ANNUAL REPORT

2013

PANDORA

UNFORGETTABLE MOMENTS

TABLE OF CONTENTS

ANOTHER YEAR OF PROGRESS

Following a resetting of the business, 2013 saw the launch of a number of new initiatives, including the strengthening of our focus on product innovation and the implementation of a new go-to-market strategy. This paved the way for record revenue of DKK 9.0 billion at an EBITDA margin of 32% and a positive share price development.

We saw our first full year of seven product launches instead of the usual two per year, and the feedback from our retail partners has been very positive. Our new go-to-market strategy, which ensures freshness in our stores all year round and a portfolio of highly commercial products, resulted in positive like-for-like sales-out to end consumers in all our four main markets in each quarter throughout 2013.

Growth in 2013 was supported by PANDORA's strategic growth pillars. First and foremost, our focus on increasing the share of revenue from PANDORA branded stores continues to pay off with the highest share of branded revenue ever. We reached an important milestone in October with the opening in Paris, France of Concept store number 1,000. Secondly, our expansion into new markets and territories continued and markets such as Italy, France and Russia saw significant progress during the year. The online channel also gained a foothold in 2013. Our UK eSTORE celebrated its one year anniversary in November and Austria and Germany were added during the year.

Our production facilities in Thailand responded terrifically to the demands of our growth producing a record 79 million pieces of jewellery in 2013. During 2014, we will expand our production capacity, and add an 8th production facility building.

A cornerstone of PANDORA's business is offering consumers a broad variety of product choices. During 2013, we continued to build our core bracelet portfolio, and for the first time since launching the original Moments bracelet, we introduced a brand new charm bracelet concept, the PANDORA ESSENCE COLLECTION, which is based on inner values such as passion, wisdom and love. Although early days, the new concept has had an encouraging start with positive feedback from women around the world. Rings, our second core category, delivered its highest ever revenue contribution to our business in 2013.

We would very much like to thank our people for their efforts and hard work in 2013 – without them our strong performance would not be possible. With the progress made in 2013, we are well-positioned for further positive development in 2014.

Marcello Bottoli
Chairman

Allan Leighton
Chief Executive Officer

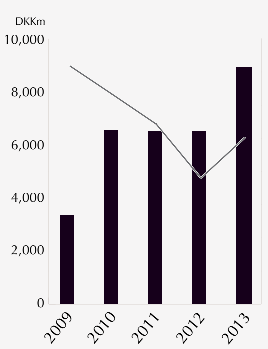
·POSITIVITY

FINANCIAL HIGHLIGHTS

DKK million	**2013**	**2012**	**2011**	**2010**	**2009**
Consolidated income statement					
Revenue	9,010	6,652	6,658	6,666	3,461
Gross profit	5,999	4,429	4,860	4,725	2,471
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,881	1,658	2,281	2,684	1,572
Operating profit (EBIT)	2,681	1,475	2,058	2,416	1,424
Net finance income	61	4	311	-164	-235
Profit before tax	2,742	1,479	2,369	2,252	1,189
Net profit	**2,220**	**1,202**	**2,037**	**1,871**	**1,005**
Consolidated balance sheet					
Total assets	9,275	8,414	8,051	8,959	5,816
Invested capital	5,976	5,900	5,923	5,659	3,826
Net working capital	1,009	1,277	1,327	1,266	547
Shareholder's equity	6,462	6,038	5,411	4,315	1,649
Net interest-bearing debt (NIBD)	-637	-183	209	1,102	2,151
Consolidated cash flow statement					
Net cash flow from operating activities	2,428	1,339	1,823	1,316	1,066
Net cash flow from investing activities	-543	-231	-364	-304	-207
Free cash flow	1,956	1,151	1,670	1,388	1,144
Net cash flow from financing activities	-1,524	-943	-2,502	-644	-343
Net cash flow for the year	**361**	**165**	**-1,043**	**368**	**516**
Ratios					
Revenue growth, %	35.4%	-0.1%	-0.1%	92.6%	81.8%
Gross profit growth, %	35.4%	-8.9%	2.9%	91.2%	-
EBITDA growth, %	73.8%	-27.3%	-15.0%	70.7%	102.1%
EBIT growth, %	81.8%	-28.3%	-14.8%	69.7%	93.0%
Net profit growth, %	84.7%	-41.0%	8.9%	86.2%	182.3%
Gross margin, %	66.6%	66.6%	73.0%	70.9%	71.4%
EBITDA margin, %	32.0%	24.9%	34.3%	40.3%	45.4%
EBIT margin, %	29.8%	22.2%	30.9%	36.2%	41.1%
Tax rate, %	19.0%	18.7%	14.0%	16.9%	15.5%
Cash conversion, %	88.1%	95.8%	82.0%	74.2%	113.8%
Capital expenditure (CAPEX), DKK million	490	276	269	262	118
Net interest-bearing debt to EBITDA	-0.2	-0.1	0.1	0.4	1.4
Equity ratio, %	69.7%	71.8%	67.2%	48.2%	28.4%
Return on invested capital (ROIC), %	44.9%	25.0%	34.7%	42.7%	37.2%
Other key figures					
Average number of employees	6,910	5,753	5,186	4,336	2,337
Dividend per share, DKK	*6.50	5.50	5.50	5.00	-
Total payout ratio (incl. share buyback), %	*68.6%	59.5%	35.1%	36.9%	0.0%
Earnings per share, basic	17.2	9.2	15.7	14.8	8.0
Earnings per share, diluted	17.0	9.2	15.7	14.6	7.9
Share price at year-end	294.0	124.5	54.0	336.0	-

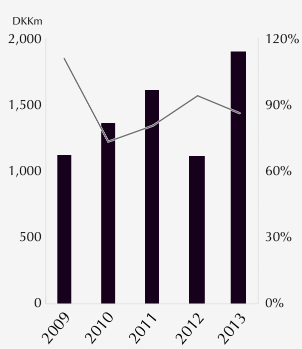
* Proposed dividend per share for 2013.

Revenue and EBITDA



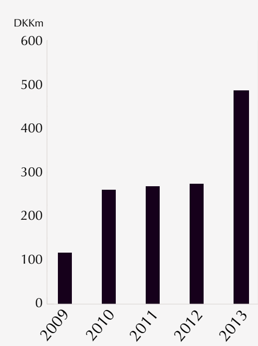
Revenue
EBITDA margin

Cash flow



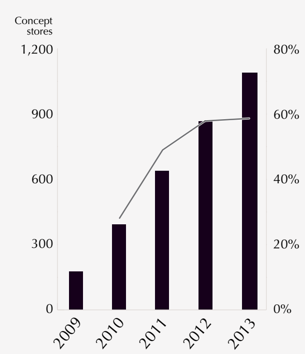
Free cash flow
Cash conversion

CAPEX



CAPEX

Concept stores



Concept stores
Share of branded revenue

EXECUTIVE SUMMARY

FINANCIAL REVIEW

In 2013 PANDORA delivered a solid performance in both revenue, margins and cash flow, which all exceeded expectations going into the year. The strong revenue growth was seen across all major regions.

- Group revenue in 2013 was DKK 9,010 million compared with DKK 6,652 million in 2012:
  - Americas increased by 25.5% (30.0% increase in local currency)
  - Europe increased by 47.9% (49.9% increase in local currency)
  - Asia Pacific increased by 37.1% (46.6% increase in local currency)

- Gross margin was 66.6% in 2013 and is unchanged compared with 2012

- EBITDA increased by 73.8% to DKK 2,881 million and the EBITDA margin was 32.0% in 2013 compared with 24.9% in 2012

- EBIT increased by 81.8% to DKK 2,681 million corresponding to an EBIT margin of 29.8% in 2013 compared with 22.2% in 2012

- Net profit increased by 84.7% to DKK 2,220 million in 2013 compared with a net profit of DKK 1,202 million in 2012. The comparable figures are affected positively by an earn-out provision adjustment for PANDORA CWE A/S of DKK 51 million

- Free cash flow was DKK 1,956 million in 2013 compared with DKK 1,151 million in 2012

- In 2013, PANDORA bought back own 3,356,098 shares at a total value of DKK 700 million

- For the financial year 2013, the Board of Directors proposes a dividend of DKK 6.5 per share corresponding to a pay-out ratio of 37.1% compared with 59.5% in 2012. Including the share buyback in 2013 the total pay-out ratio was 68.6%.

FINANCIAL GUIDANCE FOR 2014

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

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

The effective tax rate is expected to be approximately 20%.

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

SHARE BUYBACK PROGRAMME

In the 2012 Annual Report, PANDORA announced its intention to buy back own shares of up to DKK 700 million during 2013 in a share buyback programme. As of 31 December 2013, a total of 3,356,098 shares had been bought back, corresponding to a transaction value of DKK 700 million and an average purchase price of DKK 208.58. As of 31 December 2013, PANDORA owned a total of 3,539,023 treasury shares, corresponding to 2.7% of the share capital.

The purpose of the programme is to reduce PANDORA's share capital and to meet obligations arising from employee share option programmes. As of 31 December 2013, the total potential obligation amounted to 1,511,585 shares due to the annual allocation of the Company's employee share option programme.

A proposal will be brought forward to the Annual General Meeting to reduce PANDORA's share capital by DKK 2,027,438 by cancelling 2,027,438 treasury shares held by the Company 31 December 2013.

In 2014, an additional share buyback programme wil be launched, under which PANDORA expects to buy back own shares to a maximum consideration of DKK 2,400 million. The Programme will end no later than 31 December 2014 and a maximum of 9,475,303 PANDORA shares will be bought under the Programme, which together with the Company's holding of treasury shares of 3,539,023 shares at the date of this announcement will equal 10% of the shares issued in PANDORA.

KEY EVENTS IN 2013

Launch of new collection

PANDORA launched a new collection in 2013 called the PANDORA ESSENCE COLLECTION. Based on a patent-pending design, this innovative charm bracelet concept supplements the existing, highly successful charm bracelet, Moments, which was launched in 2000.

The PANDORA ESSENCE COLLECTION taps into current trends of personal expression and emotional connection. It features symbolic materials, colours and patterns that represent inner values such as joy, trust, passion, positivity, love, courage, faith and wisdom.

The collection was launched in Concept stores in select large and developed PANDORA markets. It was well-received by media, retailers and consumers, which lead to positive, significant press and social media coverage. The collection is expected to make a promising contribution to future revenue and sales-out.

Purchase of Brazilian retail company

PANDORA acquired 100% of the share capital in City Time do Brasil Comércio e Importação Ltda. (PANDORA's Brazilian distributor) on 24 October 2013 thus obtaining control of the company. The new subsidiary is a retail company with eight Concept stores and an eSTORE operating in five cities in Brazil, and its name has subsequently been changed to PANDORA do Brasil Comércio e Importação Ltda.

New agreement with Trollbeads

In 2013, PANDORA purchased all Intellectual Property rights (IP rights) to glass charms designs from Trollbeads. The one-off payment of DKK 190 million is capitalised on the balance sheet and amortised until end 2030. Previously, Trollbeads had granted IP rights to glass charm designs to PANDORA under a long-term royalty agreement.

Organisational changes

Allan Leighton, previously Chairman of the Board of Directors of PANDORA, succeeded Bjørn Gulden as Chief Executive Officer on 1 July 2013. Marcello Bottoli succeeded Allan Leighton as Chairman of the Board of Directors.

At an Extraordinary General Meeting held on 13 August 2013, Bjørn Gulden was elected onto the Board of Directors.

Sten Daugaard stepped down from his position as Executive Vice President and Chief Development Officer in June 2013.

Change of major shareholder

Up until 22 May 2013, Prometheus Invest ApS (´Prometheus´) owned more than 50% of the share capital in PANDORA. During 2013, Prometheus proportionally distributed its holdings of the share capital in PANDORA to the relevant owners of Prometheus, including three funds controlled by Axcel Management A/S ('Axcel'). Furthermore a reduction of ownership by major shareholders took place during the year by placing of existing shares in the market. Following these dispositions no single company owns more than 50% of the share capital in PANDORA.

As of 31 December 2013, Axcel, through controlling interest in three funds, exercises controlling interest over 17.6% of the total share capital in PANDORA. For more information please refer to the 'Shareholder Information' section.

Indictment against PANDORA
The Public Prosecution for Serious Economic Crimes (SØIK) filed an indictment against PANDORA on 15 November 2013 for breaching section 27(1) of the Securities Trading Act, cf. section 93(6), cf. subsection 1.

PANDORA announced a downward adjustment of its revenue growth expectations for 2011 to 0% in Company Announcement No. 30 of 2 August 2011. According to the indictment, PANDORA was obliged to publish inside knowledge of the downward adjustment of the revenue growth expectations for 2011 as soon as possible on five alternative dates between 7 July 2011 and 1 August 2011. SØIK has reserved the right to bring additional indictments and to claim for damages during the proceedings.

PANDORA will defend itself in the matter.

As previously communicated, PANDORA´s position is:

- the Company acted properly during a swift and unexpected downturn in sales by making a timely and precise announcement adjusting its annual forecast in light of new information and based on an analysis of the changing market dynamics in July 2011
- the Company has at all times been in full compliance with all relevant rules and regulations for issuers of shares.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date of importance to the Annual Report.

THE PANDORA BUSINESS

THE STRATEGY

PANDORA aims, through its vertically integrated business model, to become the world's most recognised jewellery brand by offering women across the world high quality hand-finished, genuine jewellery at affordable prices. To achieve this aspiration PANDORA has four strategic pillars to strengthen the Company's market position and increase revenue as well as profitability. The four strategic pillars are:

- focus on branded sales channels
- capitalise on product offering
- tailored approach to new markets
- build a global brand

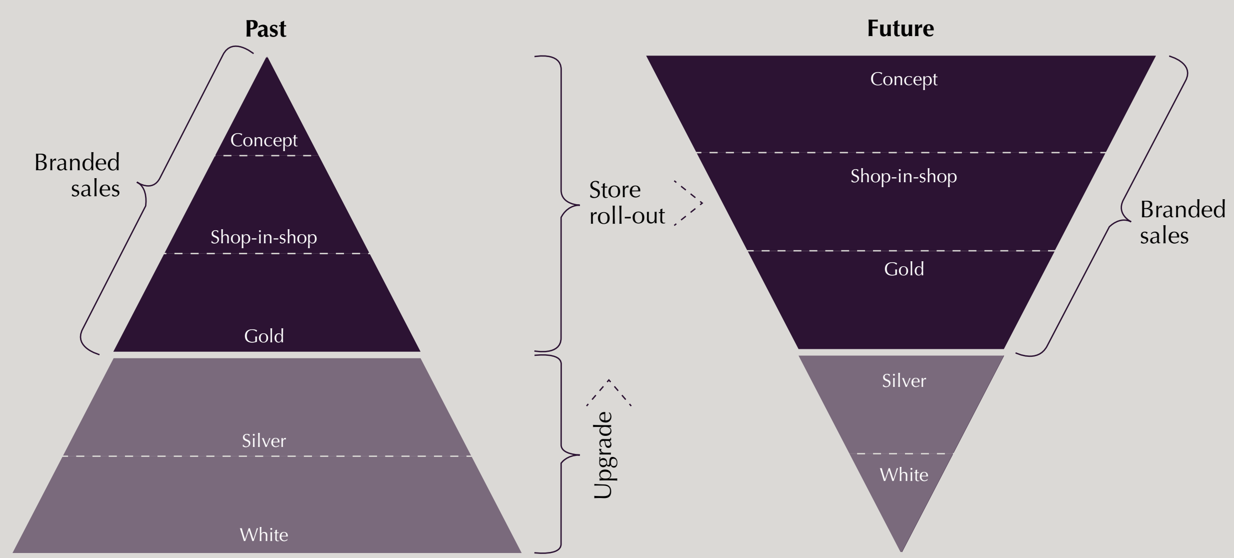
These four strategic pillars were already a part of the PANDORA strategy in 2010, when the Company was listed publicly, and continues in 2014 to be the four major engines of growth, serving to accomplish PANDORA's overall vision and mission.

Focus on branded sales channels
Key focus:

- to increase branded store network, with particular focus on Concept stores
- to expand and develop the online sales channel

An integral part of PANDORA's business model is to increase the share and number of branded PANDORA stores, i.e. Concept stores, Shop-in-shop and Gold stores. This is achieved by either upgrading existing non-branded stores to branded stores, or by opening new branded stores, in particular Concept stores and Shop-in-shops.

SALES CHANNELS APPROACH



An increasing share of branded points of sale helps strengthen the perception of the PANDORA brand in the retail environment and typically allows for an expanded product offering compared with unbranded points of sale. PANDORA is successfully expanding the share of revenue generated through branded sales channels, and in 2013, 82% of PANDORA's revenue was generated through branded sales channels, compared with 79% of revenue in 2012 and 73% in 2011.

As an additional sales channel, PANDORA launched its first owned and operated eSTORE in the UK in November 2012. The Company has since opened eSTOREs in Germany and Austria and most recently in France in January 2014. The online sales channel is an excellent opportunity to further expand the store network, and additional countries are expected to be added in the coming years. PANDORA's products are well suited for the online platform as the jewellery is sold at affordable prices, with limited potential size concerns (as e.g. charms are 'one size fits all'). The online potential seems evident from the experience so far from the online platform, which is characterised by high customer conversion rates and single digit product return rates.

Capitalise on product offering

Key focus:

- category evolution within the Charms and bracelet category with the PANDORA ESSENCE COLLECTION as the most recent addition
- Rings is second core category and a mid-term focus
- other categories are more long-term opportunities
- to continue the development of the new launch structure

PANDORA designs, produces and sells affordable genuine jewellery and continuously aims to improve the product portfolio to meet consumer demand. With the support of an in-house developed data system, introduced in full scale during 2012, PANDORA is able to monitor sales-out to end-customers on a daily basis on SKU (stock keeping unit) level in PANDORA Concept stores (and some Shop-in-shops). The system aids the designers to better target the consumer demand in terms of design, colour, metal, price, etc. As a consequence, PANDORA today has a more balanced product portfolio better matching the consumer demand. This is evident from the fact that the share of sales-through of new products (launched within the last 12 months) has increased substantially since introducing the system.

In terms of product development, PANDORA's primary focus is on the Charms and bracelet category. In 2013, PANDORA introduced a new charm bracelet concept, the PANDORA ESSENCE COLLECTION. The concept was launched in November, and is PANDORA's first new charm bracelet concept, since launching the Moments collection in year 2000. The secondary focus is to improve the ring offering, which holds an untapped potential being the largest jewellery category in the world, whereas just 6.1% of PANDORA's revenue in 2013 was generated from rings. Earrings and necklaces are currently not regarded as core categories, but these products could also hold great longer term potential.

To optimise the potential from the product offering, a new launch structure was introduced in 2012, which now includes seven annual launches to the stores compared with earlier two annual launches. The new launch structure has been an integral part of the Company's success since it was initiated, and it will remain an important part of PANDORA's strategy going forward. The launch structure is explained in greater detail on page 11.

Tailored approch to new markets

Key focus:

- to expand the store network in Italy, France and Russia
- to establish a strong presence in China and Japan

PANDORA is today present in more than 80 countries and continuously aims to increase the presence in existing markets as well as introduce the brand to new countries. In 2013, PANDORA entered different countries as for example Georgia, Lebanon, Ecuador and Zimbabwe.

Among the growth markets, the current focus is on building the market presence in Italy, France and Russia. All three markets are among Europe's largest jewellery markets, with a total value of DKK 32 billion (Italy), DKK 28 billion (France) and DKK 53 billion (Russia) in 2013, of which PANDORA holds only a small fraction. The three countries generated almost 15% of PANDORA's total revenue in 2013, growing more than 100% compared with 2012, however still hold great potential for the coming years.

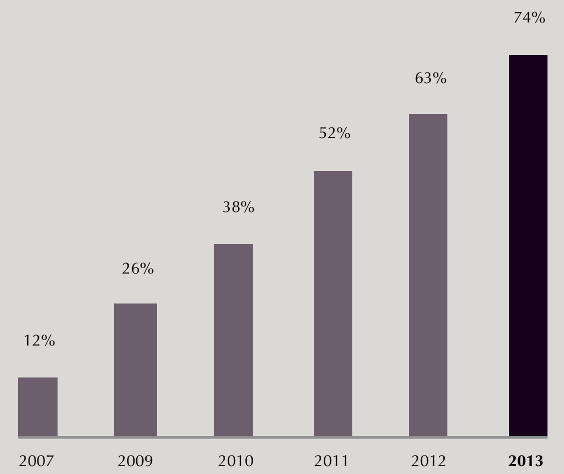
China and Japan also represent significant long-term opportunities for PANDORA. China is a market which over the last few years has grown to become the world's largest jewellery market with a market value of DKK 487 billion (2013). PANDORA currently has limited presence in China, but with the right strategy, which is currently being developed, PANDORA should be able to grow this market significantly long term. Japan has a more developed jewellery market (market value 2013: DKK 53 billion), but still holds significant potential. PANDORA has strengthened the Group's position in Japan and will continue to grow this market.

Build a global brand
Key focus:

- to continue to build brand awareness

PANDORA has a global brand strategy focusing on creating a consistent brand image across all communication channels and markets. In 2013, PANDORA spent 10% of revenue on marketing, supplemented by further marketing spent by franchisees, multi-branded retailers and third party distributors (franchise agreements require a certain proportion of revenue to be used for marketing, as is the case for distributors). Going forward, PANDORA intends to continue to invest a significant amount on marketing. Aided brand awareness in key markets based on women aged 25-49 has almost doubled from 38% in 2010 to 74% in 2013 as a result of the continued focus on the PANDORA brand. Aided brand awareness is measured as the share of the population that recognise the brand when mentioned.

AIDED BRAND AWARENESS IN KEY MARKETS



THE BUSINESS MODEL

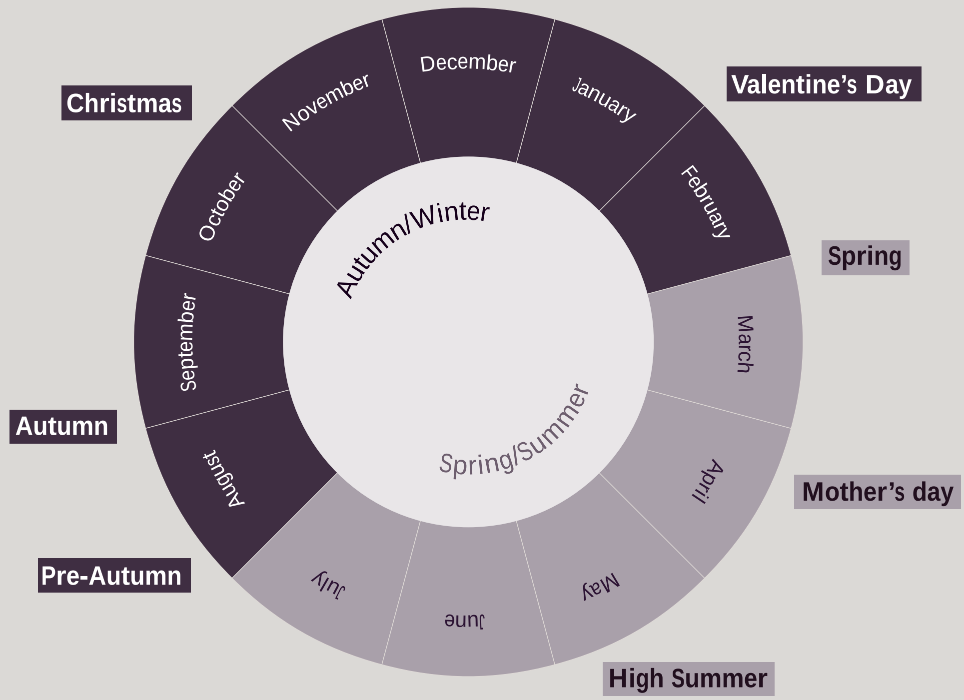
PANDORA controls every step of the value chain of almost all our jewellery products from in-house design to production. PANDORA also maintains responsibility for the distribution of jewellery products to sales channels through own distribution subsidiaries, through third party distributors, and through a limited number of directly operated stores.

PANDORA's vertically integrated business model is scalable while remaining subject to stringent supervision and quality control standards. PANDORA closely monitors distribution channels agreeing with third party distributors, franchisees and other sales channels on detailed sales and marketing requirements to allow PANDORA to protect the brand and ensure a strong retail-driven assortment. Through these attributes, PANDORA is able to ensure high quality standards throughout the value chain.

Design and product development
The design and development process is one of the most important aspects of PANDORA's operations. PANDORA's in-house design and development teams are continuously working on the PANDORA jewellery portfolio. They constantly strive to ensure that products are consistent

VERTICALLY INTEGRATED BUSINESS MODEL

PRODUCT OFFERING IN SEVEN ANNUAL LAUNCHES



with PANDORA's core brand values: Affordable luxury, contemporary design and personal storytelling. When designing the collections, the designers combine retail insight, fashion, and trends in order to deliver an attractive jewellery assortment to the customers.

Specialist product managers work closely with the designers and coordinate the development of prototypes with the development team in Thailand. They also coordinate with the sales, marketing and production teams in weekly steering committee meetings.

PANDORA delivers seven launches per year (Valentine's Day, Spring, Mother's Day, High Summer, Pre-Autumn, Autumn and Christmas). PANDORA continuously evaluates the assortment and retires and introduces designs, in order to maintain an attractive, innovative and fresh assortment, and to cater for the requirements for a product portfolio that serves everything from the largest Concept stores to the smallest shops including geographic diversity.

Production and procurement

PANDORA's supply chain and production system is designed to ensure high product availability at retail level at the lowest possible cost and with minimum cash binding. The setup includes sales and operation planning, statistical demand planning based on advanced software, production planning, raw material procurement, production, finished goods warehousing, and shipping. Each process is integrated in the value chain and carefully planned to secure highest possible efficiency for the full value chain.

PANDORA's distribution centres order finished goods for the warehouses, at the production facility in Thailand. Orders are placed based on forecasting and local market intelligence. The production facility ships the finished goods directly from the facility in Thailand to the distribution centres located in the various regions. The PANDORA retailers send replenishment orders into regional distribution centres - that pick and pack finished goods daily and ship these goods to retailers.

The Supply Chain and Production function manages all aspects of this supply system and works in close cooperation with the Design and Development teams to establish the manufacturing and product specifications to procure the raw materials and optimise the production in Thailand.

Distribution and marketing

PANDORA products are sold through more than 10,000 points of sale in more than 80 markets globally, through a retail category concept ranging from Concept stores, Shop-in-shops, and Gold stores (collectively termed 'branded points of sale') to Silver and White multi-brand stores. The focus is on the branded sales channels and upgrading non-branded stores to branded stores. PANDORA's distribution strategy is designed to allow the Company to maintain control over the brand image and marketing strategy through its franchise agreements, while strategically utilising third party distributors.

The majority of PANDORA retailers are independent, while only a limited part of the store network is operated by PANDORA. By the end of 2013 PANDORA owned and operated 146 Concept stores and 60 Shop-in-shops. All points of sale are supported by PANDORA's international sales force.

STORE TYPES

Concept store	Minimum 40 m^2 PANDORA facade, fixtures, displays and staff
Shop-in-shop	Minimum 8 m^2 clearly defined area in store PANDORA fittings and displays
Gold store	Minimum 4 m^2 dedicated space in store PANDORA fittings and displays
Silver store	Minimum 2 m^2 space Some fittings and displays
White store	Window space at minimum Basic PANDORA displays

RISK MANAGEMENT AND INTERNAL CONTROLS

RISK MANAGEMENT

The Board of Directors regularly assesses the overall and specific risks associated with PANDORA's business and operations and seeks to ensure that such risks are managed in a proactive and efficient manner. Internal control systems, including a whistle blower function, are established and regularly reviewed by the Board of Directors to ensure that such systems are appropriate and sufficient.

Moreover, some transactions and contracts have high complexity. PANDORA recognises the associated risks and uses legal advisors in order to mitigate these risks. The significant current risks are (in alphabetic order):

Brand and reputation
The ability of PANDORA to achieve its future goals is dependent on the PANDORA brand and reputation. The brand strategy is to attract, engage and retain the end-customers in the branded channels and influence direct sales in owned brand shops and through digital media.

PANDORA is successfully building brand awareness in all markets and positioning the brand as an affordable luxury jewellery brand through TV, printed and outdoor advertisements, brochures, digital media, and points of sale. In particular, use of digital media has been further strengthened via website, ecommerce, PANDORA Club and social media activities. In addition to strengthening PANDORA's own media channels, the digital roll-out have led to an increasingly localised digital presence around the world embracing local opportunities.

Given the nature of products and manufacturing, PANDORA has taken steps to align PANDORA's corporate social responsibility standards globally, in particular to protect the value of the PANDORA brand. This includes, among other things, formally adhering to the UN Global Compact. PANDORA's reputation and business could be seriously affected if it does not comply with applicable laws and regulations, or if it is perceived by the public as failing to meet certain labour standards or employing unfair labour practices. Thus, it is of vital importance that PANDORA and its suppliers and sub-suppliers adhere to PANDORA's corporate and social responsibility standards either directly or indirectly. See the CSR section on page 18.

Concentration of key functions in Thailand
In the past, political unrest in Thailand has caused a few days of temporary disruption to the supply chain from time to time, but without any impact on the business. PANDORA continuously evaluates the benefit and risk of the concentration of production, design and development in Thailand, although PANDORA has not experienced any material disruptions during more than 20 years of production.

The concentration of production facilities in Thailand means that PANDORA's operations are dependent on the degree to which raw materials can be imported into Thailand and that manufacturing is uninterrupted and products can be exported from Thailand. Disruptions could, for example, be caused by the political situation or natural disasters.

Thailand, including Bangkok, is from time to time hit by heavy monsoon rain resulting in severe flooding. PANDORA factories are located in Gemopolis, a jewellery industry zone outside Bangkok. This area is generally well drained and protected from flooding. A contingency plan is in place to avoid the impact of flooding and to date there has been no significant disruption.

PANDORA set up a Business Continuity Management Department in 2012 to monitor factors that could impact operations. In order to ensure the continuity of PANDORA's operation at the specified level, a Business Continuity Plan for the production has been tested with satisfactory results.

The above risks are considered within the overall assessment of further investment into possible production facilities for PANDORA.

Financial risks
For information on financial risks, see note 4.4.

Fluctuations in prices of raw materials
PANDORA offers hand-finished jewellery products mainly made of silver and gold, which account for a significant part of the cost of sales. An increase in silver and gold prices together with an inability to transfer such increased costs to end-consumers may have an adverse material effect on PANDORA's business and results as PANDORA should remain within the affordable luxury segment. For example, other leisure and entertainment products compete with jewellery for consumers' discretionary expenditure, so an increase in silver and gold prices will weaken the jewellery industry relative to other industries.

PANDORA's finance policy requires that this exposure is mitigated and thus the Group use financial instruments to hedge both silver and gold exposure. The policy is to hedge approximately 100%, 80%, 60% and 40% of the risk for the following 1-3 months, 4-6 months, 7-9 months and 10-12 months respectively. These 12-month rolling hedges combined with the time lag from inventory turnover effectively means that PANDORA's exposure in 2014 is hedged to a large extent.

Excluding the hedging and time lag effect from inventory, the underlying gross margin would have been approximately 70% (compared with realised 67%) based on average silver (23.82 USD/oz) and gold (1,413 USD/oz) market prices in 2013. Under the same assumptions, a 10% deviation in average silver and gold prices would impact the gross margin by approximately +/- 1-2 percentage points.

The average realised price was 27.33 USD/oz for silver and 1,549 USD/ oz for gold in 2013. The hedged prices for the following four quarters for silver are 24.64 USD/oz, 21.86 USD/oz, 21.59 USD/oz and 20.95 USD/oz and for gold 1,440 USD/oz, 1,336 USD/oz, 1,320 USD/oz and 1,279 USD/oz.

Global economic conditions
Economic downturn and uncertain economic outlooks in one or more geographical markets can adversely affect consumer spending habits. By entering and expanding in new markets, PANDORA decreases the dependency on individual markets.

Product development
The ability of PANDORA to achieve its future goals is dependent on PANDORA's ability to develop products aligned with market trends and end-consumers' preferences. To provide consumers with new and attractive products, PANDORA launches seven launches per year.

When developing new collections, retail insight is used to determine how to structure the collection. Product life cycle management, sell out data and portfolio analysis is applied to ensure that PANDORA delivers the right split between category, launch and metal as well as the right pricing points.

Tax risks
For further information on tax risks, see note 2.5 regarding significant accounting estimates.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

The purpose of PANDORA's internal controls and risk management systems in relation to the financial reporting process is to ensure that the internal and external financial statements are presented in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, and to ensure that the financial statements give a true and fair view, free from material misstatement. While the internal control and risk management system aims to ensure that material errors or irregularities are identified and corrected, it provides no absolute assurance that all errors are detected and corrected.

Internal control and risk management systems are under continuous development and comprise:

- control environment
- risk assessment
- control activities
- information and communication
- monitoring

Control environment
The Board of Directors has set up an Audit Committee that assists the Board of Directors in supervising the financial reporting process and the efficiency of PANDORA's internal control and risk management systems.
The Executive Board is responsible for maintaining controls and an effective risk management system and it has taken necessary steps to address the risks identified in relation to financial reporting.

The composition of the Board of Directors, the Audit Committee and the Executive Board ensures the availability of relevant competencies with respect to internal controls and risk management in relation to the financial reporting process.

Risk assessment
The Board of Directors and Executive Board assess risks on an on-going basis, including risks related to financial reporting.

The Audit Committee reviews certain high-risk areas quarterly, including:

- significant accounting estimates
- material changes to the accounting policies

At least once a year, the Audit Committee oversees a review of the current internal controls to consider whether they are effective in relation to the risks identified in the financial reporting process.

Control activities
PANDORA operates with a global Finance Management Forum that meets on a quarterly basis. This forum sets the Finance Strategy for the Group.

Controlling functions in the corporate finance function, reporting to the Chief Financial Officer, are responsible for controlling the financial reporting from the Parent Company and the subsidiaries. The skills of the corporate finance function are reviewed on an on-going basis in order to ensure an appropriate and satisfactory control environment.

The Group has defined an internal control framework that identifies key processes, inherent risks and control procedures, in order to secure accounting processes.

Information and communication
PANDORA started the implementation of a common ERP system for all units in 2012. By year end 2013, most units were using the common ERP system, while the rest (USA, Brazil and Canada) are expected to join at a later date. This makes it possible to achieve transparency in finances and is the foundation for increasing data quality and the speed of reporting.

PANDORA Finance Manager conferences are held in order to discuss the latest developments within significant accounting matters and best practice regarding internal controls.

Monitoring
Financial reporting from subsidiaries is controlled on an ongoing basis and procedures are established for the control and testing of such reporting. Procedures are also set up to ensure that any errors are communicated to and corrected by the reporting companies.

The Audit Committee monitors the internal control systems to ensure that any weaknesses are eliminated and that any errors in the financial statements that are identified and reported by the auditors are corrected, including the controls or procedures implemented to prevent such errors.

AUDIT

PANDORA's external auditors are appointed for a term of one year at the Annual General Meeting upon recommendation by the Board. Prior to recommendation, the Board of Directors assesses, in consultation with the Executive Board, the independence and competencies and other matters pertaining to the auditors.

The framework for the auditors' duties, including their remuneration, audit and non-audit tasks, is agreed annually between the Board of Directors and the auditors upon recommendation by the Audit Committee.

INTELLECTUAL CAPITAL

Due to the value of the PANDORA brand and the nature of products and manufacturing, developing and safeguarding intellectual capital, especially human resources and intellectual property rights, is crucial.

Human resources
PANDORA believes people are an important asset. PANDORA's shared values build on established standards and behaviors developed over the past 30 years in the former family-owned and operated Company, combined with valuable input from previously independent distributors consolidated into the Company and new employees in new markets. PANDORA's three core values – Pride, Passion and Performance – and the way these values are brought to life and interpreted in everything PANDORA does, are instrumental in securing a strong and consistent company culture throughout PANDORA's worldwide operations.

PANDORA believes that developing its people is a key factor in developing the Company. To secure the future growth of PANDORA, several training programmes have been launched that will help employees cope with future challenges.

In 2013, 21 Vice Presidents from across the Group took part in a global four-module programme, including one module developed and facilitated in cooperation with Harvard Business School. The modules provided training in both leadership and business knowledge. In 2012, 23 Vice Presidents participated in the programme.

Locally in the markets, management training was provided for the next level of leaders with the purpose of supporting the business of PANDORA. Elements such as personal effectiveness, delegating and leading others have been the main subjects in this training. About 110 managers around the world took part in this programme in 2013.

In Thailand, PANDORA's jewellery crafting base, 2,045 new members were welcomed to the crafting organisation; bringing the total production team to 5,900 people. In addition to extensive recruitment and orientation, PANDORA further strengthened and enhanced its technical training department and expanded the skills development programmes made available for its crafts team. Leadership development continued with training and coaching initiatives, cross-functional development assignments and the completion of the third year of PANDORA's succession planning programme. A very important event of the year was the election of a new Employee Welfare Committee, in full compliance with labour law and employee relations best practice, with 89% of PANDORA's workforce choosing to exercise their right to vote for their preferred representatives in an entirely secret ballot.

Intellectual property rights and policies
PANDORA's intellectual property rights are considered central to PANDORA's value creation, competitive advantage, freedom to operate and future business development, and are therefore safeguarded with all available means, including a comprehensive global surveillance, registration and control programme. The intellectual property rights are mainly vested in trademarks, copyrights, patents, designs and further strengthened by business secrets, visually distinct products, non-disclosure procedures and non-competition regulations.

No distributors, dealers or others are permitted to register or use PANDORA's intellectual property without prior agreement. Enforcement and defence mechanisms are continuously strengthened through a zero-tolerance policy towards infringement of PANDORA's intellectual property rights on the Internet and towards counterfeit products and trademarks in general.

Trademarks

PANDORA has registered and applied for a number of word and figurative marks in various jurisdictions worldwide, including the EU, USA, Australia and Asia. The trademarks are registered in various international goods and service classes, primarily in international class 14, which covers jewellery and watches. The trademark portfolio covers inter alia the EU-registrations 'PANDORA' and logo 'PANDORA with a crowned O' in various international classes considered to be relevant for the sale and marketing of PANDORA's products, including the international classes for jewellery, leather goods and clothing.

Patents

PANDORA's international patent families encompass patent rights relating to the functionality of the charm bracelet. Patents have been granted by the member states of the EU, USA, Australia, New Zealand, South Africa, China, Switzerland and Norway. Generally, the patents protect a jewellery chain, that is a necklace or a bracelet, to which a stop joint has been affixed, a so-called 'stopper'. A detachable holder, a so-called 'keeper' (the clam joint of a charm) is affixed to the stopper and forms a component that is bigger than the chain and therefore works as a spacer, dividing the charms along the necklace or the bracelet. The purpose is to prevent moveable charms from bundling on one side of the chain. In the USA, the Company's patent expires in 2023 and in other jurisdictions in 2024. In 2013, PANDORA has filed for patent protection related to the new PANDORA ESSENCE COLLECTION charms.

CORPORATE SOCIAL RESPONSIBILITY

In 2013 PANDORA continued implementing the Company's CSR and Compliance programme 'PANDORA Ethics' throughout PANDORA's integrated value chain – from the ethical sourcing of materials, through crafting at PANDORA's facilities in Thailand to the trading of PANDORA jewellery in 10,279 stores around the world.

Sourcing
CSR compliance was elected as one of the five pillars to drive the PANDORA Group Procurement strategy in 2013. This involved supplementing the existing CSR teams in Bangkok and Copenhagen with a dedicated quality and CSR unit embedded into the procurement team in Hong Kong. PANDORA engages with suppliers through a four step 'Responsible Supplier Programme' that screens, trains and audits suppliers as well as ensures timely follow-up whenever non-compliances with PANDORA's Supplier's Code of Conduct are identified. When screening the supply base, PANDORA considers a range of parameters including the risk profile of individual products, the country of production as well as company-specific information. In 2013, PANDORA reached its goal to ensure that all suppliers categorised as high risk have been audited and corrective actions initiated as needed. Further, the Responsible Supplier Programme ensured that more than 75% of the total sourcing volume for PANDORA Production Thailand originates from companies that are certified members of the Responsible Jewellery Council (RJC) or from suppliers that have been audited by independent consultants against PANDORA's requirements. This is a high percentage compared with other industries and a testimony of PANDORA's commitment to advance responsible business practices within its sphere of influence.

PANDORA worked closely with its gold suppliers in 2013 to establish a chain-of-custody that can trace all gold used in PANDORA's products to responsible global refining companies certified by either RJC or by the London Bullion Market Association (LBMA) for conducting human rights due diligence into their supply chain. PANDORA's Chain-of-Custody programme was audited by external experts in the last quarter of 2013 to confirm compliance with PANDORA's Responsible Supplier Policy and with relevant US/OECD regulation on human rights due diligence.

Crafting
2013 saw a further enhancement, of PANDORA's crafting facility's focus on safety, health, the environment and on efficiency. During the course of the year a number of PANDORA Production Thailand's core management systems were once again independently audited and validated as compliant with the following standards:

- ISO9001: Quality Management
- ISO14001: Environmental Management
- OHSAS18001: Occupational Health & Safety

In addition, a further phase of PANDORA Production Thailand's Environment strategy was implemented with a project initiated to achieve ISO50001 (Energy Management). This project, which commenced in the third quarter of 2013, remains on-track for certification in the second quarter of 2014. As part of PANDORA's commitment to continuously minimising the Company's environmental footprint, PANDORA Production Thailand has engaged in a promising partnership with Mahidol University. This project involves conducting a Life Cycle Assessment of PANDORA Production Thailand's activities in 2014, and the cooperation has already resulted in experimenting with the recycling of materials used in the crafting processes.

PANDORA Production Thailand's Safety, Health & Environment team (SHE) was expanded in 2013 to include a new dedicated team focusing on ergonomics. New employee representatives were elected to the Safety, Health & Environment Committee.

Utilising the innovative, and well-received communication channels of PANDORA Production TV and PANDORA Radio, 20 SHE-related TV broadcasts and 48 SHE-related radio broadcasts were produced throughout the year. More than 3,500 employees received SHE-related training.

Maintaining a working environment in which everyone has clarity, competence, confidence and commitment remained the foundation of PANDORA Production Thailand's organisational development programmes and initiatives. During the year, PANDORA Production Thailand welcomed a further 2,045 new colleagues, and continued to develop and refine HR policies and programmes. In November, PANDORA Production Thailand's Training, Development and Performance Management initiatives were recognised with an award from the Personnel Management Association of Thailand with special mention being made of the comprehensive 360-degree appraisal system. This system enabled more than 5,000 colleagues in 2013 to confidentially assess and provide feedback on the leadership qualities of their immediate line manager.

PANDORA Production Thailand's Edutainment Centre, e-learning room and library provided a comfortable and welcoming location during break periods. It received a total of 43,303 unique visits during the year, with 10,561 books being borrowed.

As a direct response to suggestions raised at regular consultation meetings between employees and Management, PANDORA Production Thailand opened the Employee Shop in 2013. The shop sells everyday provisions (stock selected by employees) at prices lower than super-market and convenience stores. Likewise, in response to feedback from consultation meetings, PANDORA Production Thailand supported employees in the establishment of an employee-managed Savings Cooperative which further supports the Company's financial literacy 'Happy Money' initiative. This initiative, spanning training for all employees and individual third party counselling employees experiencing acute personal debt problems, was recognised as 'best practice' in 2011 with the Prime Minister's award.

Last, but certainly not least, a new Employee Committee of 15 employee representatives completed their first full year in office in 2013, elected by secret ballot in accordance with Thai labour law. The participation rate for this election was as high as 89%.

Trading

As part of the PANDORA Ethics Programme, the Company continued its CSR and compliance-related training and monitoring activities in 2013 at head office as well as regional and national offices. CSR is also integrated into PANDORA's introduction programmes, and in 2013 PANDORA initiated the development of a PANDORA Ethics e-learning module that will enable store staff to provide consumers with basic information about PANDORA's ethical aspirations and performance.

PANDORA takes special pride in developing the competences of store staff. Thus, face-to-face training and e-learning modules provide PANDORA-specific knowledge as well as general sales and visual merchandising techniques that aim to create global consistency, improve consumer experience, raise revenue and enhance staff employability.

These efforts are implemented by PANDORA's 50 in-house trainers operating throughout the Group conducting thousands of hours of training and coaching, as well as PANDORA's comprehensive e-learning portal. Together these training channels improve the skills and competencies of PANDORA's own staff, and the more than 30,000 external sales representatives engaged in selling PANDORA jewellery around the world.

A strong knowledge of, and focus on, the target audience has resulted in completion of more than 200,000 e-Learning modules completed globally in 2013 – up from 105,000 in 2012. In the coming year PANDORA expects that number to increase even further due to broader availability on for example mobile devices.

Joint industry action

PANDORA's CSR policy commits the Company to advance responsible business practices – internally as well as by participating in initiatives that seek to inspire the entire jewellery industry. PANDORA is an active member of the United Nations Global Compact and a certified member of the Responsible Jewellery Council (RJC). In 2013, PANDORA was elected by the jewellery manufacturing members of RJC to represent them in the Standards Setting Committee in 2013-2015. This multi-stakeholder committee consists of representatives from all parts of the jewellery supply chain as well as a range of global civil society organisations. The committee developed a new set of standards during 2013 that aim to raise the bar for responsible business practices throughout the industry.

Finally, PANDORA is seated in RJC's 'Steering Group on Human Rights' as well as in the Steering Group of 'The Danish Business Network for Human Rights'. Through these channels PANDORA seeks to share the Company's own experiences – and to learn from peers – on how companies can advance human rights through their activities.

The gender composition of management

By having a diverse management composition PANDORA aims to increase work quality and interaction within the management team. PANDORA has set the following diversity objectives, which are reviewed once a year:

- by 2015, at least 35% (three out of eight) of the board members elected at the General Meeting should be women. Following PANDORA's Annual General Meeting in March 2013, 25% of board members are women
- by no later than 2020, the gender split in senior management positions (Executive Board, General Managers and Vice Presidents) should be 40%-60%. By the end of 2013, 31% of senior management were women, up from 26% in 2012. Progress is accounted for on the Company's website
- the number of participants in the Company's leadership programmes for the years 2012-2015 (on aggregate) should mirror the gender composition in Vice president and Director positions, who are target group for the programmes. On 1 January 2013, women accounted for 50% in this management group, and made up of 57% of the same groups' enrolment in PANDORA's Leadership Programmes 2013.

CORPORATE GOVERNANCE

RECOMMENDATIONS AND PRACTICE

PANDORA's aim regarding good corporate governance is to ensure transparency, accountability, and that the Company meets its obligations to shareholders, customers, consumers, employees, authorities and other key stakeholders to the best of its ability in order to maximise long-term value creation.

PANDORA intends to exercise good corporate governance at all times and to assess its practices according to the corporate governance recommendations of the Danish Committee on Corporate Governance. As a publicly listed company, PANDORA is subject to the disclosure requirements laid down by NASDAQ OMX Copenhagen, which has included the recommendations in its 'Rule Book for Issuers of Shares'.

The Danish corporate governance recommendations were updated in May 2013. The number of recommendations was reduced from 79 to 47, but without major implications for PANDORA. In 2013, PANDORA chose to deviate partly from the recommendations in the following areas:

- three out of five members of the remuneration committee are not considered independent. Two members of the remuneration committee are not independent as they have been members of the Company's Executive Board within the last 5 years. The remuneration committee has no decisive power, and can only provide recommendations to the Board of Directors. Therefore, in the composition of the remuneration committee emphasis has been put on the right competencies, and previous in-depth knowledge of the Company, rather than on whether a committee member is independent or not (Clause 3.4.2)
- the Chairman of the nomination committee is not the Chairman of the Board. In PANDORA, the nomination committee elects a chairman, who must be either the Chairman or the Deputy Chairman of the Board. A new Chairman was appointed in 2013 and the Deputy Chairman was elected to be Chairman of the nomination committee. The Chairmanship is handled in cooperation between the Chairman of the Board and the Deputy Chairman and thus, in practice, the Deputy Chairman represents the Chairman in the nomination committee (Clause 3.4.6)
- the remuneration policy for the Executive Board contains no specific clause on the repayment of variable remuneration components on the basis of misstated information as PANDORA considers the rules in Danish law to be sufficient in such cases (Clause 4.1.2).

Board of Directors and Executive Board

Powers are distributed between the Board of Directors and the Executive Board and independence exists between these two bodies as is normal practice in Denmark. The Board of Directors is elected at the General Meeting and all Board members are up for election every year. The Executive Management is appointed by the Board. The Executive Board handles day-to-day management, while the Board supervises the work of the Executive Board and is responsible for the general strategic direction. The primary tasks for the Board are to ensure that PANDORA has a strong management team, an adequate organisational structure, efficient business processes, optimal capital structure, transparent bookkeeping and practices, and responsible asset management.

The composition of the Board must be such that, at any time, the consolidated competencies of the Board enable it to supervise the Company's development and diligently address the specific opportunities and challenges faced by PANDORA. The Board, together with PANDORA's Executive Board develops the Company's overall strategies and oversees that the competencies and resources are in place to maximise the likelihood of PANDORA achieving its objectives. Furthermore, the Board oversees the financial development of PANDORA and the related planning and reporting systems.

Board activities in 2013

During 2013, the Board held 12 ordinary board meetings. The total attendance rate was 95%. In 2013, the Board paid special attention to follow through the '18 Month Turnaround Plan' launched at the end of 2011, which was successfully completed during the year, and the expansion into South America as well as succession and contingency planning which also required Board supervision.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Board appoints Committee members and the Committee chairman. The Committees' terms of reference are disclosed via the Company's website.

The Audit Committee

The current members of the Audit Committee are Anders Boyer-Søgaard (Chairman), Andrea Alvey and Nikolaj Vejlsgaard. The Audit Committee reviews and assesses the Company's financial reporting and audit process as well as the internal control systems and evaluates the adequacy of control procedures. More specifically, the duty of the Audit Committee is to supervise the following areas:

- the financial reporting process
- the internal control and risk management system
- external audit

In 2013, the Audit Committee met 7 times and had an attendance rate of 100%. The main activities in 2013 were:

- meetings with Executive Management and external auditors to review the audited annual report
- meetings with Management to review quarterly financial statements, the key accounting policies and significant accounting estimates
- review of the adequacy and effectiveness of the Company's internal controls and risk management systems
- review of the significant financial risks of the Company
- assessment of the need for an internal audit function
- recommendations for the selection of external auditors and approval of compensation of the external auditor
- the Audit Committee's annual self-assessment

The Remuneration Committee

The current members of the Remuneration Committee are Marcello Bottoli (Chairman), Bjørn Gulden, Andrea Alvey, Torben Ballegaard Sørensen and Christian Frigast. The main duties of the Remuneration Committee are:

- to prepare recommendations to the Board on the pay and remuneration policy applicable to the Board and the top 12 executives, including the Executive Board, with respect to fixed and variable pay components
- to submit proposals to the Board for the total individual pay and remuneration package of the Board members and the Company's executive managers
- to verify that the information about remuneration in the annual report is true, accurate and adequate

The Remuneration Committee met three times in 2013 and had an attendance rate of 93%. The main activity was the annual review of the remuneration policy and guidelines on incentive payments as well as approval of the Company's overall wage regulation. As part of the review, the Committee has prepared a proposal for the Annual General Meeting in 2014 to update the remuneration policy and incentive guidelines according to international standards.

The Nomination Committee

The current members of the Nomination Committee are Christian Frigast (Chairman), Anders Boyer-Søgaard and Ronica Wang. The Nomination Committee assists the Board in fulfilling its responsibilities with regard to the:

- description of the qualifications required for members of the Board and the Executive Board
- nomination of candidates for approval by the Board to fill vacancies on the Board and the Executive Board
- self-evaluation of the Board
- assessment of the performance of the Executive Board and the cooperation between the Board and the Executive Board
- succession planning for top executive positions

In 2013, the Nomination Committee met twice, with an attendance rate of 100%. The main activities in 2013 were the hiring of a new CEO and re-composition of the Board as well as development of tools for a more formalised evaluation of the Executive Board and global Management group. This work continues in 2014.

Board self-evaluation

The Board conducts an annual self-assessment to constantly improve the performance of the Board and its cooperation with the Executive Board. The Vice-chairman of the Board, who is also chairman of the Nomination Committee, directs the assessment process. The assessment is carried out by each Board member completing a questionnaire followed by individual interviews. After consolidation of the answers, the results are presented at a following board meeting and improvement areas are defined and agreed upon. Once a year, the CEO must perform an assessment of the individual members of the Executive Board.

Among the topics covered in the Board self-assessment are the board composition, the nomination process and competencies of the Board. Also covered are e.g. functioning of the Board, board ‘atmosphere’, cooperation with the Executive Board, the Board’s involvement in financial management and control, personal contributions and committee work.

The self-assessment conducted in 2013 identified the following strengths and development areas for the board. In general, the Board is well functioning, the board as a whole is professional fully equipped to contribute to PANDORA’s business and there is a good ‘chemistry’ and respect among board members. The assessment has focused on further formalisation of the tools for evaluation of the Executive Board, and the succession planning process.

BOARD OF DIRECTORS

Marcello Bottoli was born in 1962, is an Italian citizen and currently lives in Surlej-Silvaplana, Switzerland.

Marcello Bottoli has been a member of the Board of Directors of PANDORA since August 2010 and is not regarded as an independent Board member due to the fact that for a period in 2011 and 2012 he acted as interim Chief Executive Officer of PANDORA. Marcello Bottoli has been Chairman of the Board of Directors since July 2013 and is also Chairman of the Remuneration Committee.

The special skills possessed by Marcello Bottoli that are important for the performance of his duties as a member of the Board of Directors of PANDORA are his profound knowledge and experience in branding and marketing luxury and consumer goods, particularly in the Asia-Pacific region.

Marcello Bottoli holds an Italian Doctorate in Business Administration from Bocconi University, Milan, Italy. Currently, Marcello Bottoli is Chairman of Pharmafortune SA, as well as Non-Executive Director of International Flavour & Fragrances Inc., and Blushington LCC. Further, Marcello Bottoli is Operating Partner of Advent International, a global private equity firm, and member of the advisory board at Aldo, a Montreal-based privately held footwear retailer operating worldwide.

Christian Frigast was born in 1951, is a Danish citizen and currently lives in Klampenborg, Denmark.

Christian Frigast has been a member of the Board of Directors of PANDORA since August 2010 and is also Deputy chairman of the Board, Chairman of the Nomination Committee and member of the Remuneration Committee.

Christian Frigast is not regarded as an independent Board member due to his position as Managing Partner of Axcel.

The special skills possessed by Christian Frigast that are important for the performance of his duties as a member of the Board of Directors of PANDORA are his extensive experience in general management and active involvement in a number of retail and other companies obtained through his numerous directorships.

Christian Frigast holds an MSc in Political Science and Economics from the University of Copenhagen. Currently, Christian Frigast is Managing Partner of Axcel Management A/S and Chief Executive Officer of Axcel Industriinvestor A/S, CCTC Invest A/S, AXII Holding ApS, Axcel III KS Invest ApS, MP-AX I Invest ApS, MP-AX II Invest ApS and MNGT1 ApS. Further, Christian Frigast is currently Chairman of the boards of directors of Axcel II Management A/S, Axcel II A/S, AX NO INVEST ApS, AXNO INVCO ApS, Junckers Holding A/S, AX IV EXHAUSTO INVEST ApS, AXIII MP Holding ApS, KIFU-AX II A/S, MANAGEMENT INVCO A/S and MNGT ApS. In addition, Christian Frigast is Deputy Chairman of the boards of directors of Royal Scandinavia A/S and DVCA Danish Venture Capital. Christian Frigast is also a member of the boards of directors of Axcel Management A/S, NORDIC WATERPROOFING AB and Royal Scandinavia Invest A/S.

Bjørn Gulden was born in 1965 in Switzerland, is a Norwegian citizen and currently lives in Hattingen, Germany.

Bjørn Gulden has been a member of the Board of Directors of PANDORA since August 2013 and is also member of the Remuneration Committee. Bjørn Gulden is not regarded as an independent Board member due to the fact he served as CEO of PANDORA from 21 February 2012 until 1 July 2013.

The special skills possessed by Bjørn Gulden that are important for the performance of his duties as a member of the Board of Directors of PANDORA are his substantial skills related to global sourcing, consumer sales and retail and comprehensive insight into the affordably goods industry.

Bjørn Gulden holds a BBA from the University of Rogaland, Norway and an MBA from Babson Graduate School of Business in Boston, USA. Currently, Bjørn Gulden is the CEO of Puma SE. Further, Bjørn Gulden serves on the Boards of Tchibo GmbH, Ekornes AS and Deichmann SE.

Andrea Dawn Alvey was born in 1967, is an American citizen and currently lives in Raleigh, North Carolina, USA.

Andrea Dawn Alvey has been a member of the Board of Directors of PANDORA since August 2010 and is also member of the Audit and Remuneration Committees.

Andrea Dawn Alvey is regarded as an independent Board member.

The special skills possessed by Andrea Dawn Alvey that are important for the performance of her duties as a member of the Board of Directors of PANDORA are her solid experience and insight in global supply chains, IT operations and retail financing.

Andrea Dawn Alvey holds a Bachelor of Science in Business Economics/Statistics from Southern Connecticut State University. Currently, Andrea Dawn Alvey is President of Kitabco Investments, Inc. and Regional Developer for Peak Franchising.

Torben Ballegaard Sørensen was born in 1951, is a Danish citizen and currently lives in Højbjerg, Denmark.

Torben Ballegaard Sørensen has been a member of the Board of Directors of PANDORA since March 2008 and is also a member of the Remuneration Committee. Torben Ballegaard Sørensen is regarded as an independent Board member.

The special skills possessed by Torben Ballegaard Sørensen that are important for the performance of his duties as a member of the Board of Directors of PANDORA are his extensive experience within international sales and marketing and within branded goods, combined with his knowledge of PANDORA.

Torben Ballegaard Sørensen holds an MBA from Aarhus School of Business and is an adjunct professor in the Department of Management at Aarhus University. Currently, Torben Ballegaard Sørensen is Managing Director of Investeringsselskabet af 1. juli 2008 ApS. Further, Torben Ballegaard Sørensen is Chairman of the boards of directors of AS3 Companies, CAPNOVA A/S Venture Fund, Tajco Group A/S, Realfiction A/S and PowerBrands A/S. Torben Ballegaard Sørensen is Deputy Chairman of Systematic A/S and a member of the Board of Directors of AB Electrolux, Egmont Fonden, and Egmont International Holding A/S.

Nikolaj Vejlsgaard was born in 1971, is a Danish citizen and currently lives in Vedbæk, Denmark.

Nikolaj Vejlsgaard has been a member of the Board of Directors of PANDORA since March 2008 and is also a member of Audit Committee. Nikolaj Vejlsgaard is not regarded as an independent Board member due to his position as Partner of Axcel.

The special skills possessed by Nikolaj Vejlsgaard that are important for the performance of his duties as a member of the Board of Directors of PANDORA are his extensive experience in general management and active involvement in a number of retail and other companies obtained through his numerous directorships, combined with his knowledge of PANDORA.

Currently, Nikolaj Vejlsgaard is a partner of Axcel Management A/S and Managing Director of Prometheus Invest ApS, Royal Scandinavia Invest A/S, Waldorf & Statler ApS, AXIII MPH Invest ApS, UIM Holding ApS and subsidiaries. Further, Nikolaj Vejlsgaard is currently Chairman of the boards of directors of IP Gruppen Holding ApS and IP Development A/S and is Deputy Chairman of the Board of Directors of F. Junckers Industrier A/S. Nikolaj Vejlsgaard is also a member of the boards of directors of, Axcel Prometheus Newco 4 ApS, Royal Scandinavia Invest A/S, Royal Scandinavia A/S, ERA Biler ApS, ERA A/S, ERA Ejendomme A/S, IP Online A/S, IP Administration A/S, Prometheus Invest ApS, Royal Scandinavia II ApS, MNGT2 ApS, MNGT Komplementar ApS, AXIII MP Holding ApS, Junckers Holding A/S and Axcel-Junckers Invest A/S.

Ronica Wang was born in 1962, is a citizen of Hong Kong and is currently based in Asia, where she spends most of her time in China.

Ronica Wang has been a member of the Board of Directors of PANDORA since March 2012 and is also member of the Nomination and Remuneration Committees.

Ronica Wang is regarded as an independent Board member.

The special skills possessed by Ronica Wang that are important for the performance of her duties as a member of the Board of Directors of PANDORA include her extensive international experience within general management in listed companies, consumer sales and retail marketing, global and cross platform branding and the affordable goods industry.

Ronica Wang holds an MBA from The Wharton Business School, University of Pennsylvania, and a Bachelor Degree in Applied Science and Engineering

(Industrial Engineering) from the University of Toronto. She has also studied multinational management at The London Business School.

Currently, Ronica Wang is Managing Director of The InnoGrowth Group, Ltd., which she co-founded in 2007.

Anders Boyer-Søgaard was born in 1970, is a Danish citizen and lives in Charlottenlund, Denmark.

Anders Boyer-Søgaard has been a member of the Board of Directors of PANDORA since March 2012 and is also Chairman of the Audit Committee and member of the Nomination Committee. Anders Boyer-Søgaard is regarded as an independent Board member.

The special skills possessed by Anders Boyer-Søgaard that are important for the performance of his duties as a member of the Board of Directors of PANDORA are his experience within general management in listed companies, financial management in listed companies, as well as global supply chain and manufacturing.

Anders Boyer-Søgaard holds an M.Sc. (finance and accounting) from Copenhagen Business School from 1997. Currently, Anders Boyer-Søgaard is CFO of GN Store Nord A/S and GN ReSound A/S. Furthermore, Anders Boyer-Søgaard is member of the Board of Directors in Beltone Europe Holdings ApS, GN af 20. Januar 1998 A/S, GN Ejendomme A/S, GN GROC Ltd., GN Hearing Benelux B.V., GN Otometrics A/S, GN ReSound AB, GN ReSound China Ltd., GN ReSound Finland Oy/Ab, GN ReSound Italia s.r.l., GN ReSound Japan, K.K., GN ReSound Norge as, GN ReSound Shanghai Ltd., and Scanning Technology A/S.

EXECUTIVE MANAGEMENT

Allan Leighton (born 1953)
President, Chief Executive Officer
Chairman of the Executive Board
Other Board memberships:
- Pace PLC (Chairman of the board)
- Office Ltd (Chairman of the board)
- Music Maqpie.co.uk (Chairman of the board)
- Matalan Ltd (Chairman of the board)
- Bighams Ltd (Non-executive Director)

Henrik Holmark (born 1965)
Executive Vice President, Chief Financial Officer
Member of the Executive Board
Other Board memberships:
- Change of Scandinavia A/S (Board member)

Thomas Ryge Mikkelsen (born 1972)
Executive Vice President, Chief Marketing
& Merchant Officer
Other Board memberships:
- Prokura P/S (Board member)

SHAREHOLDER INFORMATION

PANDORA shares have been listed on the NASDAQ OMX Copenhagen stock exchange since 5 October 2010. PANDORA is included in the blue chip index OMX C20.

In 2013, the lowest closing price was DKK 128.9 on 4 January 2013 and highest closing price was DKK 304.0 on 23 December 2013. At the end of 2013, the share price was DKK 294.0.

Around 174 million PANDORA shares were traded in 2013 with an average trading volume of approximately 700,000 shares per day. These numbers include placings of existing shares by the main shareholders in PANDORA through two accelerated book buildings during the year of 13 million shares and 20 million shares, respectively.

DIVIDEND

The Board of Directors aims to maintain a stable and then increasing nominal dividend per share, using the 2011 dividend of DKK 5.5 per share as the reference point. For the financial year 2013, the Board of Directors proposes a dividend of DKK 6.5 per share.

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

SHARE BUYBACK PROGRAMME

The Board of Directors is authorised to acquire own shares on behalf of the Company until 17 September 2015 with a total nominal value of up to 10 % of PANDORA's share capital (the 'Authorisation'), according to the decision made at the Extraordinary General Meeting held on 17 September 2010. The purpose of the share buyback is to reduce PANDORA's share capital to adjust the capital structure in accordance with the Company's policy on capital structure and to meet obligations arising from employee share option programmes.

Share buyback 2013

3,356,098 shares corresponding to 2.6% of the share capital have been bought back in 2013 at an average price of DKK 208.58 and a total value of DKK 700 million. At the Annual General Meeting, the Board of Directors will propose that the Company's share capital be reduced by a nominal amount of DKK 2,027,438 by cancellation of 2,027,438 own shares of DKK 1, equal to 1.6% of the Company's total share capital. The remaining treasury shares may be used to meet obligations arising from employee share option programmes. Total share options outstanding at 31 December 2013 are 1,511,585.

Share buyback 2014

The Board of Directors of PANDORA has decided to launch a share buyback programme in 2014 (the 'Programme'), under which PANDORA expects to buy back its own shares up to DKK 2,400 million, or up to a maximum of 9,475,303 shares, corresponding to 7.3% of the share capital, in accordance with the Authorisation.

The Board of Directors intends to propose to PANDORA's shareholders at the Annual General Meeting in 2015 that PANDORA's share capital be reduced by shares purchased under the Programme. PANDORA may also use shares purchased under the Programme to meet obligations arising from employee share option programmes issued in 2014. The total obligation for the 2014 programme is expected to be approximately 240,000 shares.

The share buyback programme are implemented in accordance with the provisions of the European Commission's regulation no. 2273/2003 of 22 December 2003 ('safe harbour'), which protects listed companies against violation of insider legislation in connection with share buybacks.

The funds controlled by Axcel Management A/S, which at 31 December 2013 together held 17.6% of the total share capital in PANDORA, as well as PEWIC Holding ApS and Christian Algot Enevoldsen with their respective shares, have undertaken to participate in the Programme on a pro rata basis, in order to secure that the current free float percentage is not reduced.

The Programme will end no later than 31 December 2014. PANDORA may terminate the Programme at any time.

SHAREHOLDERS

As of 31 December 2013, Axcel Management A/S (Axcel), through its controlling interest in Axcel III K/S 1, Axcel III K/S 2 and Axcel III K/S 3, exercises controlling interest over 22,892,471 shares in PANDORA, corresponding to 17.6% of the total share capital and 17.6% of the total voting rights (for further information, please refer to note 5.3 in the financial statement).

As of 31 December 2013, institutional investors in Denmark held 26% of the free float compared with 34% at the same time last year. Institutional investors in Europe and North America held 32% and 10% of the free float respectively, compared with 27% and 10% a year ago. By year-end 2013, 11% of the PANDORA shares in free float were held by Danish retail investors compared with 12% at the end of 2012.

As of 31 December 2013, PANDORA's Board of Directors and Executive Management held a total of 1,344,404 and 301,964 PANDORA shares respectively, corresponding to 1.3% of the total shares outstanding.

INVESTOR RELATIONS

The Executive Board is responsible for the presence of an Investor Relations (IR) function, which is responsible for PANDORA's compliance with the Company's Investor Relations Policy. IR is organised as a separate unit and reports directly to the Chief Financial Officer.

The purpose of PANDORA's investor relations activities is to ensure that relevant, accurate and timely information is made available to the stock market to serve as a basis for regular trading and a fair pricing of the share.

PANDORA will ensure that the Company is perceived as visible, accessible, reliable and professional by the financial markets and that PANDORA is regarded among the best relative to peers. This will be achieved by complying with the rules and legislation for listed companies on NASDAQ OMX and PANDORA's internal policies.

PANDORA will seek to maintain a high and uniform level of information from the Company and ensure that information is channelled back from the stock market to the Executive Board and the Board of Directors. Furthermore, PANDORA will continuously ensure awareness of, and confidence in, the Company's vision, strategy, policies and decisions in the capital market.

Spokes persons

The following functions are authorised to communicate with the investment community (including analysts, stockbrokers, individuals and institutional investors) unless otherwise agreed:

- Chairman of the Board of Directors
- Executive Board
- Investor Relations

Company announcement

The publication of Company announcements takes place in accordance with the rules set forth in Danish legislation. Immediately after publication, the information is published on PANDORA's website. Regulatory Company announcements and financial reports appear in English and Danish. All other information appears in English only. To ensure swift access to Company announcements and press releases PANDORA invite all interested parties to sign up to email alerts on the investor section at the Company's website.

Meetings

It is the Company's policy to hold meetings with interested investors and analysts regularly in both large and small groups and individually. At such meetings, PANDORA's general circumstances are discussed, but insider information is never disclosed.

When asked to review analyst drafts reports, PANDORA will limit its review and comments to the following:

- correcting historical factual information only
- pointing out information that is in the public domain
- provide information that PANDORA believes is clearly non-material
- discussing general factors that might influence the underlying assumptions used for future projections

Silent period

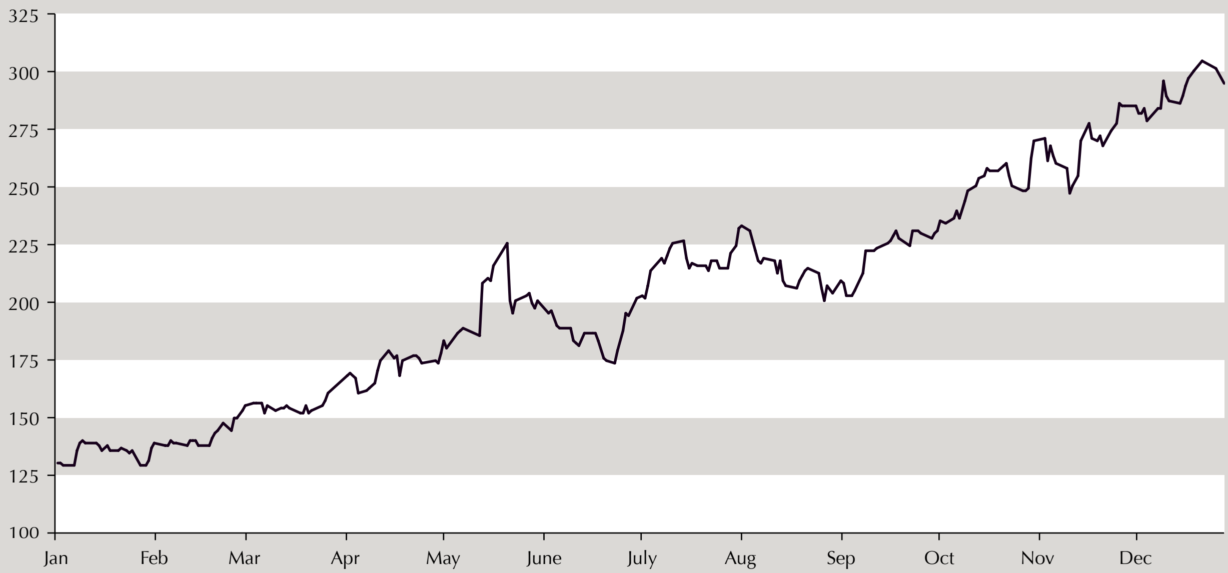
For a period of four weeks prior to the planned release of any quarterly financial reports, PANDORA does not comment on matters related to financial results or expectations.

Conference call
Upon the release of the financial statements and other major news, PANDORA holds conference calls or video transmissions that can be followed from the website at the same time as the meeting, along with accompanying presentations.

External conferences and presentations
Presentations from conferences, road shows, investor meetings and other investor related events are available on the Company´s website at the same time as the event or as soon as possible afterwards. Planned activities and events can be tracked via the online financial calendar on the Company's website.

Capital markets days and similar events
PANDORA holds capital markets days and similar events as needed. All presentations are available at the same time as the event or as soon as possible afterwards on the Company´s website.

SHARE PRICE DEVELOPMENT 2013
DKK



Financial calendar 2014

18 February 2014	Annual Report 2013
19 March 2014	Annual General Meeting
25 March 2014	Payment of annual dividend
13 May 2014	Interim report for the first quarter of 2014
12 August 2014	Interim report for the second quarter of 2014
11 November 2014	Interim report for the third quarter of 2014

Share information

Exchange:	NASDAQ OMX Copenhagen
Trading symbol:	PNDORA
Identification number/ISIN:	DK0060252690
Number of shares:	130,143,258 of 1 DKK each with 1 vote
Share classes:	1
GICS:	25203010
Sector:	Apparel, Accessories & Luxury Goods
Segment:	Large

ANALYSTS COVERING PANDORA

Firm	Analyst	Contact information
ABG Sundal Collier	Michael V. Rasmussen	Email: Michael.rasmussen@abgsc.com Phone: +45 33 18 61 16
Alm. Brand Markets	Jesper Christensen	Email: Abjpch@almbrand.dk Phone: +45 35 47 71 97
Carnegie	Lars Topholm	Email: Lars.topholm@carnegie.dk Phone: +45 32 88 03 53
Citi Research	Christine Jensen	Email: Christine.jensen@citi.com Phone: +44 207 986 4008
Danske Bank	Poul Ernst Jessen	Email: Poul.jessen@danskebank.dk Phone: +45 45 12 80 48
Goldman Sachs	William Hutchings	Email: William.hutchings@gs.com Phone: +44 207 051 3017
Handelsbanken CM	Fasial Kalim Ahmad	Email: Faah01@handelsbanken.dk Phone: +45 46 79 16 12
HSBC BANK Plc	Antoine Belge	Email: Antoine.belge@hsbc.com Phone: +33 1 56 52 43 48
J.P. Morgan Cazenove	Chiara Battistini	Email: Chiara.x.battistini@jpmorgan.com Phone: +44 207 134 5417
Jyske Bank	Frans Høyer	Email: Frans.hoyer@jyskebank.dk Phone: +45 89 89 70 33
Morgan Stanley	Louise Singlehurst	Email: Louise.singlehurst@morganstanley.com Phone: +44 207 425 7239
Nordea	Dan Wejse	Email: Dan.wejse@nordea.com Phone: +45 33 33 24 09
Nykredit	Kresten Johnsen	Email: Krej@nykredit.dk Phone: +45 44 55 18 86
SEB Enskilda	Niels Granholm-Leth	Email: Niels.leth@enskilda.dk Phone: +45 33 28 33 01
Sydbank	Søren Løntoft Hansen	Email: S.loentoft@sydbank.dk Phone: +45 74 37 44 64

FINANCIAL REVIEW

REVENUE DEVELOPMENT

Total revenue for 2013 was DKK 9,010 million, an increase of 35.4% or 39.6% in local currency, compared with 2012. The comparable figures are impacted by the stock balancing campaign conducted in 2012 in which PANDORA improved the quality of the stock mix at retail by taking back discontinued products from key retail partners with a wholesale value of DKK 609 million and exchanging them with new best-selling products. At the end of 2013, sales return provisions corresponded to approximately 8% of revenue value compared to approximately 9% at the end of 2012 (and 5% in 2011).

The solid revenue performance was driven by growth across all major regions. The revenue development was driven by strong performance of newly launched products and global network expansion. The implementation of more frequent and smaller launches of new products also had a positive impact on revenue. Product prices remained stable compared with 2012.

Like-for-like sales-out in Concept stores in PANDORA's four major markets developed positively in all quarters of 2013. The positive development was driven by successful new product launches and generally better execution in stores. About one third of sales-out of the Concept stores was generated by products launched within the last 12 months.

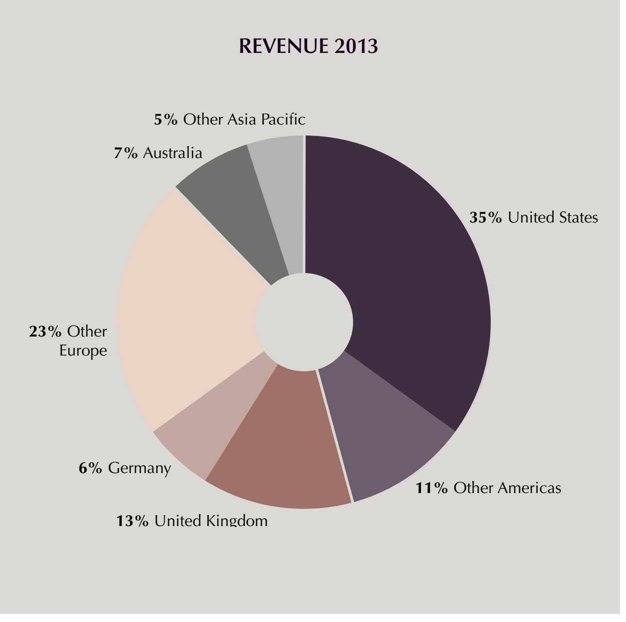
REVENUE BREAKDOWN BY GEOGRAPHY

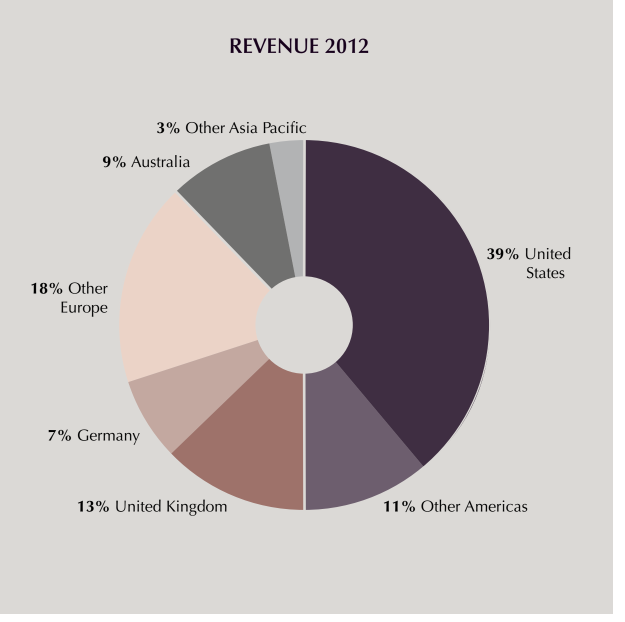
The geographical distribution of revenue in 2013 was 46.2% for the Americas compared with 49.8% in 2012, 41.7% for Europe compared with 38.2% in 2012 and 12.1% for Asia Pacific compared with 12.0% in 2012.

REVENUE BREAKDOWN BY GEOGRAPHY

DKK million	2013	2012	Growth	Growth in local currency	Received 2012*	Replaced 2012*
United States	3,201	2,579	24.1%	28.2%	284	284
Other Americas	955	733	30.3%	-	59	59
Americas	**4,156**	**3,312**	**25.5%**	**30.0%**	**343**	**343**
United Kingdom	1,158	869	33.3%	39.4%	79	79
Germany	544	469	16.0%	16.0%	28	28
Other Europe	2,058	1,204	70.9%	-	106	106
Europe	**3,760**	**2,542**	**47.9%**	**49.9%**	**213**	**213**
Australia	681	618	10.2%	21.4%	44	44
Other Asia Pacific	413	180	129.4%	-	9	9
Asia Pacific	**1,094**	**798**	**37.1%**	**46.6%**	**53**	**53**
Total	**9,010**	**6,652**	**35.4%**	**39.6%**	**609**	**609**

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





Americas

Revenue in the Americas increased by 25.5% to DKK 4,156 million in 2013 from DKK 3,312 million in 2012. Excluding foreign exchange rate movements, the underlying revenue increase was 30.0% compared with 2012.

Revenue in the US, constituting 35.5% of total Group revenue, was up by 24.1% in 2013 versus 1.7% in 2012. The growth in local currency was 28.2%. Growth was primarily driven by an increasing demand for PANDORA's newer products, as well as an improved store network.

As in 2012 PANDORA also experienced positive like-for-like sales-out of US Concept stores throughout 2013. The strong sales-out performance was based on strong sales-through for newly launched products, including the new silver bangle launched in the first quarter of 2013.

Revenue from Other Americas was DKK 955 million, an increase of 30.3% compared with last year. The strong development in the Canadian market continued in 2013 with revenue growth of approximately 25% compared with to 2012. Revenue in Canada now corresponds to more than 15% of revenue in Americas.

The number of branded stores in Americas increased by 181 to a total of 1,753 stores during 2013. By the end of the year, branded stores accounted for 54.2% of the total number of stores compared with 48.5% at the end of 2012.

AMERICAS

Store network - Number of Points of Sale

	2013	2012	Growth
Concept stores, PANDORA-owned	5	2	3
Concept stores, other	327	283	44
Shop-in-shops, PANDORA-owned	-	-	-
Shop-in-shops, other	572	518	54
Gold	849	769	80
Branded	**1,753**	**1,572**	**181**
Branded as % of total	**54.2%**	**48.5%**	
Silver	1,056	1,124	-68
White and Travel Retail	426	546	-120
Total PoS	**3,235**	**3,242**	**-7**

Growth in like-for-like sales-out of Concept stores *

	Q4 2013 vs. Q4 2012	Q3 2013 vs. Q3 2012	Q2 2013 vs. Q2 2012	Q1 2013 vs. Q1 2012	Q4 2012 vs. Q4 2011
US	5.1%	12.6%	8.8%	14.7%	6.9%

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

Europe

Revenue in Europe, constituting 41.7% of total Group revenue, was DKK 3,760 million corresponding to an increase of 47.9% or 49.9% in local currency. Growth was primarily driven by the UK and Other Europe.

UK is PANDORA's largest single market in Europe accounting for 12.9% of Group revenue, compared with 13.1% in 2012. Revenue in the UK was DKK 1,158 million and increased by 33.3% or 39.4% in local currency compared with 2012. Growth in the UK was primarily driven by PANDORA's newer collections, improved store network and the successful launch of the UK eSTORE in November 2012.

PANDORA has experienced positive like-for-like sales-out of UK Concept stores throughout 2013. The growth in sales was driven by newness in the stores, as end-consumer demand was high for PANDORA's newly launched products.

Germany is PANDORA's second largest market in Europe, accounting for 6.0% of 2013 Group revenue, compared with 7.1% in 2012. Revenue in Germany was DKK 544 million and increased by 16.0% in 2013 compared with 2012. The growth was primarily driven by PANDORA's new product launches. The improvement of store network in Germany is on-going and PANDORA continues to improve store execution across the market. Revenue in Germany going forward is expected to continue to be volatile. PANDORA has experienced positive like-for-like sales-out of German Concept stores throughout 2013, driven by high sales through of new products.

Revenue in Other Europe was DKK 2,058 and increased by 70.9% in 2013 compared with 2012. The main drivers of growth were Italy, France and Russia, where like-for-like sales-out continues to be high. Furthermore, growth was fuelled by expansion of the store network in the three countries. PANDORA has opened 74 new Concept stores in the three countries during 2013. Revenue for the three new markets constituted more than 50% of revenue from Other Europe in 2013.

PANDORA opened eSTOREs in Germany and Austria in 2013. Including the UK eSTORE and the recently opened eSTORE in France (January 2014), PANDORA now offers e-commerce platforms in four European countries.

The distribution network in Europe has decreased by 92 stores to a total of 6,414 in 2013, but the share of branded stores increased compared with 2012 accounting for 39.9% of the total number of stores by the end of 2013 compared with 37.0% in 2012.

EUROPE

Store network - Number of Points of Sale

	2013	2012	Growth
Concept stores, PANDORA-owned	115	77	38
Concept stores, other	487	376	111
Shop-in-shops, PANDORA-owned	60	56	4
Shop-in-shops, other	568	514	54
Gold	1,332	1,386	-54
Branded	**2,562**	**2,409**	**153**
Branded as % of total	**39.9%**	**37.0%**	
Silver	2,058	1,873	185
White and Travel Retail	1,794	2,224	-430
Total PoS	**6,414**	**6,506**	**-92**

Growth in like-for-like sales-out of Concept stores *

	Q4 2013 vs. Q4 2012	Q3 2013 vs. Q3 2012	Q2 2013 vs. Q2 2012	Q1 2013 vs. Q1 2012	Q4 2012 vs. Q4 2011
UK	17.9%	13.6%	11.6%	17.8%	12.3%
GER	5.7%	8.2%	1.7%	18.2%	4.5%

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

Asia Pacific

Revenue in Asia Pacific was DKK 1,094 million, constituting 12.1% of total Group revenue, and corresponding to an increase of 37.1% or 46.6% in local currency compared with 2012. Growth was driven by a positive development in most of the region, including Australia. Revenue from Asia Pacific in 2012 was negatively impacted by DKK 38 million, related to the termination of the agreement with Vérité Co. Ltd. in Japan. Excluding the one-off effect in 2012, revenue in Asia Pacific increased 30.9% compared with 2012.

Revenue in Australia, constituting 7.6% of Group revenue, increased by 10.2% in 2013 compared with 2012. In local currency the growth was 21.4%. The growth in Australia was driven by a continued strong sales-out growth, fuelled by successful new launches, as well as an improvement of the store network.

PANDORA experienced positive like-for-like sales-out of Australian Concept stores throughout 2013. The positive development was primarily due to an increase in store traffic driven by newness in the stores. Consumer demand was high for newly launched products.

Revenue from Other Asia Pacific, constituting 4.6% of total Group revenue, increased by 129.4% in 2013 compared with 2012. Growth was primarily driven by

Hong Kong, Malaysia, Singapore, South Korea and Taiwan. The positive development was primarily due to strong like-for-like growth across the markets. Furthermore, growth in Other Asia Pacific was impacted by the provisions made in Japan in 2012.

In Asia Pacific, the distribution network increased by four shops to a total of 630 in 2013. The increase is primarily related to an increase in total branded stores. Branded stores accounted for 77.1% of the total number of stores compared with 75.6% at the end of 2012.

ASIA PACIFIC

Store network - Number of Points of Sale

	2013	2012	Growth
Concept stores, PANDORA-owned	26	31	-5
Concept stores, other	140	126	14
Shop-in-shops, PANDORA-owned	-	1	-1
Shop-in-shops, other	172	176	-4
Gold	148	139	9
Branded	**486**	**473**	**13**
Branded as % of total	**77.1%**	**75.6%**	
Silver	73	76	-3
White and Travel Retail	71	77	-6
Total PoS	**630**	**626**	**4**

Growth in like-for-like sales-out of Concept stores*

	Q4 2013 vs. Q4 2012	Q3 2013 vs. Q3 2012	Q2 2013 vs. Q2 2012	Q1 2013 vs. Q1 2012	Q4 2012 vs. Q4 2011
AUS	25.5%	25.2%	22.4%	15.9%	10.1%

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

SALES CHANNELS

Direct distribution accounted for 97.0% of revenue in 2013 compared with 96.9% in 2012.

Concept stores accounted for 60.0% of the branded sales in 2013 compared with 58.0% in 2012 and branded sales accounted for 84.8% of total direct sales compared with 81.0% in 2012. PANDORA opened net 205 new Concept stores and 107 Shop-in-shops during 2013. Underperforming unbranded stores are being closed across all regions in order to improve the quality of revenue and focus on branded store performance and, as a consequence the number of unbranded points of sale decreased 442 stores compared with 2012.

The expansion of the store network in PANDORA's new markets continues, and the network increased with 78 Concept stores and 29 Shop-in-shops in 2013.

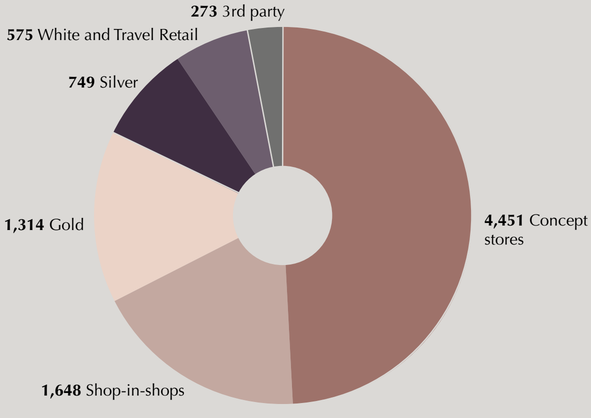
SALES CHANNELS - REVENUE

DKK million	2013	2012	Growth	Received 2012*	Replaced 2012*
Concept stores	4,451	3,032	46.8%	151	151
Shop-in-shops	1,648	1,193	38.1%	159	159
Gold	1,314	1,003	31.0%	140	140
Total branded	**7,413**	**5,228**	**41.8%**	**450**	**450**
Silver	749	704	6.4%	65	65
White and Travel Retail	575	512	12.3%	20	20
Total unbranded	**1,324**	**1,216**	**8.9%**	**85**	**85**
Total direct	**8,737**	**6,444**	**35.6%**	**535**	**535**
3rd party	273	208	31.3%	74	74
Total revenue	**9,010**	**6,652**	**35.4%**	**609**	**609**

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

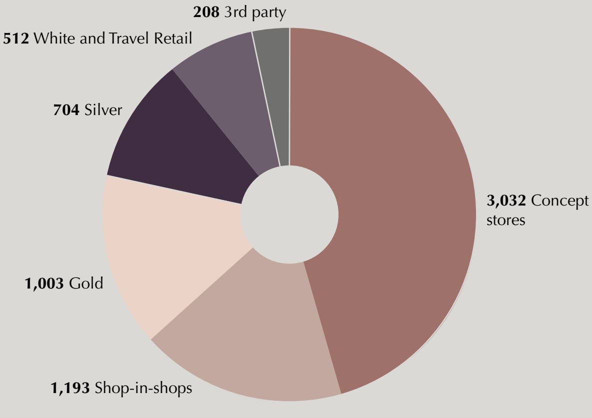
SALES CHANNELS - REVENUE 2013

DKK million



SALES CHANNELS - REVENUE 2012

DKK million



In Italy the focus is on expanding the branded share of points of sale, and at the end of 2013, the Company was selling PANDORA products through 25 Concept stores (2012: 13), 7 Shop-in-shops (2012: 8), 272 Gold stores (2012: 255), 345 Silver stores (2012: 313) and 178 White stores (2012: 383).

The strategy in France is to upgrade the quality of the distribution network with a particular emphasis on Shop-in-shops and Concept stores. At the end of 2013, the Company was selling PANDORA products through 22 Concept stores (2012: 12), 34 Shop-in-shops (2012: 30), 49 Gold stores (2012: 13), 201 Silver stores (2012: 136) and 73 White stores (2012: 107).

SALES CHANNELS - POINTS OF SALE

	Number of PoS 2013	Number of PoS 2012	Growth
PANDORA-owned Concept stores	146	110	36
PANDORA-owned Shop-in-shops	60	57	3
Concept stores	954	785	169
Shop-in-shops	1,312	1,208	104
Gold	2,329	2,294	35
Total branded	**4,801**	**4,454**	**347**
Branded as % of total	**46.7%**	**42.9%**	
Silver	3,187	3,073	114
White and Travel Retail	2,291	2,847	-556
Total number of points of sale	**10,279**	**10,374**	**-95**

NEW MARKETS

	Russia	China	Japan	Rest of Asia	France	Italy	Total	Net openings 2013	Net openings 2012
Concept stores	121	27	1	51	22	25	247	78	80
Shop-in-shops	35	12	6	61	34	7	155	29	43
Total	**156**	**39**	**7**	**112**	**56**	**32**	**402**	**107**	**123**

PRODUCT OFFERING

Revenue from Charms increased by 26.9% compared with 2012, while revenue from Silver and gold charm bracelets increased by 36.8% compared with 2012. The two categories represented 82.7% of total revenue in 2013 compared with 87.3% of total revenue in 2012. The new PANDORA ESSENCE COLLECTION launched in the last quarter of 2013 is included in the Charms and the Silver and gold charm bracelets categories respectively.

Revenue from Rings was DKK 550 million, an increase of 28.8% compared with 2012. The revenue growth in most markets is driven by the improved offering, as well as an increased commercial effort. The category represented 6.1% of total revenue compared with 6.4% in 2012.

Revenue from Other jewellery was DKK 1,010 million, an increase of 139.9% compared with 2012. The growth was driven by all subcategories, in particular revenue from other bracelets, which continues to be positively impacted by the silver bangle launched in the first quarter of 2013. Other jewellery represented 11.2% of total revenue in 2013 compared with 6.3% in 2012.

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

The average sales price per item was stable compared with 2012.

COSTS

Total costs for 2013, including depreciation and amortisation, were DKK 6,329 million, an increase of 22.3% compared with 2012. The cost increase was primarily due to increasing revenue. The costs corresponded to 70.2% of revenue for the year compared with 77.8% in 2012.

GROSS PROFIT

Gross profit was DKK 5,999 million in 2013 compared with DKK 4,429 million in 2012, resulting in a gross margin of 66.6% in 2013 which is unchanged compared with 2012.

Cost of sales is impacted by hedging of raw materials. Excluding the hedging and time lag effect from inventory, the underlying gross margin would have been approximately 70% based on average silver (23.82 USD/oz) and gold (1,413

PRODUCT MIX

DKK million	2013	2012	Growth	Share of revenue 2013	Received 2012*	Replaced 2012*
Charms	6,293	4,958	26.9%	69.9%	260	446
Silver and gold charm bracelets	1,157	846	36.8%	12.8%	4	85
Rings	550	427	28.8%	6.1%	93	30
Other jewellery	1,010	421	139.9%	11.2%	252	48
Total revenue	**9,010**	**6,652**	**35.4%**	**100.0%**	**609**	**609**

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

COST DEVELOPMENT

DKK million	2013	2012	Growth	Share of revenue 2013	Share of revenue 2012
Cost of sales	3,011	2,223	35.4%	33.4%	33.4%
Gross profit	**5,999**	**4,429**	**35.4%**	**66.6%**	**66.6%**
Sales and distribution expenses	1,517	1,261	20.3%	16.8%	19.0%
Marketing expenses	880	823	6.9%	9.8%	12.3%
Administrative expenses	921	870	5.9%	10.2%	13.1%
Total cost	**6,329**	**5,177**	**22.3%**	**70.2%**	**77.8%**

USD/oz) market prices in 2013. Under the same assumptions, a 10% deviation in average silver and gold prices would impact the gross margin by approximately +/- 1-2 percentage points. Reference is made to note 4.4.

OPERATING EXPENSES

Operating expenses in 2013 were DKK 3,318 million compared with 2,954 in 2012, representing 36.8% of revenue in 2013 compared with 44.4% in 2012.

Sales and distribution expenses increased to DKK 1,517 million in 2013 from DKK 1,261 million in 2012, an increase of 20.3%, and corresponding to 16.8% of revenue in 2013 compared with 19.0% in 2012. The nominal increase in sales and distribution expenses was primarily driven by increasing revenue as well as an increase in the number of PANDORA-owned stores (206 stores in 2013 compared with 167 stores in 2012).

Marketing expenses in 2013 were 9.8% of revenue compared with 12.3% in 2012. Marketing expenses increased to DKK 880 million in 2013 from DKK 823 million in 2012. The increase was driven primarily by launch activities related to the PANDORA ESSENCE COLLECTION as well as a higher marketing spend in the US, including PANDORA's first nationwide TV commercial.

Administrative expenses amounted to DKK 921 million in 2013 compared with DKK 870 million in 2012, representing 10.2% of revenue down from 13.1% in 2012. The increase in administrative expenses is mainly related to acquisition of the distributor in Brazil, cost related to the upcoming relocation of the Australian and Italian headquarters, as well as costs related to organisational changes.

EBITDA

EBITDA for 2013 increased by 73.8% to DKK 2,881 million resulting in an EBITDA margin of 32.0%, compared with 24.9% in 2012.

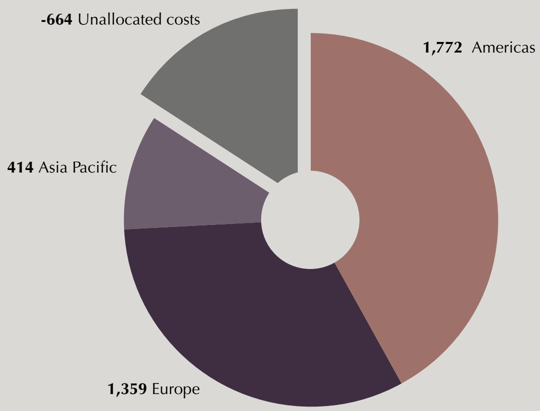
The EBITDA margin for Americas was almost unchanged compared to 2012, whereas the EBITDA margin for Europe

REGIONAL EBITDA MARGINS

	2013	2012	2013 vs. 2012 (% pts)
Americas	42.6%	42.7%	-0.1%
Europe	36.1%	23.4%	12.7%
Asia Pacific	37.8%	23.9%	13.9%
Unallocated costs	-7.4%	-8.2%	0.8%
Group EBITDA margin	**32.0%**	**24.9%**	**7.1%**

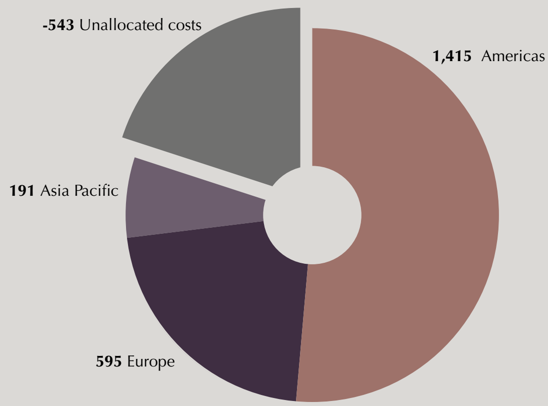
SEGMENT PROFIT (EBITDA) 2013

DKK million



SEGMENT PROFIT (EBITDA) 2012

DKK million



increased from 23.4% in 2012 to 36.1% in 2013. The increase in Europe was primarily driven by increase in revenue combined with improved leverage on the cost base primarily in new markets and UK. The EBITDA margin for Asia Pacific region improved 13.9 percentage points to 37.8% in 2013. The improvement was primarily driven by higher revenue in the region. Unallocated costs were 7.4% of revenue in 2013 compared with 8.2% in 2012.

EBIT

EBIT for 2013 increased to DKK 2,681 million (2012: DKK 1,475 million) an increase of 81.8% compared with 2012, resulting in an EBIT margin of 29.8% for 2013 versus 22.2% in 2012.

NET FINANCE INCOME

Net finance income amounted to DKK 61 million in 2013 compared with DKK 4 million in 2012. The increase in net finance income is mainly related to unrealised exchange rate gains.

INCOME TAX EXPENSES

Income tax expenses were DKK 522 million in 2013 compared with DKK 277 million in 2012, corresponding to an effective tax rate of 19.0% for 2013 compared with 18.7% for 2012.

NET PROFIT

Net profit for 2013 increased by 84.7% to DKK 2,220 million compared with DKK 1,202 million in 2012.

BALANCE SHEET AND CASH FLOW

PANDORA generated a free cash flow of DKK 1,956 million in 2013 compared with DKK 1,151 million in 2012 corresponding to a cash conversion of 88.1% compared with 95.8% in 2012.

Operating working capital at the end of 2013 was 20.5% of revenue, compared with 30.7% at the end of 2012.

Inventory was DKK 1,490 million, an increase of 13.1% compared with 2012 which primarily was driven by higher production as a consequence of higher revenue. Compared with 2012 the silver and gold prices affected inventory with a decrease of approximately 17% however this decrease is more than offset by the higher production.

Trade receivables decreased to DKK 895 million in 2013 (9.9% of revenue) from DKK 940 million in 2012 (14.1% of revenue). Trade receivables are influenced by very strong cash collection at year end.

Trade payables increased to DKK 539 million in 2013 compared with DKK 219 million in 2012. The increase is primarily related to a reclassification in the third quarter of 2013 from Other payables to Trade payables, which is related to accrued expenses.

PANDORA invested a total of DKK 490 million in capital expenditure (CAPEX) in 2013, including intangible assets of DKK 312 million. Investments in tangible assets of DKK 178 million mainly consist of investments in production facilities in Thailand and leasehold improvements related to the opening of several stores during the year. Investments in intangible assets are mainly related to purchase of IP rights from Trollbeads A/S of DKK 190 million, key money in connection with the opening of PANDORA-owned stores and IT investments. CAPEX constituted 5.4% of 2013 revenue.

During 2013, a total of DKK 700 million was used to purchase own shares related to the share buyback programme launched on 26 February 2013. As of 31 December 2013, PANDORA held 3,539,023 treasury shares, corresponding to 2.7% of the share capital.

Interest-bearing debt was DKK 49 million at the end of 2013 compared with DKK 158 million at the end of 2012.

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

Net interest-bearing debt (NIBD) at the end of 2013 was DKK -637 million corresponding to a ratio of -0.2 to EBITDA (NIBD/EBITDA).

DEVELOPMENT IN NET WORKING CAPITAL

DKK million	2013	2012	2013 vs. 2012 (%)	Share of revenue 2013	Share of revenue 2012
Inventory	1,490	1,318	13.1%	16.5%	19.8%
Trade receivables	895	940	-4.8%	9.9%	14.1%
Trade payables	-539	-219	146.1%	-6.0%	-3.3%
Other	-837	-762	9.8%	-9.3%	-11.5%
Total	**1,009**	**1,277**	**-21.0%**	**15.2%**	**19.2%**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER

DKK million	Notes	2013	2012
CONSOLIDATED INCOME STATEMENT			
Revenue	2.1, 2.2	9,010	6,652
Cost of sales	2.3	-3,011	-2,223
Gross profit		**5,999**	**4,429**
Sales, distribution and marketing expenses	2.3	-2,397	-2,084
Administrative expenses	2.3	-921	-870
Operating profit	**2.2**	**2,681**	**1,475**
Finance income	4.6	167	132
Finance expenses	4.6	-106	-128
Profit before tax		**2,742**	**1,479**
Income tax expense	2.5	-522	-277
Net profit for the year		**2,220**	**1,202**
Attributable to:			
Equity holders of PANDORA A/S		2,220	1,202
Net profit for the year		**2,220**	**1,202**
Earnings per share	**4.2**		
Earnings per share, basic (DKK)		17.2	9.2
Earnings per share, diluted (DKK)		17.0	9.2
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME			
Net profit for the year		**2,220**	**1,202**
Items that may be reclassified to profit (loss) for the period:			
Exchange rate differences on translation of foreign subsidiaries		-355	-65
- Commodity hedging instruments:			
Realised in finance income		-	8
Realised in inventory		268	119
Value adjustment		-341	7
- Interest rate hedging instruments:			
Realised in finance income		-	1
- Foreign exchange hedging instruments:			
Realised in finance income		-9	101
Value adjustment		-16	-33
Income tax on other comprehensive income	2.5	6	-18
Other comprehensive income, net of tax		**-447**	**120**
Total comprehensive income for the year		**1,773**	**1,322**
Attributable to:			
Equity holders of PANDORA A/S		1,773	1,322
Total comprehensive income for the year		**1,773**	**1,322**

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

DKK million	Notes	2013	2012
ASSETS			
Goodwill		1,904	1,922
Brand		1,053	1,053
Distribution network		300	331
Distribution rights		1,042	1,045
Other intangible assets		318	136
Total intangible assets	**3.1**	**4,617**	**4,487**
Property, plant and equipment	3.2	497	472
Deferred tax assets	2.5	276	190
Other non-current financial assets		48	26
Total non-current assets		**5,438**	**5,175**
Inventories	3.3	1,490	1,318
Financial instruments	4.5	-	4
Trade receivables	3.4	895	940
Tax receivables		35	138
Other receivables		731	498
Cash	4.3	686	341
Total current assets		**3,837**	**3,239**
Total assets		**9,275**	**8,414**
EQUITY AND LIABILITIES			
Share capital	4.1	130	130
Share premium		1,248	1,248
Treasury shares		-738	-38
Reserves		205	652
Proposed dividend		823	715
Retained earnings		4,794	3,331
Total shareholders' equity		**6,462**	**6,038**
Provisions	3.5	35	7
Loans and borrowings	4.3	-	151
Deferred tax liabilities	2.5	471	552
Other long-term liabilities		3	2
Total non-current liabilities		**509**	**712**
Provisions	3.5	471	463
Loans and borrowings	4.3	49	7
Financial instruments	4.5	148	47
Trade payables		539	219
Income tax payables		546	283
Other payables		551	645
Total current liabilities		**2,304**	**1,664**
Total liabilities		**2,813**	**2,376**
Total equity and liabilities		**9,275**	**8,414**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK million	Notes	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Hedge reserve	Other reserves	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2013		130	1,248	-38	703	-51	-	715	3,331	6,038
Net profit for the year		-	-	-	-	-	-	-	2,220	2,220
Exchange rate differences on translation of foreign subsidiaries		-	-	-	-355	-	-	-	-	-355
Value adjustment of hedging instruments		-	-	-	-	-98	-	-	-	-98
Income tax on other comprehensive income	2.5	-	-	-	-	6	-	-	-	6
Total comprehensive income for the year		**-**	**-**	**-**	**-355**	**-92**	**-**	**-**	**2,220**	**1,773**
Transfer to retained earnings		-	-	-	-	-	-	-2	2	-
Share-based payments	2.4	-	-	-	-	-	-	-	64	64
Purchase of treasury shares		-	-	-700	-	-	-	-	-	-700
Dividend paid	4.2	-	-	-	-	-	-	-713	-	-713
Proposed dividend	4.2	-	-	-	-	-	-	823	-823	-
Equity at 31 December 2013		**130**	**1,248**	**-738**	**348**	**-143**	**-**	**823**	**4,794**	**6,462**
Equity at 1 January 2012		130	1,248	-38	768	-236	88	715	2,736	5,411
Net profit for the year		-	-	-	-	-	-	-	1,202	1,202
Exchange rate differences on translation of foreign subsidiaries		-	-	-	-65	-	-	-	-	-65
Value adjustment of hedging instruments		-	-	-	-	203	-	-	-	203
Income tax on other comprehensive income	2.5	-	-	-	-	-18	-	-	-	-18
Total comprehensive income for the year		**-**	**-**	**-**	**-65**	**185**	**-**	**-**	**1,202**	**1,322**
Transfer to retained earnings		-	-	-	-	-	-88	-	88	-
Share-based payments	2.4	-	-	-	-	-	-	-	20	20
Dividend paid	4.2	-	-	-	-	-	-	-715	-	-715
Proposed dividend	4.2	-	-	-	-	-	-	715	-715	-
Equity at 31 December 2012		**130**	**1,248**	**-38**	**703**	**-51**	**-**	**715**	**3,331**	**6,038**

CONSOLIDATED CASH FLOW STATEMENT

1 JANUARY - 31 DECEMBER

DKK million	Notes	2013	2012
Profit before tax		2,742	1,479
Finance income	4.6	-167	-132
Finance expenses	4.6	106	128
Amortisation/depreciation		200	180
Share-based payments	2.4	64	20
Change in inventories		-292	302
Change in receivables		-215	-368
Change in trade payables		261	-67
Change in other liabilities		-79	289
Other non-cash adjustments		169	-21
Interests etc. received		3	4
Interests etc. paid		-29	-47
Income tax paid		-335	-428
Cash flow from operating activities		**2,428**	**1,339**
Acquisition of subsidiaries, net of cash acquired	5.1	-45	-
Purchase of intangible assets	3.1	-312	-109
Purchase of property, plant and equipment	3.2	-178	-167
Change in other non-current assets		-25	9
Proceeds from sale of property, plant and equipment		17	36
Cash flow from investing activities		**-543**	**-231**
Dividend paid	4.2	-713	-715
Purchase and disposals of treasury shares	4.1	-700	-
Proceeds from loans and borrowings		41	3
Repayment of loans and borrowings		-152	-231
Cash flow from financing activities		**-1,524**	**-943**
Net cash flow for the year		**361**	**165**
Cash at 1 January		341	176
Net exchange rate adjustment		-16	-
Net cash flow for the year		361	165
Cash at 31 December		**686**	**341**
Cash flow from operating activities		2,428	1,339
- Interests etc. received		-3	-4
- Interests etc. paid		29	47
Cash flow from investing activities		-543	-231
- Acquisition of subsidiaries, net of cash acquired		45	-
Free cash flow		**1,956**	**1,151**
Unutilised credit facilities inclusive cash and cash equivalents		2,716	2,898

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

§ **Accounting policies**
Cash flows from operating activities are determined using the indirect Method.

Cash flows from investing activities mainly comprise purchase of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise dividend paid and share buyback.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

NOTES

PANDORA is continuouisly developing the Group's financial reporting. As part of this development, PANDORA has restructured the consolidated financial statement in order to increase focus on what drives the Group's performance. The notes have therefore been grouped in 5 sections related to key figures. The notes contain the relevant financial information as well as a description of accounting policies applied for the topic of the individual notes.

NOTES

SECTION 1: BASIS OF REPORTING

This section introduces PANDORA's financial accounting policies and significant accounting estimates. A more detailed description of accounting policies and significant estimates related to specific reported amounts is presented in the respective notes. This is done to provide full transparency on the disclosed amounts, describing the relevant accounting policy, significant estimates and numerical disclosure for each note.

1.1 BASIS OF REPORTING

PANDORA A/S is a public limited company with its registered office in Denmark.

The Annual Report for the period 1 January - 31 December 2013 comprises the consolidated financial statment of PANDORA A/S and its subsidiaries (The Group) as well as separate financial statements for the Parent Company, PANDORA A/S.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for the annual reports of listed Companies.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Danish kroner and all values are rounded to the nearest million (DKK million) except where otherwise indicated.

The accounting policies as described below are used consistently for the financial year as well as for the comparative figures.

§ Accounting policies

The overall accounting policies applied to the consolidated financial statements as a whole are described below.
The accounting policies related to specific line items are described in connection with the notes to which they relate. The aim is to assist with a better understanding of individual items.

The Group has elected not to include a reproduction of IFRS except where deemed particularly important to the understanding of the note in question.

The description of accounting policies in the notes form part of the description of accounting policies:

Revenue	note	2.1
Employee benefit expenses	note	2.3
Share-based payments	note	2.4
Income tax	note	2.5
Deferred tax	note	2.5
Intangible assets	note	3.1
Property, plant and equipment	note	3.2
Inventories	note	3.3
Trade receivables	note	3.4
Provisions	note	3.5
Dividend	note	4.2
Net interest-bearing debt	note	4.3
Financial instruments and hedging activities	note	4.5
Net finance income	note	4.6
Business combinations	note	5.1

The consolidated financial statements

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which PANDORA obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions are eliminated in full.

Foreign currency

The consolidated financial statements are presented in Danish kroner, which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies with another functional currency than Danish kroner
The assets and liabilities of foreign operations are translated into Danish kroner at the rate of exchange prevailing at the reporting date, and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The consolidated income statement
The consolidated income statement is presented based on the functional split of cost. Cost of sales comprise direct and indirect expenses incurred to generate the revenue of the year, relating to raw materials and consumables, production staff and depreciation of production equipment.

Sales, distribution and marketing expenses comprise expenses related to the distribution of goods sold and sales campaigns, including packaging materials, brochures, salaries and other expenses related to sales and distribution staff and depreciation of distribution equipment.

Administrative expenses comprise expenses paid in the year to manage PANDORA, including expenses related to administrative staff and amortisation/depreciation.

The distribution of amortisations and depreciations are presented in note 3.1.

Implementation of new or amended standards and interpretations
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 1 January - 31 December 2013. The following new and amended IFRS standards and intepretations were implemented:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare financial statements in accordance with US GAAP.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.
- The annual improvements 2009 -2011 comprise:
  - IAS 1, clarification of comparative financial information when presenting balance sheets for three years
  - IAS 16, spare parts and servicing equipment for land, buildings and equipment are to be classified as property, plant and equipment rather than inventory when they qualify as such
  - IAS 32, clarification of tax in the income statement and equity, respectively
  - IAS 34, segment disclosures in interim financial statements

The implementation of the new or amended standards has not had material impact on PANDORA's consolidated financial statements.

NOTES

SECTION 1: BASIS OF REPORTING, CONTINUED

Standards issued, but not yet effective
In addition to the above, IASB has issued a number of IFRS standards, amended standards, revised accounting standards and IFRIC interpretations which are effective for financial years beginning after 1 January 2013. The major changes are:

- IFRS 9, 'Financial instruments'. The number of categories of financial assets is reduced to two; amortised cost or fair value. The effect of changes in other credit risk on financial liabilities is recognised at fair value in other comprehensive income
- IFRS 10, 'Consolidated financial statements'. Clarification of the definition of control over another entity. Control exists when the following conditions are met:
  - Control of the entity
  - Exposure to variability in returns
  - Ability to exercise control of the entity to affect returns
- IFRS 11, 'Joint arrangements'. Joint arrangements are arrangements where joint control over a business activity exists and comprise two types: Joint operations and joint ventures
- IFRS 12, 'Disclosures of interests in other entities'. Disclosure requirements concerning interests in other entities, including subsidiaries, joint operations, joint ventures and associates
- Amendment to IAS 27, 'Consolidated and separate financial statements'. The consolidation rules are replaced by IFRS 10, and the standard then comprises the rules relating to Parent Company financial statements of the current IAS 27
- Amendments to IAS 28 'Investment in Associates and Joint Ventures'. Joint arrangements classified as joint ventures under IFRS 11 are recognised under the equity method of the standard. The guidance of SIC 13 on non-monetary contributions from enterprises has been incorporated into the standard
- Amendments to IFRS 10, 11 and 12 which clarify that the date of first adoption of the standards is the first day of the financial year in which the standards are implemented
- Amendments to IAS 32, 'Financial Instruments: Presentation'. This amendment provides clarification regarding the presentation of the offsetting of financial assets and financial liabilities

PANDORA has thoroughly considered the impact of the new or amended standards and interpretations not yet effective, and expects that these will not have any material impact on the reporting.

! Significant accounting estimates
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.

Determining the carrying amount of some assets and liabilities requires estimates and assumptions concerning future events, the estimates and assumptions made are based on historical experience and other factors which Management assesses to be reliable, but which by their nature are associated with uncertainty and unpredictability. These assumptions may have to be revised, and unexpected events or circumstances may arise.

PANDORA is subject to risks and uncertainties which may lead to actual results differing from these estimates, both positively and negatively. Specific risks for PANDORA are discussed in the relevant sections of the Management's review and in the notes.

Management regards estimates related to return provisions, valuation of inventory and tax as key estimates. However, all significant accounting estimates are described:

Share-based payments	note	2.4
Taxation	note	2.5
Impairment testing of intangible assets	note	3.1
Impairment testing of property, plant and equipment	note	3.2
Useful lives for production assets	note	3.2
Valuation of inventories	note	3.3
Valuation of trade receivables	note	3.4
Provisions	note	3.5
Litigations	note	5.2

NOTES

SECTION 2: RESULTS FOR THE YEAR

This section comprises notes in relation to the results for the year, including disclosure on operating segments, and provides additional information related to two of PANDORA's key targets: revenue and EBITDA.

Group revenue in 2013 was DKK 9,010 million compared with DKK 6,652 million in 2012. The continued growth in revenue, across all major regions, is built on strong sales of newly launched products, growth in new markets and global network expansion. The implementation of more frequent and smaller drops of new products launched also had a positive impact on revenue. Product prices have remained stable against 2012.

A detailed description of the results for the year is given in the Financial Review section of the Management Report.

2.1 REVENUE

Revenue per product group

DKK million	2013	2012	Stock balancing campaign 2012 Received	Stock balancing campaign 2012 Replaced
Charms	6,293	4,958	260	446
Silver and gold charm bracelets	1,157	846	4	85
Rings	550	427	93	30
Other jewellery	1,010	421	252	48
Total revenue	**9,010**	**6,652**	**609**	**609**

Stock balancing campaign
During 2012 PANDORA received discontinued products with a wholesale value of DKK 609 million and replaced these with new bestsellers at a similar value, resulting in a zero impact to revenue in 2012. To help evaluate against historical figures PANDORA has provided supplemental figures relating to the stock balancing campaign where applicable. Supplemental figures should however be treated with careful consideration, as simply adding these to the reported figures may be neither representative nor meaningful.

§ Accounting policies
Revenue is recognised to the extent that it is probable that economic benefits will flow to PANDORA and the revenue can be reliably measured and when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duties.

Provisions for rebates and discounts granted to wholesalers are recorded as a reduction of revenue. They are calculated on the basis of historical experience and the specific terms in the individual agreements.

The effect of expected future returns is recorded as a reduction of gross profit ie. revenue and cost of sales. Where there is historical experience or a reasonably accurate estimate of expected future returns can otherwise be made, a provision for estimated sales returns is recorded.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.2 SEGMENT INFORMATION

PANDORA's activities are segmented on the basis of geographical areas in accordance with the management 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 in note 2.1.

The Group operates with two performance measures, both measured on business performance. EBITDA is the primary performance measure and EBIT the secondary performance measure.

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).

Income Statement

DKK million	Americas	Europe	Asia Pacific	Unallocated cost	Total Group
2013					
External revenue	**4,156**	**3,760**	**1,094**	**-**	**9,010**
Segment profit (EBITDA)	**1,772**	**1,359**	**414**	**-664**	**2,881**
Amortisation/depreciation					-200
Consolidated operating profit (EBIT)					**2,681**
2012					
External revenue	**3,312**	**2,542**	**798**	**-**	**6,652**
Segment profit (EBITDA)	**1,415**	**595**	**191**	**-543**	**1,658**
Amortisation/depreciation					-180
Gain/losses from sales of non-current assets					-3
Consolidated operating profit (EBIT)					**1,475**

Unallocated cost mainly comprises of costs in the Danish headquarter and Thai production facilities.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.2 SEGMENT INFORMATION, CONTINUED

Geographic information, revenue

DKK million	2013	2012	Stock balancing campaign 2012 Received	Stock balancing campaign 2012 Replaced
United States	3,201	2,579	284	284
Other Americas	955	733	59	59
Americas	**4,156**	**3,312**	**343**	**343**
United Kingdom	1,158	869	79	79
Germany	544	469	28	28
Denmark	32	45	6	6
Other Europe	2,026	1,159	100	100
Europe	**3,760**	**2,542**	**213**	**213**
Australia	681	618	44	44
Other Asia Pacific	413	180	9	9
Asia Pacific	**1,094**	**798**	**53**	**53**
Total revenue	**9,010**	**6,652**	**609**	**609**

No single external customer accounts for 10% or more of PANDORA's revenue in 2013 or 2012.

Segment assets

DKK million	2013	2012
United States	1,286	1,298
Other Americas	45	-
Americas	**1,331**	**1,298**
Germany	621	606
Denmark	1,837	1,866
Other Europe	45	33
Europe	**2,503**	**2,505**
Australia	307	379
Thailand	445	305
Other Asia Pacific	31	-
Asia Pacific	**783**	**684**
Total intangible assets	**4,617**	**4,487**
Total property, plant and equipment [1]	497	472
Deferred tax assets	276	190
Other non-current financial assets	48	26
Total current assets	3,837	3,239
Total consolidated assets	**9,275**	**8,414**

[1] The production facilities in Thailand, DKK 308 million (2012: DKK 291 million), corresponding to 62% of property, plant and equipment.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.3 EMPLOYEE BENEFIT EXPENSES

DKK million	2013	2012
Wages and salaries	1,199	980
Pensions	62	50
Share-based payments	64	20
Social security costs	71	50
Other staff costs	105	97
Total employee benefit expenses	**1,501**	**1,197**
Average number of employees during the year	6,910	5,753
The employee benefit expenses have been recognised in the consolidated income statement:		
Cost of sales	284	222
Distribution expenses	784	642
Administrative expenses	433	333
Total employee benefit expenses	**1,501**	**1,197**

The Group's pension plans are primarily defined contribution plans that do not commit PANDORA beyond the amounts contributed. PANDORA have defined benefit plans relating to obligations to pay a defined benefit to employees in Thailand and Italy. The defined benefit plans are recognised at the present value of the actuarially measured obligation. In 2013, these obligations amounted to DKK 9 million (2012: DKK 5 million). The increased obligation is due to a combination of an increased number of employees and increased salaries.

Compensation of key management personnel of PANDORA

	2013				2012
DKK million	**Base salary**	**Bonus**	**Shares**	**Total**	**Total**
Executive Board					
Allan Leighton[1]	4.6	2.0	0.5	7.1	-
Bjørn Gulden[2]	5.4	2.7	4.7	12.8	9.2
Henrik Holmark	4.2	2.1	1.9	8.2	4.9
Sten Daugaard[3]	10.2	5.0	5.8	21.0	7.6
Marcello Bottoli	-	-	-	-	11.1
Total compensation of key management personnel	**24.4**	**11.8**	**12.9**	**49.1**	**32.8**

Compensation of Board of Directors

DKK million	2013	2012
Board of Directors		
Marcello Bottoli, Chairman	1.7	0.8
Allan Leighton[1]	1.3	2.6
Christian Frigast, Deputy Chairman	0.8	0.6
Torben Ballegaard Sørensen	0.6	0.6
Andrea Alvey	0.6	0.6
Erik D. Jensen	-	0.3
Nikolaj Vejlsgaard	0.6	0.6
Ronica Wang	0.6	0.5
Bjørn Gulden[2]	0.2	-
Anders Boyer-Søgaard	0.7	0.5
Total compensation of Board of Directors	**7.1**	**7.1**

[1] Allan Leighton joined the Executive Board as CEO on 1 July 2013 and has simultaneously stepped down as Chairman of the Company's Board of Directors.
[2] Bjørn Gulden resigned his position as CEO 30 June 2013. As of 13 August 2013 Bjørn Gulden joined the Board of Directors.
[3] Sten Daugaard resigned his position on 30 June 2013. Salaries, bonus and shares includes compensation during the notice period.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.3 EMPLOYEE BENEFIT EXPENSES, CONTINUED

§ Accounting policies

Wages and salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the services are rendered by employees of PANDORA. Whenever PANDORA provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees.

2.4 SHARE-BASED PAYMENTS AND EMPLOYEE SHARES

The decision to grant share options is made by the Board of Directors in accordance with general guidelines for incentive pay. Share options are granted to members of Executive Board, selected members of the Board of Directors and other key employees in PANDORA.

	Executive Board and Board of Directors	Other employees	Total	Average exercise price per option, DKK
Share options outstanding at 1 January 2013	233,870	874,253	1,108,123	0.70
Share options 2013 one-year programme	-	103,295	103,295	2.10
Share options granted during the year	84,441	352,787	437,228	1.25
Share options lapsed during the year	-54,816	-82,245	-137,061	0.93
Share options outstanding at 31 December 2013	**263,495**	**1,248,090**	**1,511,585**	
Share options outstanding at 1 December 2012	6,190	144,258	150,448	2.10
Share options granted during the year	227,680	782,297	1,009,977	0.52
Share options lapsed during the year	-	-52,302	-52,302	1.29
Share options outstanding at 31 December 2012	**233,870**	**874,253**	**1,108,123**	

The calculated fair values are based on the Black-Scholes formula for measuring share options.

The total costs of share-based payments was DKK 64 million (2012: DKK 20 million). The cost of share-based payments is included in staff costs. In the remaining service periods an amount of DKK 59 million (2012: DKK 53 million) is expected to be recognised in respect of the current share option programmes.

Granted 2013

In 2013 PANDORA have granted a total of 540,523 share options in two different share-based programmes. One programme is comprising 103,295 options with a vesting period of only one year and a market value at the grant date of DKK 14 million. The second share-based programme comprising 437,228 options with a vesting period of three years and a market value of DKK 64 million. The value of the programmes are recognised over the vesting period based on the likelihood that targets for group revenue and EBITDA for 2013 and 2015 respectively will be reached, and the share options vested.

Granted 2012

A total of 1,009,977 share options were granted in 2012. The recognised value of the share options in the income statement and in equity, based on the likelihood that targets for Group revenue and EBITDA for 2014 will be reached and that the share options will be vested.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.4 SHARE-BASED PAYMENTS AND EMPLOYEE SHARES, CONTINUED

Granted 2011

There have been 150,448 share options granted in 2011. The recognised value of the share options in the income statements and in equity is DKK 0, because it is unlikely that the share options will vest.

Number of shares in PANDORA A/S

	2012	Purchase of shares	Selling of shares	2013
Executive Board				
Allan Leighton[1]	12,380	-	-	12,380
Sten Daugaard	10,785	-	-10,785	-
Henrik Holmark	426,825	-	-137,241	289,584
Total number of shares	**449,990**	**-**	**-148,026**	**301,964**
Board of Directors				
Marcello Bottoli	29,461	-	-	29,461
Allan Leighton[1]	12,380	-	-	12,380
Christian Frigast	59,636	1,368,149[2]	-641,269	786,516
Torben Ballegaard Sørensen	192,670	-	-179,996	12,674
Andrea Alvey	6,107	-	-	6,107
Nikolaj Vejlsgaard	57,630	837,158[2]	-393,333	501,455
Ronica Wang	4,070	-	-	4,070
Anders Boyer-Søgaard	-	4,121	-	4,121
Total number of shares[3]	**361,954**	**2,209,428**	**-1,214,598**	**1,356,784**
Allan Leighton transferred to Executive Board[1]	-12,380	-	-	-12,380
Total number of shares	**349,574**	**2,209,428**	**-1,214,598**	**1,344,404**

[1] Allan Leighton joined the Executive Board as CEO on 1 July 2013 and has simultaneously withdrawn his membership as chairman of the Company's Board of Directors.
[2] Shares received in 2013 in connection with the split of Prometheus Invest ApS in September 2013.
[3] Erik D. Jensen withdrew his membership of the Company´s Board of Directors in March 2012. For that reason his number of shares are not included in the table for 2013 above.

PANDORA has established a board member share plan whereby the Chairman and the other members of the Board are each required to own a minimum number of shares corresponding to the amount of their respective initial gross annual compensation. Board of Directors must hold the shares as long as there is a membership of the Board of Directors of PANDORA.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.4 SHARE-BASED PAYMENTS AND EMPLOYEE SHARES, CONTINUED

	2011	Purchase of shares	Selling of shares	2012
Executive Board				
Sten Daugaard[1]	4,285	6,500	-	10,785
Henrik Holmark	426,825	-	-	426,825
Total number of shares	**431,110**	**6,500**	**-**	**437,610**
Board of Directors				
Marcello Bottoli	4,761	24,700	-	29,461
Allan Leighton	12,380	-	-	12,380
Christian Frigast	59,636	-	-	59,636
Torben Ballegaard Sørensen	342,670	-	-150,000	192,670
Andrea Alvey	2,857	3,250	-	6,107
Sten Daugaard[2]	4,285	6,500	-	10,785
Erik D. Jensen	109,003	-	-	109,003
Nikolaj Vejlsgaard	57,630	-	-	57,630
Ronica Wang	-	4,070	-	4,070
Total number of shares	**593,222**	**38,520**	**-150,000**	**481,742**
Sten Daugaard transferred to Executive Board[2]	-4,285	-6,500	-	-10,785
Total number of shares	**588,937**	**32,020**	**-150,000**	**470,957**

[1] Sten Daugaard transferred to Executive Board.
[2] Sten Daugaard has joined the Executive Board on 30 January 2012 and has simultaneously withdrawn his membership at the Company's Board of Directors.

§ Accounting policies

Key employees of PANDORA receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equitysettled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and PANDORA's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

! Significant accounting estimates

Assumptions concerning the calculation of fair value at time of granting:

Given that the exercise price for one option equals 1% of the market price of a share as at grant date, the fair value of one option almost equals the market value of one share at grant date. As such, the assumptions listed below, has a very limited impact on the estimated fair value of the options granted.

Year of granting	Exercise price	Expected volatility	Risk free interest rate	Dividend per share
2013 1-year	2.10	48%	0.09%	5.50
2013 3-year	1.25	48%	0.16%	5.50
2012 3-year	0.52	100%	1.34%	5.50
2011 3-year	2.10	100%	1.82%	5.50

The volatility was in 2011 calculated on the basis of a group of peer enterprises. The peer enterprises were analysed over a two-year period with daily observations, following which the volatility used for the valuation was calculated as the median. For the 2012 programme volatility is based on historical volatility the preceding 2 years. In 2013 the programme volatility is based on the historic volatility of the PANDORA share preceding 2 years.

NOTES

SECTION 2: RESULTS FOR THE YEAR, CONTINUED

2.5 TAXATION

Income tax expenses

DKK million	**2013**	**2012**
Current income tax charge	561	252
Adjustment concerning previous years	136	23
Impact of change in the Danish tax rate	-57	-
Change in deferred tax	-118	2
Total income tax expenses	**522**	**277**
Reconciliation of tax rate		
Profit before tax	2,742	1,479
Corporation tax rate in Denmark, 25% (2012: 25%)	686	370
Tax effect of:		
Deviation of non-Danish Group companies compared to Danish tax rate	52	22
Impact of change in the Danish tax rate	-57	-
Non-taxable income and non-deductible expenses	-292	-111
Adjustment concerning previous years	136	23
Revaluation of deferred tax assets, net	-3	-27
Total income tax expenses	**522**	**277**
Effective income tax rate	19.0%	18.7%

Deferred tax

DKK million	**2013**	**2012**
Deferred tax at 1 January	362	343
Exchange rate adjustments	14	-1
Change in deferred tax - recognised in the income statement	-118	2
Change in deferred tax - recognised in other comprehensive statement	-6	18
Impact of change in the Danish tax rate	-57	-
Deferred tax at 31 December	**195**	**362**
Deferred tax assets	276	190
Deferred tax liabilities	471	552
Deferred tax net	**195**	**362**
Specification of deferred tax:		
Intangible assets	534	609
Property, plant and equipment	-13	-11
Non-current assets and liabilities	-327	-237
Tax losses carried forward	1	1
Deferred tax, net	**195**	**362**
Unrecognised share of tax-loss carry-forwards	62	61
Latent tax liability on undistributed dividends [1]	246	246

[1] The latent tax liability on undistributed dividends relates to a withholding tax of 10% which will be payable if retained earnings gained prior to 1 September 2012 are paid out as dividends from PANDORA Production Co Ltd. to PANDORA A/S. At present Management has no intention of paying these dividends.

§ Accounting policies

Income tax

The Group is taxed jointly with its Danish subsidiaries. The Group's subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation. Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used

2.5 TAXATION, CONTINUED

to compute the amount are those enacted or substantively enacted, by the reporting date, in the countries where PANDORA operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available. The deductible temporary differences and the carry-forward of unused tax credits and unused tax losses against this profit can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in the income statement, in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

! Significant accounting estimates

PANDORA is subject to income taxes around the world. Significant judgements are required in determining the worldwide accrual for income taxes, deferred income tax assets and liabilities, and provision for uncertain tax positions.

Due to significant differences in tax rates between the Group entities, a change in the distribution of the Group's profit could have significant impact on the Group's consolidated tax payments. For instance, the corporate tax rate in Denmark is 25% (will gradually be reduced to 22% in 2016) while in Thailand PANDORA is subject to a Board of Investment agreement (BOI) which significantly reduces Thailand income taxes.

Under the Thailand BOI, many types of net income are free from taxation, while other types of income are subject to taxation at a rate of 20%. This rate applies to accounting periods beginning on or after 1 January 2013. Before that the rate was reduced from 30% to 23% in 2012. Under the tax regulation in Thailand the classification of different types of income and expenses are therefore significant for the payable taxes. (The BOI status of PANDORA Production Co Ltd is currently granted until Q3 2020).

PANDORA has ongoing dialogs with tax authorities in regards to the computation of taxable income, including the Danish and Thai authorities. In Management's opinion the tax expense recognised reflects the most likely future tax payment.

NOTES

SECTION 3:INVESTED CAPITAL INCLUDING WORKING CAPITAL

The notes in this section specify the assets that form the basis for the activities of PANDORA and the related liabilities.

Approximately 80% of invested capital is made up of intangible assets, the value of which remains solid as both the PANDORA brand and free cash flow continues to grow.

The addition to intangible assets in 2013 includes purchase of the IP rights related to design of glass charms from Trollbeads A/S for DKK 190 million.

Operating working capital at the end of 2013 was 20.5% of revenue, compared to 30.7% at the end of 2012. Financial risks are described in note 4.4.

Invested capital

DKK million	Notes	**2013**	**2012**
Intangible assets	3.1	4,617	4,487
Property, plant and equipment	3.2	497	472
Other non-current financial assets		48	26
Net working capital		1,009	1,277
Net deferred tax liability	2.5	-195	-362
Invested capital		**5,976**	**5,900**

Working capital

DKK million	Notes	**2013**	**2012**
Inventories	3.3	1,490	1,318
Trade receivables	3.4	895	940
Trade payables		-539	-219
Operating working capital		**1,846**	**2,039**
Other receivables		731	498
Provisions	3.5	-506	-470
Net tax payables		-511	-145
Other payables		-551	-645
Net working capital		**1,009**	**1,277**

NOTES

SECTION 3: INVESTED CAPITAL INCLUDING WORKING CAPITAL, CONTINUED

3.1 INTANGIBLE ASSETS

DKK million	Goodwill	Brand	Distribution network	Distribution rights	Other intangible assets	Total
Cost at 1 January 2013	1,922	1,053	478	1,358	195	5,006
Acquisition of subsidiary	30	-	3	-	13	46
Additions	44	-	-	-	268	312
Disposals	-	-	-3	-	-2	-5
Reclassification	-	-	-	-	-4	-4
Exchange rate adjustment	-92	-	-	-	-37	-129
Cost at 31 December 2013	**1,904**	**1,053**	**478**	**1,358**	**433**	**5,226**
Amortisation and impairment losses 1 January 2013	-	-	147	313	59	519
Amortisation and impairment losses for the year	-	-	34	3	63	100
Disposals	-	-	-3	-	-	-3
Reclassification	-	-	-	-	-2	-2
Exhange rate adjustment	-	-	-	-	-5	-5
Amortisation and impairment losses at 31 December 2013	**-**	**-**	**178**	**316**	**115**	**609**
Carrying amount at 31 December 2013	**1,904**	**1,053**	**300**	**1,042**	**318**	**4,617**
Cost at 1 January 2012	1,928	1,053	451	1,358	117	4,907
Additions	2	-	27	-	80	109
Disposals	-	-	-	-	-2	-2
Exchange rate adjustment	-8	-	-	-	-	-8
Cost at 31 December 2012	**1,922**	**1,053**	**478**	**1,358**	**195**	**5,006**
Amortisation and impairment losses 1 January 2012	-	-	115	294	22	431
Amortisation and impairment losses for the year	-	-	32	17	38	87
Disposals	-	-	-	2	-1	1
Amortisation and impairment losses at 31 December 2012	**-**	**-**	**147**	**313**	**59**	**519**
Carrying amount at 31 December 2012	**1,922**	**1,053**	**331**	**1,045**	**136**	**4,487**

The majority of the intangible assets have been acquired through business combinations.
There have been no impairment losses in 2013 or 2012.

DKK million	2013	2012
Amortisation and depreciation for the year		
Intangible assets	100	87
Property, plant and equipment	100	93
Total	**200**	**180**
Amortisation/depreciation and impairment losses have been recognised in the consolidated income statement:		
Cost of sales	41	21
Distribution expenses	83	102
Administrative expenses	76	57
Total	**200**	**180**

NOTES

SECTION 3: INVESTED CAPITAL INCLUDING WORKING CAPITAL, CONTINUED

3.1 INTANGIBLE ASSETS, CONTINUED

The carrying amount of recognised goodwill concerns the following:

DKK million	2013	2012
PANDORA core business[1]	713	729
PANDORA Jewelry America ApS, the American distributor	231	241
AD Astra Holdings Pty Ltd., the Australian distributor	295	361
PANDORA Jewelry Central Western Europe A/S, the German distributor	591	591
PANDORA do Brasil Comércio e Importação Ltda., the Brazilian distributor	30	-
Other distributors	44	-
Total	**1,904**	**1,922**

[1] PANDORA's acquisition of all of the voting shares in PANDORA Production Co. Ltd. and the Danish companies Populair A/S and Pilisar ApS. The companies comprised the Danish headquarters and the Thai production facilities.

Goodwill
Goodwill were acquired in connection with the acquisitions of PANDORA Jewelry A/S, PANDORA Jewelry America ApS (subsequently merged with PANDORA A/S), PANDORA Production Co. Ltd. (Thailand) and Pilisar ApS on 7 March 2008, the acquisition of AD Astra Holdings Pty Ltd. in July 2009 and the acquisition of PANDORA Jewelry Central Western Europe A/S in 2010.

Brand
The brand 'PANDORA' is the only trademark of the Group which is capitalised as an asset in the accounts. It is build on a group of complementary intangible assets concerning the trademark, domain name, product, image and customer experience related to products sold under the PANDORA brand. The brand was acquired with the PANDORA core business in 2008.

Distribution network
The distribution network covers PANDORA's relations with its distributors. The distribution network was acquired with the PANDORA core business in 2008.

Distribution rights
Distribution rights are mainly related to the distribution rights for PANDORA products in North America. It was acquired with the American distributor in 2008. The carrying amount is DKK 1,037 million at 31 December 2013 (2012: DKK 1,037 million).

Other intangible assets
Other intangible assets include completed software implementation projects.

§ Accounting policies
All intangible assets are tested for impairment at least ones a year. Reference is made to 'significant accounting estimates' below.

Goodwill
Goodwill is stated at the amount by which the acquisition cost for a business combination exceeds the recognised value of the identifiable assets, liabilities and contingent liabilities. Goodwill comprises future growth expectations, buyer-specific synergies, the workforce in place and know-how. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, and impairment losses charged in previous years are not reversed.

Brand
Brand is measured based on the relief from the royalty method. The brand is considered to have an indefinite useful life. Based on the very long future life span expected of the brand, any set time would be arbitrary.

Distribution network
The distribution network is measured based on an estimation of the costs the entity avoids by owning the intangible asset and not needing to rebuild it (the cost approach). The distribution network is amortised over an expected life of 15 years.

Distribution rights
The distribution right for the PANDORA products in the North American markets is measured based on a residual model, since the distribution agreement underlying the

3.1 INTANGIBLE ASSETS, CONTINUED

distribution right is non-terminable. Consequently, the distribution right is considered to have an indefinite useful life.

Other acquired distribution rights are measured based on the Multi-period Excess Earnings Model and amortised over their useful life.

Other intangible assets
Software is measured at cost and amortised over three years.

! Significant accounting estimates
PANDORA assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, PANDORA estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of the fair value of an asset or cash generating unit (CGU) less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Goodwill and distribution rights are allocated to five CGUs: Americas, United Kingdom, Central Western Europe (CWE), Australia and Distributors & Travel Retail. The recoverable amount has been based on a calculation of the value using cash flow estimates based on budgets and expectations for the next three years. The long-term growth rate in the terminal period has been set to equal the expected long-term rate of inflation of 2.0% (2012: 2.0%).

The brand is applied and supported globally in all of the Group's entities. Through common strategy and product development at Group level and marketing in the individual sales enterprises, the brand is maintained and preserved. Therefore, the brand is tested for impairment at Group level. The calculations of the recoverable amounts of the CGUs or groups of CGUs are based on the following assumptions: Discount rates reflect the current market assessment of

Allocation of intangible assets on CGUs:

DKK million	Goodwill	Brand	Distribution rights	Total
2013				
Americas	448	-	1,034	1,482
United Kingdom	36	-	-	36
Central Western Europe (CWE)	700	-	8	708
Australia	461	-	-	461
Distributors & Travel Retail	226	-	-	226
Group	33	1,053	-	1,086
Total	**1,904**	**1,053**	**1,042**	**3,999**
2012				
Americas	463	-	1,034	1,497
United Kingdom	37	-	-	37
Central Western Europe (CWE)	690	-	11	701
Australia	530	-	-	530
Distributors & Travel Retail	202	-	-	202
Group	-	1,053	-	1,053
Total	**1,922**	**1,053**	**1,045**	**4,020**

3.1 INTANGIBLE ASSETS, CONTINUED

the risks specific to each CGU. The Group discount rates have been estimated based on a weighted average cost of capital for the industry. The rates have further been adjusted to reflect the market assessment of any risk specific to the CGU.

The EBIT figures used in the impairment test are based on the budget for next year, prepared and approved by Management, and the expectations for the two years after that. The EBIT margin in the individual CGUs' budgets and expectations is based on historical experience and expectations to growth.

The value of net working capital in the budget for next year, relative to the revenue of the individual CGUs, is based on historical experience and is maintained in the rest of the expected lifetime. The funds tied up in net working capital are thus increased on a linear basis as the level of activity increases.

The impairment tests show no need for impairment. Further, Management believes that no probable change in any of the key assumptions mentioned above would cause the carrying value of the Group or CGUs to exceed its recoverable amount.

Discount rates and growth rate in terminal period

	Americas	United Kingdom	Central Western Europe (CWE)	Australia	Distributors & Travel Retail	Group
2013						
Discount rate before tax	11.9%	10.9%	12.6%	13.4%	12.7%	12.5%
Growth rate in the terminal period	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
2012						
Discount rate before tax	11.9%	11.3%	12.6%	13.3%	10.3%	12.6%
Growth rate in the terminal period	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

NOTES

SECTION 3: INVESTED CAPITAL INCLUDING WORKING CAPITAL, CONTINUED

3.2 PROPERTY, PLANT AND EQUIPMENT

DKK million	Land and buildings	Plant and equipment	PP&E under construction	Total
Cost at 1 January 2013	232	405	65	702
Acquisition of subsidiary undertakings	-	9	-	9
Additions	20	129	33	182
Disposals	-1	-50	-7	-58
Reclassifications	52	19	-63	8
Exchange rate adjustment	-23	-34	-7	-64
Cost at 31 December 2013	**280**	**478**	**21**	**779**
Depreciation and impairment losses at 1 January 2013	43	187	-	230
Depreciation for the year	13	87	-	100
Disposals	-	-35	-	-35
Reclassifications	-1	7	-	6
Exchange rate adjustment	-4	-15	-	-19
Depreciation and impairment losses at 31 December 2013	**51**	**231**	**-**	**282**
Carrying amount at 31 December 2013	**229**	**247**	**21**	**497**
Cost at 1 January 2012	221	335	24	580
Additions	4	83	80	167
Disposals	-1	-32	-17	-50
Reclassifications	4	17	-22	-1
Exchange rate adjustment	4	2	-	6
Cost at 31 December 2012	**232**	**405**	**65**	**702**
Depreciation and impairment losses at 1 January 2012	33	118	-	151
Depreciation for the year	10	85	-	95
Disposals	-	-16	-	-16
Depreciation and impairment losses at 31 December 2012	**43**	**187**	**-**	**230**
Carrying amount at 31 December 2012	**189**	**218**	**65**	**472**

PANDORA has pledged assets at a total value of DKK 0 million (2012: DKK 3 million) as security for loans.

3.2 PROPERTY, PLANT AND EQUIPMENT, CONTINUED

DKK million	2013	2012
Future minimum lease payments on existing contracts at 31 December:		
Within 1 year	182	215
Between 1 and 5 years	417	398
After 5 years	128	108
Land and buildings	**727**	**721**
Within 1 year	50	39
Between 1 and 5 years	15	21
After 5 years	-	-
Plant and equipment	**65**	**60**
Total minimum lease payments are expected to fall due as follows:		
Within 1 year	232	254
Between 1 and 5 years	432	419
After 5 years	128	108
Total future minimum lease payments on existing contracts	**792**	**781**

§ Accounting policies

Property, plant and equipment (PP&E) is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The maximum useful life time is:

- Buildings 20-50 years
- Plant and machinery 5 years
- Other plant, fixtures and fittings 3-5 years

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as expenses in the income statement on a straight line basis over the lease term.

! Significant accounting estimates

Impairment testing

PANDORA assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, PANDORA estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the fair value of an asset or cash generating unit (CGU) less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Useful lives for production assets

The expected useful lives of production assets are determined based on historical experience and expectations concerning the future use of these assets. The expected future applications may subsequently prove not to be realisable, which may require useful lives to be reassessed.

NOTES

SECTION 3: INVESTED CAPITAL INCLUDING WORKING CAPITAL, CONTINUED

3.3 INVENTORIES

DKK million	2013	2012
Raw materials and consumables	327	255
Work in progress	78	56
Finished goods	948	870
Points of sale materials	137	137
Total inventories	**1,490**	**1,318**
Inventory writedowns at 1 January	208	108
Writedowns during the year	265	130
Utilised in the year	-168	-30
Reversal of writedowns in the year	-5	-
Inventory writedowns at 31 December	**300**	**208**

The writedowns of inventories are recognised under Cost of sales DKK 209 million (2012: DKK 71 million), Distribution expenses DKK 51 million (2012: DKK 59 million).

Silver and gold prices have decreased in 2013 which lead to losses when re-melting goods with a negative impact on gross profit of DKK 189 million. Conversely, in 2012 the silver and gold prices were rising, hence the re-melt of most inventories could be done with no significant impact on gross profit.

§ Accounting policies

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for:

- raw materials – purchase costs on a first-in, first-out basis
- finished goods and work in progress – cost of direct materials and labour and a proportion of production overheads based on normal operating capacity, but excluding borrowing costs

! Significant accounting estimates

Net realisable value

Net realisable value is the re-melt value or the estimated selling price less estimated costs of completion and distribution. The re-melt value is based on the weight of silver and gold in the products and the market prices for silver and gold on the balance sheet date. Future changes in the market prices of silver or gold will result in changes in the re-melt value.

PANDORA divides the inventory in four categories; introduction, released-for-sale, phasing-out and discontinued. Group Supply Chain monitors the sales-out of all products and based on sales ratios some products might be regarded as slow-moving and thus assigned to the categories phasing-out or discontinued. The part of discontinued inventory that are not expected to be sold, are written down to re-melt value. Inventory in the phasing-out category can be sold at normal terms or transferred to the discontinued category, hence the amount expected to be transferred to discontinued is written down as described above.

Sales forecasts are used to assess which products in the released-for-sale category need to be written down. Inventory exceeding the estimated demand for the next 12 months is subject to writedown.

The new product drop structure, with seven annual drops instead of two, is not expected to have material impact on the amount of writedown on inventory.

Historically, PANDORA has not encountered significant writedowns based on damaged goods.

Capitalised production overheads

Capitalised production overheads are calculated using a standard cost method, which is reviewed regularly to ensure relevant assumptions concerning capacity utilisation, lead times and other relevant factors. The carrying amount of capitalised production overheads was DKK 24 million as at 31 December 2013 (2012: 15 million).

3.4 TRADE RECEIVABLES

DKK million	2013	2012
Analysis of movements in provisions for impairment of trade receivables:		
Provisions at 1 January	32	25
Additions	6	11
Utilised	-5	-3
Unused amounts reversed	-1	-1
Exchange rate adjustment	1	-
Provisions at 31 December	**33**	**32**
Analysis of trade receivables that were past due at 31 December:		
Until 30 days	144	270
Between 30 and 60 days	58	46
Between 60 and 90 days	19	12
Above 90 days	21	41
Total past due	**242**	**369**
Not past due	653	571
Total trade receivables	**895**	**940**

Trade receivables at 31 December 2013 include receivables at a nominal value of DKK 928 million (2012: DKK 972 million), which have been written down to DKK 895 million (2012: DKK 940 million).

Historically, PANDORA has not encountered significant losses on trade receivables.

§ Accounting policies

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The losses arising from impairment are recognised in the income statement as administrative expenses.

A write-down for bad or doubtful debts is made if there is any indication of impairment of a receivable or a portfolio of receivables. The write-down is calculated as the difference between the carrying amount and the present value of estimated future cash flows associated with the receivable. The discount rate used is the effective interest rate for the individual receivable or portfolio.

! Significant accounting estimates

Assessment for impairment is carried out on the basis of due date, a credit rating in conformity with the Group's credit risk management policy, and historical experience.

NOTES

SECTION 3: INVESTED CAPITAL INCLUDING WORKING CAPITAL, CONTINUED

3.5 PROVISIONS

DKK million	Earn-out, acquisition of non-controlling interests	Sales returns	Other	Total
Provisions at 1 January 2013	-	416	54	470
Provisions made in 2013	-	492	35	527
Utilised in the year	-	-423	-7	-430
Unused amounts reversed	-	-20	-34	-54
Exchange rate adjustment	-	-7	-	-7
Provisions at 31 December 2013	**-**	**458**	**48**	**506**
Provisions are recognised in the consolidated balance sheet:				
Current	-	458	13	471
Non-current	-	-	35	35
Total provisions at 31 December 2013	**-**	**458**	**48**	**506**
Provisions at 1 January 2012	51	225	18	294
Provisions made in 2012	-	476	61	537
Utilised in the year	-	-281	-26	-307
Unused amounts reversed	-	-	1	1
Value adjustment	-51	-	-	-51
Exchange rate adjustment	-	-4	-	-4
Provisions at 31 December 2012	**-**	**416**	**54**	**470**
Provisions are recognised in the consolidated balance sheet:				
Current	-	416	47	463
Non-current	-	-	7	7
Total provisions at 31 December 2012	**-**	**416**	**54**	**470**

Sales return provisions

Most of the return provisions are expected to be incurred next year.

DKK million	2013	2012
Americas	353	317
Europe	97	66
Asia Pacific	8	33
Total sales return provisions	**458**	**416**

Earn-out, acquisition of non-controlling interests

The earn-out payment provision relates to the acquisition of the non-controlling interests in PANDORA Jewellery Central Western Europe A/S (PANDORA CWE A/S) in. In 2012, PANDORA has made an impairment of this provision based on the revised outlook for PANDORA CWE A/S. As in 2012 the balance sheet does not include a provision for the CWE earn-out.

Other

Other provisions include provisions for warranties and severance pay in Thailand.

§ Accounting policies

Provisions are recognised when PANDORA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

A provision for estimated sales returns is recorded, when there is historical experience or when a reasonably accurate estimate of expected future returns can otherwise be made. The provision is recognised measured at the gross margin on the expected returns.

! Significant accounting estimates

PANDORA has in certain countries provided return rights to the customers. The provision is to a large extent based on historical return patterns and hence changes in the future return patterns will result in changes compared to

3.5 PROVISIONS, CONTINUED

the provision recognised. Provisions are also made on a case by case basis when PANDORA, due to commercial circumstances, expects to take back specific goods.

The new products drop structure, with seven annual drops instead of two, is not expected to have material impact on the number of products returned. However, in addition to the return rate, the size of the provision will depend on the timing of the return of goods. The introduction of seven products drops a year, instead of two, thus may impact the size of the provision on any given day.

Return provisions do not include warranty provisions (these are included in 'Other provisions'). Warranty provisions are measured based on previous experience and are included in cost of sales. Due to the introduction of the new collection 'Essence', which is constructed in a new way, uncertainty relating to the estimated warranty provision is higher than in previous years. However, due to the re-melt value of goods, warranty provisions remain immaterial.

NOTES

SECTION 4: CAPITAL STRUCTURE AND FINANCING ITEMS

This section encompasses notes related to PANDORA's capital structure and financing items, including financial risks (please refer to note 4.4). As a consequence of its operations, investments and financing, PANDORA is exposed to a number of financial risks that are monitored and managed via PANDORA's Group Treasury. PANDORA uses a number of financial instruments to hedge its exposure or fluctuations in commodity price risks and similar. Financial instruments are described in note 4.5.

The basis of PANDORA's capital management is the NIBD/EBITDA ratio, which Management seeks to maintain between 0 and 1. At 31 December 2013 the ratio is -0.2. PANDORA's ability to keep this low ratio is based on the high cash conversion. The cash conversion was 88.1% in 2013 compared to 95.8% in 2012.

4.1 SHARE CAPITAL

Share capital	Shares (number)	Nominal Value (DKK)
Balance at 1 January 2013	130,143,258	130,143,258
Balance at 31 December 2013	**130,143,258**	**130,143,258**
Balance at 1 January 2012	130,143,258	130,143,258
Balance at 31 December 2012	**130,143,258**	**130,143,258**

Treasury shares	Number of Shares	Nom. (DKK)	Purchase price	% of Shares
Balance at 1 January 2013	182,925	182,925	38,414,250	0.1%
Purchase during the year	3,356,098	3,356,098	699,999,659	2.6%
Balance at 31 December 2013	**3,539,023**	**3,539,023**	**738,413,909**	**2.7%**
Balance at 1 January 2012	182,925	182,925	38,414,250	0.1%
Balance at 31 December 2012	**182,925**	**182,925**	**38,414,250**	**0.1%**

At 31 December 2013, the share capital comprised 130,143,258 shares at a par value of DKK 1. No shares have special rights.

Treasury shares

All treasury shares are owned by PANDORA A/S. Treasury shares includes hedges for share-based incentive programmes and restricted stock awards to Board of Directors and key employees.

NOTES

SECTION 4: CAPITAL STRUCTURE AND FINANCING ITEMS, CONTINUED

4.2 EARNINGS PER SHARE AND DIVIDEND

DKK million	2013	2012
Profit attributable to the ordinary equity holders of PANDORA A/S	**2,220**	**1,202**
Weighted average number of ordinary shares	129,120,685	129,960,333
Effect of share options	1,372,577	983,164
Weighted average number of ordinary shares adjusted for the effect of dilution	**130,493,262**	**130,943,497**
Basic earnings per share, DKK	17.2	9.2
Diluted earnings per share, DKK	17.0	9.2

There have been no transactions between the reporting date and the date of completion of these financial statements involving shares that significantly would have changed the number of shares or potential shares in PANDORA A/S.

Dividend
At the end of 2013, proposed dividend (not yet declared) of DKK 6.5 per share (2012: DKK 5.5 per share) corresponds to DKK 823 million. Declared dividend of DKK 5.5 per share corresponding to DKK 715 million in 2012 has been paid to the shareholders in 2013. No dividend is paid on treasury shares.

Free reserves
When calculating the amount available for declaration of dividends, treasury shares are to be deducted from the free reserves.

§ Accounting policies
Proposed dividends are recognised as a liability at the date of their adoption at the Annual General Meeting (declaration date). Extraordinary dividends are recognised as a liability at the declaration date.

4.3 NET INTEREST-BEARING DEBT

DKK million	2013	2012
Loans and borrowings, non-current	-	151
Loans and borrowings, current	49	7
Cash	-686	-341
Net interest-bearing debt	**-637**	**-183**

§ Accounting policies
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs.

4.4 FINANCIAL RISKS

As a consequence of its operations, investments and financing, PANDORA is exposed to a number of financial risks that are monitored and managed via PANDORA's Group Treasury.

To manage financial risks, PANDORA uses a number of financial instruments, such as forward contracts, silver and gold futures and swaps, currency and interest rate swaps, options and similar instruments within the framework of its current policies. The financial risks are divided into credit risk, liquidity risk, interest rate risk, foreign currency risk and raw material risk.

Credit risk
PANDORA's credit risk is primarily related to trade receivables, cash and unrealised gains on financial contracts. The maximum credit risk related to financial assets corresponds to the carrying values recognised in the consolidated balance sheet.

It is PANDORA's policy that subsidiaries are responsible for credit evaluation and credit risk on their trade receivables. In case of deviation from standard agreements, Group Treasury and/or the CFO must approve of significant transactions related to direct distributors and local key customers.

Note 3.4 includes an overview of the credit risk related to trade receivables.

Credit risks related to PANDORA's other financial assets mainly include cash and unrealised gains on financial contracts. The credit risk is related to default of the counterpart with a maximum risk corresponding to the carrying amount of the assets. It is PANDORA's policy that Group Treasury monitors and manages these credit risks.

Liquidity risk
Liquidity risk is the risk that PANDORA's cash should fail to cover PANDORA's payables due.

The aim of liquidity management is to maintain an optimal amount of liquidity to fund PANDORA's commitments at all times, to minimise interest and bank costs and to avoid financial distress. PANDORA´s Group Treasury is responsible for monitoring and managing PANDORA's total liquidity position. PANDORA currently does not use cash pools, but intercompany loans exist between PANDORA A/S and its subsidiaries. Whenever possible, liquidity is accumulated in PANDORA A/S.

PANDORA's cash reserve comprises cash and unutilised committed and uncommitted credit facilities. It is Management's opinion that the cash reserve of the Group and of the Parent Company is adequate. It is PANDORA's policy to ensure adequate cash resources in case of unforeseen cash fluctuations.

PANDORA has a revolving credit facility of DKK 2,500 million, which is committed until July 2018. Furthermore, PANDORA has minor local uncommitted credit facilities to ensure efficient and flexible local liquidity management. These credits are facilitated by PANDORA's Group Treasury.

4.4 FINANCIAL RISKS, CONTINUED

The liabilities fall due as follows:

DKK million	Falling due within 1 year	Falling due within 1-5 years	Falling due after 5 years	Total
2013				
Financial instruments	148	-	-	148
Loans and borrowings	49	-	-	49
Other long-term liabilities	-	3	-	3
Trade payables	539	-	-	539
Other payables	551	-	-	551
Total liabilities 31 December 2013	**1,287**	**3**	**-**	**1,290**
2012				
Financial instruments	47	-	-	47
Loans and borrowings	7	150	1	158
Other long-term liabilities	-	2	-	2
Trade payables	219	-	-	219
Other payables	645	-	-	645
Total liabilities 31 December 2012	**918**	**152**	**1**	**1,071**

Capital management
The principal objectives of PANDORA's capital management are to ensure a competitive return on the shareholders' investment and to ensure that PANDORA will be able to meet all the commitments set out in the loan agreements with the banks. The basis of PANDORA's capital management is the NIBD/EBITDA ratio. It is the policy of the Group that this ratio should be between 0 and 1.

In July 2013 PANDORA refinanced its bank debt. The new revolving credit facility amounts to DKK 2,500 million and is committed until July 2018.

Interest rate risk
Interest rate risk is the risk of interest rate fluctuations resulting in additional costs. Most of PANDORA's interest rate risk is related to floating-rate loans. It is PANDORA's policy to minimise the interest rate risk by managing the overall duration of interest rate-sensitive assets and liabilities. At the reporting date all interest-bearing loans and borrowings are unhedged.

Foreign currency risk
PANDORA's presentation currency is DKK, but the majority of PANDORA's activities and investments are in other currencies. Consequently, there is a substantial risk of a negative impact on PANDORA's activities, cash flows, profit (loss) and/or financial positions resulting from exchange rate fluctuations.

The majority of PANDORA's revenues are in USD, EUR, GBP, AUD and CAD. A drop in the strength of these currencies against DKK will result in a decline in the translated future sales and cash flows. A substantial portion of PANDORA's costs are related to raw materials purchased from suppliers which fix prices in USD. PANDORA also purchases raw materials and pays other costs in THB. Exchange-rate increases will result in a decline in the translated value of future cash flows. PANDORA finances the majority of the subsidiaries' needs for cash via intercompany loans denominated in the local currency of the individual subsidiary. A drop in the strength of these currencies against DKK will result in a foreign exchange rate loss in the Parent Company. PANDORA owns foreign subsidiaries where the translation of shareholders' equity into DKK is influenced by exchange rate fluctuations. Declining exchange rates will result in a foreign exchange rate loss in the Parent Company's equity.

Exchange rate fluctuations could lead to a reduction in revenues and an increase in costs and thus declining margins. In addition, exchange rate fluctuations influence the translated value of the profit or loss of foreign subsidiaries and the translation of foreign-currency assets and liabilities.

It is PANDORA's policy to hedge foreign-currency risks related to the risk of declining net cash flows resulting from exchange rate fluctuations. PANDORA basically does

4.4 FINANCIAL RISKS, CONTINUED

not hedge balance sheet items and ownership interests in foreign subsidiaries. It is PANDORA's policy, based on a rolling 12-month liquidity budget to PANDORA's Group Treasury to hedge 100% of the risk 1-3 months forward, 80% of the risk 4-6 months forward, 60% of the risk 7-9 months forward and 40% of the risk 10-12 months forward. Foreign currency hedging is updated at the end of each quarter or in connection with revised 12-month rolling cash flow forecasts.

Below is an illustration of the impact in DKK million on the results of operations and changes in shareholders' equity resulting from a change in the Group's primary foreign currencies after hedge accounting.

Analysis on assets and liabilities

		31 December 2013		31 December 2012	
DKK million	Change in foreign currency	Profit before tax	Shareholders' equity	Profit before tax	Shareholders' equity
USD	-10%	171	59	132	15
USD	+10%	-171	-59	-132	-15
CAD	-10%	-	32	-	25
CAD	+10%	-	-32	-	-25
AUD	-10%	4	6	-3	18
AUD	+10%	-4	-6	3	-18
GBP	-10%	11	21	10	28
GBP	+10%	-11	-21	-10	-28
EUR	-1%	-12	-7	-6	-4
EUR	+1%	12	7	6	4
THB	-10%	-	-93	-1	-46
THB	+10%	-	93	1	46

The analysis is based on monetary assets and liabilities as of end 2013 and 2012. Translation of expected currency cash flows are not included in the analysis.

Financial risk related to raw material prices

PANDORA's raw material risk is the risk of fluctuating raw materials resulting in additional costs. The most important raw materials are silver and gold, which are priced in USD by suppliers.

It is the policy of PANDORA to ensure stable, predictable raw material prices. Based on a rolling 12-month production plan the policy for Group Treasury is to hedge approximately 100%, 80%, 60% and 40% of the risk for the following 1-3 months, 4-6 months, 7-9 months and 10-12 months respectively. Any deviation from the policy must be approved by the CFO and the Audit Committee. Commodity hedging is updated at the end of each month or in connection with revised 12-month rolling production plans. For fair value of hedging instruments refer to note 4.5.

4.5 FINANCIAL INSTRUMENTS

Financial assets and liabilities are measured at cost with the exception of financial instruments (forward contracts), which are measured at fair value.

PANDORA uses a number of financial instruments to hedge its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. The financial instruments includes forward commodity contracts, forward currency contracts and interest rate swaps.

DKK million	Carrying amount	Hedge reserve
2013		
Commodity	-127	-127
Foreign exchange	-21	-16
Total financial instruments	**-148**	**-143**
2012		
Commodity	-47	-55
Foreign exchange	4	4
Total financial instruments	**-43**	**-51**

Classification according to the fair value hierarchy:
The fair value as at 31 December 2013 and 2012 of PANDORA's financial instruments is measured in accordance with level 2 in the fair value hierarchy (IFRS 7). Level 2 is based on non-quoted prices, observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). PANDORA uses third-party valuation specialists to quote prices for the unrealised financial instruments. The prices for unrealised silver and gold instruments are tested against the fixing prices observable at LBMA (London Bullion Market Association). The prices for unrealised foreign exchange instruments are tested against observable foreign exchange forward rates.

§ Accounting policies

Financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same or discounted cash flow analysis.

PANDORA has designated certain financial instruments as cash flow hedges as defined under IAS 39. Hedge accounting is classified as cash flow hedge when hedging variability in cash flow is attributable to a highly probable forecast transaction. PANDORA uses a range of 80% to 125% for hedge effectiveness and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended. PANDORA formally designates and documents hedge relationships between commodity contracts and transactions.

Financial instruments that qualify for cash flow hedge accounting
The effective portion of the unrealised gain or loss on all hedging instrument is recognised directly as other comprehensive income in the equity hedge reserve. The ineffective portion is recognised in financial items.

The effective part of the realised gain or loss on commodity hedge contracts is recognised in Group Inventory whereas the ineffective part is realised in financial items. The realised gain or loss on all foreign currency hedge contracts is recognised in financial items.

NOTES

SECTION 4: CAPITAL STRUCTURE AND FINANCING ITEMS, CONTINUED

4.6 NET FINANCE INCOME

Finance income

DKK million	**2013**	**2012**
Finance income originated from financial assets and liabilities at fair value through consolidated income statement:		
Value adjustment CWE earn-out provision	-	51
Finance income originated from loans and receivables measured at amortised cost:		
Foreign exchange rate gains	163	77
Interest income, bank	2	2
Interest income, loans and receivables	2	2
Total finance income	**167**	**132**

Finance expenses

DKK million	**2013**	**2012**
Finance expenses originated from financial assets and liabilities at fair value through consolidated income statement:		
Fair value adjustments on financial instruments	-	9
Finance expenses originated from financial liabilities measured at amortised cost:		
Foreign exchange rate losses	54	72
Interest on loans and borrowings	5	25
Other finance expenses	47	22
Total finance expenses	**106**	**128**

§ Accounting policies

Finance income and expenses comprises interest income and expenses, realised and unrealised gains and losses on payables/receivables and transactions in foreign currencies. For all financial instruments measured at amortised cost, interest income or expenses are recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

NOTES

SECTION 5: OTHER DISCLOSURES

This section includes other statutory notes or notes that are of secondary importance for understanding the financial performance of PANDORA.

5.1 BUSINESS COMBINATIONS

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

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

The following table summarises the consideration paid for City Time do Brasil Comércio e Importação Ltda., the fair value of assets acquired, liabilities assumed at the acquisition date.

DKK million	**PANDORA do Brasil Comércio e Importação Ltda.**
Other intangible assets	13
Property, plant and equipment	9
Receivables	3
Inventories	12
Other current assets	4
Assets acquired	**41**
Non current liabilities	5
Payables	18
Other current liabilities	5
Deferred tax	3
Liabilities assumed	**31**
Total identifiable net assets acquired	**10**
Goodwill arising from acquisition	30
Purchase consideration	**40**
Cash movements on acquisition:	
Purchase consideration transferred	40
Deferred payment	-2
Net cash out-flow on acquisition of PANDORA do Brasil Comécio e Importação Ltda.	**38**

5.1 BUSINESS COMBINATIONS, CONTINUED

Purchase amount was DKK 40 million of which DKK 2 million is deferred. The deferred payment falls due on the 1 January 2018. There are no other terms related to the amount of the deferred payment.

Acquisition-related costs of DKK 1 million have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2013.

Assets and liabilities assumed mainly comprise key money, tangible assets related to the acquired stores, inventories and accounts payable. The market value of key money is calculated on yearly basis by the centre operators and is deemed to have indefinite life-times.

The goodwill of DKK 30 million arising from the acquisition is attributable to the expected synergies from strengthened presence and increased possibilities to improve both the retail and wholesale market in South America as well as holding a strong control of the PANDORA brand. None of the goodwill recognised is deductible for income tax purposes.

Other acqusitions
During 2013 PANDORA has acquired Concept stores which have been defined as business combinations, and are also recognised in the line acquisition of subsidiaries.

Impact from acqusitions
The acquisitions have neither individually nor in combination had significant impact on the Group´s revenue, net profit or balance. Had the acquired companies been owned by the Group from the beginning of the year, had there been no significant impact on the Group revenue, Group net profit and the balance for the Group.

§ Accounting policies
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of PANDORA's cash generating units that are expected to benefit from the combination. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash generating unit retained.

5.2 CONTINGENT LIABILITIES

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

Contractual obligations
PANDORA is a party to a number of long-term purchase, sales and supply contracts entered into in the course of the Group's ordinary business. Apart from the liabilities already recognised in the balance sheet, the Group does not expect to incur any significant financial losses as a result of these contracts.

! Significant accounting estimates
Litigation
The factors taken into account when exercising a judgement about a potential liability in connection with litigation include the nature of the litigation, claim or statement. Other factors taken into account are the development of the case, the judgements and recommendations of legal or other advisers, experience from similar cases, and management's decision on how the Group will react to the litigation, claim or statement.

5.3 RELATED PARTIES

Related parties with significant interest
Major shareholders (more than 5%) are:

- Axcel III K/S 1,
  Sankt Annæ Plads 10, 1250 København K
  CVR. no. 28867808, 5.7% ownership
- Axcel III K/S 2,
  Sankt Annæ Plads 10, 1250 København K
  CVR. no. 28867719, 8.2% ownership

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

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

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

Following these dispositions no single company owns more than 50% of the share capital in PANDORA. However, it has been agreed that the Axcel funds and the Enevoldsen-family will only exercise the voting rights attached to their share holdings at PANDORA's meetings of shareholders provided they have a common position on the given subject. Consequently, to all intents and purposes the parties have the same position as they had while the PANDORA shares were owned through Prometheus.

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

PANDORA has not undertaken any significant transactions with the Board of Directors and Executive Management, except for compensation and benefits received as a result of the membership of the Board of Directors, employment with PANDORA or shareholdings in PANDORA. Reference is made to notes 2.3 and 2.4.

5.4 FEES TO STATUTORY AUDITOR

DKK million	2013	2012
Fee for statutory audit	3	3
Other assurance engagements	2	2
Tax consultancy	10	9
Other services	4	1
Total fees to statutory auditor	**19**	**15**

The costs are recognised in the consolidated income statement under administrative expenses.

NOTES

SECTION 5: OTHER DISCLOSURES, CONTINUED

5.5 APPROVAL OF THE ANNUAL REPORT

The Annual General Meeting adopts the approval of the Annual Report for the year ended 31 December 2013. The Management expects the Annual Report to be approved at the Annual General Meeting on 19 March 2014.

5.6 COMPANIES IN THE PANDORA GROUP

The table below shows information about the Group entities:

Company	Ownership	Domicile	Date of consolidation
AD Astra Holdings Pty Ltd.	100%	Australia	1 July 2009
AD Astra IP Pty Ltd.	100%	Australia	1 July 2009
PANDORA Retail Pty Ltd.	100%	Australia	1 July 2009
PANDORA Jewelry Pty Ltd.	100%	Australia	1 July 2009
PANDORA Property Leasing Ltd.	100%	Australia	1 July 2009
PANDORA Österreich GmbH	100%	Austria	23 May 2012
PANDORA do Brasil Participações Ltda.	100%	Brazil	24 October 2013
PANDORA do Brasil Comércio e Importação Ltda	100%	Brazil	24 October 2013
PANDORA Jewelry Ltd.	100%	Canada	7 March 2008
PANDORA Franchising Canada Ltd.	100%	Canada	19 January 2011
PANDORA Ventures Canada Ltd.	100%	Canada	11 January 2013
PANDORA Jewelry CR sro.	100%	Czech Republic	2 December 2009
Pilisar ApS	100%	Denmark	7 March 2008
PANDORA Int. ApS	100%	Denmark	1 October 2009
Ejendomsselskabet af 7. maj 2008 ApS	100%	Denmark	1 October 2009
PANDORA Eastern Europe A/S	100%	Denmark	1 March 2009
PANDORA Jewelry Central Western Europe A/S	100%	Denmark	5 January 2010
PANDORA Finland Oy	100%	Finland	1 January 2012
PANDORA France SAS	100%	France	25 February 2011
PANDORA EMEA Distribution Center GmbH	100%	Germany	5 December 2011
PANDORA Jewelry GmbH	100%	Germany	5 January 2010
PANDORA Jewelry Asia-Pacific Limited	100%	Hong Kong	1 November 2009
World Max International Trading Limited	100%	Hong Kong	21 December 2010
PANDORA Jewelry Hungary Kft.	100%	Hungary	2 June 2010
PANDORA Italia SRL	100%	Italy	23 May 2012
PANDORA Jewelry B.V.	100%	Netherlands	20 September 2010
PANDORA Jewelry Ltd. NZ	100%	New Zealand	1 July 2009
PANDORA Norge AS	100%	Norway	17 August 2010
PANDORA Jewelry Shared Services CEE Sp z.o.o.	100%	Poland	7 February 2012
PANDORA Jewelry CEE Sp. z.o.o.	100%	Poland	1 March 2009
PANDORA Jewelry Romania SRL	100%	Romania	18 August 2011
PANDORA Sweden AB	100%	Sweden	4 November 2013
PANDORA Schweiz AG	100%	Switzerland	6 December 2011
PANDORA Production Co. Ltd.	100%	Thailand	7 March 2008
PANDORA Services Co. Ltd.	100%	Thailand	15 October 2010
PANDORA Jewelry Mücevherat Anonim Şirketi	100%	Turkey	4 November 2013
PANDORA Jewellery UK Limited	100%	UK	1 December 2008
PANDORA Jewelry Inc.	100%	USA	1 July 2008
PANDORA Jewelry LLC	100%	USA	7 March 2008
PANDORA Franchising LLC	100%	USA	1 November 2009
PANDORA Ventures LLC	100%	USA	10 May 2012

NOTES

5.7 FINANCIAL DEFINITIONS

Key figures and financial ratios stated in the consolidated financial statements have been calculated as follows:

EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment losses
EBIT	Earnings before interest and tax
Revenue growth, %	This year's revenue / last year's revenue (12 month adjusted)
Gross profit growth, %	This year's gross profit / last year's gross profit
EBITDA growth, %	This year's EBITDA / last year's EBITDA (12 month adjusted)
EBIT growth, %	This year's EBIT / last year's EBIT (12 month adjusted)
Net profit growth, %	This year's net profit / last year's net profit (12 month adjusted)
Gross margin, %	Gross profit / revenue
EBITDA margin, %	EBITDA / revenue
EBIT margin, %	Operating profit / revenue
Tax rate, %	Income tax expense / profit before tax
Cash conversion, %	Free cash flow / net profit
Capital expenditure (CAPEX)	Purchase of intangible assets and property, plant and equipment for the year, excluding acquisitions of subsidiaries undertakings
Equity ratio, %	Shareholders equity / total assets
Return on invested capital (ROIC), %	EBIT / Invested capital
Total payout ratio	Dividends for the year and value of share buyback / net profit
EPS basic	Net profit / average number of shares outstanding
EPS diluted	Net profit / sum of average number of shares outstanding, including the dilutive effect of the share options "in the money"

5.8 POST BALANCE SHEET EVENTS

No events have occurred after the balance sheet date of importance to the Annual Report.

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY - 31 DECEMBER

DKK million	Notes	2013	2012
INCOME STATEMENT			
Revenue		5,917	4,021
Cost of sales		-4,149	-3,070
Gross profit		**1,768**	**951**
Sales, distribution and marketing expenses	2.1	-277	-245
Administrative expenses	2.1	-412	-388
Operating profit		**1,079**	**318**
Dividends from subsidiaries		1,269	1,774
Finance income	4.3	466	123
Finance expenses	4.3	-325	-59
Profit before tax		**2,489**	**2,156**
Income tax expenses	2.3	-396	-94
Net profit for the year		**2,093**	**2,062**

STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**2,093**	**2,062**
Items that may be reclassified to profit (loss) for the period:			
Value adjustment of hedging instruments		-25	67
Income tax on other comprehensive income	2.3	5	-17
Other		-	5
Other comprehensive income, net of tax		**-20**	**55**
Total comprehensive income for the year		**2,073**	**2,117**

BALANCE SHEET

AT 31 DECEMBER

DKK million	Notes	2013	2012
ASSETS			
Intangible assets	3.2	2,859	2,895
Property, plant and equipment	3.3	21	33
Investments in subsidiaries	3.1	2,215	2,070
Loans to subsidiaries		143	-
Other non-current financial assets		7	4
Total non-current assets		**5,245**	**5,002**
Current assets			
Inventories	3.4	745	650
Trade receivables	3.5	10	15
Receivables from subsidiaries		1,901	1,415
Other receivables		375	295
Financial instruments	4.2	-	4
Cash		329	52
Total current assets		**3,360**	**2,431**
Total assets		**8,605**	**7,433**
EQUITY AND LIABILITIES			
Share capital	4.1	130	130
Share premium		1,248	1,248
Treasury shares		-738	-38
Hedge reserves		-17	3
Proposed dividend		823	715
Retained earnings		3,405	2,069
Total shareholders equity		**4,851**	**4,127**
Loans and borrowings		-	149
Deferred tax liabilities	2.3	469	551
Total non-current liabilities		**469**	**700**
Provisions	3.6	126	163
Loans and borrowings		45	3
Payables to subsidiaries		2,506	2,171
Trade payables		154	98
Income tax payables		253	7
Financial instruments	4.2	148	47
Other payables		53	117
Total current liabilities		**3,285**	**2,606**
Total liabilities		**3,754**	**3,306**
Total equity and liabilities		**8,605**	**7,433**

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

DKK million	Notes	Share capital	Share premium	Treasury shares	Hedge reserve	Other reserves	Proposed dividend	Retained earnings	Total equity
Equity at 1 January 2013		**130**	**1,248**	**-38**	**3**	**-**	**715**	**2,069**	**4,127**
Net profit for the year		-	-	-	-	-	-	2,093	2,093
Exchange rate differences on translation of foreign subsidiaries		-	-	-	-	-	-	-	-
Value adjustment of hedging instruments		-	-	-	-25	-	-	-	-25
Income tax on other comprehensive income	2.3	-	-	-	5	-	-	-	5
Total comprehensive income for the year		**-**	**-**	**-**	**-20**	**-**	**-**	**2,093**	**2,073**
Transfer to retained earnings		-	-	-	-	-	-2	2	-
Share-based payments	2.2	-	-	-	-	-	-	64	64
Purchase of treasury shares		-	-	-700	-	-	-	-	-700
Dividend paid		-	-	-	-	-	-713	-	-713
Proposed dividend		-	-	-	-	-	823	-823	-
Equity at 31 December 2013		**130**	**1,248**	**-738**	**-17**	**-**	**823**	**3,405**	**4,851**
Equity at 1 January 2012		**130**	**1,248**	**-38**	**-47**	**88**	**715**	**609**	**2,705**
Net profit for the year		-	-	-	-	-	-	2,062	2,062
Other		-	-	-	-	-	-	5	5
Value adjustment of hedging instruments		-	-	-	67	-	-	-	67
Income tax on other comprehensive income	2.3	-	-	-	-17	-	-	-	-17
Total comprehensive income for the year		**-**	**-**	**-**	**50**	**-**	**-**	**2,067**	**2,117**
Transfer to retained earnings		-	-	-	-	-88	-	88	-
Share-based payments	2.2	-	-	-	-	-	-	20	20
Dividend paid		-	-	-	-	-	-715	-	-715
Proposed dividend		-	-	-	-	-	715	-715	-
Equity at 31 December 2012		**130**	**1,248**	**-38**	**3**	**-**	**715**	**2,069**	**4,127**

CASH FLOW STATEMENT

1 JANUARY - 31 DECEMBER

DKK million	Notes	2013	2012
Profit before tax		2,489	2,156
Finance income	4.3	-466	-123
Finance expenses	4.3	325	59
Dividends from subsidiaries		-1,269	-1,774
Amortisation/depreciation		86	84
Share-based payments	2.2	34	20
Change in inventories		-94	-311
Change in intercompany receivable/payable		-295	-236
Change in receivables		-71	-261
Change in trade payables		204	-3
Change in other liabilities		-147	-50
Other non-cash adjustments		105	-99
Interests etc. received		41	72
Interests etc. paid		-22	-35
Income tax paid		-234	-253
Cash flow from operation activities		**686**	**-754**
Purchase of intangible assets	3.2	-31	-44
Purchase of property, plant and equipment	3.3	-7	-12
Change in other non-current assets		-3	-
Proceeds from sale of property, plant and equipment		-	4
Dividends received		1,269	1,774
Investment in subsidiary and non-controlling interests	3.1	-116	-7
Cash flow from investing activities		**1,112**	**1,715**
Dividend paid		-713	-715
Purchase and disposal of treasury shares		-700	-
Proceeds from loans and borrowings		41	-
Repayment of loans and borrowings		-149	-227
Cash flow from financing activities		**-1,521**	**-942**
Net cash flow for the year		**277**	**19**
Cash at 1 January		52	33
Net cash flow for the year		277	19
Cash at 31 December		**329**	**52**
Unutilised credit facilities inclusive cash and cash equivalents		2,708	2,596

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

NOTES FOR THE PARENT COMPANY

NOTES FOR THE PARENT COMPANY

1.1 SUPPLEMENT TO MANAGEMENT´S GROUP REVIEW

Gross profit
The Parent Company takes back inventory from subsidiaries for the purpose of remelting excess stock. The Gross profit is significantly impacted by realised losses from remelting activities and unrealised losses from inventory writedowns. The fluctuation in market prices of silver and gold is having a main influence on the gross profit.

Hedging
The Parent Company's total realised net loss on commodity hedge contracts relates to eliminations of over-hedged hedge positions. In 2013 PANDORA realised a loss on over-hedge of DKK 0 million (2012: DKK 8 million).

Earn-out
Changes in the value of the earn-out provision, are recognised in the income statement as finance income or expenses. In 2013 there has been no adjustments (2012: DKK 51 million). The present value of the earn-out provision is based on a discount rate of 13,75% (2012: 13.75%).

1.2 BASIS OF REPORTING

Parent Company financial statement
Accounting policies for the Parent Company are unchanged from last year and are identical to accounting policies in the PANDORA Group financial statements, with the following exceptions:

Foreign currency translation
Foreign exchange rate adjustments of balances accounted for as part of the total net investment in enterprises that have a functional currency other than DKK are recognised in profit for the year as finance income and costs in the parent company financial statements.

Dividends from investments in subsidiaries are credited to profit for the year in the financial year in which they are received.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the Parent Company financial statements. Impairment testing is carried out if there is any indication of impairment, as described in the PANDORA Group financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the recoverable amount. The impairment loss is recognised as a finance cost in profit for the year. If the Parent Company has a legal or constructive obligation to cover a deficit in subsidiaries, a provision for this is recognised.

! Significant accounting estimates
In the process of preparing the Parent Company financial statements, a number of accounting estimates and judgements have been made that affect assets and liabilities at the balance sheet date and income and expenses for the reporting period. Management regularly reassesses these estimates and judgements, partly on the basis of historical experience and a number of other factors in the given circumstances. Management is of the opinion that no accounting estimates or judgements are made in connection with the presentation of the parent company financial statements applying the parent company accounting policies that are material to the financial reporting, other than those disclosed in Note 3.1 to the consolidated financial statements concerning impairment testing.

New standards and interpretations
Reference is made to the description in Note 1.1 in the consolidated financial statements.

NOTES FOR THE PARENT COMPANY

2.1 EMPLOYEE BENEFIT EXPENSES

DKK million	2013	2012
Wages and salaries	223	188
Pensions, defined contribution plans	9	7
Share-based payments	34	20
Social security costs	4	-
Other staff costs	17	6
Total employee benefits expenses	**287**	**221**
Average number of employees during the year	268	240
The employee benefit expenses have been recognised in the income statement as follows:		
Distribution expenses	105	77
Administrative expenses	182	144
Total employee benefits expenses	**287**	**221**

Key management personnel at PANDORA A/S represent the same persons as key management personnel of the PANDORA Group. For information regarding compensation of key management personnel of PANDORA A/S, refer to Note 2.3 in the Group.

2.2 SHARE-BASED PAYMENTS AND EMPLOYEE SHARES

The share option programme described in Note 2.4 to the consolidated financial statements is issued by PANDORA A/S. The value of the share options granted to employees in the Parent Company's subsidiaries is recognised in investments in subsidiaries. Of the total expense of DKK 64 million (2012: DKK 20 million), DKK 29 million relates to subsidiaries (2012: DKK 7 million).

NOTES FOR THE PARENT COMPANY

2.3 TAXATION

Income tax expenses

DKK million	**2013**	**2012**
Current income tax charge	316	107
Adjustment concerning previous years	157	5
Impact of change in the Danish tax rate	-66	-
Change in deferred tax	-11	-18
Total income tax expenses	**396**	**94**
Reconciliation of tax rate:		
Profit before tax	2,489	2,156
Corporate tax rate in Denmark: 25% (2012: 25%)	622	539
Tax effect of:		
Impact of change in the Danish tax rate	-66	-
Non-taxable income and non-deductible expenses	-317	-450
Adjustment concerning previous years	157	5
Total income tax expenses	**396**	**94**

Deferred tax

DKK million	**2013**	**2012**
Deferred tax at 1 January	551	552
Change in deferred tax - recognised in the income statement	-11	-18
Change in deferred tax - recognised in other comprehensive statement	-5	17
Impact of change in the Danish tax rate	-66	-
Deferred tax at 31 December	**469**	**551**
Deferred tax liabilities	469	551
Total deferred tax	**469**	**551**
Specification of deferred tax		
Intangible assets	528	607
Property, plant and equipment	-9	-
Other assets and liabilities	-50	-56
Total deferred tax	**469**	**551**

Reference is made to note 2.5 in the Group in regards to significant accounting estimates.

NOTES FOR THE PARENT COMPANY

3.1 INVESTMENTS

DKK million	**Investments in subsidiaries**
Cost at 1 January 2013	2,070
Additions	116
Additions relating to share based payments	29
Cost at 31 December 2013	**2,215**
Cost at 1 January 2012	2,063
Effect from merger	7
Cost at 31 December 2012	**2,070**

Subsidiaries	**Domicile**
PANDORA do Brasil Participações Ltda.	Brazil
PANDORA Jewelry Ltd.	Canada
PANDORA Ventures Canada Ltd.	Canada
Pilisar ApS	Denmark
PANDORA Int. ApS	Denmark
PANDORA Eastern Europe A/S	Denmark
PANDORA Jewelry Central Western Europe A/S	Denmark
PANDORA Finland Oy	Finland
PANDORA France SAS	France
PANDORA EMEA Distribution Center GmbH	Germany
PANDORA Jewelry Asia-Pacific Limited	Hong Kong
World Max International Trading Limited	Hong Kong
PANDORA Jewelry Shared Services CEE Sp z.o.o.	Poland
PANDORA Sweden AB	Sweden
PANDORA Production Co. Ltd.	Thailand
PANDORA Services Co. Ltd.	Thailand
PANDORA Jewelry Mücevherat Anonim Şirketi	Turkey
PANDORA Jewellery UK Limited	UK
PANDORA Jewelry Inc.	USA

Refer to Note 5.6 in the Group for ownership and date of investment.

NOTES FOR THE PARENT COMPANY

3.2 INTANGIBLE ASSETS

DKK million	Goodwill	Brand	Distribution network	Distribution rights	Other intangible assets	Total
Cost at 1 January 2013	423	1,040	453	1,084	116	3,116
Additions	-	-	-	-	31	31
Reclassification	-	-	-	-	-	-
Exchange rate adjustments	-	-	-	-	-	-
Cost at 31 December 2013	**423**	**1,040**	**453**	**1,084**	**147**	**3,147**
Amortisation and impairment losses at 1 January 2013	-	-	146	36	39	221
Amortisation and impairment losses for the year	-	-	31	-	36	67
Amortisation and impairment losses at 31 December 2013	**-**	**-**	**177**	**36**	**75**	**288**
Carrying amount at 31 December 2013	**423**	**1,040**	**276**	**1,048**	**72**	**2,859**
Cost at 1 January 2012	427	1,040	451	1,086	72	3,076
Additions	-	-	-	-	44	44
Reclassification	-	-	2	-2	-	-
Exchange rate adjustments	-4	-	-	-	-	-4
Cost at 31 December 2012	**423**	**1,040**	**453**	**1,084**	**116**	**3,116**
Amortisation and impairment losses at 1 January 2012	-	-	115	19	13	147
Amortisation and impairment losses for the year	-	-	31	17	26	74
Amortisation and impairment losses at 31 December 2012	**-**	**-**	**146**	**36**	**39**	**221**
Carrying amount at 31 December 2012	**423**	**1,040**	**307**	**1,048**	**77**	**2,895**

No intangible assets have been impaired in 2013 or in 2012. Refer to Note 3.1, intangible assets, in the Group for description of impairment test.

DKK million	2013	2012
Intangible assets	67	74
Property, plant and equipment	19	10
Total	**86**	**84**
Amortisation and depreciation for the year have been recognised in the consolidated income statement:		
Distribution expenses	44	58
Administrative expenses	42	26
Total	**86**	**84**

NOTES FOR THE PARENT COMPANY

3.3 PROPERTY, PLANT AND EQUIPMENT

DKK million	Plant and equipment	PP&E under construction	Total
Cost at 1 January 2013	54	-	54
Additions	6	1	7
Disposals	-2	-	-2
Cost at 31 December 2013	**58**	**1**	**59**
Depreciation and impairment losses at 1 January 2013	21	-	21
Depreciation for the year	19	-	19
Disposals	-2	-	-2
Depreciation and impairment losses at 31 December 2013	**38**	**-**	**38**
Carrying amount at 31 December 2013	**20**	**1**	**21**
Cost at 1 January 2012	42	-	42
Additions	12	-	12
Cost at 31 December 2012	**54**	**-**	**54**
Depreciation and impairment losses at 1 January 2012	11	-	11
Depreciation for the year	10	-	10
Depreciation and impairment losses at 31 December 2012	**21**	**-**	**21**
Carrying amount at 31 December 2012	**33**	**-**	**33**

3.4 INVENTORIES

DKK million	2013	2012
Raw materials and consumables	-	44
Finished goods	745	606
Total inventories	**745**	**650**

The writedown of inventories are recognised under Cost of sales DKK 257 million (2012: DKK 306 million) and Distribution expenses DKK 0 million (2012: DKK 4 million).

3.5 TRADE RECEIVABLES

DKK million	2013	2012
Analysis of movements in bad debt provision:		
Provision at 1 January	1	1
Provisions at 31 December	**1**	**1**
Analysis of trade receivables that were past due at 31 December:		
Until 30 days	2	3
Between 30 and 60 days	1	1
Above 90 days	-	1
Total past due	**3**	**5**
Not past due	7	10
Total trade receiveables at 31 December	**10**	**15**

Trade receivables at 31 December 2013 include receivables at nom. DKK 11 million (2012: DKK 16 million), which have been written down to DKK 10 million (2012: DKK 15 million). Historically, PANDORA A/S has not encountered significant losses on trade receivables.

NOTES FOR THE PARENT COMPANY

3.6 PROVISIONS

DKK million	Earn-out, acquisition of non-controlling interests	Sales returns	Other	Total
Provisions at 1 January 2013	-	153	10	163
Provisions made in 2013	-	126	-	126
Utilised in the year	-	-153	-	-153
Unused amounts reversed	-	-	-10	-10
Provisions at 31 December 2013	**-**	**126**	**-**	**126**
Provisions are recognised in the consolidated balance sheet as follows:				
Current 2013	-	126	-	126
Total provisions at 31 December 2013	**-**	**126**	**-**	**126**
Provisions at 1 January 2012	51	161	-	212
Provisions made in 2012	-	28	10	38
Utilised in the year	-	-36	-	-36
Unused amounts reversed	-51	-	-	-51
Provisions at 31 December 2012	**-**	**153**	**10**	**163**
Provisions are recognised in the consolidated balance sheet as follows:				
Current 2012	-	153	10	163
Total provisions at 31 December 2012	**-**	**153**	**10**	**163**

Earn-out, acquisition of non-controlling interests
The earn-out payment provision concerns a partial payment of the acquisition of the non-controlling interests in PANDORA CWE A/S. Refer to note 3.5 in the consolidated financial statements.

Sales return provision
Provision regarding returns of products from customers, based on historical return percentages. Where the return prices are reduced over time, this has been taken into account in the calculation of the provision.

From time to time the Parent Company takes back inventory from subsidiaries, primarily related to discontinued items and excess stock. Inventory is taken back at original sales prices invoiced to the subsidiaries. The provision represents expected losses in the Parent Company related to expected returns from subsidiaries of discontinued products included in inventories at subsidiaries at year end. This does not impact PANDORA's consolidated accounts.

Other
Other provisions include provisions for product warranties.

4.1 SHARE CAPITAL

Reference is made to note 4.1 in the consolidated financial statements.

4.2 FINANCIAL INSTRUMENTS

Reference is made to note 4.5 in the consolidated financial statements.

NOTES FOR THE PARENT COMPANY

4.3 NET FINANCE INCOME

Finance income

DKK million	2013	2012
Finance income originated from financial assets and liabilities at fair value through the income statement:		
Value adjustement CWE earn-out provison	-	51
Finance income originated from loans and receivables measured at amortised cost:		
Interest income from subsidiaries	41	72
Exchange rate gains	425	-
Total finance income	**466**	**123**

Finance expenses

DKK million	2013	2012
Finance expenses originated from financial assets and liabilities at fair value through the income statement:		
Fair value adjustments on financial instruments	-	9
Total	**-**	**9**
Finance expenses originated from financial liabilities measured at amortised cost:		
Exchange rate losses	303	14
Interest on loans and borrowings	1	25
Other finance expenses	21	11
Total	**325**	**50**
Total finance expenses	**325**	**59**

5.1 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

PANDORA A/S is a party to a number of minor legal proceedings, which are not expected to influence the future earnings.

PANDORA A/S has issued a letter of support and letter of guarantee to the benefit of creditors of certain subsidiaries.

The Company is jointly taxed with Danish subsidiaries. The Company is jointly and severally liable with the other jointly taxed Danish companies within the group of corporation taxes for 2013 and withholding taxes payable first July 2012 or later in the joint taxation.

On behalf of PANDORA a bank guarantee of EUR 20 million has been made.

Contractual obligations

PANDORA A/S is a party to a number of long-term purchase, sales and supply contracts entered into in the course of the Company's ordinary business. Apart from the liabilities already recognised in the balance sheet, the Company does not expect to incur any significant financial losses as a result of these contracts.

Other obligations

PANDORA A/S' other financial obligations mainly relate to leases for office premises and operating equipment.

NOTES FOR THE PARENT COMPANY

5.1 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS, CONTINUED

Future minimum lease payments on existing contracts:

DKK million	2013	2012
Within 1 year	51	35
Between 1 and 5 years	42	29
After 5 years	9	11
Total	**102**	**75**

5.2 RELATED PARTIES

Besides the related parties mentioned in note 5.3 in the consolidated financial statements, related parties of PANDORA A/S also comprises the subsidiaries listed in the group structure in note 5.6, in the consolidated financial statements.

The table below provides other transactions which were entered into with related parties.

	Subsidiaries	
DKK million	2013	2012
Income statement:		
Sales to related parties	5,669	3,943
Purchases from related parties	-4,460	-3,234
Dividend	1,269	1,774
Finance income	41	72
Total	**2,519**	**2,555**
Balance sheet:		
Receivables	2,044	1,415
Payables	-2,506	-2,171
Total	**-462**	**-756**

5.3 FEES TO STATUTORY AUDITOR

DKK million	2013	2012
Fee for statutory audit	1	1
Other assurance engagements	-	1
Tax consultancy	3	3
Other services	3	-
Total fees to statutory auditor	**7**	**5**

Fees are recognised as an administrative expense in the income statement.

MANAGEMENT STATEMENT

Today, the Board of Directors and Executive Board have discussed and approved the Annual Report of PANDORA for the financial year 1 January – 31 December 2013.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2013 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2013.

In our opinion, Management's Review includes a true and fair review of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and Parent Company, as well as a review of the more significant risks and uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report is approved at the Annual General Meeting.

Copenhagen, 18 February 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

Anders Boyer-Søgaard

Bjørn Gulden

Torben Ballegaard Sørensen

Nikolaj Vejlsgaard

Ronica Wang

INDEPENDENT AUDITOR'S REPORTS

To the shareholders of PANDORA A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and the Parent Company financial statements of PANDORA A/S for the financial year 1 January – 31 December 2013, which comprise an income statement, comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the Group as well as the Company. The consolidated financial statements and the Parent Company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view in accordance with International Reporting Standards as adopted by the EU and Danish Disclosure requirements for listed companies. Further, Management is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements and Parent Company financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and the Parent Company financial statements based on our audit. We conducted our audit in accordance with international standards on the auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the Parent Company financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the Parent Company financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the consolidated financial statements and the Parent Company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and Parent Company financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as the overall presentation of the consolidated financial statements and the Parent Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2013 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REVIEW

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the Parent Company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the Parent Company financial statements.

Copenhagen, 18 February 2014

Ernst & Young
Godkendt Revisionspartnerselskab

Niels-Jørgen Andersen	Eskild Jakobsen
State Authorised Public Accountant	*State Authorised Public Accountant*

MIX
Paper from responsible sources
FSC® C041145

Layout & Production Dear Brand (www.dearbrand.dk)
Printing PrintDivision (www.printdivision.dk)
© PANDORA 2014

PANDORA A/S
Hovedvejen 2
DK-2600 Glostrup
Denmark

Phone: +45 3672 0044
Fax: +45 3673 0800
CVR no.: 28505116

www.pandoragroup.com