260	713	260	595
Cash balances		848	260	848	260	794
Overdrafts		-135	-	-135	-	-199
Cash and cash equivalents, end of period		713	260	713	260	595
Cash flows from operating activities, net		1,078	542	2,563	359	4,434
- Finance income received		-4	-2	-14	-4	-7
- Finance costs paid		179	79	427	277	466
Cash flows from investing activities, net		-553	-599	-1,301	-1,323	-1,785
- Acquisition of subsidiaries and activities, net of cash acquired		156	247	312	540	562
Repayment of lease liabilities		-259	-266	-774	-785	-1,068
Free cash flows incl. lease payments		597	0	1,213	-936	2,602
Unutilised committed credit facilities	5	2,163	2,752	2,163	2,752	6,693

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

ACCOUNTING NOTES

NOTE 1 – Accounting policies

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

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

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

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

New standards, interpretations and amendments adopted by Pandora

Pandora has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year beginning on 1 January 2023. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the period. The new standards that are not yet effective are not expected to have any material impact on Pandora.

NOTE 2 – Significant accounting estimates and judgements

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

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

NOTE 3 – Segment and revenue information

Pandora's activities are segmented into two reportable segments, each responsible for the end-to-end performance of collections. One includes our Core collections (formerly referred to as Moments incl. Collabs), while the other, Fuel with more (formerly referred to as Style), covers newer collections and innovations. In Q3 2023, Pandora updated its collection structure by moving Pandora ME into the Core segment. The strategic reasoning centres around design aesthetics and categorisation of jewellery to better align consumer synergies among collections, leading to a centralised platform for Charms & Carriers. The Fuel with more segment includes the Modern Classics, Signature and Timeless (including Pandora's newest collection PANDORA ESSENCE), and Pandora Lab-Grown Diamonds, which

targets both existing and new customers who may have a different aesthetic preference than the Core jewellery design. All comparative figures have been restated to reflect the updated structure.

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	Core	Fuel with more	Group
Q3 2023			
Revenue	4,368	1,204	5,572
Cost of sales	-925	-243	-1,168
Gross profit	3,443	961	4,404
Operating expenses			-3,484
Consolidated operating profit (EBIT)			920
Profit margin (EBIT margin), %			16.5%
Q3 2022¹			
Revenue	4,171	1,092	5,263
Cost of sales	-963	-263	-1,227
Gross profit	3,208	829	4,037
Operating expenses			-3,059
Consolidated operating profit (EBIT)			978
Profit margin (EBIT margin), %			18.6%
9M 2023			
Revenue	13,770	3,546	17,316
Cost of sales	-3,092	-679	-3,771
Gross profit	10,679	2,867	13,546
Operating expenses			-10,181
Consolidated operating profit (EBIT)			3,365
Profit margin (EBIT margin), %			19.4%
9M 2022¹			
Revenue	13,390	3,218	16,607
Cost of sales	-3,265	-663	-3,928
Gross profit	10,124	2,555	12,679
Operating expenses			-9,142
Consolidated operating profit (EBIT)			3,537
Profit margin (EBIT margin), %			21.3%

REVENUE BY SEGMENTS

DKK million	Q3 2023	Q3 2022 ¹	Like-for-like	Local currency growth	Share of Revenue	9M 2023	9M 2022 ¹	Like-for-like	Local currency growth	Share of Revenue
Core	4,368	4,171	7%	10%	78%	13,770	13,390	2%	5%	80%
- Moments	3,604	3,479	7%	9%	65%	11,489	11,258	1%	4%	66%
- Collabs	561	492	10%	19%	10%	1,717	1,631	2%	7%	10%
- ME ²	202	199	12%	6%	4%	565	501	16%	15%	3%
Fuel with more	1,204	1,092	14%	16%	22%	3,546	3,218	9%	13%	20%
- Timeless ³	843	664	21%	34%	15%	2,672	2,280	12%	20%	15%
- Signature	275	316	-12%	-9%	5%	722	806	-10%	-8%	4%
- Pandora Lab-Grown Diamonds	86	113	84%	-18%	2%	152	131	159%	21%	1%
Total revenue	5,572	5,263	9%	11%	100%	17,316	16,607	3%	7%	100%

Goods transferred at a point in time 5,559 5,247 17,275 16,557

Services transferred over time 13 17 42 51

Total revenue 5,572 5,263 17,316 16,607

¹ Pandora has updated its collection structure by moving products from Fuel with more to Core in Q1 2023 and comparative figures for Q3 2022 were restated accordingly by DKK 229 million. Total restatement on comparative figures for YTD 9M 2022 were DKK 726 million.

² In Q3 2023, Pandora moved the Pandora ME collection from Fuel with more to Core. Comparative figures for 2022 were restated accordingly.

³ In Q3 2023, Timeless includes revenue from the PANDORA ESSENCE collection of DKK 3 million.

REVENUE DEVELOPMENT IN KEY MARKETS

DKK million	Q3 2023	Q3 2022	Like-for-like	Local currency growth	9M 2023	9M 2022	Like-for-like	Local currency growth
US	1,566	1,597	5%	6%	5,115	5,087	-3%	2%
China	132	162	0%	-7%	449	594	-9%	-19%
UK	729	717	-1%	2%	2,194	2,190	0%	3%
Italy	496	486	-1%	2%	1,620	1,668	-4%	-3%
Australia	221	246	-8%	1%	659	736	-6%	-4%
France	220	217	5%	1%	694	716	-2%	-3%
Germany	301	254	31%	18%	865	813	17%	6%
Total key markets	3,666	3,679	3%	4%	11,596	11,803	-2%	0%
Rest of Pandora	1,906	1,585	22%	28%	5,720	4,804	15%	23%
Total revenue	5,572	5,263	9%	11%	17,316	16,607	3%	7%

REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q3 2023	Q3 2022	Organic growth	Share of Revenue	9M 2023	9M 2022	Organic growth	Share of Revenue
Pandora owned¹ retail	4,267	3,637	21%	77%	13,261	11,663	13%	77%
- of which concept stores	3,049	2,547	24%	55%	9,039	7,717	16%	52%
- of which online stores	877	829	11%	16%	3,163	3,146	3%	18%
- of which other points of sale	341	260	30%	6%	1,059	800	28%	6%
Wholesale	1,126	1,458	-16%	20%	3,539	4,430	-15%	20%
- of which concept stores	589	793	-16%	11%	1,818	2,393	-15%	10%
- of which other points of sale	537	665	-16%	10%	1,721	2,038	-16%	10%
Third-party distribution	178	168	9%	3%	516	514	12%	3%
Total revenue	5,572	5,263	11%	100%	17,316	16,607	5%	100%

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

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

NOTE 4 – Seasonality of operations

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

NOTE 5 – Financial risks

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

Net interest-bearing debt (NIBD), incl. capitalised leases amounted to DKK 12.7 billion at the end of Q3 2023 (Q2 2023: DKK 11.4 billion) corresponding to a financial leverage of 1.5x (Q2 2023: 1.3x).

Outstanding committed loan facilities (end of September 2023)

DKK million	Available facilities	Maturity date	Drawn amount	Available liquidity
Revolving credit facilities ¹	7,084	April 2028	4,922	2,163
Term loan maturing in 2030 ¹	696	May 2030	696	-
Bond maturing in 2028 ¹	3,729	April 2028	3,729	-
Total outstanding committed loan facilities	11,509		9,346	2,163

¹Sustainability-linked facilities.

NOTE 6 – Derivative financial instruments

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

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

NOTE 7 – Trade receivables

DKK million	2023 30 September	2022 31 December
Receivables related to third-party distribution and wholesale	578	747
Receivables related to retail revenue	353	515
Total trade receivables	931	1,262

NOTE 8 – Business combinations

In the first nine months of 2023, Pandora took over 46 concept stores (32 concept stores in the US and 14 concept stores in Colombia). Net assets acquired mainly consisted of store properties, inventories and related liabilities. The total purchase price for the acquisitions was DKK 318 million. Based on the purchase price allocations, goodwill was DKK 135 million. Goodwill from the acquisitions was mainly related to the synergies from converting the stores from wholesale and distribution to Pandora owned retail. Among the goodwill acquired, DKK 85 million 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 and the impact from converting the stores from wholesale to Pandora owned retail, contribution to Group revenue and net profit from acquisitions for the period 1 January – 30 September 2023 was DKK 118 million and DKK 40 million respectively. On a pro forma basis, i.e. in the event that the acquisitions had been effective from 1 January 2023, the impact on Group revenue and net profit for the period 1 January – 30 September 2023 would have been approximately DKK 219 million and DKK 66 million respectively.

The purchase price allocations have not yet been finalised at the time of reporting and the accounting for the business combination is considered provisional at 30 September 2023.

ACQUISITIONS

DKK million	9M 2023	FY 2022
Property, plant and equipment and right-of-use assets	127	159
Inventories	167	195
Other current assets	3	-
Assets acquired	297	354
Non-current liabilities	67	78
Payables	3	3
Other current liabilities	44	61
Liabilities assumed	114	141
Total identifiable net assets acquired	183	213
Goodwill arising on the acquisitions	135	364
Purchase consideration	318	577
Cash movements on acquisitions:		
Consideration transferred regarding previous years ¹	14	-
Deferred payment	-20	-14
Net cash flow on acquisitions	312	562

¹ The deferred payment of DKK 14 million related to the acquisition in Portugal and Italy in 2022 is paid in 2023.

Business combinations after the reporting period

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

NOTE 9 – Goodwill

DKK million	2023	2022
	30 September	31 December
Cost at 1 January	4,822	4,418
Acquisition of subsidiaries and activities in the period	135	364
Exchange rate adjustments	21	39
Cost at the end of the period	4,977	4,822

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

NOTE 10 – Assets and liabilities related to leases

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2023	2022
	30 September	31 December
Property	3,528	2,960
IT	1	2
Cars	10	11
Other	3	5
Total right-of-use assets	3,541	2,978

Out of the total increase of DKK 0.6 billion in right-of-use-assets in the period 1 January to 30 September 2023, DKK 1.4 billion relates to renewals of lease contracts and new leases driven by network expansion and forward integration, partially offset by a decrease of DKK 0.8 billion as a result of depreciation and currency exchange movement. The development in right-of-use-assets is further affected by the timing of renewals of lease contracts and new leases including the negotiation of more favourable leasing terms.

LEASE LIABILITIES

DKK million	2023	2022
	30 September	31 December
Non-current	2,626	2,113
Current	1,051	950
Total lease liabilities	3,677	3,063

Lease liabilities are recognised in loans and borrowings.

Amounts recognised in the income statement:

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

DKK million	1 January – 30 September 2023	1 January – 30 September 2022
	Property	849
IT	1	1
Cars	6	7
Other	3	3
Total depreciation on right-of-use assets for the period	859	827

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

OTHER ITEMS RELATING TO LEASES

DKK million	1 January - 30 September 2023	1 January - 30 September 2022
Interest expense	189	103
Total interest for the period	189	103

Costs recognised in the period for short-term and low-value leases were DKK 48 million (2022: DKK 45 million). Expenses are recognised on a straight-line basis.

TOTAL CASH FLOWS RELATING TO LEASES

DKK million	1 January - 30 September 2023	1 January - 30 September 2022
Fixed lease payments	774	785
Interest payments	189	103
Variable leases	321	258
Short term and low value leases	48	45
Total cash flows relating to leases	1,332	1,191

Payments related to variable leases and short-term and low-value leases are not included in the lease liabilities.

NOTE 11 – Trade payables

The Group generally accepts that vendors sell off their receivables arising from the sale of goods and services to the Group to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora on attractive terms, based on invoices approved by Pandora, but at the bank's sole discretion. Pandora is not directly or indirectly a party to these agreements. The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the statement of cash flows (working capital within cash flows from operations) and amounted to DKK 66 million at 30 September 2023 (DKK 34 million at 30 September 2022).

NOTE 12 – Contingent assets and liabilities

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

The majority of the insurance compensation for Pandora's European Distribution Center, located in Hamburg, Germany, that was affected by a fire in October 2022, has been recognised in Sales, distribution and marketing expenses with an immaterial indemnity claim pending as at 30 September 2023.

NOTE 13 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 14 – Store network, concept store development¹

	Total concept stores					O&O concept stores		
	Number of concept stores Q3 2023	Number of concept stores Q2 2023	Number of concept stores Q3 2022	Growth Q3 2023 / Q2 2023	Growth Q3 2023 / Q3 2022	Number of concept stores O&O Q3 2023	Growth O&O stores Q3 2023 / Q2 2023	Growth O&O stores Q3 2023 / Q3 2022
US	437	427	405	10	32	332	32	77
China	227	231	232	-4	-5	216	-2	2
UK	219	215	208	4	11	212	12	24
Italy	164	160	150	4	14	128	4	15
Australia	124	124	120	0	4	46	0	5
France	121	122	122	-1	-1	83	1	3
Germany	134	132	132	2	2	131	2	2
Total key markets	1,426	1,411	1,369	15	57	1,148	49	128
Rest of Pandora	1,153	1,141	1,105	12	48	635	22	68
All markets	2,579	2,552	2,474	27	105	1,783	71	196

¹All markets with 10 or more concept stores can be found in the Excel appendix uploaded on www.pandoragroup.com.

NOTE 15 – Commodity hedging

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

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

USD / OZ	Realised in Q3 2023	Hedged Q4 2023	Hedged Q1 2024	Hedged Q2 2024	Hedged Q3 2024
Silver price	21.82	23.03	23.91	25.00	25.18
Gold price	1,849	1,905	2,021	1,997	2,032
Commodity hedge ratio (target), %	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 30 September 2023, which are expected to materially impact the Group's financial position.

QUARTERLY OVERVIEW

DKK million	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Financial highlights					
Revenue	5,572	5,894	5,850	9,856	5,263
Organic growth, %	11%	5%	1%	4%	3%
Like-for-Like, % ¹	9%	2%	0%	-1%	1%
Earnings before interests, tax, depreciation and amortisation (EBITDA)	1,447	1,690	1,753	3,712	1,496
Operating profit (EBIT)	920	1,188	1,256	3,206	978
EBIT margin, %	16.5%	20.2%	21.5%	32.5%	18.6%
Net financials	-211	-171	-94	-155	-18
Net profit for the period	543	778	889	2,365	734
Financial ratios					
Revenue growth, DKK, %	6%	4%	3%	9%	11%
Revenue growth, local currency, %	11%	7%	2%	6%	5%
Gross margin, %	79.0%	78.1%	77.5%	76.2%	76.7%
EBITDA margin, %	26.0%	28.7%	30.0%	37.7%	28.4%
EBIT margin, %	16.5%	20.2%	21.5%	32.5%	18.6%
Effective tax rate, %	23.5%	23.5%	23.5%	22.5%	23.5%
Equity ratio, %	15%	19%	24%	33%	26%
NIBD to EBITDA, x ²	1.5	1.3	1.2	0.8	1.1
Return on invested capital (ROIC), % ³	40%	42%	43%	48%	42%
Cash conversion incl. lease payments, %	65%	104%	-49%	110%	0%
Net working capital, % of last 12 months' revenue	9.2%	8.4%	8.8%	4.2%	8.8%
Capital expenditure, % of revenue	6.7%	6.8%	4.6%	4.7%	6.9%
Stock ratios					
Total payout ratio (incl. share buyback), %	249%	186%	322%	33%	108%
Consolidated balance sheet					
Total assets	23,126	22,112	21,519	22,013	21,776
Invested capital	16,228	15,609	15,481	13,961	14,853
Net working capital	2,498	2,265	2,332	1,104	2,249
Net interest-bearing debt (NIBD), incl. capitalised leases	12,707	11,363	10,227	6,794	9,174
Equity	3,521	4,245	5,254	7,167	5,679
Consolidated statement of cash flows					
Cash flows from operating activities	1,078	1,627	-142	4,075	542
Capital expenditure, total	374	398	270	462	364
Capital expenditure, property, plant and equipment	305	312	165	349	260
Free cash flows incl. lease payments	597	1,230	-614	3,538	0

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

² Ratio is based on 12 months' rolling EBITDA.

³ Last 12 months' EBIT in % of invested capital.

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 30 September 2023. The condensed consolidated interim financial statement, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and additional requirements in the Danish Financial Statements Act.

It is our opinion that the condensed consolidated interim financial statement gives a true and fair view of the financial position for the Pandora Group at 30 September 2023 and of the results of the Pandora Group's operations and cash flows for the period 1 January to 30 September 2023.

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

Copenhagen, 8 November 2023

EXECUTIVE MANAGEMENT

Alexander Lacik
Chief Executive Officer

Anders Boyer
Chief Financial Officer

BOARD

Peter A. Ruzicka
Chair

Christian Frigast
Deputy Chair

Lilian Fossum Biner

Birgitta Stymne Göransson

Marianne Kirkegaard

Catherine Spindler

Jan Zijderveld

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