

No. 106

**COMPANY ANNOUNCEMENT**

13 August 2013

**INTERIM REPORT FOR Q2 2013**

**SECOND QUARTER REVENUE INCREASES 53.3% DRIVEN BY STRONG PERFORMANCE ACROSS ALL REGIONS**

- Group revenue in Q2 2013 was DKK 1,931 million, an increase of 53.3% compared to Q2 2012:
  - Americas increased by 52.1% (54.3% increase in local currency)
  - Europe increased by 59.3% (59.8% increase in local currency)
  - Asia Pacific increased by 43.5% (42.4% increase in local currency)
- Gross margin decreased to 66.0% in Q2 2013 (compared to a gross margin of 67.9% in Q2 2012)
- EBITDA increased by 140.9% to DKK 530 million for the quarter, corresponding to an EBITDA margin of 27.4% (compared to an EBITDA margin of 17.5% in Q2 2012)
- EBIT was DKK 483 million for the quarter, an increase of 179.2%, corresponding to an EBIT margin of 25.0% (compared to an EBIT margin of 13.7% in Q2 2012)
- Net profit for the quarter was DKK 431 million (compared to a net profit of DKK 63 million in Q2 2012)
- Free cash flow was DKK 102 million in Q2 2013 (compared to DKK 91 million in Q2 2012)
- During Q2 2013, PANDORA bought back 1,149,683 shares at a total value of DKK 210 million. In 2013, PANDORA has bought back shares worth DKK 271 million of the on-going DKK 700 million share buyback programme

**FINANCIAL GUIDANCE FOR 2013**

PANDORA expects revenue for 2013 to be approximately DKK 8 billion and expects an EBITDA margin of approximately 27%.

PANDORA expects CAPEX to be around DKK 400 million. The CAPEX figure excludes the one-off payment of DKK 190 million related to the purchase of IP rights from Trollbeads A/S in Q1 2013.

The effective tax rate is expected to be approximately 19%.

During 2013 PANDORA expects to open approximately 175 Concept stores.

CEO Allan Leighton said:

*“As we announced on 30 July, when we increased the financial guidance for 2013, the solid performance reported for Q1 2013 has continued across all major markets in the second quarter, with strong sales from newly launched products, high replenishment rates and healthy sell-out from the Concept stores.*

*Our strategy of delivering affordable luxury is becoming increasingly relevant, and although there are still many areas in which we can improve we are pleased with our progress.”*

### **CONFERENCE CALL**

A conference call for investors and financial analysts will be held today at 10.00 CET and can be accessed online at [www.pandoragroup.com](http://www.pandoragroup.com). The presentation for the call will be available on the website one hour before the call.

The following numbers can be used by investors and analysts:

DK: +45 3272 8018

UK (International): +44 (0) 1452 555 131

US: +1 866 682 8490

To help ensure that the conference begins in a timely manner, please dial in 5 minutes prior to the scheduled starting time. Participants will have to quote confirmation code 25754822 when dialling into the conference.

### **ABOUT PANDORA**

PANDORA designs, manufactures and markets hand-finished and modern jewellery made from genuine materials at affordable prices. PANDORA jewellery is sold in more than 70 countries on six continents through approximately 10,300 points of sale, including approximately 950 Concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs over 6,900 people worldwide of whom 4,900 are located in Gemopolis, Thailand, where the company manufactures its jewellery. PANDORA is publicly listed on the NASDAQ OMX Copenhagen stock exchange in Denmark. In 2012, PANDORA's total revenue was DKK 6.7 billion (approximately EUR 900 million). For more information, please visit [www.pandoragroup.com](http://www.pandoragroup.com).

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## FINANCIAL HIGHLIGHTS

DKK million	Q2 2013	Q2 2012	H1 2013	H1 2012	FY 2012
<b>Income statement</b>					
Revenue	1,931	1,260	3,933	2,684	6,652
Gross profit	1,274	856	2,588	1,876	4,429
EBITDA	530	220	1,173	621	1,658
Operating profit (EBIT)	483	173	1,082	526	1,475
Net financial income and expenses	49	-96	-9	-37	4
Profit before tax	532	77	1,073	489	1,479
Net profit	431	63	869	401	1,202
<b>Balance sheet</b>					
Total assets	8,685	8,358	8,685	8,358	8,414
Invested capital	6,265	6,220	6,265	6,220	5,900
Net working capital	1,461	1,630	1,461	1,630	1,277
Shareholders' equity	5,682	5,223	5,682	5,223	6,038
Net interest-bearing debt	309	737	309	737	-183
<b>Cash flow statement</b>					
Cash flow from operating activities	178	139	823	276	1,339
Cash flow from investing activities	-73	-70	-320	-92	-231
Free cash flow	102	91	508	209	1,151
Cash flow from financing activities	-137	-5	-656	-64	-943
Net cash flow for the period	-32	64	-153	120	165
<b>Ratios</b>					
Revenue growth, %	53.3%	-9.5%	46.5%	-14.4%	-0.1%
Gross profit growth, %	48.8%	-17.3%	38.0%	-17.9%	-8.9%
EBITDA growth, %	140.9%	-57.0%	88.9%	-49.1%	-27.3%
EBIT growth, %	179.2%	-60.7%	105.7%	-51.2%	-28.3%
Net profit growth, %	584.1%	-89.9%	116.7%	-64.9%	-41.0%
Gross margin, %	66.0%	67.9%	65.8%	69.9%	66.6%
EBITDA margin, %	27.4%	17.5%	29.8%	23.1%	24.9%
EBIT margin, %	25.0%	13.7%	27.5%	19.6%	22.2%
Tax rate, %	19.0%	18.2%	19.0%	18.0%	18.7%
Cash conversion, %	23.7%	144.4%	58.5%	52.1%	95.8%
CAPEX	83	80	329	101	276
Net interest-bearing debt to EBITDA *	0.1	0.4	0.1	0.4	-0.1
Equity ratio, %	65.4%	62.5%	65.4%	62.5%	71.8%
ROIC, % *	32.4%	24.2%	32.4%	24.2%	25.0%
<b>Other key figures</b>					
Average number of employees	6,577	5,629	6,406	5,510	5,753
Dividend per share, DKK	-	-	-	-	5.50
Earnings per share, basic	3.4	0.5	6.7	3.1	9.2
Earnings per share, diluted	3.3	0.5	6.6	3.1	9.2
Share price at end of period	194.2	54.9	194.2	54.9	124.5

\* Ratios are based on 12 months rolling EBITDA and EBIT, respectively.

Key figures and financial ratios are defined and calculated in accordance with the Danish society of financial analysts' guidelines on the calculation of financial ratios, "Recommendations and financial ratios 2010". Refer to note 25 in the Annual Report 2012.

## **IMPORTANT EVENTS IN Q2 2013**

### **SHARE BUYBACK PROGRAMME FOR 2013**

In connection with the Annual report 2012, PANDORA launched a share buyback programme under which PANDORA expects to buy back own shares of up to DKK 700 million. The programme will end no later than 31 December 2013. The programme is being implemented in accordance with the provisions of the European Commission's regulation no. 2273/2003 of 22 December 2003 ("safe harbour"). Majority shareholder Prometheus Invest ApS participates on a pro-rata basis to secure that the share of free float is not reduced.

On a weekly basis PANDORA issue an announcement in respect of transactions made under the programme. As of 30 June 2013, a total of 1,547,836 shares had been bought back, corresponding to a transaction value of DKK 271 million and an average purchase price of DKK 175.27. As of 30 June 2013, PANDORA owns a total of 1,730,761 treasury shares, corresponding to 1.3% of the share capital.

PANDORA may also use the shares purchased under the programme to meet potential obligations arising from employee share option programmes. As of 30 June 2013, the total potential obligation amounted to 1,591,373 shares due to the annual allocation of the Company's employee share option programme.

### **ORGANISATIONAL CHANGES**

On 18 April 2013, PANDORA announced that Allan Leighton, previously Chairman of PANDORA, would succeed Bjørn Gulden as CEO on 1 July 2013.

Bjørn Gulden stepped down from his role as CEO of the Company to join PUMA as CEO. The Board of Directors recommends that Bjørn Gulden continue to be part of the Company by joining the PANDORA Board of Directors as a board member.

Marcello Bottoli has succeeded Allan Leighton as Chairman of the Board.

On 19 June 2013, PANDORA announced that Sten Daugaard, Executive Vice President and Chief Development Officer, had decided to resign from his position in PANDORA.

## **EVENTS AFTER THE BALANCE SHEET DATE**

### **EXTRAORDINARY GENERAL MEETING**

On 22 July 2013, PANDORA convened an Extraordinary General Meeting to be held on 13 August 2013, with the sole purpose to elect Bjørn Gulden, former CEO of PANDORA, to the Board of Directors.

### **UPGRADE OF FINANCIAL GUIDANCE 2013**

On 30 July 2013, PANDORA announced an upgrade of the financial expectations for 2013. PANDORA expects revenue for 2013 to be approximately DKK 8 billion (from previously guided above DKK 7.2 billion) and expects an EBITDA margin of approximately 27% (from previously guided above 25%).

PANDORA expects CAPEX to be approximately DKK 400 million (previously approximately DKK 300 million) for 2013. The CAPEX figure excludes the one-off payment of DKK 190 million related to the purchase of IP rights from Trollbeads A/S in Q1 2013. The increase in CAPEX is primarily related to expansion of production facilities in Thailand in order to prepare for future demand.

PANDORA continues to expect an effective tax rate of approximately 19% for 2013.

During 2013 PANDORA expects to open approximately 175 Concept stores (from previously guided approximately 150).

## REVENUE DEVELOPMENT

Total revenue for Q2 2013 was DKK 1,931 million, an increase of 53.3% compared to Q2 2012, including a negative impact from currency of 1.1 percentage points. Volumes increased by 40% compared to Q2 2012. Our average sales price increased to DKK 134 in Q2 2013 from DKK 123 in Q2 2012. The increase was a consequence of change in revenue mix. The average sales-out price for products on the market 12 months ago was virtually unchanged.

All geographical regions showed double digit growth, which was primarily driven by an increase in sales of newly launched products, continued high replenishment rates as well as new store openings. Furthermore, the new products drop structure initiated in the second half of 2012, introducing seven annual drops instead of two, also had a positive effect on revenue.

The comparable figures for the second quarter last year were impacted by the stock balancing campaign conducted in 2012. For more details on the mechanics of the stock balancing campaign, please refer to PANDORA's Annual Report 2011. Provisions for expected future product returns at the end of Q2 2013 were unchanged as a percentage of revenue, corresponding to approximately 9% of 12 months rolling revenue value.

Based on data from Concept stores, which have been operating for 12 months or more, like-for-like sales-out in PANDORA's four major markets have experienced a positive development in the second quarter. This development is due to the success of newly launched products and generally better execution in stores.

## REVENUE BREAKDOWN BY GEOGRAPHY

In Q2 2013, 54.1% of revenue was generated in Americas (54.5% in Q2 2012), 33.2% in Europe (32.0% in Q2 2012) and 12.6% in Asia Pacific (13.5% in Q2 2012).

### Distribution of revenue

DKK million	Q2 2013	Q2 2012	Growth	Growth in local currency	Received Q2 2012*	Replaced Q2 2012*
<b>Americas</b>	<b>1,045</b>	<b>687</b>	<b>52.1%</b>	<b>54.3%</b>	-	<b>146</b>
US	802	521	53.9%	55.6%	-	123
Other	243	166	46.4%		-	23
<b>Europe</b>	<b>642</b>	<b>403</b>	<b>59.3%</b>	<b>59.8%</b>	<b>135</b>	<b>118</b>
UK	178	102	74.5%	81.8%	14	32
Germany	95	85	11.8%	11.8%	25	23
Other	369	216	70.8%		96	63
<b>Asia Pacific</b>	<b>244</b>	<b>170</b>	<b>43.5%</b>	<b>42.4%</b>	<b>48</b>	<b>46</b>
Australia	153	131	16.8%	18.2%	39	39
Other	91	39	133.3%		9	7
<b>Total</b>	<b>1,931</b>	<b>1,260</b>	<b>53.3%</b>	<b>54.4%</b>	<b>183</b>	<b>310</b>

\* Received means value of discontinued products returned to PANDORA in Q2 2012. Replaced means value of new products returned to retailers in Q2 2012.

## AMERICAS

Revenue in Americas was DKK 1,045 million for the quarter, an increase of 52.1% or 54.3% in local currency compared to Q2 2012. Growth was driven by continued strong growth in the US and Canada.

US revenue was DKK 802 million (accounting for 41.5% of Group revenue), an increase of 53.9% or 55.6% in local currency compared to Q2 2012. Revenue growth was primarily driven by successful newly launched products, continued high replenishment rates as well as an increase in the number of branded stores. However, the comparable figure for Q2 2012 was impacted by the stock balancing campaign.

Like-for-like sales-out in Q2 2013, based on Concept stores in the US - which have been operating for 12 months or more - increased by 8.8% compared to Q2 2012. The strong sales-out performance is based on high sales-through for newly launched products.

### Concept stores sales-out growth

	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012	Q2 2011 to Q2 2012
<b>US</b>	<b>8.8%</b>	<b>14.7%</b>	<b>6.9%</b>	<b>4.5%</b>	<b>3.0%</b>

Concept stores that have been operating for 12 months or more

Revenue from Other Americas was DKK 243 million, an increase of 46.4% compared to the same quarter last year. The growth was primarily driven by a continued strong development in the Canadian market, as well as significant growth in a number of smaller countries in the region.

During Q2 2013, the number of branded points of sale (PoS) in the Americas increased by 63 stores (versus an increase of 62 branded stores in Q2 2012 and 42 branded stores in Q1 2013) to a total of 1,677 branded stores. Branded stores now account for 51.9% of the total number of stores compared to 50.6% at the end of Q1 2013.

### Store network - Americas

	Number of PoS Q2 2013	Number of PoS Q1 2013	Number of PoS Q2 2012	Delta Q2 2013 and Q1 2013	Delta Q2 2013 and Q2 2012
Concept stores <sup>1</sup>	303	296	250	7	53
Shop-in-Shops <sup>2</sup>	549	537	459	12	90
Gold	825	781	715	44	110
<b>Total branded</b>	<b>1,677</b>	<b>1,614</b>	<b>1,424</b>	<b>63</b>	<b>253</b>
<b>Total branded as % of Total</b>	<b>51.9%</b>	<b>50.6%</b>	<b>46.1%</b>		
Silver	1,091	1,088	1,121	3	-30
White and Travel Retail	466	486	541	-20	-75
<b>Total</b>	<b>3,234</b>	<b>3,188</b>	<b>3,086</b>	<b>46</b>	<b>148</b>

<sup>1</sup> Includes 3, 3 and 0 PANDORA-owned Concept stores in Q2 2013, Q1 2013 and Q2 2012, respectively

<sup>2</sup> Includes 0, 0 and 0 PANDORA-owned Shop-in-Shops in Q2 2013, Q1 2013 and Q2 2012, respectively

## EUROPE

Revenue in Europe was DKK 642 million for the quarter, an increase of 59.3% or 59.8% in local currency compared to Q2 2012. Growth was primarily driven by the UK and Other Europe.

Second quarter revenue in the UK (accounting for 9.2% of Group revenue) was DKK 178 million, an increase of 74.5% or 81.8% in local currency compared to the same quarter last year. Growth was primarily driven by a positive reception to PANDORA's newer collections and high replenishment rates. However, the comparable figure for Q2 2012 was impacted by the stock balancing campaign.

Like-for-like sales-out in Q2 2013, based on Concept stores in the UK - which have been operating for 12 months or more - increased by 11.6% compared to Q2 2012. The strong performance is based on continued high end-consumer demand for newly launched products.

#### Concept stores sales-out growth

	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012	Q2 2011 to Q2 2012
<b>UK</b>	<b>11.6%</b>	<b>17.8%</b>	<b>12.3%</b>	<b>0.9%</b>	<b>-4.0%</b>

Concept stores that have been operating for 12 months or more

Second quarter revenue in Germany (accounting for 4.9% of Group revenue) was DKK 95 million, an increase of 11.8% compared to Q2 2012. The quality of revenue in Germany is improving as the share of revenue through branded points of sale is increasing. However, work is still needed to establish the most optimal store network for this market.

Like-for-like sales-out in Q2 2013, based on Concept stores in Germany - which have been operating for 12 months or more - increased by 1.7% compared to Q2 2012.

#### Concept stores sales-out growth

	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012	Q2 2011 to Q2 2012
<b>Germany</b>	<b>1.7%</b>	<b>18.2%</b>	<b>4.5%</b>	<b>2.5%</b>	<b>8.9%</b>

Concept stores that have been operating for 12 months or more

Revenue from Other Europe was DKK 369 million for the quarter, an increase of 70.8% compared to Q2 2012. The category was primarily driven by very strong growth in some of PANDORA's newer markets, such as Italy, France and Russia. This category was negatively impacted by an extraordinary return of DKK 55 million regarding the Spanish third party distributor.

During Q2 2013 the number of branded stores in Europe increased by 91 stores to a total of 2,461 stores, accounting for 37.9% of the total number of stores compared to 36.8% at the end of Q1 2013, in line with PANDORA's overall strategy to increase branded sales.

#### Store network - Europe

	Number of PoS Q2 2013	Number of PoS Q1 2013	Number of PoS Q2 2012	Delta Q2 2013 and Q1 2013	Delta Q2 2013 and Q2 2012
Concept stores <sup>1</sup>	490	464	382	26	108
Shop-in-Shops <sup>2</sup>	601	575	457	26	144
Gold	1,372	1,331	1,127	39	243
<b>Total branded</b>	<b>2,461</b>	<b>2,370</b>	<b>1,966</b>	<b>91</b>	<b>495</b>
<b>Total branded as % of Total</b>	<b>37.9%</b>	<b>36.8%</b>	<b>29.1%</b>		
Silver	1,987	1,934	1,844	53	143
White and Travel Retail	2,041	2,132	2,945	-91	-904
<b>Total<sup>3</sup></b>	<b>6,489</b>	<b>6,436</b>	<b>6,755</b>	<b>53</b>	<b>-266</b>

<sup>1</sup> Includes 91, 83 and 68 PANDORA-owned Concept stores in Q2 2013, Q1 2013 and Q2 2012, respectively

<sup>2</sup> Includes 54, 55 and 53 PANDORA-owned Shop-in-Shops in Q2 2013, Q1 2013 and Q2 2012, respectively

<sup>3</sup> Includes for Q2 2013 relating to 3rd party distributors: 92 Concept stores, 166 Shop-in-Shops, 296 Gold, 263 Silver and 978 White stores

#### ASIA PACIFIC

Revenue in Asia Pacific was DKK 244 million for the quarter, an increase of 43.5% or 42.4% in local currency compared to the same period last year. Growth was driven by a positive development in most of the region, including Australia.

Reported revenue in Australia (accounting for 7.9% of Q2 2013 Group revenue) was DKK 153



million, an increase of 16.8% or 18.2% in local currency compared to Q2 2012. Growth in Australia was driven by a continued high demand for PANDORA's products, which was fuelled by successful newly launched products, as well as the increased focus on branded distribution channels. However, the comparable figure for Q2 2012 was impacted by the stock balancing campaign.

Like-for-like sales-out in Q2 2013, based on Concept stores in Australia - which have been operating for 12 months or more - increased by 22.4% compared to Q2 2012. The strong performance is based on continued high sales-through for newly launched products.

#### Concept stores sales-out growth

	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012	Q2 2011 to Q2 2012
<b>Australia</b>	<b>22.4%</b>	<b>15.9%</b>	<b>10.1%</b>	<b>-5.8%</b>	<b>-7.4%</b>

Concept stores that have been operating for 12 months or more

Other Asia Pacific revenue for the quarter was DKK 91 million, constituting 4.7% of total Group revenue, and corresponding to an increase of 133.3% compared to the same quarter last year. Growth was primarily driven by a positive development in Hong Kong, Malaysia, South Korea, Singapore and Taiwan.

#### Store network – Asia Pacific

	Number of PoS Q2 2013	Number of PoS Q1 2013	Number of PoS Q2 2012	Delta Q2 2013 and Q1 2013	Delta Q2 2013 and Q2 2012
Concept stores <sup>1</sup>	156	154	134	2	22
Shop-in-Shops <sup>2</sup>	172	175	174	-3	-2
Gold	144	146	134	-2	10
<b>Total branded</b>	<b>472</b>	<b>475</b>	<b>442</b>	<b>-3</b>	<b>30</b>
<b>Total branded as % of Total</b>	<b>76.9%</b>	<b>76.7%</b>	<b>73.4%</b>		
Silver	70	70	78	0	-8
White and Travel Retail	72	74	82	-2	-10
<b>Total</b>	<b>614</b>	<b>619</b>	<b>602</b>	<b>-5</b>	<b>12</b>

<sup>1</sup> Includes 28, 27 and 34 PANDORA-owned Concept stores in Q2 2013, Q1 2013 and Q2 2012, respectively

<sup>2</sup> Includes 1, 1 and 0 PANDORA-owned Shop-in-Shops in Q2 2013, Q1 2013 and Q2 2012, respectively

#### NEW MARKETS

PANDORA is continuing to develop its presence in new markets.

#### Store network – New Markets (end of Q2 2013)

	Russia	China	Japan	Rest of Asia	France	Italy	Total	Net openings Q2 2013	Net openings Q1 2013
Concept stores	86	25	1	50	14	16	192	22	1
Shop-in-Shops	20	14	7	51	31	8	131	3	2
<b>Total</b>	<b>106</b>	<b>39</b>	<b>8</b>	<b>101</b>	<b>45</b>	<b>24</b>	<b>323</b>	<b>25</b>	<b>3</b>

PANDORA's strategy in Italy is to utilise the large and well-established network of multi-brand jewellery retailers. In Italy, the Company was selling PANDORA products through 855 points of sale (16 Concept stores, 8 Shop-in-Shops, 228 Gold stores, 357 Silver stores and 246 White stores) at the end of Q2 2013. The share of branded points of sale continues to increase in Italy, as the optimisation of the store network in the country continues.

The strategy in France is to upgrade the quality of the distribution network with a particular emphasis on Shop-in-Shops and Concept stores. In France, the Company was selling PANDORA products through 339 points of sale (14 Concept stores, 31 Shop-in-Shops, 31 Gold stores, 176 Silver stores and 87 White stores) at the end of Q2 2013.

PANDORA's strategy in Russia, China and Japan is to primarily open branded stores - mainly Concept stores and Shop-in-Shops.

### SALES CHANNELS

PANDORA is continuing to develop the global retail network with a focus on branded distribution channels. In Q2 2013, PANDORA opened net 70 new Concept stores and Shop-in-Shops. Underperforming unbranded stores, across all regions, were closed in order to improve the quality of revenue and focus on branded store performance.

Unbranded stores in direct distribution decreased 14.3% to 4,486 at the end of Q2 2013 compared to 5,233 at the end of Q2 2012. In the same period, the number of branded points of sale in direct distribution increased by 658 globally.

The total number of points of sale was 10,337, an increase of 94 compared to Q1 2013.

#### Store network – Group

	Number of PoS Q2 2013	Number of PoS Q1 2013	Number of PoS Q2 2012	Delta Q2 2013 and Q1 2013	Delta Q2 2013 and Q2 2012
Concept stores <sup>1</sup>	949	914	766	35	183
Shop-in-Shops <sup>2</sup>	1,322	1,287	1,090	35	232
Gold	2,339	2,258	1,976	81	363
<b>Total branded</b>	<b>4,610</b>	<b>4,459</b>	<b>3,832</b>	<b>151</b>	<b>778</b>
<b>Total branded as % of Total</b>	<b>44.6%</b>	<b>43.5%</b>	<b>36.7%</b>		
Silver	3,148	3,092	3,043	56	105
White and Travel Retail	2,579	2,692	3,568	-113	-989
<b>Total<sup>3</sup></b>	<b>10,337</b>	<b>10,243</b>	<b>10,443</b>	<b>94</b>	<b>-106</b>

<sup>1</sup> Includes 121, 112 and 102 PANDORA-owned Concept stores in Q2 2013, Q1 2013 and Q2 2012, respectively

<sup>2</sup> Includes 55, 56 and 53 PANDORA-owned Shop-in-Shops in Q2 2013, Q1 2013 and Q2 2012, respectively

<sup>3</sup> Includes for Q2 2013 relating to 3rd party distributors: 92 Concept stores, 166 Shop-in-Shops, 296 Gold, 263 Silver and 978 White stores

Branded sales in markets with direct distribution accounted for 83.8% in Q2 2013 compared to 77.5% in Q2 2012 and Concept stores accounted for 57.6% of the branded sales in Q2 2013 (56.6% in Q2 2012).

#### Revenue per sales channels

DKK million	Q2 2013	Q2 2012	Growth	Received Q2 2012*	Replaced Q2 2012*
Concept stores <sup>1</sup>	937	537	74.5%	33	75
Shop-in-Shops <sup>2</sup>	402	216	86.1%	32	76
Gold	289	196	47.4%	23	49
<b>Total branded</b>	<b>1,628</b>	<b>949</b>	<b>71.5%</b>	<b>88</b>	<b>200</b>
Silver	200	183	9.3%	14	61
White and Travel Retail	114	93	22.6%	7	14
<b>Total unbranded</b>	<b>314</b>	<b>276</b>	<b>13.8%</b>	<b>21</b>	<b>75</b>
<b>Total Direct</b>	<b>1,942</b>	<b>1,225</b>	<b>58.5%</b>	<b>109</b>	<b>275</b>
3rd party distributors	-11	35	-131.4%	74	35
<b>Total<sup>3</sup></b>	<b>1,931</b>	<b>1,260</b>	<b>53.3%</b>	<b>183</b>	<b>310</b>

\* Received means value of discontinued products returned to PANDORA in Q2 2012. Replaced means value of new products returned to retailers Q2 2012.

Revenue from third party distributors was impacted by an extraordinary return of DKK 55 million regarding the Spanish third party distributor, and revenue was consequently DKK -11 million.

## PRODUCT OFFERING

The revenue distribution between product categories in Q2 2012, were affected by the aforementioned stock balancing campaign.

In Q2 2013, revenue from Charms increased by 44.3% compared to Q2 2012. Revenue from Silver and gold charms bracelets increased by 31.0% compared to Q2 2012. The two categories represented 83.2% of total revenue in Q2 2013 compared to 89.5% in Q2 2012.

Revenue from Rings was DKK 91 million, an increase of 18.2% compared to Q2 2012. Growth was driven by the improved commercial offering.

Revenue from Other jewellery was DKK 233 million, an increase of 323.6% compared to Q2 2012. Growth was primarily driven by other bracelets, which were positively affected by campaigns on leather bracelets, as well as the successful launch of a silver bangle. Other jewellery represented 12.1% of total revenue in Q2 2013 compared to 4.4% in Q2 2012.

### Product mix

DKK million	Q2 2013	Q2 2012	Growth	Share of total revenue	Received Q2 2012*	Replaced Q2 2012*
Charms	1,404	973	44.3%	72.7%	87	224
Silver and gold charms bracelets	203	155	31.0%	10.5%	2	46
Rings	91	77	18.2%	4.7%	29	13
Other jewellery	233	55	323.6%	12.1%	65	27
<b>Total revenue</b>	<b>1,931</b>	<b>1,260</b>	<b>53.3%</b>	<b>100.0%</b>	<b>183</b>	<b>310</b>

\* Received means value of discontinued products returned to PANDORA in Q2 2012. Replaced means value of new products returned to retailers Q2 2012

## COSTS

Total costs for the quarter, including depreciation and amortisation, were DKK 1,448 million, corresponding to 75.0% of revenue compared to 86.3% in Q2 2012.

### Cost development

DKK million	Q2 2013	Q2 2012	Growth	Share of total revenue	Q1 2013
Cost of sales	657	404	62.6%	34.0%	688
<b>Gross profit</b>	<b>1,274</b>	<b>856</b>	<b>48.8%</b>	<b>66.0%</b>	<b>1,314</b>
Sales and distribution expenses	356	295	20.7%	18.4%	316
Marketing expenses	203	171	18.7%	10.5%	193
Administrative expenses	232	217	6.9%	12.0%	206
<b>Total costs</b>	<b>1,448</b>	<b>1,087</b>	<b>33.2%</b>	<b>75.0%</b>	<b>1,403</b>

## GROSS PROFIT

Gross profit for the quarter was DKK 1,274 million compared to DKK 856 million in Q2 2012. This corresponds to a gross margin of 66.0% compared to 67.9% in Q2 2012 and 65.6% in Q1 2013. The decrease in gross margin for the quarter compared to Q2 2012 was primarily due to the expiration of the suspension of import duties on goods manufactured in Thailand into the U.S. The increase in the gross margin compared to Q1 2013, was due to a decrease in commodity prices.

## COMMODITY HEDGING

It is PANDORA's policy to hedge 100%, 80%, 60% and 40% of expected gold and silver consumption in the following four quarters. The hedged prices for the following four quarters for gold are 1,583 USD/oz, 1,629 USD/oz, 1,539 USD/oz and 1,377 USD/oz and for silver 27.12 USD/oz, 26.73USD/oz, 26.71USD/oz and 22.33 USD/oz. However, current inventory means a delayed impact of the hedged prices on our cost of sales. The combined effect of the time lag from inventory and the 12-month

rolling hedges effectively means that PANDORA is fully hedged for the full year 2013.

The average realised purchase price in Q2 2013 was 1,553 USD/oz for gold and 27.86 USD/oz for silver.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 71% based on the average gold (1,418 USD/oz) and silver (23.23 USD/oz) market prices in Q2 2013. Under these assumptions, a 10% deviation in quarterly average gold and silver prices would impact our gross margin by approximately +/- 1-2 percentage points.

### OPERATING EXPENSES

Operating expenses for the quarter was DKK 791 million compared to DKK 683 million in Q2 2012, representing 41.0% of revenue in Q2 2013 compared to 54.2% Q2 2012. The improvement in the cost ratio was primarily due to the increase in revenue.

Sales, distribution and marketing expenses increased 20.0% to DKK 559 million corresponding to 28.9% of revenue in Q2 2013 compared to 37.0% in Q2 2012.

Sales and distribution expenses increased 20.7% to DKK 356 million, corresponding to 18.4% of revenue compared to 23.4% Q2 2012. The increase in sales and distribution expenses were primarily due to an increase in number of PANDORA-owned stores (176 in Q2 2013 vs. 155 in Q2 2012).

Marketing expenses increased 18.7% to DKK 203 million, corresponding to 10.5% of revenue, compared to 13.6% in Q2 2012. The quarter was impacted by higher marketing expenses in Germany, including a write down of point of sales material of approximately DKK 15 million.

Administrative expenses for the quarter increased 6.9% to DKK 232 million, representing 12.0% of revenue, compared to 17.2% of Q2 2012 revenue. The current quarter was negatively impacted by approximately DKK 20 million related to organisational changes.

Please note that the cost ratios for 2012 are affected by the stock balancing campaign.

### EBITDA

EBITDA for Q2 2013 increased by 140.9% to DKK 530 million resulting in an EBITDA margin of 27.4%, compared to 17.5% in Q2 2012.

#### Regional EBITDA margins

	Q2 2013	Q2 2012	Delta Q2 2013 and Q2 2012
Americas	44.7%	44.0%	0.7%
Europe	23.1%	5.0%	18.1%
Asia Pacific	36.1%	13.5%	22.6%
Unallocated costs	-9.0%	-9.9%	0.9%
<b>Group EBITDA margin</b>	<b>27.4%</b>	<b>17.5%</b>	<b>9.9%</b>

Regional EBITDA margins for Q2 2013, before allocation of central costs, were 44.7% in Americas (44.0% in Q2 2012), 23.1% in Europe (5.0% in Q2 2012) and 36.1% in Asia Pacific (13.5% in Q2 2012). Unallocated costs decreased to minus 9.0% in Q2 2013 compared to minus 9.9% in Q2 2012.

Even with a lower gross margin, all regional EBITDA margins were up compared to Q2 2012. The

Americas regional EBITDA margin increased due to higher revenue, despite impact from the expiration of the suspension of import duties on goods manufactured in Thailand into the U.S. in end of June 2012. The margin increase in Europe and Asia Pacific was impacted by leverage from revenue increases in a number of markets. However, the margin in Europe was negatively impacted by higher sales, distribution and marketing expenses as well as an indirect effect from the extraordinary return of DKK 55 million in Spain.

## EBIT

EBIT for Q2 2013 increased to DKK 483 million, an increase of 179.2% compared to the same quarter 2012, resulting in an EBIT margin of 25.0% for Q2 2013 versus 13.7% in Q2 2012.

## NET FINANCIAL INCOME AND EXPENSES

In Q2 2013, net financial income amounted to DKK 49 million, of which DKK 48 million was an exchange rate gain. This compares to a net financial expense of DKK 96 million in Q2 2012.

## INCOME TAX EXPENSES

Income tax expenses were DKK 101 million in Q2 2013, implying an effective tax rate of 19% for Q2 2013 compared to 18% for Q2 2012.

## NET PROFIT

In Q2 2013, net profit increased to DKK 431 million from DKK 63 million in Q2 2012.

## BALANCE SHEET AND CASH FLOW ITEMS

In Q2 2013, PANDORA generated free cash flow of DKK 102 million compared to DKK 91 million in Q2 2012 and corresponding to a cash conversion of 23.7% compared to 144.4% in Q2 2012. The decrease is mainly due to an increase in net working capital, which was negatively impacted primarily by movements in other receivables.

Operating working capital (defined as inventory and accounts receivables less accounts payables) at the end of Q2 2013 corresponded to 24.9% of the preceding twelve months revenue, and compares to 36.8% at the end of Q2 2012 and 26.9% at the end of Q1 2013.

Inventory increased to DKK 1,463 million at the end of Q2 2013 from DKK 1,396 million at the end of Q1 2013 and decreased by DKK 462 million versus Q2 2012. The increase from Q1 2013 to Q2 2013 can be explained by normalisation of inventory levels. Compared to Q2 2012 the gold and silver prices affected inventory with a decrease of approximately 7%.

### Inventory development

DKK million	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Inventory	1,463	1,396	1,318	1,922	1,925
Share of last 12 months' revenue	18.5%	19.3%	19.8%	29.9%	31.0%

Trade receivables increased to DKK 687 million in Q2 2013 (8.7% of preceding 12 months revenue) compared to DKK 543 million in Q2 2012 (8.8% of the preceding 12 months revenue) and DKK 724 million in Q1 2013 (10.0% of preceding 12 months revenue).

Other receivables were DKK 719 million in Q2 2013, an increase of DKK 186 million compared to Q1 2013. Other receivables for the quarter were impacted by an increase in changes in prepaid tax and timing issues related to VAT, linked to the European distribution centre. As part of the

establishment of the European Distribution Centre, PANDORA has paid quarterly VAT to the German tax authorities from Q1 2012. The accumulated total outstanding VAT, to be repaid to PANDORA, was by the end of Q2 2013, DKK 380 million. In August 2013, DKK 60 million of the outstanding VAT was repaid to PANDORA. The VAT refund is expected to be repaid in six to nine months.

In Q2 2013, PANDORA's CAPEX was DKK 83 million, including intangible investments of DKK 33 million mainly related to key money in connection with the opening of some PANDORA-owned stores, as well as IT Investments. CAPEX constituted 4.3% of Q2 2013 revenue.

During the quarter, a total of DKK 210 million was used to purchase own shares related to the share buyback programme. As of 30 June 2013, PANDORA held 1,730,761 treasury shares, corresponding to 1.3% of the share capital.

Total interest-bearing debt was DKK 489 million at the end of Q2 2013 (compared to DKK 1,036 million at the end of Q2 2012).

Cash and short-term deposits amounted to DKK 180 million at the end of Q2 2013 (compared to DKK 299 million at the end of Q2 2012).

Net interest-bearing debt (NIBD) at the end of Q2 2013 was DKK 309 million corresponding to a NIBD/EBITDA of 0.1x of the last twelve months EBITDA (compared to DKK 737 million at the end of Q2 2012 corresponding to 0.4 LTM EBITDA).

## **DEVELOPMENT IN FIRST HALF 2013**

### **REVENUE**

Total revenue increased by 46.5% to DKK 3,933 million in H1 2013 from DKK 2,684 million in H1 2012. Excluding foreign exchange movements the underlying revenue growth was 47.5%.

The geographical distribution of revenue in H1 2013 was 53.4% for the Americas, 34.5% for Europe and 12.1% for Asia Pacific.

### **COSTS**

Gross profit was DKK 2,588 million in H1 2013 compared to DKK 1,876 million in H1 2012, resulting in a gross margin of 65.8% in H1 2013 compared to 69.9% in H1 2012.

Sales, distribution and marketing expenses increased to DKK 1,068 million in H1 2013 compared to DKK 921 million in H1 2012, representing 27.2% down from 34.3% of H1 2013 and H1 2012 revenue, respectively. Administrative expenses amounted to DKK 438 million in H1 2013 versus DKK 429 million H1 2012, representing 11.1% compared to 16.0% of H1 2013 and H1 2012 revenue, respectively.

### **EBITDA**

EBITDA for H1 2013 increased by 88.9% to DKK 1,173 million resulting in an EBITDA margin of 29.8% in H1 2013 versus 23.1% in H1 2012.

Regional EBITDA margins for H1 2013 before allocation of central costs were 44.4% in Americas (47.1% in H1 2012), 29.2% in Europe (11.0% in H1 2012) and 35.9% in Asia Pacific (20.6% in H1 2012). Unallocated costs were 8.3% of revenue in H1 2013 (8.6% in H1 2012).

### **EBIT**

EBIT for H1 2013 was DKK 1,082 million – an increase of 105.7% compared to H1 2012, resulting in an EBIT margin of 27.5% in H1 2013 versus 19.6% in H1 2012.

### **NET FINANCIAL INCOME AND EXPENSES**

Net financial income and expenses were DKK -9 million in H1 2013 versus DKK -37 million in H1 2012.

### **INCOME TAX EXPENSES**

Income tax expenses were DKK 204 million in H1 2013, implying an effective tax rate for the Group of 19.0% for H1 2013.

### **NET PROFIT**

Net profit in H1 2013 was DKK 869 million compared to DKK 401 million in H1 2012.

### **CASH FLOW ITEMS**

In H1 2013, PANDORA generated free cash flow of DKK 508 million corresponding to a cash conversion of 58.5% compared to 52.1% in H1 2012.

## **MANAGEMENT STATEMENT**

The Board of Directors and the Executive Board have reviewed and approved the interim report of PANDORA A/S for the period 1 January – 30 June 2013.

The interim report, 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 Danish interim reporting requirements for listed companies.

In our opinion, the interim report gives a true and fair view of the PANDORA Group's assets, liabilities and financial position at 30 June 2013, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 June 2013.

Further, in our opinion the Management's review p. 1-15 gives a true and fair review of the development in the Group's operations and financial matters, the result of the PANDORA Group for the period and the financial position as a whole, and describes the significant risks and uncertainties pertaining to the Group.

Copenhagen, 13 August 2013

## **EXECUTIVE BOARD**

Allan Leighton  
Chief Executive Officer

Henrik Holmark  
Chief Financial Officer

## **BOARD OF DIRECTORS**

Marcello v. Bottoli  
Chairman

Christian Frigast  
Deputy Chairman

Andrea Alvey

Anders Boyer-Søgaard

Torben Ballegaard Sørensen

Nikolaj Vejlsgaard

Ronica Wang



## FINANCIAL STATEMENT

### Consolidated income statement

DKK million	Notes	Q2 2013	Q2 2012	H1 2013	H1 2012	FY 2012
Revenue	3	1,931	1,260	3,933	2,684	6,652
Cost of sales		-657	-404	-1,345	-808	-2,223
<b>Gross profit</b>		<b>1,274</b>	<b>856</b>	<b>2,588</b>	<b>1,876</b>	<b>4,429</b>
Sales, distribution and marketing expenses		-559	-466	-1,068	-921	-2,084
Administrative expenses		-232	-217	-438	-429	-870
<b>Operating profit</b>		<b>483</b>	<b>173</b>	<b>1,082</b>	<b>526</b>	<b>1,475</b>
Financial income		50	1	51	67	132
Financial expenses		-1	-97	-60	-104	-128
<b>Profit before tax</b>		<b>532</b>	<b>77</b>	<b>1,073</b>	<b>489</b>	<b>1,479</b>
Income tax expenses		-101	-14	-204	-88	-277
<b>Net profit for the period</b>		<b>431</b>	<b>63</b>	<b>869</b>	<b>401</b>	<b>1,202</b>
Earnings per share, basic (DKK)		3.4	0.5	6.7	3.1	9.2
Earnings per share, diluted (DKK)		3.3	0.5	6.6	3.1	9.2

### Consolidated comprehensive income statement

DKK million	Q2 2013	Q2 2012	H1 2013	H1 2012	FY 2012
<b>Net profit for the period</b>	<b>431</b>	<b>63</b>	<b>869</b>	<b>401</b>	<b>1,202</b>
Exchange differences on translation of foreign subsidiaries	-236	205	-56	76	-65
Value adjustment of hedging instruments	-198	-130	-218	41	203
Income tax on other comprehensive income	-16	10	-4	-1	-18
<b>Other comprehensive income</b>	<b>-450</b>	<b>85</b>	<b>-278</b>	<b>116</b>	<b>120</b>
<b>Total comprehensive income for the period</b>	<b>-19</b>	<b>148</b>	<b>591</b>	<b>517</b>	<b>1,322</b>

**Balance sheet**

DKK million	2013 30 June	2012 30 June	2012 31 December
<b>ASSETS</b>			
Goodwill	1,925	1,952	1,922
Brand	1,053	1,053	1,053
Distribution network	320	320	331
Distribution rights	1,042	1,055	1,045
Other intangible assets	309	115	136
Property, plant and equipment	489	437	472
Deferred tax assets	309	253	190
Other non-current financial assets	26	41	26
<b>Total non-current assets</b>	<b>5,473</b>	<b>5,226</b>	<b>5,175</b>
Inventories	1,463	1,925	1,318
Trade receivables	687	543	940
Other receivables	719	320	502
Tax receivables	163	45	138
Cash and short-term deposits	180	299	341
<b>Total current assets</b>	<b>3,212</b>	<b>3,132</b>	<b>3,239</b>
<b>Total assets</b>	<b>8,685</b>	<b>8,358</b>	<b>8,414</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	130	130	130
Share premium	1,248	1,248	1,248
Treasury shares	-309	-38	-38
Foreign currency translation reserve	647	844	703
Hedge reserve	-273	-196	-51
Other reserves	-	98	-
Proposed dividend	-	-	715
Retained earnings	4,239	3,137	3,331
<b>Total shareholders' equity</b>	<b>5,682</b>	<b>5,223</b>	<b>6,038</b>
Interest-bearing loans and borrowings	411	924	151
Provisions	19	91	7
Deferred tax liabilities	669	636	552
Other non-current liabilities	-	-	2
<b>Total non-current liabilities</b>	<b>1,099</b>	<b>1,651</b>	<b>712</b>
Interest-bearing loans and borrowings	78	112	7
Provisions	425	244	463
Trade payables	184	185	219
Income tax payables	394	295	283
Other payables	823	648	692
<b>Total current liabilities</b>	<b>1,904</b>	<b>1,484</b>	<b>1,664</b>
<b>Total liabilities</b>	<b>3,003</b>	<b>3,135</b>	<b>2,376</b>
<b>Total equity and liabilities</b>	<b>8,685</b>	<b>8,358</b>	<b>8,414</b>

## Consolidated statement of changes in shareholders' equity

DKK million	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Hedge reserve	Other reserves	Proposed dividend	Retained earnings	Total equity
<b>Equity at 1 January 2013</b>	<b>130</b>	<b>1,248</b>	<b>-38</b>	<b>703</b>	<b>-51</b>	<b>-</b>	<b>715</b>	<b>3,331</b>	<b>6,038</b>
<b>Comprehensive income</b>									
Net profit for the period	-	-	-	-	-	-	-	869	869
Exchange differences on translation of foreign subsidiaries	-	-	-	-56	-	-	-	-	-56
Value adjustment of hedging instruments	-	-	-	-	-218	-	-	-	-218
Income tax on other comprehensive income	-	-	-	-	-4	-	-	-	-4
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-56</b>	<b>-222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-278</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-56</b>	<b>-222</b>	<b>-</b>	<b>-</b>	<b>869</b>	<b>591</b>
Sharebased payments	-	-	-	-	-	-	-	37	37
Purchase of treasury shares	-	-	-271	-	-	-	-	-	-271
Dividend paid	-	-	-	-	-	-	-715	2	-713
<b>Equity at 30 June 2013</b>	<b>130</b>	<b>1,248</b>	<b>-309</b>	<b>647</b>	<b>-273</b>	<b>-</b>	<b>-</b>	<b>4,239</b>	<b>5,682</b>
<b>Equity at 1 January 2012</b>	<b>130</b>	<b>1,248</b>	<b>-38</b>	<b>768</b>	<b>-236</b>	<b>88</b>	<b>715</b>	<b>2,736</b>	<b>5,411</b>
<b>Comprehensive income</b>									
Net profit for the period	-	-	-	-	-	-	-	401	401
Exchange differences on translation of foreign subsidiaries	-	-	-	76	-	-	-	-	76
Value adjustment of hedging instruments	-	-	-	-	41	-	-	-	41
Income tax on other comprehensive income	-	-	-	-	-1	-	-	-	-1
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>401</b>	<b>517</b>
Sharebased payments	-	-	-	-	-	10	-	-	10
Dividend paid	-	-	-	-	-	-	-715	-	-715
<b>Equity at 30 June 2012</b>	<b>130</b>	<b>1,248</b>	<b>-38</b>	<b>844</b>	<b>-196</b>	<b>98</b>	<b>-</b>	<b>3,137</b>	<b>5,223</b>

**Consolidated cash flow statement**

DKK million	Q2 2013	Q2 2012	H1 2013	H1 2012	FY 2012
Profit before tax	532	77	1,073	489	1,479
Financial income	-50	-1	-51	-67	-132
Financial expenses	1	97	60	104	128
Amortisation/depreciation	48	47	93	94	180
Options	20	5	37	10	20
Change in inventories	-145	-185	-178	-264	302
Change in receivables	-172	166	14	232	-368
Change in trade payables	10	38	-38	-102	-67
Change in other liabilities	7	16	-102	-65	289
Other non-cash adjustments	11	-43	45	-31	-21
Interests etc. received	2	1	3	2	4
Interests etc. paid	-	-23	-5	-27	-47
Income tax paid	-86	-56	-128	-99	-428
<b>Cash flow from operating activities</b>	<b>178</b>	<b>139</b>	<b>823</b>	<b>276</b>	<b>1,339</b>
Acquisition of subsidiaries, net of cash acquired	-	-	-4	-	-
Purchase of intangible assets	-33	-42	-251	-48	-109
Purchase of property, plant and equipment	-50	-38	-78	-53	-167
Change in other non-current assets	3	-3	-	-5	9
Proceeds from sale of property, plant and equipment	6	13	12	14	36
<b>Cash flow from investing activities</b>	<b>-74</b>	<b>-70</b>	<b>-321</b>	<b>-92</b>	<b>-231</b>
Dividend paid	-	-65	-713	-715	-715
Purchase and disposal of treasury shares	-210	-	-271	-	-
Proceeds from borrowings	74	60	334	652	3
Repayment of borrowings	-	-	-5	-1	-231
<b>Cash flow from financing activities</b>	<b>-136</b>	<b>-5</b>	<b>-655</b>	<b>-64</b>	<b>-943</b>
<b>Net cash flow for the period</b>	<b>-32</b>	<b>64</b>	<b>-153</b>	<b>120</b>	<b>165</b>
<b>Cash and short-term deposits</b>					
Cash and short-term deposits at beginning of period	222	231	341	176	176
Net exchange rate adjustment	-10	4	-8	3	-
Net cash flow for the period	-32	64	-153	120	165
<b>Cash and short-term deposits at end of period</b>	<b>180</b>	<b>299</b>	<b>180</b>	<b>299</b>	<b>341</b>
Unutilised credit facilities inclusive cash and cash equivalents	2,202	2,006	2,202	2,006	2,898

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

## NOTES

### **NOTE 1 – Significant accounting estimates and judgements**

In preparing the consolidated 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 for 2012. We refer to the description in note 1 of the consolidated financial statement in PANDORA's Annual Report for 2012.

### **NOTE 2 – Seasonality of operations**

Due to the seasonal nature of the jewellery business, higher revenue is historically realised in the second half of the year. However, the product drop structure has been changed from two to seven drops annually, which might impact the seasonality of revenue for 2013.

### **NOTE 3 - Operating segment information**

PANDORA's activities are segmented on the basis of geographical areas in accordance with management's reporting structure. In determining the reporting segments, a number of operating segments have been aggregated. All segments derive their revenues from the types of products shown in the product information provided below.

Management monitors the segment profit of the operating segments separately for the purpose of making decisions about resource allocation and performance management. Segment profit is measured consistently with the operating profit in the consolidated financial statements before non-current assets are amortised/depreciated (EBITDA).

**Note 3 - Operating segment information, continued**

DKK million	Americas	Europe	Asia Pacific	Unallocated costs	Total Group
<b>Q2 2013</b>					
External revenue	1,045	643	243	-	1,931
Segment EBITDA	467	148	88	-173	530
Amortisation/depreciation					-48
Gain/loss from sale of non-current assets					1
<b>Consolidated EBIT</b>					<b>483</b>
<b>Q2 2012</b>					
External revenue	687	403	170	-	1,260
Segment EBITDA	302	20	23	-125	220
Amortisation/depreciation					-47
Gain/loss from sale of non-current assets					-
<b>Consolidated EBIT</b>					<b>173</b>
<b>H1 2013</b>					
External revenue	2,102	1,356	475	-	3,933
Segment EBITDA	933	395	171	-326	1,173
Amortisation/depreciation					-93
Gain/loss from sale of non-current assets					2
<b>Consolidated EBIT</b>					<b>1,082</b>
<b>H1 2012</b>					
External revenue	1,453	877	354	-	2,684
Segment EBITDA	684	96	73	-232	621
Amortisation/depreciation					-94
Gain/loss from sale of non-current assets					-1
<b>Consolidated EBIT</b>					<b>526</b>
<b>Product mix – revenue from external customers</b>					
DKK million	Q2 2013	Q2 2012	H1 2013	H1 2012	
Charms	1,404	973	2,861	2,061	
Silver and gold charms bracelets	203	155	459	345	
Rings	91	77	209	160	
Other jewellery	233	55	404	118	
<b>Total revenue</b>	<b>1,931</b>	<b>1,260</b>	<b>3,933</b>	<b>2,684</b>	
<b>Geographical distribution – revenue from external customers</b>					
US	802	521	1,634	1,130	
Australia	153	131	301	255	
UK	159	102	349	236	
Germany	95	85	203	185	
Other countries	722	421	1,446	878	
<b>Total revenue</b>	<b>1,931</b>	<b>1,260</b>	<b>3,933</b>	<b>2,684</b>	

**NOTE 4 - Contingent liabilities**

PANDORA is a party to a number of minor legal proceedings, which are not expected to influence PANDORA's future earnings.

**NOTE 5 – Related party transactions**

Related parties of PANDORA with a controlling interest are the principal shareholder Prometheus Invest ApS (40.9% interest, excl. treasury shares) and the ultimate parent of Prometheus Invest ApS, Axcel III K/S 2 (26.2% interest, excl. treasury shares).

Related parties further comprise Axcel III K/S 2's other portfolio enterprises, as they are controlled by Axcel III K/S 2. There have not been any transactions with Axcel III K/S 2 or its portfolio enterprises during 2013 and 2012.

Related parties of PANDORA with significant interests include the Board of Directors and the Executive Board of the companies and their close family members. Furthermore, related parties include companies in which the aforementioned persons have control or significant interest.

Except for compensation and benefits received as a result of the membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA, PANDORA has not undertaken any significant transactions with the Board of Directors and Executive Management. We refer to the description in note 23 of the consolidated financial statement in PANDORA's Annual Report for 2012.

There have been no other transactions than dividends and transactions related to the on-going share buyback programme between PANDORA and Prometheus Invest ApS during 2013 and 2012.

**NOTE 6 – Accounting policies**

The present unaudited interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' and accounting policies set out in the Annual Report 2012 of PANDORA. Furthermore, the interim financial report and Management's review are prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies. PANDORA has adopted all new, amended or revised accounting standards and interpretations ('IFRS') endorsed by the EU effective for the accounting period beginning on 1 January 2013. These IFRSs have not had any significant impact on the Group's interim financial report.

## Quarterly overview

DKK million	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
<b>Income statement</b>					
Revenue	1,931	2,002	2,174	1,794	1,260
Gross Profit	1,274	1,314	1,403	1,150	856
EBITDA	530	643	534	503	220
Operating profit (EBIT)	483	599	486	463	173
Net financial income and expenses	49	-58	40	1	-96
Profit before tax	532	541	526	464	77
Net profit	431	438	421	380	63
<b>Balance sheet</b>					
Total assets	8,685	8,574	8,414	8,967	8,358
Invested capital	6,265	6,141	5,900	6,632	6,220
Net working capital	1,461	1,243	1,277	2,037	1,630
Shareholders' equity	5,682	5,891	6,038	5,807	5,223
Net interest-bearing debt	309	192	-183	829	737
<b>Cash flow statement</b>					
Cash Flow from operating activities	178	645	1,098	-35	139
Cash Flow from investing activities	-73	-247	-84	-55	-70
Free Cash Flow	102	406	1,030	-88	91
Cash Flow from financing activities	-137	-519	-947	68	-5
Net Cash Flow for the period	-32	-121	67	-22	64
<b>Ratios</b>					
Revenue growth, %	53.3%	40.6%	11.4%	14.3%	-9.5%
Gross profit growth, %	48.8%	28.8%	-1.2%	-0.4%	-17.3%
EBITDA growth, %	140.9%	60.3%	1.9%	-6.2%	-57.0%
EBIT growth, %	179.2%	69.7%	2.3%	-8.5%	-60.7%
Net profit growth, %	584.1%	29.6%	-24.1%	11.4%	-89.9%
Gross margin, %	66.0%	65.6%	64.5%	64.1%	67.9%
EBITDA margin, %	27.4%	32.1%	24.6%	28.0%	17.5%
EBIT margin, %	25.0%	29.9%	22.4%	25.8%	13.7%
Effective tax rate, %	19.0%	19.0%	20.0%	18.1%	18.2%
Cash conversion, %	23.7%	92.7%	244.7%	-23.2%	144.4%
CAPEX	83	246	105	70	80
Net interest-bearing debt to EBITDA *	0.1	0.1	-0.1	0.5	0.4
Equity ratio, %	65.4%	68.7%	71.8%	64.8%	62.5%
ROIC, % *	32.4%	28.0%	25.0%	22.1%	24.2%

\* Ratios are based on 12 months rolling EBITDA and EBIT, respectively.



**Disclaimer**

Certain statements in this company announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and our anticipated or planned financial and operational performance. The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimate” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as our future results of operations; our financial condition; our working capital, cash flows and capital expenditures; and our business strategy, plans and objectives for future operations and events, including those relating to our on-going operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities; and

Although we believe that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; our plans or objectives for future operations or products, including our ability to introduce new jewellery and non-jewellery products; our ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the United States, Australia, Germany, the United Kingdom and other markets in which we operate; the protection and strengthening of our intellectual property, including patents and trademarks; the future adequacy of our current warehousing, logistics and information technology operations; changes in Danish, E.U., Thai or other laws and regulation or any interpretation thereof, applicable to our business; increases to our effective tax rate or other harm to our business as a result of governmental review of our transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced in this company announcement.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, our actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

We do not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law or the rules of NASDAQ OMX Copenhagen. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this company announcement.