

No. 165

**COMPANY ANNOUNCEMENT**

13 May 2014

**INTERIM REPORT FOR Q1 2014**

**REVENUE INCREASE 30%, DRIVEN BY CONTINUED POSITIVE DEVELOPMENT ACROSS ALL REGIONS**

- Group revenue in Q1 2014 was DKK 2,592 million, an increase of 29.5% or 34.0% in local currency, compared with Q1 2013:
  - Americas increased by 10.7% (16.2% increase in local currency)
  - Europe increased by 49.2% (48.3% increase in local currency)
  - Asia Pacific increased by 54.3% (71.9% increase in local currency)
- The gross margin increased to 69.1% in Q1 2014, compared with a gross margin of 65.6% in Q1 2013
- EBITDA increased by 45.7% to DKK 937 million for the quarter, corresponding to an EBITDA margin of 36.1%, compared with an EBITDA margin of 32.1% in Q1 2013
- EBIT was DKK 887 million for the quarter, an increase of 48.1%, corresponding to an EBIT margin of 34.2%, compared with an EBIT margin of 29.9% in Q1 2013
- Net profit for the quarter was DKK 704 million, compared with a net profit of DKK 438 million in Q1 2013
- Free cash flow was DKK 1,049 million in Q1 2014 (including an extraordinary VAT repayment in Germany of DKK 259m), compared with DKK 406 million in Q1 2013
- During Q1 2014, PANDORA bought back 902,530 own shares at a total value of DKK 317 million as part of the on-going DKK 2.4 billion share buyback programme.

**UPDATED FINANCIAL GUIDANCE FOR 2014**

Following a good start to 2014, PANDORA has decided to increase revenue guidance to more than DKK 10.5 billion (previously guided more than DKK 10.0 billion). The EBITDA margin expectation is unchanged, and is expected to be approximately 35%.

	FY 2014 New guidance	FY 2013 actual
Revenue, DKK billion	>10.5	9.0
EBITDA margin	approx. 35%	32.0%
CAPEX, DKK million	approx. 550	490
Effective tax rate	approx. 20%	19%

PANDORA plans to continue to expand the store network and now expects to add more than 225 new concept stores in 2014 versus previously expected more than 175.

In connection with the Q1 2014 results, CEO Allan Leighton said:

*"We are pleased to see that the strong momentum has continued into 2014 with revenue growth of 30% for the first quarter. All regions increased with double digit percentages, primarily driven by strong like-for-like growth, which was positively impacted by a good reception of all our new collections and replenishment from a strong Christmas period. Our upgraded revenue guidance reflects this quarter's performance, but also the expectancy that the absolute levels of growth moderate for the rest of the year."*

#### **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 23797392 when dialling into the conference.

#### **ABOUT PANDORA**

PANDORA designs, manufactures and markets hand-finished and modern jewellery made from genuine materials at affordable prices. PANDORA jewellery is sold in more than 80 countries on six continents through approximately 10,000 points of sale, including more than 1,100 concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs more than 9,000 people worldwide of whom 6,800 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](http://www.pandoragroup.com).

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## FINANCIAL HIGHLIGHTS

DKK million	Q1 2014	Q1 2013	FY 2013
<b>Consolidated income statement</b>			
Revenue	2,592	2,002	9,010
Gross profit	1,791	1,314	5,999
Operating profit before depreciation and amortisation (EBITDA)	937	643	2,881
Operating profit (EBIT)	887	599	2,681
Net finance income	-8	-58	61
Profit before tax	879	541	2,742
Net profit	704	438	2,220
<b>Consolidated balance sheet</b>			
Total assets	9,192	8,574	9,275
Invested capital	5,666	6,141	6,265
Net working capital	660	1,243	1,009
Shareholders' equity	6,160	5,891	6,462
Net interest-bearing debt (NIBD)	-546	192	-637
<b>Consolidated cash flow statement</b>			
Net cash flow from operating activities	1,107	645	2,428
Net cash flow from investing activities	-71	-247	-543
Free cash flow	1,049	406	1,956
Net cash flow from financing activities	-1,152	-519	-1,524
Net cash flow for the period	-116	-121	361
<b>Ratios</b>			
Revenue growth, %	29.5%	40.6%	35.4%
Gross profit growth, %	36.3%	28.8%	35.4%
EBITDA growth, %	45.7%	60.3%	73.8%
EBIT growth, %	48.1%	69.7%	81.8%
Net profit growth, %	60.7%	29.6%	84.7%
Gross margin, %	69.1%	65.6%	66.6%
EBITDA margin, %	36.1%	32.1%	32.0%
EBIT margin, %	34.2%	29.9%	29.8%
Tax rate, %	20.0%	19.0%	19.0%
Cash conversion, %	149.0%	92.7%	88.1%
Capital expenditure (CAPEX), DKK million	58	246	490
Net interest-bearing debt to EBITDA *	-0.2	0.1	-0.2
Equity ratio, %	67.0%	68.7%	69.7%
Return on invested capital (ROIC), % *	52.4%	28.0%	44.9%
<b>Other key figures</b>			
Average number of employees	8,798	6,156	6,910
Dividend per share, DKK	-	-	6.5
Earnings per share, basic, DKK	5.6	3.4	17.2
Earnings per share, diluted, DKK	5.5	3.4	17.0
Share price at end of period, DKK	358.5	160.0	294.0

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

## **IMPORTANT EVENTS IN Q1 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 31 March 2014, a total of 902,530 shares had been bought back, corresponding to a transaction value of DKK 317 million and an average purchase price of DKK 351.18 per share. As of 31 March 2014, PANDORA held a total of 4,269,680 treasury shares, corresponding to 3.3% of the share capital, not taking into account the share capital reduction on 22 April described below.

PANDORA may use the shares purchased under the Programme to meet potential obligations arising from employee share option programmes. As of 31 March 2014, the total potential obligation amounted to 1,455,955 shares.

### **TAKE OVER OF DISTRIBUTION IN UAE, BAHRAIN, QATAR AND OMAN**

In March 2014, PANDORA acquired 100% of the shares in Pan Me A/S. Pan Me A/S holds the distribution rights to distribute PANDORA jewellery in UAE, Bahrain, Qatar and Oman. The agreement is subject to certain conditions not yet fulfilled. Upon fulfilment PANDORA will pay a one-time cash payment of DKK 110 million primarily related to the distribution rights to distribute PANDORA jewellery in UAE, Bahrain, Qatar and Oman, fixed assets and inventories related to 10 concept stores in UAE.

### **ORGANISATIONAL CHANGES**

On 10 March 2014, PANDORA announced that Marcello Bottoli, due to other professional commitments, will be standing down from his role as Chairman of the Board when a successor is found sometime in 2014.

Marcello Bottoli, Deputy Chairman Christian Frigast and the Nominations Committee have initiated a search for a new Chairman of the Board.

At the Annual General Meeting on 19 March 2014, it was decided to increase the number of board members elected by the general meeting from 8 to 10, and to elect Per Bank and Michael Hauge Sørensen as new members of the Company's Board of Directors.

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

### **REDUCTION OF PANDORA A/S' SHARE CAPITAL**

At the Company's Annual General Meeting on 19 March 2014, it was decided to reduce the share capital by a nominal amount of DKK 2,027,438 through cancellation of a nominal amount of DKK 2,027,438 treasury shares of DKK 1.

The Board of Directors has implemented the share capital reduction with final effect with the Danish Business Authority. After reduction of the share capital, the Company's share capital is nominally DKK 128,115,820 divided into shares of DKK 1.

## REVENUE DEVELOPMENT

Total revenue for Q1 2014 was DKK 2,592 million, an increase of 29.5% compared with Q1 2013, including a negative impact from currency of 4.5 percentage points. Volumes increased by 26.6% compared with Q1 2013. The average sales price (ASP), recognised by PANDORA, was DKK 131 in Q1 2014, compared with DKK 128 in Q1 2013. Prices for each individual product were virtually unchanged compared with Q1 2013.

Growth continued across all regions for the quarter, especially driven by the UK, Other Europe, Other Americas and Other Asia Pacific. Revenue in the US and Australia, was impacted by unfavourable exchange rate developments, but increased 9.2% and 16.1% respectively in local currency. The overall growth continues to be driven by an increasing demand for PANDORA's newer products, most recently demonstrated by a positive reception of the three collections launched in Q1 2014 (Valentine's Day, Spring and Mother's Day). The three collections comprised a total of 138 new products, compared to 80 new products in Q1 2013. The increase is due to an extraordinary addition of two smaller charms collections of symbol and alphabet charms. For the quarter, around 50% of sales were generated by products launched within the last 12 months, which is unchanged compared to Q1 2013. Furthermore, revenue was impacted by the expansion of the branded store network, which since Q1 2013, has increased by 223 new concept stores, 101 shop-in-shops and 65 Gold stores. Finally, revenue was positively impacted by replenishment of retailer inventories following strong Christmas sales.

At the end of Q1 2014, sales return provisions corresponded to approximately 8% of 12 months rolling revenue value, compared to 8% and 9% for Q4 2013 and Q1 2013 respectively.

Based on data from concept stores, which have been operating for more than 12 months, like-for-like sales-out in PANDORA's four major markets continued the good momentum. The positive development continues to be driven by successful new product launches and generally better execution in stores. In the quarter, roughly one third of sales-out of the concept stores was generated by products launched within the last 12 months. Sales-out in Q1 2014 was negatively impacted by Easter being in Q2 in 2014 as opposed to Q1 in 2013.

## REVENUE BREAKDOWN BY GEOGRAPHY

In Q1 2014, 45.1% of revenue was generated in Americas (52.8% in Q1 2013), 41.1% in Europe (35.6% in Q1 2013) and 13.8% in Asia Pacific (11.6% in Q1 2013).

### Distribution of revenue

DKK million	Q1 2014	Q1 2013	Growth	Growth in local currency
<b>Americas</b>	<b>1,170</b>	<b>1,057</b>	<b>10.7%</b>	<b>16.2%</b>
US	876	832	5.3%	9.2%
Other Americas	294	225	30.7%	42.1%
<b>Europe</b>	<b>1,064</b>	<b>713</b>	<b>49.2%</b>	<b>48.3%</b>
UK	299	190	57.4%	52.3%
Germany	121	108	12.0%	12.0%
Other Europe	644	415	55.2%	55.2%
<b>Asia Pacific</b>	<b>358</b>	<b>232</b>	<b>54.3%</b>	<b>71.9%</b>
Australia	142	148	-4.1%	16.1%
Other Asia Pacific	216	84	157.1%	200.7%
<b>Total</b>	<b>2,592</b>	<b>2,002</b>	<b>29.5%</b>	<b>34.0%</b>

**AMERICAS**

Revenue for the first quarter in Americas was DKK 1,170 million, an increase of 10.7% or 16.2% in local currency compared with Q1 2013. The increase was primarily driven by continued strong growth in Other Americas.

US revenue was DKK 876 million, an increase of 5.3% or 9.2% in local currency compared with Q1 2013. 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 Q1 2014, based on concept stores in the US - which have been operating for more than 12 months - increased by 8.5% compared with Q1 2013. The improved sales-out performance was driven by a continued high sales-out of PANDORA's newer products, including the recently launched Valentine's Day and Spring Collection.

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

	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013
<b>US</b>	<b>8.5 %</b>	<b>5.1%</b>	<b>12.6%</b>	<b>8.8%</b>	<b>14.7%</b>

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

Revenue from Other Americas was DKK 294 million, an increase of 30.7% compared with the same quarter last year. The increase was primarily driven by the continued positive development in Canada with revenue growth of 21% for the quarter. Revenue in Canada corresponded to more than 60% of revenue in Other Americas for the quarter. Furthermore, revenue in Other Americas was impacted by revenue from Brazil now being recognized 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 20 million to revenue from Other Americas for the quarter.

**Store network - Americas**

	Number of PoS Q1 2014	Number of PoS Q4 2013	Number of PoS Q1 2013	Delta Q4 2013 and Q1 2014	Delta Q1 2013 and Q1 2014
Concept stores	349	332	296	17	53
- hereof PANDORA-owned	15	5	3	10	12
Shop-in-shops	585	572	537	13	48
- hereof PANDORA-owned	6	0	0	6	6
Gold	848	849	781	-1	67
<b>Total branded</b>	<b>1,782</b>	<b>1,753</b>	<b>1,614</b>	<b>29</b>	<b>168</b>
<b>Total branded as % of Total</b>	<b>54.8%</b>	<b>54.2%</b>	<b>50.6%</b>		
Silver	1,068	1,056	1,088	12	-20
White and travel retail	400	426	486	-26	-86
<b>Total</b>	<b>3,250</b>	<b>3,235</b>	<b>3,188</b>	<b>15</b>	<b>62</b>

PANDORA continues to expand the branded store network and during Q1 2014, the number of branded points of sale (PoS) in the Americas increased by 29 stores. PANDORA-owned and operated (O&O) stores in Americas increased to 21 at the end of Q1 2014. The increase was due to the inclusion of eight O&O concept stores and six O&O shop-in-shops in Brazil (previously included in Other Europe), as well as two new O&O concept stores in Brazil.

**EUROPE**

Revenue in Europe was DKK 1,064 million for the quarter, an increase of 49.2% or 48.3% in local currency compared with Q1 2013. The growth was primarily driven by PANDORA's new markets Italy, France and Russia, as well as continued positive momentum in the UK.

Revenue in the first quarter in the UK was DKK 299 million, an increase of 57.4% or 52.3% in local currency compared with the same quarter last year. Growth was primarily driven by PANDORA's newer products; in particular the Valentine's Day and the Spring Collection, which have been very successful across all product categories. Following an enhanced focus on rings, revenue from the category did particularly well for the quarter and revenue from rings more than doubled compared to Q1 2013. Furthermore, revenue was positively impacted by an improved store network, as well as the continued success of the PANDORA eSTORE.

Like-for-like sales-out in Q1 2014, based on concept stores in the UK - which have been operating for more than 12 months - increased by 27.9% compared with Q1 2013. The improvement in sales was driven by the continued success of PANDORA's newer products.

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

	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013
<b>UK</b>	<b>27.9%</b>	<b>17.9%</b>	<b>13.6%</b>	<b>11.6%</b>	<b>17.8%</b>

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

Revenue in the first quarter in Germany was DKK 121 million, an increase of 12.0% compared with Q1 2013. The improvement of the store network in Germany is on-going and PANDORA continues the work to improve store execution across the country.

Like-for-like sales-out in Q1 2014, based on concept stores in Germany - which have been operating for more than 12 months - increased by 11.5% compared with Q1 2013. The positive development was primarily driven by a strong performance by PANDORA's O&O stores, with like-for-like sales-out increasing 19% compared to Q1 2013. In Germany, the O&O stores are generally performing better than franchisee owned stores. As part of the on-going effort to improve the store network, PANDORA opened four new O&O concept stores in Germany during the quarter. At the end of Q1 2014, PANDORA owned and operated 43 concept stores out of a total of 72 concept stores in Germany.

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

	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013
<b>Germany</b>	<b>11.5%</b>	<b>5.7%</b>	<b>8.2%</b>	<b>1.7%</b>	<b>18.2%</b>

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

Revenue from Other Europe was DKK 644 million for the quarter, an increase of 55.2% compared with Q1 2013. Italy, France and Russia, now constituting approximately 60% of revenue from Other Europe, continue to be the main drivers of growth. Like-for-like sales-out for the three countries all increased with double digit growth rates for the quarter and the optimisation and expansion of the respective store network continue. Since Q1 2013, PANDORA has opened 87 new concept stores in the three countries.

**Store network - Europe**

	Number of PoS Q1 2014	Number of PoS Q4 2013	Number of PoS Q1 2013	Delta Q4 2013 and Q1 2014	Delta Q1 2013 and Q1 2014
Concept stores	617	602	464	15	153
- hereof PANDORA- owned	119	115	81	4	38
Shop-in-shops	628	628	575	0	53
- hereof PANDORA-owned	54	60	55	-6	-1
Gold	1,330	1,332	1,331	-2	-1
<b>Total branded</b>	<b>2,575</b>	<b>2,562</b>	<b>2,370</b>	<b>13</b>	<b>205</b>
<b>Total branded as % of Total</b>	<b>41.6%</b>	<b>39.9%</b>	<b>36.8%</b>		
Silver	1,957	2,058	1,934	-101	23
White and travel retail	1,658	1,794	2,132	-136	-474
<b>Total</b>	<b>6,190</b>	<b>6,414</b>	<b>6,436</b>	<b>-224</b>	<b>-246</b>

During Q1 2014, the number of branded stores in Europe increased by 13 stores to a total of 2,575 stores, accounting for 41.6% of the total number of stores compared with 39.9% at the end of Q4 2013, in line with PANDORA's overall strategy to increase branded sales. Six O&O shop-in-shops in Brazil have been moved to the American region.

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

**ASIA PACIFIC**

Revenue in Asia Pacific was DKK 358 million for the quarter, an increase of 54.3% or 71.9% in local currency compared with the same period last year. The positive development was driven by increasing revenue from Other Asia Pacific.

Revenue in Australia was DKK 142 million, a decrease of 4.1% or an increase of 16.1% in local currency compared with Q1 2013. The growth in local currency was driven by a continued strong sales-out growth, fuelled by successful new launches. Rings continue to do very well in Australia. For the quarter, revenue from Rings increased around 20% in DKK compared to Q1 2013.

Like-for-like sales-out in Q1 2014, based on concept stores in Australia - which have been operating for more than 12 months - increased by 33.6% compared with Q1 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**

	Q1 2013 to Q1 2014	Q4 2012 to Q4 2013	Q3 2012 to Q3 2013	Q2 2012 to Q2 2013	Q1 2012 to Q1 2013
<b>Australia</b>	<b>33.6%</b>	<b>25.5%</b>	<b>25.2%</b>	<b>22.4%</b>	<b>15.9%</b>

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

Revenue from Other Asia Pacific was DKK 216 million for the quarter, corresponding to an increase of 157.1% compared with the same quarter last year. The increase was primarily driven by revenue in Hong Kong, Malaysia, South Korea, Singapore and Taiwan - countries in which strong like-for-like sales-in growth continues to drive revenue.

**Store network – Asia Pacific**

	Number of PoS Q1 2014	Number of PoS Q4 2013	Number of PoS Q1 2013	Delta Q4 2013 and Q1 2014	Delta Q1 2013 and Q1 2014
Concept stores	171	166	154	5	17
- hereof PANDORA-owned	24	26	27	-2	-3
Shop-in-shops	175	172	175	3	0
- hereof PANDORA-owned	0	0	1	0	-1
Gold	145	148	146	-3	-1
<b>Total branded</b>	<b>491</b>	<b>486</b>	<b>475</b>	<b>5</b>	<b>16</b>
<b>Total branded as % of Total</b>	<b>77.7%</b>	<b>77.1%</b>	<b>76.7%</b>		
Silver	73	73	70	0	3
White and Travel Retail	68	71	74	-3	-6
<b>Total</b>	<b>632</b>	<b>630</b>	<b>619</b>	<b>2</b>	<b>13</b>

At the end of Q1 2014, PANDORA had 491 branded stores in Asia Pacific compared to 475 a year before.

**SALES CHANNELS**

PANDORA's focus on expanding the branded sales network continues and in Q1 2014, PANDORA opened net 53 new concept stores and shop-in-shops, including 12 O&O concept stores. The majority of the new stores were opened in Europe.

PANDORA has increased the branded store network with 389 points of sale since the end of Q1 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 sales was reduced by 560 stores.

The total number of points of sale was 10,072, a decrease of 171 compared with Q1 2013.

**Store network - Group**

	Number of PoS Q1 2014	Number of PoS Q4 2013	Number of PoS Q1 2013	Delta Q4 2013 and Q1 2014	Delta Q1 2013 and Q1 2014
Concept stores	1,137	1,100	914	37	223
- hereof PANDORA-owned	158	146	111	12	47
Shop-in-shops	1,388	1,372	1,287	16	101
- hereof PANDORA-owned	60	60	56	0	4
Gold	2,323	2,329	2,258	-6	65
<b>Total branded</b>	<b>4,848</b>	<b>4,801</b>	<b>4,459</b>	<b>47</b>	<b>389</b>
<b>Total branded as % of Total</b>	<b>48.1%</b>	<b>46.7%</b>	<b>43.5%</b>		
Silver	3,098	3,187	3,092	-89	6
White and travel retail	2,126	2,291	2,692	-165	-566
<b>Total</b>	<b>10,072</b>	<b>10,279</b>	<b>10,243</b>	<b>-207</b>	<b>-171</b>

The expansion of the store network in PANDORA's new markets continued, and in Q1 2014 the network in new markets increased by 20 concept stores, of which 13 were opened in Russia, two in France and one in Italy.

**Store network – New markets (end of Q1 2014)**

	Russia	France	Italy	China	Japan	Rest of Asia	Total	Net openings Q1 2014	Net openings Q4 2013
Concept stores	134	24	26	26	1	56	<b>267</b>	20	31
Shop-in-shops	37	33	7	14	6	64	<b>161</b>	6	9
<b>Total</b>	<b>171</b>	<b>57</b>	<b>33</b>	<b>40</b>	<b>7</b>	<b>120</b>	<b>428</b>	<b>26</b>	<b>40</b>

Branded revenue in Q1 2014 accounted for 84.4% of revenue compared with 79.0% in Q1 2013. The increase was driven by an increasing share of branded points of sale, as well as higher revenue in existing branded stores.

Revenue from concept stores increased 49.9% to DKK 1,322 million, and constituted 51.0% of revenue for the quarter compared to 44.1% in Q1 2013. The increase was driven by better in-store execution as well as the addition of 223 new stores, including 47 new O&O concept stores. Unbranded sales decreased 11.2%, as a consequence of the closure of silver and white stores.

**Revenue per sales channel**

DKK million	Q1 2014	Q1 2013	Growth	Share of total revenue
Concept stores	1,322	882	49.9%	51.0%
Shop-in-shops	480	383	25.3%	18.5%
Gold	386	317	21.8%	14.9%
<b>Total branded</b>	<b>2,188</b>	<b>1,582</b>	<b>38.3%</b>	<b>84.4%</b>
Silver	207	214	-3.3%	8.0%
White and travel retail	111	144	-22.9%	4.3%
<b>Total unbranded</b>	<b>318</b>	<b>358</b>	<b>-11.2%</b>	<b>12.3%</b>
<b>Total direct</b>	<b>2,506</b>	<b>1,940</b>	<b>29.2%</b>	<b>96.7%</b>
3rd party distributors	86	62	38.7%	3.3%
<b>Total</b>	<b>2,592</b>	<b>2,002</b>	<b>29.5%</b>	<b>100.0%</b>

**PRODUCT OFFERING**

In Q1 2014, revenue from Charms increased by 22.4% compared with Q1 2013, while revenue from Silver and gold charm bracelets increased by 21.9%. The two categories represented 80.9% of total revenue in Q1 2014 compared with 85.6% in Q1 2013. In November 2013, PANDORA launched the PANDORA ESSENCE COLLECTION in concept stores across selected markets. At the end of the quarter, the Collection was launched in 48 countries, and around 1,000 concept stores. Furthermore, the Collection was launched in April in shop-in-shops and Jared's stores in the US. The PANDORA ESSENCE COLLECTION is still in its launch phase. Initial results are encouraging, and continued marketing investments are being spent to build the concept.

Revenue from Rings was DKK 220 million, an increase of 86.4% compared with Q1 2013. Most markets are enjoying an increase in revenue from Rings, driven by the improved offering, as well as several revenue increasing initiatives in 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 8.5% of total revenue for the quarter compared with 5.9% in Q1 2013. In Australia and the UK combined, which are some of the most developed markets in terms of rings, more than 15% of revenue was generated from Rings in the quarter.

Revenue from Other jewellery was DKK 276 million, an increase of 61.4% compared with Q1 2013. The growth was driven by all subcategories, in particular revenue from Other bracelets, which continues to be positively impacted by the silver bangle launched in the US Q1 2013 and most other countries in Q2 2013. Other jewellery represented 10.6% of total revenue in Q1 2014 compared with 8.5% in Q1 2013.

**Product mix**

DKK million	Q1 2014	Q1 2013	Growth	Share of total revenue
Charms	1,784	1,457	22.4%	68.9%
Silver and gold charm bracelets	312	256	21.9%	12.0%
Rings	220	118	86.4%	8.5%
Other jewellery	276	171	61.4%	10.6%
<b>Total revenue</b>	<b>2,592</b>	<b>2,002</b>	<b>29.5%</b>	<b>100.0%</b>

**COSTS**

Total costs for the quarter, including depreciation and amortisation, were DKK 1,705 million, an increase of 21.5% compared with Q1 2013. Total costs corresponded to 65.8% of revenue for the quarter compared with 70.1% in Q1 2013.

**Cost development**

DKK million	Q1 2014	Q1 2013	Growth	Share of total revenue Q1 2014	Share of total revenue Q1 2013
Cost of sales	801	688	16.4%	30.9%	34.4%
<b>Gross profit</b>	<b>1,791</b>	<b>1,314</b>	<b>36.3%</b>	<b>69.1%</b>	<b>65.6%</b>
Sales and distribution expenses	415	316	31.1%	16.0%	15.8%
Marketing expenses	210	193	8.8%	8.1%	9.6%
Administrative expenses	279	206	35.4%	10.8%	10.3%
<b>Total costs</b>	<b>1,705</b>	<b>1,403</b>	<b>21.5%</b>	<b>65.8%</b>	<b>70.1%</b>

**GROSS PROFIT**

Gross profit for the quarter was DKK 1,791 million corresponding to a gross margin of 69.1% compared with 65.6% in Q1 2013 and 68.0% in Q4 2013. The increase in gross margin for the quarter was due to the improvement in realised hedging prices for silver and gold 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 1,334 USD/oz, 1,316 USD/oz, 1,284 USD/oz and 1,290 USD/oz and for silver 21.78 USD/oz, 21.34 USD/oz, 20.8 USD/oz and 20.5 USD/oz. However, current inventory means a delayed impact of the hedged prices on cost of sales.

The average realised purchase price in Q1 2014 was 1,362 USD/oz for gold and 24.0 USD/oz for silver.

Excluding hedging and the time lag effect from the inventory, the underlying gross margin would have been approximately 73% based on the average gold (1,293 USD/oz) and silver (20.48 USD/oz) market prices in Q1 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 904 million compared with DKK 715 million in Q1 2013, representing 34.9% of revenue in Q1 2014 compared with 35.7% Q1 2013. The improvement is primarily driven by higher revenue, with all regions contributing to the positive development, particularly Europe and Asia Pacific.

Sales and distribution expenses were DKK 415 million, an increase of 31.3% compared with Q1 2013, and corresponding to 16.0% of revenue compared with 15.8% Q1 2013. The increase in sales and distribution expenses was mainly driven by higher revenue, an increase in number of PANDORA-owned stores (218 in Q1 2014 vs. 167 in Q1 2013), as well as costs related to expansion of the e-commerce platform.

Marketing expenses were DKK 210 million compared with DKK 193 million in Q1 2013, corresponding to 8.1% of revenue, compared with 9.6% in Q1 2013.

Administrative expenses for the quarter increased 35.4% to DKK 279 million, representing 10.8% of revenue, compared with 10.3% of Q1 2013 revenue. The increase in administrative costs was primarily due to costs related to relocation of offices, as well as anticipated higher IT costs.

## EBITDA

EBITDA for Q1 2014 increased by 45.7% to DKK 937 million resulting in an EBITDA margin of 36.1%, compared with 32.1% in Q1 2013.

### Regional EBITDA margins

	Q1 2014	Q1 2013	Delta Q1 2013 and Q1 2014
Americas	44.3%	44.1%	0.2%
Europe	39.8%	34.6%	5.2%
Asia Pacific	50.3%	35.8%	14.5%
Unallocated costs	-7.1%	-7.6%	0.5%
<b>Group EBITDA margin</b>	<b>36.1%</b>	<b>32.1%</b>	<b>4.0%</b>

The EBITDA margin for Americas for the quarter was 44.3%. The improvement in margin from lower raw material prices was partially offset by the inclusion of Brazil in Other Americas (previously included in Other Europe), which had a diluting effect on margins of approximately one percentage point.

The EBITDA margin for Europe increased from 34.6% in Q1 2013 to 39.8% for the current quarter. The increase was primarily driven by the improved gross margin as well as leverage on the cost base from increase in revenue particularly related to the UK and new markets (Russia, Italy and France).

The EBITDA margin for the Asia Pacific region improved 14.5 percentage points to 50.3% for the quarter. The improvement was primarily driven by increasing revenue in the region as well as the improved gross margin.

## EBIT

EBIT for Q1 2014 increased to DKK 887 million, an increase of 48.1% compared with the same quarter in 2013, resulting in an EBIT margin of 34.2% for Q1 2014 versus 29.9% in Q1 2013.

## NET FINANCE INCOME

In Q1 2014, net finance income amounted to DKK -8 million, of which DKK 8 million was an exchange rate gain and DKK 16 million was interest expenses and other costs. This compared with a net finance income of DKK -58 million in Q1 2013.

## INCOME TAX EXPENSES

Income tax expenses were DKK 175 million in Q1 2014, implying an effective tax rate of 20.0% for

Q1 2014 compared with 19.0% for Q1 2013.

## NET PROFIT

In Q1 2014, net profit increased to DKK 704 million from DKK 438 million in Q1 2013.

## BALANCE SHEET AND CASH FLOW

In Q1 2014, PANDORA generated free cash flow of DKK 1,049 million compared with DKK 406 million in Q1 2013 and corresponding to a cash conversion of 149.0%. The improved cash flow was primarily driven by increasing profits as well as a more favourable working capital development compared with Q1 2013. Moreover, an extraordinary repayment, related to quarterly paid VAT in Germany, contributed with of DKK 259 million.

Operating working capital (defined as inventory and accounts receivables less accounts payables) at the end of Q1 2014 corresponded to 19.3% of the preceding twelve months revenue, compared with 26.9% at the end of Q1 2013 and 20.5% at the end of Q4 2013.

Inventory was DKK 1,574 million at the end of Q1 2014, corresponding to 16.4% of preceding 12 months revenue. This compares to DKK 1,490 million at the end of Q4 2013 and DKK 1,396 million in Q1 2013. The increase was primarily due to increasing revenue. Compared with Q1 2013 the gold and silver prices affected inventory with a decrease of approximately 20%.

### Inventory development

DKK million	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Inventory	1,574	1,490	1,603	1,463	1,396
<i>Share of last 12 months revenue</i>	16.4%	16.5%	19.2%	18.5%	19.3%

Trade receivables increased to DKK 889 million at the end of Q1 2014 (9.3% of preceding 12 months revenue) compared with DKK 724 million at the end of Q1 2013 (10.0% of the preceding 12 months revenue) and DKK 895 million at the end of Q4 2013 (9.9% of preceding 12 months revenue). The increase compared with Q1 2013 is mainly due to higher revenue, while the decrease compared with Q4 2013 is primarily due to a continued strong cash collection.

Other receivables decreased to DKK 548 million from DKK 731 million at the end of 2013. The decrease was primarily due to an extraordinary repayment from the German tax authorities of DKK 259 million related to quarterly paid VAT in Germany. An additional amount of approximately DKK 233 million is expected to be repaid to PANDORA, but is pending a VAT audit by the German authorities.

Trade payables at the end of quarter were DKK 613 million compared with DKK 174 million at the end of Q1 2013 and DKK 539 million at the end of Q4 2013. The increase compared to Q1 2013 is primarily due to a reclassification of DKK 203 million from Other payables to Trade payables, which is related to accrued expenses. The reclassification was done in Q3 2013.

In Q1 2014, PANDORA's CAPEX was DKK 58 million, including investments in intangible assets of DKK 23 million mainly related to key money in connection with the opening of some PANDORA-owned stores, as well as IT investments. CAPEX constituted 2.2% of Q1 2014 revenue.

At the Annual General Meeting in March, the proposed annual dividend of DKK 6.5 per share was approved. A dividend of DKK 820 million was paid out during the quarter, excluding withholding tax of DKK 186 million, included in Other payables, which will be paid in the second quarter.

During the quarter, a total of DKK 317 million was used to purchase own shares related to the share buyback programme. As of 31 March 2014, PANDORA held 4,269,680 treasury shares, corresponding to 3.3% of the share capital.

Total interest-bearing debt was DKK 25 million at the end of Q1 2014 (compared with DKK 414 million at the end of Q1 2013).

Cash amounted to DKK 571 million at the end of Q1 2014 (compared with DKK 222 million at the end of Q1 2013).

Net interest-bearing debt (NIBD) at the end of Q1 2014 was DKK -546 million corresponding to a NIBD/EBITDA of -0.2x of the last twelve months EBITDA (compared with DKK 192 million at the end of Q1 2013 corresponding to a NIBD/EBITDA of 0.1x).

**MANAGEMENT STATEMENT**

The Board of Directors and the Executive Board have reviewed and approved the interim report of PANDORA A/S for the period 1 January – 31 March 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 31 March 2014, and of the results of the PANDORA Group's operations and cash flow for the period 1 January – 31 March 2014.

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, 13 May 2014

**EXECUTIVE BOARD**

Allan Leighton  
Chief Executive Officer

Henrik Holmark  
Chief Financial Officer

**BOARD OF DIRECTORS**

Marcello Bottoli  
Chairman

Christian Frigast  
Deputy Chairman

Andrea Alvey

Torben Ballegaard Sørensen

Per Bank

Anders Boyer-Søgaard

Bjørn Gulden

Michael Hauge Sørensen

Nikolaj Vejlsgaard

Ronica Wang

## FINANCIAL STATEMENT

### Consolidated statement of comprehensive income

DKK million	Q1 2014	Q1 2013	FY 2013
Revenue	2,592	2,002	9,010
Cost of sales	-801	-688	-3,011
<b>Gross profit</b>	<b>1,791</b>	<b>1,314</b>	<b>5,999</b>
Sales, distribution and marketing expenses	-625	-509	-2,397
Administrative expenses	-279	-206	-921
<b>Operating profit</b>	<b>887</b>	<b>599</b>	<b>2,681</b>
Finance income	8	1	167
Finance expenses	-16	-59	-106
<b>Profit before tax</b>	<b>879</b>	<b>541</b>	<b>2,742</b>
Income tax expense	-175	-103	-522
<b>Net profit for the period</b>	<b>704</b>	<b>438</b>	<b>2,220</b>
Earnings per share, basic (DKK)	5.6	3.4	17.2
Earnings per share, diluted (DKK)	5.5	3.4	17.0

### Consolidated statement of other comprehensive income

DKK million	Q1 2014	Q1 2013	FY 2013
<b>Net profit for the period</b>	<b>704</b>	<b>438</b>	<b>2,220</b>
Exchange rate differences on translation of foreign subsidiaries	24	180	-355
Value adjustment of hedging instruments	101	-20	-98
Income tax on other comprehensive income	-4	12	6
<b>Other comprehensive income, net of tax</b>	<b>121</b>	<b>172</b>	<b>-447</b>
<b>Total comprehensive income for the period</b>	<b>825</b>	<b>610</b>	<b>1,773</b>

**Consolidated balance sheet**

DKK million	2014 31 March	2013 31 March	2013 31 December
<b>ASSETS</b>			
Goodwill	1,916	1,982	1,904
Brand	1,053	1,053	1,053
Distribution network	291	321	300
Distribution rights	1,043	1,043	1,042
Other intangible assets	325	326	318
Property, plant and equipment	515	496	497
Deferred tax assets	369	309	276
Other non-current financial assets	57	29	48
<b>Total non-current assets</b>	<b>5,569</b>	<b>5,559</b>	<b>5,438</b>
Inventories	1,574	1,396	1,490
Financial instruments	-	20	-
Trade receivables	889	724	895
Tax receivables	41	140	35
Other receivables	548	513	731
Cash	571	222	686
<b>Total current assets</b>	<b>3,623</b>	<b>3,015</b>	<b>3,837</b>
<b>Total assets</b>	<b>9,192</b>	<b>8,574</b>	<b>9,275</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	130	130	130
Share premium	1,248	1,248	1,248
Treasury shares	-1,020	-99	-738
Reserves	326	826	205
Proposed dividend	-	715	823
Retained earnings	5,476	3,071	4,794
<b>Total shareholders' equity</b>	<b>6,160</b>	<b>5,891</b>	<b>6,462</b>
Provisions	76	7	35
Loans and borrowings	-	396	-
Deferred tax liabilities	563	661	471
Other non-current liabilities	3	2	3
<b>Total non-current liabilities</b>	<b>642</b>	<b>1,066</b>	<b>509</b>
Provisions	525	493	471
Loans and borrowings	25	18	49
Financial instruments	49	76	148
Trade payables	613	174	539
Income tax payables	651	337	546
Other payables	527	519	551
<b>Total current liabilities</b>	<b>2,390</b>	<b>1,617</b>	<b>2,304</b>
<b>Total liabilities</b>	<b>3,032</b>	<b>2,683</b>	<b>2,813</b>
<b>Total equity and liabilities</b>	<b>9,192</b>	<b>8,574</b>	<b>9,275</b>

## 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
<b>Equity at 1 January 2014</b>	<b>130</b>	<b>1,248</b>	<b>-738</b>	<b>348</b>	<b>-143</b>	<b>823</b>	<b>4,794</b>	<b>6,462</b>
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	-	704	704
Exchange rate differences on translation of foreign subsidiaries	-	-	-	24	-	-	-	24
Value adjustment of hedging instruments	-	-	-	-	101	-	-	101
Income tax on other comprehensive income	-	-	-	-	-4	-	-	-4
<b>Comprehensive income, for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>97</b>	<b>-</b>	<b>704</b>	<b>825</b>
Transfer to retained earnings	-	-	-	-	-	-3	3	-
Share-based payments	-	-	35	-	-	-	-25	10
Purchase of treasury shares	-	-	-317	-	-	-	-	-317
Dividend paid	-	-	-	-	-	-820	-	-820
<b>Equity at 31 March 2014</b>	<b>130</b>	<b>1,248</b>	<b>-1,020</b>	<b>372</b>	<b>-46</b>	<b>-</b>	<b>5,476</b>	<b>6,160</b>
<b>Equity at 1 January 2013</b>	<b>130</b>	<b>1,248</b>	<b>-38</b>	<b>703</b>	<b>-51</b>	<b>715</b>	<b>3,331</b>	<b>6,038</b>
<b>Comprehensive income</b>								
Net profit for the period	-	-	-	-	-	-	438	438
Exchange rate differences on translation of foreign subsidiaries	-	-	-	180	-	-	-	180
Value adjustment of hedging instruments	-	-	-	-	-20	-	-	-20
Income tax on other comprehensive income	-	-	-	-	12	-	-	12
<b>Comprehensive income, for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180</b>	<b>-8</b>	<b>-</b>	<b>438</b>	<b>610</b>
Share-based payments	-	-	-	-	-	-	17	17
Purchase of treasury shares	-	-	-61	-	-	-	-	-61
Dividend paid	-	-	-	2	-	-715	-	-713
Proposed dividend	-	-	-	-	-	715	-715	-
<b>Equity at 31 March 2013</b>	<b>130</b>	<b>1,248</b>	<b>-99</b>	<b>885</b>	<b>-59</b>	<b>715</b>	<b>3,071</b>	<b>5,891</b>

**Consolidated cash flow statement**

DKK million	Q1 2014	Q1 2013	FY 2013
Profit before tax	879	541	2,742
Finance income	-8	-1	-167
Finance expenses	16	59	106
Amortisation/depreciation	50	45	200
Share-based payments	11	17	64
Change in inventories	-77	-33	-292
Change in receivables	195	186	-215
Change in trade payables	17	-48	261
Change in other liabilities	69	-109	-79
Other non-cash adjustments	43	34	169
Interests etc. received	-	1	3
Interests etc. paid	-10	-5	-29
Income tax paid	-78	-42	-335
<b>Cash flow from operating activities</b>	<b>1,107</b>	<b>645</b>	<b>2,428</b>
Acquisition of subsidiaries, net of cash acquired	-3	-4	-45
Purchase of intangible assets	-23	-218	-312
Purchase of property, plant and equipment	-35	-28	-178
Change in other non-current assets	-10	-3	-25
Proceeds from sale of property, plant and equipment	-	6	17
<b>Cash flow from investing activities</b>	<b>-71</b>	<b>-247</b>	<b>-543</b>
Dividend paid	-820	-713	-713
Purchase and disposals of treasury shares	-317	-61	-700
Proceeds from loans and borrowings	10	260	41
Repayment of loans and borrowings	-25	-5	-152
<b>Cash flow from financing activities</b>	<b>-1,152</b>	<b>-519</b>	<b>-1,524</b>
<b>Net cash flow for the period</b>	<b>-116</b>	<b>-121</b>	<b>361</b>
Cash at beginning of period	686	341	341
Net exchange rate adjustment	1	2	-16
Net cash flow for the period	-116	-121	361
<b>Cash at end of period</b>	<b>571</b>	<b>222</b>	<b>686</b>
Cash flow from operating activities	1,107	645	2,428
Interests etc. received	-	-1	-3
Interests etc. paid	10	5	29
Cash flow from investing activities	-71	-247	-543
Acquisition of subsidiary, net of cash acquired	3	4	45
<b>Free cash flow</b>	<b>1,049</b>	<b>406</b>	<b>1,956</b>
Unutilised credit facilities inclusive cash and cash equivalents	3,905	2,432	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. Reference is made to the descriptions in the individual notes of the consolidated financial statement in PANDORA's 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

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 UAE, Bahrain, Qatar and Oman. The agreement is subject to certain conditions not yet fulfilled. Upon fulfilment PANDORA will pay a one-time cash payment of DKK 110 million primarily related to the distribution rights to distribute PANDORA jewellery in UAE, Bahrain, Qatar and Oman, fixed assets and inventories related to 10 concept stores in UAE.

### NOTE 4 - Operating segment information

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

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

DKK million	Americas	Europe	Asia Pacific	Unallocated costs	Total Group
<b>Q1 2014</b>					
External revenue	1,170	1,064	358	-	2,592
Segment profit (EBITDA)	518	423	180	-184	937
Amortisation/depreciation					-50
<b>Consolidated operating profit (EBIT)</b>					<b>887</b>
<b>Q1 2013</b>					
External revenue	1,057	713	232	-	2,002
Segment profit (EBITDA)	466	247	83	-153	643
Amortisation/depreciation					-45
Gain/loss from sale of non-current assets					1
<b>Consolidated operating profit (EBIT)</b>					<b>599</b>

DKK million	Q1 2014	Q1 2013	FY 2013
<b>Product mix – revenue from external customers</b>			
Charms	1,784	1,457	6,293
Silver and gold charm bracelets	312	256	1,157
Rings	220	118	550
Other jewellery	276	171	1,010
<b>Total revenue</b>	<b>2,592</b>	<b>2,002</b>	<b>9,010</b>
<b>Geographical distribution – revenue from external customers</b>			
US	876	832	3,201
Australia	142	148	681
UK	299	190	1,158
Germany	121	108	544
Other countries	1,154	724	3,426
<b>Total revenue</b>	<b>2,592</b>	<b>2,002</b>	<b>9,010</b>

**NOTE 5 - Contingent liabilities**

There have been no material changes to contingent liabilities since the Annual Report 2013. Reference is made to note 5.2 in the Annual Report 2013.

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

Axcel Management A/S acts as a management company for Axcel III K/S 1, Axcel III 2 and Axcel III K/S 3 and by virtue hereof exercises the controlling interest on the three companies' PANDORA shares. Axcel Management A/S thus exercises a controlling interest over approximately 10% of the total share capital and 10% of the total voting rights.

*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 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	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
<b>Consolidated income statement</b>					
Revenue	2,592	2,822	2,255	1,931	2,002
Gross Profit	1,791	1,918	1,493	1,274	1,314
Operating profit before depreciation and amortisation (EBITDA)	937	946	762	530	643
Operating profit (EBIT)	887	891	708	483	599
Net finance income	-8	23	47	49	-58
Profit before tax	879	914	755	532	541
Net profit	704	739	612	431	438
<b>Consolidated balance sheet</b>					
Total assets	9,192	9,275	9,132	8,685	8,574
Invested capital	5,666	5,976	6,413	6,265	6,141
Net working capital	660	1,009	1,602	1,461	1,243
Shareholders' equity	6,160	6,462	6,129	5,682	5,891
Net interest-bearing debt (NIDB)	-546	-637	175	309	192
<b>Consolidated cash flow statement</b>					
Net cash flow from operating activities	1,107	1,163	442	178	645
Net cash flow from investing activities	-71	-133	-89	-74	-247
Free cash flow	1,049	1,085	363	102	406
Net cash flow from financing activities	-1,152	-545	-324	-136	-519
Net cash flow for the period	-116	485	29	-32	-121
<b>Ratios</b>					
Revenue growth, %	29.5%	29.8%	25.7%	53.3%	40.6%
Gross profit growth, %	36.3%	36.7%	29.8%	48.8%	28.8%
EBITDA growth, %	45.7%	77.2%	51.5%	140.9%	60.3%
EBIT growth, %	48.1%	83.3%	52.9%	179.2%	69.7%
Net profit growth, %	60.7%	75.5%	61.1%	584.1%	29.6%
Gross margin, %	69.1%	68.0%	66.2%	66.0%	65.6%
EBITDA margin, %	36.1%	33.5%	33.8%	27.4%	32.1%
EBIT margin, %	34.2%	31.6%	31.4%	25.0%	29.9%
Tax rate, %	20.0%	19.1%	19.0%	19.0%	19.0%
Cash conversion, %	149.0%	146.8%	59.3%	23.7%	92.7%
Capital expenditure (CAPEX), DKK million	58	90	71	83	246
Net interest-bearing debt to EBITDA *	-0.2	-0.2	0.1	0.1	0.1
Equity ratio, %	67.0%	69.7%	67.1%	65.4%	68.7%
Return on invested capital (ROIC), % *	52.4%	44.9%	35.5%	32.4%	28.0%

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

**Disclaimer**

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

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

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

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