

No. 127

**COMPANY ANNOUNCEMENT**

12 November 2013

**INTERIM REPORT FOR Q3 2013**

**REVENUE GROWTH CONTINUED WITH IMPROVED PROFITABILITY ACROSS ALL REGIONS**

- Group revenue in Q3 2013 was DKK 2,255 million, an increase of 25.7% or 32.9% in local currency, compared to Q3 2012:
  - Americas increased by 7.6% (14.9% increase in local currency)
  - Europe increased by 46.5% (50.5% increase in local currency)
  - Asia Pacific increased by 37.7% (57.7% increase in local currency)
- Gross margin increased to 66.2% in Q3 2013, compared to a gross margin of 64.1% in Q3 2012
- EBITDA increased by 51.5% to DKK 762 million for the quarter, corresponding to an EBITDA margin of 33.8%, compared to an EBITDA margin of 28.0% in Q3 2012
- EBIT was DKK 708 million for the quarter, an increase of 52.9%, corresponding to an EBIT margin of 31.4%, compared to an EBIT margin of 25.8% in Q3 2012
- Net profit for the quarter was DKK 612 million, compared to a net profit of DKK 380 million in Q3 2012
- Free cash flow was DKK 363 million in Q3 2013, compared to DKK -88 million in Q3 2012
- During Q3 2013, PANDORA bought back 1,014,887 shares at a total value of DKK 220 million. In 2013, PANDORA has bought back shares worth DKK 491 million of the on-going DKK 700 million share buyback programme

**FINANCIAL GUIDANCE FOR 2013**

PANDORA expects revenue for 2013 to be approximately DKK 8.6 billion and expects an EBITDA margin of approximately 30%.

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 as well as the investment related to the acquisition of the distributor in Brazil.

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

During 2013 PANDORA expects to open approximately 195 Concept stores.

In connection with the Q3 2013 results, CEO Allan Leighton said:

*“We are pleased with the third quarter result, which confirms that the business has re-established a base platform to build from. Third quarter was also the last quarter with the easy comparative figures created by last years’ stock balancing programme. This obviously means that we are now entering a phase with more modest headline growth, but still underpinned by strong operating performance.”*

#### **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 87940111 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 1,000 Concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs over 7,300 people worldwide of whom 5,200 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).

#### **CONTACT**

For further queries, please contact:

##### **INVESTOR RELATIONS**

Morten Eismark  
VP Group Investor Relations  
Phone +45 3673 8213  
Mobile +45 3045 6719

Magnus Thorstholm Jensen  
Investor Relations Officer  
Phone +45 4323 1739  
Mobile +45 3050 4402

##### **MEDIA RELATIONS**

Jakob Risom Langelund  
Press Officer  
Phone +45 3673 0634  
Mobile +45 6165 6540

## FINANCIAL HIGHLIGHTS

DKK million	Q3 2013	Q3 2012	9M 2013	9M 2012	FY 2012
<b>Income statement</b>					
Revenue	2,255	1,794	6,188	4,478	6,652
Gross profit	1,493	1,150	4,081	3,026	4,429
Operating profit before depreciation and amortisation (EBITDA)	762	503	1,935	1,124	1,658
Operating profit (EBIT)	708	463	1,790	989	1,475
Net financial income and expenses	47	1	38	-36	4
Profit before tax	755	464	1,828	953	1,479
Net profit	612	380	1,481	781	1,202
<b>Balance sheet</b>					
Total assets	9,132	8,967	9,132	8,967	8,414
Invested capital	6,413	6,632	6,413	6,632	5,900
Net working capital	1,602	2,037	1,602	2,037	1,277
Shareholders' equity	6,129	5,807	6,129	5,807	6,038
Net interest-bearing debt	175	829	175	829	-183
<b>Cash flow statement</b>					
Cash flow from operating activities	442	-35	1,265	241	1,339
Cash flow from investing activities	-89	-55	-410	-147	-231
Free cash flow	363	-88	871	121	1,151
Cash flow from financing activities	-324	68	-979	4	-943
Net cash flow for the period	29	-22	-124	98	165
<b>Ratios</b>					
Revenue growth, %	25.7%	14.3%	38.2%	-4.8%	-0.1%
Gross profit growth, %	29.8%	-0.4%	34.9%	-12.0%	-8.9%
EBITDA growth, %	51.5%	-6.2%	72.2%	-36.0%	-27.3%
EBIT growth, %	52.9%	-8.5%	81.0%	-37.5%	-28.3%
Net profit growth, %	61.1%	11.4%	89.6%	-47.3%	-41.0%
Gross margin, %	66.2%	64.1%	66.0%	67.6%	66.6%
EBITDA margin, %	33.8%	28.0%	31.3%	25.1%	24.9%
EBIT margin, %	31.4%	25.8%	28.9%	22.1%	22.2%
Tax rate, %	19.0%	18.1%	19.0%	18.0%	18.7%
Cash conversion, %	59.3%	-23.2%	58.8%	15.5%	95.8%
CAPEX	71	70	400	171	276
Net interest-bearing debt to EBITDA *	0.1	0.5	0.1	0.5	-0.1
Equity ratio, %	67.1%	64.8%	67.1%	64.8%	71.8%
ROIC, % *	35.5%	22.1%	35.5%	22.1%	25.0%
<b>Other key figures</b>					
Average number of employees	7,109	5,937	6,641	5,652	5,753
Dividend per share, DKK	-	-	-	-	5.50
Earnings per share, basic, DKK	4.8	2.9	11.5	6.0	9.2
Earnings per share, diluted, DKK	4.7	2.9	11.4	6.0	9.2
Share price at end of period, DKK	227.7	79.0	227.7	79.0	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 Q3 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 major shareholders, Pewic Holding ApS and three funds managed by Axcel Management A/S, participates on a pro-rata basis to secure that the share of free float is not reduced (please refer to note 6 in the Financial Statement).

As of 30 September 2013, a total of 2,562,723 shares had been bought back, corresponding to a transaction value of DKK 491 million and an average purchase price of DKK 191.55. As of 30 September 2013, PANDORA owned a total of 2,745,648 treasury shares, corresponding to 2.1% 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 September 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**

In August, PANDORA held an Extraordinary General Meeting, on which it was decided to elect Bjørn Gulden, former CEO of PANDORA, to the Board of Directors.

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

### **TAKE OVER OF DISTRIBUTION IN BRAZIL COMPLETED**

In October 2013, PANDORA completed the acquisition of 100% of the shares in City Time Brazil Comércio e Importação Ltda. (City Time Brazil) as previously announced. PANDORA has paid a one-time cash payment to City Time S.L. for acquiring City Time Brazil, which is primarily related to the distribution rights to distribute PANDORA jewellery in Brazil, fixed assets, key money and inventories related to 9 concept stores and further an e-commerce store. The cash payment, less the store-inventory and net working capital, does not exceed City Time Brazil's revenue for the first seven months of 2013 (EUR 6.2 million).

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

On 31 October 2013, PANDORA announced an upgrade of the financial expectations for 2013. PANDORA expects revenue for 2013 to be approximately DKK 8.6 billion (from previously guided above DKK 8.0 billion) and expects an EBITDA margin of approximately 30% (from previously guided approximately 27%).

PANDORA continues to expect CAPEX to be approximately DKK 400 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 as well as the investment related to the acquisition of the distributor in Brazil.

PANDORA expects an effective tax rate of approximately 19% for 2013.

During 2013, PANDORA expects to open approximately 195 Concept stores (from previously guided approximately 175).

## REVENUE DEVELOPMENT

Total revenue for Q3 2013 was DKK 2,255 million, an increase of 25.7% compared to Q3 2012, including a negative impact from currency of 7.2 percentage points. Volumes increased by 25.7% compared to Q3 2012. The average sales price, recognised by PANDORA, was DKK 133 in Q3 2013, which is unchanged compared to Q3 2012. Likewise, the sales prices for each individual product was virtually unchanged compared to Q3 2012.

Growth continued across all regions for the quarter, specifically driven by Europe, Other Americas and Other Asia Pacific. Revenue in the US and Australia, was impacted by unfavourable exchange rates, but increased 8.4% and 31.6% respectively in local currency. 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 Autumn collection launched in Q3 2013, as well as new store openings in all geographies.

The comparable figures for the third quarter last year were impacted by the stock balancing campaign conducted in 2012, however to a lesser extent compared to earlier quarters. For more details on the mechanics of the stock balancing campaign, please refer to PANDORA's Annual Report 2011.

At the end of Q3 2013, sales return provisions equated to approximately 8% of 12 months rolling revenue value. The continued success of the Company's newer products has resulted in lower product returns. Therefore, provisions for future returns at the end of the year are expected to remain at around 8%, marginally lower than previously communicated 9%. The change had a positive effect on revenue of approximately DKK 80 million and approximately 1 percentage point on the EBITDA margin in Q3 2013.

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. All four markets experienced an increase in like-for-like growth compared to the already robust growth rates for Q2 2013. 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.

## REVENUE BREAKDOWN BY GEOGRAPHY

In Q3 2013, 43.9% of revenue was generated in Americas (51.3% in Q3 2012), 45.4% in Europe (39.0% in Q3 2012) and 10.7% in Asia Pacific (9.7% in Q3 2012).

### Distribution of revenue

DKK million	Q3 2013	Q3 2012	Growth	Growth in local currency	Received Q3 2012*	Replaced Q3 2012*
<b>Americas</b>	<b>990</b>	<b>920</b>	<b>7.6%</b>	<b>14.9%</b>	<b>85</b>	<b>80</b>
US	729	711	2.5%	8.4%	73	68
Other	261	209	24.9%		12	12
<b>Europe</b>	<b>1,024</b>	<b>699</b>	<b>46.5%</b>	<b>50.5%</b>	<b>1</b>	<b>45</b>
UK	308	249	23.7%	34.6%	1	-
Germany	141	130	8.5%	8.5%	-	4
Other	575	320	79.7%		-	41
<b>Asia Pacific</b>	<b>241</b>	<b>175</b>	<b>37.7%</b>	<b>57.7%</b>	<b>-</b>	<b>2</b>
Australia	130	120	8.3%	31.6%	-	-
Other	111	55	101.8%		-	2
<b>Total</b>	<b>2,255</b>	<b>1,794</b>	<b>25.7%</b>	<b>32.9%</b>	<b>86</b>	<b>127</b>

\* Received means value of discontinued products returned to PANDORA in Q3 2012. Replaced means value of new products returned to retailers in Q3 2012.

**AMERICAS**

Revenue in Americas was DKK 990 million for the quarter, an increase of 7.6% or 14.9% in local currency compared to Q3 2012. The increase was driven by continued growth in the US and Canada.

US revenue was DKK 729 million (accounting for 32.3% of Group revenue), an increase of 2.5% or 8.4% in local currency compared to Q3 2012. Growth was driven by an increased demand for products launched in the last 12 months, as well as the improved store network.

Like-for-like sales-out in Q3 2013, based on Concept stores in the US - which have been operating for more than 12 months - increased by 12.6% compared to Q3 2012. The improved sales-out performance was driven by a continued high sales-out of PANDORA's newer products, especially from the Spring/Summer 2013 collection as well as the recently launched Autumn collection. Furthermore, the silver bangle launched in Q1 2013 continues to be in high demand, supported in the quarter by a bracelet event in September.

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

	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012
<b>US</b>	<b>12.6%</b>	<b>8.8%</b>	<b>14.7%</b>	<b>6.9%</b>	<b>4.5%</b>

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

Revenue from Other Americas was DKK 261 million, an increase of 24.9% compared to the same quarter last year. The strong development in the Canadian market continues with revenue growth of 22% for the quarter. Revenue in Canada now corresponds to almost 20% of revenue in Americas.

PANDORA continues to expand the branded store network and during Q3 2013, the number of branded points of sale (PoS) in the Americas increased by 49 stores. Branded stores now account for 52.9% of the total number of stores compared to 51.9% at the end of Q2 2013.

**Store network - Americas**

	Number of PoS Q3 2013	Number of PoS Q2 2013	Number of PoS Q3 2012	Delta Q3 2013 and Q2 2013	Delta Q3 2013 and Q3 2012
Concept stores <sup>1</sup>	320	303	273	17	47
Shop-in-Shops <sup>2</sup>	559	549	500	10	59
Gold	847	825	732	22	115
<b>Total branded</b>	<b>1,726</b>	<b>1,677</b>	<b>1,505</b>	<b>49</b>	<b>221</b>
<b>Total branded as % of Total</b>	<b>52.9%</b>	<b>51.9%</b>	<b>47.4%</b>		
Silver	1,078	1,091	1,119	-13	-41
White and Travel Retail	459	466	548	-7	-89
<b>Total</b>	<b>3,263</b>	<b>3,234</b>	<b>3,172</b>	<b>29</b>	<b>91</b>

<sup>1</sup> Includes 4, 3 and 1 PANDORA-owned Concept stores in Q3 2013, Q2 2013 and Q3 2012, respectively

<sup>2</sup> Includes 0, 0 and 0 PANDORA-owned Shop-in-Shops in Q3 2013, Q2 2013 and Q3 2012, respectively

**EUROPE**

Revenue in Europe was DKK 1,024 million for the quarter, an increase of 46.5% or 50.5% in local currency compared to Q3 2012. The growth was primarily driven by PANDORA's new markets Italy, France and Russia, as well as continued good momentum in the UK.

Third quarter revenue in the UK (accounting for 13.7% of Group revenue) was DKK 308 million, an increase of 23.7% or 34.6% in local currency compared to the same quarter last year. Growth was primarily driven by PANDORA's newer products; in particular the Autumn collection, which has been very successful across all product categories, as well as an early shipment for the Christmas season. Furthermore, revenue was positively impacted by an improved store network.

Like-for-like sales-out in Q3 2013, based on Concept stores in the UK - which have been operating for more than 12 months - increased by 13.6% compared to Q3 2012. The improvement in sales was driven by newness in the stores, as end-consumer demand remains high for newly launched products.

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

	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012
<b>UK</b>	<b>13.6%</b>	<b>11.6%</b>	<b>17.8%</b>	<b>12.3%</b>	<b>0.9%</b>

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

Third quarter revenue in Germany (accounting for 6.3% of Group revenue) was DKK 141 million, an increase of 8.5% compared to Q3 2012. The improvement of the store network in Germany is ongoing 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 Q3 2013, based on Concept stores in Germany - which have been operating for more than 12 months - increased by 8.2% compared to Q3 2012.

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

	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012
<b>Germany</b>	<b>8.2%</b>	<b>1.7%</b>	<b>18.2%</b>	<b>4.5%</b>	<b>2.5%</b>

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

During the quarter PANDORA opened eSTOREs in Germany and Austria. Including the UK eSTORE, PANDORA now offers e-commerce platforms in three European countries.

Revenue from Other Europe was DKK 575 million for the quarter, an increase of 79.7% compared to Q3 2012. Italy, France and Russia, continues to be the main driver of growth. Like-for-like sales-out for the three countries was exceptionally high (+30%) and growth is further fuelled by the increasing store network in these countries. In October, Concept store number 100 was opened in Russia. Third quarter revenue for the three new markets constituted more than 50% of revenue from Other Europe in the quarter.

During Q3 2013 the number of branded stores in Europe increased by 43 stores to a total of 2,504 stores, accounting for 38.8% of the total number of stores compared to 37.9% at the end of Q2 2013, in line with PANDORA's overall strategy to increase branded sales.

#### Store network - Europe

	Number of PoS Q3 2013	Number of PoS Q2 2013	Number of PoS Q3 2012	Delta Q3 2013 and Q2 2013	Delta Q3 2013 and Q3 2012
Concept stores <sup>1</sup>	529	490	405	39	124
Shop-in-Shops <sup>2</sup>	612	601	529	11	83
Gold	1,363	1,370	1,269	-7	94
<b>Total branded</b>	<b>2,504</b>	<b>2,461</b>	<b>2,203</b>	<b>43</b>	<b>301</b>
<b>Total branded as % of Total</b>	<b>38.8%</b>	<b>37.9%</b>	<b>34.2%</b>		
Silver	1,974	1,987	1,741	-13	233
White and Travel Retail	1,981	2,041	2,504	-60	-523
<b>Total<sup>3</sup></b>	<b>6,459</b>	<b>6,489</b>	<b>6,448</b>	<b>-30</b>	<b>11</b>

<sup>1</sup> Includes 98, 89 and 73 PANDORA-owned Concept stores in Q3 2013, Q2 2013 and Q3 2012, respectively

<sup>2</sup> Includes 51, 54 and 51 PANDORA-owned Shop-in-Shops in Q3 2013, Q2 2013 and Q3 2012, respectively

<sup>3</sup> Includes for Q3 2013 relating to 3rd party distributors: 99 Concept stores, 171 Shop-in-Shops, 278 Gold, 281 Silver and 948 White stores

**ASIA PACIFIC**

Revenue in Asia Pacific was DKK 241 million for the quarter, an increase of 37.7% or 57.7% in local currency compared to the same period last year.

Revenue in Australia (accounting for 5.8% of Q3 2013 Group revenue) was DKK 130 million, an increase of 8.3% or 31.6% in local currency compared to Q3 2012. The growth in Australia was driven by a continued strong sales-out growth, fuelled by successful new launches, as well as an improvement of the store network.

Like-for-like sales-out in Q3 2013, based on Concept stores in Australia - which have been operating for more than 12 months - increased by 25.2% compared to Q3 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**

	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013	Q4 2011 to Q4 2012	Q3 2011 to Q3 2012
<b>Australia</b>	<b>25.2%</b>	<b>22.4%</b>	<b>15.9%</b>	<b>10.1%</b>	<b>-5.8%</b>

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

Revenue from Other Asia Pacific was DKK 111 million for the quarter, corresponding to an increase of 101.8% compared to the same quarter last year. Growth was primarily driven by Hong Kong, Malaysia, South Korea, Singapore and Taiwan. The positive development was primarily driven by a strong like-for-like growth across the markets.

**Store network – Asia Pacific**

	Number of PoS Q3 2013	Number of PoS Q2 2013	Number of PoS Q3 2012	Delta Q3 2013 and Q2 2013	Delta Q3 2013 and Q3 2012
Concept stores <sup>1</sup>	162	156	145	6	17
Shop-in-Shops <sup>2</sup>	178	172	175	6	3
Gold	145	144	129	1	16
<b>Total branded</b>	<b>485</b>	<b>472</b>	<b>449</b>	<b>13</b>	<b>36</b>
<b>Total branded as % of Total</b>	<b>77.8%</b>	<b>76.9%</b>	<b>74.8%</b>		
Silver	67	70	75	-3	-8
White and Travel Retail	71	72	76	-1	-5
<b>Total</b>	<b>623</b>	<b>614</b>	<b>600</b>	<b>9</b>	<b>23</b>

<sup>1</sup> Includes 26, 28 and 32 PANDORA-owned Concept stores in Q3 2013, Q2 2013 and Q3 2012, respectively

<sup>2</sup> Includes 1, 1 and 0 PANDORA-owned Shop-in-Shops in Q3 2013, Q2 2013 and Q3 2012, respectively

**SALES CHANNELS**

PANDORA's focus on expanding the branded sales network continues and in Q3 2013, PANDORA opened net 89 new Concept stores and Shop-in-Shops. In the first nine months of 2013, PANDORA has opened 116 Concept stores. Compared to the end of Q3 2012, PANDORA has increased the branded store network with 558 points of sales. 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 sales decreased 7.1% compared to Q3 2012, corresponding to 433 stores.

The total number of points of sale was 10,345, an increase of 125 compared to Q3 2012.

**Store network – Group**

	Number of PoS Q3 2013	Number of PoS Q2 2013	Number of PoS Q3 2012	Delta Q3 2013 and Q2 2013	Delta Q3 2013 and Q3 2012
Concept stores <sup>1</sup>	1,011	949	823	62	188
Shop-in-Shops <sup>2</sup>	1,349	1,322	1,204	27	145
Gold	2,355	2,339	2,130	16	225
<b>Total branded</b>	<b>4,715</b>	<b>4,610</b>	<b>4,157</b>	<b>105</b>	<b>558</b>
<b>Total branded as % of Total</b>	<b>45.6%</b>	<b>44.6%</b>	<b>40.7%</b>		
Silver	3,119	3,148	2,935	-29	184
White and Travel Retail	2,511	2,579	3,128	-68	-617
<b>Total<sup>3</sup></b>	<b>10,345</b>	<b>10,337</b>	<b>10,220</b>	<b>8</b>	<b>125</b>

<sup>1</sup> Includes 128, 120 and 106 PANDORA-owned Concept stores in Q3 2013, Q2 2013 and Q3 2012, respectively

<sup>2</sup> Includes 52, 55 and 51 PANDORA-owned Shop-in-Shops in Q3 2013, Q2 2013 and Q3 2012, respectively

<sup>3</sup> Includes for Q3 2013 relating to 3rd party distributors: 99 Concept stores, 171 Shop-in-Shops, 278 Gold, 281 Silver and 948 White stores

The expansion of the store network in PANDORA's new markets continues, and in Q3 the network increased with 24 Concept stores and 15 Shop-in-Shops.

In Italy the focus is on expanding the branded share of points of sale, and at the end of Q3 2013, the Company was selling PANDORA products through 21 Concept stores (Q2 2013: 16), 7 Shop-in-Shops (Q2 2013: 8), 263 Gold stores (Q2 2013: 228), 343 Silver stores (Q2 2013: 357) and 217 White stores (Q2 2013: 246) 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 Q3 2013, the Company was selling PANDORA products through 18 Concept stores (Q2 2013: 14), 33 Shop-in-Shops (Q2 2013: 31), 43 Gold stores (Q2 2013: 31), 187 Silver stores (Q2 2013: 176) and 81 White stores (Q2 2013: 87) in France.

**Store network – New Markets (end of Q3 2013)**

	Russia	China	Japan	Rest of Asia	France	Italy	Total	Net openings Q3 2013	Net openings Q2 2013
Concept stores	99	27	1	50	18	21	<b>216</b>	24	22
Shop-in-Shops	28	12	5	61	33	7	<b>146</b>	15	3
<b>Total</b>	<b>127</b>	<b>39</b>	<b>6</b>	<b>111</b>	<b>51</b>	<b>28</b>	<b>362</b>	<b>39</b>	<b>25</b>

Branded revenue in markets with direct distribution accounted for 86.2% in Q3 2013 compared to 83.0% in Q3 2012 and Concept stores accounted for 59.9% of the branded revenue in Q3 2013 (61.8% in Q3 2012).

**Revenue per sales channel**

DKK million	Q3 2013	Q3 2012	Growth	Received Q3 2012*	Replaced Q3 2012*
Concept stores	1,111	901	23%	18	9
Shop-in-Shops	390	309	26%	28	28
Gold	355	249	43%	27	59
<b>Total branded</b>	<b>1,856</b>	<b>1,459</b>	<b>27%</b>	<b>73</b>	<b>96</b>
Silver	157	185	-15%	13	-11
White and Travel Retail	139	113	23%	-	3
<b>Total unbranded</b>	<b>296</b>	<b>298</b>	<b>-1%</b>	<b>13</b>	<b>-8</b>
<b>Total Direct</b>	<b>2,152</b>	<b>1,757</b>	<b>22%</b>	<b>86</b>	<b>88</b>
3rd party distributors	103	37	178%	-	39
<b>Total</b>	<b>2,255</b>	<b>1,794</b>	<b>26%</b>	<b>86</b>	<b>127</b>

\* Received means value of discontinued products returned to PANDORA in Q3 2012. Replaced means value of new products returned to retailers Q3 2012.

Third party revenue for the quarter was DKK 103 million. The quarter was positively impacted by higher revenue in countries like Spain, Ireland and Greece, while the same period last year was impacted by the stock balancing campaign.

## PRODUCT OFFERING

In Q3 2013, revenue from Charms increased by 9.4% compared to Q3 2012, while revenue from Silver and gold charms bracelets increased by 31.6% compared to Q3 2012. The two categories represented 78.5% of total revenue in Q3 2013 compared to 87.5% in Q3 2012. Q3 2012 revenue from Charms in particular, was impacted by the stock balancing campaign.

Revenue from Rings was DKK 174 million, an increase of 31.8% compared to Q3 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 7.7% of total revenue for the quarter.

Revenue from Other jewellery was DKK 311 million, an increase of 241.8% compared to Q3 2012. The growth was driven by all subcategories, in particular other bracelets, which were still positively impacted by the new silver bangle, and revenue from earrings driven by the improved product offering. Other jewellery represented 13.8% of total revenue in Q3 2013 compared to 5.1% in Q3 2012. Other jewellery was impacted by the stock balancing campaign in Q3 2012.

### Product mix

DKK million	Q3 2013	Q3 2012	Growth	Share of total revenue	Received Q3 2012*	Replaced Q3 2012*
Charms	1,466	1,340	9.4%	65.0%	29	94
Silver and gold charms bracelets	304	231	31.6%	13.5%	-	19
Rings	174	132	31.8%	7.7%	1	6
Other jewellery	311	91	241.8%	13.8%	56	8
<b>Total revenue</b>	<b>2,255</b>	<b>1,794</b>	<b>25.7%</b>	<b>100.0%</b>	<b>86</b>	<b>127</b>

\* Received means value of discontinued products returned to PANDORA in Q3 2012. Replaced means value of new products returned to retailers Q3 2012.

## COSTS

Total costs for the quarter, including depreciation and amortisation, were DKK 1,547 million, an increase of 16.2% compared to Q3 2012. The cost increase was primarily due to increasing revenue. Total costs corresponded to 68.6% of revenue for the quarter compared to 74.2% in Q3 2012.

### Cost development

DKK million	Q3 2013	Q3 2012	Growth	Share of total revenue Q3 2013	Share of total revenue Q3 2012
Cost of sales	762	644	18.3%	33.8%	35.9%
<b>Gross profit</b>	<b>1,493</b>	<b>1,150</b>	<b>29.8%</b>	<b>66.2%</b>	<b>64.1%</b>
Sales and distribution expenses	354	287	23.3%	15.6%	16.0%
Marketing expenses	211	190	11.1%	9.4%	10.6%
Administrative expenses	220	210	4.8%	9.8%	11.7%
<b>Total costs</b>	<b>1,547</b>	<b>1,331</b>	<b>16.2%</b>	<b>68.6%</b>	<b>74.2%</b>

## GROSS PROFIT

Gross profit for the quarter was DKK 1.493 million corresponding to a gross margin of 66.2% compared to 64.1% in Q3 2012 and 66.0% in Q2 2013. The increase in gross margin for the quarter compared to Q3 2012 was primarily due to the improvement in realised hedging 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 1,543 USD/oz, 1,450 USD/oz, 1,355 USD/oz and 1,352 USD/oz and for silver 25.85 USD/oz, 24.86 USD/oz, 22.15 USD/oz and 22.06 USD/oz. However, current inventory means a delayed impact of the hedged prices on cost of sales.

The average realised purchase price in Q3 2013 was 1,626 USD/oz for gold and 26.27 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 (1,327 USD/oz) and silver (21.35 USD/oz) market prices in Q3 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 785 million compared to DKK 687 million in Q3 2012, representing 34.8% of revenue in Q3 2013 compared to 38.3% Q3 2012.

Sales and distribution expenses were DKK 354 million, an increase of 23.3% compared to Q3 2012, and corresponding to 15.6% of revenue compared to 16.0% Q3 2012. The increase in sales and distribution expenses was primarily driven by increasing revenue, as well as an increase in number of PANDORA-owned stores (180 in Q3 2013 vs. 157 in Q3 2012). Sales and distribution expenses are expected to increase significantly in Q4 2013, in line with previous years.

Marketing expenses was DKK 211 million compared to DKK 190 million in Q3 2012, corresponding to 9.4% of revenue, compared to 10.6% in Q3 2012. Marketing expenses are expected to increase significantly in Q4 2013, due to seasonality as well as the launch of the PANDORA ESSENCE COLLECTION.

Administrative expenses for the quarter increased 4.8% to DKK 220 million, representing 9.8% of revenue, compared to 11.7% of Q3 2012 revenue.

## EBITDA

EBITDA for Q3 2013 increased by 51.5% to DKK 762 million resulting in an EBITDA margin of 33.8%, compared to 28.0% in Q3 2012.

### Regional EBITDA margins

	Q3 2013	Q3 2012	Delta Q3 2013 and Q3 2012
Americas	44.2%	42.7%	1.5%
Europe	39.6%	34.3%	5.3%
Asia Pacific	40.2%	19.4%	20.8%
Unallocated costs	-7.9%	-9.1%	1.2%
<b>Group EBITDA margin</b>	<b>33.8%</b>	<b>28.0%</b>	<b>5.8%</b>

The EBITDA margin for Americas was up 1.5 percentage points compared to Q3 2012, whereas the EBITDA margin for Europe increased from 34.3% in Q3 2012 to 39.6% for the current quarter. The increase was primarily driven by improved revenue in Other Europe, where the new markets are starting to gain leverage on their cost base. The EBITDA margin for the Asia Pacific region improved 20.8 percentage points to 40.2% for the quarter. The improvement was primarily driven by higher

revenue in the region.

### EBIT

EBIT for Q3 2013 increased to DKK 708 million, an increase of 52.9% compared to the same quarter in 2012, resulting in an EBIT margin of 31.4% for Q3 2013 versus 25.8% in Q3 2012.

### NET FINANCIAL INCOME AND EXPENSES

In Q3 2013, net financial income amounted to DKK 47 million, of which DKK 54 million was an exchange rate gain and DKK 7 million was interest expenses and other costs. This compared to a net financial income of DKK 1 million in Q3 2012.

### INCOME TAX EXPENSES

Income tax expenses were DKK 143 million in Q3 2013, implying an effective tax rate of 19% for Q3 2013 compared to 18% for Q3 2012.

### NET PROFIT

In Q3 2013, net profit increased to DKK 612 million from DKK 380 million in Q3 2012.

### BALANCE SHEET AND CASH FLOW

In Q3 2013, PANDORA generated free cash flow of DKK 363 million compared to DKK -88 million in Q3 2012 and corresponding to a cash conversion of 59.3%. The strong cash flow was primarily driven by the improved profitability as well as a more favourable working capital development compared to Q3 2012.

Operating working capital (defined as inventory and accounts receivables less accounts payables) at the end of Q3 2013 corresponded to 25.6% of the preceding twelve months revenue, compared to 42.5% at the end of Q3 2012 and 24.9% at the end of Q2 2013.

Inventory increased to DKK 1,603 million at the end of Q3 2013 from DKK 1,463 million at the end of Q2 2013 and decreased by DKK 319 million versus Q3 2012. The increase compared to last quarter was due to normalisation of inventories. Inventories in Q3 2012 were unusually high due to the temporary increase from products returned under the stock balancing campaign carried out in 2012 as well as higher commodity prices. Compared to Q3 2012 the gold and silver prices affected inventory with a decrease of approximately 12%.

#### Inventory development

DKK million	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Inventory	1,603	1,463	1,396	1,318	1,922
<i>Share of last 12 months' revenue</i>	<i>19.2%</i>	<i>18.5%</i>	<i>19.3%</i>	<i>19.8%</i>	<i>29.9%</i>

Trade receivables increased to DKK 1.017 million at the end of Q3 2013 (12.2% of preceding 12 months revenue) compared to DKK 982 million at the end of Q3 2012 (15.3% of the preceding 12 months revenue) and DKK 687 million at the end of Q2 2013 (8.7% of preceding 12 months revenue). The increase compared to Q3 2012 is mainly due to higher revenue, while the increase compared to Q2 2013 is primarily due to revenue in the third quarter being skewed towards the end of the quarter, as well as extended credit terms in the US and the UK.

Trade payables at the end of quarter was DKK 481 million compared to DKK 174 million at the end of Q3 2012 and DKK 184 million at the end of Q2 2013. The increase is due to a reclassification of

DKK 203 million from Other payables to Trade payables, which is related to accrued expenses.

In Q3 2013, PANDORA's CAPEX was DKK 71 million, including investments in intangible assets of DKK 38 million mainly related to key money in connection with the opening of some PANDORA-owned stores, as well as IT investments. CAPEX constituted 3.1% of Q3 2013 revenue.

During the quarter, a total of DKK 220 million was used to purchase own shares related to the share buyback programme. As of 30 September 2013, PANDORA held 2,747,351 treasury shares, corresponding to 2.1% of the share capital.

Total interest-bearing debt was DKK 383 million at the end of Q3 2013 (compared to DKK 1,105 million at the end of Q3 2012).

Cash and short-term deposits amounted to DKK 208 million at the end of Q3 2013 (compared to DKK 276 million at the end of Q3 2012).

Net interest-bearing debt (NIBD) at the end of Q3 2013 was DKK 175 million corresponding to a NIBD/EBITDA of 0.1x of the last twelve months EBITDA (compared to DKK 829 million at the end of Q3 2012 corresponding to a NIBD/EBITDA of 0.5x).

## DEVELOPMENT IN 9 MONTHS 2013

### REVENUE

Total revenue increased by 38.2% to DKK 6,188 million in 9M 2013 from DKK 4,478 million in 9M 2012. The geographical distribution of revenue in 9M 2013 was 50.0% for the Americas, 38.4% for Europe and 11.6% for Asia Pacific.

### COSTS

Gross profit was DKK 4,081 million in 9M 2013 compared to DKK 3,026 million in 9M 2012, resulting in a gross margin of 66.0% in 9M 2013 compared to 67.6% in 9M 2012.

Sales, distribution and marketing expenses increased to DKK 1,633 million in 9M 2013 compared to DKK 1,398 million in 9M 2012, corresponding to 26.4% and 31.2% of 9M 2013 and 9M 2012 revenue, respectively. Administrative expenses amounted to DKK 658 million in 9M 2013 versus DKK 639 million 9M 2012, corresponding to 10.6% and 14.3% of 9M 2013 and 9M 2012 revenue, respectively.

### EBITDA

EBITDA for 9M 2013 increased by 72.2% to DKK 1,935 million resulting in an EBITDA margin of 31.3% in 9M 2013 versus 25.1% in 9M 2012.

Regional EBITDA margins for 9M 2013 before allocation of central costs were 44.3% in Americas (45.4% in 9M 2012), 33.7% in Europe (21.3% in 9M 2012) and 37.4% in Asia Pacific (4.5% in 9M 2012). Unallocated costs were -8.2% of revenue in 9M 2013 and -8.8% of revenue in 9M 2012.

### EBIT

EBIT for 9M 2013 was DKK 1,790 million – an increase of 81.0% compared to 9M 2012, resulting in an EBIT margin of 28.9% in 9M 2013 versus 22.1% in 9M 2012.

### NET FINANCIAL INCOME AND EXPENSES

Net financial income and expenses were DKK 38 million in 9M 2013 versus DKK -36 million in 9M 2012.

### INCOME TAX EXPENSES

Income tax expenses were DKK 347 million in 9M 2013, implying an effective tax rate for the Group of 19.0% for 9M 2013.

### NET PROFIT

Net profit in 9M 2013 was DKK 1,481 million compared to DKK 781 million in 9M 2012.

### CASH FLOW

In 9M 2013, PANDORA generated free cash flow of DKK 871 million corresponding to a cash conversion of 58.8% compared to 15.5% in 9M 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 September 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 September 2013, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 September 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, 12 November 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

Bjørn Gulden

Nikolaj Vejlsgaard

Ronica Wang

## FINANCIAL STATEMENT

### Consolidated income statement

DKK million	Notes	Q3 2013	Q3 2012	9M 2013	9M 2012	FY 2012
Revenue	3	2,255	1,794	6,188	4,478	6,652
Cost of sales		-762	-644	-2,107	-1,452	-2,223
<b>Gross profit</b>		<b>1,493</b>	<b>1,150</b>	<b>4,081</b>	<b>3,026</b>	<b>4,429</b>
Sales, distribution and marketing expenses		-565	-477	-1,633	-1,398	-2,084
Administrative expenses		-220	-210	-658	-639	-870
<b>Operating profit</b>		<b>708</b>	<b>463</b>	<b>1,790</b>	<b>989</b>	<b>1,475</b>
Financial income		58	5	109	72	132
Financial expenses		-11	-4	-71	-108	-128
<b>Profit before tax</b>		<b>755</b>	<b>464</b>	<b>1,828</b>	<b>953</b>	<b>1,479</b>
Income tax expenses		-143	-84	-347	-172	-277
<b>Net profit for the period</b>		<b>612</b>	<b>380</b>	<b>1,481</b>	<b>781</b>	<b>1,202</b>
Earnings per share, basic (DKK)		4.8	2.9	11.5	6.0	9.2
Earnings per share, diluted (DKK)		4.7	2.9	11.4	6.0	9.2

### Consolidated comprehensive income statement

DKK million	Q3 2013	Q3 2012	9M 2013	9M 2012	FY 2012
<b>Net profit for the period</b>	<b>612</b>	<b>380</b>	<b>1,481</b>	<b>781</b>	<b>1,202</b>
Exchange differences on translation of foreign subsidiaries	-110	-69	-166	7	-65
Value adjustment of hedging instruments	148	273	-70	314	203
Income tax on other comprehensive income	3	-5	-1	-6	-18
<b>Other comprehensive income, net of tax</b>	<b>41</b>	<b>199</b>	<b>-237</b>	<b>315</b>	<b>120</b>
<b>Total comprehensive income for the period</b>	<b>653</b>	<b>579</b>	<b>1,244</b>	<b>1,096</b>	<b>1,322</b>

**Consolidated balance sheet**

DKK million	2013 30 September	2012 30 September	2012 31 December
<b>ASSETS</b>			
Goodwill	1,906	1,939	1,922
Brand	1,053	1,053	1,053
Distribution network	325	313	331
Distribution rights	1,041	1,059	1,045
Other intangible assets	303	122	136
Property, plant and equipment	477	457	472
Deferred tax assets	325	261	190
Other non-current financial assets	44	32	26
<b>Total non-current assets</b>	<b>5,474</b>	<b>5,236</b>	<b>5,175</b>
Inventories	1,603	1,922	1,318
Trade receivables	1,017	982	940
Other receivables	702	505	502
Tax receivables	128	46	138
Cash and short-term deposits	208	276	341
<b>Total current assets</b>	<b>3,658</b>	<b>3,731</b>	<b>3,239</b>
<b>Total assets</b>	<b>9,132</b>	<b>8,967</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	-529	-38	-38
Foreign currency translation reserve	536	775	703
Hedge reserve	-122	72	-51
Other reserves	-	103	-
Proposed dividend	-	-	715
Retained earnings	4,866	3,517	3,331
<b>Total shareholders' equity</b>	<b>6,129</b>	<b>5,807</b>	<b>6,038</b>
Interest-bearing loans and borrowings	314	1,057	151
Provisions	25	97	7
Deferred tax liabilities	663	641	552
Other non-current liabilities	-	-	2
<b>Total non-current liabilities</b>	<b>1,002</b>	<b>1,795</b>	<b>712</b>
Interest-bearing loans and borrowings	69	48	7
Provisions	422	243	463
Trade payables	481	174	219
Income tax payables	478	324	283
Other payables	551	576	692
<b>Total current liabilities</b>	<b>2,001</b>	<b>1,365</b>	<b>1,664</b>
<b>Total liabilities</b>	<b>3,003</b>	<b>3,160</b>	<b>2,376</b>
<b>Total equity and liabilities</b>	<b>9,132</b>	<b>8,967</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	-	-	-	-	-	-	-	1,481	1,481
Exchange differences on translation of foreign subsidiaries	-	-	-	-167	-	-	-	-	-167
Value adjustment of hedging instruments	-	-	-	-	-70	-	-	-	-70
Income tax on other comprehensive income	-	-	-	-	-1	-	-	-	-1
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-167</b>	<b>-71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-238</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-167</b>	<b>-71</b>	<b>-</b>	<b>-</b>	<b>1,481</b>	<b>1,243</b>
Sharebased payments	-	-	-	-	-	-	-	52	52
Purchase of treasury shares	-	-	-491	-	-	-	-	-	-491
Dividend paid	-	-	-	-	-	-	-715	2	-713
<b>Equity at 30 September 2013</b>	<b>130</b>	<b>1,248</b>	<b>-529</b>	<b>536</b>	<b>-122</b>	<b>-</b>	<b>-</b>	<b>4,866</b>	<b>6,129</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	-	-	-	-	-	-	-	781	781
Exchange differences on translation of foreign subsidiaries	-	-	-	7	-	-	-	-	7
Value adjustment of hedging instruments	-	-	-	-	314	-	-	-	314
Income tax on other comprehensive income	-	-	-	-	-6	-	-	-	-6
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>308</b>	<b>-</b>	<b>-</b>	<b>781</b>	<b>315</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>308</b>	<b>-</b>	<b>-</b>	<b>781</b>	<b>1,096</b>
Sharebased payments	-	-	-	-	-	15	-	-	15
Dividend paid	-	-	-	-	-	-	-715	-	-715
<b>Equity at 30 September 2012</b>	<b>130</b>	<b>1,248</b>	<b>-38</b>	<b>775</b>	<b>72</b>	<b>103</b>	<b>-</b>	<b>3,517</b>	<b>5,807</b>

**Consolidated cash flow statement**

DKK million	Q3 2013	Q3 2012	9M 2013	9M 2012	FY 2012
Profit before tax	755	464	1,828	953	1,479
Financial income	-58	-5	-109	-72	-132
Financial expenses	11	4	71	108	128
Amortisation/depreciation	52	42	145	136	180
Options	15	6	52	16	20
Change in inventories	-222	-14	-400	-278	302
Change in receivables	-315	-535	-301	-303	-368
Change in trade payables	378	-12	340	-114	-67
Change in other liabilities	-150	86	-252	21	289
Other non-cash adjustments	31	-4	76	-35	-21
Interests etc. received	-	1	3	3	4
Interests etc. paid	-10	-3	-15	-30	-47
Income tax paid	-45	-65	-173	-164	-428
<b>Cash flow from operating activities</b>	<b>442</b>	<b>-35</b>	<b>1,265</b>	<b>241</b>	<b>1,339</b>
Acquisition of subsidiaries, net of cash acquired	-	-	-4	-	-
Purchase of intangible assets	-38	-23	-289	-71	-109
Purchase of property, plant and equipment	-33	-47	-111	-100	-167
Change in other non-current assets	-18	8	-18	3	9
Proceeds from sale of property, plant and equipment	-	7	12	21	36
<b>Cash flow from investing activities</b>	<b>-89</b>	<b>-55</b>	<b>-410</b>	<b>-147</b>	<b>-231</b>
Dividend paid	-	-	-713	-715	-715
Purchase and disposal of treasury shares	-220	-	-491	-	-
Proceeds from borrowings	-104	69	230	721	3
Repayment of borrowings	-	-1	-5	-2	-231
<b>Cash flow from financing activities</b>	<b>-324</b>	<b>68</b>	<b>-979</b>	<b>4</b>	<b>-943</b>
<b>Net cash flow for the period</b>	<b>29</b>	<b>-22</b>	<b>-124</b>	<b>98</b>	<b>165</b>
<b>Cash and short-term deposits</b>					
Cash and short-term deposits at beginning of period	180	299	341	176	176
Net exchange rate adjustment	-1	-1	-9	2	-
Net cash flow for the period	29	-22	-124	98	165
<b>Cash and short-term deposits at end of period</b>	<b>208</b>	<b>276</b>	<b>208</b>	<b>276</b>	<b>341</b>
Unutilised credit facilities inclusive cash and cash equivalents	2,282	1,876	2,282	1,876	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 - Business combinations**

In October 2013, PANDORA completed the acquisition of 100% of the shares in City Time Brazil Comércio e Importação Ltda. (City Time Brazil) as previously announced. PANDORA has paid a one-time cash payment to City Time S.L. for acquiring City Time Brazil, which is primarily related to the distribution rights to distribute PANDORA jewellery in Brazil, fixed assets, key money and inventories related to 9 concept stores and further an e-commerce store. The cash payment, less the store-inventory and net working capital, does not exceed City Time Brazil's revenue for the first seven months of 2013 (EUR 6.2 million).

### **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).

**Note 4 - Operating segment information, continued**

DKK million	Americas	Europe	Asia Pacific	Unallocated costs	Total Group
<b>Q3 2013</b>					
External revenue	990	1,024	241	-	2,255
Segment EBITDA	438	406	97	-179	762
Amortisation/depreciation					-52
Gain/loss from sale of non-current assets					-2
<b>Consolidated EBIT</b>					<b>708</b>
<b>Q3 2012</b>					
External revenue	920	699	175	-	1,794
Segment EBITDA	393	240	34	-164	503
Amortisation/depreciation					-42
Gain/loss from sale of non-current assets					2
<b>Consolidated EBIT</b>					<b>463</b>
<b>9M 2013</b>					
External revenue	3,092	2,379	717	-	6,188
Segment EBITDA	1,371	801	268	-505	1,935
Amortisation/depreciation					-145
Gain/loss from sale of non-current assets					-
<b>Consolidated EBIT</b>					<b>1,790</b>
<b>9M 2012</b>					
External revenue	2,373	1,576	529	-	4,478
Segment EBITDA	1,077	336	107	-396	1,124
Amortisation/depreciation					-136
Gain/loss from sale of non-current assets					1
<b>Consolidated EBIT</b>					<b>989</b>
<b>Product mix – revenue from external customers</b>					
DKK million	Q3 2013	Q3 2012	9M 2013	9M 2012	
Charms	1,466	1,340	4,327	3,401	
Silver and gold charms bracelets	304	231	763	576	
Rings	174	132	383	292	
Other jewellery	311	91	715	209	
<b>Total revenue</b>	<b>2,255</b>	<b>1,794</b>	<b>6,188</b>	<b>4,478</b>	
<b>Geographical distribution – revenue from external customers</b>					
US	729	711	2,363	1,841	
Australia	130	120	431	375	
UK	308	249	676	485	
Germany	141	130	344	315	
Other countries	947	584	2,374	1,462	
<b>Total revenue</b>	<b>2,255</b>	<b>1,794</b>	<b>6,188</b>	<b>4,478</b>	

**NOTE 5 - Contingent liabilities**

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

**NOTE 6 – Related party transactions**

The owners of Prometheus Invest ApS ("Prometheus") have decided to make distributions from Prometheus by means of proportionally distributing Prometheus' holdings of approximately 40.4% of the share capital in PANDORA to the relevant owners of Prometheus (the "Distribution"), whereby these owners no longer have indirect shareholders in PANDORA, but instead own their shares directly or through their own holding structures.

No sales of PANDORA shares have been made in the market and no change in the ultimate ownership of such shares occurs as a result of the Distribution.

Axcel's and the Enevoldsen-Group's proportions of the shares in PANDORA are unchanged at approximately 25.9% and approximately 12.4%, respectively. The minority shareholders' proportion of the shares in PANDORA is also unchanged at approximately 2.1%. The Distribution has not resulted in any change in the ownership of PANDORA.

Related parties of PANDORA with a controlling interest are now distributed as follows:

Axcel III K/S 2 directly owns 15,742,572 shares of nominally DKK 1 (in total nominally DKK 15,742,572) in PANDORA A/S ("PANDORA"), corresponding to approximately 12.1% of the total share capital and 12.1% of the total voting rights. Axcel III K/S 1 directly owns 10,955,435 shares of nominally DKK 1 (in total nominally DKK 10,955,435) in PANDORA, corresponding to approximately 8.4% of the total share capital and 8.4% of the total voting rights. Axcel III K/S 3 directly owns 7,011,598 shares of nominally DKK 1 (in total nominally DKK 7,011,598) in PANDORA, corresponding to approximately 5.4% of the total share capital and 5.4% of the total voting rights.

Axcel Management A/S acts as a management company for Axcel III K/S 1 and Axcel III K/S 2 and by virtue hereof exercises the controlling interest on the latter two companies' PANDORA shares. Furthermore, it is stated that Axcel Management A/S exercises a controlling influence on Axcel III K/S 3's PANDORA shares. Axcel Management A/S thus exercises a controlling interest over 33,709,605 shares of nominally DKK 1 (in total nominally DKK 33,709,605) in PANDORA, corresponding to approximately 25.9% of the total share capital and 25.9% of the total voting rights.

Prometheus no longer owns shares in PANDORA.

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.

**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, 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	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
<b>Income statement</b>					
Revenue	2,255	1,931	2,002	2,174	1,794
Gross Profit	1,493	1,274	1,314	1,403	1,150
EBITDA	762	530	643	534	503
Operating profit (EBIT)	708	483	599	486	463
Net financial income and expenses	47	49	-58	40	1
Profit before tax	755	532	541	526	464
Net profit	612	431	438	421	380
<b>Balance sheet</b>					
Total assets	9,132	8,685	8,574	8,414	8,967
Invested capital	6,413	6,265	6,141	5,900	6,632
Net working capital	1,602	1,461	1,243	1,277	2,037
Shareholders' equity	6,129	5,682	5,891	6,038	5,807
Net interest-bearing debt	175	309	192	-183	829
<b>Cash flow statement</b>					
Cash Flow from operating activities	442	178	645	1,098	-35
Cash Flow from investing activities	-89	-74	-247	-84	-55
Free Cash Flow	363	102	406	1,030	-88
Cash Flow from financing activities	-324	-136	-519	-947	68
Net Cash Flow for the period	29	-32	-121	67	-22
<b>Ratios</b>					
Revenue growth, %	25.7%	53.3%	40.6%	11.4%	14.3%
Gross profit growth, %	29.8%	48.8%	28.8%	-1.2%	-0.4%
EBITDA growth, %	51.5%	140.9%	60.3%	1.9%	-6.2%
EBIT growth, %	52.9%	179.2%	69.7%	2.3%	-8.5%
Net profit growth, %	61.1%	584.1%	29.6%	-24.1%	11.4%
Gross margin, %	66.2%	66.0%	65.6%	64.5%	64.1%
EBITDA margin, %	33.8%	27.4%	32.1%	24.6%	28.0%
EBIT margin, %	31.4%	25.0%	29.9%	22.4%	25.8%
Effective tax rate, %	19.0%	19.0%	19.0%	20.0%	18.1%
Cash conversion, %	59.3%	23.7%	92.7%	244.7%	-23.2%
CAPEX	71.0	83.0	246.0	105.0	70.0
Net interest-bearing debt to EBITDA *	0.1	0.1	0.1	-0.1	0.5
Equity ratio, %	67.1%	65.4%	68.7%	71.8%	64.8%
ROIC, % *	35.5%	32.4%	28.0%	25.0%	22.1%

\* 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.