

No. 143

**COMPANY ANNOUNCEMENT**

18 February 2014

**PANDORA ANNOUNCES FINANCIAL RESULTS FOR 2013**

- Group revenue in 2013 was DKK 9,010 million compared with DKK 6,652 million in 2012, corresponding to an increase of 35.4%:
  - Americas increased by 25.5% (30.0% increase in local currency)
  - Europe increased by 47.9% (49.9% increase in local currency)
  - Asia Pacific increased by 37.1% (46.6% increase in local currency)
- Gross margin was 66.6% in 2013 and unchanged compared with 2012
- EBITDA increased by 73.8% to DKK 2,881 million in 2013, corresponding to an EBITDA margin of 32.0%, compared with 24.9% in 2012
- EBIT increased by 81.8% to DKK 2,681 million in 2013, corresponding to an EBIT margin of 29.8% compared with 22.2% in 2012
- Reported net profit increased by 84.7% to DKK 2,220 million in 2013, compared with a net profit of DKK 1,202 million in 2012
- Free cash flow was DKK 1,956 million in 2013, compared with DKK 1,151 million in 2012
- For the financial year 2013, the Board of Directors proposes a dividend of DKK 6.5 per share corresponding to a pay-out ratio of 37.1% and proposes cancellation of 2,027,438 shares equal to 1.6% of the total share capital
- Today PANDORA will initiate a new share buyback programme for up to DKK 2,400 million to be completed during 2014 with the primary purpose of reducing the Company's share capital at the Annual General Meeting in 2015

In connection with the full year results, CEO Allan Leighton said:

*"2013 has been a strong year for PANDORA. We recorded our highest revenue ever and increased our profitability. The results were driven by progress across all major regions. Our global store network was improved and the full year effect of our new drop structure delivered with seven strong product collections."*

## FINANCIAL GUIDANCE

Following a successful 2013, PANDORA expects continued growth in 2014. Revenue is expected to increase to more than DKK 10.0 billion, driven by like-for-like growth in existing stores, expansion of the global store network and further expansion into PANDORA's new markets. The EBITDA margin is expected to increase from 32% in 2013 to approximately 35% in 2014, tempered by continued investments in infrastructure. The increase includes an expected gain from lower hedged commodity prices compared to 2013.

CAPEX is expected to be approximately DKK 550 million, which includes an expansion of the production facilities in Thailand in order to prepare for future demand.

### Financial guidance for 2014

	FY 2013 actual	FY 2014 guidance
Revenue, DKK billion	9.0	>10.0
EBITDA margin	32.0%	approx. 35%
CAPEX, DKK million	490	approx. 550
Effective tax rate	19%	approx. 20%

PANDORA plans to continue to expand the store network and expects to add more than 175 new Concept stores in 2014.

## DIVIDEND

As previously communicated, the Board of Directors aims to maintain a stable and then increasing nominal dividend per share, using the 2011 dividend of DKK 5.5 per share as the reference point. Following a strong financial performance in 2013, the Board of Directors proposes a dividend of DKK 6.5 per share for the year.

PANDORA shares are traded ex-dividend the day after the Annual General Meeting, which will be held on 19 March 2014. The dividend will be paid automatically via VP Securities on 25 March 2014.

## SHARE BUYBACK PROGRAMME FOR 2013

In connection with the Annual Report 2012, PANDORA launched a share buyback programme under which PANDORA expected to buy back own shares of up to DKK 700 million during 2013. As of 31 December 2013, a total of 3,356,098 shares have been purchased, corresponding to a transaction value of DKK 699,999,659 and an average purchase price of DKK 208.58. As of 31 December 2013, PANDORA owns a total of 3,539,023 treasury shares, corresponding to 2.7% of the share capital.

The Board of Directors will at the Annual General Meeting 2014 propose that the Company's share capital be reduced by a nominal amount of DKK 2,027,438 by cancellation of 2,027,438 own shares of DKK 1, equal to 1.6% of the Company's total share capital.

1,511,585 treasury shares corresponding to 1.2% of the total share capital will be used to meet obligations arising from employee share option programmes.

## NEW SHARE BUYBACK PROGRAMME FOR 2014

The Board of Directors of PANDORA has decided to launch a share buyback programme in 2014 (the 'Programme'), under which PANDORA expects to buy back its own shares up to DKK 2,400 million. According to the decision made at the Extraordinary General Meeting held on 17

September 2010, PANDORA's Board is until 17 September 2015 authorised to acquire own shares on behalf of the Company with a total nominal value of up to 10 % of PANDORA's share capital (the 'Authorisation'). The purpose of the share buyback is to reduce PANDORA's share capital and to meet obligations arising from employee share option programmes. The Board of Directors intends to propose to PANDORA's shareholders at the Annual General Meeting in 2015 that PANDORA's share capital be reduced by shares purchased under the Programme. PANDORA may also use shares purchased under the Programme to meet obligations arising from employee share option programmes issued in 2014. The total obligation for the 2014 programme is expected to be approximately 240,000 shares. The share buyback Programme will end no later than 31 December 2014.

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'), which protects listed companies against violation of insider legislation in connection with share buybacks.

PANDORA has appointed Nordea Bank Danmark A/S ('Nordea') as Lead Manager of the Programme. Nordea will, under a separate agreement with the Company, buy back shares on behalf of PANDORA and make trading decisions in respect of PANDORA shares independently of and without influence from PANDORA.

PANDORA may terminate the Programme at any time. In the event such decision is taken, PANDORA shall give notice thereof, and Nordea shall consequently no longer be entitled to buy shares on behalf of PANDORA.

Three funds controlled by Axcel Management A/S, which today together holds 17.6% of the total share capital in PANDORA, as well as PEWIC Holding ApS and Christian Algot Enevoldsen with their respective share capital, have undertaken to participate in the Programme on a pro rata basis, in order to secure that the current free float percentage is not reduced. The participation is planned so that the Axcel funds, as well as PEWIC and Christian Algot Enevoldsen, on each day of trading will sell a number of PANDORA shares at the volume weighted average price (VWAP) of the shares purchased under the Programme in the market on the relevant day of trading.

The Programme will be implemented under the Authorisation and the following framework:

- The maximum total consideration for PANDORA shares bought back in the period of the Programme is DKK 2,400 million
- The Programme will end no later than 31 December 2014 and a maximum of 9,475,303 PANDORA shares will be bought under the Programme, which together with the Company's holding of treasury shares of 3,539,023 shares at the date of this announcement will equal 10% of the shares issued in PANDORA
- The maximum number of shares to be bought per daily market session will be the equivalent to 25% of the average daily volume of shares in the Company traded on NASDAQ OMX Copenhagen during the preceding 20 business days
- Shares cannot be purchased at prices higher than the two following prices:
  - a) The price of the latest independent trade
  - b) The price of the highest independent bid on NASDAQ OMX Copenhagen

On a weekly basis the Company will issue an announcement in respect of transactions made under the Programme.

### **ANNUAL REPORT 2013**

PANDORA's Annual Report 2013 has been released today and is available for download in the investor section of [www.pandoragroup.com](http://www.pandoragroup.com).

### **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 46822236 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 80 countries on six continents through approximately 10,300 points of sale, including approximately 1,100 Concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs over 8,500 people worldwide of whom 5,900 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 2013, PANDORA's total revenue was DKK 9.0 billion (approximately EUR 1.2 billion). For more information, please visit [www.pandoragroup.com](http://www.pandoragroup.com).

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## FINANCIAL HIGHLIGHTS

DKK million	Q4 2013	Q4 2012	FY 2013	FY 2012
<b>Income statement</b>				
Revenue	2,822	2,174	9,010	6,652
Gross profit	1,918	1,403	5,999	4,429
Operating profit before depreciation and amortisation (EBITDA)	946	534	2,881	1,658
Operating profit (EBIT)	891	486	2,681	1,475
Net finance income	23	40	61	4
Profit before tax	914	526	2,742	1,479
Net profit	739	421	2,220	1,202
<b>Balance sheet</b>				
Total assets	9,275	8,414	9,275	8,414
Invested capital	5,976	5,900	5,976	5,900
Net working capital	1,009	1,277	1,009	1,277
Shareholders' equity	6,462	6,038	6,462	6,038
Net interest-bearing debt	-637	-183	-637	-183
<b>Cash flow statement</b>				
Net cash flow from operating activities	1,163	1,098	2,428	1,339
Net cash flow from investing activities	-133	-84	-543	-231
Free cash flow	1,085	1,030	1,956	1,151
Cash flow from financing activities	-545	-947	-1,524	-943
Net cash flow for the period	485	67	361	165
<b>Ratios</b>				
Revenue growth, %	29.8%	11.4%	35.4%	-0.1%
Gross profit growth, %	36.7%	-1.2%	35.4%	-8.9%
EBITDA growth, %	77.2%	1.9%	73.8%	-27.3%
EBIT growth, %	83.3%	2.3%	81.8%	-28.3%
Net profit growth, %	75.5%	-24.1%	84.7%	-41.0%
Gross margin, %	68.0%	64.5%	66.6%	66.6%
EBITDA margin, %	33.5%	24.6%	32.0%	24.9%
EBIT margin, %	31.6%	22.4%	29.8%	22.2%
Tax rate, %	19.1%	20.0%	19.0%	18.7%
Cash conversion, %	146.8%	244.7%	88.1%	95.8%
Capital expenditure (CAPEX), DKK million	90	105	490	276
Net interest-bearing debt to EBITDA *	-0.2	-0.1	-0.2	-0.1
Equity ratio, %	69.7%	71.8%	69.7%	71.8%
Return on invested capital (ROIC), % *	44.9%	25.0%	44.9%	25.0%
<b>Other key figures</b>				
Average number of employees	7,798	6,054	6,910	5,753
Dividend per share, DKK	-	-	6.50	5.50
Earnings per share, basic, DKK	5.7	3.2	17.2	9.2
Earnings per share, diluted, DKK	5.6	3.2	17.0	9.2
Share price at end of period, DKK	294.0	124.5	294.0	124.5

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

## HIGHLIGHTS FOR Q4 2013

- Group revenue in Q4 2013 was DKK 2,822 million, an increase of 29.8% or 36.2% in local currency, compared with Q4 2012:
  - Americas increased by 13.3% (20.0% increase in local currency)
  - Europe increased by 43.0% (45.3% increase in local currency)
  - Asia Pacific increased by 40.1% (59.5% increase in local currency)
- Gross margin increased to 68.0% in Q4 2013, compared with a gross margin of 64.5% in Q4 2012
- EBITDA increased by 77.2% to DKK 946 million for the quarter, corresponding to an EBITDA margin of 33.5%, compared with an EBITDA margin of 24.6% in Q4 2012
- EBIT was DKK 891 million for the quarter, an increase of 83.3%, corresponding to an EBIT margin of 31.6%, compared with an EBIT margin of 22.4% in Q4 2012
- Net profit for the quarter was DKK 739 million, compared with a net profit of DKK 421 million in Q4 2012
- Free cash flow was DKK 1,085 million in Q4 2013, compared with DKK 1,030 million in Q4 2012
- During Q4 2013, PANDORA bought back 793,375 shares at a total value of DKK 209 million, and has now fully completed the DKK 700 million share buyback programme

## REVENUE DEVELOPMENT

Total revenue for Q4 2013 was DKK 2,822 million, an increase of 29.8% or 36.2% in local currency compared with Q4 2012. Revenue in Q4 2012 was negatively impacted by a change in provisions for future sales returns.

At the end of Q4 2013, sales return provisions corresponded to approximately 8% of 12 months rolling revenue value, which is unchanged compared with the end of Q3 2013. Sales return provisions corresponded to approximately 9% at the end of Q4 2012 compared with approximately 6% by the end of Q3 2012. The increased level of sales return provisions in Q4 2012 was based on the decision to promote return policies towards retailers and the fact that PANDORA started to more actively communicate to retailers when products are discontinued.

Volumes increased by 23.9% compared with Q4 2012. The average sales price, recognised by PANDORA, was DKK 126 in Q4 2013 compared with DKK 132 in Q4 2012. The decrease was driven by a change in product and market mix. The sales prices for each individual product was virtually unchanged compared with Q4 2012.

Growth continued across all regions for the quarter, especially driven by Europe and Other Asia Pacific. Revenue in the US and Australia, was impacted by unfavourable exchange rate developments, but both increased 19.5% in local currency compared with Q4 2012. The overall growth continues to be driven by an increasing demand for PANDORA's products launched in the last 12 months, most recently demonstrated by the very positive customer reception of the Christmas collection launched in Q4 2013, as well as new store openings in all geographies.

Based on data from Concept stores, which have been operating for more than 12 months, like-for-

like sales-out in PANDORA's four major markets continued the good momentum. The positive development continues to be driven by successful new product launches and generally better execution in stores. In the quarter, roughly one third of sales-out of the Concept stores was generated by products launched within the last 12 months. In 2013, all four major markets experienced positive like-for-like growth in all four quarters.

## REVENUE BREAKDOWN BY GEOGRAPHY

In Q4 2013, 37.7% of revenue was generated in Americas (43.2% in Q4 2012), 48.9% in Europe (44.4% in Q4 2012) and 13.4% in Asia Pacific (12.4% in Q4 2012).

### Distribution of revenue

DKK million	Q4 2013	Q4 2012	Growth	Growth in local currency	Received Q4 2012*	Replaced Q4 2012*
<b>Americas</b>	<b>1,064</b>	<b>939</b>	<b>13.3%</b>	<b>20.0%</b>	-	<b>10</b>
US	838	738	13.6%	19.5%	-	8
Other	226	201	12.4%		-	2
<b>Europe</b>	<b>1,381</b>	<b>966</b>	<b>43.0%</b>	<b>45.3%</b>	-	-
UK	482	384	25.5%	28.6%	-	-
Germany	200	154	28.6%	28.6%	-	-
Other	699	428	63.3%		-	-
<b>Asia Pacific</b>	<b>377</b>	<b>269</b>	<b>40.1%</b>	<b>59.5%</b>	-	-
Australia	250	243	2.9%	19.5%	-	-
Other	127	26	388.5%		-	-
<b>Total</b>	<b>2,822</b>	<b>2,174</b>	<b>29.8%</b>	<b>36.2%</b>	-	<b>10</b>

\* Received means value of discontinued products returned to PANDORA in Q4 2012. Replaced means value of new products returned to retailers in Q4 2012.

## AMERICAS

Revenue in Americas was DKK 1,064 million for the quarter, an increase of 13.3% or 20.0% in local currency compared with Q4 2012. The increase was driven by continued growth in the US and Canada.

US revenue was DKK 838 million (accounting for 29.7% of Group revenue), an increase of 13.6% or 19.5% in local currency compared with Q4 2012. Growth was primarily driven by strong Christmas sales, supported by PANDORA's first national TV campaign in the US.

Like-for-like sales-out in Q4 2013, based on Concept stores in the US - which have been operating for more than 12 months - increased by 5.1% compared with Q4 2012. The improved sales-out performance was driven by a continued high sales-out of PANDORA's newer products, especially from the recently launched Christmas collection. Furthermore, the silver bangle launched in Q1 2013 continues to be in high demand.

### Concept stores\* sales-out growth

	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012
<b>US</b>	<b>5.1%</b>	<b>12.6%</b>	<b>8.8%</b>	<b>14.7%</b>	<b>6.9%</b>

\* Concept stores that have been operating for more than 12 months

Revenue from Other Americas was DKK 226 million, an increase of 12.4% compared with the same quarter last year, primarily driven by increasing revenue in Canada.

PANDORA continues to expand the branded store network and during Q4 2013, the number of branded points of sale (PoS) in the Americas increased by 27 stores. Branded stores now account for 54.2% of the total number of stores compared with 52.9% at the end of Q3 2013. In the fourth

quarter, net 55 unbranded stores were closed.

#### Store network - Americas

	Number of PoS Q4 2013	Number of PoS Q3 2013	Number of PoS Q4 2012	Delta Q4 2013 and Q3 2013	Delta Q4 2013 and Q4 2012
Concept stores <sup>1</sup>	332	320	285	12	47
Shop-in-shops <sup>2</sup>	572	559	518	13	54
Gold	849	847	769	2	80
<b>Total branded</b>	<b>1,753</b>	<b>1,726</b>	<b>1,572</b>	<b>27</b>	<b>181</b>
<b>Total branded as % of Total</b>	<b>54.2%</b>	<b>52.9%</b>	<b>48.5%</b>		
Silver	1,056	1,078	1,124	-22	-68
White and Travel Retail	426	459	546	-33	-120
<b>Total</b>	<b>3,235</b>	<b>3,263</b>	<b>3,242</b>	<b>-28</b>	<b>-7</b>

<sup>1</sup> Includes 5, 4 and 2 PANDORA-owned Concept stores in Q4 2013, Q3 2013 and Q4 2012, respectively

<sup>2</sup> Includes 0, 0 and 0 PANDORA-owned Shop-in-shops in Q4 2013, Q3 2013 and Q4 2012, respectively

#### EUROPE

Revenue in Europe was DKK 1,381 million for the quarter, an increase of 43.0% or 45.3% in local currency compared with Q4 2012. The growth was primarily driven by PANDORA's new markets Italy, France and Russia, as well as the UK and Germany.

Fourth quarter revenue in the UK (accounting for 17.1% of Group revenue) was DKK 482 million, an increase of 25.5% or 28.6% in local currency compared with the same quarter last year. Growth was primarily driven by PANDORA's newer products; in particular the Christmas collection, which has been very successful across all product categories, as well as a substantial increase in revenue from the UK eSTORE launched in November 2012.

Like-for-like sales-out in Q4 2013, based on Concept stores in the UK - which have been operating for more than 12 months - increased by 17.9% compared with Q4 2012. The increase continues to be driven by the newer products as well as an increase in number of transactions.

#### Concept stores\* sales-out growth

	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012
<b>UK</b>	<b>17.9%</b>	<b>13.6%</b>	<b>11.6%</b>	<b>17.8%</b>	<b>12.3%</b>

\* Concept stores that have been operating for more than 12 months

Fourth quarter revenue in Germany (accounting for 7.1% of Group revenue) was DKK 200 million, an increase of 28.6% compared with Q4 2012. The improvement of the store network in Germany is on-going and PANDORA continues the work to improve store execution across the country. Revenue in Germany going forward is expected to continue to be volatile.

Like-for-like sales-out in Q4 2013, based on Concept stores in Germany - which have been operating for more than 12 months - increased by 5.7% compared with Q4 2012. The improved sales out is primarily due to stronger Christmas sales compared with Q4 2012.

#### Concept stores\* sales-out growth

	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012
<b>Germany</b>	<b>5.7%</b>	<b>8.2%</b>	<b>1.7%</b>	<b>18.2%</b>	<b>4.5%</b>

\* Concept stores that have been operating for more than 12 months

Revenue from Other Europe was DKK 699 million for the quarter, an increase of 63.3% compared with Q4 2012. Italy, France and Russia, continues to be the main driver of growth. Like-for-like



sales-out for the three countries continues to be high and growth is further fuelled by the increasing store network in these countries. Compared with the same period last year, PANDORA has opened 74 new concept stores in the three countries. Revenue in Q4 2013 for the three new markets constituted more than 50% of revenue from Other Europe in the quarter.

PANDORA offers e-commerce platforms in the UK, Germany and Austria, and most recently an eSTORE was launched by PANDORA in France in January 2014.

During Q4 2013, the number of branded stores in Europe increased by 58 stores to a total of 2,562 stores, accounting for 39.9% of the total number of stores compared with 38.8% at the end of Q3 2013, which is in line with PANDORA's overall strategy to increase branded sales.

#### Store network - Europe

	Number of PoS Q4 2013	Number of PoS Q3 2013	Number of PoS Q4 2012	Delta Q4 2013 and Q3 2013	Delta Q4 2013 and Q4 2012
Concept stores <sup>1</sup>	602	529	453	73	149
Shop-in-shops <sup>2</sup>	628	612	570	16	58
Gold	1,332	1,363	1,386	-31	-54
<b>Total branded</b>	<b>2,562</b>	<b>2,504</b>	<b>2,409</b>	<b>58</b>	<b>153</b>
<b>Total branded as % of Total</b>	<b>39.9%</b>	<b>38.8%</b>	<b>37.0%</b>		
Silver	2,058	1,974	1,873	84	185
White and Travel Retail	1,794	1,981	2,224	-187	-430
<b>Total<sup>3</sup></b>	<b>6,414</b>	<b>6,459</b>	<b>6,506</b>	<b>-45</b>	<b>-92</b>

<sup>1</sup> Includes 115, 98 and 77 PANDORA-owned Concept stores in Q4 2013, Q3 2013 and Q4 2012, respectively

<sup>2</sup> Includes 60, 51 and 56 PANDORA-owned Shop-in-shops in Q4 2013, Q3 2013 and Q4 2012, respectively

<sup>3</sup> Includes for Q4 2013 relating to 3rd party distributors: 110 Concept stores, 175 Shop-in-shops, 290 Gold, 348 Silver and 832 White stores

#### ASIA PACIFIC

Revenue in Asia Pacific was DKK 377 million for the quarter, an increase of 40.1% or 59.5% in local currency compared with the same period last year. Revenue from Asia Pacific in Q4 2012 was negatively impacted by DKK 38 million, due to the termination of the agreement with VÉRITÉ Co. Ltd. in Japan. Excluding the one-off effect in Q4 2012, revenue for the quarter in Asia Pacific increased 22.8% compared with Q4 2012.

Revenue in Australia (accounting for 8.9% of Q4 2013 Group revenue) was DKK 250 million, an increase of 2.9% or 19.5% in local currency compared with Q4 2012. Growth was primarily driven by successful new products along with increasing store traffic.

Like-for-like sales-out in Q4 2013, based on Concept stores in Australia - which have been operating for more than 12 months - increased by 25.5% compared with Q4 2012. The increase is primarily due to an increase in store traffic driven by newness in the stores, as end-consumer demand remains high for newly launched products.

#### Concept stores\* sales-out growth

	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012
<b>Australia</b>	<b>25.5%</b>	<b>25.2%</b>	<b>22.4%</b>	<b>15.9%</b>	<b>10.1%</b>

\* Concept stores that have been operating for more than 12 months

Revenue from Other Asia Pacific was DKK 127 million for the quarter, corresponding to an increase of 388.5% compared with the same quarter last year. Growth was primarily driven by Hong Kong, Malaysia, Singapore and Taiwan. The positive development was primarily driven by a strong like-for-like growth across the markets. Furthermore, growth in Other Asia Pacific was impacted by the

provisions made in Japan in Q4 2012.

#### Store network – Asia Pacific

	Number of PoS Q4 2013	Number of PoS Q3 2013	Number of PoS Q4 2012	Delta Q4 2013 and Q3 2013	Delta Q4 2013 and Q4 2012
Concept stores <sup>1</sup>	166	162	157	4	9
Shop-in-shops <sup>2</sup>	172	178	177	-6	-5
Gold	148	145	139	3	9
<b>Total branded</b>	<b>486</b>	<b>485</b>	<b>473</b>	<b>1</b>	<b>13</b>
<b>Total branded as % of Total</b>	<b>77.1%</b>	<b>77.8%</b>	<b>75.6%</b>		
Silver	73	67	76	6	-3
White and Travel Retail	71	71	77	0	-6
<b>Total</b>	<b>630</b>	<b>623</b>	<b>626</b>	<b>7</b>	<b>4</b>

<sup>1</sup> Includes 26, 26 and 31 PANDORA-owned Concept stores in Q4 2013, Q3 2013 and Q4 2012, respectively

<sup>2</sup> Includes 0, 1 and 1 PANDORA-owned Shop-in-shops in Q4 2013, Q3 2013 and Q4 2012, respectively

#### SALES CHANNELS

PANDORA's focus on expanding the branded sales network continues and in Q4 2013, PANDORA opened net 112 new Concept stores and Shop-in-shops. In 2013, PANDORA has opened net 205 Concept stores, and at the end of 2013 PANDORA had 1,100 Concept stores globally. Compared with the end of Q4 2012, PANDORA has increased the branded store network with 347 points of sale. Underperforming unbranded stores, across all regions, are being closed in order to improve the quality of revenue and focus on branded store performance, and as a consequence the number of unbranded points of sale decreased 7.5% compared with Q4 2012, corresponding to 442 stores.

During the quarter the number of PANDORA-owned Concept stores increased to 146 stores from 128 in Q3 2013. This was primarily due to the acquisition of the distributor in Brazil, which included eight owned and operated Concept stores.

The total number of points of sale was 10,279, a decrease of 95 compared with Q4 2012.

#### Store network – Group

	Number of PoS Q4 2013	Number of PoS Q3 2013	Number of PoS Q4 2012	Delta Q4 2013 and Q3 2013	Delta Q4 2013 and Q4 2012
Concept stores <sup>1</sup>	1,100	1,011	895	89	205
Shop-in-shops <sup>2</sup>	1,372	1,349	1,265	23	107
Gold	2,329	2,355	2,294	-26	35
<b>Total branded</b>	<b>4,801</b>	<b>4,715</b>	<b>4,454</b>	<b>86</b>	<b>347</b>
<b>Total branded as % of Total</b>	<b>46.7%</b>	<b>45.6%</b>	<b>42.9%</b>		
Silver	3,187	3,119	3,073	68	114
White and Travel Retail	2,291	2,511	2,847	-220	-556
<b>Total<sup>3</sup></b>	<b>10,279</b>	<b>10,345</b>	<b>10,374</b>	<b>-66</b>	<b>-95</b>

<sup>1</sup> Includes 146, 128 and 110 PANDORA-owned Concept stores in Q4 2013, Q3 2013 and Q4 2012, respectively

<sup>2</sup> Includes 60, 52 and 57 PANDORA-owned Shop-in-shops in Q4 2013, Q3 2013 and Q4 2012, respectively

<sup>3</sup> Includes for Q4 2013 relating to 3rd party distributors: 110 Concept stores, 175 Shop-in-shops, 290 Gold, 348 Silver and 832 White stores

The expansion of the store network in PANDORA's new markets continues, and in Q4 the network increased with 31 Concept stores and 9 Shop-in-shops.

In Italy the focus is on expanding the branded share of points of sale, and at the end of Q4 2013, the Company was selling PANDORA products through 25 Concept stores (Q3 2013: 21), 7 Shop-in-shops (Q3 2013: 7), 272 Gold stores (Q3 2013: 263), 345 Silver stores (Q3 2013: 343) and 178 White stores (Q3 2013: 217) in Italy.

The strategy in France is to upgrade the quality of the distribution network with a particular emphasis on Shop-in-shops and Concept stores. At the end of Q4 2013, the Company was selling PANDORA products through 22 Concept stores (Q3 2013: 18), 34 Shop-in-shops (Q3 2013: 33), 49 Gold stores (Q3 2013: 43), 201 Silver stores (Q3 2013: 187) and 73 White stores (Q3 2013: 81) in France.

#### Store network – New Markets (end of Q4 2013)

	Russia	China	Japan	Rest of Asia	France	Italy	Total	Net openings Q4 2013	Net openings Q3 2013
Concept stores	121	27	1	51	22	25	247	31	24
Shop-in-shops	35	12	6	61	34	7	155	9	15
<b>Total</b>	<b>156</b>	<b>39</b>	<b>7</b>	<b>112</b>	<b>56</b>	<b>32</b>	<b>402</b>	<b>40</b>	<b>39</b>

Branded revenue in Q4 2013 in markets with direct distribution accounted for 86.8% of revenue compared with 82.3% in Q4 2012. Concept stores accounted for 64.8% of the branded revenue in Q4 2013 compared with 57.1% in Q4 2012.

#### Revenue per sales channel

DKK million	Q4 2013	Q4 2012	Growth	Share of total revenue	Received Q4 2012*	Replaced Q4 2012*
Concept stores	1,521	982	54.9%	53.9%	-	1
Shop-in-shops	473	382	23.8%	16.8%	-	4
Gold	353	357	-1.1%	12.5%	-	1
<b>Total branded</b>	<b>2,347</b>	<b>1,721</b>	<b>36.4%</b>	<b>83.2%</b>	-	<b>6</b>
Silver	178	186	-4.3%	6.3%	-	3
White and Travel Retail	178	185	-3.8%	6.3%	-	1
<b>Total unbranded</b>	<b>356</b>	<b>371</b>	<b>-4.0%</b>	<b>12.6%</b>	-	<b>4</b>
<b>Total Direct</b>	<b>2,703</b>	<b>2,092</b>	<b>29.2%</b>	<b>95.8%</b>	-	<b>10</b>
3rd party distributors	119	82	45.1%	4.2%	-	-
<b>Total</b>	<b>2,822</b>	<b>2,174</b>	<b>29.8%</b>	<b>100.0%</b>	-	<b>10</b>

\* Received means value of discontinued products returned to PANDORA in Q4 2012. Replaced means value of new products returned to retailers Q4 2012.

#### PRODUCT OFFERING

In Q4 2013, revenue from Charms increased by 26.3% compared with Q4 2012, while revenue from Silver and gold charms bracelets increased by 45.9% compared with Q4 2012. The two categories represented 83.6% of total revenue in Q4 2013 compared with 84.0% in Q4 2012. During the quarter, the PANDORA ESSENCE COLLECTION was launched in selected countries in Concept stores only. The initial feedback from the launch is encouraging and in line with expectations.

Revenue from Rings was DKK 167 million, an increase of 23.7% compared with Q4 2012. Most markets are enjoying an increase in revenue from Rings, driven by the improved offering, as well as an increased commercial effort. The category represented 5.9% of total revenue for the quarter compared with 6.2% in Q4 2012.

Revenue from Other jewellery was DKK 295 million, an increase of 39.2% compared with Q4 2012. The growth was driven by all subcategories, in particular revenue from other bracelets, which continues to be positively impacted by the silver bangle launched in Q1 2013. Other jewellery represented 10.5% of total revenue in Q4 2013 compared with 9.8% in Q4 2012.

**Product mix**

DKK million	Q4 2013	Q4 2012	Growth	Share of total revenue	Received Q4 2012*	Replaced Q4 2012*
Charms	1,966	1,557	26.3%	69.6%	-	4
Silver and gold charm bracelets	394	270	45.9%	14.0%	-	4
Rings	167	135	23.7%	5.9%	-	1
Other jewellery	295	212	39.2%	10.5%	-	1
<b>Total revenue</b>	<b>2,822</b>	<b>2,174</b>	<b>29.8%</b>	<b>100.0%</b>	-	<b>10</b>

\* Received means value of discontinued products returned to PANDORA in Q4 2012. Replaced means value of new products returned to retailers Q4 2012.

**COSTS**

Total costs for the quarter, including depreciation and amortisation, were DKK 1,931 million, an increase of 14.4% compared with Q4 2012. Total costs corresponded to 68.4% of revenue for the quarter compared with 77.6% in Q4 2012.

**Cost development**

DKK million	Q4 2013	Q4 2012	Growth	Share of total revenue Q4 2013	Share of total revenue Q4 2012
Cost of sales	904	771	17.3%	32.0%	35.5%
<b>Gross profit</b>	<b>1,918</b>	<b>1,403</b>	<b>36.7%</b>	<b>68.0%</b>	<b>64.5%</b>
Sales and distribution expenses	491	393	24.9%	17.4%	18.1%
Marketing expenses	273	293	-6.8%	9.7%	13.4%
Administrative expenses	263	231	13.9%	9.3%	10.6%
<b>Total costs</b>	<b>1,931</b>	<b>1,688</b>	<b>14.4%</b>	<b>68.4%</b>	<b>77.6%</b>

**GROSS PROFIT**

Gross profit for the quarter was DKK 1,918 million corresponding to a gross margin of 68.0% compared with 64.5% in Q4 2012 and 66.2% in Q3 2013. The gross margin in Q4 2013 includes a one-off positive impact of approximately 2 percentage points from a reversal of accruals for costs in prior periods related to the Europe segment. The increase in gross margin compared with Q4 2012 was primarily due to lower realised commodity prices for the quarter.

**COMMODITY HEDGING**

It is PANDORA's policy to hedge approximately 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 1,440 USD/oz, 1,336 USD/oz, 1,320 USD/oz and 1,279 USD/oz and for silver 24.64 USD/oz, 21.86 USD/oz, 21.59 USD/oz and 20.95 USD/oz. However, current inventory means a delayed impact of the hedged prices on cost of sales.

The average realised purchase price in Q4 2013 was 1,432 USD/oz for gold and 24.40 USD/oz for silver.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 72% based on the average gold (1,276 USD/oz) and silver (20.82 USD/oz) market prices in Q4 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 were DKK 1,027 million compared with DKK 917 million in Q4 2012, representing 36.4% of revenue in Q4 2013 compared with 42.1% Q4 2012. The improvement is primarily driven by higher revenue, with all regions contributing to the positive development, particularly Europe and Asia Pacific.

Sales and distribution expenses were DKK 491 million, an increase of 24.9% compared with Q4 2012, and corresponding to 17.4% of revenue compared with 18.1% Q4 2012. The increase in sales and distribution expenses was mainly driven by increasing revenue, as well as costs related to expansion of the e-commerce platform.

Marketing expenses was DKK 273 million compared with DKK 293 million in Q4 2012, corresponding to 9.7% of revenue, compared with 13.4% in Q4 2012. During the quarter PANDORA launched its first national TV campaign in the US.

Administrative expenses for the quarter increased 13.9% to DKK 263 million, representing 9.3% of revenue, compared with 10.6% of Q4 2012 revenue. The absolute increase in administrative costs was primarily due to costs related to the acquisition of the distribution in Brazil as well as costs related to the upcoming relocation of the Australian and Italian headquarters.

## EBITDA

EBITDA for Q4 2013 increased by 77.2% to DKK 946 million resulting in an EBITDA margin of 33.5%, compared with 24.6% in Q4 2012.

### Regional EBITDA margins

	Q4 2013	Q4 2012	Delta Q4 2013 and Q4 2012
Americas	37.7%	36.0%	1.7%
Europe	40.4%	26.8%	13.6%
Asia Pacific	38.7%	31.2%	7.5%
Unallocated costs	-5.6%	-6.8%	1.2%
<b>Group EBITDA margin</b>	<b>33.5%</b>	<b>24.6%</b>	<b>8.9%</b>

The EBITDA margin for Americas was up 1.7 percentage points compared with Q4 2012 primarily driven by gross margin. The EBITDA margin for Europe increased from 26.8% in Q4 2012 to 40.4% for the current quarter. The increase was primarily driven by gross margin including the aforementioned one-off impact, channel mix and leverage on the cost base from increase in revenue particularly related to the UK and new markets (Russia, Italy and France). The EBITDA margin for the Asia Pacific region improved 7.5 percentage points to 38.7% for the quarter. The improvement was primarily driven by gross margin, lower impact from provision for returns and higher revenue in the region.

## EBIT

EBIT for Q4 2013 increased to DKK 891 million, an increase of 83.3% compared with the same quarter in 2012, resulting in an EBIT margin of 31.6% for Q4 2013 versus 22.4% in Q4 2012.

## NET FINANCE INCOME

In Q4 2013, net finance income amounted to DKK 23 million primarily related to exchange rate gains. This compared with a net finance income of DKK 40 million in Q4 2012.

## INCOME TAX EXPENSES

Income tax expenses were DKK 175 million in Q4 2013, implying an effective tax rate of 19.1% for Q4 2013 compared with 20.0% for Q4 2012.

## NET PROFIT

In Q4 2013, net profit increased to DKK 739 million from DKK 421 million in Q4 2012.

## BALANCE SHEET AND CASH FLOW

In Q4 2013, PANDORA generated free cash flow of DKK 1,085 million compared with DKK 1,030 million in Q4 2012 and corresponding to a cash conversion of 146.8%.

Operating working capital (defined as inventory and accounts receivables less accounts payables) at the end of Q4 2013 corresponded to 20.5% of the preceding twelve months revenue, compared with 30.7% at the end of Q4 2012 and 25.6% at the end of Q3 2013.

Inventory decreased to DKK 1,490 million at the end of Q4 2013 from DKK 1,603 million at the end of Q3 2013 and increased by DKK 172 million versus Q4 2012. The decrease compared with last quarter was primarily due to seasonal changes. Compared with Q4 2012 the silver and gold prices affected inventory with a decrease of approximately 17%.

### Inventory development

DKK million	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Inventory	1,490	1,603	1,463	1,396	1,318
Share of last 12 months' revenue	16.5%	19.2%	18.5%	19.3%	19.8%

Trade receivables decreased to DKK 895 million at the end of Q4 2013 (9.9% of preceding 12 months revenue) compared with DKK 940 million at the end of Q4 2012 (14.1% of the preceding 12 months revenue) and DKK 1,017 million at the end of Q3 2013 (12.2% of preceding 12 months revenue). The decrease is primarily due to improved cash collection.

Trade payables at the end of quarter was DKK 539 million compared with DKK 219 million at the end of Q4 2012 and DKK 481 million at the end of Q3 2013. The increase is primarily due to a reclassification of DKK 203 million from Other payables to Trade payables, which is related to accrued expenses. The change was made in Q3 2013.

In Q4 2013, PANDORA's CAPEX was DKK 90 million, including investments in intangible assets of DKK 23 million mainly related to key money in connection with the opening of some PANDORA-owned stores, CAPEX constituted 3.2% of Q4 2013 revenue.

During the quarter, a total of DKK 209 million was used to purchase own shares related to the share buyback programme. As of 31 December 2013, PANDORA held 3,539,023 treasury shares, corresponding to 2.7% of the share capital.

Total interest-bearing debt was DKK 49 million at the end of Q4 2013 (compared with DKK 158 million at the end of Q4 2012).

Cash amounted to DKK 686 million at the end of Q4 2013 (compared with DKK 341 million at the end of Q4 2012).

Net interest-bearing debt (NIBD) at the end of Q4 2013 was DKK -637 million corresponding to a NIBD/EBITDA of -0.2x of the last twelve months EBITDA (compared with DKK -183 million at the end of Q4 2012 corresponding to a NIBD/EBITDA of -0.1x).

## **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 – 31 December 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 31 December 2013, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 31 December 2013.

Further, in our opinion the Management's review p. 1-14 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, 18 February 2014

## **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

Bjørn Gulden

Nikolaj Vejlsgaard

Ronica Wang

## FINANCIAL STATEMENT

### Consolidated income statement

DKK million	Q4 2013	Q4 2012	FY 2013	FY 2012
Revenue	2,822	2,174	9,010	6,652
Cost of sales	-904	-771	-3,011	-2,223
<b>Gross profit</b>	<b>1,918</b>	<b>1,403</b>	<b>5,999</b>	<b>4,429</b>
Sales, distribution and marketing expenses	-764	-686	-2,397	-2,084
Administrative expenses	-263	-231	-921	-870
<b>Operating profit</b>	<b>891</b>	<b>486</b>	<b>2,681</b>	<b>1,475</b>
Finance income	58	60	167	132
Finance expenses	-35	-20	-106	-128
<b>Profit before tax</b>	<b>914</b>	<b>526</b>	<b>2,742</b>	<b>1,479</b>
Income tax expenses	-175	-105	-522	-277
<b>Net profit for the period</b>	<b>739</b>	<b>421</b>	<b>2,220</b>	<b>1,202</b>
Earnings per share, basic (DKK)	5.7	3.2	17.2	9.2
Earnings per share, diluted (DKK)	5.6	3.2	17.0	9.2

### Consolidated comprehensive income statement

DKK million	Q4 2013	Q4 2012	FY 2013	FY 2012
<b>Net profit for the period</b>	<b>739</b>	<b>421</b>	<b>2,220</b>	<b>1,202</b>
Exchange differences on translation of foreign subsidiaries	-189	-72	-355	-65
Value adjustment of hedging instruments	-28	-111	-98	203
Income tax on other comprehensive income	7	-12	6	-18
<b>Other comprehensive income, net of tax</b>	<b>-210</b>	<b>-195</b>	<b>-447</b>	<b>120</b>
<b>Total comprehensive income for the period</b>	<b>529</b>	<b>226</b>	<b>1,773</b>	<b>1,322</b>



**Consolidated balance sheet**

DKK million	2013 31 December	2012 31 December
<b>ASSETS</b>		
Goodwill	1,904	1,922
Brand	1,053	1,053
Distribution network	300	331
Distribution rights	1,042	1,045
Other intangible assets	318	136
Property, plant and equipment	497	472
Deferred tax assets	276	190
Other non-current financial assets	48	26
<b>Total non-current assets</b>	<b>5,438</b>	<b>5,175</b>
Inventories	1,490	1,318
Financial instruments	-	4
Trade receivables	895	940
Tax receivables	35	138
Other receivables	731	498
Cash	686	341
<b>Total current assets</b>	<b>3,837</b>	<b>3,239</b>
<b>Total assets</b>	<b>9,275</b>	<b>8,414</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	130	130
Share premium	1,248	1,248
Treasury shares	-738	-38
Reserves	205	652
Proposed dividend	823	715
Retained earnings	4,794	3,331
<b>Total shareholders' equity</b>	<b>6,462</b>	<b>6,038</b>
Provisions	35	7
Loans and borrowings	-	151
Deferred tax liabilities	471	552
Other non-current liabilities	3	2
<b>Total non-current liabilities</b>	<b>509</b>	<b>712</b>
Provisions	471	463
Loans and borrowings	49	7
Financial instruments	148	47
Trade payables	539	219
Income tax payables	546	283
Other payables	551	645
<b>Total current liabilities</b>	<b>2,304</b>	<b>1,664</b>
<b>Total liabilities</b>	<b>2,813</b>	<b>2,376</b>
<b>Total equity and liabilities</b>	<b>9,275</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	-	-	-	-	-	-	-	2,220	2,220
Exchange differences on translation of foreign subsidiaries	-	-	-	-355	-	-	-	-	-355
Value adjustment of hedging instruments	-	-	-	-	-98	-	-	-	-98
Income tax on other comprehensive income	-	-	-	-	6	-	-	-	6
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-355</b>	<b>-92</b>	<b>-</b>	<b>-</b>	<b>2,220</b>	<b>1,773</b>
Transfer to retained earnings	-	-	-	-	-	-	-2	2	-
Sharebased payments	-	-	-	-	-	-	-	64	64
Purchase of treasury shares	-	-	-700	-	-	-	-	-	-700
Dividend paid	-	-	-	-	-	-	-713	-	-713
Proposed dividend	-	-	-	-	-	-	823	-823	-
<b>Equity at 31 December 2013</b>	<b>130</b>	<b>1,248</b>	<b>-738</b>	<b>348</b>	<b>-143</b>	<b>-</b>	<b>823</b>	<b>4,794</b>	<b>6,462</b>
<b>Equity at 1 January 2012</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	-	-	-	-	-	-	-	1,202	1,202
Exchange differences on translation of foreign subsidiaries	-	-	-	-65	-	-	-	-	-65
Value adjustment of hedging instruments	-	-	-	-	203	-	-	-	203
Income tax on other comprehensive income	-	-	-	-	-18	-	-	-	-18
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-65</b>	<b>185</b>	<b>-</b>	<b>-</b>	<b>1,202</b>	<b>1,322</b>
Transfer to retained earnings	-	-	-	-	-	-88	-	88	-
Sharebased payments	-	-	-	-	-	-	-	20	20
Dividend paid	-	-	-	-	-	-	-715	-	-715
Proposed dividend	-	-	-	-	-	-	715	-715	-
<b>Equity at 31 December 2012</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>

**Consolidated cash flow statement**

DKK million	Q4 2013	Q4 2012	FY 2013	FY 2012
Profit before tax	914	526	2,742	1,479
Finance income	-58	-60	-167	-132
Finance expenses	35	20	106	128
Amortisation/depreciation	55	44	200	180
Sharebased payments	12	4	64	20
Change in inventories	108	580	-292	302
Change in receivables	86	-65	-215	-368
Change in trade payables	-79	47	261	-67
Change in other liabilities	173	268	-79	289
Other non-cash adjustments	93	14	169	-21
Interests etc. received	-	1	3	4
Interests etc. paid	-14	-17	-29	-47
Income tax paid	-162	-264	-335	-428
<b>Cash flow from operating activities</b>	<b>1,163</b>	<b>1,098</b>	<b>2,428</b>	<b>1,339</b>
Acquisition of subsidiaries, net of cash acquired	-41	-	-45	-
Purchase of intangible assets	-23	-38	-312	-109
Purchase of property, plant and equipment	-67	-67	-178	-167
Change in other non-current assets	-7	6	-25	9
Proceeds from sale of property, plant and equipment	5	15	17	36
<b>Cash flow from investing activities</b>	<b>-133</b>	<b>-84</b>	<b>-543</b>	<b>-231</b>
Dividend paid	-	-	-713	-715
Purchase and disposal of treasury shares	-209	-	-700	-
Proceeds from borrowings	-189	-718	41	3
Repayment of borrowings	-147	-229	-152	-231
<b>Cash flow from financing activities</b>	<b>-545</b>	<b>-947</b>	<b>-1,524</b>	<b>-943</b>
<b>Net cash flow for the period</b>	<b>485</b>	<b>67</b>	<b>361</b>	<b>165</b>
Cash flow from operating activities	1,163	1,098	2,428	1,339
Interests etc. received	-	-1	-3	-4
Interests etc. paid	14	17	29	47
Cash flow from investing activities	-133	-84	-543	-231
Acquisition of subsidiary, net of cash acquired	41	-	45	-
<b>Free cash flow</b>	<b>1,085</b>	<b>1,030</b>	<b>1,956</b>	<b>1,151</b>
<b>Cash and short-term deposits</b>				
Cash and short-term deposits at beginning of period	208	276	341	176
Net exchange rate adjustment	-7	-2	-16	-
Net cash flow for the period	485	67	361	165
<b>Cash and short-term deposits at end of period</b>	<b>686</b>	<b>341</b>	<b>686</b>	<b>341</b>
Unutilised credit facilities inclusive cash	2,716	2,898	2,716	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 2013. We refer to the descriptions in the individual notes of the consolidated financial statement in PANDORA's Annual Report for 2013.

### **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.

### **NOTE 3 - Business combinations**

#### **Acquisition of the distribution in Brazil**

On 24 October 2013, PANDORA acquired 100% of the share capital in City Time do Brazil Comércio e Importação Ltda. (the name has subsequent been changed to PANDORA do Brazil Comércio e Importação Ltda.) with base in City Sao Paulo and obtained control of the company. The company is a retail company with eight stores and an e-store operating in five cities in Brazil.

With the acquisition, PANDORA strengthens its presence in a country with great potential. A base in Brazil will provide PANDORA with the opportunity to directly affect distribution in Brazil and other South American markets.

Purchase amount was DKK 40 million of which DKK 2 million is deferred. The deferred payment falls due on the 1 January 2018. There are no other terms related to the amount of the deferred payment. Acquisition-related costs of DKK 1 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2013. Assets and liabilities assumed mainly comprise key money, tangible assets related to the acquired stores, inventories and accounts payable. The market value of key money is calculated on yearly basis by the centre operators and is deemed to have indefinite life-times. The goodwill of DKK 30 million arising from the acquisition is attributable to the expected synergies from strengthened presence and increased possibilities to improve both the retail and wholesale market in South America as well as holding a strong control of the PANDORA brand. None of the goodwill recognised is deductible for income tax purposes.

#### **Other acquisitions**

During 2013, PANDORA has acquired Concept stores which have been defined as business combinations, and are also recognised in the line acquisition of subsidiaries. The acquisitions have neither individually nor in combination had significant impact on the Group's revenue, net profit or balance. Had the acquired companies been owned by the Group from the beginning of the year, there had been no significant impact on the Group revenue, Group net profit and the balance for the Group.

### **NOTE 4 - 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).

DKK million	Americas	Europe	Asia Pacific	Unallocated costs	Total Group
<b>Q4 2013</b>					
External revenue	1,064	1,381	377	-	2,822
Segment profit (EBITDA)	401	558	146	-159	946
Amortisation/depreciation					-55
<b>Consolidated operating profit (EBIT)</b>					<b>891</b>
<b>Q4 2012</b>					
External revenue	939	966	269	-	2,174
Segment profit (EBITDA)	338	259	84	-147	534
Amortisation/depreciation					-44
Gain/loss from sale of non-current assets					-4
<b>Consolidated operating profit (EBIT)</b>					<b>486</b>
<b>FY 2013</b>					
External revenue	4,156	3,760	1,094	-	9,010
Segment profit (EBITDA)	1,772	1,359	414	-664	2,881
Amortisation/depreciation					-200
<b>Consolidated operating profit (EBIT)</b>					<b>2,681</b>
<b>FY 2012</b>					
External revenue	3,312	2,542	798	-	6,652
Segment profit (EBITDA)	1,415	595	191	-543	1,658
Amortisation/depreciation					-180
Gain/loss from sale of non-current assets					-3
<b>Consolidated operating profit (EBIT)</b>					<b>1,475</b>

DKK million	Q4 2013	Q4 2012	FY 2013	FY 2012
<b>Product mix – revenue from external customers</b>				
Charms	1,966	1,557	6,293	4,958
Silver and gold charm bracelets	394	270	1,157	846
Rings	167	135	550	427
Other jewellery	295	212	1,010	421
<b>Total revenue</b>	<b>2,822</b>	<b>2,174</b>	<b>9,010</b>	<b>6,652</b>
<b>Geographical distribution – revenue from external customers</b>				
US	838	738	3,201	2,579
Australia	250	243	681	618
UK	482	384	1,158	869
Germany	200	154	544	469
Other countries	1,052	655	3,426	2,117
<b>Total revenue</b>	<b>2,822</b>	<b>2,174</b>	<b>9,010</b>	<b>6,652</b>

#### NOTE 5 - Contingent liabilities

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

**NOTE 6 – Related parties***Related parties with significant interest:*

Major shareholders (more than 5%) are:

Axcel III K/S 1, Sankt Annæ Plads 10, 1250 København K  
CVR. no. 28867808, 5.7% ownership

Axcel III K/S 2, Sankt Annæ Plads 10, 1250 København K  
CVR. no. 28867719, 8.2% ownership

Axcel Management A/S acts as a management company for both of the above Axcel funds, as well as Axcel III K/S 3, thus exercising a controlling interest over 22,892,471 shares in PANDORA, corresponding to approximately 17.6% of the total share capital and voting rights. Other 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.

*Related parties with controlling interest:*

Up until 22 May 2013, Prometheus Invest ApS ('Prometheus') had a controlling interest in PANDORA. On 17 September 2013, Prometheus proportionally distributed its holdings of the share capital in PANDORA to the relevant owners of Prometheus, including three funds controlled by Axcel. Furthermore, a reduction of ownership by major shareholders took place during the year by placing of existing shares in the market.

Following these dispositions no single company owns more than 50% of the share capital in PANDORA.

However, it has been agreed that the Axcel funds and the Enevoldsen-family will only exercise the voting rights attached to their share holdings at PANDORA's meetings of shareholders provided they have a common position on the given subject. Consequently, to all intents and purposes the parties have the same position as they had while the PANDORA shares were owned through Prometheus.

*Transactions with related parties:*

As part of the share buyback carried out in 2013 PANDORA has purchased own shares from major shareholders. The shares were purchased at the volume weighted average purchase price of the shares purchased under the share buyback programme in the market on the relevant day of trading.

PANDORA has not undertaken any significant transactions with the Board of Directors and Executive Management, except for compensation and benefits received as a result of the membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA.

**NOTE 7 – 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 or amended standards (IFRS) and interpretations (IFRIC) as endorsed by the EU and which are effective for the financial year 2013. These IFRSs have not had any significant impact on the Group's interim financial report.

## Quarterly overview

DKK million	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
<b>Income statement</b>					
Revenue	2,822	2,255	1,931	2,002	2,174
Gross Profit	1,918	1,493	1,274	1,314	1,403
EBITDA	946	762	530	643	534
Operating profit (EBIT)	891	708	483	599	486
Net finance income and expenses	23	47	49	-58	40
Profit before tax	914	755	532	541	526
Net profit	739	612	431	438	421
<b>Balance sheet</b>					
Total assets	9,275	9,132	8,685	8,574	8,414
Invested capital	5,976	6,413	6,265	6,141	5,900
Net working capital	1,009	1,602	1,461	1,243	1,277
Shareholders' equity	6,462	6,129	5,682	5,891	6,038
Net interest-bearing debt	-637	175	309	192	-183
<b>Cash flow statement</b>					
Cash Flow from operating activities	1,163	442	178	645	1,098
Cash Flow from investing activities	-133	-89	-74	-247	-84
Free Cash Flow	1,085	363	102	406	1,030
Cash Flow from financing activities	-545	-324	-136	-519	-947
Net Cash Flow for the period	485	29	-32	-121	67
<b>Ratios</b>					
Revenue growth, %	29.8%	25.7%	53.3%	40.6%	11.4%
Gross profit growth, %	36.7%	29.8%	48.8%	28.8%	-1.2%
EBITDA growth, %	77.2%	51.5%	140.9%	60.3%	1.9%
EBIT growth, %	83.3%	52.9%	179.2%	69.7%	2.3%
Net profit growth, %	75.5%	61.1%	584.1%	29.6%	-24.1%
Gross margin, %	68.0%	66.2%	66.0%	65.6%	64.5%
EBITDA margin, %	33.5%	33.8%	27.4%	32.1%	24.6%
EBIT margin, %	31.6%	31.4%	25.0%	29.9%	22.4%
Effective tax rate, %	19.1%	19.0%	19.0%	19.0%	20.0%
Cash conversion, %	146.8%	59.3%	23.7%	92.7%	244.7%
CAPEX	90.0	71.0	83.0	246.0	105.0
Net interest-bearing debt to EBITDA *	-0.2	0.1	0.1	0.1	-0.1
Equity ratio, %	69.7%	67.1%	65.4%	68.7%	71.8%
ROIC, % *	44.9%	35.5%	32.4%	28.0%	25.0%

\* 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.