

## INTERIM REPORT FOR Q3 2010

### REVENUE AND VOLUME GREW BY 116.7% AND 57.1% RESPECTIVELY IN THE THIRD QUARTER OF 2010 - DRIVEN BY GROWTH ACROSS ALL REGIONS AND JEWELLERY CATEGORIES. NET PROFIT UP BY 279.7%

- Revenue increased by 116.7% to DKK 1,788 million compared to Q3 2009
  - Americas grew by 92.8% and constituted 40.5% of total sales
  - Europe grew by 191.2% and constituted 48.4% of total sales
  - Asia Pacific grew by 30.3% and constituted 11.1% of total sales
- Revenue from Charms grew by 93.6% and Silver & Gold charm bracelets revenue grew by 83.6%
- Other jewellery grew by 345.1% representing 20.4% of revenue in Q3 2010 – up from 9.9% in the same quarter of 2009
- Gross margin was 73.2% - up from 66.2% in the Q3 2009, where the gross margin was impacted by an unrealised gain on raw materials derivatives of DKK 3 million and a negative one-off effect from taking over our Australian distributor of DKK 66 million
- EBITDA increased by 161.2% to DKK 807 million resulting in an EBITDA margin of 45.1% - up from 37.5% in the same quarter last year
- EBIT increased by 196.0% to DKK 743 million resulting in an EBIT margin of 41.6%, negatively impacted by amortisation of DKK 46 million related to acquired distribution rights in PANDORA Jewellery Central Western Europe (“PANDORA CWE”)
- Net profit increased by 279.7% to DKK 581 million
- At the end of September 2010, PANDORA employed 4,804 people worldwide and sold its jewellery and other branded products through 10,386 points of sale (PoS) in more than 50 countries on six continents

Mikkel Vendelin Olesen, CEO, said: “Our strong performance in the third quarter of 2010 is a result of our continued success in upgrading our existing customers, thereby increasing the share of branded sales as well as roll-out of new stores around the world – particularly in Italy. We have seen continued strong momentum in the revenue development from our Charms and Silver & Gold charm bracelets as well as excellent performance from our Other Jewellery collections. However, it is important to notice that our Q3 also is positively impacted by early Christmas orders from retailers.”

### FINANCIAL OUTLOOK FOR 2010

In line with the financial guidance communicated in connection with the Initial Public Offering in October, revenue for H2 2010 is expected to be higher than revenue in H1 2010 and EBITDA margin for H2 2010 is expected to be above 40%. PANDORA maintains its expectations, which are specified below:

Based on strong Q3 results positively impacted by early Christmas orders, PANDORA expects revenue of approximately DKK 6.2 billion for the financial year 2010 (DKK 3.5 billion in FY 2009). Including an IPO-bonus to all the employees, EBITDA is expected to be approximately DKK 2.5 billion (DKK 1.6 billion in FY 2009).

We also expect CAPEX to account for approximately 3% of total group revenue and the effective tax rate to be approximately 18%.

### **CONFERENCE CALL**

The conference call for investors and financial analysts will be held at 15.00 CET and can be accessed from our website: [www.pandoragroup.com](http://www.pandoragroup.com). The corresponding presentation will be available on the website one hour before the call.

The following numbers can be used by investors and analyst:

DK: +45 3271 4775

UK: +44 (0) 20 7138 0826

US: +1 212 444 0481

To help ensure that the conference begins in a timely manner, please dial in 5 minutes prior to the scheduled starting time. Participants will have to quote confirmation code 3495456 when dialling into the conference.

### **ABOUT PANDORA**

PANDORA designs, manufactures and markets hand finished and modern jewellery made of genuine materials and at affordable prices. The PANDORA jewellery is sold in more than 50 countries on six continents through approximately 10,000 points of sale, including over 320 PANDORA branded concept stores.

Founded in 1982 and headquartered in Copenhagen, Denmark, PANDORA employs over 4,500 people worldwide of whom more than 3,500 are located in Gemopolis, Thailand, where the company manufactures its jewellery. PANDORA is publicly listed on the NASDAQ OMX Copenhagen stock exchange in Denmark. In 2009, PANDORA's total revenue was DKK 3.5 billion (approximately EUR 465 million). For more information, please visit [www.pandoragroup.com](http://www.pandoragroup.com)

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## CONSOLIDATED FINANCIAL STATEMENT FOR Q3 2010

DKK million	Q3 2010	Q3 2009	9M 2010	9M 2009	FY 2009
<b>Income statement</b>					
Revenue	1,788	825	4,369	2,087	3,461
EBITDA	807	309	1,827	963	1,572
Operating profit (EBIT)	743	251	1,635	883	1,424
Net financial income and expenses	-34	-68	-108	-169	-235
Profit before tax	709	183	1,527	714	1,189
Net profit	581	153	1,252	600	1,005
<b>Balance sheet</b>					
Total assets	7,727	5,250	7,727	5,250	5,816
Invested capital	5,861	3,588	5,861	3,588	3,799
Net working capital	1,638	430	1,638	430	520
Shareholders' equity	3,391	1,175	3,391	1,175	1,648
Net borrowings	2,021	2,413	2,021	2,413	2,151
Net borrowings excl. subordinated loan from parent company	2,021	1,046	2,021	1,046	751
<b>Cash flow</b>					
Cash inflow from operating activities	49	142	365	698	1,066
Cash outflow from investing activities	-45	-123	-196	-149	-207
Free cash flow	30	142	471	770	1,143
Cash outflow/inflow from financing activities	136	-74	-727	-231	-343
Net increase in cash and cash equivalents	140	-55	-558	318	516
<b>Ratios</b>					
Revenue growth, %	116.7%		109.3%		
Growth in EBITDA, %	161.2%		89.7%		
Growth in EBIT, %	196.0%		85.2%		
Growth in net profit, %	279.7%		108.7%		
EBITDA margin, %	45.1%	37.5%	41.8%	46.1%	
EBIT margin, %	41.6%	30.4%	37.4%	42.3%	
Cash conversion, %	5.2%	92.8%	37.6%	128.3%	
Net debt to EBITDA *	0.8		0.8		
Equity ratio, %	43.9%	22.4%	43.9%	22.4%	
ROIC, % *	37.1%		37.1%		
<b>Other key figures</b>					
Average number of employees	4,665	2,266	4,150	1,895	

\* Ratio is based on last 12 month rolling (LTM) EBITDA and EBIT respectively.

The present unaudited interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" and accounting policies set out in the Annual Report 2009 of PANDORA. Furthermore, the interim financial report and are prepared in accordance with additional Danish disclosure requirements for interim report of listed companies. Key figures and financial ratios are defined and calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios, 'Recommendations and Financial Ratios 2010' and the annual report for 2009.

## KEY EVENTS IN Q3 2010

In Q3 2010, PANDORA continued to grow across all regions and product categories, fuelled by continued focus on branded sales, capitalising on our product offering outside the Charms and Silver and Gold charm bracelets categories, entrance into new markets, and implementation of our global marketing strategy.

### FOCUS ON BRANDED SALES CHANNELS

We focus strategically on increasing the number of PANDORA-branded points of sale in our markets to ensure that we going forward derive a significantly higher proportion of our revenues from PANDORA branded sales channels. PANDORA-branded sales channels allow us to strengthen the perception of our brand in the retail environment and permit an expanded product offering compared with our unbranded points of sale.

In Q3 2010, we continued the upgrading of our existing customer base as well as the roll-out of new stores. This has substantially increased the number of branded points of sale in Q3 2010 compared to Q2 2010. Branded points of sale include Concept stores, Shop-in-Shops and Gold shops.

The number of points of sale grew by 464 stores from Q2 2010 to Q3 2010 – with 272 of those being branded. Within the branded points of sale, the number of Concept stores grew by 67, Shop-in-Shops grew by 141 and Gold stores grew by 64. Approximately 40% of the new branded points of sale are generated by upgrading existing unbranded points of sale. Most of the upgrading of stores took place in our established markets.

	Number of PoS Q3 2010	Number of PoS Q2 2010	Change
Concept stores <sup>1</sup>	329	262	67
Shop-in-Shops <sup>2</sup>	866	725	141
Gold	1,529	1,465	64
<b>Total branded</b>	<b>2,724</b>	<b>2,452</b>	<b>272</b>
<b>Total Branded as % of Total</b>	<b>26.2%</b>	<b>24.7%</b>	-
Silver	2,271	2,217	54
White and travel retail	5,391	5,253	138
<b>Total</b>	<b>10,386</b>	<b>9,922</b>	<b>464</b>

<sup>1</sup> Includes 47 and 49 PANDORA-owned Concept stores at Q2-2010 and Q3 2010 respectively

<sup>2</sup> Includes 23 and 24 PANDORA-owned shop-in-shops at Q2-2010 and Q3 2010 respectively

Unbranded points of sale include silver, white and travel retail accounts. The number of unbranded points of sale grew by 192 in the quarter – with 54 of those being silver stores and 138 white stores. Most of the new silver and white stores were opened in new markets, especially in Italy, Europe’s largest market for fine jewellery, a market PANDORA entered in July of this year. Please refer to the section “Entry into new markets” for further details.

The share of revenue from branded sales, within our own direct distribution, was 77.6% in Q3 2010 compared to 69.9% in Q2 2010.

### **CAPITALISING ON OUR BROAD PRODUCT OFFERING**

In recent years, we have significantly broadened our jewellery offering, via the introduction of our Compose, LovePods and Liquid Silver collections in 2007, 2008 and 2009, respectively, and watches from Autumn 2010.

In Q3 2010, we continued to see very strong momentum in both Charms and Silver & Gold charm bracelets as well as in our Other Jewellery collections. Revenue from Charms and Silver & Gold Charm Bracelets grew by 93.8% and 83.6%, respectively - the two categories now representing 79.4% of total revenue. Other jewellery grew by 345.1% and now represents 20.4% of revenue – up from 9.9% in the same quarter of 2009. Our Ring-Up-on-Ring campaign as well as the introduction of our Touch and Feel Displays for rings and earrings has contributed to this development.

<b>DKK million</b>	<b>Q3 2010</b>	<b>Q3 2009</b>	<b>% Growth</b>
Charms	1,184	611	93.8%
Silver and gold charm bracelets	235	128	83.6%
Other jewellery	365	82	345.1%
Other	4	4	NM
<b>Total</b>	<b>1,788</b>	<b>825</b>	<b>116.7%</b>

### **ENTRY INTO NEW KEY MARKETS**

We intend to continue entering into new geographical markets and expanding our presence in existing markets. We expect to enter into and develop our market presence primarily through existing retail outlets in well-established markets. We expect to focus more on the launch of PANDORA-branded points of sale (franchise and directly operated) in emerging markets.

In July, PANDORA entered the Italian market, thereby establishing a presence in Europe's largest market for fine jewellery. Based in Milan, a team of sales representatives and visual merchandisers cover the Italian market, focusing on multi-brand points of sale. By the end of Q3 2010, we sell PANDORA products through 111 white, 32 silver and 4 Gold stores.

We also entered into a Master Distribution and Franchise Agreement for Russia. The retail expansion will be based on a cluster strategy to realize optimal branding exposure. In 2010, focus will be on Moscow, while St. Petersburg will be added late 2010 or early 2011. Our first shipment to Russia took place in Q3, with the expected opening of the first shop in Q4 2010.

In China we have signed agreements with four Master Franchisees by the end of Q3, of which one is currently running a test shop in Beijing. The first official opening of a shop in China is expected before the end of this year.

In Q4, we also entered into a Master Distribution and Franchise Agreement for Japan. Market entry in Japan is expected during 2011.

Finally, also in Q4, our partner in Dubai has recently opened two Concept stores in Dubai.

### **IMPLEMENTATION OF A GLOBAL MARKETING STRATEGY**

We pursue a global brand strategy focusing on creating consistency of brand perception across all communication channels and markets. To further strengthen our brand, we expect to continue spending a high single digit percentage of our revenues on marketing. In Q3 2010, we spent DKK 169 million on marketing – corresponding to 9.5% of revenue.

We intend to continue to use the Internet to promote our brand awareness as well as to attract and retain customers by fostering customer loyalty, through our PANDORA Club and other on-line media. In August 2010, PANDORA launched a Facebook application, making it possible to “Build your own bracelet” on the internet. 270,000 applications were downloaded within the first month. In addition, the number of members of the PANDORA Club on our web site surpassed one million members in the third quarter of the year.

## REVENUE DEVELOPMENT IN Q3 2010

PANDORA demonstrated significant revenue growth in Q3 2010 compared with Q3 2009. This growth resulted from increasing demand for our products in established markets and expansion into new markets. The growth also reflected an increasing level of PANDORA's direct distribution, including the acquisition of PANDORA CWE in January 2010. The strong growth in Q3 also reflects early Christmas orders from retailers.

Total revenue increased 116.7% to DKK 1,788 million in Q3 2010 from DKK 825 million in Q3 2009, of this 13.8% was related to structural changes from the acquisition of PANDORA CWE in January 2010. Volumes sold grew by 57.1% as 15.5 million stock keeping units (SKUs) were sold in Q3 2010 versus 9.8 million SKUs sold in Q3 2009. The remaining 45.8% of the increase in revenue in Q3 2010 was related to price and mix change as well as FX movements.

Revenue per point of sale increased by 104.3% compared to same quarter last year as revenue per point of sale increased to approx. DKK 176,000 in Q3 2010 from approx. DKK 86,000 in Q3 2009 (calculated by the average of PoS between the beginning and end of the period). Volume per point of sale increased by 48.1% compared to last quarter last year as volume per point of sale increased to 1,522 SKUs in Q3 2010 from 1,028 SKUs in Q3 2009 (calculated by the average of PoS between the beginning and end of period).

The geographical distribution of revenue in Q3 2010 was 40.5% for the Americas, 48.4% for Europe and 11.1% for Asia Pacific. Due to significant organic growth and structural changes, Europe is now the largest region measured in terms of revenue.

## REVENUE BREAKDOWN BY GEOGRAPHY

DKK million	Q3 2010	Q3 2009	% Growth	% Growth in local currency
<b>Americas</b>	<b>725</b>	<b>376</b>	<b>92.8%</b>	<b>73.3%</b>
United States	644	351	83.5%	
Other	81	25	224.0%	
<b>Europe</b>	<b>865</b>	<b>297</b>	<b>191.2%</b>	<b>186.2%</b>
United Kingdom	333	106	214.2%	
Germany <sup>1</sup>	184	85	NM	
Other	348	106	NM	
<b>Asia Pacific</b>	<b>198</b>	<b>152</b>	<b>30.3%</b>	<b>9.1%</b>
Australia	171	148	15.5%	
Other	27	4	575.0%	
<b>Total</b>	<b>1,788</b>	<b>825</b>	<b>116.7%</b>	<b>102.0%</b>

<sup>1</sup> Includes in 2009 revenue relating to products purchased by our former independent German distributor for sale in Austria and Switzerland prior to the formation of PANDORA CWE, established in January 2010. Austria and Switzerland are from 1 January 2010 included in "Other".

## AMERICAS

In the Americas, the increase in our revenue of 92.8% reflected strong organic growth as a result of high same store sales growth (including upgrading) in the United States as well as the establishment of new points of sale in the United States and in other countries. The substantial same store sales growth reflected, in part, increased demand for our products, price increases and a significant trend in the upgrading of stores to devote greater space for PANDORA products. The United States continues to be our single largest market

accounting for 36.0% of Q3 2010 revenue, with a growth rate of 83.5% in Q3 2010 compared to same quarter last year.

## EUROPE

In Europe, the increase in our revenue of 191.2% was predominantly related to strong organic growth in the United Kingdom and Other Europe, especially Spain and Portugal. The increase in Germany reflects organic growth as well as the establishment of PANDORA CWE in January 2010. The United Kingdom is now our the largest single market in Europe accounting for 18.6% of Q3 2010 revenue, with a growth rate of 214.2% in Q3 2010 compared to the same quarter last year.

## ASIA PACIFIC

In Asia Pacific, the increase in our revenue of 30.3% was primarily attributable to the strengthening of the Australian dollar as well as strong growth in the rest of the Asian region, especially in Hong Kong and Singapore. Measured in local currency, development in Australia was -4.8% in Q3 2010 compared to Q3 2009. In Q3 2010, Australia constituted 9.6% of total revenue.

## REVENUE BY DISTRIBUTION

We mainly derive our revenue from direct distribution of our jewellery products to our sales channels. After the establishment of direct distribution in PANDORA CWE in January 2010, direct distribution accounted for 87.8% of revenue in Q3 2010, up from 75.4% in for the full year 2009 and 45.5% for the full year 2008. However, due to strong growth in third party markets the share of third party distribution has increased compared to H1 2010.

Q3 2010	DKK million Revenue	Number of PoS
Direct distribution	1,570	7,944
Third party distribution	218	2,442
<b>Total</b>	<b>1,788</b>	<b>10,386</b>

## GROSS PROFIT AND GROSS MARGIN

The principal component of our cost of sales include the direct cost we incur in respect of the purchasing of raw materials and semi-finished goods that we use when producing our jewellery, direct wages as well as personnel and other expenses incurred in connection with production and depreciation of our production facilities.

Cost of sales amounted to DKK 479 million in Q3 2010 versus DKK 297 million in Q3 2009.

Gross profit was DKK 1,309 million in Q3 2010 compared to DKK 546 million in Q3 2009, resulting in a gross margin of 73.2% in Q3 2010 compared to 66.2% in Q3 2009, where the gross margin was impacted by an unrealised gain on raw materials derivatives of DKK 3 million and a negative one-off effect from taking over our Australian distributor of DKK 66 million. Adjusting for these effects, the gross margin in Q3 2009 was 74.5% compared to 73.2% in Q3 2010, affected by increasing raw material prices not completely offset by price increases and the positive effect from taking over direct distribution in PANDORA CWE.

In accordance with our hedging policy we have hedged 100% of our expected gold and silver commodity



consumption in Q3-2010. The average realized price for gold was 1,165 USD/oz and 18.7 USD/oz for silver. For the following four quarters we have hedged 100%, 80%, 60% and 40% of expected gold and silver consumption. Our hedged prices for the following four quarters for gold is 1,176 USD/oz, 1,213 USD/oz, 1,323 USD/oz, 1,352 USD/oz and for silver 18.0 USD/oz, 22.2 USD/oz 19.8 USD/oz and 24.0 USD/oz.

## **DISTRIBUTION COSTS**

Distribution costs comprise expenses related to the distribution of goods sold and sales & marketing campaigns, including packaging, brochures, displays and fixtures and fittings, pay and other expenses relating to sales and distribution staff and amortisation/depreciation.

Distribution costs increased to DKK 409 million in Q3 2010 from DKK 225 million in Q3 2009 mainly as a result of increased activity and structural changes. In Q3 2010, distribution costs were affected by DKK 46 million from amortisation of acquired distribution rights in PANDORA CWE. These distribution rights will be fully amortised by 30 June 2011. In Q3 2009, distribution costs were affected by DKK 39 million from amortisation of acquired distribution rights in the Australian subsidiary.

Distribution cost as a percentage of revenue was 22.9% in Q3 2010 compared to 27.3% in Q3 of 2009. This decrease primarily relates depreciation and amortisation allocated to distribution cost. Adjusted for this distribution costs decreased by 0.9% of revenue.

In Q3 2010, marketing costs amounted to DKK 170 million and corresponded to 9.5% of revenue resulting from our continuous focus on brand building.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses comprise expenses paid to manage and administer our operations, including expenses related to administrative staff and depreciation.

Administrative expenses amounted to DKK 157 million in Q3 2010 versus DKK 70 million Q3 2009, representing 8.8% and 8.5% of Q3 2010 and Q3 2009 revenue, respectively.

The nominal increase is partly attributable to the acquisition of PANDORA CWE and partly due to strengthening of our central management and administrative functions. This includes the hiring of staff for our group administrative, finance, human resources and information technology functions in response to the overall growth in our business as well as costs related to the implementation of new systems and processes to assist us in managing the growth.

## **EBITDA**

EBITDA for Q3 2010 increased by 161.2% to DKK 807 million resulting in an EBITDA margin of 45.1% - up from 37.5%, DKK 309 million, in the same quarter in 2009 before one-off adjustments.

Regional EBITDA margins for Q3 2010 before allocation of central overheads were 53.1% in Americas, 53.4% in Europe and 43.4% in Asia Pacific.

## **EBIT**

EBIT increased by 196.0% to DKK 743 million resulting in an EBIT margin of 41.6%.

## **NET FINANCIAL INCOME AND EXPENSES**

Net financial income and expenses primarily include interest income and expenses, realised and unrealised exchange gains and losses and allowances under the advance-payment-of-tax scheme.

Financial expenses were DKK 35 million and financial income was DKK 1 million in Q3 2010.

## **INCOME TAX EXPENSES**

Income tax expenses increased to DKK 128 million in Q3 2010, implying an effective tax rate of approximately 18% for Q3 2010 versus DKK 30 million in Q3 2009 (tax rate of 16.4%).

## **NET PROFIT**

Net profit in the third quarter 2010 increased by 279.7% to DKK 581 million from DKK 153 million in the third quarter of 2009. Minority interests amounted to DKK 3 million in the third quarter 2010, thus the net profit attributable to the equity holders of PANDORA was DKK 578 million in the third quarter of 2010.

## **LIQUIDITY AND CAPITAL RESOURCES**

Working capital development is impacted by the consolidation of CWE into PANDORA and therefore direct comparison between Q3 2009 and Q3 2010 is difficult.

Compared to Q2 2010, inventory in Q3 2010 has increased in line with the increase in revenue.

In Q3 2010, cash flow from operating activities was DKK 49 million compared to DKK 142 million in Q3 2009. The negative effects on cash flow from changes in working capital are primarily attributable to an increase in trade receivables as a result of early sale and delivery of Christmas orders to retailers and a significant part of sales in the quarter taking place in the last part of the quarter.

In Q3 2010, PANDORA generated a free cash flow of DKK 30 million and invested a total of DKK 25 million in property, plant and equipment, approximately 1.4% of revenue. The majority of this was invested in our fourth production facility in Gemopolis, expected to start production in November 2010.

Total interest bearing loans and borrowings were DKK 2,323 million as at 30 September 2010 – Long-term interest-bearing loans and borrowings were DKK 1,346 million and short-term interest-bearing loans were DKK 977 million.

Cash and short-term deposits amounted to DKK 302 million.

Net interest bearing debt as at 30 September 2010 was DKK 2,021 million corresponding to 0.8x LTM EBITDA.

## FINANCIAL OUTLOOK FOR 2010

In line with the financial guidance communicated in connection with the Initial Public Offering in October, revenue for H2 2010 is expected to be higher than revenue in H1 2010 and EBITDA margin for H2 2010 is expected to be above 40%. PANDORA maintains its expectations, which are specified below:

Based on strong Q3 results positively impacted by early Christmas orders, PANDORA expects revenue of approximately DKK 6.2 billion for the financial year 2010 (DKK 3.5 billion in FY 2009). Including an IPO-bonus to all the employees, EBITDA is expected to be approximately DKK 2.5 billion (DKK 1.6 billion in FY 2009).

We also expect CAPEX to account for approximately 3% of total group revenue and the effective tax rate to be approximately 18%.

Financial expectations for full year 2011 will be published in March 2011, when PANDORA releases its Annual Report for 2010.

## SUBSEQUENT EVENTS

On 5 October, PANDORA announced an offer price of DKK 210 per share for its Initial Public Offering of new and existing shares corresponding to a market capitalisation of DKK 27.33 billion. Admission to trading and official listing on NASDAQ OMX Copenhagen took place on October 5, 2010, under the symbol "PNDORA".

2,857,142 new shares were issued by the Company, raising gross proceeds of approximately DKK 600 million; 44,552,785 existing shares were sold by Prometheus Invest ApS (the "Selling Shareholder"); an over-allotment option of additional 6,682,917 existing shares at the Offer price, granted by the Selling Shareholder to the Joint Global Coordinators (on behalf of the Managers) was fully exercised.

After the exercise of the over-allotment option on 8 October, the Offering amounted to DKK 11,359 million.

The free float, representing the proportion of the share capital held by new investors, was 42.6% after exercise of over-allotment option and exercise of warrants. Number of shares is 130,143,258.

In connection with the Initial Public Offering PANDORA exercised the call option to buy out the minority interest in Ad Astra Holdings Pty Ltd. and PANDORA CWE.

In Ad Astra Holdings Pty Ltd. PANDORA purchased the remaining 40% of the shares for AUD 40 million.

PANDORA has purchased the remaining 49% of the shares in PANDORA CWE. The purchase price is based on an earn-out model, currently estimated at a total net present value of DKK 883 million. DKK 385 million hereof was payable upon the Initial Public Offering. The remaining part of the earn-out payment is to be settled in 2015.

In addition, PANDORA has purchased DKK 40 million of treasury shares for the purpose of PANDORA's long-term incentive program.

As announced in the prospectus in connection with the Initial Public Offering, an employee bonus corresponding to two month salary, DKK 91 million, will be paid in Q4 2010. This bonus is a one time, discretionary payment offered to employees funded by the Selling Shareholder, Prometheus Invest ApS, in order to reward the contribution made by employees during the time since the Acquisition in 2008. The

employee bonus will impact EBITDA in Q4 2010, but will, besides a tax effect, have no influence on the cash flow.

## **RISKS AND UNCERTAINTIES**

Other than as stated in this interim report, no material changes have occurred in the risks and uncertainties facing PANDORA as compared with the information stated in the prospectus issued 20th September 2010 in connection with the Initial Public Offering of PANDORA.

## **MANAGEMENT STATEMENT**

The board of directors and the executive management have considered and approved the interim report of Pandora A/S for the period 1 January – 30 September 2010. The interim report is presented in accordance with IAS 34 “Interim financial reporting” as adopted by the EU and additional Danish disclosure requirements for interim reports for listed companies.

In our opinion, the interim report gives a true and fair view of the Group’s assets, liabilities and financial position at 30 September 2010 and of the results of the Group’s operations and cash flows for the period 1 January 2010 – 30 September 2010 and for the period 1 July – 30 September. Furthermore, in our opinion the Management report includes a fair review of the development and performance of the business and the financial position of the Group, the results for the 9-month period ended 30 September 2010 and of the Group’s financial position in general as well as describes the principal risks and uncertainties facing the Group.

Copenhagen, 11 November 2010

## **EXECUTIVE MANAGEMENT**

Mikkel Vendelin Olesen  
Chief executive officer

Henrik Holmark  
Chief financial officer

## **BOARD OF DIRECTORS**

Allan Leighton  
Chairman

Torben Ballegaard Sørensen

Andrea Alvey

Marcello V. Bottoli

Sten Daugaard

Christian Frigast

Erik D. Jensen

Nikolaj Vejlsgaard

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## INCOME STATEMENT

### 1 January - 30 September

DKK million	Notes	2010 Q3	2009 Q3	2010 9 mths	2009 9 mths
Revenue	3	1,788	825	4,369	2,087
Cost of sales		-479	-297	-1,254	-709
Gain and losses on raw material derivatives		-	18	-	80
<b>Gross profit</b>		<b>1,309</b>	<b>546</b>	<b>3,115</b>	<b>1,458</b>
Distribution costs		-409	-225	-1,053	-441
Administrative expenses		-157	-70	-427	-134
<b>Operating profit</b>		<b>743</b>	<b>251</b>	<b>1,635</b>	<b>883</b>
Financial income		1	24	38	54
Financial expenses		-35	-92	-146	-223
<b>Profit before tax</b>		<b>709</b>	<b>183</b>	<b>1,527</b>	<b>714</b>
Income tax expense		-128	-30	-275	-114
<b>Net profit for the period</b>		<b>581</b>	<b>153</b>	<b>1,252</b>	<b>600</b>
<b>Attributable to</b>					
Equity holders of PANDORA A/S		578	147	1,227	594
Non-controlling interests		3	6	25	6
<b>Net profit for the period</b>		<b>581</b>	<b>153</b>	<b>1,252</b>	<b>600</b>
<b>Earnings per share</b>					
Profit for the period attributable to ordinary equity holders of the parent, basic		5	294	29	1,188
Profit for the period attributable to ordinary equity holders of the parent, diluted		5	293	29	1,184

## STATEMENT OF COMPREHENSIVE INCOME

### 1 January - 30 September

DKK million	Notes	2010 Q3	2009 Q3	2010 9 mths	2009 9 mths
<b>Net profit for the period</b>		<b>581</b>	<b>153</b>	<b>1,252</b>	<b>600</b>
Exchange differences on translation of foreign subsidiaries		-221	-41	222	-20
Value adjustment of hedging instruments		107	-	151	-
Income tax effect for the year		-20	-	-19	-
<b>Other comprehensive income</b>		<b>-134</b>	<b>-41</b>	<b>354</b>	<b>-20</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>447</b>	<b>112</b>	<b>1,606</b>	<b>580</b>
<b>Attributable to</b>					
Equity holders of PANDORA A/S		437	106	1,549	574
Non-controlling interests		10	6	57	6
<b>Total comprehensive income for the period, net of tax</b>		<b>447</b>	<b>112</b>	<b>1,606</b>	<b>580</b>

**STATEMENT OF FINANCIAL POSITION**  
**30 September 2010/2009 and 31 December 2009**

<b>Assets</b>		30 September	30 September	31 December
DKK million	Notes	2010	2009	2009
<b>Non-current assets</b>				
Goodwill		1,862	1,189	1,208
Brand		1,048	1,032	1,048
Distribution network		376	403	396
Distribution rights		1,064	900	884
Property, plant and equipment		304	199	205
Deferred tax asset		67	24	76
Other non-current assets		42	7	21
<b>Total non-current assets</b>		<b>4,763</b>	<b>3,754</b>	<b>3,838</b>
<b>Current assets</b>				
Inventories		1,204	365	433
Trade receivables		998	380	622
Other receivables		407	61	58
Tax receivables		53	66	41
Cash and short-term deposits		302	624	824
<b>Total current assets</b>		<b>2,964</b>	<b>1,496</b>	<b>1,978</b>
<b>Total assets</b>		<b>7,727</b>	<b>5,250</b>	<b>5,816</b>



**STATEMENT OF FINANCIAL POSITION**  
**30 September 2010/2009 and 31 December 2009**

<b>Equity and liabilities</b>	Notes	30 September 2010	30 September 2009	31 December 2009
DKK million				
<b>Shareholders' equity</b>				
Issued capital		126	1	1
Share premium		-	-	-
Foreign currency translation reserve		328	99	164
Other reserves		161	8	11
Retained earnings		2,198	899	1,275
<b>Equity attributable to equity holders of the parent company</b>		<b>2,813</b>	<b>1,007</b>	<b>1,451</b>
Non-controlling interests		578	168	197
<b>Total shareholders' equity</b>		<b>3,391</b>	<b>1,175</b>	<b>1,648</b>
<b>Non-current liabilities</b>				
Subordinated loan from parent company		-	1,335	1,363
Interest-bearing loans and borrowings		1,346	1,331	1,340
Provisions		13	5	4
Deferred tax liability		540	596	559
Other liability		449	-	
<b>Total non-current liabilities</b>		<b>2,348</b>	<b>3,267</b>	<b>3,266</b>
<b>Current liabilities</b>				
Subordinated loan from parent company		-	32	37
Interest-bearing loans and borrowings		977	339	235
Provisions		95	40	64
Payable to parent company		-	-	
Trade payables		187	61	106
Income tax payable		403	177	207
Other payables		326	159	253
<b>Current liabilities</b>		<b>1,988</b>	<b>808</b>	<b>902</b>
<b>Total liabilities</b>		<b>4,336</b>	<b>4,075</b>	<b>4,168</b>
<b>Total equity and liabilities</b>		<b>7,727</b>	<b>5,250</b>	<b>5,816</b>

## STATEMENT OF CHANGES IN EQUITY

### 1 January - 30 September

DKK million	Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Shareholders' equity at 1/1 2009	-	119	2	306	427	-	427
Net profit for the period				594	594	6	600
Other comprehensive income		-20			-20		-20
Capital increase	1			-1	-		-
Share-based payments			6		6		6
Non-controlling interest arising on business						162	162
<b>Shareholders' equity at 30/9 2009</b>	<b>1</b>	<b>99</b>	<b>8</b>	<b>899</b>	<b>1,007</b>	<b>168</b>	<b>1,175</b>
Shareholders' equity at 1/1 2010	1	164	11	1,275	1,451	197	1,648
Reclassification		-14		21	7	-7	-
Net profit for the period				1,227	1,227	25	1,252
Other comprehensive income		178	144		322	32	354
Share-based payments			6		6		6
Capital increase	125			675	800		800
Declared dividend				-1,000	-1,000	-40	-1,040
Non-controlling interest arising on business combination						820	820
Minority shareholder with put-option reclassified to non-current liabilities						-410	-410
Remeasurement of put-option						-39	-39
<b>Shareholders' equity at 30/9 2010</b>	<b>126</b>	<b>328</b>	<b>161</b>	<b>2,198</b>	<b>2,813</b>	<b>578</b>	<b>3,391</b>

There were 125,500.000 shares at DKK 1 per share end Q3 2010. After the Initial Public Offering number of shares is 130.143.258.

## STATEMENT OF CASH FLOWS

1 January - 30 September

DKK million	Note	2010 Q3	2009 Q3	2010 9 mths	2009 9 mths
Profit before tax		709	183	1,527	714
Net financials		34	68	108	169
Amortisation/depreciation	3	64	58	192	80
Warrants		2	2	6	6
Changes in inventories		207	-5	-645	-73
Changes in receivables		-524	-43	-548	-56
Changes in current liabilities		-65	26	15	123
		13	289	655	963
Adjustments, exchange rates, etc.		115	-1	123	13
Net Interest paid		-20	-49	-227	-146
Income taxes paid		-59	-97	-186	-132
<b>Cash inflow from operating activities</b>		<b>49</b>	<b>142</b>	<b>365</b>	<b>698</b>
<b>Investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	4	-	-74	8	-75
Investment in receivable		-6	-	-83	
Purchase of property, plant and equipment		-25	-49	-107	-74
Purchase of other non-current assets		-14	-	-14	
<b>Cash outflow from investing activities</b>		<b>-45</b>	<b>-123</b>	<b>-196</b>	<b>-149</b>
<b>Financing activities</b>					
Dividend paid		-74		-240	
Proceeds from selling warrants					1
Proceeds from borrowings		210		983	
Repayment of borrowings			-74	-1,470	-232
<b>Cash outflow/inflow from financing activities</b>		<b>136</b>	<b>-74</b>	<b>-727</b>	<b>-231</b>
<b>Net increase in cash and cash equivalents</b>		<b>140</b>	<b>-55</b>	<b>-558</b>	<b>318</b>
<b>Cash and short-term deposits</b>					
Cash and short-term deposits at 1/1		178	680	824	305
Net foreign exchange difference		-16	-1	36	1
Net increase in cash and cash equivalents		140	-55	-558	318
<b>Cash and short-term deposits at end of period</b>		<b>302</b>	<b>302</b>	<b>624</b>	<b>624</b>
<b>Unutilised credit facilities inclusive cash and cash equivalents</b>		<b>431</b>	<b>659</b>	<b>431</b>	<b>659</b>

## NOTES

### NOTE 1 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, management makes various accounting estimates and assumptions, which form the basis of presentation, recognition and measurement of the Group's assets and liabilities.

In addition to the significant accounting estimates and judgements in the annual report for 2009, the Group has in the first 3 quarters of 2010 made significant accounting estimates and judgements in connection to the acquisition of the former German distributor described below. All other significant accounting estimates and judgements are consistent with the description in the annual report for 2009. We refer to the description in PANDORA A/S' annual report for 2009, from page 31.

#### Acquisition of the former German distributor

On 5 January 2010, the Group acquired 51% of the activities in the business of the former German distributor through a business combination. PANDORA has chosen to measure the value of the 49% non-controlling interest at fair value. The measurement is based on a call option for the remaining 49% of the shares and a put option for half of the remaining 49% of the shares. Consequently, significant judgements have been performed in connection with the measurement of the purchase price which is equal to the fair value of the non-controlling interest, the distribution rights for the PANDORA products on the German, Swiss and Austrian markets (for the remaining 1.5 years) and the residual goodwill.

The recognized amounts regarding the acquisition have been restated compared to the amounts disclosed in the notes to the annual report for 2009 due to updated estimates.

Please refer to Note 4 for further information on the business combination.

#### Put option

In connection to the acquisition of the activities in the business of the former German distributor, PANDORA entered into a put option with one of the minority shareholders for 50% of the 49% non-controlling interest. In accordance with IFRS, the put option is considered a financial liability for PANDORA.

Management has chosen to account for the put option as a reclassification from the non-controlling interest (within equity) and to other liability in non-current liabilities. The financial liability has been measured as the present value of the estimated future cash flow if the option is exercised.

As of 30 September 2010 the carrying amount of the financial liability for the put option is DKK 449 million.

Please refer to Note 4 and Note 7 for further information on the put-option.

### NOTE 2 – SEASONALITY OF OPERATIONS

Due to the seasonal nature of the jewellery business, higher revenue is historically realised in the second half of the year.

**NOTE 3 – OPERATING SEGMENT INFORMATION**

PANDORA's activities are segmented on the basis of geographical areas in accordance with management's reporting structure. In determining the reporting segments, a number of operating segments have been aggregated. All segments derive their revenues from the sale of our jewellery products.

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).

<b>Q3 2010</b>				Unallocated	Total
DKK million	Americas	Europe	Asia Pacific	cost	group
<b>Income statement</b>					
External revenue	725	865	198		1,788
<b>Segment profit (EBITDA)</b>	<b>385</b>	<b>462</b>	<b>86</b>	<b>-126</b>	<b>807</b>
<b>Adjustments</b>					
Amortisation/depreciation					-64
<b>Consolidated operating profit according to IFRS</b>					<b>743</b>

<b>Q3 2009</b>				Unallocated	Total
DKK million	Americas	Europe	Asia Pacific	cost	group
<b>Income statement</b>					
External revenue	376	297	152		825
<b>Segment profit (EBITDA)</b>	<b>172</b>	<b>123</b>	<b>71</b>	<b>-57</b>	<b>309</b>
<b>Adjustments</b>					
Amortisation/depreciation					-58
<b>Consolidated operating profit according to IFRS</b>					<b>251</b>

<b>9 mths 2010</b>				Unallocated	Total
DKK million	Americas	Europe	Asia Pacific	cost	group
<b>Income statement</b>					
External revenue	1,912	1.903	554		4,369
<b>Segment profit (EBITDA)</b>	<b>1,009</b>	<b>878</b>	<b>246</b>	<b>-306</b>	<b>1,827</b>
<b>Adjustments</b>					
Amortisation/depreciation					-192
<b>Consolidated operating profit according to IFRS</b>					<b>1,635</b>

9 mths 2009		Americas	Europe	Asia Pacific	Unallocated cost	Total group
DKK million						
<b>Income statement</b>						
External revenue		995	739	353		2,087
<b>Segment profit (EBITDA)</b>		<b>520</b>	<b>379</b>	<b>200</b>	<b>-136</b>	<b>963</b>
<b>Adjustments</b>						
Amortisation/depreciation						-80
<b>Consolidated operating profit according to IFRS</b>						<b>883</b>

DKK million

<b>Product information</b>					
Revenue from external customers		2010	2009	2010	2009
		Q3	Q3	9 mths	9 mths
Charms		1,184	611	2,991	1,569
Silver and gold charms bracelets		235	128	652	319
Other jewelry		365	82	708	189
Other		4	4	18	10
<b>Revenue</b>		<b>1,788</b>	<b>825</b>	<b>4,369</b>	<b>2,087</b>

<b>Geographical information</b>					
Revenue from external customers		2010	2009	2010	2009
		Q3	Q3	9 mths	9 mths
United States		644	351	1,698	934
Australia *		171	148	494	349
United Kingdom		333	106	675	259
Germany *		184	85	488	223
Other countries **		456	135	1,014	322
<b>Revenue</b>		<b>1,788</b>	<b>825</b>	<b>4,369</b>	<b>2,087</b>

\* 2009 9 mths comparison figures are partly sales to local distributor.

\*\* PANDORA A/S' country of domicile is Denmark, which is included in "other countries".

#### **NOTE 4 – BUSINESS COMBINATIONS**

##### **Acquisition of the German distributor**

On 5 January 2010, the Group formed PANDORA Jewelry Central Western Europe A/S together with the former German distributor. The formation was done through contributions from the two shareholders. PANDORA contributed distribution rights in the Netherlands and Italy, the latter being a new market, and extended the term of the distribution right for Germany, Austria and Switzerland, while the former German distributor contributed the ongoing business in Germany, Austria and Switzerland, including the distribution rights for PANDORA products for the remaining 1.5 years of the distribution agreement. Following the formation, the Group owns 51% and therefore has a controlling interest in PANDORA Jewelry Central Western Europe A/S, while the former German distributor owns 49% and therefore has a non-controlling interest. PANDORA has an option in place for the non-controlling interest. In accordance with IFRS 3, the formation constitutes an acquisition of the activities in the business of the former German distributor, whereas the contribution of the PANDORA assets is an intra-group transaction and does not impact the consolidated financial statements.

The formation and acquisition took place as part of the Group's plans to expand operations in both new and existing markets.

PANDORA has elected to measure the 49% non-controlling interest in the acquiree at fair value.

Currently, not all aspects of the business combination have been finalised. The material used for the measurement of the cost price and the distribution agreement is based on budgeted and forecast amounts. Therefore, the measurement of these items and the residual goodwill is determined only provisionally since they are based on future profit and debt in respect to PANDORA CWE that are indeterminable at the present.

The provisionally recognised amounts of the identifiable assets and liabilities of the former German distributor at the date of acquisition are:

DKK million	Amounts recognised at 5 January 2010
Intangible assets	274
Property, plant and equipment	19
Receivables	26
Inventories	76
Tax receivables	4
Other current assets	8
Cash and short-term deposits	1
	408
Non-current liabilities	16
Payables	81
Other current liabilities	13
Deferred tax	69
	179
<b>Recognised net assets</b>	<b>229</b>
Non-controlling interest measured at fair value	-820
Goodwill arising on acquisition	591
Cash consideration	0
<b>Cash movements on acquisition</b>	
Purchase consideration transferred (included in cash outflow from investing activities)	0
Transaction costs of the acquisition (included in cash inflow from operating activities)	-2
Net cash acquired with the subsidiary (included in cash outflow from investing activities)	8
Net cash outflow on acquisition	6

### Measurement of non-controlling interest

As stated above, the non-controlling interest in the former German distributor is measured at fair value including goodwill. As the 51% interest was acquired by contributing own distribution rights, no cash consideration was transferred on the formation of the entity. The fair value of the non-controlling interest is estimated based on a combined put and call option for the remaining 49% of the shares and a put option for half of the remaining 49% of the shares with a shared strike price.

### Transactions recognised separately from the acquisition

In connection with the business acquisition, the Group paid transaction costs to advisors of DKK 2 million. These costs are expensed as administrative expenses in the consolidated income statement for the period.

In connection with the acquisition, employment contracts with former shareholders were entered into. The contracts were entered into on an arm's length basis, including remuneration and other terms.

No such other arrangements were entered into either before or in connection to the business combination as should be considered in the overall evaluation of the accounting treatment of the business combination.

### Description of the acquired assets and liabilities

Goodwill is stated at the amount by which the acquisition cost for the business combination exceeds the



acquired share of the recognised amounts of the identifiable assets, liabilities and contingent liabilities. Goodwill comprises know-how, future growth expectations and synergies. None of the goodwill recognised is to be deductible for income tax purposes.

In the business combination, one intangible asset was identified and measured separately from goodwill: the distribution right for the PANDORA products on the German, Swiss and Austrian markets, totalling DKK 274 million. The distribution right is measured based on the Multi-period Excess Earnings Model and is to be amortised over its useful life of 1.5 years.

Acquired gross contractual receivables totalled DKK 31 million and consisted of trade receivables, which had been written down by DKK 5 million. The net receivables acquired of DKK 26 million are considered to be stated at fair value and are expected to be collected.

#### **Put option**

In connection to the formation of PANDORA CWE, one minority shareholder was granted a put-option, entitling the shareholder to sell 50% of the remaining 49% of shares in PANDORA CWE to PANDORA under certain conditions not under PANDORA's control. This put option is recognised as a financial liability in the consolidated financial statements at the amount of the present value of the amount payable upon exercise of the option. At 5 January 2010, the liability was measured at DKK 410 million, which has been deducted from the non-controlling interest within equity and reclassified to non-current liabilities.

#### **NOTE 5 - CONTINGENT LIABILITIES**

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

#### **NOTE 6 – RELATED PARTY TRANSACTIONS**

Related parties of the Group with a controlling interest are the principal shareholder Prometheus Invest ApS and the ultimate parent, Axcel III K/S 2.

Related parties further comprise Axcel III K/S 2's other portfolio enterprises, as they are subject to the same controlling interest as the Group. There have not been any transactions with these other entities during 2009 or 2010.

Related parties of the Group with material interests include the board of directors and the executive management of the companies and key employees and their family members. Furthermore, related parties include companies in which the aforementioned persons have a material interest.

Members of the board of directors and the executive management have purchased products from the Group in both 2009 and 2010. As none of the members of management is neither a distributor nor a retailer, all purchases have been for own use.

The table below provides the total amount of transactions which were entered into with related parties for the relevant financial quarter.

In February 2010, PANDORA completed a refinancing through borrowing DKK 2,200 million under a new senior facility agreement. The proceeds were used to repay existing credit facilities, to repay the subordinated loan from the parent company, Prometheus Invest ApS, to pay related fees and expenses and to pay DKK 113 million of a declared dividend to Prometheus Invest ApS. The total declared dividend was DKK 1,000 million and June 2010, DKK 800 million of the remaining unpaid dividend to Prometheus Invest

ApS was converted into equity and DKK 53 million was paid out to Prometheus Invest ApS. The remaining DKK 34 million was paid during the third quarter of 2010.

The obligations of the Group related to the Senior Facility Agreement are guaranteed by Prometheus Invest ApS.

DKK million	Prometheus Invest ApS Q3 2010	Prometheus Invest ApS Q3 2009	Prometheus Invest ApS 9 mths 2010	Prometheus Invest ApS 9 mths 2009
<b>Consolidated income statement</b>				
Financial expenses	-	20	25	60
<b>Total</b>	<b>-</b>	<b>20</b>	<b>25</b>	<b>60</b>

DKK million	Prometheus Invest ApS September 2010	Prometheus Invest ApS September 2009	Prometheus Invest ApS December 2009
<b>Consolidated balance sheet</b>			
Payables	-	-	-
Subordinated loan	-	-1,367	-1,400
<b>Total</b>	<b>-</b>	<b>-1,367</b>	<b>-1,400</b>

#### NOTE 7 – ACCOUNTING POLICIES

The interim financial report is prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for interim reports for listed companies.

Compared to the accounting policies applied in the annual report for 2009, the Group has begun to use hedge accounting for commodity contracts designated as cash flow hedges from 1 January 2010, since from this date the Group formally designates and documents hedge relationships between commodity contracts and transactions. The accounting policies have therefore been updated with regard to the description of hedge accounting as shown below.

Furthermore in 2010 the Group entered in a put option with a minority shareholder, entitling the shareholder to sell equity instruments of fully consolidated companies to the Group. IAS 32 stipulates that this is no longer equity, with the result that the put option leads to a financial liability for PANDORA for the amount of the present value of the obligation, and the Group’s equity is decreasing accordingly. In accordance with IAS 32, the probability of the option being exercised has not been taken into account in the evaluation of the recognition and measurement of the financial liability, since the Group does not have an unconditional right to avoid delivering cash or other assets. The accounting policies have therefore been updated with regard to the description of the accounting treatment of the put option as shown below.

All other significant accounting policies are consistent with those applied in the annual report for 2009. We refer to the description in PANDORA A/S’ annual report for 2009, page 55 ff.

### **Hedge accounting**

For hedge accounting purposes, hedges are classified as:

- Cash flow hedges when hedging exposure to a highly probable forecast transaction

Hedges which meet the strict criteria for hedge accounting as laid down by IAS 39 are accounted for as follows:

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in the cash flow hedge reserve are transferred to the income statement when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset, the amounts recognised in the cash flow hedge reserve are transferred to the initial carrying amount of the non-financial asset.

If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in the cash flow hedge reserve is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in the cash flow hedge reserve remains in the cash flow hedge reserve until the forecast transaction affects profit or loss.

#### **Put option**

Potential purchase price obligations from put options granted to minority shareholders of fully consolidated companies are recognised at their present value of the amount payable upon exercise of the option in other liability, if the Group does not have an unconditional right to avoid delivering cash or other assets. If the Group still has present access to the benefits associated with the interest, the non-controlling interest is still attributed its share of profits and losses (and other changes in equity) of CWE. The financial liability is recognised at the acquisition date and reclassified from the non-controlling interest to financial liabilities. At the end of all subsequent reporting periods, the financial liability is remeasured as if the option had been exercised at that date. Subsequent changes to measurement are accounted for as a change in the non-controlling interest.

#### **New standards and interpretations**

PANDORA has implemented changes in standards and interpretations effective 1 January 2010. None of the changes have any impact on the Group.

#### **NOTE 8 – EVENT AFTER THE REPORTING PERIOD**

Please refer to the subsequent events section on page 11 for information regarding event after reporting period.

## QUARTERLY OVERVIEW – LAST SEVEN QUARTERS

DKK million	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
<b>Income statement</b>							
Revenue	1,788	1,343	1,238	1,374	825	675	587
EBITDA	807	546	474	609	309	320	334
Operating profit (EBIT)	743	480	412	541	251	309	323
Net financial income and expenses	-34	9	-83	-66	-68	-32	-69
Profit before tax	709	489	329	475	183	277	254
Net profit	581	401	270	405	153	232	215
<b>Balance sheet</b>							
Total assets	7,727	7,001	6,373	5,816	5,250	4,691	4,525
Invested capital	5,861	5,415	4,839	3,799	3,588	3,070	3,156
Net working capital	1,638	1,079	648	520	430	229	247
Shareholders' equity	3,391	2,996	1,512	1,648	1,175	899	724
Net borrowings	2,021	1,950	2,060	2,151	2,413	2,171	2,432
Net borrowings excl. subordinated loan from parent company	2,021	1,950	2,060	751	1,046	824	1,105
<b>Cash flow</b>							
Cash inflow from operating activities	49	260	56	368	142	296	260
Cash outflow from investing activities	-45	-122	-29	-58	-123	-14	-12
Free cash flow	30	229	212	374	142	339	289
Cash outflow/inflow from financing activities	136	-263	-600	-112	-74	-57	-100
Net increase in cash and cash equivalents	140	-125	-573	198	-55	225	148
<b>Ratios</b>							
Revenue growth, %	116.7%	99.0%	110.9%				
Growth in EBITDA, %	161.2%	70.6%	41.9%				
Growth in EBIT, %	196.0%	55.3%	27.6%				
Growth in net profit, %	279.7%	72.8%	25.6%				
EBITDA margin, %	45.1%	40.7%	38.3%	44.3%	37.5%	47.4%	56.9%
EBIT margin, %	41.6%	35.7%	33.3%	39.4%	30.4%	45.8%	55.0%
Cash conversion, %	5.2%	57.1%	78.5%	92.3%	92.8%	146.1%	134.4%
Net debt to EBITDA *	0.8	1.0	1.2	1.4			
Equity ratio, %	43.9%	42.8%	23.7%	28.3%	22.4%	19.2%	16.0%
ROIC, % *	37.1%	31.1%	31.3%	37.5%			
<b>Other key figures</b>							
Average number of employees	4,665	4,239	3,545	2,888	2,266	1,793	1,626

\* Ratio is based on last 12 month rolling (LTM) EBITDA and EBIT respectively.