

PANDÖRA



INTERIM FINANCIAL REPORT Q3 2021

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Our equity story

Pandora is a cross-generational brand with unmatched recognition that gives a voice to people's loves. Our jewellery is crafted and hand-finished to the highest ethical and environmental standards at our state-of-the-art crafting facilities in Thailand and made to inspire women to collect, create and combine genuine jewellery at affordable prices.

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

Strong momentum continued in Q3

- **Financial guidance for 2021 upgraded on 1 November**

Highlights

- The strong momentum continued in Q3 2021 with 9% organic growth vs Q3 2019 (14% vs Q3 2020), even though 5% of the physical store network was temporarily closed due to COVID-19
- High quality growth driven by Moments while further decreasing the level of promotions
- US remained strong with sell-out growth vs 2019 of 59%
- Strong rebound in key European markets as stores reopened, delivering 11% sell-out growth vs 2019
- Performance in Asia, including China, remains weak and heavily impacted by COVID-19
- Online continued the strong performance with 94% organic growth vs Q3 2019 (2% vs Q3 2020)
- Moments performed well, supported by the launch of wearing occasions, such as bag holders and key rings
- Pandora Brilliance – democratizing diamonds. Test launch in UK confirms the potential. Sequential global roll-out to start in 2022
- Pandora ME was relaunched on 30 September with the aim to become a new platform
- Strong EBIT margin at 20.2% driven by operating leverage
- On 1 November, the guidance was upgraded to “organic growth of 18-20%” (previously 16-18%) and EBIT margin of “24.0-24.5%” (previously 23-24%)
- Pandora continues distributions to shareholders in Q4. The planned distributions, from both dividends and share buybacks, total DKK 5.5 billion from May 2021 to February 2022

Sell-out growth in Q3 2021 vs Q3 2019 was 9%, and in line with organic growth. While the underlying gross margin remains strong, it is impacted in the quarter by one-off costs related to COVID-19 in Thailand as well as the higher silver prices.

Alexander Lacik, President and CEO of Pandora, says:

“We are very pleased with the strong sell-out growth in the third quarter. US, our largest market continued the outstanding performance, yet again ahead of market growth. Europe delivered solid growth numbers as the impact from COVID-19 declined. The Asia Pacific region on the other hand was plagued by COVID-19 related impacts. Online had another stellar quarter. We drove strong growth from our core Moments platform, partly fuelled by the latest wearables initiative. Today, we are also excited to announce that Pandora Brilliance, our first collection of lab-created diamond jewellery, will be sequentially rolled out globally from 2022. Finally, we can confirm that despite COVID-19 our production in Thailand and our ability to meet demand have not been significantly impacted.”

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

	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Organic growth, %	14%	-5%	32%	-19%	-11%
Sell-out growth incl. temporarily closed stores, %	5%	-2%	27%	-20%	-12%
<i>Sell-out growth incl. temporarily closed stores, % vs 2019</i>	9%	n/a	4%	n/a	n/a
Revenue, DKK million	4,728	4,070	14,383	11,118	19,009
Gross margin, %	75.5%	78.1%	76.3%	77.0%	76.5%
EBIT margin, %	20.2%	17.2%	22.0%	12.3%	20.4%

FINANCIAL HIGHLIGHTS

DKK million	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020	FY 2021 guidance
Key financial highlights						
Organic growth, %	14%	-5%	32%	-19%	-11%	"18-20%"
Organic growth, % vs 2019 ¹	9%	n/a	6%	n/a	n/a	
Sell-out growth incl. temporarily closed stores, %	5%	-2%	27%	-20%	-12%	
Sell-out growth incl. temporarily closed stores, % vs 2019 ¹	9%	n/a	4%	n/a	n/a	
Gross margin ² , %	75.5%	78.1%	76.3%	77.0%	76.5%	
EBIT margin², %	20.2%	17.2%	22.0%	12.3%	20.4%	"24-24.5"
Revenue	4,728	4,070	14,383	11,118	19,009	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,393	1,045	4,571	2,103	4,999	
Operating profit (EBIT)	957	467	3,161	472	2,684	
Net financials	-137	-24	-250	-286	-190	
Net profit for the period	635	343	2,256	144	1,938	
Financial ratios						
Revenue growth DKK, %	16%	-8%	29%	-20%	-13%	
Revenue growth, local currency, %	15%	-5%	33%	-19%	-11%	
Gross margin, %	75.5%	78.2%	76.3%	75.8%	75.6%	
EBITDA margin, %	29.5%	25.7%	31.8%	18.9%	26.3%	
EBIT margin, %	20.2%	11.5%	22.0%	4.2%	14.1%	
Effective tax rate, %	22.5%	22.5%	22.5%	22.5%	22.3%	
Equity ratio, %	40%	30%	40%	30%	37%	
NIBD to EBITDA excl. restructuring costs, x	0.5	1.1	0.5	1.1	0.5	
Return on invested capital (ROIC), %	48%	22%	48%	22%	25%	
Cash conversion incl. lease payments, %	53%	98%	38%	239%	183%	
Net working capital, % of last 12 months revenue	0.2%	0.0%	0.2%	0.0%	-7.6%	
Stock ratios						
Total pay-out ratio (incl. share buyback) ³ , %	211%	0%	93%	872%	65%	
Dividend per share, DKK ⁴	0	0	0	0	-	
Quarterly dividend per share, DKK ⁵	5	0	10	0	-	
Earnings per share, basic, DKK	6.4	3.6	22.7	1.5	20.0	
Earnings per share, diluted, DKK	6.4	3.6	22.6	1.5	19.9	
Consolidated balance sheet						
Total assets	18,173	18,932	18,173	18,932	19,984	
Invested capital	11,141	12,544	11,141	12,544	10,540	
Net working capital	50	5	50	5	-1,447	
Net interest-bearing debt (NIBD)	3,819	6,862	3,819	6,862	3,151	
Equity	7,322	5,682	7,322	5,682	7,389	
Consolidated statement of cash flow						
Cash flow from operating activities	885	776	2,155	1,913	5,975	
Capital expenditure – total	201	117	426	367	491	
Capital expenditure – property, plant and equipment	96	97	195	291	369	
Free cash flow incl. lease payments	502	457	1,195	1,128	4,908	

¹ Revenue performance compared with 2020 is heavily distorted by COVID-19, as both years are impacted by store closures. Pandora has therefore added two supplementary growth KPI's vs 2019 to provide a cleaner view on the performance: Organic growth vs 2019 and Sell-out growth vs 2019.

² 2020 numbers are excluding Programme NOW restructuring costs.

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

⁴ Proposed dividend per share for the year.

⁵ Paid quarterly dividend per share for the period.

BUSINESS UPDATE

Strong third quarter driven by Moments - execution on the Phoenix strategy continues at high speed

Pandora delivered solid revenue performance in Q3 2021, with sell-out growth of 9% vs 2019. The strong growth was supported by Pandora's biggest platform, Moments, which delivered sell-out growth of 11% vs 2019. The performance of Moments in Q3 2021 was supported by the launch of *Wearing occasions* (7 DV's of keyrings and bag holders), which delivered an incremental 2% share of business in the quarter. Furthermore, the *Wearing occasions* helped reengage existing consumers with the brand, and Pandora saw a positive halo effect supporting among others a strong Bracelets performance. A key pillar in Pandora's Phoenix strategy is to grow the Moments platform.

Overall, Pandora's Global Business Unit *Moments and Collabs* generated 11% sell-out growth vs Q3 2019 while *Style and Upstream Innovation* generated 2% sell-out growth vs Q3 2019.

The solid revenue performance was further supported by Pandora's biggest market, US, representing 28% of revenue in Q3 2021 vs 22% in Q3 2020. US sell-out growth vs Q3 2019 ended at 59% in Q3 2021 and continued the accelerated growth seen in Q1 and Q2 2021, fuelled by the stimulus packages. YTD 2021 sell-out growth vs 2019 in US was 59%. US represents a strategic priority for Pandora, and the strong performance is encouraging. The long-term aim is to double the US business vs 2019. Market data continue to suggest that Pandora US is growing faster than the market. Pandora expects the unusual growth in the US to slow down in Q4.

Performance in China continued to be unsatisfactory as sell-out growth vs 2019 was -45% in Q3 2021. The performance was negatively impacted by typhoons in July followed by a COVID-19 outbreak. Pandora's Chinese stores were formally open in Q3, but traffic into stores was down -50% vs 2020 as most stores are located in cities impacted by the COVID-19 outbreak. In Q3 – the second quarter in a row - Pandora was ranked the number 1 brand in fashion jewellery on Tmall, ahead of both local and global brands. The first significant steps in the repositioning of the brand was planned for H2 2021. However following the negative traffic development seen in Q3 due to COVID-19, Pandora has decided to postpone a part of the planned DKK 0.2 billion media investment into 2022 – investing in media with the purpose of among others driving traffic to the stores makes little sense as long as street traffic is impacted by COVID-19. Pandora now expects to invest approximately DKK 0.1 billion in 2021.

As COVID-19 restrictions eased in Europe, Pandora's network was almost fully open during Q3 with no stores closed in the key markets Italy, Germany, UK and France vs 32% in Q2 and 71% in Q1. The opening of stores had a positive impact on performance, and the markets delivered sell-out growth vs 2019 of 11% in Q3 vs -6% in Q2 and -17% in Q1.

Online continued the strong performance in Q3 2021 with organic growth of 94% vs 2019 (2% vs 2020) and an 18% share of revenue in Q3 2021 (21% in Q3 2020 and 10% in Q3 2019). As stores reopen and consumers return, the online share of revenue is starting to normalise, but it is encouraging to see online revenue stay at a high level.

During Q3 2021, both of Pandora's production sites in Thailand were impacted by COVID-19. Pandora has taken significant precautionary measures, and the impact on production in Q3 was limited. The financial guidance assumes there will be no major disruptions to the supply chain and that production in Thailand and with key suppliers continues during Q4.

Pandora continues to roll out omni-channel capabilities while protecting brand equity

At the Capital Markets Day 14 September 2021, Pandora introduced a number of initiatives to drive a more seamless and personalised customer experience. These include roll-out of omni-channel capabilities and a new store concept. In Q3, Pandora has successfully introduced Click and Collect in Italy, France, Australia and Germany. Click and Collect is today available in 95% of Pandora stores in the key markets. In Q4 2021, Pandora will open the first three stores based on its new concept in China, Italy and UK. The stores are intended as pilots before a potential global roll out in 2022.

In Q3, Pandora continued to successfully reduce promotions vs both 2020 and 2019, another step in protecting brand equity. As communicated in Q2, with less inventory to clear, summer sale (impacting both Q2 and Q3) was substantially smaller than in 2020 and around 60% below 2019. In key markets, the number of promotional days in physical stores was furthermore lowered to 24 days in Q3 2021 compared with 32 days in Q3 2019. Online, there were 26 promotional days across key markets in Q3 2021, down from 36 days in Q3 2019.

Pandora's strong brand position was maintained, and one third of all Google searches for branded jewellery in Q3 2021 was for Pandora. Unaided brand awareness was strong in Q3 2021, but still differs from market to market depending on maturity. The relative gap to competitors was unchanged in Q3 2021.

Pandora Brilliance to be launched globally and Pandora ME relaunched in Q3 2021

Pandora is pleased to announce the decision that Brilliance (sustainably lab-created diamonds), which has been tested in the UK since early May, will be sequentially rolled out globally starting in 2022. Country details will be shared closer to launch. This is the first significant step in positioning Brilliance as a new product platform next to Moments, with the aim to reach minimum 5% of global revenue in the future.

The purpose of the test launch in the UK was to gain insights into the consumer response and the operational aspects of selling a new collection. The test launch has confirmed the market opportunity for Pandora and has also generated important insights for Pandora that will benefit the global launch.

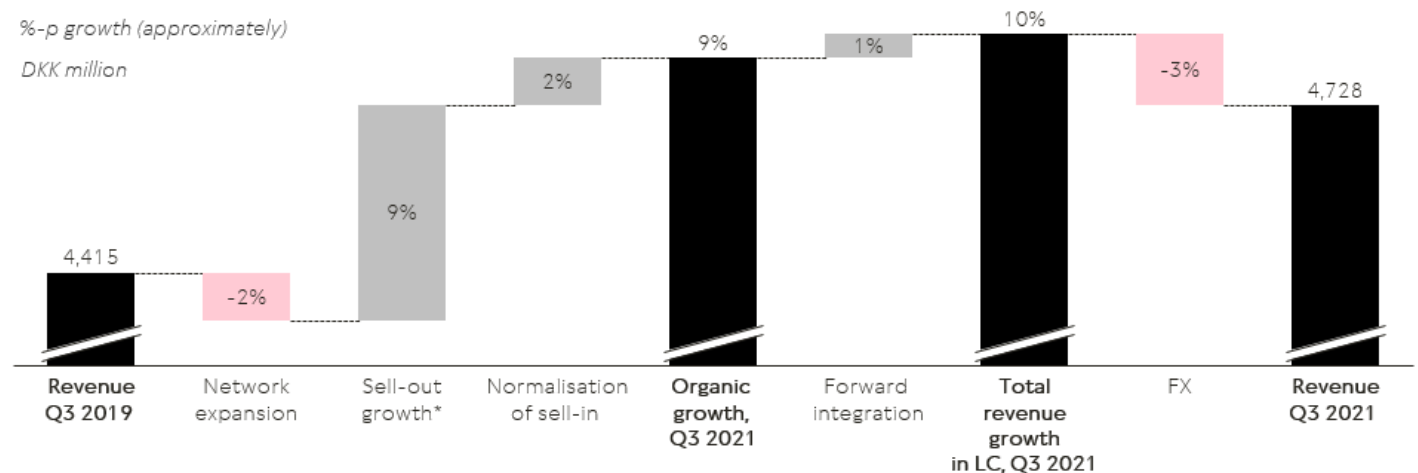
Pandora relaunched the Pandora ME platform on 30 September 2021. Pandora ME targets Gen Z and has so far seen strong engagement on social media.

REVENUE REVIEW

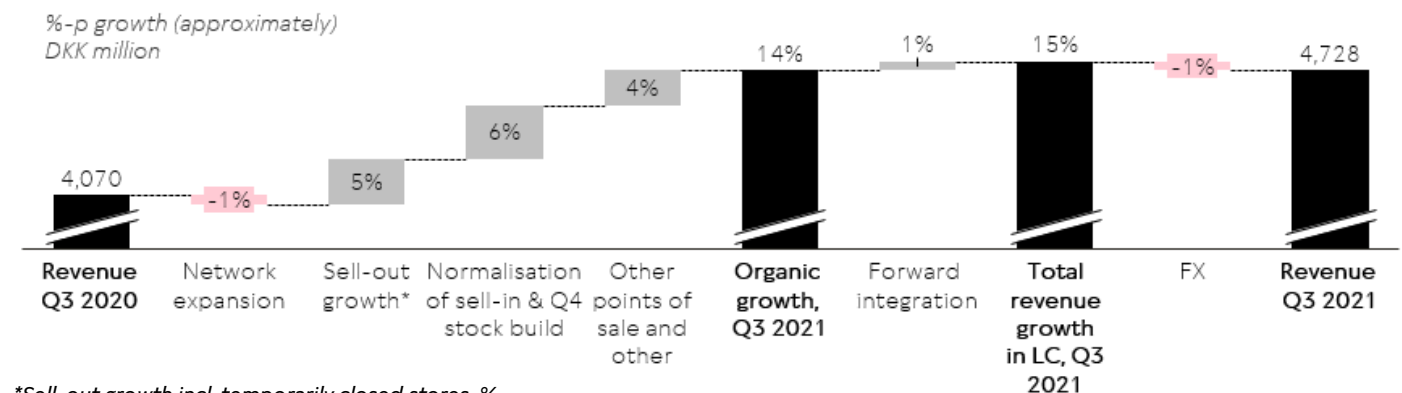
Solid revenue development

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

Q3 growth composition vs Q3 2019



Q3 growth composition vs Q3 2020



*Sell-out growth incl. temporarily closed stores, %

COVID-19 continues to impact performance, however Q3 2021 was the least affected quarter so far. On average around 5% of the stores were temporarily closed in Q3 2021 vs approximately 5% in Q3 2020 and down from an average of 15% in Q2 2021 and 30% in Q1 2021. In addition, while stores in China were formally open in Q3, traffic into the majority of the network was heavily impacted by COVID-19. Pandora still recommends to use performance vs 2019 as the best indicator for performance (although performance vs 2019 is, of course, also impacted by COVID-19), and cautions that performance vs 2020 need to be interpreted with care.

Q3 growth composition vs Q3 2019

Organic growth vs 2019 was up 9% in Q3 2021, driven by strong sell-out growth of also 9%. The organic growth was positively impacted by relatively higher sell-in compared to Q3 2019. As part of Programme NOW, Pandora initiated a commercial reset in 2019 to reduce inventory at wholesale partners. Sell-in to partners in Q3 2019 was therefore unusually low.

Revenue was negatively impacted by approximately 2pp from the closure of net 105 concept stores and +600 other points of sale compared with Q3 2019.

Q3 growth composition vs Q3 2020

Pandora generated sell-out growth of 5% vs Q3 2020, while organic growth ended at 14%. The gap between sell-out growth and organic growth is mainly driven by a normalisation of sell-in to franchise partners in Q3 2021 vs Q3 2020. In Q3 2020, the sentiment among franchise partners was still impacted by high uncertainty around COVID-19 ahead of the Q4 peak season. This was reflected in a more cautious inventory approach among partners, impacting sell-in and thereby organic growth negatively. In Q3 2021, Pandora has seen a normalisation of sell-in to partners and this drives 6% organic growth in Q3. The inventory build-up will turn into sell-out in Q4, where Pandora expects sell-out growth to be higher than sell-in growth.

Furthermore, Pandora saw strong performance in the Other points of sales in Q3 2021. Other points of sales were hit hard in 2020, but have picked up strongly in 2021 and drove approximately 3% organic growth in Q3 2021. Performance in Other points of sales is not included in the sell-out KPI.

Finally, revenue is negatively impacted by approximately 1pp from changes to the store network coming from the closures of 73 concept stores and more than 350 Other points of sales compared to Q3 2020 - in line with guidance.

REVIEW OF REVENUE BY CHANNEL

Pandora saw strong performance across all channels in Q3. Online continued the very strong results and almost doubled vs Q3 2019, while simultaneously delivering positive organic growth vs Q3 2020. Pandora-owned concept stores saw a sequential improvement in Q3, as stores reopened across most key markets. Pandora-owned concept stores delivered -7% organic growth vs 2019, up from -16% in Q2 2021 and -41% in Q1 2021.

Organic growth in Pandora's wholesale business was up 13% vs 2019 in Q3. In 2019, Pandora took a deliberate decision to reduce inventory at wholesale partners. This is also visible from the year to date performance vs 2019 as organic growth is higher than sell-out following the low sell-in to partners in 2019. Performance at third-party distributors ended at -23% in Q3 2021 vs Q3 2019, significantly lower than the rest of the network. This is an effect of geographical performance differences, as a high share of Pandora's third party distribution is in Asia, which was impacted by COVID-19 in Q3 with several markets in hard lock-down.

QUARTERLY REVENUE DEVELOPMENT BY CHANNEL

DKK million	Q3 2021	Q3 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Organic growth vs 2020	Organic growth vs 2019	Local currency growth vs 2020	Share of Revenue
Pandora owned¹ retail	3,096	2,799	4%	14%	6%	10%	9%	65%
- of which concept stores	2,057	1,836			6%	-7%	11%	44%
- of which online stores	873	841			2%	94%	2%	18%
- of which other points of sale	166	122			32%	1%	32%	4%
Wholesale	1,451	1,113	7%	0%	35%	13%	30%	31%
- of which concept stores	858	640			42%	25%	34%	18%
- of which other points of sale	592	473			25%	-2%	25%	13%
Third-party distribution	182	158	7%	0%	17%	-23%	17%	4%
Total revenue	4,728	4,070	5%	9%	14%	9%	15%	100%

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

YEAR-TO-DATE REVENUE DEVELOPMENT BY CHANNEL

DKK million	9M 2021	9M 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Organic growth vs 2020	Organic growth vs 2019	Local currency growth vs 2020	Share of Revenue
Pandora owned¹ retail	9,450	7,901	20%	9%	19%	6%	22%	66%
- of which concept stores	5,465	4,596			16%	-22%	22%	38%
- of which online stores	3,512	2,950			21%	144%	21%	24%
- of which other points of sale	474	356			34%	-11%	34%	3%
Wholesale	4,415	2,806	43%	-5%	67%	12%	63%	31%
- of which concept stores	2,459	1,532			75%	13%	66%	17%
- of which other points of sale	1,956	1,275			58%	10%	58%	14%
Third-party distribution	518	410	43%	-5%	31%	-23%	31%	4%
Total revenue	14,383	11,118	27%	4%	32%	6%	33%	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

Pandora closed net 14 concept stores in Q3 2021. Nine of the net closures are in UK and Ireland following an overall pruning of the network. As communicated at the Capital Markets Day on 14 September 2021, Pandora sees significant opportunities to expand the store network and expects to have more concept stores in 2023 than today. Furthermore, Pandora took over 17 franchise concept stores in the UK and acquired 7 concept stores in the US. The 17 stores in the UK were taken over at the end of September, and the financial impact in Q3 is limited. Pandora did not pay any goodwill for the UK stores, but bought back the inventory.

Finally, Pandora has also taken over 21 shop-in-shops (Other points of sales) in Spain from the franchise partner El Corte Ingles.

Number of points of sale	Q3 2021	Q2 2021	Q3 2020	Growth Q3 2021 /Q2 2021	Growth Q3 2021 /Q3 2020
Concept stores	2,616	2,630	2,689	-14	-73
- of which Pandora owned ¹	1,403	1,379	1,379	24	24
- of which franchise owned	710	745	809	-35	-99
- of which third-party distribution	503	506	501	-3	2
Other points of sale	4,105	4,095	4,463	10	-358
Total points of sale	6,721	6,725	7,152	-4	-431

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

REVIEW OF REVENUE BY KEY MARKET

The *US* continued the very strong performance in the quarter. This is the fifth quarter in a row, Pandora sees sell-out growth above +20% and third quarter in a row above 50%. Q3 2021 sell-out growth vs 2019 ended at an encouraging 59% while sell-out growth vs 2020 ended at 29%. As mentioned previously, the performance in US is temporarily supported by the stimulus packages. According to Bank of America's global luxury report for Q3, the US market saw growth of 55% vs Q3 2019. This is the third quarter in a row, Pandora outperforms market data in the luxury report. The strong performance was driven by the Moments platform, which saw 65% sell-out growth vs 2019. The promotional density continues to be low, and for Q3 2021 98% of sales was at full price.

Performance in the *China market* in Q3 2021 was significantly impacted by typhoons in July and a COVID-19 outbreak later in the quarter. Sell-out growth vs 2019 ended at -45% in Q3 2021, a significant decrease from -13% in Q2 2021. Traffic in the physical stores was down approximately -50% vs 2020 and -70% vs 2019. As mentioned above, Pandora's physical stores in China were open during Q3, but more than 80% of the stores saw a significant decline in traffic due to COVID-19 restrictions. The negative impact was not recouped online. Pandora will take the first steps to reposition the brand in Q4 2021 by among others increasing media investments. China is not expected to return to growth before next year. China accounted for 5% of revenue in Q3 2021.

Pandora's key European markets delivered 11% sell-out growth in Q3 vs 2019 and saw a sequential improvement vs Q1 and Q2, as stores reopened. UK, Italy and Germany all ended at positive sell-out growth vs 2019 driven by a very strong online performance, while France ended at -6% impacted by continued COVID-19 restrictions to enter malls as well as the promo detox. With stores reopening, Pandora saw consumers returning to physical stores with encouraging traffic trajectory throughout the quarter. Both Italy and Germany delivered positive sell-out growth vs 2019 in the physical stores of around 8% and 16%, respectively.

The *Australian market* had a tough quarter with sell-out growth vs 2019 ending at -22%, which is an effect of the COVID-19 lockdowns across the market. On average almost 50% of stores were temporarily closed due to COVID-19 in Q3 2021 compared to 13% in Q3 2020. Along with a number of other Asian markets, Australia was the market most impacted by COVID-19 in the quarter. Performance in stores not closed due to COVID-19 indicates that the underlying performance is healthy. Following the store closures, consumers turned to the online business, and Australia saw 290% sell-out growth vs 2019. Currently no stores are closed in Australia and revenue growth is back in plus.

QUARTERLY REVENUE DEVELOPMENT BY KEY MARKET

DKK million	Q3 2021	Q3 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Organic growth vs 2020	Local currency growth	Share of revenue
US	1,342	901	29%	59%	47%	51%	28%
China	233	350	-35%	-45%	-37%	-37%	5%
UK	637	617	-5%	12%	-3%	-2%	13%
Italy	527	484	7%	10%	9%	9%	11%
Australia	170	225	-31%	-22%	-25%	-25%	4%
France	221	222	-9%	-6%	0%	0%	5%
Germany	280	233	5%	30%	20%	20%	6%
Total top-7 markets	3,411	3,031	3%	16%	10%	11%	72%
Rest of Pandora	1,317	1,040	10%	-9%	26%	26%	28%
Total revenue	4,728	4,070	5%	9%	14%	15%	100%

YEAR-TO-DATE REVENUE DEVELOPMENT BY KEY MARKET

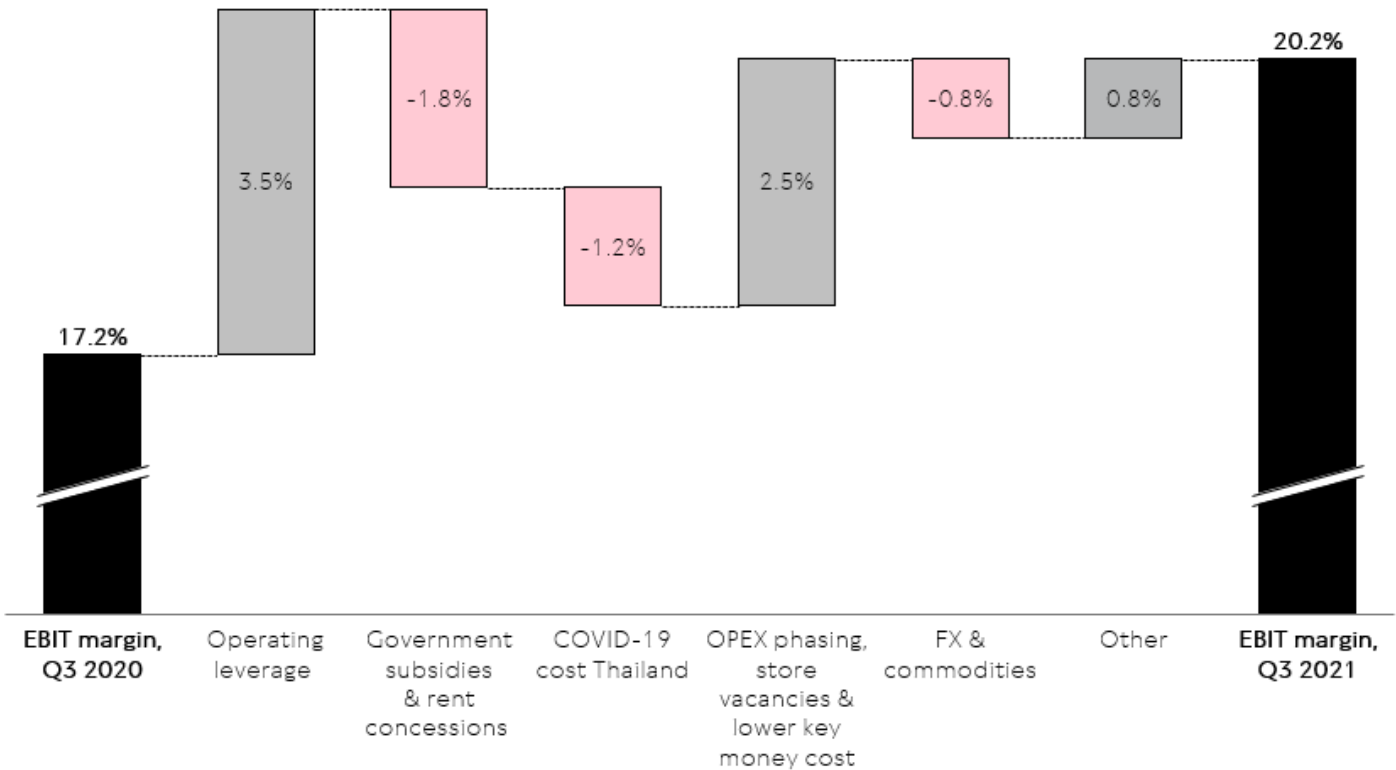
DKK million	9M 2021	9M 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Organic growth vs 2020	Local currency growth	Share of revenue
US	4,504	2,523	77%	59%	88%	92%	31%
China	904	939	-2%	-36%	-5%	-5%	6%
UK	1,793	1,616	3%	-1%	8%	9%	12%
Italy	1,482	1,196	20%	-3%	24%	24%	10%
Australia	639	584	6%	-8%	4%	4%	4%
France	624	659	-8%	-14%	-5%	-5%	4%
Germany	712	597	-3%	1%	19%	20%	5%
Total top-7 markets	10,659	8,114	29%	14%	33%	35%	74%
Rest of Pandora	3,725	3,004	20%	-19%	27%	27%	26%
Total revenue	14,383	11,118	27%	4%	32%	33%	100%

PROFITABILITY

Strong EBIT margin - up compared to Q3 2020 and back to Q3 2019 levels

EBIT margin development

%-p development (approximately)



The EBIT margin was 20.2% in Q3 2021, up from 17.2% in Q3 2020 (excluding restructuring costs). The Q3 2020 EBIT margin was negatively impacted by COVID-19 as some partners still had a cautious approach affecting sell-in revenue. EBIT margin in Q3 2021 is at the same level as the EBIT margin in Q3 2019 (excluding restructuring costs). Absolute EBIT growth was 36% vs Q3 2020 and ended at DKK 957 million in Q3 2021 vs DKK 702 million in Q3 2020 and DKK 891 million in Q3 2019.

Pandora is pleased with the strong Q3 EBIT margin, which is mainly driven by the inherent operating leverage in Pandora's business model. Pandora continues to see the margin being supported by the unusually strong growth in US. On the other hand, the Q3 2021 EBIT margin is negatively impacted by the continued impact from the pandemic and the 5% of stores temporarily closed during the quarter as well as extraordinary costs in Thailand to mitigate the COVID-19 risks. The extraordinary cost in Thailand impacted the EBIT margin negatively by approximately -1.2pp – a one-off impact.

Additionally, Pandora received DKK 14 million in government support in Q3 2021, significantly lower than Q3 2020 (DKK 75 million). Furthermore, Pandora reached agreements of DKK 10 million in rent concessions with landlords in Q3 2021 (DKK 36 million in Q3 2020). Less government support and rent concessions impacted the EBIT margin negatively by -1.8pp in Q3 2021 vs Q3 2020.

As previously communicated, cost savings generated as part of Programme NOW are expected to have a DKK 450 million incremental impact in 2021. Pandora continues to fully reinvest the cost savings in driving revenue. In Q3 2021, this results in a net cost phasing of approximately 1pp expected to be reversed in Q4. Furthermore, the EBIT margin in Q3 2021 is lifted by 1.5pp due to among others extraordinary (and temporary) vacancies in stores as well as lower cost related to key money, following certain impairments in Q3 2020 and as key money is currently no longer paid in many jurisdictions.

The EBIT margin was negatively impacted by rising commodity prices (mainly silver) leading to a headwind of around -2.2pp. This is partly offset by favourable foreign exchange rate developments (mainly USD and Thai baht) of around +1.4pp.

Finally, the EBIT margin is supported by a number of other factors with a net impact of 0.8pp. This includes, among others, the positive impact of less promotions and a temporary negative impact of -0.5pp related to inventory taken over as part of the forward integration during the quarter.

GROSS MARGIN

In Q3 2021, the gross margin decreased 2.6pp to 75.5% compared with 78.1% in Q3 2020 (excluding restructuring cost) or 1.3pp from 76.8% in the first half of 2021. The underlying gross margin is unchanged and strong – the decline is driven by an increase in silver prices and one-off costs related to COVID-19 and forward integration.

In Q3, Pandora took significant measures to protect employees and production in Thailand from COVID-19. This included setting up temporary on-site lodging to mitigate the risk of infections. The gross margin in Q3 2021 was suppressed by approximately -1.2pp due to these one-off costs. Pandora anticipates a similar scenario in Q4 2021.

As mentioned, Pandora took over 21 shop-in-shops from El Corte Ingles in Spain and 24 franchise concept stores in US and UK. This temporarily drags down the gross margin by around -0.5pp compared with Q3 2020 due to the take-over of inventory at wholesale value. Increasing commodity prices had a negative impact on the gross margin of -2.2pp, partly offset by a favourable FX development, mainly from the Thai baht, of +1.5pp vs Q3 2020. Finally, the gross margin was positively impacted by lower promotional activity (more full-price sell-through) offsetting some of the negative impact mentioned above.

COST OF SALES AND GROSS PROFIT

DKK million	Q3 2021	Q3 2020	Growth	Share of revenue Q3 2021	Share of revenue Q3 2020	9M 2021	9M 2020	Growth	Share of revenue 9M 2021	Share of revenue 9M 2020
Revenue	4,728	4,070	16%	100.0%	100.0%	14,383	11,118	29%	100.0%	100.0%
Cost of sales	-1,158	-892	30%	-24.5%	-21.9%	-3,402	-2,555	33%	-23.7%	-23.0%
Gross profit excl. restructuring costs	3,571	3,178	12%	75.5%	78.1%	10,981	8,563	28%	76.3%	77.0%
Restructuring costs	0	4	-100%	0%	0.1%	0	-138	-100%	0.0%	-1.2%
Gross profit incl. restructuring costs	3,571	3,183	12%	75.5%	78.2%	10,981	8,425	30%	76.3%	75.8%

OPERATING EXPENSES

Total operating expenses was DKK 2,614 million in Q3 2021, up 5% in constant foreign exchange rates compared to Q3 2020, while the OPEX ratio declined to 55.3% in Q3 2021 from 60.8% in Q3 2020.

The increase vs Q3 2020 was mainly driven by Marketing expenses, in line with Pandora's strategy to stay top of mind with consumers. Marketing expenses in Q3 2021 constituted 15.9% of revenue, while year-to-date September was 14.7% and in line with Pandora's expectations of a 13-15% marketing spend ratio. Sales and distribution expenses was down -2% in constant foreign exchange rates vs Q3 2020 partly driven by extraordinary vacancies in stores – and lower key money cost. In Q3 2021, Pandora received DKK 14 million in COVID-19 related government subsidies and DKK 10 million in rent concessions, significantly lower than last year. Administrative expenses increased by 8% compared with Q3 2020 in constant foreign exchange rates, mainly due to COVID-19 related savings last year but also investments to further strengthen certain global functions, including People and Sustainability.

OPERATING EXPENSES

DKK million	Q3 2021	Q3 2020	Growth	Share of revenue Q3 2021	Share of revenue Q3 2020	9M 2021	9M 2020	Growth	Share of revenue 9M 2021	Share of revenue 9M 2020
Sales and distribution expenses	-1,418	-1,433	-1%	30.0%	35.2%	-4,290	-4,267	1%	29.8%	38.4%
Marketing expenses	-752	-631	19%	15.9%	15.5%	-2,114	-1,665	27%	14.7%	15.0%
Administrative expenses	-444	-412	8%	9.4%	10.1%	-1,416	-1,257	13%	9.8%	11.3%
Total operating expenses excl. restructuring costs	-2,614	-2,477	6%	55.3%	60.8%	-7,820	-7,190	9%	54.4%	64.7%
Restructuring costs	0	-239	-100%	0.0%	5.9%	0	-763	-100%	0.0%	6.9%
Total operating expenses incl. restructuring costs	-2,614	-2,716	-4%	55.3%	66.7%	-7,820	-7,953	-2%	54.4%	71.5%

FINANCIAL EXPENSES AND TAX

Net financials in Q3 2021 came at a cost of DKK 137 million, which was higher than last year and primarily driven by realized losses on FX hedging contracts.

CASH FLOW & BALANCE SHEET

Net working capital remain at around zero - despite inventory build-up ahead of peak trading period

The net working capital continues to be strong and ended at 0.2% of the last 12 months revenue in Q3 2021 compared with -0.3% in Q2 2021 and 0.0% in Q3 2020. The net working capital continues to be around zero despite further inventory build-up in Q3 2021 of almost DKK 0.6 billion. This comes on top of a DKK 0.2 billion build up in Q2 2021 and DKK 0.4 billion in Q1 2021. Pandora is building up inventory in order to decrease the risk of disruptions in the supply chain as well as to decrease the risk of stock-outs ahead of the important Q4 trading period. Inventories ended at DKK 3.2 billion in Q3 2021 vs DKK 2.6 billion in Q2 2021. Pandora expects inventories to decrease in Q4. Trade receivables are slightly up vs Q2 2021 (DKK 0.1 billion) reflecting the increase in wholesale revenue, and wholesale Days Sales Outstanding (DSO) ended at 33 days in line with last year, reflecting the healthy and balanced sell-in to partners. Total DSO, including retail receivables, ended at 15 days by the end of September.

Free cash flow incl. lease payments ended at DKK 502 million corresponding to a cash conversion of 53% in Q3 2021. CAPEX in the quarter remained low at 4% of revenue (3% year to date), partially due to postponement of certain projects due to COVID-19 lockdowns. As communicated at the Capital Markets Day, CAPEX is expected to increase in 2022.

The improved underlying performance, combined with the lapse of Programme NOW one-off restructuring costs as well as lower invested capital are all positively impacting ROIC. ROIC ended Q3 at 48% - the highest level since Q4 2018 and up 26pp vs Q3 2020.

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

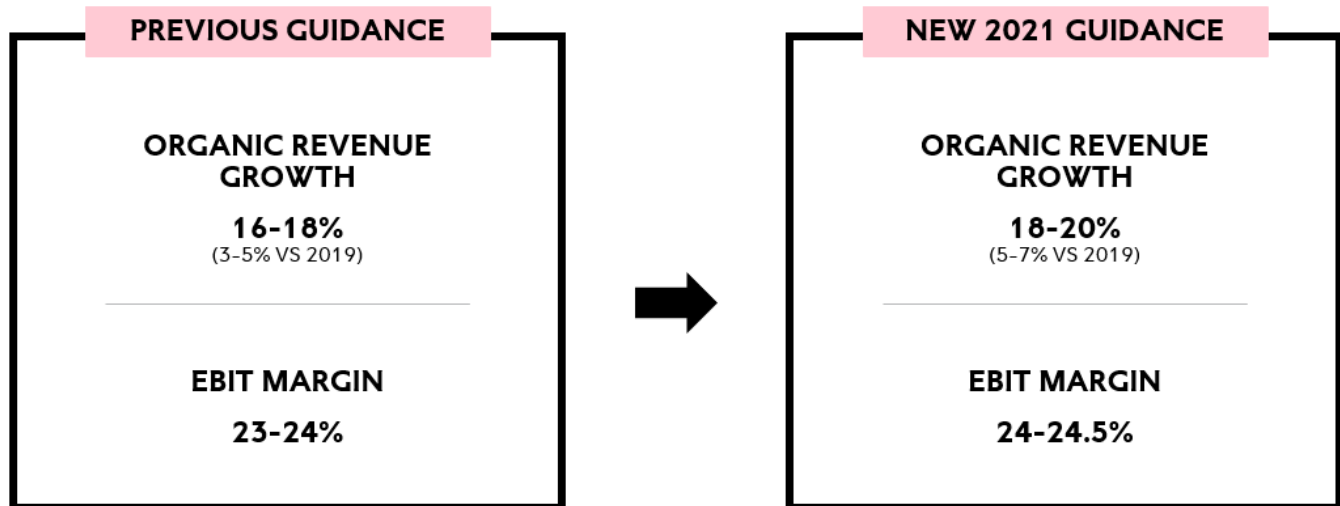
Share of preceding 12 months' revenue	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Inventories	14.4%	11.8%	12.3%	10.3%	13.7%
Trade receivables	3.6%	3.2%	3.1%	4.6%	3.2%
Trade payables	-11.0%	-10.3%	-11.8%	-16.9%	-12.7%
Other net working capital elements	-6.7%	-4.9%	-4.0%	-5.6%	-4.2%
Total	0.2%	-0.3%	-0.4%	-7.6%	0.0%

The financial leverage, NIBD to EBITDA excl. restructuring costs, was 0.5x by the end of September. This is in the low end of the capital structure policy range of NIBD to EBITDA between 0.5 and 1.5x. Pandora continues to hold a strong liquidity position and is well positioned for the continued elevated uncertainty related to COVID-19, while at the same time continuing to distribute cash to shareholders. Pandora has per end of September 2021 paid out DKK 2.1 billion to shareholders in 2021 through a combination of extraordinary dividends and share buybacks and will pay out another DKK 0.5 billion in extraordinary dividend in Q4 as well as DKK 2.9 billion in planned share buybacks before 4 February 2022.

FINANCIAL GUIDANCE

Based on strong performance in the third quarter of 2021 and a recently revised forecast for the rest of the year, Pandora upgraded the financial guidance for 2021 on 1 November. Organic growth was updated to “organic growth of 18-20%” (previously “16-18%”) and “EBIT margin of 24.0-24.5%” (previously “23-24%”).

COVID-19 and the unusually high level of US growth continue to create increased uncertainty around the guidance.



REVENUE GUIDANCE

The revenue guidance of “18-20%” vs 2020 corresponds to an organic growth expectation of “5-7%” vs 2019.

The updated guidance is based on the assumption that approximately 5% of the stores will be temporarily closed or severely impacted due to COVID-19 in Q4. This is the same as in the previous guidance. Today, around 4% of the stores are temporarily closed or severely impacted due to COVID-19.

Furthermore, the guidance assumes two things related to COVID-19: 1) there will no new material COVID-19 restrictions implemented over and above what is currently in place as of today and 2) COVID-19 will have no major negative impact on production and supply chain.

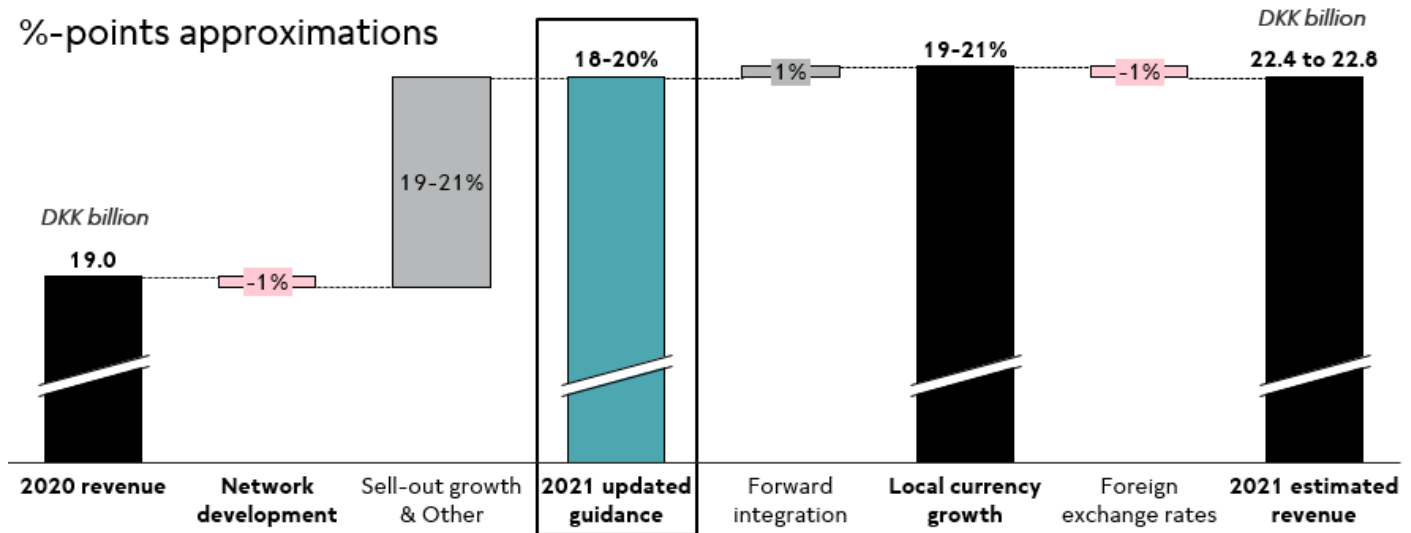
Full year, a negative impact on organic growth of -6% compared to 2020 is expected due to COVID-19. The -6% impact is the net result of revenue lost in the temporarily closed stores and a partial online pickup of the lost revenue. On the other hand, the COVID-19 stimulus packages in the US have positively contributed to the growth so far in 2021. Looking into 2022, there is high uncertainty on what the net impact of these two COVID-19 related factors are.

US performance in Q4 2021 will be a key factor in determining where Pandora lands within the guidance range. It is expected that the impact from US stimulus packages will be lower in Q4 2021, but the outcome is obviously associated with high uncertainty.

China is expected to remain a drag on group performance for the rest of the year.

Organic growth

%-points approximations



PROFITABILITY GUIDANCE

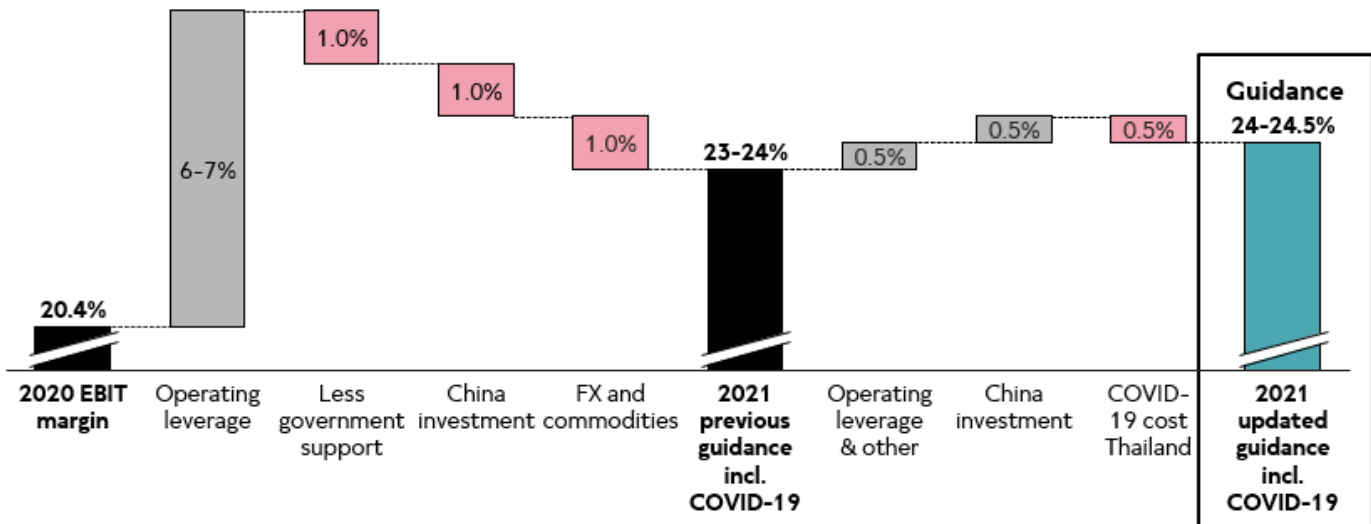
The upgrade of the EBIT margin guidance is driven by operating leverage. Due to COVID-19 Pandora has decreased the 2021 investments in the repositioning of the brand in China and now expects to invest approximately DKK 100 million (0.5pp less drag on the EBIT margin in 2021).

On the other hand, Pandora incurs additional costs due to the significant precautionary measures related to COVID-19 in Thailand. To protect employees and production, Pandora has among other initiatives set up temporary lodging at the production sites. This carries an expected extraordinary cost of DKK 120 million or 0.5pp negative impact on the EBIT margin. Half of this cost has already been recognized in Q3 2021 and the remainder is expected in Q4.

Current foreign exchange rates, if unchanged, are estimated to have a favourable impact on the EBIT margin in 2021 of approximately 1.0pp, compared to 2020. This is slightly up from around 0.9pp in the Q2 2021 Interim Financial Report. The full-year impact from both foreign exchange and commodities at current rates is still expected to be around 1 pp negative impact on the EBIT margin in 2021.

EBIT margin

%-points approximations



2021 GUIDANCE - OTHER PARAMETERS

CAPEX for 2021 is expected to be around DKK 0.8 billion (previously DKK 1.0 billion). The updated guidance for store network development is net 50 concept store closures (previously 25-50 net closures). The effective tax rate is expected to be 22-23%, in line with 2020 and unchanged from previous guidance.

CAPITAL STRUCTURE POLICY AND CASH DISTRIBUTION

At the end of September 2021, Pandora's leverage was only 0.5x NIBD to EBITDA, at the very low end of our capital structure policy of 0.5-1.5x. In May 2021, Pandora re-initiated cash distributions and has per end of September paid out DKK 2.1 billion to shareholders through a combination of extraordinary dividends and share buybacks. Pandora will pay out another DKK 0.5 billion in extraordinary dividend in Q4 as well as DKK 2.9 billion in planned share buybacks before 4 February 2022.

From 5 May to 29 October 2021, Pandora has bought back more than 2.1 million shares at an average price of around DKK 828 per share for a total value of almost DKK 1.8 billion, with a further DKK 2.2 billion remaining of the planned program before 4 February 2022.

The extraordinary dividend of DKK 5 per share will be paid on 17 November 2021.

FOREIGN EXCHANGE ASSUMPTIONS AND IMPLICATIONS

FX ASSUMPTIONS AND IMPLICATIONS	Average 2020		28 October 2021
	FX Rates	FX Rates	2021 Y-Y Financial Impact
USD/DKK	6.5422	6.4169	
THB/DKK	0.2091	0,193	
GBP/DKK	8.3890	8,8169	
CNY/DKK	0.9476	1,0030	
AUD/DKK	4.5069	4,8271	
REVENUE (DKK million)			-100 to -200
EBIT (DKK million)			100-200
EBIT margin			1.0%

SUSTAINABILITY

Pandora’s key sustainability targets are listed below.

- Be carbon neutral in our own operations by 2025
- Reduce the total emissions across our own operations and value chain 50% by 2030
- Become net zero by 2040
- Use only recycled silver and gold in our jewellery by 2025
- Only use lab-created diamonds going forward
- Gender balance in all hiring and promotions into leadership at VP+ in order to achieve 1/3 women in leadership by 2025 and reach full gender parity¹ no later than 2030
- Create workforce with proportionate share of underrepresented groups in geographies that allow data registering
- 30% of the branding content budget will be spent with suppliers owned by women or underrepresented groups

In Q3, Pandora announced its new science-based target, committing to halve its emissions across its operations and value chain by 2030. It also made a long-term commitment to reach net zero emissions by 2040. This is the most ambitious climate target in the jewellery industry.

Pandora also announced its new Inclusion and Diversity targets, notably committing to have 1/3 women in leadership positions by 2025 and full gender parity no later than 2030. Additional targets were set to increase the share of underrepresented groups across Pandora’s workforce and in the company’s customer engagement and marketing communications.

Pandora is in the process of finalizing its Point of Sales Materials (POSM) and human rights strategies. We aim to share more about both in early 2022.

You can read more in our [2020 Sustainability Report](#).

¹ Gender parity in leadership = equal no. of men and women in leadership positions from VP and up (incl. the Board of Directors) with +/- 5 pp variation, also allowing for people not identifying as female or male.

OTHER EVENTS

OTHER IMPORTANT EVENTS IN Q3 2021 AND AFTER THE REPORTING PERIOD

No subsequent events have occurred after the balance sheet date that required adjustment to or disclosure in the consolidated financial statements.

FINANCIAL CALENDAR 2022

The financial calendar lists the expected dates of publication of financial announcements and the Annual General Meeting in the 2022 financial year for Pandora A/S.

09 February 2022	Annual Report for 2021
10 March 2022	Annual General Meeting
04 May 2022	Interim Financial Report for the first quarter of 2022
16 August 2022	Interim Financial Report for the second quarter/first six months of 2022
08 November 2022	Interim Financial Report for the third quarter/first nine months of 2022

2021 YEAR-TO-DATE DEVELOPMENT

REVENUE

Total revenue increased by 33% in local currency to DKK 14,383 million in the first 9 months (9M) of 2021 compared with 9M 2020. Organic growth was 32% reflecting good underlying performance but also that 9M 2020 was heavily impacted by COVID-19.

GROSS PROFIT AND COSTS

Gross profit was DKK 10,981 million in 9M 2021 (DKK 8,563 million in 9M 2020), resulting in a gross margin of 76.3% in 9M 2021 and down -0.7pp vs 9M 2020 of 77.0% excluding restructuring costs.

Sales and distribution expenses excluding restructuring costs increased to DKK 4,290 million in 9M 2021 (DKK 4,267 million in 9M 2020), corresponding to 29.8% of revenue in 9M 2021 (38.4% in 9M 2020). The increase is the result of variable costs related to the higher revenue, cost reductions implemented during the COVID-19 pandemic in 9M 2020 and less government support and rent concessions received in Q2 and Q3 2021. Rent concessions and government support have been recognized in the profit and loss statement under Sales and Distribution expenses.

Marketing expenses excluding restructuring costs increased to DKK 2,114 million in 9M 2021 (DKK 1,665 million in 9M 2020), resulting in a share of revenue of 14.7% in 9M 2021 compared with 15.0% in 9M 2020.

Administrative expenses excluding restructuring cost increased to DKK 1,416 million in 9M 2021 compared with DKK 1,257 million in 9M 2020, corresponding to 9.8% of revenue in 9M 2021 (11.3% in 9M 2020). The increase in absolute terms mainly reflects the COVID-19 savings recognised in 2020.

EBIT

EBIT for 9M 2021 was DKK 3,161 million – a significant increase compared with DKK 1,373 million excluding restructuring costs for 9M 2020, resulting in an EBIT margin of 22.0% in 9M 2021 (12.3% in 9M 2020 excluding restructuring costs). The significant improvement in the EBIT margin is mainly a result of strong operating leverage as 9M 2020 was very negatively impacted by COVID-19.

NET FINANCIALS

Net financials amounted to a cost of DKK 250 million in 9M 2021 vs a cost of DKK 286 million in 9M 2020.

INCOME TAX EXPENSES

Income tax expenses were DKK 655 million in 9M 2021 compared with a tax expense of DKK 42 million in 9M 2020, implying an effective tax rate for the Group of 22.5% for 9M 2021 (22.5% in 9M 2020).

NET PROFIT

Net profit in 9M 2021 was DKK 2,256 million vs DKK 1 44 million in 9M 2020.

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 35 44 55 77

SE: +46 85 66 42 651

UK (International): +44 33 33 000 804

US: +1 631 913 1422

Please use PIN: 129 83 883#

Link to webcast: <https://streams.eventcdn.net/pandora/2021q3>

ABOUT PANDORA

Pandora is the world's largest jewellery brand. The company designs, manufactures and markets hand-finished jewellery made from high-quality materials at affordable prices. Pandora jewellery is sold in more than 100 countries through 6,700 points of sale, including more than 2,600 concept stores.

Headquartered in Copenhagen, Denmark, Pandora employs 26,000 people worldwide and crafts its jewellery at two LEED certified facilities in Thailand using mainly recycled silver and gold. Pandora is committed to leadership in sustainability and has set science-based targets to reduce greenhouse gas emissions by 50% across its own operations and value chain by 2030. The company is listed on the Nasdaq Copenhagen stock exchange and generated sales of DKK 19.0 billion (EUR 2.5 billion) in 2020.

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FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

DKK million	Notes	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Revenue	3	4,728	4,070	14,383	11,118	19,009
Cost of sales		-1,158	-888	-3,402	-2,693	-4,634
Gross profit		3,571	3,183	10,981	8,425	14,375
Sales, distribution and marketing expenses		-2,170	-2,094	-6,404	-6,095	-9,155
Administrative expenses		-444	-621	-1,416	-1,857	-2,536
Operating profit		957	467	3,161	472	2,684
Finance income		52	61	134	132	316
Finance costs		-189	-85	-384	-418	-507
Profit before tax		820	443	2,911	186	2,494
Income tax expense		-184	-100	-655	-42	-556
Net profit for the period		635	343	2,256	144	1,938
Earnings per share, basic, DKK		6.4	3.6	22.7	1.5	20.0
Earnings per share, diluted, DKK		6.4	3.6	22.6	1.5	19.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Net profit for the period	635	343	2,256	144	1,938
Other comprehensive income:					
Items that may be reclassified to profit/loss for the period					
Exchange rate adjustments of investments in subsidiaries	38	-263	134	-481	-609
Fair value adjustment of hedging instruments	-243	129	-666	213	206
Tax on other comprehensive income, hedging instruments, income/expense	53	-10	141	-24	-13
Items that may be reclassified to profit/loss for the period, net of tax	-152	-144	-391	-292	-416
Items not to be reclassified to profit/loss for the period					
Actuarial gain/loss on defined benefit plans, net of tax	-	-	-	-	6
Items not to be reclassified to profit/loss for the period, net of tax	-	-	-	-	6
Other comprehensive income, net of tax	-152	-144	-391	-292	-410
Total comprehensive income for the period	483	199	1,865	-148	1,528

CONSOLIDATED BALANCE SHEET

DKK million	Notes	2021 30 September	2020 30 September	2020 Full Year
ASSETS				
Goodwill	9	4,359	4,282	4,247
Brand		1,057	1,057	1,057
Distribution		1,089	1,118	1,110
Other intangible assets		599	674	529
Total intangible assets		7,104	7,131	6,943
Property, plant and equipment		1,778	2,154	2,054
Right-of-use assets	10	2,561	3,058	3,007
Deferred tax assets		885	997	764
Other financial assets		229	262	244
Total non-current assets		12,556	13,603	13,012
Inventories		3,197	2,619	1,949
Trade receivables	7	801	607	870
Right-of-return assets		51	56	62
Derivative financial instruments	5,6	31	440	351
Income tax receivable		158	79	83
Other receivables		554	655	745
Cash		824	874	2,912
Total current assets		5,616	5,330	6,972
Total assets		18,173	18,932	19,984
EQUITY AND LIABILITIES				
Share capital		100	100	100
Treasury shares		-1,186	-93	-93
Reserves		368	874	750
Retained earnings		8,040	4,800	6,632
Total equity		7,322	5,682	7,389
Provisions		391	289	370
Loans and borrowings	10	3,755	5,083	2,066
Deferred tax liabilities		195	343	368
Total non-current liabilities		4,341	5,714	2,804
Provisions		30	31	29
Refund liabilities		526	614	654
Contract liabilities		124	58	82
Loans and borrowings	10	887	2,653	3,996
Derivative financial instruments	5,6	413	193	119
Trade payables		2,445	2,425	3,211
Income tax payable		875	529	382
Other payables		1,211	1,032	1,317
Total current liabilities		6,509	7,536	9,790
Total liabilities		10,850	13,251	12,595
Total equity and liabilities		18,173	18,932	19,984

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Treasury shares	Translation reserve	Hedging Reserve	Dividend proposed	Retained earnings	Total equity
2021							
Equity at 1 January	100	-93	535	215	0	6,632	7,389
Net profit for the period	0	0	0	0	0	2,256	2,256
Other comprehensive income, net of tax	0	0	138	-520	0	-9	-391
Total comprehensive income for the period	0	0	138	-520	0	2,247	1,865
Share-based payments	0	1	0	0	0	154	155
Purchase of treasury shares	0	-1,094	0	0	0	0	-1,094
Proposed dividend	0	0	0	0	993	-993	0
Dividend paid	0	0	0	0	-993	0	-993
Equity at 30 September	100	-1,186	673	-305	0	8,040	7,322
2020							
Equity at 1 January	100	-1,964	1,112	54	836	5,110	5,249
Net profit for the period	0	0	0	0	0	144	144
Other comprehensive income, net of tax	0	0	-458	166	0	0	-292
Total comprehensive income for the period	0	0	-458	166	0	144	-148
Share-based payments	0	14	0	0	0	45	59
Purchase of treasury shares	0	-431	0	0	0	0	-431
Sale of treasury shares	0	2,288	0	0	0	-509	1,778
Dividend paid	0	0	0	0	-836	11	-826
Equity at 30 September	100	-93	654	220	0	4,800	5,682

CONSOLIDATED STATEMENT OF CASH FLOW

DKK million	Notes	Q3 2021	Q3 2020	9M 2021	9M 2020	FY 2020
Operating profit		957	467	3,161	472	2,684
Depreciation and amortisation		437	578	1,411	1,630	2,315
Share-based payments		43	10	124	55	70
Change in inventories		-593	-496	-1,131	-778	-96
Change in receivables		-53	26	303	1,242	869
Change in payables and other liabilities		300	284	-1,124	-528	724
Other non-cash adjustments		-65	66	-91	-207	-155
Interest etc. received		1	0	2	2	3
Interest etc. paid		-38	-68	-146	-166	-247
Income taxes paid		-105	-90	-354	190	-192
Cash flows from operating activities, net		885	776	2,155	1,913	5,975
Acquisitions of subsidiaries and activities, net of cash acquired	8	-52	0	-66	-6	-12
Purchase of intangible assets		-80	-30	-206	-92	-130
Purchase of property, plant and equipment		-97	-122	-195	-284	-374
Change in other non-current assets		-3	-4	4	5	19
Proceeds from sale of property, plant and equipment		1	3	4	2	13
Cash flows from investing activities, net		-231	-153	-459	-375	-484
Acquisitions of non-controlling interests		0	0	0	-42	-42
Dividend paid		-495	0	-993	-826	-825
Purchase of treasury shares		-842	0	-1,094	-431	-431
Sale of treasury shares		0	0	0	1,778	1,778
Proceeds from loans and borrowings		149	0	2,008	5,857	5,861
Repayment of loans and borrowings		0	-319	-3,005	-7,419	-9,073
Repayment of lease commitments		-241	-234	-711	-579	-839
Cash flows from financing activities, net		-1,430	-554	-3,796	-1,662	-3,571
Net increase/decrease in cash		-776	69	-2,100	-124	1,920
Cash at beginning of period ¹		1,604	826	2,912	1,054	1,054
Exchange gains/losses on cash		-4	-21	11	-55	-62
Net increase/decrease in cash		-776	69	-2,100	-124	1,920
Cash at end of period¹		824	874	824	874	2,912
Cash flows from operating activities, net		885	776	2,155	1,913	5,975
- Interests etc. received		-1	0	-2	-2	-3
- Interests etc. paid		38	68	146	166	247
Cash flows from investing activities, net		-231	-153	-459	-375	-484
- Acquisition of subsidiaries and activities, net of cash acquired		52	0	66	6	12
Free cash flow excluding lease payments		744	691	1,907	1,707	5,747
Free cash flow including lease payments		502	457	1,195	1,128	4,908
Unutilised committed credit facilities		5,056	7,500	5,056	7,500	6,998

¹ Cash comprises cash at bank and in hand.

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

ACCOUNTING NOTES

NOTE 1 – Accounting policies

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

The accounting policies applied are consistent with the accounting policies set out in the Annual Report 2020 apart from the Covid-19-Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16 Leases.

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

Pandora presents financial measures in the interim financial report that are not defined according to IFRS. Pandora believes that these non-GAAP measures provide valuable information to investors and Pandora's management when evaluating performance. Since other companies might calculate these differently from Pandora, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered a replacement for measures defined under IFRS. For the definitions of other alternative performance measures used by Pandora which are not defined by IFRS, refer to note 5.6 in the consolidated financial statements in the Annual Report 2020.

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 2021. The implementation of these new or amended standards and interpretations had no material impact on the financial statements for the period apart from the amendment in IFRS 16. Pandora applied the extension of the practical expedient issued by IASB for all contracts with rent concessions occurring as a direct consequence of COVID-19 and where it meets all conditions of the practical expedient. The effect of the amendment and its impact on financial statements is presented in note 10.

NOTE 2 – Significant accounting estimates and judgements

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

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

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

For information on liquidity risk, please refer to note 5.

NOTE 3 – Segment and revenue information

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

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

collection structure has replaced revenue by product category in Q2 onwards. The two operating segments both include all channels relating to the distribution and sale of Pandora products.

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

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

SEGMENT INFORMATION

DKK million	Moments and Collabs	Style and Upstream Innovation	Group
Q3 2021			
Revenue	3,325	1,403	4,728
Cost of sales	-829	-328	-1,158
Gross profit	2,496	1,075	3,571
Operating expenses			-2,614
Consolidated operating profit (EBIT)			957
Profit margin (EBIT margin)			20.2%
Q3 2020¹			
Revenue	2,848	1,222	4,070
Cost of sales	-629	-259	-888
Gross profit	2,219	964	3,183
Operating expenses			-2,716
Consolidated operating profit (EBIT)			467
Profit margin (EBIT margin)			11.5%
Restructuring costs			-235
Profit margin (EBIT margin) excl. restructuring costs			17.2%
9M 2021			
Revenue	10,299	4,085	14,383
Cost of sales	-2,506	-897	-3,402
Gross profit	7,793	3,188	10,981
Operating expenses			-7,820
Consolidated operating profit (EBIT)			3,161
Profit margin (EBIT margin)			22.0%
9M 2020¹			
Revenue	7,960	3,158	11,118
Cost of sales	-1,947	-746	-2,693
Gross profit	6,012	2,413	8,425
Operating expenses			-7,953
Consolidated operating profit (EBIT)			472
Profit margin (EBIT margin)			4.2%
Restructuring costs			-901
Profit margin (EBIT margin) excl. restructuring costs			12.3%

¹ The 'Garden' collection has been re-allocated from Style and Upstream Innovation to Moments and Collabs in Q2 2021. Comparative figures for 2020 were restated accordingly.

REVENUE BY GLOBAL BUSINESS UNITS

DKK million	Q3 2021	Q3 2020	Sell-out growth vs 2020	Sell-out growth vs 2019	Share of Revenue	9M 2021	9M 2020 ¹	Sell-out growth vs 2020	Sell-out growth vs 2019	Share of revenue
Moments and Collabs	3,325	2,848	6%	11%	70%	10,299	7,960	27%	6%	72%
hereof Moments	2,948	2,440	8%	9%	62%	9,190	7,006	28%	3%	64%
hereof Collabs	377	408	-13%	22%	8%	1,109	954	23%	40%	8%
Style and Upstream Innovation	1,403	1,222	0%	2%	30%	4,085	3,158	23%	-4%	28%
hereof Timeless	722	660	0%	-18%	15%	2,435	1,827	28%	-18%	17%
hereof Signature	483	456	8%	43%	10%	1,294	1,065	20%	18%	9%
hereof Me	188	107	-41%	275%	4%	328	267	-13%	n/a	2%
hereof Brilliance	10	-	-	n/a	0%	28	-	-	n/a	0%
Total revenue	4,728	4,070	5%	9%	100%	14,383	11,118	27%	4%	100%

¹ The 'Garden' collection has been re-allocated from Style and Upstream Innovation to Moments and Collabs in Q2 2021. Comparative figures for 2020 were restated accordingly.

Goods transferred at a point in time	4,717	4,055				14,340	11,078			
Services transferred over time	11	15				44	40			
Total revenue	4,728	4,070				14,383	11,118			

REVENUE DEVELOPMENT IN THE KEY MARKETS

DKK million	Q3 2021	Q3 2020	Growth in local currency	9M 2021	9M 2020	Growth in local currency	FY 2020
US	1,342	901	51%	4,504	2,523	92%	4,505
China	233	350	-37%	904	939	-5%	1,261
UK	637	617	-2%	1,793	1,616	9%	2,960
Italy	527	484	9%	1,482	1,196	24%	2,021
Australia	170	225	-25%	639	584	4%	1,120
France	221	222	0%	624	659	-5%	1,154
Germany	280	233	20%	712	597	20%	1,014
Total top-7 markets	3,411	3,031	11%	10,659	8,114	35%	14,036
Rest of Pandora	1,317	1,040	26%	3,725	3,004	27%	4,973
Total revenue	4,728	4,070	15%	14,383	11,118	33%	19,009

REVENUE BY CHANNEL

DKK million	Q3 2021	Q3 2020	Growth in local currency	9M 2021	9M 2020	Growth in local currency	FY 2020
Retail physical stores ¹	2,223	1,958	12%	5,939	4,952	22%	7,943
Retail online stores	873	841	2%	3,512	2,950	21%	5,483
Wholesale and third-party distribution	1,633	1,271	29%	4,933	3,217	58%	5,583
Total revenue	4,728	4,070	15%	14,383	11,118	33%	19,009

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 second half of the year (the fourth quarter).

NOTE 5 – Financial risks

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

Outstanding committed loan facilities (end of September 2021)

	Available facilities DKK million	Maturity date	Drawn amount DKK million	Available liquidity
Revolving Credit Facilities	7,064	April 2026	2,008	5,056
Total	7,064		2,008	5,056

NOTE 6 – Derivative financial instruments

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

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

NOTE 7 – Trade receivables

DKK million	2021 30 September	2020 31 December
Receivables related to third-party distribution and wholesale	605	600
Receivables related to retail revenue sales	197	270
Total trade receivables	801	870

NOTE 8 – Business combinations

Pandora took over 29 concept stores in the US in the period 1 January – 30 September 2021 in two business combinations. Net assets acquired mainly consists of inventory and non-current assets and liabilities relating to the stores. The total purchase price for acquisitions made in the period 1 January – 30 September 2021 was DKK 66 million. Based on the purchase price allocations, goodwill was DKK 12 million. Goodwill from the acquisitions is mainly related to the synergies from converting the stores from wholesale to Pandora owned retail. Of the goodwill acquired, DKK 12 million is deductible for income tax purposes.

Costs relating to the acquisitions were immaterial and are recognised as operating expenses in the income statement.

Contribution to Group revenue and net earnings from acquisitions for the period 1 January – 30 September 2021 was DKK 163 million and DKK 49 million respectively. Had all acquisitions in 2021 taken place on 1 January 2021, Group revenue and net earnings for the period 1 January – 30 September 2021 would have been approximately DKK 214 million and DKK 68 million.

Due to the continued activity related to take over of stores on an ad hoc basis there will, at any given time, be purchase price allocations that have not been finalised at the time of reporting. Outstanding items in these are considered immaterial.

ACQUISITIONS

DKK million	9M 2021	FY 2020
Other intangible assets	13	-
Property, plant and equipment	84	4
Inventories	34	4
Cash	-	-
Assets acquired	131	8
Non-current liabilities	50	2
Other current liabilities	27	1
Liabilities assumed	77	3
Total identifiable net assets acquired	54	5
Goodwill arising on the acquisitions	12	2
Purchase consideration	66	7
Cash movements on acquisitions:		
Consideration transferred regarding previous years	-	5
Net cash flow on acquisitions	66	12

Business combinations after the reporting period

No acquisitions took place after the reporting period.

NOTE 9 – Goodwill

DKK million	2021 30 September	2020 31 December
Cost at 1 January	4,247	4,416
Acquisition of subsidiaries and activities in the period	12	2
Exchange rate adjustments	100	-170
Cost at the end of the period	4,359	4,247

No impairment indication was identified based on the information regarding the market and the forecast. The latest impairment test was carried out in 2020 and given the development since then, there continues to be substantial headroom between the carrying amount and the value in use.

NOTE 10 – Assets and liabilities related to leases

Amounts recognised in the balance sheet:

RIGHT-OF-USE ASSETS

DKK million	2021 30 September	2020 31 December
Property	2,534	2,975
IT	3	5
Cars	15	18
Other	9	10
Total right-of-use assets	2,561	3,007

Out of the total decrease of DKK 0.4 billion in right-of-use-assets in the period 1 January – 30 September 2021, DKK 0.7 billion relates to depreciation and currency exchange movement, partially offset by a net increase of DKK 0.3 billion as a result of renewals of lease contracts and new leases. 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	2021 30 September	2020 31 December
Non-current	1,748	2,066
Current	887	993
Total lease liabilities	2,635	3,059

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

Amounts recognised in the income statement:

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

DKK million	1 January – 30 September 2021	1 January – 30 September 2020
Property	780	879
IT	1	1
Cars	7	8
Other	3	4
Total depreciation on right-of-use assets for the period	792	892

OTHER ITEMS RELATING TO LEASES

DKK million	1 January – 30 September 2021	1 January – 30 September 2020
Interest income from sub-leases	-	1
Interest expense	-72	-70
Total interest for the period	-72	-70

Costs recognised in the period for short term and low value leases were DKK 33 million (2020: DKK 30 million). Expenses are recognised on a straight line basis.

Total cash outflow relating to leases was DKK 978 million for the first 9 months in 2021 (2020: DKK 807 million). This comprises of fixed lease payments in scope of IFRS 16 of DKK 711 million (2020: DKK 579 million), variable lease payments of DKK 162 million (2020: DKK 128 million), interest paid of DKK 72 million (2020: DKK 70 million) and short term and low value leases of DKK 33 million (2020: DKK 30 million). Payments related to variable leases and short term and low value leases are not included in the lease liabilities.

Due to COVID-19, Pandora has received rent concessions from landlords in 2021 amounting to DKK 51 million (2020: DKK 88 million) of which DKK 10 million has been recognized in Q3 2021 (Q3 2020: DKK 36 million). In addition, repayment of certain fixed leases has been negotiated and a cash settlement has been agreed with landlords and deferred with immaterial effect in 2021 (2020: DKK 83 million).

Amendment to IFRS 16 Leases

In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond 30 June 2021 - amendment to IFRS 16 Leases. The IASB extended the period of the relief to lessees arising as a direct consequence of the COVID-19 pandemic from 30 June 2021 to 30 June 2022. As a practical expedient, a lessee may elect not to assess whether a COVID-19 pandemic-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 pandemic-related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification.

Pandora applied the extension of the practical expedient for all contracts with rent concessions occurring as direct consequence of COVID-19 and where it meets all conditions of the practical expedient.

As a result, rent concessions have been recognised in the profit and loss statement in 2021 amounting to DKK 51 million (2020: DKK 88 million) under Sales and Distribution expenses.

Overall financing cash flow is positively impacted by approximately DKK 51 million in 2021 (2020: DKK 171 million) due to rent relief and rent deferrals.

NOTE 11 – Trade payables

The Group generally accepts that vendors sell-off their receivables arising from the sale of goods and services to the Group to a third party. Pandora has established a supply chain financing programme where vendors can sell off their receivables from Pandora at attractive terms, based on invoices approved by Pandora, but at the bank's sole discretion. Pandora is not directly or indirectly a party to these agreements. The amounts payable to suppliers included in the supply chain financing programme are classified as trade payables in the balance sheet as well as in the cash flow statement (working capital within cash flow from operations) and amounts to DKK 44 million at 30 September 2021 (DKK 32 million at 30 September 2020).

NOTE 12 – Contingent liabilities

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

NOTE 13 – Related parties

Related parties with significant interests

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

Transactions with related parties

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

NOTE 14 – Store network, other points of sale development

	Q3 2021	Q2 2021	Q3 2020	Growth Q3 2021 / Q2 2021	Growth Q3 2021 / Q3 2020
Other points of sale (retail)	279	257	232	22	47
Other points of sale (wholesale)	3,256	3,274	3,655	-18	-399
Other points of sale (third-party)	570	564	576	6	-6
Other points of sale, total	4,105	4,095	4,463	10	-358

NOTE 15 – Store network, concept store development¹

	Total concept stores					O&O concept stores		
	Number of concept stores	Number of concept stores	Number of concept stores	Growth	Growth	Number of concept stores	Growth O&O stores	Growth O&O stores
	Q3 2021	Q2 2021	Q3 2020	Q3 2021 / Q2 2021	Q3 2021 / Q3 2020	Q3 2021	Q3 2021 / Q2 2021	Q3 2021 / Q3 2020
US	386	389	401	-3	-15	186	7	33
China	219	216	236	3	-17	203	1	-22
UK	211	215	217	-4	-6	155	14	16
Italy	146	145	146	1	0	107	1	0
Australia	123	122	123	1	0	41	2	4
France	122	121	121	1	1	78	1	1
Germany	135	137	139	-2	-4	132	-2	-3
All markets	2,616	2,630	2,689	-14	-73	1,403	24	24

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

NOTE 16 – Commodity hedging

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

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

USD / OZ	Realised in Q3 2021	Hedged Q4 2021	Hedged Q1 2022	Hedged Q2 2022	Hedged Q3 2022
Gold price	1,849	1,810	1,805	1,799	1,790
Silver price	25.06	25.59	26.22	26.57	23.68
Commodity hedge ratio, %	Realised	70-100%	70-90%	50-70%	30-50%

NOTE 17 – Subsequent events

As described in “Other events” in the Management review, Pandora is not aware of events after 30 September 2021, which are expected to materially impact the Group’s financial position.

QUARTERLY OVERVIEW

DKK million	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Key financial highlights					
Organic growth, %	14%	84%	13%	4%	-5%
Organic growth, % vs 2019	9%	13%	-3%	n/a	n/a
Sell-out growth incl. temporarily closed stores, %	5%	62%	21%	1%	-2%
Sell-out growth incl. temporarily closed stores, % vs 2019	9%	7%	-5%	n/a	n/a
Gross margin, % ¹	75.5%	77.1%	76.3%	75.7%	78.1%
EBIT margin, %¹	20.2%	25.2%	20.1%	31.8%	17.2%
Consolidated income statement					
Revenue	4,728	5,155	4,500	7,891	4,070
Earnings before interests, tax, depreciations and amortisations (EBITDA)	1,393	1,762	1,416	2,896	1,045
Operating profit (EBIT)	957	1,301	903	2,212	467
Net financials	-137	-21	-92	96	-24
Net profit for the period	635	992	628	1,794	343
Financial ratios					
Revenue growth, DKK, %	16%	79%	8%	-1%	-8%
Revenue growth, local currency, %	15%	85%	13%	4%	-5%
Gross margin, %	75.5%	77.1%	76.3%	75.4%	78.2%
EBITDA margin, %	29.5%	34.2%	31.5%	36.7%	25.7%
EBIT margin, %	20.2%	25.2%	20.1%	28.0%	11.5%
Effective tax rate, %	22.5%	22.5%	22.5%	22.3%	22.5%
Equity ratio, %	40%	44%	41%	37%	30%
NIBD to EBITDA, excl. restructuring costs ² , x	0.5	0.4	0.6	0.5	1.1
Return on invested capital (ROIC) ² , %	48%	44%	29%	25%	22%
Cash conversion incl. lease payments (excl. IFRS 16), %	53%	98%	-65%	171%	98%
Net working capital, % of last 12 months revenue	0.2%	-0.3%	-0.4%	-7.6%	0.0%
Stock ratios					
Total payout ratio (incl. share buyback), %	211%	76%	-	-	-
Consolidated balance sheet					
Total assets	18,173	18,277	19,211	19,984	18,932
Invested capital	11,141	11,136	11,675	10,540	12,544
Net working capital	50	-57	-76	-1,447	5
Net interest-bearing debt (NIBD)	3,819	3,005	3,735	3,151	6,862
Equity	7,322	8,130	7,940	7,389	5,682
Consolidated statement of cash flow					
Cash flow from operating activities	885	1,586	-316	4,062	776
Capital expenditure (CAPEX), DKK million	201	138	88	124	117
Capital expenditure, property, plant and equipment (CAPEX), DKK million	96	64	35	78	97
Free cash flow incl. lease payments (excl. IFRS 16), DKK	502	1,278	-586	3,780	457

¹ 2020 numbers are excluding Programme NOW restructuring costs.

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

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have reviewed and approved the interim financial report of Pandora A/S for the period 1 January – 30 September 2021. The consolidated interim financial statement, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and additional requirements in the Danish Financial Statements Act.

It is our opinion that the consolidated interim financial statement gives a true and fair view of the financial position for the Pandora Group at 30 September 2021 and of the results of the Pandora Group's operations and cash flows for the period 1 January – 30 September 2021.

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

Copenhagen, 3 November 2021

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

Isabelle Parize

Catherine Spindler

Jan Zijderveld

DISCLAIMER

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

