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COMPANY ANNOUNCEMENT

11 November 2014

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INTERIM REPORT FOR Q3 2014

REVENUE INCREASES 26% DRIVEN BY ALL REGIONS - EBITDA INCREASES BY 33.8% WITH EBITDA MARGIN OF 35.9%

- Group revenue in Q3 2014 was DKK 2,845 million, an increase of 26.2% or 24.6% in local currency, compared with Q3 2013:
 - Americas increased by 17.7% (17.8% increase in local currency)
 - Europe increased by 30.4% (27.4% increase in local currency)
 - Asia Pacific increased by 43.2% (40.5% increase in local currency)
 - Revenue from concept stores was 55.9% of revenue and increased 43.0%
- The gross margin increased to 70.3% in Q3 2014, compared with a gross margin of 66.2% in Q3 2013
- EBITDA increased by 33.8% to DKK 1,020 million for the quarter, corresponding to an EBITDA margin of 35.9%, compared with an EBITDA margin of 33.8% in Q3 2013
- Net profit for the quarter was DKK 725 million, compared with a net profit of DKK 612 million in Q3 2013
- Free cash flow was DKK 567 million in Q3 2014 compared with DKK 363 million in Q3 2013
- During Q3 2014, PANDORA bought back 1,944,341 own shares at a total value of DKK 817 million as part of the on-going DKK 2.4 billion share buyback programme. For the first nine months of the year, 4,591,734 shares have been bought back, corresponding to a transaction value of DKK 1,792 million.

UPGRADED FINANCIAL GUIDANCE FOR 2014

Based on the strong performance in the third quarter of the year, PANDORA has decided to increase revenue guidance for 2014 to more than DKK 11.5 billion (previously guided more than DKK 11.0 billion). The EBITDA-margin is expected to be more than 35%, against previously guided approximately 35%. Furthermore, CAPEX is now expected to be approximately DKK 500 million (previously guided approximately DKK 550 million), primarily due to timing of a planned expansion of the production facilities in Thailand into 2015.

	FY 2014 New guidance	FY 2013 actual
Revenue, DKK billion	>11.5	9.0
EBITDA margin	>35%	32.0%
CAPEX, DKK million	approx. 500	490
Effective tax rate	approx. 20%	19%

PANDORA plans to continue to expand the store network and now expects to add more than 300 new concept stores in 2014 compared to previously expected more than 275. A proportionally higher share of owned and operated (O&O) stores is expected to be opened in the fourth quarter, compared to the same period last year.

In connection with the Q3 2014 results, CEO Allan Leighton said:

“We are pleased with another strong performance, with our highest revenue and EBITDA in any quarter to date. All regions continued to perform well, driven by expansion of the store network, improving store execution, and continuously relevant products. In addition, the result of our focus on rings is particularly pleasing, with revenue for the category almost doubling in the quarter.”

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. 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 98099271 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 9,800 points of sale, including more than 1,300 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 11,000 people worldwide of whom approximately 7,800 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.

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FINANCIAL HIGHLIGHTS

DKK million	Q3 2014	Q3 2013	9M 2014	9M 2013	FY 2013
Consolidated income statement					
Revenue	2,845	2,255	7,981	6,188	9,010
Gross profit	1,999	1,493	5,588	4,081	5,999
Operating profit before depreciation and amortisation (EBITDA)	1,020	762	2,850	1,935	2,881
Operating profit (EBIT)	963	708	2,691	1,790	2,681
Net finance income	-57	47	-78	38	61
Profit before tax	906	755	2,613	1,828	2,742
Net profit	725	612	2,091	1,481	2,220
Consolidated balance sheet					
Total assets	10,354	9,132	10,354	9,132	9,275
Invested capital	6,558	6,413	6,558	6,413	5,976
Net working capital	1,106	1,602	1,106	1,602	1,009
Shareholders' equity	6,361	6,129	6,361	6,129	6,462
Net interest-bearing debt (NIBD)	9	175	9	175	-637
Consolidated cash flow statement					
Net cash flow from operating activities	711	442	2,455	1,265	2,428
Net cash flow from investing activities	-288	-89	-451	-410	-543
Free cash flow	567	363	2,163	871	1,956
Net cash flow from financing activities	-435	-324	-2,249	-979	-1,524
Net cash flow for the period	-12	29	-245	-124	361
Ratios					
Revenue growth, %	26.2%	25.7%	29.0%	38.2%	35.4%
Gross profit growth, %	33.9%	29.8%	36.9%	34.9%	35.4%
EBITDA growth, %	33.8%	51.5%	47.3%	72.2%	73.8%
EBIT growth, %	36.0%	52.9%	50.3%	81.0%	81.8%
Net profit growth, %	18.5%	61.1%	41.2%	89.6%	84.7%
Gross margin, %	70.3%	66.2%	70.0%	66.0%	66.6%
EBITDA margin, %	35.9%	33.8%	35.7%	31.3%	32.0%
EBIT margin, %	33.8%	31.4%	33.7%	28.9%	29.8%
Tax rate, %	20.0%	19.0%	20.0%	19.0%	19.0%
Cash conversion, %	78.2%	59.3%	103.4%	58.8%	88.1%
Capital expenditure (CAPEX), DKK million	135	71	279	400	490
Net interest-bearing debt to EBITDA*	0.0	0.1	0.0	0.1	-0.2
Equity ratio, %	61.4%	67.1%	61.4%	67.1%	69.7%
Return on invested capital (ROIC), %*	54.6%	35.5%	54.6%	35.5%	44.9%
Other key figures					
Average number of employees	10,340	7,109	9,550	6,641	6,910
Dividend per share, DKK	-	-	-	-	6.50
Earnings per share, basic, DKK	5.9	4.8	16.7	11.5	17.2
Earnings per share, diluted, DKK	5.8	4.7	16.6	11.4	17.0
Share price at end of period, DKK	462.1	227.7	462.1	227.7	294.0

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

IMPORTANT EVENTS IN Q3 2014

SHARE BUYBACK PROGRAMME FOR 2014

In connection with the Annual Report 2013, PANDORA launched a share buyback programme under which PANDORA expects to buy back own shares of up to DKK 2.4 billion. The 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"). Axcel III K/S 1, Axcel III K/S 2, Axcel III K/S 3 and founding shareholders Pewic Holding ApS and Christian Algot Enevoldsen participates on a pro-rata basis to secure that the free float share is not reduced.

As of 30 September 2014, a total of 4,591,734 shares had been bought back, corresponding to a transaction value of DKK 1,792 million and an average purchase price of DKK 390.28 per share. As of 30 September 2014, PANDORA held a total of 5,932,535 treasury shares, corresponding to 4.6% of the share capital.

PANDORA may use the shares purchased under the Program to meet potential obligations arising from employee share option programs. As of 30 September 2014, the total potential obligation amounted to 1,422,859 shares.

ORGANISATIONAL CHANGES

ANDERS COLDING FRIIS TO BECOME CEO

As announced on 28 August, Anders Colding Friis will succeed Allan Leighton as new CEO in March 2015. At that time Allan Leighton will be stepping down from his role as CEO after reporting PANDORA's full year results for 2014. At the next annual general meeting, the current Board of Directors will recommend Allan Leighton as new Co-Deputy Chairman of the Board.

PETER VEKSLUND TO SUCCEED HENRIK HOLMARK AS CFO

Peter Vekslund, currently Senior Vice President, Head of Finance, will succeed Henrik Holmark as CFO of PANDORA on 1 January 2015. As announced on 12 August 2014, Henrik Holmark will be stepping down from his role as CFO of PANDORA to join Dr. Martens Airwair Group Ltd as CFO.

ACQUISITION OF CONCEPT STORES IN NORTH EAST US

On 12 August 2014, PANDORA signed an agreement to acquire 27 concept stores from US jeweller Hannoush, as part of a process of refreshing the network in the Northeast region of the US, which has been underperforming relative to the rest of the US. All stores have been transferred to PANDORA during the quarter, and five stores located outside the Northeast area have as planned been handed over to an existing franchisee.

The transaction value totalled USD 28 million, including locations, inventory and other assets. Initial in-store remodelling costs are estimated at USD 6 million, bringing the total investment to USD 34 million. The acquisition had no significant impact on the revenue, net result and balance sheet for the first nine months of 2014.

STRATEGIC ALLIANCE IN JAPAN

On 12 September 2014, PANDORA signed an agreement with Bluebell about joint distribution of PANDORA jewellery in Japan from 1 January 2015. PANDORA plans, through the cooperation, to accelerate the store roll-out, enhance the retail focus and make significant marketing investments in the Japanese market. Bluebell will contribute with its in-depth knowledge of the retail market and the Japanese consumer as well as their insight into the Japanese real estate market.

As part of the agreement with Bluebell, PANDORA will on 1 January 2015 purchase the majority of the assets in Japan from Bluebell in a non-cash transaction. As a starting point, the term of the agreement is five years. Upon termination of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in Japan. The total amount to be paid to Bluebell will depend on the realised revenue in 2019 and will be in the range of HKD 74-220 million (or approximately DKK 52-156 million).

EVENTS AFTER THE BALANCE SHEET DATE

PEDER TUBORGH NEW CHAIRMAN OF THE BOARD

At the Extraordinary General Meeting on 9 October, Peder Tuborgh was elected as a new member of the Board of Directors and subsequently the Board of Directors constituted itself with Peder Tuborgh as new Chairman.

TREASURY SHARES EXCEED 5% OF SHARE CAPITAL

As of 15 October 2014, PANDORA owned a total of 6,428,833 treasury shares of nominally DKK 1 (in total nominally DKK 6,428,833) and hereby exceed 5% of the total share capital and the total voting rights in the Company.

REVENUE DEVELOPMENT

Total revenue for Q3 2014 was DKK 2,845 million, an increase of 26.2% compared with Q3 2013, including a positive impact from currency of 1.6 percentage points, particularly due to favourable currency fluctuations in the UK and the Asia Pacific.

Volumes increased by 15.7% compared with Q3 2013. In Q3 2014, the average sales price (ASP) recognised by PANDORA was DKK 145, compared with DKK 133 in Q3 2013. The increase in ASP was primarily driven by a higher share of revenue from Rings, which are sold at higher average prices as well as a proportionally higher share of revenue from PANDORA owned and operated (O&O) stores. Prices for each individual product were virtually unchanged compared with Q3 2013.

Growth continued across all regions for the quarter, particularly driven by the UK, Other Europe and Asia Pacific. Growth was driven by a combination of strong like-for-like growth across most markets as well as the continued expansion of the store network, including 296 new concept store openings over the last 12 months. The like-for-like growth was among other things driven by a positive reception of two new collections launched during the quarter, Pre-autumn and Autumn, of which Pre-autumn was a considerably larger collection compared to the same collection last year (25 new products in 2014 vs. 5 in 2013). For the quarter, around 50% of sales were generated by products launched within the last 12 months, which is similar to Q3 2013. Products launched more than 12 months ago, particularly within Rings and Charms, continues to support revenue growth.

Revenue from PANDORA's O&O stores increased around 75% compared to the same quarter last year and corresponded to around 15% of Group revenue compared to around 10% a year ago. The growth in retail revenue was driven by strong in store execution resulting in positive like-for-like growth as well as the addition of 102 new O&O stores over the last 12 months to a total of 218 concept stores and 64 shop-in-shops owned and operated by PANDORA.

At the end of Q3 2014, sales return provisions corresponded to approximately 7% of 12 months rolling revenue value, compared to 7% and 8% for Q2 2014 and Q3 2013 respectively. The decrease

compared to Q3 2013 is primarily due to a decreasing share of revenue from the North America, which traditionally has higher returns, due to a permanent return policy.

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 to be positive. The positive development was driven by a successful product portfolio with continuously relevant products as well as generally better in-store execution, increasing store traffic in most stores. Rings continues to support the like-for-like growth across the more developed markets and for the quarter the category grew more than 50% like-for-like and now represent around 12% of total sales-out of concept stores compared to 9% a year ago.

REVENUE BREAKDOWN BY GEOGRAPHY

In Q3 2014, 41.0% of revenue was generated in Americas (43.9% in Q3 2013), 46.9% in Europe (45.4% in Q3 2013) and 12.1% in Asia Pacific (10.7% in Q3 2013).

Distribution of revenue

DKK million	Q3 2014	Q3 2013	Growth	Growth in local currency
Americas	1,165	990	17.7%	17.8%
US	839	729	15.1%	13.9%
Other Americas	326	261	24.9%	28.4%
Europe	1,335	1,024	30.4%	27.4%
UK	416	308	35.1%	26.4%
Germany	144	141	2.1%	2.1%
Other Europe	775	575	34.8%	34.3%
Asia Pacific	345	241	43.2%	40.5%
Australia	153	130	17.7%	15.6%
Other Asia Pacific	192	111	73.0%	69.3%
Total	2,845	2,255	26.2%	24.6%

AMERICAS

Revenue for the third quarter in Americas was DKK 1,165 million, an increase of 17.7% or 17.8% in local currency compared with Q3 2013. The increase was driven by the US as well as Other Americas, which benefitted from the inclusion of Brazil in the region from Q1 2014.

US revenue was DKK 839 million, an increase of 15.1% or 13.9% in local currency compared with Q3 2013. Growth was primarily driven by network expansion as well as regionally strong like-for-like growth rates. The focus on Rings in the US continues to support growth as revenue from the category increased significantly compared to Q3 2013.

Like-for-like sales-out in Q3 2014, based on concept stores in the US - which have been operating for more than 12 months - increased by 3.7% compared with Q3 2013. The US is generally performing well, however still with variance across regions. Growth in the Northeast region, where a process to refresh the network has begun, continues to be negative, whereas all other major US regions are growing with mid-single digit like-for-like rates or more.

Concept stores* sales-out growth

	Q3 2013 to Q3 2014	Q2 2013 to Q2 2014	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013
US	3.7%	1.7%	8.5%	5.1%	12.6%

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

Revenue from Other Americas was DKK 326 million, an increase of 24.9% compared with the same

quarter last year. Growth was driven by revenue in Canada, which increased 15% compared to Q3 2013, as well the impact from revenue from Brazil now being recognised as part of Other Americas (previously Other Europe) following the take-over of distribution in Brazil in 2013. The change has taken place from Q1 2014 and the impact of converting third party revenue to retail revenue has added around DKK 40 million to revenue in Other Americas for the quarter.

Store network - Americas

	Number of PoS Q3 2014	Number of PoS Q2 2014	Number of PoS Q3 2013	Delta Q2 2014 and Q3 2014	Delta Q3 2013 and Q3 2014
Concept stores	391	369	320	22	71
- hereof PANDORA owned	48	20	4	28	44
Shop-in-shops	649	612	559	37	90
- hereof PANDORA owned	2	2	-	-	2
Gold	864	859	847	5	17
Total branded	1,904	1,840	1,726	64	178
Total branded as % of total	57.1%	56.0%	52.9%		
Silver	1,098	1,054	1,078	44	20
White and travel retail	334	394	459	-60	-125
Total	3,336	3,288	3,263	48	73

PANDORA continues to expand the branded store network and during Q3 2014, the number of branded points of sale (PoS) in the Americas increased by 64 stores. PANDORA O&O stores in Americas increased to 50 at the end of Q3 2014. The increase compared to Q3 2013 was mainly due to the inclusion of the network in Brazil (previously a part of Europe) as well as the transfer of 22 concept stores from Hannoush to PANDORA towards the end of the quarter, which now is categorised as O&O stores.

EUROPE

Revenue in Europe was DKK 1,335 million for the quarter, an increase of 30.4% or 27.4% in local currency compared with Q3 2013. The growth was primarily driven by the UK as well as Italy and France.

Revenue in the third quarter in the UK was DKK 416 million, an increase of 35.1% or 26.4% in local currency compared with the same quarter last year. Growth was driven by a positive sales-out development, the expansion of the store network, including 37 new concept stores compared to Q3 2013, as well as the continued success of the PANDORA eSTORE. Furthermore, the enhanced focus on the Rings category continues to drive growth with revenue from the category increasing by more than 50% compared to Q3 2013. For the quarter more than 15% of revenue was generated by Rings.

Like-for-like sales-out in Q3 2014, based on concept stores in the UK - which have been operating for more than 12 months - increased by 20.6% compared with Q3 2013. The strong growth is a result of newness in the overall product assortment driving a significant increase in transactions as well as the focus on rings.

Concept stores* sales-out growth

	Q3 2013 to Q3 2014	Q2 2013 to Q2 2014	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013
UK	20.6%	26.2%	27.9%	17.9%	13.6%

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

Revenue in the third quarter in Germany was DKK 144 million, an increase of 2.1% compared with Q3 2013. The improvement of the store network in Germany is on-going and PANDORA continues

the work to improve store execution across the country. As part of this process, 162 silver stores were closed during the quarter.

Like-for-like sales-out in Q3 2014, based on concept stores in Germany - which have been operating for more than 12 months - increased by 8.5% compared with Q3 2013. The positive development was primarily driven by a strong performance by PANDORA's O&O stores, with like-for-like sales-out increasing 12% compared to Q3 2013. In Germany, the O&O stores are generally performing better than franchisee owned concept stores. As part of the on-going effort to improve the store network, PANDORA opened eight new O&O concept stores in Germany during the quarter. At the end of Q3 2014, PANDORA owned and operated 51 concept stores out of a total of 79 concept stores in Germany.

Concept stores* sales-out growth

	Q3 2013 to Q3 2014	Q2 2013 to Q2 2014	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013
Germany	8.5%	10.0%	11.5%	5.7%	8.2%

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

Revenue from Other Europe was DKK 775 million for the quarter, an increase of 34.8% compared with Q3 2013. Italy and France was the main drivers of growth, with like-for-like sales-out for the two countries increasing with double digit growth rates for the quarter. In Russia, where PANDORA continues to invest in growing the market share, revenue growth as well as like-for-like sales-out growth remains positive, although at lower levels than in the recent past.

Store network - Europe

	Number of PoS Q3 2014	Number of PoS Q2 2014	Number of PoS Q3 2013	Delta Q2 2014 and Q3 2014	Delta Q3 2013 and Q3 2014
Concept stores	721	663	529	58	192
- hereof PANDORA owned	143	130	98	13	45
Shop-in-shops	673	651	612	22	61
- hereof PANDORA owned	62	57	51	5	11
Gold	1,341	1,320	1,363	21	-22
Total branded	2,735	2,634	2,504	101	231
Total branded as % of total	46.8%	43.1%	38.8%		
Silver	1,594	1,933	1,974	-339	-380
White and travel retail	1,517	1,545	1,981	-28	-464
Total¹	5,846	6,112	6,459	-266	-613

¹ Includes for Q3 2014 relating to 3rd party distributors: 123 concept stores, 181 shop-in-shops, 327 gold, 293 silver and 673 white stores.

During Q3 2014, the number of branded stores in Europe increased by 101 stores to a total of 2,735 stores, in line with PANDORA's overall strategy to increase branded sales. The total number of stores in Europe decreased with 266, as a consequence of 367 fewer unbranded stores compared to the end of Q2 2014, including the closure of 162 silver stores in Germany.

PANDORA offers consumer e-commerce services in the UK, Germany, Austria, France and the Netherlands and in October and November 2014 eSTOREs were launched by PANDORA in Poland and Italy.

ASIA PACIFIC

Revenue in Asia Pacific was DKK 345 million for the quarter, an increase of 43.2% or 40.5% in local currency compared with the same period last year.

Revenue in Australia was DKK 153 million, an increase of 17.7% or an increase of 15.6% in local currency compared with Q3 2013. The growth was driven by a continued strong sales-out growth.

The Rings category continued to do well in Australia and revenue from the category was up more than 30% compared to Q3 2013. The category now represents around 25% of revenue for the country.

Like-for-like sales-out in Q3 2014, based on concept stores in Australia - which have been operating for more than 12 months - increased by 22.9% compared with Q3 2013. 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 2013 to Q3 2014	Q2 2013 to Q2 2014	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013
Australia	22.9%	33.0%	33.6%	25.5%	25.2%

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

Revenue from Other Asia Pacific was DKK 192 million for the quarter, corresponding to an increase of 73.0% compared with the same quarter last year. The increase was primarily driven by revenue in Hong Kong, Singapore, Taiwan as well as China, where three new concept stores were opened during the quarter. Growth in Other Asia Pacific was driven by a combination of strong like-for-like growth and an expansion of the store network, including 25 new concept stores and 18 new shop-in-shops compared to Q3 2013.

Store network – Asia Pacific

	Number of PoS Q3 2014	Number of PoS Q2 2014	Number of PoS Q3 2013	Delta Q2 2014 and Q3 2014	Delta Q3 2013 and Q3 2014
Concept stores	195	182	162	13	33
- hereof PANDORA owned	27	25	26	2	1
Shop-in-shops	185	180	178	5	7
- hereof PANDORA owned	-	-	1	-	-1
Gold	144	144	145	-	-1
Total branded	524	506	485	18	39
Total branded as % of total	79.5%	78.3%	77.8%		
Silver	69	73	67	-4	2
White and travel retail	66	67	71	-1	-5
Total	659	646	623	13	36

At the end of Q3 2014, PANDORA had 524 branded stores in Asia Pacific compared with 506 in Q2 2014.

SALES CHANNELS

PANDORA's focus on expanding the branded sales network continues and in Q3 2014, PANDORA opened net 93 new concept stores, including 22 in Americas, 58 in Europe and 13 in Asia Pacific. During the quarter PANDORA added 43 O&O concept stores to the network of which 22 were acquired by PANDORA from US jeweller Hannoush at the end of the quarter. The remaining was opened mainly in Germany and Brazil.

PANDORA has increased the branded store network by 448 points of sale since the end of Q3 2013. 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 was reduced by 952 stores. During the quarter, 388 white and silver stores were closed primarily in Germany, Netherlands and Italy.

At the end of Q3 2014, the total number of points of sale was 9,841 a decrease of 504 compared

with Q3 2013.

Store network - Group

	Number of PoS Q3 2014	Number of PoS Q2 2014	Number of PoS Q3 2013	Delta Q2 2014 and Q3 2014	Delta Q3 2013 and Q3 2014
Concept stores	1,307	1,214	1,011	93	296
- hereof PANDORA owned	218	175	128	43	90
Shop-in-shops	1,507	1,443	1,349	64	158
- hereof PANDORA owned	64	59	52	5	12
Gold	2,349	2,323	2,355	26	-6
Total branded	5,163	4,980	4,715	183	448
Total branded as % of Total	52.5%	49.6%	45.6%		
Silver	2,761	3,060	3,119	-299	-358
White and travel retail	1,917	2,006	2,511	-89	-594
Total¹	9,841	10,046	10,345	-205	-504

¹ Includes for Q3 2014 relating to 3rd party distributors: 123 concept stores, 181 shop-in-shops, 327 gold, 293 silver and 673 white stores.

The expansion of the store network in PANDORA's new markets continued, and in Q3 2014 the network in new markets increased by 37 concept stores, of which 14 were opened in Russia and 8 in Brazil.

Store network – New markets (end of Q3 2014)

	Brazil	Russia	France	Italy	China	Japan	Rest of Asia	Total	Net openings Q3 2014	Net openings Q2 2014
Concept stores	30	164	28	33	31	1	69	356	37	37
Shop-in-shops	-	43	38	7	16	7	75	186	12	7
Total	30	207	66	40	47	8	144	542	49	44

Revenue from concept stores increased 43.0% to DKK 1,589 million, and constituted 55.9% of revenue for the quarter compared to 49.3% in Q3 2013. The increase was driven by better in-store execution as well as the addition of 296 new stores, including 90 new O&O concept stores.

Branded revenue for the quarter increased 31.2% to DKK 2,435 million and accounted for 85.6% of revenue compared with 82.3% in Q3 2013. The increase was driven by an increasing share of branded points of sale, as well as relative higher revenue in existing branded stores.

Revenue per sales channel

DKK million	Q3 2014	Q3 2013	Growth	Share of total revenue
Concept stores	1,589	1,111	43.0%	55.9%
Shop-in-shops	482	390	23.6%	16.9%
Gold	364	355	2.5%	12.8%
Total branded	2,435	1,856	31.2%	85.6%
Silver	159	157	1.3%	5.6%
White and travel retail	150	139	7.9%	5.2%
Total unbranded	309	296	4.4%	10.8%
Total direct	2,744	2,152	27.5%	96.4%
3rd party distributors	101	103	-1.9%	3.6%
Total	2,845	2,255	26.2%	100.0%

PRODUCT OFFERING

PANDORA's two core categories Charms and Rings continue to perform well driven by continued newness across the categories, as well as tailor-made category promotions, focused on the categories.

Product mix

DKK million	Q3 2014	Q3 2013	Growth	Share of total revenue
Charms	1,788	1,466	22.0%	62.9%
Silver and gold charm bracelets	388	304	27.6%	13.6%
Rings	344	174	97.7%	12.1%
Other jewellery	325	311	4.5%	11.4%
Total revenue	2,845	2,255	26.2%	100.0%

Revenue from Charms was 1,788 million for the quarter, an increase of 22.0% compared with Q3 2013, while revenue from Silver and gold charm bracelets increased 27.6%. The categories represented 76.5% of total revenue in Q3 2014 compared with 78.5% in Q3 2013. The PANDORA ESSENCE COLLECTION, which was launched in November 2013, continues to perform well, driven in particular by the UK, Italy, Germany as well as the Asia Pacific.

Revenue from Rings was DKK 344 million, an increase of 97.7% compared with Q3 2013. The category continues to do very well, driven by the improved offering, as well as several revenue generating initiatives made during 2014. This includes more emphasis on rings in staff training, improved in-store focus on rings, as well as tailor-made rings campaigns in several markets. The Rings category represented 12.1% of total revenue for the quarter compared with 7.7% in Q3 2013.

Revenue from Other jewellery was DKK 325 million, an increase of 4.5% compared with Q3 2013. Among the subcategories Necklaces in particular did well with revenue from the category increasing more than 50%, while revenue from Earrings was marginally lower than the same quarter last year, due to very strong product launches within the category in Q3 2013. Furthermore, the Watch category, which has been discontinued in 2014, had a negative impact on growth for the category of close to 5 percentage points due to returns. Other jewellery represented 11.4% of total revenue in Q3 2014 compared with 13.8% in Q3 2013.

COSTS

Total costs for the quarter, including depreciation and amortisation, were DKK 1,882 million, an increase of 21.7% compared with Q3 2013. Total costs corresponded to 66.2% of revenue for the quarter compared with 68.6% in Q3 2013.

Cost development

DKK million	Q3 2014	Q3 2013	Growth	Share of total revenue Q3 2014	Share of total revenue Q3 2013
Cost of sales	846	762	11.0%	29.7%	33.8%
Gross profit	1,999	1,493	33.9%	70.3%	66.2%
Sales and distribution expenses	440	354	24.3%	15.5%	15.6%
Marketing expenses	259	211	22.7%	9.1%	9.4%
Administrative expenses	337	220	53.2%	11.9%	9.8%
Total costs	1,882	1,547	21.7%	66.2%	68.6%

GROSS PROFIT

Gross profit for the quarter was DKK 1,999 million corresponding to a gross margin of 70.3% compared with 66.2% in Q3 2013. The increase in gross margin for the quarter was mainly due to lower prices for gold and silver.

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 1,299 USD/oz, 1,293 USD/oz, 1,274 USD/oz and 1,253 USD/oz and for silver 20.49 USD/oz, 20.15 USD/oz, 19.55 USD/oz and 19.39 USD/oz. However, current inventory means a delayed impact of the hedged prices on cost of sales.

The average realised purchase price in Q3 2014 was 1,294 USD/oz for gold and 21.10 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 (1,264 USD/oz) and silver (19.09 USD/oz) market prices in Q3 2014. 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 1,036 million compared with DKK 785 million in Q3 2013, representing 36.5% of revenue in Q3 2014 compared with 34.8% in Q3 2013. The increasing share is primarily due to higher administrative costs.

Sales and distribution expenses were DKK 440 million, an increase of 24.3% compared with Q3 2013, and corresponding to 15.5% of revenue compared with 15.6% in Q3 2013. The absolute increase in sales and distribution expenses was mainly driven by higher revenue, an increase in number of PANDORA owned stores (from 180 in Q3 2013 to 282 in Q3 2014), as well as costs related to expansion of the e-commerce platform.

Marketing expenses were DKK 259 million compared with DKK 211 million in Q3 2013, corresponding to 9.1% of revenue, compared with 9.4% in Q3 2013. Due to Christmas and the launch of the Disney collection, marketing expenses are expected to increase significantly for the fourth quarter.

Administrative expenses for the quarter increased 53.2% to DKK 337 million, representing 11.9% of revenue, compared with 9.8% of Q3 2013 revenue. The increase in administrative costs was primarily due to costs related to relocation of offices, higher IT costs, and an increased head count. Furthermore, administrative expenses for the quarter included the full accrual of potential severance payments through to end of 2016 related to the agreement with the current CEO. At the next annual general meeting, the Board of Directors will recommend Allan Leighton as new Co-Deputy Chairman of the Board.

EBITDA

EBITDA for Q3 2014 increased by 33.8% to DKK 1,020 million resulting in an EBITDA margin of 35.9% compared with 33.8% in Q3 2013. The improvement was primarily due to the improved gross margin.

Regional EBITDA margins

	Q3 2014	Q3 2013	Delta Q3 2013 and Q3 2014
Americas	41.3%	44.2%	-2.9%
Europe	47.8%	39.6%	8.2%
Asia Pacific	45.2%	40.2%	5.0%
Unallocated costs	-9.0%	-7.9%	-1.1%
Group EBITDA margin	35.9%	33.8%	2.1%

The EBITDA margin for Americas for the quarter was 41.3%, and down 2.9 percentage point compared to the same quarter last year. The improvement in gross margin due to more favourable commodity prices was partially offset by higher customs in Canada. Furthermore, operating expenses were impacted by costs related to refreshing the Northeast network in the US as well as the inclusion of Brazil in Other Americas (previously included in Other Europe). The movement of Brazil had a diluting effect on margins of approximately 1.5 percentage point.

The EBITDA margin for Europe increased from 39.6% in Q3 2013 to 47.8% for the current quarter, while the EBITDA margin for the Asia Pacific region improved 5.0 percentage points to 45.2%. The increasing margins were primarily driven by leverage on the cost base from increase in revenue as well as the improved gross margin.

EBIT

EBIT for Q3 2014 increased to DKK 963 million, an increase of 36.0% compared with the same quarter in 2013, resulting in an EBIT margin of 33.8% for Q3 2014 versus 31.4% in Q3 2013.

NET FINANCE INCOME

In Q3 2014, net finance income amounted to a loss of DKK 57 million, of which DKK 44 million was an exchange rate loss and DKK 13 million was interest expenses and other costs. This compared with a net finance income of DKK 47 million in Q3 2013.

INCOME TAX EXPENSES

Income tax expenses were DKK 181 million in Q3 2014, implying an effective tax rate of 20.0% for Q3 2014 compared with 19.0% for Q3 2013.

NET PROFIT

In Q3 2014, net profit increased to DKK 725 million from DKK 612 million in Q3 2013.

BALANCE SHEET AND CASH FLOW

In Q3 2014, PANDORA generated free cash flow of DKK 567 million compared with DKK 363 million in Q3 2013 and corresponding to a cash conversion of 78.2%. The improved cash flow was primarily driven by increasing profits.

Cash flow from investing activities for the quarter includes the acquisition of the Hannoush stores in the Northeast US, which had a net impact of DKK 141 million, primarily related to inventory (DKK 65 million) and goodwill (DKK 78 million).

Operating working capital (defined as inventory and accounts receivables less accounts payables) at the end of Q3 2014 corresponded to 24.9% of the preceding twelve months revenue, compared with 25.6% at the end of Q3 2013 and 18.0% at the end of Q2 2014.

Inventory was DKK 2,126 million at the end of Q3 2014, corresponding to 19.7% of preceding 12 months revenue compared to 19.2% in Q3 2013. This compared to DKK 1,684 million at the end of Q2 2014 and DKK 1,603 million in Q3 2013. The increase was mainly due to higher revenue, as well as higher inventories in O&O stores, due to an increase in number of PANDORA O&O stores. Compared with Q3 2013 the gold and silver prices affected inventory value with a decrease of approximately 18%.

Inventory development

DKK million	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Inventory	2,126	1,684	1,574	1,490	1,603
Share of last 12 months revenue	19.7%	16.5%	16.4%	16.5%	19.2%

Trade receivables increased to DKK 1,327 million at the end of Q3 2014 (12.3% of preceding 12 months revenue) compared with DKK 1,017 million at the end of Q3 2013 (12.2% of the preceding 12 months revenue) and DKK 792 million at the end of Q2 2014 (7.8% of preceding 12 months revenue). The increase compared to Q3 2013 is mainly due to higher revenue, while the increase compared to Q2 2014 is primarily due to revenue in the third quarter being skewed towards the end of the quarter, as well as extended credit terms in some markets.

Other receivables decreased to DKK 352 million from DKK 560 million at the end of Q2 2014. Other receivables for the quarter was impacted by a repayment from the German tax authorities of DKK 175 million related to VAT paid in Germany. PANDORA now has no further outstanding regarding VAT paid in Germany in 2012 and 2013.

Trade payables at the end of the quarter were DKK 758 million compared with DKK 481 million at the end of Q3 2013 and DKK 633 million at the end of Q2 2014. The increase is primarily due to increasing activity.

In Q3 2014, PANDORA's CAPEX was DKK 135 million primarily related to establishment of O&O stores and movement of offices. Investments in intangible assets were DKK 57 million mainly related to key money in connection with the opening of some PANDORA owned stores. CAPEX constituted 4.7% of Q3 2014 revenue.

During the quarter, a total of DKK 817 million was used to purchase own shares related to the share buyback programme for 2014. As of 30 September 2014, PANDORA held a total of 5,932,535 treasury shares, corresponding to 4.6% of the share capital.

Total interest-bearing debt was DKK 464 million at the end of Q3 2014, compared with DKK 383 million at the end of Q3 2013. Cash amounted to DKK 455 million at the end of Q3 2014, compared with DKK 208 million at the end of Q3 2013.

Net interest-bearing debt (NIBD) at the end of Q3 2014 was DKK 9 million corresponding to a NIBD/EBITDA of 0.0x of the last twelve months EBITDA, compared with DKK 175 million at the end of Q3 2013 corresponding to a NIBD/EBITDA of 0.1x.

DEVELOPMENT IN THE FIRST NINE MONTHS OF 2014

REVENUE

Total revenue increased by 29.0% to DKK 7,981 million in 9M 2014 compared to 9M 2013. Excluding foreign exchange movements the underlying revenue growth was 31.4%. The geographical distribution of revenue in 9M 2014 was 43.0% for the Americas, 43.4% for Europe and 13.6% for Asia Pacific.

COSTS

Gross profit was DKK 5,588 million in 9M 2014 compared to DKK 4,081 million in 9M 2013, resulting in a gross margin of 70.0% in 9M 2014 compared to 66.0% in 9M 2013.

Sales, distribution and marketing expenses increased to DKK 2,000 million in 9M 2014 compared to DKK 1,633 million in 9M 2013, corresponding to 25.1% of revenue in 9M 2014 down from 26.4% in 9M 2013. Administrative expenses amounted to DKK 897 million in 9M 2014 versus DKK 658 million 9M 2013, representing 11.2% compared to 10.6% of 9M 2014 and 9M 2013 revenue, respectively.

EBITDA

EBITDA for 9M 2014 increased by 47.3% to DKK 2,850 million resulting in an EBITDA margin of 35.7% in 9M 2014 versus 31.3% in 9M 2013.

Regional EBITDA margins for 9M 2014 before allocation of central costs were 43.9% in Americas (44.3% in 9M 2013), 42.7% in Europe (33.7% in 9M 2013) and 47.4% in Asia Pacific (37.4% in 9M 2013). Unallocated costs were -8.2% of revenue in 9M 2014 (-8.2% in 9M 2013).

EBIT

EBIT for 9M 2014 was DKK 2,691 million – an increase of 50.3% compared to 9M 2013, resulting in an EBIT margin of 33.7% in 9M 2014 versus 28.9% in 9M 2013.

NET FINANCE INCOME

Net finance income amounted to a loss of DKK 78 million in 9M 2014 versus an income of DKK 38 million in 9M 2013.

INCOME TAX EXPENSES

Income tax expenses were DKK 522 million in 9M 2014, implying an effective tax rate for the Group of 20.0% for 9M 2014.

NET PROFIT

Net profit in 9M 2014 was DKK 2,091 million compared to DKK 1,481 million in 9M 2013.

CASH FLOW ITEMS

In 9M 2014, PANDORA generated free cash flow of DKK 2,163 million corresponding to a cash conversion of 103.4% compared to 58.8% in 9M 2013.

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 2014.

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 2014, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 30 September 2014.

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

Copenhagen, 11 November 2014

EXECUTIVE BOARD

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Chief Executive Officer

Henrik Holmark
Chief Financial Officer

BOARD OF DIRECTORS

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Christian Frigast
Deputy Chairman

Andrea Alvey

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Bjørn Gulden

Michael Hauge Sørensen

Nikolaj Vejlsgaard

Ronica Wang

FINANCIAL STATEMENT

Consolidated income statement

DKK million	Notes	Q3 2014	Q3 2013	9M 2014	9M 2013	FY 2013
Revenue	3	2,845	2,255	7,981	6,188	9,010
Cost of sales		-846	-762	-2,393	-2,107	-3,011
Gross profit		1,999	1,493	5,588	4,081	5,999
Sales, distribution and marketing expenses		-699	-565	-2,000	-1,633	-2,397
Administrative expenses		-337	-220	-897	-658	-921
Operating profit		963	708	2,691	1,790	2,681
Finance income		4	58	13	109	167
Finance expenses		-61	-11	-91	-71	-106
Profit before tax		906	755	2,613	1,828	2,742
Income tax expense		-181	-143	-522	-347	-522
Net profit for the period		725	612	2,091	1,481	2,220
Earnings per share, basic (DKK)		5.9	4.8	16.7	11.5	17.2
Earnings per share, diluted (DKK)		5.8	4.7	16.6	11.4	17.0

Consolidated statement of other comprehensive income

DKK million	Q3 2014	Q3 2013	9M 2014	9M 2013	FY 2013
Net profit for the period	725	612	2,091	1,481	2,220
Exchange rate differences on translation of foreign subsidiaries	314	-110	392	-167	-355
Value adjustment of hedging instruments	-173	148	-35	-70	-98
Income tax on other comprehensive income	8	3	9	-1	6
Other comprehensive income net of tax	149	41	366	-238	-447
Total comprehensive income for the period	874	653	2,457	1,243	1,773

Consolidated balance sheet

DKK million	2014 30 September	2013 30 September	2013 31 December
ASSETS			
Goodwill	2,057	1,906	1,904
Brand	1,053	1,053	1,053
Distribution network	276	325	300
Distribution rights	1,046	1,041	1,042
Other intangible assets	386	303	318
Intangible assets	4,818	4,628	4,617
Property, plant and equipment	633	477	497
Deferred tax assets	465	325	276
Other non-current financial assets	84	44	48
Total non-current assets	6,000	5,474	5,438
Inventories	2,126	1,603	1,490
Trade receivables	1,327	1,017	895
Tax receivables	94	128	35
Other receivables	352	702	731
Cash	455	208	686
Total current assets	4,354	3,658	3,837
Total assets	10,354	9,132	9,275
EQUITY AND LIABILITIES			
Share capital	128	130	130
Share premium	1,229	1,248	1,248
Treasury shares	-2,072	-529	-738
Reserves	571	414	205
Proposed dividend	-	-	823
Retained earnings	6,505	4,866	4,794
Total shareholders' equity	6,361	6,129	6,462
Provisions	63	25	35
Loans and borrowings	259	314	-
Deferred tax liabilities	548	663	471
Other non-current liabilities	-	-	3
Total non-current liabilities	870	1,002	509
Provisions	512	422	471
Loans and borrowings	205	69	49
Financial instruments	188	109	148
Trade payables	758	481	539
Income tax payables	995	478	546
Other payables	465	442	551
Total current liabilities	3,123	2,001	2,304
Total liabilities	3,993	3,003	2,813
Total equity and liabilities	10,354	9,132	9,275

Consolidated statement of changes in shareholders' equity

DKK million	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Hedge reserve	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2014	130	1,248	-738	348	-143	823	4,794	6,462
Comprehensive income								
Net profit for the period	-	-	-	-	-	-	2,091	2,091
Exchange rate differences on translation of foreign subsidiaries	-	-	-	392	-	-	-	392
Value adjustment of hedging instruments	-	-	-	-	-35	-	-	-35
Income tax on other comprehensive income	-	-	-	-	9	-	-	9
Comprehensive income, for the period	-	-	-	392	-26	-	2,091	2,457
Share-based payments	-	-	35	-	-	-	19	54
Purchase of treasury shares	-	-	-1,792	-	-	-	-	-1,792
Reduction of share capital	-2	-19	423	-	-	-	-402	-
Dividend paid	-	-	-	-	-	-823	3	-820
Equity at 30 September 2014	128	1,229	-2,072	740	-169	-	6,505	6,361
Equity at 1 January 2013	130	1,248	-38	703	-51	715	3,331	6,038
Comprehensive income								
Net profit for the period	-	-	-	-	-	-	1,481	1,481
Exchange rate differences on translation of foreign subsidiaries	-	-	-	-167	-	-	-	-167
Value adjustment of hedging instruments	-	-	-	-	-70	-	-	-70
Income tax on other comprehensive income	-	-	-	-	-1	-	-	-1
Comprehensive income, for the period	-	-	-	-167	-71	-	1,481	1,243
Share-based payments	-	-	-	-	-	-	52	52
Purchase of treasury shares	-	-	-491	-	-	-	-	-491
Dividend paid	-	-	-	-	-	-715	2	-713
Equity at 30 September 2013	130	1,248	-529	536	-122	-	4,866	6,129

Consolidated cash flow statement

DKK million	Q3 2014	Q3 2013	9M 2014	9M 2013	FY 2013
Profit before tax	906	755	2,613	1,828	2,742
Finance income	-4	-58	-13	-109	-167
Finance expenses	61	11	91	71	106
Amortisation/depreciation	57	52	159	145	200
Share-based payments	30	15	54	52	64
Change in inventories	-219	-222	-387	-400	-292
Change in receivables	-282	-315	-3	-301	-215
Change in payables	419	228	300	88	182
Other non-cash adjustments	-199	31	-109	76	169
Interests etc. received	5	-	6	3	3
Interests etc. paid	-9	-10	-22	-15	-29
Income tax paid	-54	-45	-234	-173	-335
Cash flow from operating activities	711	442	2,455	1,265	2,428
Business combinations	-159	-	-162	-4	-45
Divestment of businesses	19	-	19	-	-
Purchase of intangible assets	-57	-38	-104	-289	-312
Purchase of property, plant and equipment	-78	-33	-175	-111	-178
Change in other non-current assets	-14	-18	-31	-18	-25
Proceeds from sale of property, plant and equipment	1	-	2	12	17
Cash flow from investing activities	-288	-89	-451	-410	-543
Dividend paid	-	-	-820	-713	-713
Purchase and disposal of treasury shares	-817	-220	-1,792	-491	-700
Proceeds from borrowings	250	-104	260	230	41
Repayment of borrowings	132	-	103	-5	-152
Cash flow from financing activities	-435	-324	-2,249	-979	-1,524
Net cash flow for the period	-12	29	-245	-124	361
Cash and short-term deposits					
Cash at beginning of period	457	180	686	341	341
Net exchange rate adjustment	10	-1	14	-9	-16
Net cash flow for the period	-12	29	-245	-124	361
Cash at end of period	455	208	455	208	686
Cash flow from operating activities	711	442	2,455	1,265	2,428
- Interests etc. received	-5	-	-6	-3	-3
- Interests etc. paid	9	10	22	15	29
Cash flow from investing activities	-288	-89	-451	-410	-543
- Business combinations	159	-	162	4	45
- Divestment of businesses	-19	-	-19	-	-
Free cash flow	567	363	2,163	871	1,956
Unutilised credit facilities inclusive cash and cash equivalents	3,607	2,282	3,607	2,282	2,716

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 2013. See descriptions in the individual notes to the consolidated financial statement in the Annual Report 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.

NOTE 3 - Business combinations

DKK million	Hannoush	Other	Total
Property, plant and equipment	4	3	7
Trade receivables	1	-	1
Inventories	77	-	77
Assets acquired	82	3	85
Non-current liabilities	3	3	6
Trade payables	1	-	1
Other current liabilities	2	-	2
Liabilities assumed	6	3	9
Total identified net assets acquired	76	-	76
Goodwill arising from the acquisition	84	2	86
Purchase consideration	160	2	162
Cash movement on acquisitions			
Purchase consideration transferred	160	2	162
Net cash flow from acquisitions	160	2	162
Cash flow from sale of businesses	19	-	19
Net cash flow from business combinations	141	2	143

Acquisition of 27 concept stores from Hannoush

On 22 September 2014, PANDORA acquired 27 stores from US jeweller Hannoush in a business combination. With the acquisition of the 27 stores PANDORA will execute its strategy to refresh the network in the Northeast region of the US, which has been underperforming compared to the rest of the US.

The purchase consideration was DKK 160 million. There are no other significant terms or payments related to the acquisition. The transaction costs, DKK 1 million, have been recognised as administrative expenses in the income statement.

Five of the acquired stores located outside the Northeast region were re-sold to an existing franchisee on 22 September 2014. The sale does not have any effect on the income statement. Cash flow from the sale, DKK 19 million, has been offset against the acquisition of businesses. The net cash effect from the Hannoush acquisition was an outflow of DKK 141 million.

Assets acquired and liabilities assumed mainly comprise inventories, equipment and obligations to restore the leased premises. Inventories have been measured at market value based on the saleability of the individual items. Goodwill from the acquisition amounted to DKK 78 million (excluding goodwill of DKK 6 million related to the five stores that were re-sold), and is attributable to the expected synergies from an increased presence in the region, including the effect from a refreshed network. None of the goodwill recognised is deductible for income tax purposes.

When comparing with PANDORA's existing activities in the US, the acquisition has no significant impact on revenue and net result for the first nine months of 2014. If the stores had been owned from the beginning of the year, the impact on PANDORA's revenue and net profit compared to the existing activities in the US would have been equally insignificant.

Acquisition of PAN Me A/S

In March 2014, PANDORA acquired 100% of the shares in Pan Me A/S as previously announced. Pan Me A/S holds the distribution rights to distribute PANDORA jewellery in the United Arab Emirates (UAE), Bahrain, Qatar and Oman. The agreement is subject to certain conditions not yet fulfilled. The transaction has not yet been completed and has therefore not been recognised in the financial statements.

On fulfilment, PANDORA will pay a one-time cash payment of DKK 110 million primarily related to the rights to distribute PANDORA jewellery in the UAE, Bahrain, Qatar and Oman, as well as non-current assets and inventories related to ten concept stores in the UAE.

Strategic alliance in Japan

PANDORA has entered into a strategic alliance with Bluebell in Japan with the intent to jointly distribute PANDORA jewellery in Japan. When certain conditions have been fulfilled, PANDORA will acquire the majority of the assets related to PANDORA in Japan from Bluebell in a business combination expected in January 2015. In addition to the distribution, assets include existing branded stores.

The agreement initially has a term of five years. On termination of the agreement, PANDORA will take over the full distribution of PANDORA jewellery in Japan. The total amount to be paid to Bluebell will depend on the realised revenue in 2019. With the alliance PANDORA will invest in the attractive Japanese market and, through its partner Bluebell's in-depth knowledge of the Japanese retail market, Japanese consumers and insight into the Japanese real estate market, build a considerable presence in Japan.

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
Q3 2014					
External revenue	1,165	1,335	345	-	2,845
Segment profit (EBITDA)	481	638	156	-255	1,020
Amortisation/depreciation					-57
Consolidated operating profit (EBIT)					963
Q3 2013					
External revenue	990	1,024	241	-	2,255
Segment profit (EBITDA)	438	406	97	-179	762
Amortisation/depreciation					-52
Gain/loss from sale of non-current assets					-2
Consolidated operating profit (EBIT)					708

DKK million	Americas	Europe	Asia Pacific	Unallocated costs	Total Group
9M 2014					
External revenue	3,432	3,463	1,086	-	7,981
Segment profit (EBITDA)	1,507	1,479	515	-651	2,850
Amortisation/depreciation					-159
Consolidated EBIT					2,691
9M 2013					
External revenue	3,092	2,379	717	-	6,188
Segment EBITDA	1,371	801	268	-505	1,935
Amortisation/depreciation					-145
Consolidated EBIT					1,790

DKK million	Q3 2014	Q3 2013	9M 2014	9M 2013
Product mix – revenue from external customers				
Charms	1,788	1,466	5,277	4,327
Silver and gold charm bracelets	388	304	962	763
Rings	344	174	837	383
Other jewellery	325	311	905	715
Total revenue	2,845	2,255	7,981	6,188
Geographical distribution – revenue from external customers				
US	839	729	2,539	2,363
Australia	153	130	478	431
UK	416	308	1,000	676
Germany	144	141	372	344
Other countries	1,293	947	3,592	2,374
Total revenue	2,845	2,255	7,981	6,188

NOTE 5 - Contingent liabilities

There have been no material changes to contingent liabilities since the Annual Report 2013. See note 5.2 to the consolidated financial statements in the Annual Report 2013.

NOTE 6 – Related party transactions

Related parties with significant interest

PANDORA has no major shareholders, owning equal to or more than 5% of the share capital in PANDORA.

As of 15 October 2014, PANDORA A/S owned a total of 6,428,833 treasury shares of nominally DKK 1 (in total nominally DKK 6,428,833) and hereby exceed 5% of the total share capital and the total voting rights in the Company.

Transactions with related parties

As part of the share buyback in 2014, PANDORA purchases own shares from Axcel III K/S 1, Axcel III 2 and Axcel III K/S 3. The shares are 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 in the third quarter included the full accrual of potential severance payments through to end of 2016 of DKK 34 million related to the agreement with the current CEO, Allan Leighton. Besides this severance payment, 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' as endorsed by the European Union and accounting policies set out in the Annual Report 2013 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 2014. These IFRSs have not had any significant impact on the Group's interim financial report.

Quarterly overview

DKK million	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Consolidated income statement					
Revenue	2,845	2,544	2,592	2,822	2,255
Gross Profit	1,999	1,798	1,791	1,918	1,493
Operating profit before depreciation and amortisation (EBITDA)	1,020	893	937	946	762
Operating profit (EBIT)	963	841	887	891	708
Net finance income	-57	-13	-8	23	47
Profit before tax	906	828	879	914	755
Net profit	725	662	704	739	612
Consolidated balance sheet					
Total assets	10,354	9,231	9,192	9,275	9,132
Invested capital	6,558	5,851	5,666	5,976	6,413
Net working capital	1,106	729	660	1,009	1,602
Shareholders' equity	6,361	6,274	6,160	6,462	6,129
Net interest-bearing debt (NIBD)	9	-440	-546	-637	175
Consolidated cash flow statement					
Net cash flow from operating activities	711	637	1,107	1,163	442
Net cash flow from investing activities	-288	-92	-71	-133	-89
Free cash flow	567	547	1,049	1,085	363
Net cash flow from financing activities	-435	-662	-1,152	-545	-324
Net cash flow for the period	-12	-117	-116	485	29
Ratios					
Revenue growth, %	26.2%	31.7%	29.5%	29.8%	25.7%
Gross profit growth, %	33.9%	41.1%	36.3%	36.7%	29.8%
EBITDA growth, %	33.8%	68.5%	45.7%	77.2%	51.5%
EBIT growth, %	36.0%	74.1%	48.1%	83.3%	52.9%
Net profit growth, %	18.5%	53.6%	60.7%	75.5%	61.1%
Gross margin, %	70.3%	70.7%	69.1%	68.0%	66.2%
EBITDA margin, %	35.9%	35.1%	36.1%	33.5%	33.8%
EBIT margin, %	33.8%	33.1%	34.2%	31.6%	31.4%
Tax rate, %	20.0%	20.0%	20.0%	19.1%	19.0%
Cash conversion, %	78.2%	82.6%	149.0%	146.8%	59.3%
Capital expenditure (CAPEX), DKK million	135	86	58	90	71
Net interest-bearing debt to EBITDA *	0.0	-0.1	-0.2	-0.2	0.1
Equity ratio, %	61.4%	68.0%	67.0%	69.7%	67.1%
Return on invested capital (ROIC), % *	54.6%	56.9%	52.4%	44.9%	35.5%

* 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.